

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



September 9, 2009

Dr. David M. Jones  
Superintendent  
Webb Consolidated Independent School District  
P.O. Box 206  
Bruni, Texas 78344-0206

Dear Superintendent Jones:

On Aug. 3, 2009, the agency received the completed application for a limitation on appraised value originally submitted to the Webb Consolidated Independent School District (Webb CISD) by Cedro Hill Wind LLC (Cedro Hill) in May 2009, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Cedro Hill'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, Webb CISD is currently classified as a rural school district in Category 3. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$170 million) is consistent with the proposed appraised value limitation sought (\$10 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.

Cedro Hill is proposing the construction of wind power electricity generating facility in Webb County. Cedro Hill 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 Cedro Hill, the Comptroller's recommendation is that Cedro Hill's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. 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. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled and that the evidence supports the finding required by Section 313.025(f-1) for the job waiver on the school district. Section 313.025 states that Webb CISD may approve the application only if it makes the following 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.

Dr. David M. Jones  
September 9, 2009  
Page Two

The Comptroller's recommendation is based on the final, completed application. It is contingent on the district approving an agreement within a year from the date of this letter, and is valid only for a qualifying time period starting on or before Sept. 9, 2010. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), a signed agreement must be forwarded to our office as soon as possible after execution. 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,

A handwritten signature in black ink, appearing to read "Martin A. Hubert", with a long horizontal flourish extending to the right.

Martin A. Hubert  
Deputy Comptroller

cc: Robert Wood

**Economic Impact for Chapter 313 Project**

Applicant	Cedro Hill Wind LLC
Tax Code, 313.024 Eligibility Category	Renewable energy electric generation - Wind
School District	Webb Consolidated Independent School District
2007-08 Enrollment in School District	368
County	Webb
Total Investment in District	\$170,000,000
Qualified Investment	\$170,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	8
Number of qualifying jobs committed to by applicant	8*
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$923
Minimum Weekly Wage Required Tax Code, 313.025(A)	\$510
Minimum Annual Wage committed to by applicant for qualified jobs	\$45,660
Investment per Qualifying Job	\$21,250,000
Number of Turbines	100
Megawatts	150
Start of Construction	October 2009
End of Construction	End 2010
Estimated 15 year total levy without any limit or credit:	\$14,458,862
Estimated 15 year total tax benefit/levy loss	\$9,681,017
Estimated 15 year total tax benefit ( <i>after</i> deductions for estimated school district revenue protection--but not including any deduction for yet-to-be negotiated supplemental payments or extraordinary educational expenses):	\$9,164,766
Tax Credits Paid (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$1,435,595
Net Tax Paid After Limitation, Credits and Revenue Protection:	\$5,294,096
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	63.4%
Percentage of tax benefit due to the limitation	85.2%
Percentage of tax benefit due to the credit.	14.8%
* 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 Cedro Hill (the project) applying to Webb Consolidated 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 eight new jobs when fully operational. All of those 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 South Texas Development Council, where Webb County is located was \$25,730 in 2007. The manufacturing wage for the most recent four quarters for Webb County is \$24,102. In addition to an annual average salary of \$48,000 each qualifying position will receive benefits such as health insurance, 401(k) which matches 50 percent up to 6 percent of annual salary, medical, paid sick leave and personal time. The project's total investment is \$170 million, resulting in a relative level of investment per qualifying job of \$21.25 million.

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

According to Cedro Hill's application, "wind farms are currently being developed, built, and installed in numerous other states including but not limited to Colorado, Kansas, New Mexico, Oklahoma, California, and Minnesota. Within Texas at least 20 other counties currently have wind farms proposed, under development, under construction, or are currently operating with potential new sites growing yearly."

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

During the past two years, two projects applied under Chapter 313 in the South Texas Development Council Region.

**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 Cedro Hill'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 Cedro Hill**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2009	201	299	500	\$8,368,000	\$21,632,000	\$30,000,000
2010	208	323	531	\$8,704,000	\$26,296,000	\$35,000,000
2011	8	47	55	\$391,680	\$6,608,320	\$7,000,000
2012	8	36	44	\$399,512	\$5,600,488	\$6,000,000
2013	8	22	30	\$407,504	\$4,592,496	\$5,000,000
2014	8	13	21	\$415,656	\$3,584,344	\$4,000,000
2015	8	13	21	\$423,968	\$3,576,032	\$4,000,000
2016	8	16	24	\$432,448	\$2,567,552	\$3,000,000
2017	8	12	20	\$441,096	\$2,558,904	\$3,000,000
2018	8	18	26	\$449,920	\$3,550,080	\$4,000,000
2019	8	21	29	\$458,912	\$3,541,088	\$4,000,000
2020	8	17	25	\$468,096	\$2,531,904	\$4,000,000
2021	8	19	27	\$477,456	\$3,522,544	\$4,000,000
2022	8	21	29	\$487,008	\$3,512,992	\$4,000,000
2023	8	19	27	\$496,744	\$4,503,256	\$5,000,000
2024	8	21	29	\$506,680	\$4,493,320	\$5,000,000

Source: CPA, REMI, Cedro Hill

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2008. Webb CISD's ad valorem tax base in 2008 was \$1.7 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Webb CISD's estimated wealth per WADA was \$2.6 million. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district and Webb County with all property tax incentives sought being granted using estimated market value from Cedro Hill's application. Cedro Hill has applied for both a value limitation under Chapter 313, Tax Code and a county tax abatement under Tax Code, Chapter 312 seeking 60 percent abatement per year for years one through five and 40 percent abatement for years six through 10. Table 3 illustrates the estimated tax impact of the Cedro Hill project on the region if all taxes are assessed.

<b>Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought*</b>							
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Webb CISD I&S	Webb CISD M&O	Webb County	Total Taxes
			Tax Rate <sup>1</sup>	0.0339	0.8203	0.4201	
2009	\$0	\$0		\$0	\$0	\$0	\$0
2010	\$25,000,000	\$25,000,000		\$8,483	\$205,085	\$42,006	\$255,573
2011	\$170,000,000	\$170,000,000		\$57,681	\$1,394,578	\$285,637	\$1,737,896
2012	\$161,428,750	\$10,000,000		\$54,773	\$82,034	\$271,236	\$408,043
2013	\$153,289,625	\$10,000,000		\$52,011	\$82,034	\$257,560	\$391,605
2014	\$145,560,841	\$10,000,000		\$49,389	\$82,034	\$244,574	\$375,997
2015	\$138,221,711	\$10,000,000		\$46,899	\$82,034	\$348,364	\$477,297
2016	\$131,252,592	\$10,000,000		\$44,534	\$82,034	\$330,800	\$457,368
2017	\$124,634,830	\$10,000,000		\$42,289	\$82,034	\$314,121	\$438,443
2018	\$118,350,713	\$10,000,000		\$40,156	\$82,034	\$298,283	\$420,473
2019	\$112,383,421	\$10,000,000		\$38,132	\$82,034	\$283,243	\$403,409
2020	\$106,716,981	\$106,716,981		\$36,209	\$875,442	\$448,270	\$1,359,921
2021	\$101,336,227	\$101,336,227		\$34,383	\$831,302	\$425,668	\$1,291,353
2022	\$96,226,756	\$96,226,756		\$32,650	\$789,387	\$404,205	\$1,226,242
2023	\$91,334,364	\$91,334,364		\$30,990	\$749,252	\$383,655	\$1,163,897
2024	\$86,729,145	\$86,729,145		\$29,427	\$711,474	\$364,310	\$1,105,211
						<b>Total</b>	<b>\$11,512,728</b>

Source: CPA, Cedro Hill

\*Assumes Chapter 313 Value Limitation and County Tax Abatement (60 percent years 1-5 and 40 percent years 6-10)

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

<b>Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives</b>							
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Webb CISD I&S	Webb CISD M&O	Webb County	Total Taxes
			Tax Rate <sup>1</sup>	0.0339	0.8203	0.4201	
2009	\$0	\$0		\$0	\$0	\$0	\$0
2010	\$25,000,000	\$25,000,000		\$8,483	\$205,085	\$105,014	\$318,581
2011	\$170,000,000	\$170,000,000		\$57,681	\$1,394,578	\$714,094	\$2,166,353
2012	\$161,428,750	\$161,428,750		\$54,773	\$1,324,265	\$678,090	\$2,057,127
2013	\$153,289,625	\$153,289,625		\$52,011	\$1,257,496	\$643,901	\$1,953,408
2014	\$145,560,841	\$145,560,841		\$49,389	\$1,194,094	\$611,436	\$1,854,918
2015	\$138,221,711	\$138,221,711		\$46,899	\$1,133,888	\$580,607	\$1,761,394
2016	\$131,252,592	\$131,252,592		\$44,534	\$1,076,718	\$551,333	\$1,672,585
2017	\$124,634,830	\$124,634,830		\$42,289	\$1,022,429	\$523,535	\$1,588,253
2018	\$118,350,713	\$118,350,713		\$40,156	\$970,878	\$497,138	\$1,508,173
2019	\$112,383,421	\$112,383,421		\$38,132	\$921,926	\$472,072	\$1,432,130
2020	\$106,716,981	\$106,716,981		\$36,209	\$875,442	\$448,270	\$1,359,921
2021	\$101,336,227	\$101,336,227		\$34,383	\$831,302	\$425,668	\$1,291,353
2022	\$96,226,756	\$96,226,756		\$32,650	\$789,387	\$404,205	\$1,226,242
2023	\$91,334,364	\$91,334,364		\$30,990	\$749,252	\$383,655	\$1,163,897
2024	\$86,729,145	\$86,729,145		\$29,427	\$711,474	\$364,310	\$1,105,211
						<b>Total</b>	<b>\$22,459,544</b>

Source: CPA, Cedro Hill

<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 \$14,458,862. The estimated gross 15 year total tax benefit, or levy loss, is \$9,681,017.

Attachment 3 is an economic overview of Webb 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**

PROPERTY INVESTMENT AMOUNTS (\$)										TAX INFORMATION			
(Estimated investment in each year. Do not put cumulative totals.)										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 sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant
Year	Tax Year (fill in actual tax year below)	Column A: Tangible investment (original cost) placed in service during this year	Column B: Building or nonremovable component of building (annual 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 but 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 sales 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	0		0	0							
	Investment made after filing application with district, but before application approval (eligible to become qualified property)	0	0		0	0							
	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)	25,000,000	0	25,000,000	0	25,000,000	2,325,000	167,575,000					
	Complete tax years of qualifying time period	2010	144,800,000	200,000	145,000,000	0	8,000						
		2011	0	0	0	0	4,000						
		2012	0	0	0	0	3,000	250,000					
		2013	0	0	0	0	3,000	500,000					
		2014	0	0	0	0	3,000	500,000					
		2015	0	0	0	0	3,000	750,000	419,000				
		2016	0	0	0	0	3,000	750,000	741,000				
		2017	0	0	0	0	3,000	750,000	740,000				
		2018	0	0	0	0	3,000	737,000					
		2019	0	0	0	0	3,000	1,000,000	799,000				
		2020*	0	0	0	0	3,000	1,000,000	737,000				
		2021	0	0	0	0	3,000	1,000,000	727,000				
	2022	0	0	0	0	3,000	1,000,000	713,000					
	2023	0	0	0	0	3,000	1,000,000	691,200					
	2024	0	0	0	0	3,000	1,000,000	690,000					

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 §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals. For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property. Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E). For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

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

Applicant Name  
ISD Name

**SCHEDULE B-3676 (Temporary - July 2009): ESTIMATED MARKET AND TAXABLE VALUE**

All figures here are to be cumulative

	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 on the new improvement"	D: Due to pollution control property (estimated or actual as appropriate)	E: Due to other exemptions	F: Estimated total taxable value for (A+B+C)-(D+E)	G: Estimated total taxable value for M&O: (Column F amount with the limitation value in years 3-10)	
	pre-year 1	0	0	0	0	0	0	0	0
	1	0	25,000,000	0	0	0	0	25,000,000	25,000,000
	2	0	169,925,000	75,000	0	0	0	170,000,000	170,000,000
	3	0	161,357,500	71,250	0	0	0	161,428,750	10,000,000
	4	0	153,221,938	67,688	0	0	0	153,289,625	10,000,000
	5	0	145,456,538	64,303	0	0	0	145,560,841	10,000,000
	6	0	138,160,623	61,088	0	0	0	138,221,711	10,000,000
	7	0	131,194,558	58,034	0	0	0	131,252,592	10,000,000
	8	0	124,579,698	55,132	0	0	0	124,634,830	10,000,000
	9	0	118,298,338	52,375	0	0	0	118,350,713	10,000,000
	10	0	112,333,665	49,757	0	0	0	112,383,421	10,000,000
	11	0	106,669,713	47,269	0	0	0	106,716,981	106,716,981
	12	0	101,291,322	44,905	0	0	0	101,336,227	101,336,227
	13	0	96,184,096	42,660	0	0	0	96,226,756	96,226,756
	14	0	91,334,364	40,527	0	0	0	91,374,891	91,374,891
	15	0	86,729,145	38,501	0	0	0	86,767,646	86,767,646
Tax Credit Period (with 50% cap on credit)									
Credit Settle-Up Period	Complete tax years of qualifying time 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.

**SCHEDULE C-3676 (Temporary - July 2009): EMPLOYMENT INFORMATION**

	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)	Column C: Average annual wage rates for construction workers	Column D: Total number of 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	200	41,600	1	48,000	1	48,000	
	1	2010	0	200	41,600	8	48,000	8	48,000	
	2	2011	0	0	0	8	48,960	8	48,960	
	3	2012	0	0	0	8	49,939	8	49,939	
	4	2013	0	0	0	8	50,938	8	50,938	
	5	2014	0	0	0	8	51,957	8	51,957	
	6	2015	0	0	0	8	52,996	8	52,996	
	7	2016	0	0	0	8	54,056	8	54,056	
	8	2017	0	0	0	8	55,137	8	55,137	
	9	2018	0	0	0	8	56,240	8	56,240	
	10	2019	0	0	0	8	57,364	8	57,364	
	11	2020	0	0	0	8	58,512	8	58,512	
	12	2021	0	0	0	8	59,682	8	59,682	
	13	2022	0	0	0	8	60,876	8	60,876	
	14	2023	0	0	0	8	62,093	8	62,093	
	15	2024	0	0	0	8	63,335	8	63,335	
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period									
	Value Limitation Period									
Credit Settle-Up Period	Continue to Maintain Viable Presence									
Post-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.

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

September 8, 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 Cedro Hill Wind, LLC, project on the number and size of school facilities in Webb Consolidated Independent School District (WCISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the WCISD superintendent, David Jones, the TEA has found that the Cedro Hill Wind, LLC, project would not have a significant impact on the number or size of school facilities in WCISD.

Please feel free to contact Helen Daniels, director of the State Funding Division, 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,

Belinda Dyer  
Director, Forecasting and Fiscal Analysis Division  
Texas Education Agency  
(512) 475-3451 (ph)  
(512) 936-2313 (fax)

BD/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

September 8, 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 Cedro Hill Wind, LLC, project for the Webb Consolidated Independent School District (WCISD). 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 Cedro Hill Wind, LLC, project on WCISD are correct.

Please feel free to contact Helen Daniels, director of the State Funding Division, 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 "Belinda Dyer". The signature is written in a cursive, flowing style.

Belinda Dyer  
Director, Forecasting and Fiscal Analysis Division  
Texas Education Agency  
(512) 475-3451 (ph)  
(512) 936-2313 (fax)

BD/hd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED CEDRO  
HILL WIND LLC PROJECT ON THE FINANCES OF THE WEBB  
CONSOLIDATED INDEPENDENT SCHOOL DISTRICT UNDER A  
REQUESTED CHAPTER 313 PROPERTY VALUE LIMITATION**

**August 17, 2009**

**Final Report**

**PREPARED BY**



# Estimated Impact of the Proposed Cedro Hill Wind LLC Project on the Finances of the Webb Consolidated Independent School District under a Requested Chapter 313 Property Value Limitation

## Introduction

Cedro Hill Wind LLC (Cedro Hill) has requested that the Webb Consolidated Independent School District (WCISD) 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 WCISD on May 12, 2009. Cedro Hill proposes to invest \$170 million to construct a new wind energy project in WCISD.

The Cedro Hill 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, WCISD may offer a minimum value limitation of \$10 million. Based on the application, the qualifying time period would begin with the 2010-11 school year. The full value of the investment is expected to reach \$170 million in 2011-12, 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 \$10 million and remain at that level of taxable value for eight years for maintenance and operations taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with WCISD currently levying a \$0.0339 I&S tax rate.

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 (and thereafter). 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. Based on the data provided in the application, Cedro Hill indicates that \$170 million in taxable value would be in place in the second year under the agreement. In year three (2012-13) of the agreement, the project is expected to go on the tax roll at \$10 million or, if applicable, a higher value limitation amount approved by the WCISD Board of Trustees. This difference would result in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when 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).

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue provisions from HB 1, that are then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional \$120 per WADA guarantee.

Under the provisions of HB 3646, school districts do 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 Cedro Hill 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 303 students in average daily attendance (ADA) in analyzing the effects of the Cedro Hill project on the finances of WCISD. The District's local tax base reached \$1.68 billion for the 2009 tax year. While the district's tax base has experienced volatility in recent years due largely to changes in mineral values, the underlying \$1.68 billion taxable value for 2009-10 is maintained for the forecast period in order to isolate the effects of the property value limitation. WCISD is a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$2.7 million for the 2009-10 school year. These assumptions are summarized in Table 1.

### **School Finance Impact**

A baseline model was prepared for WCISD 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 Cedro Hill facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the Cedro Hill 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 \$0.8203 is used throughout this analysis. This exceeds the compressed M&O rate of \$0.77 by more than four cents since it also incorporates 1.36 cents of tax effort previously approved by the District's voters.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$7.7 million a year in net General Fund revenue, after recapture and other adjustments have been made.

Under these assumptions, WCISD would experience a revenue loss as a result of the implementation of the value limitation in the 2012-13 school year (-\$77,777). The revenue reduction results from the mechanics of six cents not subject to recapture, which reflect the one-year lag in value associated with the property value study. It appears that similar differences persist between the two models over the course of the agreement, in part due to deductions made in state property value study that do not sufficiently offset the reduction in M&O taxes resulting from the impact of the value limitation agreement.

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. 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, however, only 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. The contention that has been made is the language of Section 403.302(d)(10)(B) of the Government Code, which provides for deducting value associated with actions taken under Chapter 313 of the Tax Code in determining taxable value, does not permit the flexibility of establishing two state property values for the M&O and I&S components for a school districts that have granted a property value limitation.

The result of this interpretation is that a "composite" value for a school district with a Chapter 313 agreement is calculated, by averaging the impact of the value reduction across the M&O and I&S tax levies. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer receiving the value limitation in school districts that levy M&O taxes.

The consequence of the lower deduction in the value study relative to the Chapter 313 reduction in the CAD values is that a school district risks not being fully compensated under the school finance funding formulas for having granted the property value limitation. Chapter 41 school districts face greater recapture costs than would have been the case if the CAD deduction and the Comptroller's Chapter 313 reduction matched.

This methodology has been incorporated into these estimates and the typical result is an increase in the hold-harmless formula amounts owed to the school district by the company that receives the value limitation. The extent to which this affects a school district's finances appears to be influenced by the scale of the value limitation reduction relative to the district's underlying tax base, as well as its I&S tax rate. There are circumstances under the composite deduction calculation where a school district may become eligible for additional state facilities support because the lower state property value is used in the formulas that determine eligible aid for the Existing Debt Allotment (EDA) and Instructional Facilities (IFA) programs, even though it is taxing for I&S purposes on a much larger tax base. Even if a school district receives additional state aid for I&S purposes, these funds must be used to lower the I&S tax rate and do not enhance a school district's revenue for operating its schools.

In the case of WCISD, the calculated lower reduction in the state property value relative to the M&O benefit to be received by the taxpayer does not appear to be substantial. In large part this results because the underlying tax base is substantially larger than the proposed project.

---

### **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. As noted previously, the property is fully taxable in the first two years under the agreement. A \$0.8203 per \$100 of taxable value M&O rate is assumed in 2009-10 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$8.2 million over the life of the agreement. In addition, Cedro Hill would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$1.4 million over the life of the agreement, with no unpaid tax credits anticipated. The key WCISD revenue losses are associated with the additional six-cent levy not subject to recapture and expected to total approximately -\$516,250 over the course of the agreement, with the school district to be reimbursed by the state for the tax credit payments. In total, the potential net tax benefits are estimated to total \$9.16 million over the life of the agreement.

### **Facilities Funding Impact**

The Cedro Hill project remains fully taxable for debt services taxes, with WCISD currently levying a \$0.0339 I&S rate. The value of the Cedro Hill project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA that is currently well above what is provided for through the state's facilities program. The additional value is expected to help reduce the District's current I&S tax rate to \$0.031 per \$100 in 2011-12—about two-tenths of one cent of tax effort—with the rate reduction diminishing as the project value depreciates.

The Cedro Hill project is not expected to affect WCISD 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 Cedro Hill wind energy project enhances the tax base of WCISD. 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 \$9.16 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 WCISD in meeting its future debt service obligations.

**Table 1 – Base District Information with Cedro Hill Wind 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	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
2010-11	302.85	615.00	\$0.8203	\$0.0339	\$1,702,496,669	\$1,702,496,669	\$1,714,856,353	\$1,714,856,353	\$2,788,365	\$2,788,365
2011-12	302.85	615.00	\$0.8203	\$0.0339	\$1,847,496,669	\$1,847,496,669	\$1,776,941,026	\$1,776,941,026	\$2,889,315	\$2,889,315
2012-13	302.85	615.00	\$0.8203	\$0.0339	\$1,838,925,419	\$1,687,496,669	\$1,921,941,026	\$1,921,941,026	\$3,125,086	\$3,125,086
2013-14	302.85	615.00	\$0.8203	\$0.0339	\$1,830,786,294	\$1,687,496,669	\$1,913,369,776	\$1,767,955,492	\$3,111,149	\$2,874,704
2014-15	302.85	615.00	\$0.8203	\$0.0339	\$1,823,057,510	\$1,687,496,669	\$1,905,230,651	\$1,767,632,221	\$3,097,914	\$2,874,179
2015-16	302.85	615.00	\$0.8203	\$0.0339	\$1,815,718,380	\$1,687,496,669	\$1,897,501,867	\$1,767,325,248	\$3,085,347	\$2,873,679
2016-17	302.85	615.00	\$0.8203	\$0.0339	\$1,808,749,261	\$1,687,496,669	\$1,890,162,737	\$1,767,033,752	\$3,073,414	\$2,873,206
2017-18	302.85	615.00	\$0.8203	\$0.0339	\$1,802,131,499	\$1,687,496,669	\$1,883,193,618	\$1,766,756,951	\$3,062,082	\$2,872,755
2018-19	302.85	615.00	\$0.8203	\$0.0339	\$1,795,847,382	\$1,687,496,669	\$1,876,375,856	\$1,766,494,106	\$3,051,322	\$2,872,328
2019-20	302.85	615.00	\$0.8203	\$0.0339	\$1,789,880,090	\$1,687,496,669	\$1,870,291,739	\$1,766,244,513	\$3,041,104	\$2,871,922
2020-21	302.85	615.00	\$0.8203	\$0.0339	\$1,784,213,650	\$1,784,213,650	\$1,864,324,447	\$1,766,007,503	\$3,031,401	\$2,871,537
2021-22	302.85	615.00	\$0.8203	\$0.0339	\$1,778,832,896	\$1,778,832,896	\$1,858,658,007	\$1,858,658,007	\$3,022,187	\$3,022,187
2022-23	302.85	615.00	\$0.8203	\$0.0339	\$1,773,723,427	\$1,773,723,427	\$1,853,277,253	\$1,853,277,253	\$3,013,438	\$3,013,438
2023-24	302.85	615.00	\$0.8203	\$0.0339	\$1,768,871,582	\$1,768,871,582	\$1,848,167,784	\$1,848,167,784	\$3,005,130	\$3,005,130
2024-25	302.85	615.00	\$0.8203	\$0.0339	\$1,764,264,372	\$1,764,264,372	\$1,843,315,939	\$1,843,315,939	\$2,997,241	\$2,997,241

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	\$12,549,090	\$51,828	\$2,899,976	\$0	-\$8,718,551	\$877,874	\$0	\$0	\$7,660,217
2011-12	\$13,613,698	\$101,799	\$2,710,796	\$0	-\$9,644,754	\$952,349	\$0	\$0	\$7,733,887
2012-13	\$13,550,766	\$101,799	\$2,980,305	\$0	-\$9,851,333	\$947,947	\$0	\$0	\$7,729,485
2013-14	\$13,491,008	\$101,799	\$2,981,294	\$0	-\$9,792,563	\$943,766	\$0	\$0	\$7,725,304
2014-15	\$13,434,262	\$122,999	\$2,974,465	\$0	-\$9,750,188	\$939,796	\$0	\$0	\$7,721,334
2015-16	\$13,380,378	\$101,799	\$2,983,128	\$0	-\$9,683,767	\$936,027	\$0	\$0	\$7,717,565
2016-17	\$13,329,209	\$122,999	\$2,976,214	\$0	-\$9,646,884	\$932,447	\$0	\$0	\$7,713,985
2017-18	\$13,280,621	\$101,799	\$2,984,784	\$0	-\$9,585,667	\$929,048	\$0	\$0	\$7,710,586
2018-19	\$13,234,482	\$122,999	\$2,977,793	\$0	-\$9,553,736	\$925,821	\$0	\$0	\$7,707,359
2019-20	\$13,190,670	\$101,799	\$2,986,280	\$0	-\$9,497,211	\$922,756	\$0	\$0	\$7,704,294
2020-21	\$13,149,066	\$122,999	\$2,979,219	\$0	-\$9,469,746	\$919,846	\$0	\$0	\$7,701,384
2021-22	\$13,109,560	\$101,799	\$2,987,631	\$0	-\$9,417,452	\$917,082	\$0	\$0	\$7,698,620
2022-23	\$13,072,046	\$122,999	\$2,980,507	\$0	-\$9,394,013	\$914,458	\$0	\$0	\$7,695,996
2023-24	\$13,036,423	\$101,799	\$2,988,850	\$0	-\$9,345,534	\$911,966	\$0	\$0	\$7,693,504
2024-25	\$13,002,596	\$122,999	\$2,981,669	\$0	-\$9,325,726	\$909,599	\$0	\$0	\$7,691,137

**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	\$12,549,090	\$51,828	\$2,899,976	\$0	-\$8,718,551	\$877,874	\$0	\$0	\$7,660,217
2011-12	\$13,613,698	\$101,799	\$2,710,796	\$0	-\$9,644,754	\$952,349	\$0	\$0	\$7,733,887
2012-13	\$12,438,958	\$101,799	\$3,254,429	\$0	-\$9,013,648	\$870,170	\$0	\$0	\$7,651,708
2013-14	\$12,438,958	\$101,799	\$3,008,470	\$0	-\$8,767,690	\$870,170	\$0	\$0	\$7,651,708
2014-15	\$12,438,958	\$122,999	\$3,000,149	\$0	-\$8,780,568	\$870,170	\$0	\$0	\$7,651,708
2015-16	\$12,438,958	\$101,799	\$3,007,370	\$0	-\$8,766,589	\$870,170	\$0	\$0	\$7,651,708
2016-17	\$12,438,958	\$122,999	\$2,999,109	\$0	-\$8,779,528	\$870,170	\$0	\$0	\$7,651,708
2017-18	\$12,438,958	\$101,799	\$3,006,377	\$0	-\$8,765,596	\$870,170	\$0	\$0	\$7,651,708
2018-19	\$12,438,958	\$122,999	\$2,998,170	\$0	-\$8,778,589	\$870,170	\$0	\$0	\$7,651,708
2019-20	\$12,438,958	\$101,799	\$3,005,481	\$0	-\$8,764,700	\$870,170	\$0	\$0	\$7,651,708
2020-21	\$13,149,066	\$122,999	\$2,807,612	\$0	-\$9,298,140	\$919,846	\$0	\$0	\$7,701,384
2021-22	\$13,109,560	\$101,799	\$2,987,631	\$0	-\$9,417,452	\$917,082	\$0	\$0	\$7,698,620
2022-23	\$13,072,046	\$122,999	\$2,980,507	\$0	-\$9,394,013	\$914,458	\$0	\$0	\$7,695,996
2023-24	\$13,036,423	\$101,799	\$2,988,850	\$0	-\$9,345,534	\$911,966	\$0	\$0	\$7,693,504
2024-25	\$13,002,596	\$122,999	\$2,981,669	\$0	-\$9,325,726	\$909,599	\$0	\$0	\$7,691,137

**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	-\$1,111,808	\$0	\$274,123	\$0	\$837,685	-\$77,777	\$0	\$0	\$77,777
2013-14	-\$1,052,050	\$0	\$27,176	\$0	\$1,024,874	-\$73,596	\$0	\$0	-\$73,596
2014-15	-\$995,304	\$0	\$25,684	\$0	\$969,620	-\$69,627	\$0	\$0	-\$69,627
2015-16	-\$941,419	\$0	\$24,242	\$0	\$917,178	-\$65,857	\$0	\$0	-\$65,857
2016-17	-\$890,251	\$0	\$22,895	\$0	\$867,356	-\$62,278	\$0	\$0	-\$62,278
2017-18	-\$841,663	\$0	\$21,592	\$0	\$820,070	-\$58,879	\$0	\$0	-\$58,879
2018-19	-\$795,524	\$0	\$20,377	\$0	\$775,147	-\$55,651	\$0	\$0	-\$55,651
2019-20	-\$751,711	\$0	\$19,201	\$0	\$732,511	-\$52,586	\$0	\$0	-\$52,586
2020-21	\$0	\$0	-\$171,607	\$0	\$171,607	\$0	\$0	\$0	\$0
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 Cedro Hill Wind LLC Project Property Value Limitation Request Submitted to Webb CISD at 0.8203 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	\$25,000,000	\$25,000,000	\$0	0.820	\$205,085	\$205,085	\$0	\$0	\$0	\$0	\$0
2011-12	\$170,000,000	\$170,000,000	\$0	0.820	\$1,394,578	\$1,394,578	\$0	\$0	\$0	\$0	\$0
2012-13	\$161,428,750	\$10,000,000	\$151,428,750	0.820	\$1,324,265	\$82,034	\$1,242,231	\$0	\$1,242,231	-\$77,777	\$1,164,454
2013-14	\$153,289,625	\$10,000,000	\$143,289,625	0.820	\$1,257,496	\$82,034	\$1,175,462	\$67,023	\$1,242,485	-\$73,596	\$1,168,888
2014-15	\$145,560,841	\$10,000,000	\$135,560,841	0.820	\$1,194,094	\$82,034	\$1,112,060	\$65,711	\$1,177,771	-\$69,627	\$1,108,145
2015-16	\$138,221,711	\$10,000,000	\$128,221,711	0.820	\$1,133,888	\$82,034	\$1,051,854	\$64,466	\$1,116,320	-\$65,857	\$1,050,463
2016-17	\$131,252,592	\$10,000,000	\$121,252,592	0.820	\$1,076,718	\$82,034	\$994,684	\$63,284	\$1,057,968	-\$62,278	\$995,690
2017-18	\$124,634,830	\$10,000,000	\$114,634,830	0.820	\$1,022,429	\$82,034	\$940,395	\$62,161	\$1,002,557	-\$58,879	\$943,678
2018-19	\$118,350,713	\$10,000,000	\$108,350,713	0.820	\$970,878	\$82,034	\$888,844	\$61,095	\$949,939	-\$55,651	\$894,288
2019-20	\$112,383,421	\$10,000,000	\$102,383,421	0.820	\$921,926	\$82,034	\$839,892	\$60,083	\$899,975	-\$52,586	\$847,389
2020-21	\$106,716,981	\$10,000,000	\$96,716,981	0.820	\$875,442	\$82,034	\$793,408	\$59,071	\$852,479	-\$49,513	\$802,966
2021-22	\$101,336,227	\$10,000,000	\$91,336,227	0.820	\$831,302	\$82,034	\$749,268	\$58,059	\$807,327	-\$46,444	\$760,883
2022-23	\$96,226,758	\$10,000,000	\$86,226,758	0.820	\$789,387	\$82,034	\$707,353	\$57,047	\$764,400	-\$43,375	\$721,025
2023-24	\$91,374,913	\$10,000,000	\$81,374,913	0.820	\$749,585	\$82,034	\$667,551	\$56,035	\$723,586	-\$40,306	\$683,280
2024-25	\$86,767,703	\$10,000,000	\$76,767,703	0.820	\$711,790	\$82,034	\$629,756	\$55,023	\$678,779	-\$37,237	\$641,542
					\$14,458,862	\$6,213,440	\$8,245,422	\$1,435,595	\$9,681,017	\$516,250	\$9,164,766

**Tax Credit for Value Over Limit in First 2 Years**

	2010	2011	Max Credits
	\$123,051	\$1,312,544	\$1,435,595
Credits Earned			\$1,435,595
Credits Paid			<u>\$1,435,595</u>
Excess Credits Unpaid			\$0

# Attachment 3

## Webb County Overview Report

### Population

Total county population in 2007 for Webb County: 233,152, up 2.5 percent from 2006.  
 State population increased 2.1 percent in the same time period.

Webb County was the state's 20th largest county in population in 2007 and the 33rd fastest growing county from 2006 to 2007.

Webb County population in 2007 was:

4.4 percent White	(below the state average of 47.9 percent.)
0.2 percent Black	(below the state average of 11.4 percent.)
94.7 percent Hispanic	(above the state average of 36.0 percent.)

2007 population of the largest cities and places in Webb County:

<b>Laredo:</b>	217,506
<b>Rio Bravo:</b>	5,594
<b>El Cenizo:</b>	3,572

### Economy and Income

#### *Employment*

July 2009 total employment in Webb County: 88,503, up 1.8 percent from July 2008.  
 State total employment decreased 0.6 percent during the same period.

July 2009 Webb County unemployment rate was 8.9 percent, up from 5.5 percent in July 2008.  
 The statewide unemployment rate for July 2009 was 7.9 percent, up from 4.9 percent in July 2008.

July 2009 unemployment rate in the city of:

Laredo:                      was 8.7 percent, up from 5.7 percent in July 2008.

**(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*

Webb County's ranking in per capita personal income in 2007: 233rd with an average per capita income of \$21,423, up 5.7 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 Webb County averaged \$46.9 million annually from 2005 to 2008. County total agricultural values in 2008 were down 5.0 percent from 2007. Major agriculture related commodities in Webb County during 2008 included:

Beef Total	Fed Beef	Horses	Hunting	Nursery
------------	----------	--------	---------	---------

2007 preliminary oil and gas production in Webb County: 126,516 barrels of oil and 218,281,782 Mcf of gas.  
 In February 2009, there were 123 producing oil wells and 4,700 producing gas wells.

### Taxes

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

##### **Quarterly (July through September 2008)**

Taxable sales in Webb County during the third quarter of 2008: \$497,140,274, up 2.1 percent from the same quarter in 2007.

Taxable sales during the third quarter in the city of:

<b>El Cenizo</b>	\$144,253,	up	9.8 percent from the same quarter in 2007.
<b>Laredo</b>	\$492,036,031,	up	2.1 percent from the same quarter in 2007.
<b>Rio Bravo</b>	\$745,524,	up	23.8 percent from the same quarter in 2007.

#### **Annual (2007)**

Taxable sales in Webb County during 2007: \$2,048,336,264, up 3.4 percent from 2006.

Taxable sales during 2007 in the city of:

<b>El Cenizo</b>	\$577,273,	up	1.6 percent from 2006.
<b>Laredo</b>	\$2,027,739,463,	up	3.7 percent from 2006.
<b>Rio Bravo</b>	\$2,320,643,	down	10.7 percent from 2006.

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

#### **Sales Tax - Local Sales Tax Allocations**

##### **Monthly (June 2009)**

Statewide payments based on the sales activity month of June 2009: \$544,038,206, down 6.8 percent from June 2008.

Payments to all cities in Webb County based on the sales activity month of June 2009: \$2,729,103, down 10.1 percent from June 2008.

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

<b>El Cenizo</b>	\$1,174,	down	4.3 percent from June 2008.
<b>Laredo</b>	\$2,724,169,	down	10.1 percent from June 2008.
<b>Rio Bravo</b>	\$3,760,	down	8.4 percent from June 2008.

##### **Annual (2008)**

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

Payments to all cities in Webb County based on the sales activity months of 2008: \$32,256,643, up 0.6 percent from 2007.

<b>El Cenizo</b>	\$13,073,	up	16.9 percent from 2007.
<b>Laredo</b>	\$32,207,210,	up	0.6 percent from 2007.
<b>Rio Bravo</b>	\$36,360,	up	5.4 percent from 2007.

#### **Property Tax**

As of 2007, property values in Webb County: \$13,993,089,725, up 2.7 percent from 2006 values.

The property tax base per person in Webb County is \$60,017, below the statewide average of \$78,684.

About 17.1 percent of the property tax base is derived from oil, gas and minerals.

#### **State Expenditures**

Webb County's ranking in state expenditures by county in state fiscal year (FY) 2008: 14th. State expenditures in the county for FY 2008: \$1,117,531,841, up 28.0 percent from FY 2007.

In Webb County, 28 state agencies provide a total of 1,929 jobs and \$67,170,396 in annualized wages (as of 1st quarter 2009).

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

- Health & Human Services Commission
- Department of Transportation
- Department of Public Safety
- Texas A & M University System
- Texas A & M International University

**School Districts**

Webb County had 3 school districts with 75 schools and 64,330 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.)

LAREDO ISD	had 25,075 students in the 2007-2008 school year. The average teacher salary was \$47,416. The percentage of students meeting the 2008 TAKS passing standard for all tests was 52 percent.
UNITED ISD	had 38,887 students in the 2007-2008 school year. The average teacher salary was \$45,778. The percentage of students meeting the 2008 TAKS passing standard for all tests was 64 percent.
WEBB CISD	had 368 students in the 2007-2008 school year. The average teacher salary was \$57,991. The percentage of students meeting the 2008 TAKS passing standard for all tests was 88 percent.

**Higher Education**

( Fall 2008 enrollment)

Community Colleges in Webb County:

Laredo Community College a Public Community College had 8,191 students.

Webb County is in the service area of the following:

Laredo Community College	with a fall 2008 enrollment of 8,191 Students. Countes in the service area include	Jim Hogg
		Webb
		Zapata

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

Texas A&M International University Public University, had 5,856 students.

## References

Population uses data from the following source:

U.S. Census Bureau, as of 8/20/08

Employment uses data from the following sources:

Texas Workforce Commission, as of 8/29/09

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 6/2/09

Sales Tax Allocation uses data from the following source:

Texas Comptroller of Public Accounts, as of 8/20/09

Property Tax uses data from the following source:

Texas Comptroller of Public Accounts, as of 1/7/09

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

This report was generated by Texas EDGE on 9/8/09