

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	The Dow Chemical Company
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Brazosport ISD
2008-09 Enrollment in School District	12,912
County	Brazoria
Total Investment in District	\$768,000,000
Qualified Investment	\$96,000,000
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	8
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,715
Minimum Weekly Wage Required Tax Code, 313.021(5)(A)	\$1,559
Minimum Annual Wage committed to by applicant for qualified jobs	\$89,161
Investment per Qualifying Job	\$96,000,000
Estimated 17 year M&O levy without any limit or credit:	\$91,101,218
Estimated 17 year M&O tax benefit	\$59,803,072
Estimated 17 year M&O tax benefit (<i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$58,189,141
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$14,094,339
Net Tax Paid After Limitation, Credits and Revenue Protection:	\$32,912,077
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	63.9%
Percentage of tax benefit due to the limitation	76.4%
Percentage of tax benefit due to the credit.	23.6%

This presents the Comptroller's economic impact evaluation of the Dow Chlorine 7 Plant (the project) applying to Brazosport 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 ten new jobs when fully operational. Eight of these 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 Houston-Galveston Area Council of Governments Region, where Brazoria County is located was \$47,629 in 2009. The annual average manufacturing wage for 2009 for Brazoria County is \$81,055. That same year, the county annual average wage for all industries was \$43,758. In addition to a salary of \$89,161, each qualifying position will receive benefits such as medical and dental insurance, life insurance, a 401(k) savings plan, pension plan, employee stock purchase plan, family and personal counseling services, and vacation and holiday pay. The project's total investment is \$768 million, resulting in a relative level of investment per qualifying job of \$96 million.

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

According to the Dow Chemical Company's application, "The Dow Chemical Company is a leading science and technology company that provides innovative chemical; plastic, and agricultural products and services to many essential consumer markets. The Company's more than 5,000 products are manufactured at 214 sites in 37 countries across the globe. Dow's global manufacturing presence provides substantial flexibility in plant location. In the U.S. alone, Dow has manufacturing locations in AR, CA, CT, GA, IL, KY, LA, MA, MI, MO, NJ, NY, NC, OH, TN, PA, TX and WV. In Texas there are eight manufacturing complexes located in Brazoria, Calhoun, Galveston and Harris counties. "

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

During the past two years, two projects in the Houston-Galveston 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 Dow Chlorine 7 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 the Dow Chlorine 7 Plant'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 17 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 Dow Chlorine 7

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	250	353	603	\$13,502,500	\$27,497,500	\$41,000,000
2013	1000	1399	2399	\$55,526,000	\$117,474,000	\$173,000,000
2014	410	687	1097	\$23,911,600	\$69,088,400	\$93,000,000
2015	10	123	133	\$1,078,800	\$23,921,200	\$25,000,000
2016	10	98	108	\$1,100,380	\$19,899,620	\$21,000,000
2017	10	82	92	\$1,122,380	\$16,877,620	\$18,000,000
2018	10	78	88	\$1,144,830	\$15,855,170	\$17,000,000
2019	10	79	89	\$1,167,730	\$15,832,270	\$17,000,000
2020	10	87	97	\$1,191,080	\$15,808,920	\$17,000,000
2021	10	94	104	\$1,214,900	\$16,785,100	\$18,000,000
2022	10	101	111	\$1,239,200	\$17,760,800	\$19,000,000
2023	10	103	113	\$1,263,990	\$17,736,010	\$19,000,000
2024	10	107	117	\$1,289,270	\$19,710,730	\$21,000,000
2025	10	114	124	\$1,315,050	\$20,684,950	\$22,000,000
2026	10	96	106	\$1,341,350	\$19,658,650	\$21,000,000
2027	10	94	104	\$1,368,180	\$19,631,820	\$21,000,000
2028	10	92	102	\$1,395,540	\$20,604,460	\$22,000,000

Source: CPA, REMI, The Dow Chemical Company

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2009. Brazosport ISD's ad valorem tax base in 2009 was \$6.8 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Brazosport ISD's estimated wealth per WADA was \$470,970. 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, Brazoria County, the Velasco Drainage District, Port of Freeport, and Brazosport College, with all property tax incentives sought being granted using estimated market value from Dow Chemical Company's application. The Dow Chemical Company has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county, port, drainage district, and college. The company has also sought tax abatement through an Industrial District Agreement (IDA). Table 3 illustrates the estimated tax impact of the Dow Chlorine 7 project on the region if all taxes are assessed.



TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

November 15, 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 Dow Chemical Company Chlorine 7 project on the number and size of school facilities in Brazosport Independent School District (BISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the BISD superintendent, Mr. Joe Ripple, the TEA has found that the Dow Chemical Company Chlorine 7 project would not have a significant impact on the number or size of school facilities in BISD.

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,

A handwritten signature in black ink that reads 'Helen Daniels'. The signature is written in a cursive, flowing style.

Helen Daniels
Director of State Funding

HD/hd



TEXAS EDUCATION AGENCY

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Robert Scott
Commissioner

November 17, 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 Dow Chemical Company Chlorine 7 project for the Brazosport Independent School District (BISD). 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 regarding the potential revenue gain are valid and their estimates of the impact of the Dow Chemical Company Chlorine 7 project on BISD 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

Brazoria County

Population

Total county population in 2009 for Brazoria County: 309,208, up 2.6 percent from 2008. State population increased 2.0 percent in the same time period. Brazoria County was the state's 15th largest county in population in 2009 and the 21st fastest growing county from 2008 to 2009. Brazoria County's population in 2009 was 56.0 percent Anglo (above the state average of 46.7 percent), 10.9 percent African-American (below the state average of 11.3 percent) and 26.6 percent Hispanic (below the state average of 36.9 percent).

2009 population of the largest cities and places in Brazoria County:

Pearland:	86,341	Lake Jackson:	28,980
Alvin:	23,284	Angleton:	19,123
Freeport:	12,618	Clute:	10,915
Manvel:	6,375	West Columbia:	4,203
Sweeny:	3,663	Richwood:	3,594

Economy and Income

Employment

September 2010 total employment in Brazoria County: 135,466, up 1.0 percent from September 2009. State total employment increased 1.2 percent during the same period.

September 2010 Brazoria County unemployment rate: 8.7 percent, up from 8.6 percent in September 2009. The statewide unemployment rate for September 2010 was 8.1 percent, unchanged from 8.1 percent in September 2009.

September 2010 unemployment rate in the city of:

Pearland:	6.4 percent, up from 6.3 percent in September 2009.
Lake Jackson:	8.0 percent, up from 7.7 percent in September 2009.

(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

Brazoria County's ranking in per capita personal income in 2008: 51st with an average per capita income of \$36,699, up 2.3 percent from 2007. Statewide average per capita personal income was \$37,809 in 2008, up 2.6 percent from 2007.

Industry

Agricultural cash values in Brazoria County averaged \$95.78 million annually from 2006 to 2009. County total agricultural values in 2009 were down 3.1 percent from 2008. Major agriculture related commodities in Brazoria County during 2009 included:

Sorghum	Horses	Nursery	Rice	Other Beef
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2010 oil and gas production in Brazoria County: 987,923.0 barrels of oil and 16.6 million Mcf of gas. In September 2010, there were 306 producing oil wells and 110 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Quarterly (January 2010 through March 2010)

Taxable sales in Brazoria County during the first quarter 2010: \$562.87 million, down 7.3 percent from the same quarter in 2009.

Taxable sales during the first quarter 2010 in the city of:

Pearland:	\$237.72 million, down 7.5 percent from the same quarter in 2009.
Lake Jackson:	\$94.55 million, down 4.1 percent from the same quarter in 2009.
Alvin:	\$67.54 million, down 7.7 percent from the same quarter in 2009.
Angleton:	\$33.43 million, down 7.0 percent from the same quarter in 2009.
Freeport:	\$16.92 million, up 2.3 percent from the same quarter in 2009.
Clute:	\$22.46 million, down 14.8 percent from the same quarter in 2009.
Manvel:	\$11.32 million, down 2.7 percent from the same quarter in 2009.
West Columbia:	\$8.97 million, up 3.8 percent from the same quarter in 2009.
Sweeny:	\$9.19 million, up 243.5 percent from the same quarter in 2009.
Richwood:	\$3.44 million, down 50.2 percent from the same quarter in 2009.
Brazoria:	\$7.89 million, down 25.0 percent from the same quarter in 2009.
Jones Creek:	\$237,997.00, down 11.2 percent from the same quarter in 2009.
Brookside Village:	\$414,621.00, down 43.3 percent from the same quarter in 2009.
Danbury:	\$603,532.00, up 48.8 percent from the same quarter in 2009.
Oyster Creek:	\$2.16 million, down 2.2 percent from the same quarter in 2009.
Holiday Lakes:	\$151,563.00, down 6.9 percent from the same quarter in 2009.
Iowa Colony:	\$10.36 million, down 30.4 percent from the same quarter in 2009.
Surfside Beach:	\$772,113.00, up 6.5 percent from the same quarter in 2009.
Balley's Prairie:	\$22,258.00, down 59.1 percent from the same quarter in 2009.
Liverpool:	\$86,929.00, down 14.7 percent from the same quarter in 2009.
Quintana:	\$0.00, na percent from the same quarter in 2009.

Annual (2009)

Taxable sales in Brazoria County during 2009: \$2.43 billion, down 3.2 percent from 2008.

Brazoria County sent an estimated \$151.59 million (or 0.89 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

Pearland:	\$1.03 billion, unchanged 0.0 percent from 2008.
Lake Jackson:	\$403.42 million, down 2.7 percent from 2008.
Alvin:	\$289.22 million, down 5.5 percent from 2008.
Angleton:	\$143.95 million, down 5.2 percent from 2008.
Freeport:	\$67.73 million, down 15.4 percent from 2008.
Clute:	\$97.91 million, down 4.6 percent from 2008.
Manvel:	\$42.55 million, down 16.8 percent from 2008.
West Columbia:	\$34.86 million, up 4.9 percent from 2008.
Sweeny:	\$27.38 million, up 199.7 percent from 2008.
Richwood:	\$19.60 million, up 2.1 percent from 2008.
Brazoria:	\$35.33 million, down 8.1 percent from 2008.
Jones Creek:	\$1.13 million, up 0.2 percent from 2008.
Brookside Village:	\$2.13 million, down 6.9 percent from 2008.
Danbury:	\$2.00 million, up 22.0 percent from 2008.
Oyster Creek:	\$8.63 million, down 20.8 percent from 2008.
Holiday Lakes:	\$683,661.00, up 9.1 percent from 2008.
Iowa Colony:	\$63.49 million, up 4.6 percent from 2008.
Surfside Beach:	\$4.11 million, up 19.8 percent from 2008.
Balley's Prairie:	\$139,829.00, down 54.0 percent from 2008.
Liverpool:	\$417,814.00, down 5.6 percent from 2008.
Quintana:	\$0.00, na percent from 2008.

Sales Tax – Local Sales Tax Allocations

Monthly

Statewide payments based on the sales activity month of September 2010: \$541.48 million, up 8.1 percent from September 2009.

Payments to all cities in Brazoria County based on the sales activity month of September 2010: \$4.04 million, up 7.5 percent from September 2009. Payment based on the sales activity month of September 2010 to the city of:

Pearland*:	\$1.88 million, up 6.1 percent from September 2009.
Lake Jackson:	\$604,366.44, up 1.3 percent from September 2009.
Alvin:	\$524,154.94, up 13.6 percent from September 2009.
Angleton:	\$292,652.75, down 1.9 percent from September 2009.
Freeport:	\$216,721.10, up 56.7 percent from September 2009.
Clute:	\$185,584.22, down 3.9 percent from September 2009.
Manvel:	\$90,087.02, up 9.5 percent from September 2009.
West Columbia:	\$63,540.44, up 2.8 percent from September 2009.
Sweeny:	\$29,075.53, up 0.1 percent from September 2009.
Richwood:	\$25,625.04, up 6.5 percent from September 2009.
Brazoria:	\$64,401.17, up 11.4 percent from September 2009.
Jones Creek:	\$4,611.86, down 2.8 percent from September 2009.
Brookside Village:	\$5,140.05, up 61.6 percent from September 2009.
Danbury:	\$16,890.08, up 191.3 percent from September 2009.
Oyster Creek:	\$16,544.14, up 17.4 percent from September 2009.
Holiday Lakes:	\$587.09, down 17.2 percent from September 2009.
Iowa Colony:	\$10,189.65, up 40.2 percent from September 2009.
Surfside Beach:	\$5,752.70, up 13.7 percent from September 2009.
Balley's Prairie:	\$426.19, up 9.0 percent from September 2009.
Liverpool:	\$2,019.95, up 10.7 percent from September 2009.
Quintana:	\$964.80, na percent from September 2009.

Annual (2009)

Statewide payments based on sales activity months in 2009: \$5.59 billion, down 7.3 percent from 2008.

Payments to all cities in Brazoria County based on sales activity months in 2009: \$42.66 million, down 3.0 percent from 2008.

Payment based on sales activity months in 2009 to the city of:

Pearland*:	\$19.37 million, down 0.4 percent from 2008.
Lake Jackson:	\$6.94 million, down 1.9 percent from 2008.
Alvin:	\$5.24 million, down 6.0 percent from 2008.
Angleton:	\$3.01 million, down 1.5 percent from 2008.
Freeport:	\$1.61 million, down 15.5 percent from 2008.
Clute:	\$1.76 million, down 2.2 percent from 2008.
Manvel:	\$879,869.19, down 15.3 percent from 2008.
West Columbia:	\$693,214.31, down 3.3 percent from 2008.
Sweeny:	\$324,001.83, down 9.2 percent from 2008.
Richwood:	\$284,917.35, down 4.3 percent from 2008.
Brazoria:	\$743,451.10, down 2.1 percent from 2008.
Jones Creek:	\$45,014.16, down 13.3 percent from 2008.

Brookside Village:	\$31,450.28, down 11.8 percent from 2008.
Danbury:	\$64,289.51, up 24.8 percent from 2008.
Oyster Creek:	\$161,637.57, down 52.2 percent from 2008.
Holiday Lakes:	\$8,081.12, down 5.3 percent from 2008.
Iowa Colony:	\$118,676.04, up 47.5 percent from 2008.
Surfside Beach:	\$48,932.59, up 9.4 percent from 2008.
Bailey's Prairie:	\$9,579.36, down 20.9 percent from 2008.
Liverpool:	\$18,465.18, down 14.2 percent from 2008.
Quintana:	\$37,760.20, up 540.5 percent from 2008.

*On 1/1/2009, the city of Pearland's local sales tax rate increased by 0.000 from 1.500 percent to 1.500 percent.

Property Tax

As of January 2008, property values in Brazoria County: \$27.17 billion, up 6.5 percent from January 2007 values. The property tax base per person in Brazoria County is \$90,186, above the statewide average of \$85,992. About 2.5 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Brazoria County's ranking in state expenditures by county in fiscal year 2009: 22nd. State expenditures in the county for FY2009: \$906.81 million, up 36.4 percent from FY2008.

In Brazoria County, 21 state agencies provide a total of 2,978 jobs and \$26.50 million in annualized wages (as of 1st quarter 2010).

Major state agencies in the county (as of first quarter 2010):

- Department of Criminal Justice
- Department of Transportation
- Department of Family and Protective Services
- Department of Public Safety

Higher Education

Community colleges in Brazoria County fall 2009 enrollment:

- Brazosport College, a Public Community College, had 3,866 students.
- Alvin Community College, a Public Community College, had 5,189 students.

Brazoria County is in the service area of the following:

- Alvin Community College with a fall 2009 enrollment of 5,189. Counties in the service area include: Brazoria County
- Brazosport College with a fall 2009 enrollment of 3,866. Counties in the service area include: Brazoria County

Institutions of higher education in Brazoria County fall 2009 enrollment:

None.

School Districts

Brazoria County had 8 school districts with 93 schools and 58,683 students in the 2008-09 school year.

(Statewide, the average teacher salary in school year 2008-09 was \$47,158. The percentage of students, statewide, meeting the 2009 TAKS passing standard for all 2008-09 TAKS tests was 74 percent.)

Alvin ISD had 15,983 students in the 2008-09 school year. The average teacher salary was \$46,879. The percentage of students meeting the 2009 TAKS passing standard for all tests was 78 percent.

Angleton ISD had 6,249 students in the 2008-09 school year. The average teacher salary was \$49,004. The percentage of students meeting the 2009 TAKS passing standard for all tests was 86 percent.

Brazosport ISD had 12,912 students in the 2008-09 school year. The average teacher salary was \$48,878. The percentage of students meeting the 2009 TAKS passing standard for all tests was 78 percent.

Columbia-Brazoria ISD had 3,117 students in the 2008-09 school year. The average teacher salary was \$46,126. The percentage of students meeting the 2009 TAKS passing standard for all tests was 80 percent.

Damon ISD had 160 students in the 2008-09 school year. The average teacher salary was \$39,591. The percentage of students meeting the 2009 TAKS passing standard for all tests was 74 percent.

Danbury ISD had 750 students in the 2008-09 school year. The average teacher salary was \$47,756. The percentage of students meeting the 2009 TAKS passing standard for all tests was 80 percent.

Pearland ISD had 17,551 students in the 2008-09 school year. The average teacher salary was \$46,596. The percentage of students meeting the 2009 TAKS passing standard for all tests was 87 percent.

Sweeny ISD had 1,961 students in the 2008-09 school year. The average teacher salary was \$48,596. The percentage of students meeting the 2009 TAKS passing standard for all tests was 83 percent.