

**Summary of the District's Financial Impact  
of Chapter 313 Agreement  
with Spinning Spur Wind, LLC**

Prepared by

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**Summary of Vega ISD Financial Impact  
of the  
Limited Appraised Value Application  
from  
Spinning Spur Wind, LLC**

## **Introduction**

Spinning Spur Wind, LLC, applied for a property value limitation from Vega Independent School District under Chapter 313 of the Tax Code. The application was submitted on February 12, 2010 and subsequently approved for consideration by the Vega ISD Board of Trustees. Spinning Spur Wind, LLC (“Spinning Spur”), is requesting the property value limitation as a “renewable energy electric generation” company as listed in Sec. 313.024.(b) of the Tax Code.

“The Economic Development Act”, Tax Code Chapter 313, was created by House Bill 1200 of the 77<sup>th</sup> Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80<sup>th</sup> Texas Legislative Session in 2007.

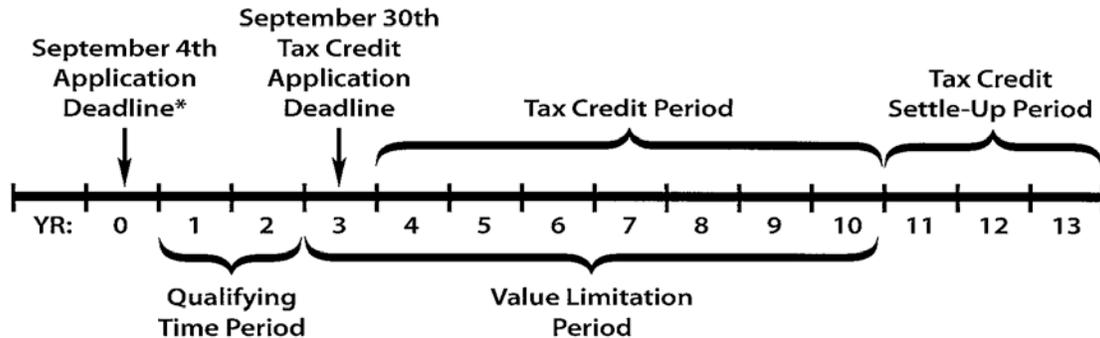
The Economic Development Act was created to attract qualifying businesses to Texas by allowing school districts the option of approving a property value limitation to these qualifying entities. The purpose of the property value limitation is to reduce the maintenance and operations taxes paid by the company, to a school district during the applicable years as displayed below.

# Vega ISD Financial Impact of Chapter 313 Agreement

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## Timeline for Companies Applying for Tax Credit (in 3rd Year) After June 15, 2007

### Appraised Value Limitation and Credit Under Tax Code Chapter 313



\* Companies may apply throughout the year by agreement with the school district. Sept. 4th is the deadline for applications with agreements commencing in the following tax year.

The company must file an application with the school district to qualify for consideration of a Limited Appraised Value Agreement (“LAVA” or “Agreement”). The first two years of the agreement are considered the qualifying time period and the company’s school district taxes will be levied at one-hundred percent of the appraised value. The applicant may then file a separate application with the school district to request tax credits (for taxes paid during the qualifying time period) to be applied during years four through ten of the LAVA, but not to exceed 50% of their tax levy for those years. Any tax credit balance remaining after this period can then be applied during years eleven through thirteen of the agreement, but cannot exceed the actual amount of taxes paid to the school district during the Settle-Up Period. After year thirteen, any leftover credits will not be applied and will expire.

During years three through ten of the LAVA, the qualifying entity’s taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller’s Office. Vega ISD is considered a Rural category 3 District as categorized with total taxable value of industrial property of greater than \$1 million and less than \$90 million, thus Vega ISD has a minimum qualified investment amount of \$10 million. A qualifying entity’s taxable value would be reduced to \$10 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Vega ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

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## Taxable Value Impact from LAVA

The “Additional Value from Spinning Spur” represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company’s taxable value will be limited to the \$10,000,000 minimum qualified investment of Vega ISD.

**TABLE I- Calculation of Taxable Value:**

Tax Year	Additional Value from Spinning Spur	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2011	0	n/a	0	0
Jan. 1, 2012	193,652,025	n/a	0	193,652,025
Jan. 1, 2013	183,970,500	(10,000,000)	173,970,500	10,000,000
Jan. 1, 2014	174,773,000	(10,000,000)	164,773,000	10,000,000
Jan. 1, 2015	166,035,326	(10,000,000)	156,035,326	10,000,000
Jan. 1, 2016	157,734,490	(10,000,000)	147,734,490	10,000,000
Jan. 1, 2017	149,848,650	(10,000,000)	139,848,650	10,000,000
Jan. 1, 2018	142,357,061	(10,000,000)	132,357,061	10,000,000
Jan. 1, 2019	135,240,012	(10,000,000)	125,240,012	10,000,000
Jan. 1, 2020	128,478,775	(10,000,000)	118,478,775	10,000,000
Jan. 1, 2021	122,055,565	n/a	0	122,055,565
Jan. 1, 2022	115,953,481	n/a	0	115,953,481
Jan. 1, 2023	110,156,468	n/a	0	110,156,468

# Vega ISD Financial Impact of Chapter 313 Agreement

## Spinning Spur Wind, LLC Tax Benefit from Agreement

The projected amount of the net tax savings for Spinning Spur is \$13.8 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement.

**TABLE II- Computation of Net Tax Savings:**

Fiscal Year	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
<b>2011-2012</b>	0	0	n/a	0	0
<b>2012-2013</b>	2,013,981	0	n/a	0	0
<b>2013-2014</b>	1,913,293	1,809,293	n/a	(150,801)	1,658,492
<b>2014-2015</b>	1,817,639	1,713,639	52,000	0	1,765,639
<b>2015-2016</b>	1,726,767	1,622,767	52,000	0	1,674,767
<b>2016-2017</b>	1,640,439	1,536,439	52,000	0	1,588,439
<b>2017-2018</b>	1,558,426	1,454,426	52,000	0	1,506,426
<b>2018-2019</b>	1,480,513	1,376,513	52,000	0	1,428,513
<b>2019-2020</b>	1,406,496	1,302,496	52,000	0	1,354,496
<b>2020-2021</b>	1,336,179	1,232,179	52,000	0	1,284,179
<b>2021-2022</b>	1,269,378	0	1,269,378	0	1,269,378
<b>2022-2023</b>	1,205,916	0	276,603	0	276,603
<b>2023-2024</b>	1,145,627	0	0	0	0
<b>Totals</b>	<b>18,514,656</b>	<b>12,047,753</b>	<b>1,909,981</b>	<b>(150,801)</b>	<b>13,806,933</b>

# Vega ISD Financial Impact of Chapter 313 Agreement

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## Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on Vega ISD. First, a thirteen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a thirteen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a thirteen year financial forecast was prepared that incorporates the additional taxable value of the company with an approved LAVA. The following assumptions were used to compare the financial impact of the LAVA:

- The current state funding formulas (in effect for 2009-2010 fiscal year) were used for state aid and recapture calculation purposes
  - Level 2 of Tier II yield - \$59.97 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district's tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2009
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- A constant taxable value was used with no projected increase or decrease, except as it related to the requested LAVA. The district's 2009 taxable value was used as a baseline for all projections. A previous LAVA agreement that the district entered into does have an impact on the district's taxable values during the life of this agreement.
- The district's enrollment is projected to remain constant; therefore, the projected ADA and WADA for school year 2009-2010 was used for the life of the agreement.

Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the thirteen years of this proposed agreement. Also, Legislative changes to the school finance formulas are likely during the near future and almost certain during the life of this agreement.

## Vega ISD Financial Impact of Chapter 313 Agreement

The tables displayed below (Table III, IV, V) are provided to show the school’s financial impact as a result of the LAVA. These scenarios were computed to compare the District’s revenue without the additional taxable value of Spinning Spur (Table III), the addition of Spinning Spur taxable values without a Chapter 313 Agreement (Table IV), and the addition of Spinning Spur taxable values with a Chapter 313 Agreement (Table V).

**TABLE III – District Revenues without Spinning Spur:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue				
2011-2012	111,978,484	1,045,095	1,619,805	0	2,664,900	274,114	2,939,014
2012-2013	114,646,507	1,069,996	1,594,904	0	2,664,900	273,606	2,938,506
2013-2014	117,181,128	1,093,651	1,571,249	0	2,664,900	273,147	2,938,047
2014-2015	119,589,018	1,116,124	1,548,776	0	2,664,900	272,730	2,937,630
2015-2016	121,876,514	1,137,474	1,527,426	0	2,664,900	272,351	2,937,251
2016-2017	124,049,635	1,157,755	1,507,145	0	2,664,900	272,004	2,936,904
2017-2018	155,338,932	1,449,778	1,215,122	0	2,664,900	334,645	2,999,545
2018-2019	155,338,932	1,449,778	1,215,122	0	2,664,900	267,239	2,932,139
2019-2020	155,338,932	1,449,778	1,215,122	0	2,664,900	267,239	2,932,139
2020-2021	155,338,932	1,449,778	1,215,122	0	2,664,900	267,239	2,932,139
2021-2022	155,338,932	1,449,778	1,215,122	0	2,664,900	267,239	2,932,139
2022-2023	155,338,932	1,449,778	1,215,122	0	2,664,900	267,239	2,932,139
2023-2024	155,338,932	1,449,778	1,215,122	0	2,664,900	267,239	2,932,139

**TABLE IV- District Revenues with Spinning Spur without Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue				
2011-2012	111,978,484	1,045,095	1,619,805	0	2,664,900	274,114	2,939,014
2012-2013	308,298,532	2,877,350	0	212,450	2,664,900	735,761	3,400,661
2013-2014	301,151,628	2,810,648	448,474	594,222	2,664,900	261,044	2,925,944
2014-2015	294,362,018	2,747,281	443,763	526,144	2,664,900	261,214	2,926,114
2015-2016	287,911,840	2,687,081	439,218	461,400	2,664,900	261,383	2,926,283
2016-2017	281,784,125	2,629,891	434,834	399,825	2,664,900	261,551	2,926,451
2017-2018	305,187,582	2,848,316	193,990	377,406	2,664,900	289,434	2,954,334
2018-2019	297,695,993	2,778,397	450,153	563,650	2,664,900	260,679	2,925,579
2019-2020	290,578,944	2,711,973	445,279	492,353	2,664,900	260,850	2,925,750
2020-2021	283,817,707	2,648,871	440,575	424,546	2,664,900	261,021	2,925,921
2021-2022	277,394,497	2,588,923	436,035	360,057	2,664,900	261,191	2,926,091
2022-2023	271,292,413	2,531,972	431,652	298,724	2,664,900	261,360	2,926,260
2023-2024	265,495,400	2,477,869	427,421	240,389	2,664,900	261,529	2,926,429

# Vega ISD Financial Impact of Chapter 313 Agreement

**TABLE V – District Revenues with Spinning Spur with Chapter 313 Agreement:**

Fiscal Year	M&O			Recapture Amount	Hold Harmless Revenue	M&O		Total District Revenue
	Total Taxable Value	Taxes Comp Rate After Credits	State Revenue			Taxes > Comp Rate	Payment for District Losses	
2011-2012	111,978,484	1,045,095	1,619,805	0	2,664,900	274,114	0	2,939,014
2012-2013	308,298,532	2,877,350	0	212,450	2,664,900	735,761	0	3,400,661
2013-2014	127,181,128	1,186,981	1,728,868	250,949	2,664,900	110,243	150,801	2,925,944
2014-2015	129,589,018	1,209,454	1,455,446	0	2,664,900	272,298	0	2,937,198
2015-2016	131,876,514	1,230,804	1,434,096	0	2,664,900	271,956	0	2,936,856
2016-2017	134,049,635	1,251,085	1,413,815	0	2,664,900	271,643	0	2,936,543
2017-2018	165,338,932	1,543,108	1,121,792	0	2,664,900	329,617	0	2,994,517
2018-2019	165,338,932	1,543,108	1,121,792	0	2,664,900	267,239	0	2,932,139
2019-2020	165,338,932	1,543,108	1,121,792	0	2,664,900	267,239	0	2,932,139
2020-2021	165,338,932	1,543,108	1,121,792	0	2,664,900	267,239	0	2,932,139
2021-2022	277,394,497	2,588,923	75,977	0	2,664,900	448,355	0	3,113,255
2022-2023	271,292,413	2,531,972	431,652	298,724	2,664,900	261,360	0	2,926,260
2023-2024	265,495,400	2,477,869	427,421	240,389	2,664,900	261,529	0	2,926,429

## Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79<sup>th</sup> Legislative Session and became effective for the 2006-2007 school year. These formula changes have had an effect on the district’s financial impact from granting a property value limitation. Due to the district’s “Hold Harmless” provision that was enacted in the new funding formulas, it is presumed that the majority of the district’s revenue losses in year three of the LAVA will be offset with additional state funding or a reduction of recapture payments made to the State. Prior to these recent formula changes, school districts felt a significant loss in revenues in year three because the state funding formulas considered the district more property wealthy based on their prior year taxable value. However, districts were only able to tax on the lower value that was a result of the LAVA. Districts are currently “held harmless” for the majority amount of the loss in year three; however, it is possible that a future legislative session could eliminate this provision. If the “hold harmless” provision is eliminated, then the company would be required to offset the district’s losses as computed in Article III of the Agreement.

# Vega ISD Financial Impact of Chapter 313 Agreement

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## Impact of Projected Student Growth

### On District Facilities

**TABLE VII – Campus Capacity and Available Growth**

Campus	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
Vega Elem. (K-6)	10	220	139	81
Vega High (7-12)	16	352	156	196
<b>Total</b>	<b>26</b>	<b>572</b>	<b>295</b>	<b>277</b>

The building capacities are based on 22 students per classroom for the elementary campuses, and also for the high school.

Spinning Spur Wind provided supplemental information with their application that projected the number of full-time employees that are expected for permanent employment after construction of the project is completed. They projected that five full-time employees are expected. It is not known whether these would be new employees to the Vega ISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus the new five positions equates to 2.5 new students.

This minimal projected student growth can easily be accommodated with the current facilities of Vega ISD as displayed in Table VII above.

# Vega ISD Financial Impact of Chapter 313 Agreement

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## Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Spinning Spur Wind LLC, would be beneficial to both Spinning Spur Wind and Vega ISD under the current school finance system.

Spinning Spur Wind would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Spinning Spur is projected to benefit from a \$13.4 million tax savings over the thirteen year period of this agreement. Spinning Spur Wind also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

Vega ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require Spinning Spur Wind to offset any district losses caused by the LAVA. An annual calculation will be performed each year to determine if a loss to the District has been incurred. The revenue impact to the District will be computed by comparing the District's revenues with and without the LAVA in effect.