

April | May 2011

Texas Rising



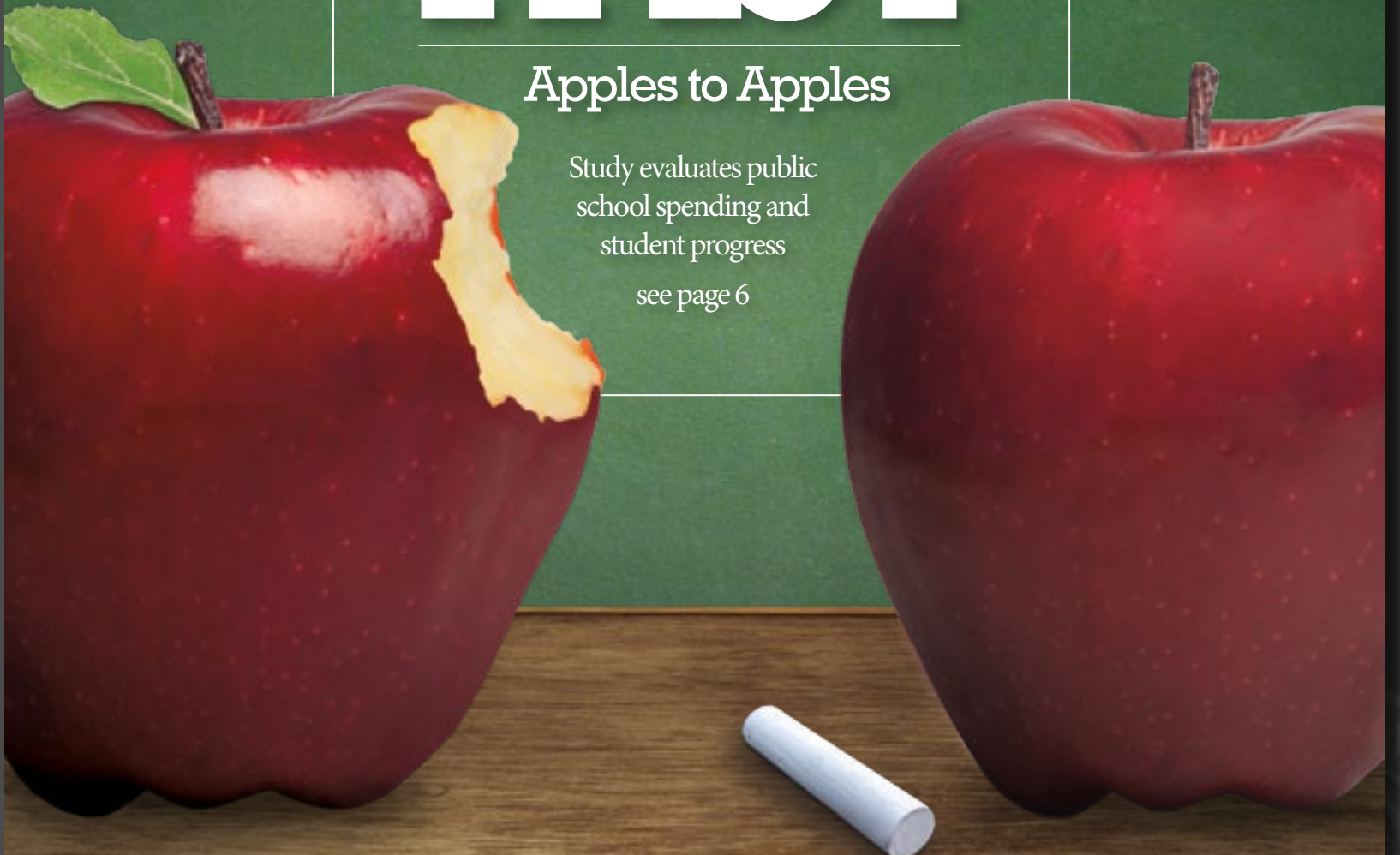
Susan Combs Texas Comptroller of Public Accounts | Partnering with local governments to solve important issues

NOTICE:
LAST PRINTED ISSUE
SEE DETAILS ON PAGE 2.

Biting into FAST

Apples to Apples

Study evaluates public
school spending and
student progress
see page 6





TEXpansion — See who's investing in North Texas
— page 3

The reasons for Texas resilience
— page 4

Look at why Veribest is the very best
— page 5

FAST rates school district spending, student progress
— page 6

Smart purchasing can help stretch tight budgets
— page 8

Growing Alamo-area cities team up to sell their region
— page 10

\$500 was enough to launch artisan business
— page 11

A message from the Comptroller



It's rare anymore that you can get something for nothing. But getting a good deal is something that never goes out of style. Whether you're serving taxpayers, shareholders or yourself, the benefits of running an efficient, value-for-money operation are the common denominator.

In our *Texas Rising* cover story, read how the Financial Allocation Study of Texas (FAST) has looked at how spending matches up with academic progress in Texas public schools and districts. The report also details best practices that other schools can emulate to operate more efficiently and increase their effectiveness.

Successful government means doing the best job with the resources given us. Veribest ISD near San Angelo proves you don't have to be big to be fiscally transparent and find savings. It is among more than 200 Texas local governments that have achieved the Comptroller's Gold Leadership Circle designation.

We hear plenty about incentives that help new businesses get off the ground. But they aren't always necessary thanks to the initiative of some Texans. Luis Morales took \$500 and started an artisan food business in San Antonio, selling to restaurants and directly to consumers at weekly farmers' markets. We hear, too, from farmers' market operators about the keys to successful selling.

Given the tight financial times facing state government today, the Comptroller's office has decided to make the leap to online-only publications. We'll be able to save on printing and mailing costs while still providing you with the thoughtful and informative articles you've come to expect. I hope you'll take the time to subscribe to our publications email list, so we can let you know when we publish new content telling you about fiscal transparency, government procurement, economic development and anything else that can help local governments be efficient and promote investment in your communities. See you online!

Susan Combs



We're moving online.

These cost-conscious times bring new challenges for all state agencies. At the Comptroller's office, our goal is to provide the highest level of service for Texans without increasing spending.

To help meet this goal, we're examining our printing costs and moving forward with plans to provide more content, including issues of *Texas Rising*, online. **If you have not already subscribed to our *Texas Rising* email update list, it's easy to do at**

The paper used for Texas Rising is printed on paper that contains 10% Post Consumer Waste. Please Recycle Responsibly.



TEXpansion

Dallas Metroplex — As Texas grows by thousands of new residents each week, businesses and industries are expanding their operations and building new facilities throughout the state. Here is a sampling of recently announced expansions in the Dallas-Fort Worth Metroplex and around Texas.



Premier Studios, LLC has 90 acres under contract and plans to build a 1 million-square-foot television and movie production studio that will create an estimated 450 jobs in Frisco.



Reata Pharmaceuticals and Abbott Laboratories are expanding their operations, partnering in an \$800 million venture to launch a chronic kidney disease drug. The Irving development is expected to create 100 new jobs.



Minneapolis-based **MoneyGram International** is moving its global headquarters to a 46,000-square-foot facility in Dallas. It plans to hire 150 employees by 2012 with an annual average salary of \$115,000.



Hyundai Capital is expanding its U.S. operations by adding an automotive finance office in Plano. The company will open the facility with 230 workers and expand to almost 400 by 2013.

College Station — Texas A&M University has awarded a \$34 million building contract to Skansa USA for a new Arts and Humanities facility. The 107,000-square-foot building will house faculty offices, classrooms, and performance and rehearsal spaces. Completion is scheduled for summer 2012.

San Antonio — H-E-B plans to open 19 Texas stores in 2011. A 112,000-square-foot Bulverde H-E-B Plus store opened in February, adding 160 workers to the 260 transferred from an older, smaller nearby store it replaced. It is the first of four opening in the San Antonio area this year.

For more information, visit the Office of the Governor Economic Development and Tourism Division at or Texas A&M University's Real Estate Center at



F1 Race to Learn is Coming to Texas Schools

Texas schoolchildren will be the first in this country to try out an engaging, crosscurricular educational program linked to Formula 1 racing.

Created by AT&T Williams, the F1 racing team, in conjunction with Cambridge University Press, the interactive Race to Learn software for elementary school students will soon make its U.S. debut with a pilot program at Del Valle Independent School District outside Austin. The U.S. Grand Prix will be based from 2012 at the Circuit of the Americas currently under construction in Del Valle.

Race to Learn uses Formula 1 fundamentals to teach a variety of interdisciplinary topics, ranging from balancing a budget and investigating wind flow to pitching sponsorships and teamwork.

Read more at

Housing, Energy Texas Economic Rebound



Mike Reissig, associate deputy comptroller, explains why the Texas economy is resilient.

The recent recession was a turbulent time for economies around the world and for Texas. However, the housing sector, oil and gas production, and a helpful business environment helped Texas get through relatively better than most other states, and will boost the state's economy going forward.

Q. Why did the housing bubble not affect Texas like other states?

A. The main thing was that while housing values were increasing all across the nation, what you found in Texas was that a much higher percentage of the increase of the value of houses was as a result of underlying strength in the economy and not of the housing bubble. So that as our values increased, within that increase was legitimate demand from people moving up to bigger houses, who had gotten some of the new jobs that were created in the state.

Q. Did the energy sector contribute to the lesser Texas recession?

A. There's a misperception out there that the state would transition from being an oil and gas economy to being a high-tech economy. But what really happened was that you had the oil and gas economy still being a big part of our economy, and we added a large high-tech economy. And so the oil and gas economy, which sometimes tends to be a little counter-cyclical compared to the rest of the nation, actually will help us, will buffer us in weak economic times. It is kind of like having a portfolio of investments, part of which tends to be counter-cyclical. That's what the oil and gas sector does for us now.

Q. What factors contribute to Texas' reputation as having an environment for success?

A. Labor costs are relatively low in the state. Taxes are low in the state compared to other parts of the nation. We have a lot of available land. We put in place tort reform that has had a beneficial impact on business in the state. We've really created an environment that is going to help us significantly over the coming decade and even further. I would expect our economic performance compared to the rest of the nation is going to continue to be positive for the foreseeable future.

Local Government Assistance and Economic Development Profile: Serving Region 8 – Russell Gallahan



Since 2005, Russell Gallahan has served as an economic development analyst for the Comptroller's Local Government Assistance and Economic Development Division and the regional representative for South Texas.

Region 8 encompasses 26 counties along the lower Rio Grande River from Val Verde and Edwards counties in the northwest to San Patricio County along the Gulf of Mexico, southward to Cameron and Hidalgo counties.

Previously, Russell worked more than 15 years in the private sector, developing and operating hotel projects in Texas, Tennessee and Florida. He is the administrator for the Type A and Type B sales tax for economic development and provides assistance to local governments on implementation of all local sales taxes.



A rural Class A school district just east of San Angelo, Veribest was one of the first in Texas to be completely financially transparent. by Meghan Vail

For five years, Veribest Independent School District (ISD) has published its budgets, financial reports, check registers, tax statements and board meeting minutes online.

Veribest was the 13th school district awarded a Gold Texas Comptroller Leadership Circle designation in recognition of its demonstrated commitment to transparency. The gold seal is featured on the ISD website, along with a public statement on the benefits of transparency.

Veribest's taxpayers, employees and students can learn how the district spends its budget by accessing the monthly check register online.

Opening the checkbook to the public "makes the district think twice about how it spends its money," says Bill Merry, director of technology. Merry and Business Manager Denise Dusek maintain high transparency standards by publishing current data in a timely fashion.

Merry believes that Veribest ISD's unique annual community workshop is the key to public confidence in the district's financial decisions.

"Our March workshops lay it all out on the table," he says. During the workshops, board members, administrative staff, educators, students and parents examine the budget and

decide how to have the greatest educational impact on students and teachers.

Because the community collectively decides what its financial priorities should be, "when a community member sees an initiative being implemented, he or she doesn't wonder who came up with it," Merry says. "He or she says, 'I was a part of this process.'"

Finding ways to save while providing students with the best technology possible has been a VISD priority and is directly attributable to transparency. Merry estimates that by employing thin client technology and saving on hardware, machine replacements and work equipment, Veribest has saved an estimated \$765,000 in classroom technology over the past six years.



210 Texas local governments have earned the Comptroller's Gold Leadership Circle designation.

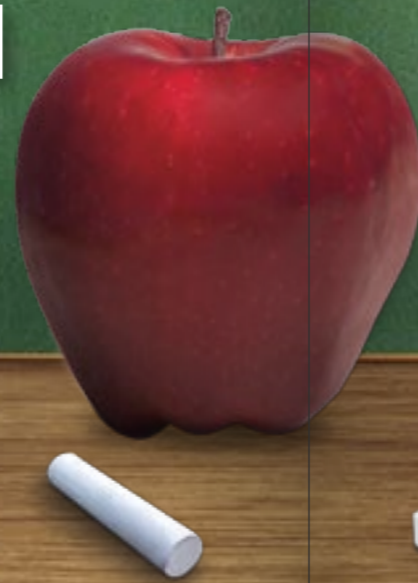
"When you can demonstrate these savings," he says, "you are truly at the leading edge of financial transparency."

Check out Veribest ISD's checkbook and other financial documents at

Biting into FAST

Apples to Apples

Comptroller study evaluates public school spending and student progress
by Gerard MacCrossan



FAST Offers Financial Efficiency Ideas to Schools

The most effective form of government stretches the tax dollars it collects as far as it possibly can. For Texas school districts, not only is that wise, it is imperative.

The 2009 Texas Legislature charged the Comptroller with identifying school districts that combine academic achievement with cost-effective operations — in effect, to determine which districts are providing a good return on Texans' investment. The Financial Allocation Study of Texas (FAST) examines how public schools and districts spend those dollars compared to fiscal peers of up to 40 other districts or campuses that operate in similar cost environments, based on factors that affect the cost of providing education, such as regional wages and student characteristics. It also scores the district's effectiveness in improving its students' performance in math and reading/English language arts relative to those expenditures.

"On the academic side, we looked at student academic progress, rather than absolute levels of achievement," says Tom Currah, FAST's research lead.

The FAST report provides an array of best practices from the most efficient and effective school districts that can be used by other districts wishing to improve their operations. It also offers a series of Comptroller recommendations that could save millions of dollars.



"Over time, we think that school districts may be able to apply some things we've pointed out in our report to help improve their performance."

Tom Currah, FAST Research Lead

Among the recommendations that could create potential savings:

- Change the 22-student limit for K-4 classrooms to an average class size of 22, permitting school districts the flexibility to work with their teachers to staff their classrooms in a manner consistent with local conditions and preferences without sacrificing student performance.
- Adopt electronic textbooks.
- Allow school districts to publish public notices electronically.
- Reduce school energy spending.

To read all the recommendations and find out how much money Texas school districts could potentially save, view the FAST report at

Savings Around Texas

Some of the biggest — and most easily identifiable — savings can come from purchasing.

In far West Texas, the 62,000-student El Paso ISD employs a variety of group purchasing arrangements, including the Texas Association of School Boards' BuyBoard, the Texas Procurement and Support Services-administered State of Texas CO-OP and Texas Multiple Award Schedule (TXMAS) and Education Services Center cooperatives. All combined, El Paso ISD estimates about \$1 million annual procurement savings.

Construction Savings:

Many Texas districts, particularly in suburban areas, are constantly trying to stay ahead of population growth.

Some have realized that when they've found a good design for a campus, they can save money by reusing those plans.

Construction savings aren't just confined to education buildings. Cedar Hill ISD's administration and the city share the Cedar Hill Government Center, saving the school district about \$150,000 per year in operational costs compared with the former school building previously used for administration, and making a convenient location for citizens to transact business with both entities. According to the city, the \$27.5 million government center saved about \$4 million over building two separate facilities to serve the needs of the 8,200-student school district and 45,000-resident city.

Watch online how Cedar Hill has saved at



"FAST examines how Texas public school district and campus spending practices lend themselves to efficient use of dollars for education. We are looking at spending and the intersection with academic outcomes. As new financial and academic data becomes available, the online FAST tool will be updated so that users can see how to continue to manage their resources."

Beth Hallmark, Comptroller's Data Services Division

Tighter Budgets & Smarter Buys

by Meghan Vail

For most mid-size cities and counties in Texas, fiscal 2011 brought tighter budgets and the need for increased fiscal efficiency. Many governments witnessed declines in sales tax collections in fall 2010 when compared with the previous year.

Lower revenue requires lower spending

With budget cuts looming, local governments got creative with strategies to save.

As Deer Park officials prepared the fiscal 2011 budget, they had to face the challenges of reduced revenues produced by fiscal 2010 taxable sales that were lower than 2009. The suburban Houston-area city prepared a budget management plan to identify areas for cuts that would reduce its \$36 million fiscal 2011 budget by \$3.5 million — nearly 10 percent. Deer Park froze salaries of newly hired employees and eliminated 17 vacant budgeted positions.

“We scrubbed the budget as much as we could,” says Finance Director Keith Nelson. “We reduced capital expenditures to the bare minimum.”

Efficiency audits reveal potential savings

North Texas city Farmers Branch had its own strategy. Since 2007, City Manager Gary Greer has selected three of the city’s departments for annual efficiency audits. This year, the audits were expanded to include seven departments. Greer identifies departmental services, evaluates their utility and finds the most cost-effective way to provide them.

During fiscal 2010, Farmers Branch saw a 14 percent decline in taxable sales from the previous year. Facing a budget reduction, city leaders opted to cut costs, not raise property taxes. The city reorganized departments to eliminate duplicated services, offered an early buyout for retirees, and has refrained from increasing employee salaries.



“We scrubbed the budget as much as we could. We reduced capital expenditures to the bare minimum.”

— Keith Nelson, Deer Park finance director



“It’s important that there’s a lot of scrutiny, for people to see where the money goes.”

— Gary Greer, Farmers Branch city manager



Private business is a partner in the recovery effort. “We’re taking a business approach,” Greer says. “[We’re] outsourcing and letting private industry perform certain functions.”

Transparency shows spending patterns

Financial transparency is an integral part of the process for both Deer Park and Farmers Branch, Texas Comptroller Leadership Circle members that recognize the value of knowing what the city spends in order to know where to save. “It’s important that there’s a lot of scrutiny, for people to see where the money goes,” Greer says.

Local governments with tighter budgets in fiscal 2011 can save by buying through the State of Texas CO-OP. Read more at

Tools to Help Governments Get Good Deals

TxSmartBuy

- Become a State of Texas CO-OP member for access to TxSmartBuy.
- Search e-catalogs for products and competitive prices at
- Place a purchase order that is received by a contractor immediately.
- Questions? E-mail txsmartbuy@state.tx.us or call (888) 479-7602 or (512) 936-2764 in Austin.

Texas Multiple Award Schedules (TXMAS)

Existing competitively awarded government contracts are adapted to Texas state procurement needs.

- A list of vendor catalogues is available at
- Catalogs contain item specifications, ordering and invoicing procedures.
- Questions? Contact the TXMAS coordinator at (512) 463-3421.



Partnering for Impact: Sales tax generates more than \$500 million for economic development in Texas

The Comptroller recently released the 2008-09 Economic Development Corporation Report, detailing the activities of EDCs in cities across Texas.

Since 1989, the Development Corporation Act has allowed cities to form Type A or Type B economic development corporation (EDC) funded by a local option sales tax, to attract businesses and create job opportunities for their residents. A board of directors appointed by its city council administers each EDC.

In 2008, the 666 EDCs generated \$555.5 million in sales tax revenue for local economic development activities. This sales tax continues to be the state’s primary local revenue source for economic development, although EDCs can also generate revenue from bond, loans, grants and other sources. The EDCs’ total revenue from all sources was \$832.5 million. The fiscal 2009 total slipped to \$538.2 million for the 680 EDCs operating in 2009, and total EDC revenues declined to \$675.3 million, mainly resulting from sharp declines in bond proceeds and loans.

State law specifies a wide variety of project types that EDCs can fund. In 2008 and 2009, the leading expenditure

category was capital projects — \$500 million for capital expenditures and more than \$284 million in debt service to finance them. These include transportation systems, such as roads and overpasses, as well as business infrastructure such as utilities.

EDCs also spend more than \$110 million each year providing direct business incentives to encourage businesses to locate or expand their operations in a Texas community instead of another state or country. For example, Seguin incentivized Caterpillar to relocate one of its primary assembly plants to the city. The EDC partnered with Seguin Independent School District, Guadalupe

County, the Texas Enterprise Fund and private partners to create an incentive package to attract the state’s second largest economic development project, in terms of job creation and investment, in fiscal 2008-09.

The recent recession had little impact on the overall financial health of EDCs during fiscal 2008-09. EDCs reported that cash reserves available for economic development projects declined only 4 percent during the biennium to \$853.9 million.

For more information on economic development sales tax, visit



Teaming Up

to ATTRACT NEW INVESTMENTS

The Town Center at Creekside is one of New Braunfels' newest developments.

Regional Partnering Combines Economic Development Resources

by Tracey Lamphere

Three cities on the northeastern outskirts of San Antonio have pooled their economic development resources in an effort to become a regional recruiting powerhouse.

"We're going to compete with the big cities for new business, but at the same time we are providing a niche for businesses that are looking to locate somewhere outside of San Antonio or Austin," says Rusty Brockman, director of economic development for the Greater New Braunfels Chamber of Commerce.

Working Together — In July 2010, New Braunfels, Schertz and Seguin economic development officials signed a contract creating the 10/35 Economic Development Alliance, agreeing to combine certain economic development efforts and providing a regional marketing strategy for attracting more business prospects. The alliance stems from the three cities' proximity and access to Interstates 10 and 35.

Partnering is nothing new for these cities, which already share Guadalupe and Comal County resources and work force training facilities. For the past five years, Seguin and New Braunfels Economic Development officials have worked informally to support

each other's economic development activities.

New Braunfels worked closely with Seguin and the new Caterpillar plant, providing work force training to hundreds of workers at the Alamo College's Central Texas Technology Center.

"That partnership was very important and benefited the entire region," says Kate Silvas, assistant director for Seguin EDC. "I would encourage other communities to think outside of the box of their political jurisdictions and reach out to one another."

Schertz Economic Development Corporation leaders were asked to join the alliance because of the recent flurry of new businesses. Schertz's strategic location and increasing number of warehouse and distribution centers made it a natural fit, Brockman says. The recent announcements that spurred the three cities to formalize the alliance include Sysco Food's new 635,000-square-foot distribution center in Schertz that is expected to be completed in late 2011, Caterpillar's new Schertz plant that will supply its recently opened Seguin facility, and Baptist Health Systems' planned hospital in north New Braunfels.

"We thought that it made sense," says Jeff Jewell, Schertz's economic development director. "It makes us more competitive on a wider scale. We need to be taking original approaches with economic development because companies don't just have options within the United States."

More for Less — Silvas says the Seguin EDC has used the tri-city partnership to expand its outreach efforts without increasing its budget.

As an alliance, the three cities can better afford to participate in domestic and international trade missions "We are maximizing our monetary resources the best that we can," Brockman says. "We'll grow wealthier individual communities and a wealthier region. That kind of partnership is invaluable."

For updates on the 10/35 Economic Development Alliance, visit the New Braunfels Chamber of Commerce at



Humble Budget, Tasty Venture.

The obstacle of a tiny budget wasn't too much to overcome for Humble House Foods' founder, Luis Morales. by David Bloom



Luis Morales, Humble House Foods Founder



With \$500 and an inability to take "no" for an answer, San Antonio food craftsman, Luis Morales has turned a passion into a successful business venture.

"But the whole process of getting licensed to operate a food business is almost designed to discourage anyone from starting a business," Morales says.

Undaunted, Morales read every book he could find about Texas' food laws and how to get an operation up and running.

In the summer of 2009, Humble House Foods sub-leased a 10-foot by 12-foot room from a local coffee roaster. With the basic ingredients for their cheeses and an investment

with two zeros less than the suggested \$50,000 seed money, Humble House Foods became a reality.

Selling their unique artisan cheeses at the Pearl Brewery food market in San Antonio and local farmers' markets, they've built a customer base that appreciates fresh handmade cheeses with no preservatives or chemicals. They also branched out into pestos and spreads, which Morales says have become "the bread and butter of our business."

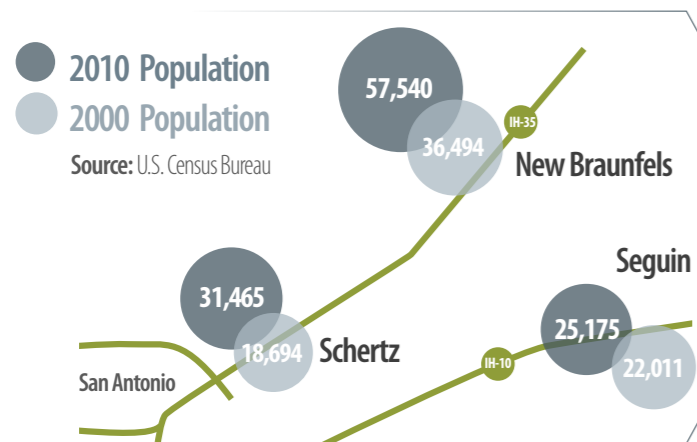
In its first year, Humble House Foods posted revenues of \$40,000. Morales expected 2010 would exceed \$125,000 when the books are closed. Last fall, the company signed a lease on a 1,200-square-foot location.

Find out more about Humble House Foods' products and cheese-making classes and learn more about the company's story at

Customer Loyalty is Key to Farmers' Market Success

- 1) Consistency** – When you bill your farmers' market as a year-round, rain or shine affair, it's important that vendors be there every week.
- 2) First Impressions Matter** – Successful vendors have a knack for drawing potential customers in with interesting signage and welcoming smiles.
- 3) Quality Counts** – Customers are drawn to farmers' markets because they believe the products are often superior to store bought.

Read more tips for Farmers' Market success at **Sources:** Pearl Farmers Market, San Antonio, and Sustainable Food Center Farmers' Market, Austin.





Texas Rising is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues. Articles and analysis appearing in *Texas Rising* do not necessarily represent the policy or endorsement of the Texas Comptroller of Public Accounts. Space is devoted to a wide variety of topics of Texas interest and general government concern.

STAFF

Delane Caesar
Director of Data Services

Creative Directors
Beth Hallmark and Dan Lynch

Editorial Team Leader
Karen Hudgins

Editor
Gerard MacCrossan

Staff Writers
David Bloom, Michael Castellon, Tracey Lamphere,
Russell Gallahan, Clint Shields, Meghan Vail,
Mark Wangrin and Bruce Wright

Graphics Team Leader
Dwain Osborne

Art Direction and Layout
Jeremy Van Pelt

Staff Photography
Jack Grieder

Additional Photography
Page 3, Hyundai; Page 9, City of Deer Park, City of Farmers Branch;
Page 10, NewQuest Properties.

Web Publications Coordinator
Julie Lewis

FIELD OFFICES

Comptroller field offices are located in Abilene, Amarillo, Austin, Beaumont, Brownsville, Bryan, Corpus Christi, Dallas, Denton, El Paso, Fort Worth, Houston, Laredo, Lubbock, Lufkin, McAllen, Odessa, San Angelo, San Antonio, Sherman, Tyler, Victoria, Waco and Wichita Falls, as well as Chicago, Los Angeles, New York and Tulsa.

HOW TO REACH US

Toll-free telephone line: (800) 531-5441, ext. 3-3116; in Austin, 463-3116.

COMPTROLLER'S WEB SITE

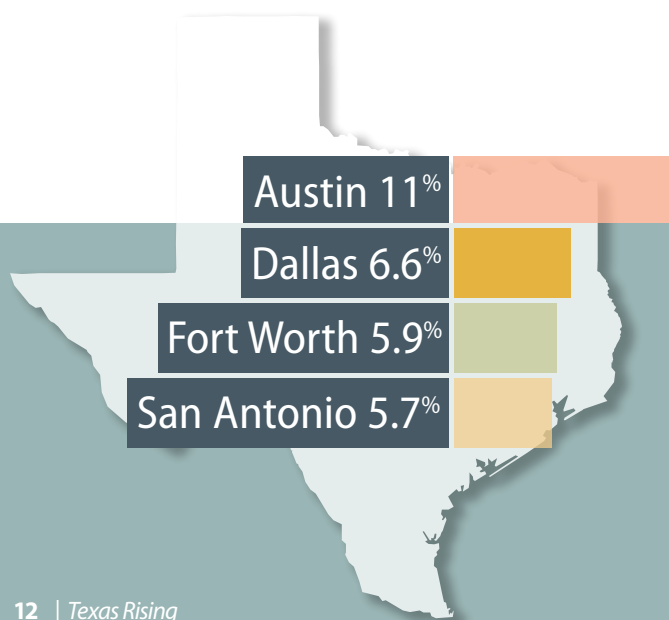
Window on State Government is on the World Wide Web at

Online subscriptions, renewals or cancellations of *Texas Rising* may be entered at

The Texas Comptroller of Public Accounts is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age or disability in employment or in the provision of any services, programs or activities.

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats. Contact the Data Services Division at (512) 463-4900 or (800) 531-5441, ext. 3-4900 (VOICE), (512) 463-4226 (FAX), or visit the LBJ State Office Building, 111 E. 17th St., Room 311, Austin, Texas.

Texas Comptroller of Public Accounts
Publication #96-1260,
April | May 2011



Apartment lease revenue gains in 2010

Revenues from apartment leasing in Austin rose by 11 percent in 2010, leading three other Texas cities posting more than 5 percent increases. A survey of 23 markets by ALN Apartment Data Inc. reported that the Dallas market increased 6.6 percent, the second highest year-over-year leasing revenue increase.

Source: *The Real Estate Center at Texas A&M University*