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COVER STORY

Will Robin Hood find its way in the school funding forest?

San Antonio's business community unsure about tax redistribution in wake of court ruling

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POLLO TROPICAL HAPPY TO BE BLUE IN SAN ANTONIO ¹⁰



SPORTS VIEW

What can UTSA learn from N.C. university?

San Antonio's lesser-known member of the University of Texas family might want to take a page from UNC Charlotte's branding playbook.

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COVER STORY

School Funding Missing Target

BY MICHELE McMURRY

National Bank CEO James Goudge finds it troubling that Texas' public school funding system includes a provision that takes a portion of ad valorem tax revenue from property-wealthy school districts and redistributes it to property-poor ones. The mechanism, part of Chapter 41 of the Texas Education Code, is commonly referred to as "Robin Hood" funding for its take-from-the-rich-and-give-to-the-poor approach.

Under Robin Hood, the Alamo Heights Independent School District, one of three property-wealthy districts with at least part of their tax base in Bexar County, will send \$26 million to the state to be reallocated. Much of that comes from property tax revenue generated by prosperous businesses.

"It bothers me as a property owner that the dollars don't stay in the district," said Goudge, a gold-level donor to the Alamo Heights School Foundation, which augments spending in that district with money shielded from the state. "I also know that there needs to be an equitable way to fund education."

Goudge is not alone in San Antonio's business community when it comes to being conflicted about how Texas funds public education. Robin Hood funding is just one of many issues raised in lawsuits against the state involving multiple plaintiffs.

And business leaders have reason to be more concerned and confused than ever after Travis County District Judge John Dietz ruled that the state's public school funding system is inadequate to give all students an equal education. In doing so, Dietz cited multiple problems, including funding formulas and shortfalls in Robin Hood that keep property-poor school districts from being able to "meaningfully use local enrichment beyond the level required for a constitutionally adequate education."

Dietz enjoined the state from applying its education code related to public school funding – Robin Hood provisions and others – while simultaneously delaying enforcement of the injunction until July 1, 2015, to give the Texas Legislature time to "cure the constitutional deficiencies in the finance system."

Business leaders wonder what's next as Texas' system, with its 'Robin Hood' redistribution, is ruled to be deficient

SEE ALSO - COMMENTARY Texas Association of Business CEO Bill Hammond speaks out on the recent school finance ruling. He's not a fan of the decision. [Page 25](#)

A recent online survey by the San Antonio Business Journal found that 40 percent of readers who responded oppose the Robin Hood plan, while 20 percent favor keeping or expanding the funding mechanism.

Meanwhile, interviews with multiple businesspeople and officials at business organizations found that many business owners are unaware of the issues involved or don't know enough about it to form an opinion. That's not surprising, considering the state's school financing system's complexity, which is reflected in Dietz' 364-page, densely written "Findings of Fact and Conclusions of Law" that accompanied his ruling.

Robin Hood 'remains essential'

Part of the problem that some people have with Robin Hood is the terminology. Unlike the image evoked by English legend, public policy's Robin Hood does not whisk treasure from the "haves" directly into the hands of the "have-nots." Rather, funds are recaptured – a term that baffles wealthy property districts with the notion that it was someone else's to begin with – into a general fund for distribution to poorer districts.

Perhaps a bigger issue is

giving up that money without knowing where it will end up.

"There's no guarantee of how funds will be spent," Alamo Heights ISD Superintendent Kevin Brown said.

At the same time, Dietz's ruling suggests that Robin Hood – or recapture, as he refers to it – may not go far enough. He notes that the amount of recaptured tax revenue fell from nearly \$1.3 billion in 2005-06 to about \$1.09 billion in 2011-12. Meanwhile, property-wealthy districts are seeing less money recaptured per capita than they were six years ago, according to his findings of fact. Yet while Dietz concluded that wealth equalization provisions "remain essential" to having equal access to education, he said providing equal funding with similar tax burdens "cannot be achieved solely through the tax cap and recapture."

Differing viewpoints, similar worries

Chapter 41 funding is viewed differently in San Antonio's South, East and West areas, said Christopher Herring, president and CEO of the Alamo City Chamber of Commerce, whose mission is to promote African-American and minority business.

"In poorer communities, jobs don't exist, sponsorship from the business community is absent, crime is prevalent and parent involvement is not as high due to low income workers not having the discretionary opportunities to be absent from work and engage at their leisure," Herring said.

Meanwhile, for people living and doing business in Northside ISD – an average-wealth district – Robin Hood is not an issue, Superintendent Brian Woods said.

If Robin Hood is defeated and property taxes cease funding public education, businesses wonder where the next form of taxation will come from.

"Like all business owners, we are wary about conversations that ultimately result in an increased tax burden," Herring said.

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COVER STORY

► SCHOOL DISTRICT TAX REDISTRIBUTION — AKA ‘ROBIN HOOD’ — IN REVIEW

WEALTH OF BEXAR COUNTY SCHOOL DISTRICTS

Property-wealthy school districts, termed Chapter 41 districts after that chapter of the Texas Education Code, are subject to having a portion of their property tax dollars recaptured by the state to be redistributed to qualifying poorer districts across Texas. All other districts are referred to as Chapter 42 districts.

Preliminary estimates for the 2014-15 school year, as reported by the Equity Center, indicate that nine of the 14 school districts with at least part of their tax bases in Bexar County fall below the state average. Military base school districts — Fort Sam Houston ISD, Lackland ISD and Randolph ISD, which are on federal property and cannot levy taxes — are exempt from Chapter 41 requirements.

CHAPTER 41 – PROPERTY-WEALTHY DISTRICTS

Subject to the recapture of a portion of property tax for redistribution to qualifying poorer districts:

- Alamo Heights ISD
- Boerne ISD
- Comal ISD

CHAPTER 42 – PROPERTY-NEUTRAL DISTRICTS:

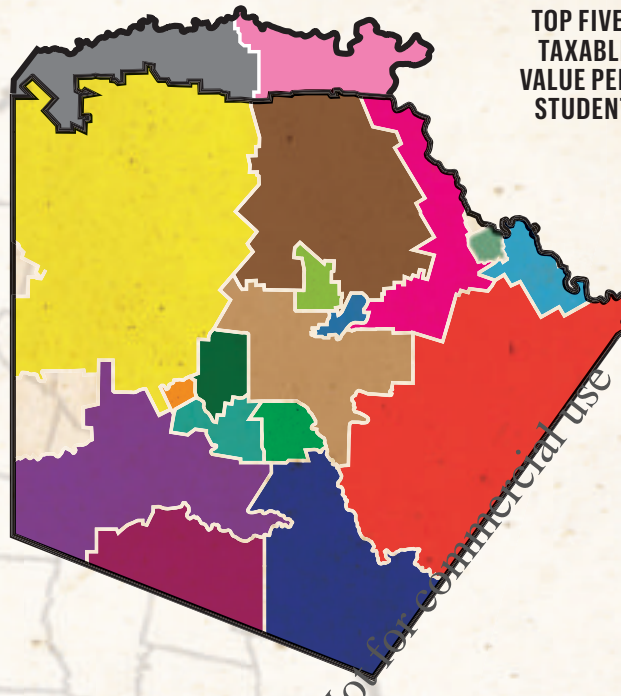
Not subject to recapture nor eligible to receive Chapter 41 funding:

- Northside ISD
- San Antonio ISD
- North East ISD

CHAPTER 42 – PROPERTY-POOR DISTRICTS

Eligible to receive recaptured funding:

- East Central ISD
- Edgewood ISD
- Harlandale ISD
- Judson ISD
- Somerset ISD
- South San Antonio ISD
- Southside ISD
- Southwest ISD

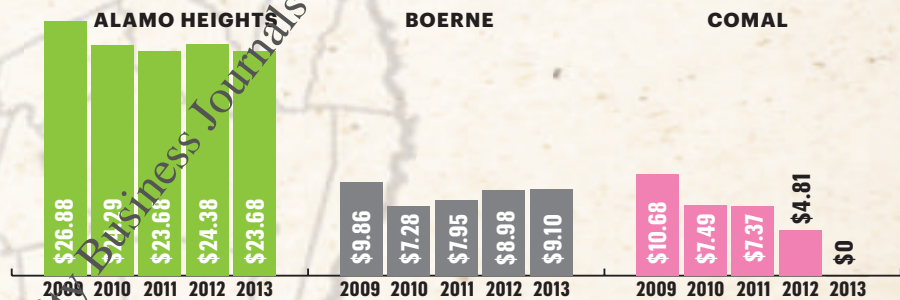


TOP FIVE: TAXABLE VALUE PER STUDENT

- ALAMO HEIGHTS ISD**
\$1.08 M
► Schools: 6
► High Schools: 1
► Enrollment: 4,828
- BOERNE ISD**
\$688,992
► Schools: 10
► High Schools: 2
► Enrollment: 7,229
- COMAL ISD**
\$572,270
► Schools: 26
► High Schools: 3
► Enrollment: 19,500
- NORTH EAST ISD**
\$421,160
► Schools: 75
► High Schools: 20
► Enrollment: 68,205
- NORTHSIDE ISD**
\$346,423
► Schools: 115
► High Schools: 15
► Enrollment: 102,129

SOURCE: TEXAS EDUCATION AGENCY

FUNDS REDISTRIBUTED (IN MILLIONS)



SOURCE: TEXAS EDUCATION AGENCY AND THE EQUITY CENTER

Download District Judge John Dietz’s final judgment on the school finance lawsuit — Texas Taxpayer & Student Fairness Coalition, et al v. Joyce Coleman, et al — at bizj.us/13astp. Download his accompanying findings of fact and conclusions of law at bizj.us/13auvv

Legal, legislative outlook

The state is expected to appeal Dietz’s late-August ruling. The Legislature is not likely to address the funding issue until after the state Supreme Court rules, which most likely means a special session following the regular 2015 legislative session.

South San Antonio Chamber of Commerce CEO Al Arreola said the Legislature “needs to find better approaches to measure financial need while avoid-

ing quirky mandates that alter best practices in using those required sources.”

State Rep. Mike Villarreal, D-San Antonio, sees the need to replace a system that over-relies on property taxes with a stable revenue stream that will grow with Texas’ student population and workforce needs, while simplifying funding formulas “in a way that allocates funds according to the needs of children.”

Residents of San Antonio’s East and South sides

worry that the current confusion about how education should be funded will lead to continued stagnation, Herring said.

“The failure of Texas public schools to prepare graduates for entry into the job market or post-secondary education will have long-term impacts on Texas’ economic competitiveness,” he said. “This will be true whether Robin Hood is repealed, tinkered with or upheld.”

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Source: Business Journals Book of Lists Survey, Summer 2012 (Subscribers with gross sales/revenues of \$500 K + per year)

COVER STORY

FOUNDATION SUPPORT

School foundations help fill in gaps

Established in 1971 to fund scholarships, the Alamo Heights School Foundation turned its focus in the 1990s toward growing a permanent endowment in reaction to public education funding legislation. That was when the Texas Legislature passed a bill that created the system – commonly called “Robin Hood” – for redistributing wealth from rich school districts to poorer ones.

Alamo Heights Independent School District is among the wealthy districts required give part of its tax revenue to the state to be reallocated. And it’s among many such districts – seeking stable, outside funding to offset tax revenue ceded to Robin Hood – that have turned to private foundations to supplement everything from extracurricular programs to teacher salaries, which account for 80 percent of any district’s expenditures.

Alamo Heights School Foundation supporters give \$5,000 to \$30,000 annually depending on the type of sponsorship and need, Executive Director Dianne Hughes said.

Donors include Broadway National Bank, San Antonio’s largest independently owned bank, which has also supported foundations in Boerne ISD, North East ISD and San Antonio ISD.

► AREA SCHOOL DISTRICT FOUNDATIONS

FOUNDATION	DISTRICT WEALTH CLASSIFICATION	YEAR FOUNDED
Alamo Heights School Foundation	Property-wealthy	1971
Boerne Education Foundation	Property-wealthy	1997
Comal Education Foundation	Property-wealthy	2001
East Central School Foundation	Property-poor	1986
Harlandale Education Foundation Fund	Property-poor	1999
North East Educational Foundation	Property-neutral	1986
Northside Education Foundation	Property-neutral	1995
San Antonio ISD Foundation	Property-neutral	2007
Southside ISD Education Foundation	Property-poor	2008
Southwest ISD Education Foundation	Property-poor	2008

SOURCE: SPRI RESEARCH

“We need to address the school funding issue in the state,” Broadway National Bank CEO James Goudge said. “It’s not fair for any of the school districts.”

In general, Alamo Heights residents are more supportive of having half their tax revenue diverted to the state in large part because of the Alamo Heights School Foundation, which has helped quell funding shortfalls, Superintendent Kevin Brown said.

Still, independent school foundations

are not limited to property-rich school districts. The San Antonio area has foundations in districts of varying levels of wealth, including the San Antonio ISD Foundation, which supports a property-neutral district. The San Antonio ISD Foundation reported \$1.07 million in revenue in 2013, the first time it has exceeded \$1 million. A fourth of that revenue came from businesses including Valero, F-E-B, Frost Bank and CPS Energy.

– Michele McMurry

PUBLIC EDUCATION FUNDING

San Antonio public schools have a key place in the history of Texas’ so-called “Robin Hood” system for redistributing wealth from wealthy school districts to poor ones.

Chapter 41 of the Texas Education Code calls for recapturing a portion of property tax income from property-wealthy districts and redistributing it to districts deemed property poor by the state’s school finance system. This take-from-the-rich-and-give-to-the-poor approach gave rise to the term “Robin Hood” that people commonly use to refer to the school funding mechanism. Ongoing efforts to achieve an effective and equitable means of financing our public school system have led to numerous court battles that have involved San Antonio schools and that continue today.

1968

Demetrio Rodriguez and other parents of Mexican American students attending Edgewood ISD file a class action suit in U.S. District Court challenging Texas’ public school finance system as a violation of the 14th Amendment to the U.S. Constitution. The court unanimously rules that education is a fundamental right and that wealth-based classifications are constitutionally suspect.

1973

In San Antonio Independent School District v. Rodriguez, the U.S Supreme Court reverses the lower court’s 1968 decision on the basis that education is not a fundamental right.

1984

The Mexican American Legal Defense and Education Fund – on behalf of Edgewood ISD, about 75 other school districts, Demetrio Rodriguez and other parents of Mexican American students – files suit against Education Commissioner William Kirby, citing discrimination against students in poor school districts.

House Bill 72 revamps the public school financing system to funnel more funds to property-poor districts.

1987

Texas State District Court rules in favor of Edgewood ISD, finding the state’s public school finance system unconstitutional.

1988

Texas’ Third Court of Appeals reverses the 1987 District Court decision on grounds that education is not a basic right, and proclaims the current system constitutional.

1989

The Texas Supreme Court rules unanimously in Edgewood Independent School District et al. v. Education Commissioner William Kirby et al. (Edgewood I) in favor of Edgewood ISD, and orders the state Legislature to remedy “glaring disparities” and implement an equitable system.

1991

In Edgewood ISD v. Kirby (Edgewood II), the Texas Supreme Court rules that the Legislature’s approach was conceptually flawed and that an efficient funding system that is dependent on property tax must collect from all property and a similar rate.

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AND THE COURTS

1993

The Texas Legislature passes Senate Bill 7 to regulate and equalize property wealth per student, introducing the so-called "Robin Hood" system.

1995

The Texas Supreme Court upholds the Robin Hood system. Open enrollment charter schools that operate under state provisions to provide alternative public education are introduced.

2003

Lawyers for property-wealthy school districts argue before the Texas Supreme Court that the school funding plan is inefficient and has created an illegal statewide property tax.

2004

After a trial involving more than 300 school districts, state District Judge John Dietz rules the education funding system unconstitutional and inefficient, and orders a halt to school spending if problems are not remedied.

2005

Some 47 wealthy school districts challenge the system in Shirley Neely, Texas Commissioner of Education, et al. v. West Orange-Cove Consolidated Independent School District, et al. The Texas Supreme Court rules that an imposed tax cap mimics a statewide property tax, which is prohibited by the Texas Constitution.

2006

The state Legislature cuts local school property taxes by one-third while giving districts "meaningful discretion" over how much they can levy.

2011

The State Legislature makes an unprecedented \$5.4 billion in cuts to public school funding, prompting more than 600 school districts to sue.

2012

Lawmakers restore \$3.4 billion of these cuts and revise curriculum standards. A landmark school finance trial, Texas Taxpayers and Student Fairness Coalition, et al. v. Michael Williams, et al. begins in Austin before District Judge John Dietz.

2013

Judge Dietz issues a verbal decision that the Robin Hood funding formula fails to meet the Texas constitution's requirements for a fair and efficient system that provides a "general diffusion of knowledge" and that the levy of local property taxes resembles state income tax, which is unconstitutional. The judge delays his written ruling in order to hear additional testimony in light of the recent increase in funding.

2014

Judge Dietz convenes a second school finance trial to determine any improvement, and issues a written opinion stating that "the Legislature has failed to meet its constitutional duty to suitably provide for Texas public schools" and that the system is flawed for not offering "substantially equal access" to adequate educational funds.

FEDERAL FUNDING

MILITARY BASE SCHOOLS UNAFFECTED BY 'ROBIN HOOD,' BUT NOT UNCONCERNED

It's a common misunderstanding, Randolph Field ISD Superintendent Lance Johnson said, that Bexar County's three military base educational offerings are public independent school districts.

Unlike the other 14 ISDs with students in Bexar County, Randolph, Lackland and Fort Sam Houston ISDs reside within federal base boundaries, which precludes them from levying taxes or holding bond elections to raise revenue. Because they don't rely on property taxes, military base

schools are exempt from so-called "Robin Hood" revenue redistribution.

"Individually, I'm not concerned," Johnson said, "but collectively, we're all concerned with the current school funding mechanism."

Military base district budgets are funded by federal and state sources, operating under the authority of the Texas Education Agency and receiving about 60 to 62 percent in funding from the state Foundation School Fund. Impact Aid, a federal

dispensary, covers the remaining 38 percent to 40 percent that essentially replaces what other districts raise through taxation.

This makes facility funding more challenging, Johnson said, because seven U.S. military outfits are vying for a slice of a very small pie.

"We're not only competing with San Antonio but with the rest of the country," he said.

– Michele McMurry



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