

Economic Impact for Chapter 313 Project

Applicant	Caterpillar
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Seguin Independent School District
2007-08 Enrollment in School District	7,501
County	Guadalupe
Total Investment in District	\$201,000,000
Qualified Investment	\$138,500,000
Limitation Amount	\$80,000,000
Number of total jobs committed to by applicant	1,099
Number of qualifying jobs committed to by applicant	879
Average Weekly Wage of Qualifying Jobs committed to by applic	\$741.94
Minimum Weekly Wage Required Tax Code, 313.025(A)	\$741.95
Minimum Annual Wage committed to by applicant for qualified jo	\$38,581
Investment per Qualifying Job	\$228,669
Estimated 15 year M&O levy without any limit or credit:	\$14,270,880
Estimated 15 year M&O tax benefit/levy loss	\$2,295,280
Estimated 15 year M&O 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):	\$2,259,004
Tax Credits Paid (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$443,040
Net Tax Paid After Limitation, Credits and Revenue Protection:	\$12,011,876
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	15.8%
Percentage of tax benefit due to the limitation	80.7%
Percentage of tax benefit due to the credit.	19.3%

This presents the Comptroller's economic impact evaluation of Caterpillar (the project) applying to Seguin 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 1,099 new jobs when fully operational. Of those jobs, 879 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 Alamo Area Council of Governments Region, where Guadalupe County is located was \$33,467 in 2007. The annual average manufacturing wage for 2008 for Guadalupe County is \$50,011. That same year, the county annual average wage for all industries was \$35,074. In addition to an annual average salary of \$38,581 each qualifying position will receive benefits such as health and dental insurance, 401(k) and paid leave. The project's total investment is \$201 million, resulting in a relative level of investment per qualifying job of \$228,669.

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

According to Caterpillar's application, "this opportunity represents a significant consolidation that has considered multi-county and multi-state locations in the southern regions of the United States. . . . Due to proposed wage scale and the significant investment required, this consolidation provided Caterpillar with many attractive opportunities. Caterpillar also considered expanding other existing facilities outside Texas."

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

During the past two years, no projects in the Alamo Area 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 focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Caterpillar project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

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

Table 1 depicts Caterpillar'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 Caterpillar

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2009	185	309	494	\$9,415,785	\$21,584,215	\$31,000,000
2010	284	646	930	\$10,670,232	\$50,329,768	\$61,000,000
2011	525	1,258	1,783	\$18,605,475	\$105,394,525	\$124,000,000
2012	750	1,836	2,586	\$26,579,250	\$164,420,750	\$191,000,000
2013	1,099	2,703	3,802	\$38,947,461	\$258,052,539	\$297,000,000
2014	1,099	2,803	3,902	\$38,947,461	\$289,052,539	\$328,000,000
2015	1,099	2,853	3,952	\$38,947,461	\$316,052,539	\$355,000,000
2016	1,099	2,884	3,983	\$38,947,461	\$342,052,539	\$381,000,000
2017	1,099	2,885	3,984	\$38,947,461	\$364,052,539	\$403,000,000
2018	1,099	2,897	3,996	\$38,947,461	\$387,052,539	\$426,000,000
2019	1,099	2,907	4,006	\$38,947,461	\$410,052,539	\$449,000,000
2020	1,099	2,922	4,021	\$38,947,461	\$434,052,539	\$473,000,000
2021	1,099	2,951	4,050	\$38,947,461	\$460,052,539	\$499,000,000
2022	1,099	2,983	4,082	\$38,947,461	\$488,052,539	\$527,000,000
2023	1,099	3,018	4,117	\$38,947,461	\$518,052,539	\$557,000,000
2024	1,099	3,058	4,157	\$38,947,461	\$550,052,539	\$589,000,000

Source: CPA, REMI, Caterpillar

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2008. Seguin ISD's ad valorem tax base in 2008 was \$2.4 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Seguin ISD's estimated wealth per WADA was \$252,942. 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, Guadalupe County, and Seguin with all property tax incentives sought being granted using estimated market value from Caterpillar's application. Caterpillar has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county and city seeking 100 percent abatement for ten years. Table 3 illustrates the estimated tax impact of the Caterpillar project on the region if all taxes are assessed.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Seguin ISD I&S Levy	Seguin ISD M&O Levy	Seguin ISD M&O and I&S Tax Levies (Before Credit Credited)	Seguin ISD M&O and I&S Tax Levies (After Credit Credited)	Guadalupe County	City of Seguin	School, City & County Property Taxes
			0.2098		1.0400			0.3895	0.4823	
2009	\$685,820	\$685,820		\$1,439	\$7,133	\$8,571	\$8,571	\$0	\$0	\$8,571
2010	\$22,700,000	\$22,700,000		\$47,625	\$236,080	\$283,705	\$283,705	\$0	\$0	\$283,705
2011	\$122,600,000	\$122,600,000		\$257,215	\$1,275,040	\$1,532,255	\$1,532,255	\$0	\$0	\$1,532,255
2012	\$118,500,000	\$80,000,000		\$248,613	\$832,000	\$1,080,613	\$1,080,613	\$0	\$0	\$1,080,613
2013	\$114,300,000	\$80,000,000		\$239,801	\$832,000	\$1,071,801	\$1,008,510	\$0	\$0	\$1,008,510
2014	\$109,800,000	\$80,000,000		\$230,360	\$832,000	\$1,062,360	\$999,069	\$0	\$0	\$999,069
2015	\$105,100,000	\$80,000,000		\$220,500	\$832,000	\$1,052,500	\$989,208	\$0	\$0	\$989,208
2016	\$100,300,000	\$80,000,000		\$210,429	\$832,000	\$1,042,429	\$979,138	\$0	\$0	\$979,138
2017	\$95,200,000	\$80,000,000		\$199,730	\$832,000	\$1,031,730	\$968,438	\$0	\$0	\$968,438
2018	\$89,900,000	\$80,000,000		\$188,610	\$832,000	\$1,020,610	\$957,319	\$0	\$0	\$957,319
2019	\$85,000,000	\$80,000,000		\$178,330	\$832,000	\$1,010,330	\$947,039	\$331,075	\$409,955	\$1,688,069
2020	\$82,100,000	\$82,100,000		\$172,246	\$853,840	\$1,026,086	\$1,026,086	\$319,780	\$395,968	\$1,741,834
2021	\$79,700,000	\$79,700,000		\$167,211	\$828,880	\$996,091	\$996,091	\$310,432	\$384,393	\$1,690,915
2022	\$77,800,000	\$77,800,000		\$163,224	\$809,120	\$972,344	\$972,344	\$303,031	\$375,229	\$1,650,605
2023	\$81,600,000	\$81,600,000		\$171,197	\$848,640	\$1,019,837	\$1,019,837	\$317,832	\$393,557	\$1,731,226
2024	\$87,600,000	\$87,600,000		\$183,785	\$911,040	\$1,094,825	\$1,094,825	\$341,202	\$422,495	\$1,858,522
						Total	\$14,863,047	\$1,923,351	\$2,381,597	\$19,167,995

Source: CPA, Caterpillar

*Assumes Chapter 313 Value Limitation and County and City Tax Abatement (100 percent 10 years)

¹Tax Rate per \$100 Valuation

Guadalupe County Overview Report

Population

Total county population in 2008 for Guadalupe County: 117,172, up 4.3 percent from 2007.
State population increased 2.0 percent in the same time period.

Guadalupe County was the state's 34th largest county in population in 2008 and the 8th fastest growing county from 2007 to 2008.

Guadalupe County population in 2008 was:

56.2 percent White	(above the state average of 47.4 percent.)
6.0 percent Black	(below the state average of 11.3 percent.)
34.9 percent Hispanic	(below the state average of 36.5 percent.)

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

Schertz:	29,330
Seguin:	26,051
Cibolo:	12,385
Marion:	1,142
Santa Clara:	912
New Berlin:	500

Economy and Income

Employment

October 2009 total employment in Guadalupe County: 54,566, up 0.0 percent from October 2008.
State total employment decreased 1.0 percent during the same period.

October 2009 Guadalupe County unemployment rate was 6.8 percent, up from 4.8 percent in October 2008.
The statewide unemployment rate for October 2009 was 8.3 percent, up from 5.3 percent in October 2008.

October 2009 unemployment rate in the city of:

Schertz:	was 5.5 percent, up from 3.9 percent in October 2008.
Seguin:	was 6.7 percent, up from 4.8 percent in October 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

Guadalupe County's ranking in per capita personal income in 2007: 69th with an average per capita income of \$32,083, up 5.0 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 Guadalupe County averaged \$51.5 million annually from 2005 to 2008. County total agricultural values in 2008 were down 29.5 percent from 2007. Major agriculture related commodities in Guadalupe County during 2008 included:

Beef Total	Eggs	Fed Beef	Hogs	Nursery
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2007 preliminary oil and gas production in Guadalupe County: 1,209,362 barrels of oil and 92,688 Mcf of gas.
In February 2009, there were 1,769 producing oil wells and 1 producing gas wells.

Taxes

Sales Tax - Taxable Sales

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

Quarterly (January through March 2009)

Taxable sales in Guadalupe County during the first quarter of 2009: \$172,325,623, down 4.5 percent from the same quarter in 2008.

Taxable sales during the first quarter in the city of:

Cibolo	\$5,142,149, down	2.9 percent from the same quarter in 2008.
Marion	\$1,072,413, up	7.2 percent from the same quarter in 2008.
New Berlin	\$146,338, down	3.7 percent from the same quarter in 2008.
Santa Clara	\$317,937, down	48.5 percent from the same quarter in 2008.
Schertz	\$67,883,707, down	4.6 percent from the same quarter in 2008.
Seguin	\$70,746,116, down	4.9 percent from the same quarter in 2008.

Annual (2008)

Taxable sales in Guadalupe County during 2008: \$760,860,404, up 0.4 percent from 2007.

Taxable sales during 2008 in the city of:

Cibolo	\$25,799,871, up	20.1 percent from 2007.
Marion	\$4,357,786, up	13.4 percent from 2007.
New Berlin	\$613,871, down	21.2 percent from 2007.
Santa Clara	\$1,529,648, down	13.1 percent from 2007.
Schertz	\$308,808,425, up	7.6 percent from 2007.
Seguin	\$302,367,048, down	2.3 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 Guadalupe County: \$8,551,159,567, up 17.4 percent from 2006 values.

The property tax base per person in Guadalupe County is \$72,980, below the statewide average of \$77,317.

About 1.0 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

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

Guadalupe County's ranking in state expenditures by county in state fiscal year (FY) 2008: 51st. State expenditures in the county for FY 2008: \$235,518,413, down 7.6 percent from FY 2007.

In Guadalupe County, 14 state agencies provide a total of 170 jobs and \$1,655,500 in annualized wages (as of 1st quarter 2009).

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

- Department of Criminal Justice
- Health & Human Services Commission
- Department of Public Safety
- Department of Transportation
- Department of Family and Protective Services

School Districts

Guadalupe County had 4 school districts with 36 schools and 20,778 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.)

MARION ISD	had 1,428 students in the 2007-2008 school year. The average teacher salary was \$42,835. The percentage of students meeting the 2008 TAKS passing standard for all tests was 73 percent.
NAVARRO ISD	had 1,514 students in the 2007-2008 school year. The average teacher salary was \$42,250. The percentage of students meeting the 2008 TAKS passing standard for all tests was 79 percent.
SCHERTZ-CIBOLO-U CITY ISD	had 10,335 students in the 2007-2008 school year. The average teacher salary was \$47,411. The percentage of students meeting the 2008 TAKS passing standard for all tests was 79 percent.
SEGUIN ISD	had 7,501 students in the 2007-2008 school year. The average teacher salary was \$44,878. The percentage of students meeting the 2008 TAKS passing standard for all tests was 70 percent.

Higher Education

(Fall 2008 enrollment)

Community Colleges in Guadalupe County:

Guadalupe County is in the service area of the following:

Alamo Community College District	with a fall 2008 enrollment of 52,306 Students.	
	Counties in the service area include	Atascosa
		Bandera
		Bexar
		Comal
		Guadalupe
		Kendall

Austin Community College

with a fall 2008 enrollment of 33,728 Students.
Countes in the service area include

Kerr

Wilson

Bastrop

Blanco

Caldwell

Fayette

Gillespie

Gonzales

Guadalupe

Hays

Lee

Travis

Williamson

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

Texas Lutheran University Independent University, had 1,432
students.

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 11/29/09
Texas Comptroller of Public Accounts, as of 11/21/09

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 11/21/09

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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TEXAS EDUCATION AGENCY

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Robert Scott
Commissioner

November 24, 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 Caterpillar, Inc., project on the number and size of school facilities in Seguin Independent School District (SISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the SISD superintendent, Dr. Irene Garza, the TEA has found that the Caterpillar, Inc., project would not have a significant impact on the number or size of school facilities in SISD.

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

Sincerely,

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 24, 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 Caterpillar, Inc., project for the Seguin Independent School District (SISD). 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 Caterpillar, Inc., project on SISD are correct.

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

Sincerely,

Helen Daniels
Director of State Funding

HD/hd