



# THE TEXAS ECONOMIC DEVELOPMENT ACT

A School District's Perspective on Chapter 313 Agreements



# WHO IS MOAK, CASEY & ASSOCIATES?

Since 1998, Moak, Casey & Associates has been providing school districts with the following services:

1. District Financial Planning
2. Legislative School Finance Modeling and Projections
3. Texas Legislative Updates
4. Academic and Staffing Reviews
5. Accountability Reviews and Curriculum Related Services
6. Superintendent Transitions and Searches
7. Freeport and Chapter 313 Analysis

# ECONOMIC DEVELOPMENT OPTIONS

- Two options available to school districts to participate in economic development through tax reductions:
  - Freeport exemptions for goods in-transit, including super freeport and aircraft parts
  - Texas Economic Development Act: Chapter 313 property value limitations, available since 2002
- Ability to grant Chapter 312 tax abatements like cities and counties ended in 2001
  - Deduction from the value study for new Chapter 312 abatements was ended in 1993
- Tax Increment Reinvestment Zones (TIF or TIRZ) created after 1999 are no longer eligible for state property value study deduction

# CHAPTER 313 BASICS

- Limited to school districts—established in 2001 under HB 1200
- First projects approved in late 2002
- 300+ active projects and/or applications through 2015
- **\$60 billion** in new investment covered by adopted agreements through 2013, **over \$126 billion** expected over life of agreements (Comptroller Report 2014)

# MOAK, CASEY & ASSOCIATES' ROLE IN 313

- MCA has consulted on 75% of all of the Chapter 313 agreements (130+ school districts, 260+ active agreements), including the:
  - initial application phase
  - agreement process
  - revenue loss calculations
  - annual reporting requirements
  - state audits of the program
  - legislative and lobby efforts

# ELIGIBLE PROJECTS

- Eligible projects include:
  - Manufacturing
  - Research and development
  - Renewable electric generation
  - Clean coal
  - Nuclear energy
  - Computer data centers associated with eligible project
  - Texas Priority Projects with an investment level in excess of \$1 billion

# ACTIVE PROJECTS BY TYPE

- Types of projects (Comptroller Report 2014)
  - 45% of the investments are in manufacturing
  - 53% percent are in renewable energy
  - 2% percent of the investments are in research and development, clean coal, advanced clean energy, electric power generation, and nuclear electric power generation
- Job Creation
  - 5,487 estimated direct jobs created (89% in manufacturing, 10% renewable energy)
  - Comptroller does not estimate indirect jobs in report

# VALUE LIMITS AND JOB REQUIREMENTS

- District may offer minimum property value limitation from \$10 to \$100 million
  - Depends on size of tax base, rural status
  - Visit Comptroller's website for list of limits  
[http://www.texasahead.org/tax\\_programs/chapter313/values.php](http://www.texasahead.org/tax_programs/chapter313/values.php)
- Value limitation applies for ten years
- Full project value available for debt service on bonds
- Company must meet specific job and salary requirements
  - 10 or 25 job minimum depending on size of district
  - 110% of county manufacturing wage



# THE REVIEW PROCESS

- 150-day timeline
- Comptroller has 91 days to make recommendation and present economic analysis from the time they have “complete” information
- Board must adopt findings and approve agreement between district and the company, and possibly adopt a reinvestment zone or job waiver resolution, if necessary
- Company submits application fee with application, which covers any consulting costs of the district

# MAJOR PLAYERS

1. School District
2. Company
3. Texas Comptroller
  - Initial application and annual/biennial reports
4. Texas Education Agency
  - Tax credit reimbursement, facilities report for application
5. State Auditor's Office
  - At least three compliance reviews per year
6. Texas Workforce Commission
  - Wage data
7. Governor's Office
8. Texas Legislature
  - Almost every session amends or adds requirements to program

# BASIC MECHANICS: AN ILLUSTRATION

Year of Agreement	Project Value	Estimated Taxable Value	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	School District Revenue Losses	Estimated Net Tax Benefits	School District Tax Benefit \$100 per ADA	Company Tax Benefit
Pre-Year 1	\$0	\$0	1.0686	\$0	\$0	\$0	\$0	\$0	\$363,637	-\$363,637
1	\$279,700,000	\$30,000,000	1.0686	\$2,988,874	\$320,580	\$2,668,294	-\$2,833,445	-\$165,151	\$363,637	-\$532,424
2	\$711,995,000	\$30,000,000	1.0686	\$7,608,379	\$320,580	\$7,287,799	-\$4,683,440	\$2,604,358	\$363,637	\$2,233,412
3	\$690,915,000	\$30,000,000	1.0686	\$7,383,118	\$320,580	\$7,062,538	\$0	\$7,062,538	\$363,637	\$6,687,882
4	\$670,459,000	\$30,000,000	1.0686	\$7,164,525	\$320,580	\$6,843,945	\$0	\$6,843,945	\$363,637	\$6,465,543
5	\$650,625,000	\$30,000,000	1.0686	\$6,952,579	\$320,580	\$6,631,999	\$0	\$6,631,999	\$363,637	\$6,249,813
6	\$631,385,000	\$30,000,000	1.0686	\$6,746,980	\$320,580	\$6,426,400	\$0	\$6,426,400	\$363,637	\$6,040,392
7	\$612,719,000	\$30,000,000	1.0686	\$6,547,515	\$320,580	\$6,226,935	\$0	\$6,226,935	\$363,637	\$5,837,067
8	\$594,610,000	\$30,000,000	1.0686	\$6,354,002	\$320,580	\$6,033,422	\$0	\$6,033,422	\$363,637	\$5,639,656
9	\$577,050,000	\$30,000,000	1.0686	\$6,166,356	\$320,580	\$5,845,776	\$0	\$5,845,776	\$363,637	\$5,448,072
10	\$560,012,000	\$30,000,000	1.0686	\$5,984,288	\$320,580	\$5,663,708	\$0	\$5,663,708	\$363,637	\$5,262,027
11	\$543,489,000	\$543,489,000	1.0686	\$5,807,723	\$5,807,723	\$0	\$0	\$0	\$363,637	-\$405,698
12	\$527,456,000	\$527,456,000	1.0686	\$5,636,395	\$5,636,395	\$0	\$0	\$0	\$363,637	-\$409,755
13	\$511,917,000	\$511,917,000	1.0686	\$5,470,345	\$5,470,345	\$0	\$0	\$0	\$363,637	-\$413,853
14	\$496,837,000	\$496,837,000	1.0686	\$5,309,200	\$5,309,200	\$0	\$0	\$0	\$0	\$0
15	\$496,837,000	\$496,837,000	1.0686	\$5,309,200	\$5,309,200	\$0	\$0	\$0	\$0	\$0
				\$91,429,480	\$30,738,664	\$60,690,816	-\$7,516,885	\$53,173,931	\$5,090,919	\$48,083,012

# INTERACTION WITH SCHOOL FINANCE SYSTEM

- **Revenue protection calculation**

- All but five agreements calculated based on state and local revenue if able to tax entire amount of project **vs.** what state and local revenue would be when taxing just the limitation amount
- Districts on target revenue typically have smaller revenue loss payments, but now that most districts are on formula the revenue loss typically exceeds the what company would have owed in taxes for one year (due to Golden and Copper pennies)

# ITEMS OF NOTE

- Supplemental benefit may be negotiated on behalf of districts
  - Maximum \$100/ADA/year typically runs for 15+ years or 50000 dollars which is the greater.
- Extraordinary educational expenses can be considered for reimbursement by the company
- Revenue loss and supplemental payments are outside of Foundation School Program

# DISTRICT CODING

- Application fee
- Revenue loss payment
- Summary of finance

# APPLICATION FEE, REVENUE LOSS, AND SUPPLEMENTAL PAYMENTS

<b>Object 5749 Revenue to Include:</b>	<b>Object 5749 Revenue to Exclude:</b>
<p>requested under open records</p> <ul style="list-style-type: none"><li>• Sale of curriculum materials</li><li>• Revenue from copy machines usage</li><li>• Concession sales not specifically attributable to athletics (in accordance with local policy)</li><li>• Application fees for tax value limitation agreements (Ex. Chapter 313)</li></ul>	

# REPORTING REQUIREMENTS

- **Annual Reports**

- Each year in May/June, including year agreement is signed, companies must submit annual reports (preceding tax year job, wage, value data)

- **Biennial Reports**

- Every even year in May/June, company and district must submit multi-year data (values, revenue loss, supplemental payments, jobs, wage, etc.)

- **Job Creation Compliance Reports**

- Every year in May/June for projects deemed complete after January 2014 (qualifying jobs description)



# STATE AUDITOR—SELECTED AGREEMENTS (2015)

- **Over reliance on self-reported data**
  - District responsible for verification of job information and capital investment (Note: company provides signed annual and biennial reports)
- **Conflicts of Interest**
  - Board members or district personnel did not sign conflict of interest disclosure statements (Note: law does not require districts to do so, only when there is a conflict)
- **Provide link to Comptroller 313 site on district website**



MC&A is a leader in facilitating public/private partnerships to improve local economic development. MC&A provides a “one-stop shopping” team of financial, economic and legal experts to assist districts in using this tool to create positive financial benefits.

# OUR TEAM

## Dan Casey

Daniel Casey literally wrote the book on public school finance as co-author of *The Basics of Texas Public School Finance* with the late Dr. Billy Walker. As a former Associate Executive Director for Research and Development, and, prior to that, Director of Governmental Relations for the Texas Association of School Boards, over the past decade Dan has participated in a wide range of school finance and consulting activities. He serves as a senior consultant with the Fast Growth School Association and the Texas School Alliance. He is also recognized as one of the state's leading experts on school district property taxes, economic development abatements, and freport exemptions.

## Lynn Moak

During his long career in public administration, Lynn has been involved in virtually every major education finance policy change since 1967. He has developed research presented in every major case regarding public school finance since the Edgewood litigation in 1984. He has conducted research into many facets of public education finance including administrative costs, cost variations associated with size, economic factors, community differentials, and changing state policy. He has participated in the basic design of state systems to gather and report financial and other information. At the regional and local level, he has assisted districts in projects ranging from the design of data systems to the analysis of revenue and expenditure options.

## Curtis Culwell

Curtis Culwell, Ed.D. joined Moak, Casey and Associates after serving as superintendent of the Garland ISD for the past 14 years. He has more than 23 years of experience as a Texas public school superintendent, previously serving at Lubbock ISD and Pittsburg ISD. Dr. Culwell has also been appointed to numerous statewide commissions, including the 2010 Select Committee on Public School Weights, Allotments and Adjustments and the 2006 Tax Appraisal Committee, which reviewed the tax appraisal system for the entire state. In his tenure at Garland ISD, the district was cited for its efficiency and student productivity by numerous groups, including the Broad Foundation. Dr. Culwell has twice been elected as president of the Texas School Alliance and also serves as a member of the State Board of Teacher Certification.

# OUR TEAM

## Bob Popinski

With experience in both education and legislative matters, Bob Popinski has provided in-depth coverage and analysis of the Legislature for seven sessions. He has also conducted detailed studies on fast-growth school districts and the state's school transportation funding system. He currently provides support to districts that have or are considering adopting Chapter 313 agreements under the Texas Economic Development Act. His efforts include providing detailed analysis on the impact the project will have on school district finances, as well as providing the school board with detailed findings on the projects scope and impact within the state and region.

## Chris Grammer

Since joining MC&A in 2010, Chris has assisted school districts across the state with adopting Chapter 313 agreements under the Texas Economic Development Act. He provides detailed Ch. 313 financial analysis and step-by-step assistance to ensure districts successfully navigate the complex process. He also delivers MCA clients in-depth legislative analysis and up-to-date information on the latest action at the Capitol. Prior to working for MCA, he taught kindergarten and 1st grade in the Los Angeles Unified School District with the Teach For America program. He received a Bachelor of Arts in History and a Master of Public Affairs from the University of Texas at Austin.

## Dr. Tom Alvis

Prior to joining MCA, Dr. Alvis was a school administrator for thirty-six years most of those as a school superintendent. Since his retirement from district employment in 1999, he has worked with districts in adopting value limitation agreements under the Texas Economic Development Act for the past eleven years. Born and raised in Haskell Texas, Dr. Alvis is married with 3 children. He attended Tarleton State University for two years, then received a Bachelor of Science from Texas Tech University and began a teaching career in Munday, Texas. He received a Master of Education and the Doctorate of Philosophy in School Administration from Texas A&M University.

# OUR TEAM

## Joe Wisnoski

Formerly the Deputy Associate Commissioner for Finance of the Texas Education Agency, Joe Wisnoski has a 30-year career in the financing of Texas education and state government services. Since joining MC&A, Joe has conducted a number of school district financial analyses and participated in numerous workshops and presentations regarding changes in public school finance.

## Kathy Mathias

Kathy has developed databases containing detailed school and campus level information relating to students, staffing and finance. She has analyzed various data and designed reports on school district finances, staffing patterns, staff salaries, students, and legislative impact for a variety of school districts and school district organizations.

## Larry Throm

Larry brings 40 years of experience in Texas public schools to MCA. He is a recognized expert for his knowledge and understanding of the complexities in the financial management of Texas public school districts. Prior to Dallas ISD, where he served most recently as the Chief Financial Officer (CFO), he held the CFO position at Austin ISD and Lubbock ISD. In addition to CFO, he has held positions as a classroom teacher, director of maintenance, director of transportation, tax assessor/collector and election officer in various Texas school districts.



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