

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	Senate Wind
Tax Code, 313.024 Eligibility Category	Renewable energy electric generation - Wind
School District	Graham ISD
2008-09 Enrollment in School District	2,477
County	Young
Total Investment in District	\$38,000,000
Qualified Investment	\$38,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	1*
Number of qualifying jobs committed to by applicant	1
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$962
Minimum Weekly Wage Required Tax Code, 313.025(A)	\$711
Minimum Annual Wage committed to by applicant for qualified jobs	\$50,000
Investment per Qualifying Job	\$38,000,000
Estimated 15 year M&O levy without any limit or credit:	\$3,930,840
Estimated gross 15 year M&O tax benefit	\$1,930,879
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):	\$1,838,939
Tax Credits Paid (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$291,200
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$2,091,901
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	46.8%
Percentage of tax benefit due to the limitation	84.9%
Percentage of tax benefit due to the credit.	15.1%
* 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 Senate Wind (the project) applying to Graham Independent School District (the district), as required by Tax Code, 313.026. With the exception of Table 1, this report examines the impact of the portion of the project in Graham ISD. As this project is part of a larger project, spanning two school districts, Table 1 examines the statewide impact on employment and personal income from the project in its entirety, including portions in Bryson ISD. 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 one new job when fully operational. That job 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 NORTEX Regional Planning Commission Region, where Young County is located was \$36,982 in 2008. The average manufacturing wage for Young County was \$54,665 during 2009. During that same time period, the county annual average wage for all industries was \$37,206. In addition to an annual average salary of \$50,000, each qualifying position will receive benefits such as medical insurance, life insurance, 401k plan and paid sick and vacation. The project's total investment is \$38 million, resulting in a relative level of investment per qualifying job of \$38 million.

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

According to Senate Wind's application, "Gamesa Energy USD, the parent of Senate Wind, LLC, develops, constructs, and operates wind farms in different countries around the world. The company has the ability to locate or relocate in another state, region of Texas, or another region of the world."

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

During the past two years, four projects in the NORTEX Regional Planning Commission 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 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)]**

As mentioned earlier, the Senate Wind project applying to Graham ISD under Chapter 313 is part of a larger project encompassing two school districts in Young and Jack counties. Senate Wind has also applied for a value limitation agreement with Bryson ISD. For the purposes of assessing the economic impact of the project to Texas, the Comptroller's Office used data for the entire project (7 jobs with annual salaries of \$50,000 per job). Table 1 depicts the estimated economic impact to Texas of the Senate Wind project. 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 Senate Wind**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	50	69	119	\$1,768,000	\$5,232,000	\$7,000,000
2012	7	12	19	\$350,000	\$1,850,000	\$2,200,000
2013	7	16	23	\$350,000	\$2,450,000	\$2,800,000
2014	7	16	23	\$350,000	\$2,350,000	\$2,700,000
2015	7	16	23	\$350,000	\$2,450,000	\$2,800,000
2016	7	16	23	\$350,000	\$2,550,000	\$2,900,000
2017	7	12	19	\$350,000	\$2,550,000	\$2,900,000
2018	7	15	22	\$350,000	\$2,450,000	\$2,800,000
2019	7	12	19	\$350,000	\$2,850,000	\$3,200,000
2020	7	16	23	\$350,000	\$2,750,000	\$3,100,000
2021	7	14	21	\$350,000	\$2,850,000	\$3,200,000
2022	7	11	18	\$350,000	\$2,850,000	\$3,200,000
2023	7	11	18	\$350,000	\$3,050,000	\$3,400,000
2024	7	9	16	\$350,000	\$2,850,000	\$3,200,000
2025	7	14	21	\$350,000	\$3,350,000	\$3,700,000

Source: CPA, REMI, Senate Wind

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2008. Graham ISD's ad valorem tax base in 2008 was \$632.3 million. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Graham ISD's estimated wealth per WADA was \$201,905. 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 Young County with the value limitation being granted, using estimated market value from Senate Wind's application. Table 3 illustrates the estimated tax impact of the project on the region if all taxes are assessed.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate <sup>1</sup>	Graham ISD I&S Levy	Graham ISD M&O Levy	Graham ISD M&O and I&S Tax Levies (Before Credit Credited)	Graham ISD M&O and I&S Tax Levies (After Credit Credited)	Young County	School & County Property Taxes
2010	\$0	\$0		0.3105	1.0400	\$0	\$0	0.6033	\$0
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2012	\$38,000,000	\$38,000,000		\$117,990	\$395,200	\$513,190	\$513,190	\$229,253	\$742,443
2013	\$35,910,000	\$10,000,000		\$111,501	\$104,000	\$215,501	\$215,501	\$216,644	\$432,145
2014	\$33,934,950	\$10,000,000		\$105,368	\$104,000	\$209,368	\$167,768	\$204,729	\$372,497
2015	\$32,068,528	\$10,000,000		\$99,573	\$104,000	\$203,573	\$161,973	\$193,468	\$355,441
2016	\$30,304,759	\$10,000,000		\$94,096	\$104,000	\$198,096	\$156,496	\$182,828	\$339,324
2017	\$28,637,997	\$10,000,000		\$88,921	\$104,000	\$192,921	\$151,321	\$172,772	\$324,093
2018	\$27,062,907	\$10,000,000		\$84,030	\$104,000	\$188,030	\$146,430	\$163,270	\$309,700
2019	\$25,574,447	\$10,000,000		\$79,409	\$104,000	\$183,409	\$141,809	\$154,290	\$296,099
2020	\$24,167,853	\$10,000,000		\$75,041	\$104,000	\$179,041	\$137,441	\$145,804	\$283,245
2021	\$22,838,621	\$22,838,621		\$70,914	\$237,522	\$308,436	\$308,436	\$137,785	\$446,220
2022	\$21,582,497	\$21,582,497		\$67,014	\$224,458	\$291,472	\$291,472	\$130,207	\$421,678
2023	\$20,395,459	\$20,395,459		\$63,328	\$212,113	\$275,441	\$275,441	\$123,045	\$398,486
2024	\$19,273,709	\$19,273,709		\$59,845	\$200,447	\$260,291	\$260,291	\$116,278	\$376,569
2025	\$18,213,655	\$18,213,655		\$56,553	\$189,422	\$245,975	\$245,975	\$109,882	\$355,858
						Total	\$3,173,543	\$2,280,254	\$5,453,797

Assumes School Value Limitation

Source: CPA, Senate Wind

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

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate <sup>1</sup>	Graham ISD I&S Levy	Graham ISD M&O Levy	Graham ISD M&O and I&S Tax Levies	Young County	School & County Property Taxes	
2010	\$0	\$0		0.3105	1.0400		0.6033	\$0	
2011	\$0	\$0		\$0	\$0		\$0	\$0	
2012	\$38,000,000	\$38,000,000		\$117,990	\$395,200	\$513,190	\$229,253	\$742,443	
2013	\$35,910,000	\$35,910,000		\$111,501	\$373,464	\$484,965	\$216,644	\$701,609	
2014	\$33,934,950	\$33,934,950		\$105,368	\$352,923	\$458,291	\$204,729	\$663,020	
2015	\$32,068,528	\$32,068,528		\$99,573	\$333,513	\$433,085	\$193,468	\$626,554	
2016	\$30,304,759	\$30,304,759		\$94,096	\$315,169	\$409,266	\$182,828	\$592,093	
2017	\$28,637,997	\$28,637,997		\$88,921	\$297,835	\$386,756	\$172,772	\$559,528	
2018	\$27,062,907	\$27,062,907		\$84,030	\$281,454	\$365,485	\$163,270	\$528,754	
2019	\$25,574,447	\$25,574,447		\$79,409	\$265,974	\$345,383	\$154,290	\$499,673	
2020	\$24,167,853	\$24,167,853		\$75,041	\$251,346	\$326,387	\$145,804	\$472,191	
2021	\$22,838,621	\$22,838,621		\$70,914	\$237,522	\$308,436	\$137,785	\$446,220	
2022	\$21,582,497	\$21,582,497		\$67,014	\$224,458	\$291,472	\$130,207	\$421,678	
2023	\$20,395,459	\$20,395,459		\$63,328	\$212,113	\$275,441	\$123,045	\$398,486	
2024	\$19,273,709	\$19,273,709		\$59,845	\$200,447	\$260,291	\$116,278	\$376,569	
2025	\$18,213,655	\$18,213,655		\$56,553	\$189,422	\$245,975	\$109,882	\$355,858	
						Total	\$5,104,422	\$2,280,254	\$7,384,676

Source: CPA, Senate Wind

<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 M&O tax levy without the value limitation agreement would be \$3,930,840. The estimated gross 15 year M&O tax benefit, is \$1,930,897.

Attachment 3 is an economic overview of Young 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.



## TEXAS EDUCATION AGENCY

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Robert Scott  
Commissioner

August 5, 2010

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 Senate Wind, LLC, project on the number and size of school facilities in Graham Independent School District (GISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the GISD superintendent, Dr. Beau Rees, the TEA has found that the Senate Wind, LLC, project would not have a significant impact on the number or size of school facilities in GISD.

Please feel free to contact me 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 cursive script that reads "Helen Daniels".

Helen Daniels  
Director of State Funding

HD/hd



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Robert Scott  
Commissioner

August 5, 2010

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 Senate Wind, LLC, project for the Graham Independent School District (GISD). 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 Senate Wind, LLC, project on GISD are correct.

Please feel free to contact me 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 cursive script that reads "Helen Daniels".

Helen Daniels  
Director of State Funding

HD/hd