

Chapter 313 Property Value Limitations

**A Presentation to the
Smithville ISD School Board
January 19, 2021**



Today's Outline



CHAPTER 313
BASICS



CHAPTER 313
BENEFITS



CHAPTER 313
PROCESS & MECHANICS



CHAPTER 313
IN SMITHVILLE ISD

Chapter 313 | Basics

- Established in 2001 under HB 1200
- 509 Chapter 313 agreements (as of January 2021)
- **At least \$183.7B** in investments (as of 2018)
- Program is designed to attract large-scale capital investments
- Almost all eligible projects are manufacturing (38%) and renewable energy (61%)
- At least 12,498 qualifying jobs created (88% manufacturing)
- At least 66,400 direct and indirect jobs created



Chapter 313 | Value Limits

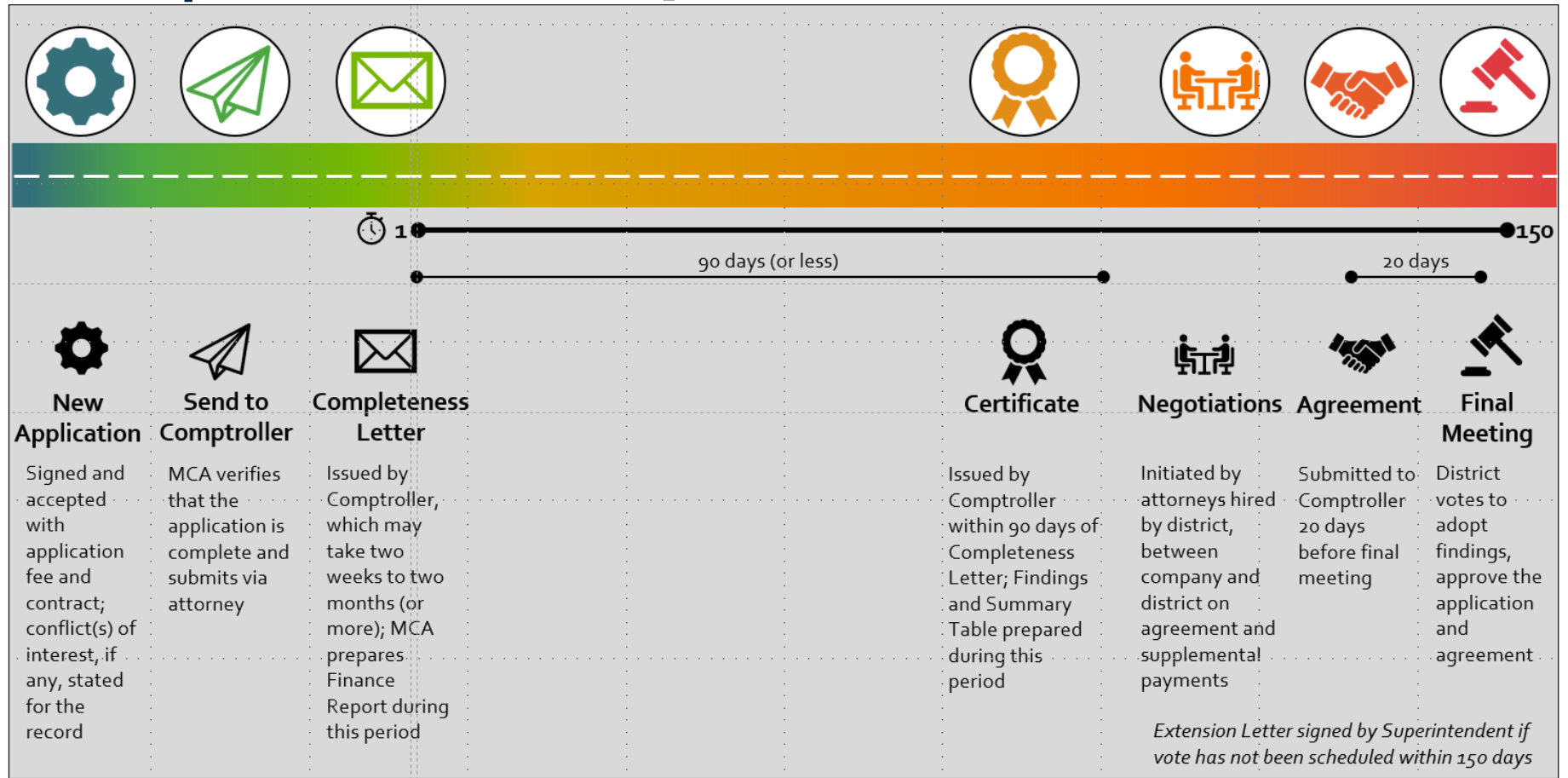
- Minimum property value limitation from \$10 Mil. to \$100 Mil.
 - Set by statute and updated annually by Comptroller
 - Determined by tax base and rural status
 - Smithville ISD's limitation: \$20 Million
 - Applies for 10 years for M&O taxes
- Fully taxable for debt service on bonds (I&S taxes)



Chapter 313 | **Benefits**

- New major capital investment, additional jobs and related economic activity
- Provides for hold-harmless protection against revenue losses in agreements between the School District and Company
- Provides for annual supplemental payments up to \$100/ADA
 - \$50,000 minimum for rural districts (less than 500 ADA)
- Full project value is taxable for I&S taxes

Chapter 313 | Roadmap



Chapter 313 | **Mechanics**

Revenue Protection

- M&O State and Local Revenue if project built without limitation
- M&O State and Local Revenue with limitation
- Reduction in revenue due to limitation is made up by the company



Chapter 313 | **Mechanics**

Supplemental Payment

- Capped by statute at \$100 per ADA per year
 - \$171,561 annually for Smithville ISD, based on recent ADA
- Negotiated during Agreement phase



Chapter 313 | **Additional Issues**

- Consultant prepares annual revenue loss and supplemental payment calculations
 - Company pays the cost of these calculations
- Annual and biennial reporting requirements
- Up for renewal this legislative session
 - Won't affect existing agreements

Estimated Financial Impact of the #1531 - Big Star Solar, LLC Chapter 313 Property Value Limitation Request Submitted to Smithville ISD

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Year of Agreement	School Year	Project Taxable Value for M&O If No Limitation	Project Taxable Value for M&O With Limitation	Assumed M&O Tax Rate	Tax Savings To Company	Estimated REVENUE PROTECTION PAYMENT	Estimated Net Tax Benefits	MAXIMUM SUPPLEMENTAL PAYMENT ALLOWED	Potential Company Tax Benefit	I&S Taxes at Current Rate of \$0.285	Potential Reduction in I&S Tax Rate
QTP0	2021-22	\$500,000	\$500,000	\$1.02530	\$0	\$0	\$0	\$171,561	\$0	\$1,425	-\$0.0001
QTP1/VL1	2022-23	\$190,458,990	\$20,000,000	\$1.02530	\$1,747,716	-\$1,838,755	-\$91,039	\$171,561	-\$91,039	\$542,808	-\$0.0455
QTP2/VL2	2023-24	\$173,834,242	\$20,000,000	\$1.02530	\$1,577,262	\$0	\$1,577,262	\$171,561	\$1,062,581	\$495,428	-\$0.0422
VL3	2024-25	\$157,209,494	\$20,000,000	\$1.02530	\$1,406,809	\$0	\$1,406,809	\$171,561	\$1,235,248	\$448,047	-\$0.0387
VL4	2025-26	\$140,584,747	\$20,000,000	\$1.02530	\$1,236,355	\$0	\$1,236,355	\$171,561	\$1,064,795	\$400,667	-\$0.0351
VL5	2026-27	\$123,959,999	\$20,000,000	\$1.02530	\$1,065,902	\$0	\$1,065,902	\$171,561	\$894,341	\$353,286	-\$0.0314
VL6	2027-28	\$107,335,251	\$20,000,000	\$1.02530	\$895,448	\$0	\$895,448	\$171,561	\$723,888	\$305,905	-\$0.0276
VL7	2028-29	\$90,710,503	\$20,000,000	\$1.02530	\$724,995	\$0	\$724,995	\$171,561	\$553,434	\$258,525	-\$0.0237
VL8	2029-30	\$74,085,756	\$20,000,000	\$1.02530	\$554,541	\$0	\$554,541	\$171,561	\$382,981	\$211,144	-\$0.0196
VL9	2030-31	\$57,461,008	\$20,000,000	\$1.02530	\$384,088	\$0	\$384,088	\$171,561	\$230,453	\$163,764	-\$0.0155
VL10	2031-32	\$41,874,369	\$20,000,000	\$1.02530	\$224,278	\$0	\$224,278	\$171,561	\$134,567	\$119,342	-\$0.0114
VP1	2032-33	\$41,859,369	\$41,859,369	\$1.02530	\$0	\$0	\$0	\$171,561	-\$271,335	\$119,299	-\$0.0114
VP2	2033-34	\$41,844,369	\$41,844,369	\$1.02530	\$0	\$0	\$0	\$171,561	-\$171,561	\$119,256	-\$0.0114
VP3	2034-35	\$41,829,369	\$41,829,369	\$1.02530	\$0	\$0	\$0	\$171,561	-\$171,561	\$119,214	-\$0.0114
VP4	2035-36	\$41,814,369	\$41,814,369	\$1.02530	\$0	\$0	\$0		\$0	\$119,171	-\$0.0114
VP5	2036-37	\$41,799,369	\$41,799,369	\$1.02530	\$0	\$0	\$0		\$0	\$119,128	-\$0.0114
					\$9,817,395	-\$1,838,755	\$7,978,640	\$2,401,847	\$5,576,793	\$3,896,409	

QTP = Qualifying Time Period
VL = Value Limitation
VP = Viable Presence

Fully Taxable for I&S

Loss of M&O taxes plus Tier II state aid would have earned on those taxes

Actual Amount and when paid is negotiated during Agreement process



Questions & Comments

