

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



November 23, 2009

Mr. Robert Westbrook  
Superintendent  
Brackett Independent School District  
P.O.Box 586  
Brackettville, Texas 78832-0586

Dear Superintendent Westbrook:

On Oct. 14, 2009, the agency received the completed application for a limitation on appraised value originally submitted to the Brackett Independent School District (Brackett ISD) by EC&R Development, LLC (EC&R) in July 2009, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding EC&R's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Brackett ISD is currently classified as a rural school district in Category 5. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$85.5 million) is consistent with the proposed appraised value limitation sought (\$1 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

EC&R is proposing the construction of wind power electricity generating facility in Kinney County. EC&R is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by EC&R, the Comptroller's recommendation is that EC&R's application under Tax Code Chapter 313 be approved.


Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

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The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the district approving and executing a limitation agreement within a year from the date of this letter, and is valid only for a qualifying time period that begins in accordance with the approved application and a conforming limitation agreement. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution. During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at [www.window.state.tx.us/taxinfo/proptax/hb1200](http://www.window.state.tx.us/taxinfo/proptax/hb1200) to find an outline of the program and links to applicable rules and forms.

Should you have any questions, please contact Robert Wood, director of Local Government Assistance and Economic Development, by e-mail at [robert.wood@cpa.state.tx.us](mailto:robert.wood@cpa.state.tx.us) or by phone at (800) 531-5441, ext. 3-3973, or direct in Austin at (512) 463-3973.

Sincerely,



Martin A. Hubert  
Deputy Comptroller

Enclosure

cc: Robert Wood

**Economic Impact for Chapter 313 Project**

Applicant	EC&R Development
Tax Code, 313.024 Eligibility Category	Renewable energy electric generation - Wind
School District	Brackett Independent School District
2007-08 Enrollment in School District	598
County	Kinney
Total Investment in District	\$85,500,000
Qualified Investment	\$85,500,000
Limitation Amount	\$1,000,000
Number of total jobs committed to by applicant	6
Number of qualifying jobs committed to by applicant	6*
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$568
Minimum Weekly Wage Required Tax Code, 313.025(A)	\$568
Minimum Annual Wage committed to by applicant for qualified jobs	\$29,538
Investment per Qualifying Job	\$14,250,000
Number of Turbines	57
Megawatts	86
Start of Construction	on or before December 2010
End of Construction	End of 2011
Estimated 15 year total levy without any limit or credit:	\$8,787,168
Estimated 15 year total tax benefit/levy loss	\$5,861,856
Estimated 15 year total tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for yet-to-be negotiated supplemental payments or extraordinary educational expenses):	\$5,243,817
Tax Credits Paid (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$0
Net Tax Paid After Limitation, Credits and Revenue Protection:	\$3,543,351
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	59.7%
Percentage of tax benefit due to the limitation	100.0%
Percentage of tax benefit due to the credit.	0.0%
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

This presents the Comptroller's economic impact evaluation of EC&R Development (the project) applying to Brackett Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
  - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
  - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

**Wages, salaries and benefits [313.026(6-8)]**

After construction, the project will create six new jobs when fully operational. All six jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Middle Rio Grande Council of Governments Region, where Kinney County is located was \$26,853 in 2007. The average manufacturing wage for the most recent four quarters for Kinney County is \$22,074. In addition to an annual average salary of \$29,538 each qualifying position will receive benefits such as health insurance and training. The project's total investment is \$85.5 million, resulting in a relative level of investment per qualifying job of \$14.25 million.

**Ability of applicant to locate to another state and [313.026(9)]**

According to EC&R's application, "they are an international developer of wind projects and has operations in several regions and states within the U.S. ...and have the ability to locate projects of this type to the Southwest, Northwest, and Northeast as well as Canada and several European sites."

**Number of new facilities in region [313.026(12)]**

During the past two years, no projects in the Middle Rio Grande Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

**Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]**

The Texas Economic Development Plan does not mention Renewable Energy specifically. However, one theme of the plan is attracting and fostering industries in Texas using advanced technology. Renewable energy technology is an expanding industry and the skilled workers that the project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

**Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]**

Table 1 depicts the project's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in EC&R**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2009	0	0	0	\$0	\$0	\$0
2010	0	0	0	\$0	\$0	\$0
2011	106	138	244	\$3,131,028	\$11,868,972	\$15,000,000
2012	6	15	21	\$177,228	\$2,822,772	\$3,000,000
2013	6	14	20	\$177,228	\$2,822,772	\$3,000,000
2014	6	10	16	\$177,228	\$1,822,772	\$2,000,000
2015	6	8	14	\$177,228	\$1,822,772	\$2,000,000
2016	6	10	16	\$177,228	\$1,822,772	\$2,000,000
2017	6	7	13	\$177,228	\$1,822,772	\$2,000,000
2018	6	8	14	\$177,228	\$1,822,772	\$2,000,000
2019	6	9	15	\$177,228	\$1,822,772	\$2,000,000
2020	6	8	14	\$177,228	\$1,822,772	\$2,000,000
2021	6	8	14	\$177,228	\$1,822,772	\$2,000,000
2022	6	8	14	\$177,228	\$1,822,772	\$2,000,000
2023	6	8	14	\$177,228	\$1,822,772	\$2,000,000
2024	6	8	14	\$177,228	\$1,822,772	\$2,000,000

Source: CPA, REMI, EC&R

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2008. Brackett ISD's ad valorem tax base in 2008 was \$148.8 million. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Brackett ISD's estimated wealth per WADA was \$142,162. The impact on the facilities and finances of the district is presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district and Kinney County with all property tax incentives sought being granted using estimated market value from EC&R's application. EC&R has applied for both a value limitation under Chapter 313, Tax Code and a county tax abatement under Tax Code, Chapter 312 seeking 70 percent abatement per year for eight years. Table 3 illustrates the estimated tax impact of the project on the region if all taxes are assessed.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate	Brackett ISD I&S	Brackett ISD M&O	Kinney County	Kinney County Groundwater Conservation District	Total Taxes
				0.0000	1.0400	0.6558	0.0612	
2009	\$0	\$0		\$0	\$0	\$0	\$0	\$0
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0
2012	\$82,080,000	\$1,000,000		\$0	\$10,400	\$376,796	\$35,163	\$422,360
2013	\$78,790,000	\$1,000,000		\$0	\$10,400	\$361,693	\$33,754	\$405,847
2014	\$75,640,000	\$1,000,000		\$0	\$10,400	\$347,233	\$32,404	\$390,037
2015	\$72,600,000	\$1,000,000		\$0	\$10,400	\$333,278	\$31,102	\$374,779
2016	\$69,700,000	\$1,000,000		\$0	\$10,400	\$319,965	\$29,859	\$360,224
2017	\$66,920,000	\$1,000,000		\$0	\$10,400	\$307,203	\$28,669	\$346,271
2018	\$64,240,000	\$1,000,000		\$0	\$10,400	\$294,900	\$27,520	\$332,821
2019	\$61,670,000	\$1,000,000		\$0	\$10,400	\$283,102	\$26,419	\$319,922
2020	\$59,210,000	\$59,210,000		\$0	\$615,784	\$271,809	\$25,366	\$912,959
2021	\$56,840,000	\$56,840,000		\$0	\$591,136	\$260,930	\$24,350	\$876,416
2022	\$54,560,000	\$54,560,000		\$0	\$567,424	\$357,804	\$33,391	\$958,619
2023	\$52,380,000	\$52,380,000		\$0	\$544,752	\$343,508	\$32,057	\$920,317
2024	\$50,290,000	\$50,290,000		\$0	\$523,016	\$329,802	\$30,777	\$883,595
						<b>Total</b>		<b>\$7,504,167</b>

Source: CPA, EC&R

\*Assumes Chapter 313 Value Limitation and 70% Abatement with County and Water District

<sup>1</sup>Tax Rate per \$100 Valuation

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate	Brackett ISD I&S	Brackett ISD M&O	Kinney County	Kinney County Groundwater Conservation District	Total Taxes
				0.0000	1.0400	0.6558	0.0612	
2009	\$0	\$0		\$0	\$0	\$0	\$0	\$0
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0
2012	\$82,080,000	\$82,080,000		\$0	\$853,632	\$538,281	\$50,233	\$1,442,146
2013	\$78,790,000	\$78,790,000		\$0	\$819,416	\$516,705	\$48,219	\$1,384,340
2014	\$75,640,000	\$75,640,000		\$0	\$786,656	\$496,047	\$46,292	\$1,328,995
2015	\$72,600,000	\$72,600,000		\$0	\$755,040	\$476,111	\$44,431	\$1,275,582
2016	\$69,700,000	\$69,700,000		\$0	\$724,880	\$457,093	\$42,656	\$1,224,629
2017	\$66,920,000	\$66,920,000		\$0	\$695,968	\$438,861	\$40,955	\$1,175,784
2018	\$64,240,000	\$64,240,000		\$0	\$668,096	\$421,286	\$39,315	\$1,128,697
2019	\$61,670,000	\$61,670,000		\$0	\$641,368	\$404,432	\$37,742	\$1,083,542
2020	\$59,210,000	\$59,210,000		\$0	\$615,784	\$388,299	\$36,237	\$1,040,320
2021	\$56,840,000	\$56,840,000		\$0	\$591,136	\$372,757	\$34,786	\$998,679
2022	\$54,560,000	\$54,560,000		\$0	\$567,424	\$357,804	\$33,391	\$958,619
2023	\$52,380,000	\$52,380,000		\$0	\$544,752	\$343,508	\$32,057	\$920,317
2024	\$50,290,000	\$50,290,000		\$0	\$523,016	\$329,802	\$30,777	\$883,595
						<b>Total</b>		<b>\$14,845,244</b>

Source: CPA, EC&R

<sup>1</sup>Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, and C provided by the applicant in the application. Schedule A shows proposed investment and tax expenditures. Schedule B is the projected market value of the qualified property and Schedule C contains employment information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year total tax levy without the value limitation agreement would be \$8,787,168. The estimated gross 15 year total tax benefit, or levy loss, is \$5,861,856.

Attachment 3 is an economic overview of Kinney County.

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.



# Attachments

1. Schedules provided by applicant in application
2. School finance and tax benefit provided by district
3. Economic Overview

# **Attachment 1**

**SCHEDULE A-3676 (Temporary - July 2009): INVESTMENT & TAXES**

(Brackett I.S.D.)

PROPERTY INVESTMENT AMOUNTS (\$) (In millions)				TAX INFORMATION					
Year	Year (as in actual tax year below)	Column A: Tangible Personal Property, the amount of new investment (original cost) placed in service during this year	Column B: Building or permanent improvements component of building (rental amount only)	Column C: Sum of A and B - Qualifying Investment (during the qualifying time period)	Column D: Other Investment that is not qualified investment affecting economic impact and total value	Column E: Total Investment (A+B+D)	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to state tax	Column H: Estimate of Franchise Tax due from (or attributable to) the applicant
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing application with district (neither qualified property nor eligible to become qualified investment)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Investment made after filing application with district, but before application approval (eligible to become qualified property)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment made after application approval and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Complete tax years of qualifying time period	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	3	0.00	85.50	85.50	0.00	85.50	25.65	102.00	0.00
	4	0.00	0.00	0.00	0.00	0.00	0.14	5.99	0.00
	5	0.00	0.00	0.00	0.00	0.00	0.14	6.02	0.00
	6	0.00	0.00	0.00	0.00	0.00	0.13	5.28	0.00
	7	0.00	0.00	0.00	0.00	0.00	0.13	4.88	0.00
	8	0.00	0.00	0.00	0.00	0.00	0.15	5.32	0.00
	9	0.00	0.00	0.00	0.00	0.00	0.15	6.27	0.00
	10	0.00	0.00	0.00	0.00	0.00	0.16	6.43	0.00
	11	0.00	0.00	0.00	0.00	0.00	0.16	6.57	0.00
	12	0.00	0.00	0.00	0.00	0.00	0.16	6.72	0.00
	13	0.00	0.00	0.00	0.00	0.00	0.16	6.86	0.00
	14	0.00	0.00	0.00	0.00	0.00	0.19	7.87	0.00
	15	0.00	0.00	0.00	0.00	0.00	0.19	7.91	0.00
		0.00	0.00	0.00	0.00	0.00	0.20	8.26	0.00

Qualifying Time Period usually begins with the approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment as defined in Tax Code §31.3.021(1)(A)-(C). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property. For the years inside the qualifying time period, this number should represent the planned investment but scheduled for probable replacement during limitation period.

Column D: The total dollar amount of planned investment each year in buildings or nonresidential component of buildings that the applicant considers qualified investment under Tax Code §31.3.021(1)(E). For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonresidential components of buildings.

Column E: Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value.

Column F: The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

\* For planning, construction and operation of the facility.

Note: Information related to taxes in Columns F through H, for the year preceding the first complete year of the qualifying time period, need not be broken out by the time periods used for the requested investment information in Columns A through E.

Note: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, these additional rows as needed.

The information on this schedule is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 24 TAC § 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

**SCHEDULE B-3676 (Temporary - July 2009): ESTIMATED MARKET AND TAXABLE VALUE (In millions  
(Brackett I.S.D.))**

All figures here are to be cumulative

	Year	Tax Year (fill in actual tax year)	Qualified Property			Reductions from market value (exemptions, etc)			Estimated Taxable Value	
			Column A: Estimated Market Value of Land	Column B: Estimated Total Market Value of new buildings or other new improvements	Column C: Estimated Total Market Value of tangible personal property in the new building or "in or improvement"	Column D: Due to pollution control property (estimated or actual as appropriate)	Column E: Due to other exemptions	F: Estimated total taxable value for I&S: (A+B+C)- (D+E)	G: Estimated total taxable value for M&C: (Column F amount with the limitation value in years 3-10)	
	pre-year 1	2009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1	2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2	2011	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	3	2012	0.00	82.08	0.00	0.00	0.00	0.00	82.08	1.00
	4	2013	0.00	78.79	0.00	0.00	0.00	0.00	78.79	1.00
	5	2014	0.00	75.64	0.00	0.00	0.00	0.00	75.64	1.00
	6	2015	0.00	72.60	0.00	0.00	0.00	0.00	72.60	1.00
	7	2016	0.00	69.70	0.00	0.00	0.00	0.00	69.70	1.00
	8	2017	0.00	66.92	0.00	0.00	0.00	0.00	66.92	1.00
	9	2018	0.00	64.24	0.00	0.00	0.00	0.00	64.24	1.00
	10	2019	0.00	61.67	0.00	0.00	0.00	0.00	61.67	1.00
	11	2020	0.00	59.21	0.00	0.00	0.00	0.00	59.21	59.21
	12	2021	0.00	56.84	0.00	0.00	0.00	0.00	56.84	56.84
	13	2022	0.00	54.38	0.00	0.00	0.00	0.00	54.38	54.38
	14	2023	0.00	52.38	0.00	0.00	0.00	0.00	52.38	52.38
	15	2024	0.00	50.29	0.00	0.00	0.00	0.00	50.29	50.29
Complete tax years of qualifying time period										
Tax Credit Period (with 50% cap on credit)										
Credit Settle-Up Period										
Post-Settle-Up Period										

The information on this schedule is required pursuant to the provisions of HB 3676, 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

**SCHEDULE C-3676 (Temporary - July 2009): EMPLOYMENT INFORMATION**  
**(Brackett I.S.D.)**

	Year	Tax Year (fill in actual tax year)	Existing Jobs		Construction		Permanent New Jobs		Qualifying Jobs	
			Column A: Number of permanent existing full time jobs prior to application	Column B: Number of Construction FTE's or man-hours (specify FTE's)	Column C: Average annual wage rates for construction workers	Column D: Total permanent full-time new jobs applicant commits to create	Column E: Average annual wage rate for all permanent new jobs for each year	Column F: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3)	Column G: Avg. annual wage of qualifying jobs	
	pre- year 1	2009	0	0	N/A	0	0	0	0	0
	1	2010	0	0	N/A	0	0	0	0	0
	2	2011	0	100	29,538	6	29,538	6	29,538	6
	3	2012	0	0	N/A	6	29,538	6	29,538	6
	4	2013	0	0	N/A	6	29,538	6	29,538	6
	5	2014	0	0	N/A	6	29,538	6	29,538	6
	6	2015	0	0	N/A	6	29,538	6	29,538	6
	7	2016	0	0	N/A	6	29,538	6	29,538	6
	8	2017	0	0	N/A	6	29,538	6	29,538	6
	9	2018	0	0	N/A	6	29,538	6	29,538	6
	10	2019	0	0	N/A	6	29,538	6	29,538	6
	11	2020	0	0	N/A	6	29,538	6	29,538	6
	12	2021	0	0	N/A	6	29,538	6	29,538	6
	13	2022	0	0	N/A	6	29,538	6	29,538	6
	14	2023	0	0	N/A	6	29,538	6	29,538	6
	15	2024	0	0	N/A	6	29,538	6	29,538	6
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period									
Credit Settle-Up Period	Value Limitation Period									
Post-Settle-Up Period	Continue to Maintain Viable Presence									
Post-Settle-Up Period										

The information on this schedule is required pursuant to the provisions of HB 3676 - 81st Legislature, effective June 19, 2009. Additionally, the Comptroller is authorized by 34 TAC § 9.1057(b) to request information from the school district or applicant that is reasonably necessary to complete the recommendation or economic impact evaluation at any time during the application review period.

Note: Section 313.024(d) Tax Code requires that, to be eligible for a limitation, 80 percent of all new jobs must be qualifying jobs.

# Attachment 2



# TEXAS EDUCATION AGENCY

1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ <http://www.tea.state.tx.us>

Robert Scott  
Commissioner

November 16, 2009

Mr. Robert Wood  
Director, Local Government Assistance and Economic Development  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed EC&R Development, LLC, project on the number and size of school facilities in Brackett Independent School District (BISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the BISD superintendent, Mr. Robert Westbrook, the TEA has found that the EC&R development, LLC, project would not have a significant impact on the number or size of school facilities in BISD.

Please feel free to contact me by phone at (512) 463-9268 or by email at [helen.daniels@tea.state.tx.us](mailto:helen.daniels@tea.state.tx.us) if you need further information regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Helen Daniels".

Helen Daniels  
Director of State Funding

HD/hd



# TEXAS EDUCATION AGENCY

1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ <http://www.tea.state.tx.us>

Robert Scott  
Commissioner

November 16, 2009

Mr. Robert Wood  
Director, Local Government Assistance and Economic Development  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed EC&R Development, LLC, project for the Brackett Independent School District (BISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions are valid and their estimates of the impact of the EC&R Development, LLC, project on BISD are correct.

Please feel free to contact me by phone at (512) 463-9268 or by email at [helen.daniels@tea.state.tx.us](mailto:helen.daniels@tea.state.tx.us) if you need further information regarding this issue.

Sincerely,

Helen Daniels  
Director of State Funding

HD/hd



**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED EC&R  
DEVELOPMENT, LLC PROJECT ON THE FINANCES OF THE  
BRACKETT ISD UNDER A REQUESTED CHAPTER 313  
PROPERTY VALUE LIMITATION**

**November 6, 2009**

**Final Report (Revised)**

**PREPARED BY**



## **Estimated Impact of the Proposed EC&R Development, LLC Project on the Finances of the Brackett ISD under a Requested Chapter 313 Property Value Limitation**

### **Introduction**

EC&R Development, LLC (EC&R) has requested that the Brackett ISD (BISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new renewable electric wind generation project. An application was submitted to BISD on July 13, 2009. EC&R proposes to invest \$85.50 million to construct a new wind energy project in BISD.

The revision incorporated in this report reflects changes in the estimates of lost revenue to BISD in the third year of a value limitation agreement. A correction has been made to our school finance model that permits an annual increase of \$350 per WADA in additional revenue for what are known as “formula” school districts. The model was previously limiting this increase to a one-time gain of \$350 per WADA, which we determined to be incorrect under the gain-limitation provisions of Section 42.008 of the Education Code, as amended recently by House Bill 3646. For this project, the revenue-loss estimates in the third year increased from \$618,039 to \$675,645, which would be covered by the hold-harmless provisions of the value limitation agreement. As was the case with the original estimates, no formula losses are currently estimated for years 4-10 under the agreement.

The EC&R project is consistent with the state’s goal to “encourage large scale capital investments in this state.” When enacted as House Bill 1200 in 2001, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

### **School Finance Mechanics**

Under the provisions of Chapter 313, BISD may offer a minimum value limitation of \$1 million, which is the lowest amount that may be approved by a rural school district. Based on the application, the qualifying time period would begin with the 2010-11 school year. The full taxable value of the investment is expected to reach \$82.1 million in 2012-13, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2010-11 and 2011-12 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2010-11 and 2011-12 school years. Beginning in 2012-13, the project would go on the local tax roll at \$1 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period and after. BISD currently does not levy an I&S tax, since it has no outstanding voter-authorized debt.

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct their property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period. The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. EC&R indicates in its value limit application that no new taxable value would be in place in either the first or second years under the agreement, although it would meet its minimum required investment in the second year of the qualifying time period. In year three (2012-13) of the agreement, the project would reach \$82.1 million in total taxable value but go on the tax roll at \$1 million for M&O taxes or, if applicable, a higher value limitation amount approved by the BISD Board of Trustees. Given that there would be no value from the project in place for the 2011-12 school year, the impact of the value limitation would be reduced since the state 2011 property value used to calculate state aid in 2012-13 would not reflect project values prior to the implementation of the \$1 million value limitation. In years 4-10, little in the way of revenue losses would be anticipated because the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

HB 1 established a "target" revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district's compressed M&O tax rate. The additional four to six cents of tax effort that a district may levy are subject to an enriched level of equalization (or no recapture in the case of Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed plus six cents rate, equalization and recapture occur at the level of \$319,500 per weighted student in average daily attendance (WADA). BISD has a relatively low target revenue level of \$4,437 per WADA under the HB 1 system, which establishes the foundation for the newest school finance bill.

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue from HB 1, that is then expanded through the addition of a series of school funding provisions that had operated previously outside of the basic allotment and the traditional formula structure. Under these provisions, BISD has a new adjusted target revenue level of \$4,653 per WADA. An additional \$120 per WADA guarantee is also provided for under HB 3646.

A school district districts does have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 700 school districts are funded at the minimum \$120 per WADA level, while approximately 300 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the EC&R project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f) (1) of the Tax Code to provide school district revenue protection language in the agreement.

### **Underlying Assumptions**

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. While the new target revenue system appears to limit the impact of property value changes for a majority of school districts, changes in underlying property value growth have the potential to influence the revenue stream of a number of school districts.

Student enrollment counts are held constant at 552 students in average daily attendance (ADA) in analyzing the effects of the EC&R project on the finances of BISD. A weighted average daily attendance (WADA) count of 1,039 is maintained for the forecast period. The District's local tax base reached \$165.1 million for the 2009 tax year. The underlying \$165.1 million taxable value for 2009-10 is maintained for the forecast period in order to isolate the effects of the property value limitation. BISD is not a property-wealthy district, with wealth per WADA of approximately \$145,700 for the 2010-11 school year. These assumptions are summarized in Table 1.

### **School Finance Impact**

A baseline model was prepared for BISD under the assumptions outlined above through the 2024-25 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88<sup>th</sup> percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed EC&R facility to the model, but without assuming that a value limitation is approved. Under this scenario, BISD becomes a formula district and receives the full \$350 per WADA maximum revenue gain. The results of this model are shown in Table 2.

A third model is developed which adds the EC&R value but imposes the proposed property value limitation effective in the third year, which in this case is the 2012-13 school year. The results of

this model are identified as “Value Limitation Revenue Model” under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of \$1.04 is used throughout this analysis. When the value limitation is imposed, BISD reverts to being a hold-harmless district with the minimum revenue gain of \$120 per WADA.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$5.7 million a year in net General Fund revenue, after equalization of the local share and other adjustments have been made.

Under these assumptions, BISD would experience a revenue loss as a result of the implementation of the value limitation in the 20102-13 school year (-\$364,650). There are three components to the projected revenue loss to BISD, all of which is covered by the hold-harmless provisions under the value limitation agreement proposed for this project.

Based on the provisions of the HB 3646 school finance system, BISD would be classified as a “formula” district with the project value added in 2012-13 but no corresponding value limitation reduction. With the value limitation in place, BISD drops down to a hold-harmless basis for funding, this results in a reduction of approximately \$230 per WADA—from the maximum \$350 to the minimum \$120 per WADA. Given the estimated WADA count of 1,039, the \$230 per WADA reduction accounts for about \$296,498 of the \$675,645 loss calculation. For the six cents equalized up to the Austin ISD yield—BISD is eligible for the full six cents since its compressed 2005-06 tax rate was well below a \$1.00 at \$0.865—the additional tax effort with the full value of the projected added in would have increased Tier II, Level 2 revenue by \$187,626, which is lost with the value limitation going into effect that year. Finally, the additional tax effort associated with the \$82.1 million project in the absence of a limitation agreement would bolster Tier II, Level 3 revenue by \$191,520, all of which is foregone when the value limitation takes effect. Given the comparison of the project value added at full value in 2012-13 at the anticipated \$1.04 M&O tax rate versus the \$1 million value limitation approved for that year, these three components result in a revenue difference of \$675,645 that must be made up by the Applicant under a hold-harmless agreement. Beyond the third year, there are no additional hold-harmless amounts estimated under this model and its underlying assumptions.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller’s Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes, if applicable. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller’s Office, a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. Given the absence of an I&S tax levy by BISD, the calculation method used in the property value study should not adversely impact the state aid offset for a Chapter 313 property value limitation for the District. In the event that voters approve a future bond issue that results in an I&S tax levy during the course of the value limitation agreement, there is the potential that the state offset would only partially compensate BISD and additional hold-harmless payments could be required of EC&R.

### Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. (BISD does not currently levy an I&S tax, as noted previously.) While the property associated with the project is fully taxable in the first two years, EC&R does not anticipate having any taxable value in place in the first two years, so it will not be eligible for tax credits for the M&O taxes paid on value in excess of the \$1 million in the first two years.

Under the assumptions used here, the potential tax savings from the value limitation total \$5.9 million over the life of the agreement. The key BISD revenue losses are associated with its change from formula to hold-harmless status and the loss of potential revenue under the Tier II formula provisions. The third-year revenue loss is expected to total approximately -\$675,645, with no additional losses projected under these assumptions. The potential net tax benefits are estimated to total \$5.2 million over the life of the agreement.

### **Facilities Funding Impact**

The EC&R project remains fully taxable for debt services taxes, although BISD currently does not levy an I&S tax. The value of the EC&R project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value from the project will add to the District's projected wealth per ADA. It is expected that the expanded tax base for I&S purposes would have the potential to generate local revenue above that provided for in the Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) programs currently funded at a \$35 yield per ADA per penny of tax effort, which equates to a \$350,000 per ADA tax base.

The EC&R project is not expected to affect BISD in terms of enrollment. Continued expansion of the renewable energy industry could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

### **Conclusion**

The proposed EC&R wind energy project enhances the tax base of BISD. It reflects continued capital investment in renewable electric energy generation, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$5.2 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of BISD, should its voters consider a future bond issue.

**Table 1 – Base District Information with EC&R Development, LLC Project Value and Limitation Values**

School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTAD with Project	CPTAD With Limitation	CPTAD Value with Project per WADA	CPTAD Value with Limitation per WADA
2010-11	552.18	1,038.66	\$1.0400	\$0.0000	\$165,086,772	\$165,086,772	\$151,333,700	\$151,333,700	\$145,700	\$145,700
2011-12	552.18	1,038.66	\$1.0400	\$0.0000	\$165,086,772	\$165,086,772	\$153,427,417	\$153,427,417	\$147,716	\$147,716
2012-13	552.18	1,038.66	\$1.0400	\$0.0000	\$247,166,772	\$166,086,772	\$153,427,417	\$153,427,417	\$147,716	\$147,716
2013-14	552.18	1,038.66	\$1.0400	\$0.0000	\$243,876,772	\$166,086,772	\$235,507,417	\$154,427,417	\$226,741	\$148,679
2014-15	552.18	1,038.66	\$1.0400	\$0.0000	\$240,726,772	\$166,086,772	\$232,217,417	\$154,427,417	\$223,573	\$148,679
2015-16	552.18	1,038.66	\$1.0400	\$0.0000	\$237,686,772	\$166,086,772	\$229,067,417	\$154,427,417	\$220,541	\$148,679
2016-17	552.18	1,038.66	\$1.0400	\$0.0000	\$234,786,772	\$166,086,772	\$226,027,417	\$154,427,417	\$217,614	\$148,679
2017-18	552.18	1,038.66	\$1.0400	\$0.0000	\$232,006,772	\$166,086,772	\$223,127,417	\$154,427,417	\$214,822	\$148,679
2018-19	552.18	1,038.66	\$1.0400	\$0.0000	\$229,326,772	\$166,086,772	\$220,347,417	\$154,427,417	\$212,145	\$148,679
2019-20	552.18	1,038.66	\$1.0400	\$0.0000	\$226,756,772	\$166,086,772	\$217,667,417	\$154,427,417	\$209,565	\$148,679
2020-21	552.18	1,038.66	\$1.0400	\$0.0000	\$224,296,772	\$224,296,772	\$215,097,417	\$154,427,417	\$207,091	\$148,679
2021-22	552.18	1,038.66	\$1.0400	\$0.0000	\$221,926,772	\$221,926,772	\$212,637,417	\$212,637,417	\$204,722	\$204,722
2022-23	552.18	1,038.66	\$1.0400	\$0.0000	\$219,646,772	\$219,646,772	\$210,267,417	\$210,267,417	\$202,440	\$202,440
2023-24	552.18	1,038.66	\$1.0400	\$0.0000	\$217,466,772	\$217,466,772	\$207,987,417	\$207,987,417	\$200,245	\$200,245
2024-25	552.18	1,038.66	\$1.0400	\$0.0000	\$215,376,772	\$215,376,772	\$205,807,417	\$205,807,417	\$198,146	\$198,146

\*Tier II Yield: \$48.19; AISD Yield: \$59.97; Equalized Wealth: \$481,900 per WADA

**Table 2 – “Baseline Revenue Model”--Project Value Added with No Value Limitation**

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$1,328,273	\$3,289,743	\$359,916	\$0	\$0	\$268,646	\$497,633	\$0	\$5,744,211
2011-12	\$1,328,273	\$3,271,631	\$378,028	\$0	\$0	\$268,646	\$487,176	\$0	\$5,733,754
2012-13	\$2,002,799	\$3,271,631	\$0	\$0	\$0	\$405,070	\$734,575	\$0	\$6,414,075
2013-14	\$1,975,762	\$2,561,604	\$440,566	\$0	\$0	\$399,602	\$332,826	\$0	\$5,710,361
2014-15	\$1,949,876	\$2,590,064	\$437,993	\$0	\$0	\$394,366	\$338,707	\$0	\$5,711,005
2015-16	\$1,924,893	\$2,617,313	\$435,726	\$0	\$0	\$389,314	\$344,319	\$0	\$5,711,564
2016-17	\$1,901,061	\$2,643,610	\$433,261	\$0	\$0	\$384,493	\$349,801	\$0	\$5,712,226
2017-18	\$1,878,215	\$2,668,696	\$431,021	\$0	\$0	\$379,873	\$355,026	\$0	\$5,712,831
2018-19	\$1,856,191	\$2,692,745	\$428,996	\$0	\$0	\$375,418	\$360,026	\$0	\$5,713,377
2019-20	\$1,835,071	\$2,715,928	\$426,933	\$0	\$0	\$371,147	\$364,882	\$0	\$5,713,961
2020-21	\$1,814,855	\$2,738,159	\$424,918	\$0	\$0	\$367,058	\$369,559	\$0	\$5,714,550
2021-22	\$1,795,379	\$2,759,439	\$423,114	\$0	\$0	\$363,119	\$374,024	\$0	\$5,715,075
2022-23	\$1,776,642	\$2,779,941	\$421,349	\$0	\$0	\$359,329	\$378,342	\$0	\$5,715,604
2023-24	\$1,758,727	\$2,799,664	\$419,541	\$0	\$0	\$355,706	\$382,532	\$0	\$5,716,170
2024-25	\$1,741,551	\$2,818,522	\$417,859	\$0	\$0	\$352,232	\$386,540	\$0	\$5,716,704

Table 3—“Value Limitation Revenue Model”—Project Value Added with Value Limit

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$1,328,273	\$3,289,743	\$359,916	\$0	\$0	\$268,646	\$497,633	\$0	\$5,744,211
2011-12	\$1,328,273	\$3,271,631	\$378,028	\$0	\$0	\$268,646	\$487,176	\$0	\$5,733,754
2012-13	\$1,336,491	\$3,271,631	\$369,810	\$0	\$0	\$270,308	\$490,190	\$0	\$5,738,430
2013-14	\$1,336,491	\$3,262,981	\$378,460	\$0	\$0	\$270,308	\$485,265	\$0	\$5,733,506
2014-15	\$1,336,491	\$3,262,981	\$378,460	\$0	\$0	\$270,308	\$485,265	\$0	\$5,733,506
2015-16	\$1,336,491	\$3,262,981	\$378,460	\$0	\$0	\$270,308	\$485,265	\$0	\$5,733,506
2016-17	\$1,336,491	\$3,262,981	\$378,460	\$0	\$0	\$270,308	\$485,265	\$0	\$5,733,506
2017-18	\$1,336,491	\$3,262,981	\$378,460	\$0	\$0	\$270,308	\$485,265	\$0	\$5,733,506
2018-19	\$1,336,491	\$3,262,981	\$378,460	\$0	\$0	\$270,308	\$485,265	\$0	\$5,733,506
2019-20	\$1,336,491	\$3,262,981	\$378,460	\$0	\$0	\$270,308	\$485,265	\$0	\$5,733,506
2020-21	\$1,814,855	\$3,262,981	\$0	\$0	\$0	\$367,058	\$658,954	\$0	\$6,103,849
2021-22	\$1,795,379	\$2,759,439	\$423,114	\$0	\$0	\$363,119	\$374,024	\$0	\$5,715,075
2022-23	\$1,776,642	\$2,779,941	\$421,349	\$0	\$0	\$359,329	\$378,342	\$0	\$5,715,604
2023-24	\$1,758,727	\$2,799,664	\$419,541	\$0	\$0	\$355,706	\$382,532	\$0	\$5,716,170
2024-25	\$1,741,551	\$2,818,522	\$417,859	\$0	\$0	\$352,232	\$386,540	\$0	\$5,716,704

Table 4 – Value Limit less Project Value with No Limit

School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2010-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2012-13	-\$666,308	\$0	\$369,810	\$0	\$0	-\$134,762	-\$244,385	\$0	-\$675,645
2013-14	-\$639,271	\$701,377	-\$62,106	\$0	\$0	-\$129,294	\$152,439	\$0	\$23,145
2014-15	-\$613,385	\$672,917	-\$59,532	\$0	\$0	-\$124,058	\$146,559	\$0	\$22,500
2015-16	-\$588,402	\$645,668	-\$57,266	\$0	\$0	-\$119,006	\$140,947	\$0	\$21,941
2016-17	-\$564,570	\$619,371	-\$54,801	\$0	\$0	-\$114,186	\$135,465	\$0	\$21,279
2017-18	-\$541,725	\$594,285	-\$52,560	\$0	\$0	-\$109,565	\$130,239	\$0	\$20,675
2018-19	-\$519,701	\$570,236	-\$50,535	\$0	\$0	-\$105,111	\$125,239	\$0	\$20,129
2019-20	-\$498,581	\$547,053	-\$48,472	\$0	\$0	-\$100,839	\$120,384	\$0	\$19,545
2020-21	\$0	\$524,822	-\$424,918	\$0	\$0	\$0	\$289,395	\$0	\$389,299
2021-22	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022-23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023-24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



**Table 5 - Estimated Financial impact of the EC&R Development, LLC Project Property Value Limitation Request Submitted to BISD at \$1.04 M&O Tax Rate**

School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
2010-11	\$0	\$0	\$0	\$1.040	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011-12	\$0	\$0	\$0	\$1.040	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2012-13	\$82,080,000	\$1,000,000	\$81,080,000	\$1.040	\$853,632	\$10,400	\$843,232	\$0	\$843,232	-\$675,645	\$167,587
2013-14	\$78,790,000	\$1,000,000	\$77,790,000	\$1.040	\$819,416	\$10,400	\$809,016	\$0	\$809,016	\$0	\$809,016
2014-15	\$75,640,000	\$1,000,000	\$74,640,000	\$1.040	\$786,656	\$10,400	\$776,256	\$0	\$776,256	\$0	\$776,256
2015-16	\$72,600,000	\$1,000,000	\$71,600,000	\$1.040	\$755,040	\$10,400	\$744,640	\$0	\$744,640	\$0	\$744,640
2016-17	\$69,700,000	\$1,000,000	\$68,700,000	\$1.040	\$724,880	\$10,400	\$714,480	\$0	\$714,480	\$0	\$714,480
2017-18	\$66,920,000	\$1,000,000	\$65,920,000	\$1.040	\$695,968	\$10,400	\$685,568	\$0	\$685,568	\$0	\$685,568
2018-19	\$64,240,000	\$1,000,000	\$63,240,000	\$1.040	\$668,096	\$10,400	\$657,696	\$0	\$657,696	\$0	\$657,696
2019-20	\$61,670,000	\$1,000,000	\$60,670,000	\$1.040	\$641,368	\$10,400	\$630,968	\$0	\$630,968	\$0	\$630,968
2020-21	\$59,210,000	\$59,210,000	\$0	\$1.040	\$615,784	\$615,784	\$0	\$0	\$0	\$0	\$0
2021-22	\$56,840,000	\$56,840,000	\$0	\$1.040	\$591,136	\$591,136	\$0	\$0	\$0	\$0	\$0
2022-23	\$54,560,000	\$54,560,000	\$0	\$1.040	\$567,424	\$567,424	\$0	\$0	\$0	\$0	\$0
2023-24	\$52,380,000	\$52,380,000	\$0	\$1.040	\$544,752	\$544,752	\$0	\$0	\$0	\$0	\$0
2024-25	\$50,290,000	\$50,290,000	\$0	\$1.040	\$523,016	\$523,016	\$0	\$0	\$0	\$0	\$0
					\$8,787,168	\$2,925,312	\$5,861,856	\$0	\$5,861,856	-\$675,645	\$5,186,211
Tax Credit for Value Over Limit in First 2 Years							<u>2010</u>	<u>2011</u>	<u>Max Credits</u>		
							\$0	\$0	\$0		
							Credits Earned		\$0		
							Credits Paid		\$0		
							Excess Credits Unpaid		\$0		

# Attachment 3

## Kinney County Overview Report

### Population

Total county population in 2008 for Kinney County: 3,233 down 1.9 percent from 2007.

State population increased 2.0 percent in the same time period.

Kinney County was the state's 220th largest county in population in 2008 and the 240th fastest growing county from 2007 to 2008.

Kinney County population in 2008 was:

45.5 percent White	(below the state average of 47.4 percent.)
2.2 percent Black	(below the state average of 11.3 percent.)
50.9 percent Hispanic	(above the state average of 36.5 percent.)

2008 population of the largest cities and places in Kinney County:

<b>Brackettville:</b>	1,818
<b>Spofford:</b>	74

### Economy and Income

#### *Employment*

September 2009 total employment in Kinney County: 1,316, down 1.6 percent from September 2008.

State total employment decreased 0.7 percent during the same period.

September 2009 Kinney County unemployment rate was 9.2 percent, up from 5.2 percent in September 2008.

The statewide unemployment rate for September 2009 was 8.2 percent, up from 5.1 percent in September 2008.

September 2009 unemployment rate in the city of:

N/A

**(Note: County and State unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission City unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates.)**

#### *Income*

Kinney County's ranking in per capita personal income in 2007: 227th with an average per capita income of \$22,984, up 5.8 percent from 2006.

Statewide average per capita personal income was \$37,083 in 2007 up 5.5 percent from 2006.

#### *Industry*

Agricultural cash values in Kinney County averaged \$18.9 million annually from 2005 to 2008. County total agricultural values in 2008 were down 8.7 percent from 2007. Major agriculture related commodities in Kinney County during 2008 included:

Beef Total	Goats	Hunting	Sheep	Wool
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2007 preliminary oil and gas production in Kinney County: None.

In February 2009, there were no producing oil wells and no producing gas wells.

### Taxes

#### **Sales Tax - Taxable Sales**

##### **Quarterly (January through March 2009)**

Taxable sales in Kinney County during the first quarter of 2009: \$2,909,717, up 6.4 percent from the same quarter in 2008.

Taxable sales during the first quarter in the city of:

<http://www.texasahead.org/texasedge>

Brackettville \$2,737,856, up 7.6 percent from the same quarter in 2008.

**Annual (2008)**

Taxable sales in Kinney County during 2008: \$12,268,239, up 14.0 percent from 2007.

Taxable sales during 2008 in the city of:

Brackettville \$11,631,582, up 13.1 percent from 2007.

"-" represent amounts subject to state sales tax values that are suppressed for confidentiality reasons.

**Sales Tax - Local Sales Tax Allocations**

**Monthly (September 2009)**

Statewide payments based on the sales activity month of September 2009: , down 8.7 percent from September 2008.

Payments based on the sales activity month of September 2009 in the city of:

**Annual (2008)**

Statewide payments based on the sales activity months of 2008: \$6,026,220,888, up 5.8 percent from 2007.

**Property Tax**

As of 2007, property values in Kinney County: \$838,697,987, up 35.5 percent from 2006 values.

The property tax base per person in Kinney County is \$259,418, above the statewide average of \$77,317.

A negligible percentage of the property tax base is derived from oil, gas and minerals.

**State Expenditures**

Kinney County's ranking in state expenditures by county in state fiscal year (FY) 2008: 220th. State expenditures in the county for FY 2008: \$13,998,489, up 24.2 percent from FY 2007.

In Kinney County, 6 state agencies provide a total of 30 jobs and \$198,714 in annualized wages (as of 1st quarter 2009).

Major state agencies in the county (as of 1st quarter 2009):

- AgriLife Extension Service
- Health & Human Services Commission
- Parks & Wildlife Department
- Department of Transportation

**School Districts**

Kinney County had 1 school district with 4 schools and 598 students in the 2007-2008 school year.

( Statewide, the average teacher salary in school year 2007-2008 was \$46,179. The percentage of students, statewide, meeting the 2008 Texas Assessment of Knowledge and Skills (TAKS) passing standard for all 2007-2008 TAKS tests was 72 percent.)

BRACKETT ISD had 598 students in the 2007-2008 school year. The average teacher salary was \$41,008. The percentage of students meeting the 2008 TAKS passing standard for all tests was 72 percent.

## **Higher Education**

( Fall 2008 enrollment)

Community Colleges in Kinney County:

None

Kinney County is in the service area of the following:

Southwest Texas Junior College with a fall 2008 enrollment of 4,910 Students.  
Countes in the service area include

Dimmit

Edwards

Frio

Kinney

La Salle

Maverick

Medina

Real

Uvalde

Val Verde

Zavala

Institutes of Higher Education in Kinney County with a fall 2008 enrollment

None

## **References**

Population uses data from the following source:

U.S. Census Bureau, as of 10/1/09

Employment uses data from the following sources:

Texas Workforce Commission, as of 11/19/09

Texas Comptroller of Public Accounts, as of 8/21/09

Income uses data from the following source:

U.S. Department of Commerce-Bureau of Economic Analysis, as of 6/11/09

Industry uses data from the following sources:

Texas AgriLife Extension Service, as of 6/29/09

Railroad Commission of Texas, as of 8/21/08

Taxable Sales uses data from the following source:

Texas Comptroller of Public Accounts, as of 10/8/09

Sales Tax Allocation uses data from the following source:

Texas Comptroller of Public Accounts, as of 11/20/09

Property Tax uses data from the following source:

Texas Comptroller of Public Accounts, as of 10/27/09

State Expenditures uses data from the following source:

Texas Comptroller of Public Accounts, as of 8/21/09

Higher Education uses data from the following source:

Texas Higher Education Coordinating Board, as of 5/14/09

School Districts uses data from the following source:

Texas Education Agency, as of 1/21/09

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