# Summary of Financial Impact of the Proposed Dow Chemical Company Chlorine 7 Project on the Finances of the Brazosport Independent School District Under a Requested Chapter 313 Property Value Limitation

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# Estimated Impact of the Proposed Dow Chemical Company Chlorine 7 Project on the Finances of the Brazosport Independent School District under a Requested Chapter 313 Property Value Limitation

## Introduction

Dow Chemical Company (Dow) has requested that the Brazosport Independent School District (BISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new manufacturing facility. An application was submitted to BISD on July 20, 2010. Dow proposes to invest $744 million to construct a new manufacturing project in BISD, known as Chlorine 7.

The Dow Chlorine 7 project is a chlorine and caustic soda manufacturing site that 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, BISD may offer a minimum value limitation of $30 million, based on the District's location in what previously was a strategic investment area. Based on the application, the qualifying time period would begin with the 2014-15 school year. The full taxable value of the investment is anticipated to reach $722 million in 2014-15, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement. The Company is requesting a deferral to delay the initiation of the first qualifying year to 2014-15, assuming that the agreement will be executed early in the 2012 calendar year.

The provisions of Chapter 313 call for the project to be fully taxable in the 2012-13 through 2015-16 school years. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2014-15 and 2015-16 school years only. Beginning in 2016-17, the project would go on the local tax roll at $30 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 BISD currently levying a $0.187 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, 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, Dow indicates that $693.2 million in taxable value would be in place in the second qualifying year under the agreement. In year three (2016-17) of the agreement, the project is expected to go on the tax roll at $30 million or, if applicable, a higher value limitation amount approved by the BISD 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 a Chapter 41 school district that exceeds the wealth level per WADA of Austin ISD) 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. The estimates that follow assume that BISD will remain funded at the $120 per WADA minimum level.

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 Dow Chlorine 7 project, the agreement calls for a calculation of the revenue impact of the value limitation under the agreement for the eight years the limitation is in effect, 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. In the case of BISD, several existing Chapter 313 value limitation agreements will be expiring during the course of this agreement, with an earlier Dow project going back in the tax roll at full value in the 2013-14 school year. The earlier Chapter 313 projects are built into the bases of the models used to prepare this report.

Student enrollment counts are held constant at 11,869 students in average daily attendance (ADA) in analyzing the effects of the Dow Chlorine 7 project on the finances of BISD. The District's local tax base reached $6.3 billion for the 2010 tax year. While the district's tax base has shown some decreases in recent years, the underlying $6.3 billion taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation, with the expiring value limitations noted previously added to this base. BISD is a relatively property-wealthy district, with wealth per weighted ADA or WADA of approximately $440,609 for the 2010-11 school year, although this level is below the current $476,500 per WADA recapture level at its compressed tax rate. Even with the new Dow project, it does not appear that BISD will exceed the equalized wealth level that triggers recapture under these assumptions, although some recapture occurs at the $319,500 per WADA level for eligible tax effort covered by that provision. These projections are summarized in Table 1.

## School Finance Impact

A baseline model was prepared for BISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt is made to forecast the 88th percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appear 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. An M&O tax rate of $1.04 per $100 of taxable value is used throughout this analysis.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Dow Chlorine 7 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 Dow Chlorine 7 value but imposes the proposed $30 million property value limitation effective in the 2016-17 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).

The model results show approximately $89 million a year in net General Fund M&O revenue, after recapture and other adjustments have been made. A summary of the differences between these models is shown in Table 4.

Under these assumptions, BISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-$829,229). The revenue reduction results from the mechanics of six cents equalized to the Austin ISD yield, which reflect the one-year lag in value associated with the property value study. It appears that smaller differences persist between the two models over the course of the agreement, in part due to deductions made in the 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 state aid calculations under the school funding formulas. The result of this determination of value 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.

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. Also, a district that would be classified as a "formula" district is subject to a greater revenue loss, although BISD appears to remain a 'hold-harmless" district under these analyses and not subject to gains above the current $120 per WADA, as noted previously.

## 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. The property is fully taxable during the two-year deferral period, although the focus here is on the two qualifying years that begin in the 2014-15 school year. A $1.04 per $100 of taxable value M&O rate is assumed in 2010-11 and thereafter, as cited in describing the underlying assumptions for the estimates presented in this report.

Under these assumptions, the potential tax savings from the value limitation total $45.7 million over the life of the agreement. In addition, Dow Chlorine 7 would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two qualifying 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 $14.1 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the state for the tax credit payments made to the Company. The key BISD revenue losses are associated with the additional six-cent levy equalized to the Austin ISD yield and expected to total approximately $1.6 million over the course of the agreement. In total, the potential net tax benefits of the value limitation are estimated to reach $58.2 million over the life of the agreement.

## Facilities Funding Impact

The Dow Chlorine 7 project remains fully taxable for debt services taxes, with BISD currently levying an $0.187 I&S rate. The value of the Dow Chlorine 7 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 programs. The additional value is expected to help reduce the District's current I&S tax rate by 1.66 cents per $100 in the 2014-15 school year, when the project is at its peak taxable value.

Based on the estimates of full-time equivalent employees (FTEs) involved in the construction phase of the project, 480 are expected in 2011, 1,920 in 2012 and 768 in 2013. When the project is fully operational, the Dow Chlorine 7 project is expected to create 10 new positions and the application indicates that it will preserve 26 current Dow positions.

Based on information provided by the District, its enrollment has decreased by about 500 students in recent years, so capacity for any additional students should not be a problem. In addition, the construction phase is not expected to be so extensive that it will cause many workers to relocate their families to the area.

## Conclusion

The proposed Dow Chlorine 7 facility enhances the tax base of BISD. It reflects continued capital investment in manufacturing, 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 $58.2 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 BISD in meeting its future debt service obligations.

**Table 1 – Base District Information with Dow Chemical Company Project Value and Limitation Values**

| Year of Agreement | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| pre-Year 1 | 2012-13 | 11,868.79 | 15,675.05 | $1.0400 | $0.1870 | $6,453,147,073 | $6,453,147,073 | $6,337,229,442 | $6,337,229,442 | $404,288 | $404,288 |
| pre-Year 2 | 2013-14 | 11,868.79 | 15,675.05 | $1.0400 | $0.1870 | $6,581,647,073 | $6,581,647,073 | $6,518,357,829 | $6,518,357,829 | $415,843 | $415,843 |
| 1 | 2014-15 | 11,868.79 | 15,675.05 | $1.0400 | $0.1690 | $6,992,647,073 | $6,992,647,073 | $6,746,332,203 | $6,746,332,203 | $430,387 | $430,387 |
| 2 | 2015-16 | 11,868.79 | 15,675.05 | $1.0400 | $0.1700 | $6,963,767,073 | $6,963,767,073 | $7,149,238,011 | $7,149,238,011 | $456,090 | $456,090 |
| 3 | 2016-17 | 11,868.79 | 15,675.05 | $1.0400 | $0.1700 | $6,936,042,273 | $6,300,594,623 | $7,114,482,910 | $7,114,482,910 | $453,873 | $453,873 |
| 4 | 2017-18 | 11,868.79 | 15,675.05 | $1.0400 | $0.1720 | $6,909,426,465 | $6,300,594,623 | $7,187,463,830 | $6,641,293,949 | $458,529 | $423,686 |
| 5 | 2018-19 | 11,868.79 | 15,675.05 | $1.0400 | $0.1780 | $6,883,875,289 | $6,300,594,623 | $7,153,613,630 | $6,631,183,666 | $456,370 | $423,041 |
| 6 | 2019-20 | 11,868.79 | 15,675.05 | $1.0400 | $0.1790 | $6,859,346,161 | $6,300,594,623 | $7,129,059,206 | $6,631,019,886 | $454,803 | $423,030 |
| 7 | 2020-21 | 11,868.79 | 15,675.05 | $1.0400 | $0.1798 | $6,835,798,197 | $6,300,594,623 | $7,096,031,904 | $6,619,328,377 | $452,696 | $422,284 |
| 8 | 2021-22 | 11,868.79 | 15,675.05 | $1.0400 | $0.1870 | $6,813,192,152 | $6,300,594,623 | $7,064,280,426 | $6,607,966,508 | $450,670 | $421,560 |
| 9 | 2022-23 | 11,868.79 | 15,675.05 | $1.0400 | $0.1880 | $6,791,490,349 | $6,300,594,623 | $7,033,753,898 | $6,599,278,405 | $448,723 | $421,005 |
| 10 | 2023-24 | 11,868.79 | 15,675.05 | $1.0400 | $0.0670 | $6,770,656,618 | $6,300,594,623 | $7,004,403,506 | $6,588,661,197 | $446,851 | $420,328 |
| 11 | 2024-25 | 11,868.79 | 15,675.05 | $1.0400 | $0.0255 | $6,750,656,236 | $6,750,656,236 | $6,976,182,407 | $6,534,570,415 | $445,050 | $416,877 |
| 12 | 2025-26 | 11,868.79 | 15,675.05 | $1.0400 | $0.0000 | $6,731,455,870 | $6,731,455,870 | $6,949,045,653 | $6,949,045,653 | $443,319 | $443,319 |
| 13 | 2026-27 | 11,868.79 | 15,675.05 | $1.0400 | $0.0000 | $6,713,023,518 | $6,713,023,518 | $6,922,950,112 | $6,922,950,112 | $441,654 | $441,654 |
| 14 | 2027-28 | 11,868.79 | 15,675.05 | $1.0400 | $0.0000 | $6,695,328,460 | $6,695,328,460 | $6,897,854,394 | $6,897,854,394 | $440,053 | $440,053 |
| 15 | 2028-29 | 11,868.79 | 15,675.05 | $1.0400 | $0.0000 | $6,678,341,205 | $6,678,341,205 | $6,873,718,779 | $6,873,718,779 | $438,513 | $438,513 |

***Tier II Yield: $47.65; AISD Yield: $59.97; Equalized Wealth: $476,500 per WADA**

**Table 2– "Baseline Revenue Model"--Project Value Added with No Value Limitation**

| Year of Agreement | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| pre-Year 1 | 2012-13 | $57,481,258 | $15,676,405 | $7,140,230 | $0 | $0 | $8,324,025 | $1,835,016 | -$911,546 | $89,545,387 |
| pre-Year 2 | 2013-14 | $59,681,057 | $14,030,953 | $6,585,883 | $0 | $0 | $8,642,585 | $1,742,769 | -$1,045,531 | $89,637,715 |
| 1 | 2014-15 | $63,299,223 | $11,959,930 | $5,038,740 | $0 | $0 | $9,166,542 | $1,644,685 | -$1,233,187 | $89,875,932 |
| 2 | 2015-16 | $62,994,219 | $8,299,751 | $9,003,923 | $0 | $0 | $9,122,373 | $1,310,043 | -$1,426,526 | $89,303,783 |
| 3 | 2016-17 | $63,932,086 | $8,615,482 | $7,750,325 | $0 | $0 | $9,258,188 | $1,356,670 | -$1,431,221 | $89,481,529 |
| 4 | 2017-18 | $63,626,623 | $7,952,490 | $8,718,779 | $0 | $0 | $9,213,953 | $1,293,808 | -$1,458,772 | $89,346,882 |
| 5 | 2018-19 | $63,411,774 | $8,260,001 | $8,626,118 | $0 | $0 | $9,182,840 | $1,315,358 | -$1,438,037 | $89,358,055 |
| 6 | 2019-20 | $63,112,485 | $8,483,064 | $8,702,344 | $0 | $0 | $9,139,499 | $1,328,016 | -$1,419,742 | $89,345,667 |
| 7 | 2020-21 | $62,824,926 | $8,783,099 | $8,689,868 | $0 | $0 | $9,097,857 | $1,347,431 | -$1,397,740 | $89,345,440 |
| 8 | 2021-22 | $62,542,152 | $9,071,544 | $8,684,197 | $0 | $0 | $9,056,908 | $1,365,961 | -$1,376,448 | $89,344,315 |
| 9 | 2022-23 | $62,276,107 | $9,348,861 | $8,672,925 | $0 | $0 | $9,018,381 | $1,383,905 | -$1,356,103 | $89,344,075 |
| 10 | 2023-24 | $62,152,164 | $9,615,493 | $8,530,236 | $0 | $0 | $9,000,433 | $1,404,139 | -$1,339,383 | $89,363,081 |
| 11 | 2024-25 | $61,866,857 | $9,871,866 | $8,559,170 | $0 | $0 | $8,959,117 | $1,419,877 | -$1,319,703 | $89,357,183 |
| 12 | 2025-26 | $61,668,974 | $10,118,389 | $8,510,529 | $0 | $0 | $8,930,461 | $1,436,768 | -$1,302,409 | $89,362,712 |
| 13 | 2026-27 | $61,446,123 | $10,355,453 | $8,496,317 | $0 | $0 | $8,898,189 | $1,452,270 | -$1,285,081 | $89,363,271 |
| 14 | 2027-28 | $61,231,797 | $10,583,434 | $8,482,661 | $0 | $0 | $8,867,152 | $1,467,183 | -$1,268,412 | $89,363,815 |
| 15 | 2028-29 | $61,025,659 | $10,802,693 | $8,469,541 | $0 | $0 | $8,837,300 | $1,481,531 | -$1,252,378 | $89,364,346 |

**Table 3– "Value Limitation Revenue Model"--Project Value Added with Value Limit**

| Year of Agreement | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| pre-Year 1 | 2012-13 | $57,481,258 | $15,676,405 | $7,140,230 | $0 | $0 | $8,324,025 | $1,835,016 | -$911,546 | $89,545,387 |
| pre-Year 2 | 2013-14 | $59,681,057 | $14,030,953 | $6,585,883 | $0 | $0 | $8,642,585 | $1,742,769 | -$1,045,531 | $89,637,715 |
| 1 | 2014-15 | $63,299,223 | $11,959,930 | $5,038,740 | $0 | $0 | $9,166,542 | $1,644,685 | -$1,233,187 | $89,875,932 |
| 2 | 2015-16 | $62,994,219 | $8,299,751 | $9,003,923 | $0 | $0 | $9,122,373 | $1,310,043 | -$1,426,526 | $89,303,783 |
| 3 | 2016-17 | $58,159,390 | $8,615,482 | $13,523,020 | $0 | $0 | $8,422,228 | $1,234,170 | -$1,301,990 | $88,652,300 |
| 4 | 2017-18 | $58,095,719 | $12,914,145 | $9,288,029 | $0 | $0 | $8,413,007 | $1,594,044 | -$1,080,236 | $89,224,709 |
| 5 | 2018-19 | $58,112,987 | $13,005,992 | $9,178,914 | $0 | $0 | $8,415,508 | $1,602,801 | -$1,075,505 | $89,240,697 |
| 6 | 2019-20 | $58,036,532 | $13,007,480 | $9,253,881 | $0 | $0 | $8,404,436 | $1,600,827 | -$1,074,008 | $89,229,148 |
| 7 | 2020-21 | $57,962,893 | $13,113,691 | $9,221,309 | $0 | $0 | $8,393,772 | $1,608,381 | -$1,066,798 | $89,233,248 |
| 8 | 2021-22 | $57,885,483 | $13,216,907 | $9,195,503 | $0 | $0 | $8,382,562 | $1,615,569 | -$1,059,679 | $89,236,344 |
| 9 | 2022-23 | $57,816,587 | $13,295,834 | $9,185,472 | $0 | $0 | $8,372,585 | $1,620,797 | -$1,054,056 | $89,237,220 |
| 10 | 2023-24 | $57,881,907 | $13,392,285 | $9,023,701 | $0 | $0 | $8,382,044 | $1,631,404 | -$1,049,894 | $89,261,447 |
| 11 | 2024-25 | $61,866,857 | $13,883,670 | $4,547,366 | $0 | $0 | $8,959,117 | $1,791,977 | -$1,092,741 | $89,956,245 |
| 12 | 2025-26 | $61,668,974 | $10,118,389 | $8,510,529 | $0 | $0 | $8,930,461 | $1,436,768 | -$1,302,409 | $89,362,712 |
| 13 | 2026-27 | $61,446,123 | $10,355,453 | $8,496,317 | $0 | $0 | $8,898,189 | $1,452,270 | -$1,285,081 | $89,363,271 |
| 14 | 2027-28 | $61,231,797 | $10,583,434 | $8,482,661 | $0 | $0 | $8,867,152 | $1,467,183 | -$1,268,412 | $89,363,815 |
| 15 | 2028-29 | $61,025,659 | $10,802,693 | $8,469,541 | $0 | $0 | $8,837,300 | $1,481,531 | -$1,252,378 | $89,364,346 |

**Table 4 – Value Limit less Project Value with No Limit**

| Year of Agreement | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| pre-Year 1 | 2012-13 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| pre-Year 2 | 2013-14 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 1 | 2014-15 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2 | 2015-16 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 3 | 2016-17 | -$5,772,695 | $0 | $5,772,695 | $0 | $0 | -$835,961 | -$122,499 | $129,231 | -$829,229 |
| 4 | 2017-18 | -$5,530,904 | $4,961,655 | $569,249 | $0 | $0 | -$800,946 | $300,237 | $378,536 | -$122,173 |
| 5 | 2018-19 | -$5,298,787 | $4,745,991 | $552,796 | $0 | $0 | -$767,332 | $287,443 | $362,532 | -$117,358 |
| 6 | 2019-20 | -$5,075,953 | $4,524,416 | $551,537 | $0 | $0 | -$735,063 | $272,810 | $345,734 | -$116,519 |
| 7 | 2020-21 | -$4,862,033 | $4,330,592 | $531,441 | $0 | $0 | -$704,085 | $260,950 | $330,942 | -$112,192 |
| 8 | 2021-22 | -$4,656,669 | $4,145,363 | $511,306 | $0 | $0 | -$674,346 | $249,607 | $316,768 | -$107,970 |
| 9 | 2022-23 | -$4,459,520 | $3,946,973 | $512,547 | $0 | $0 | -$645,796 | $236,893 | $302,048 | -$106,856 |
| 10 | 2023-24 | -$4,270,257 | $3,776,792 | $493,465 | $0 | $0 | -$618,388 | $227,265 | $289,488 | -$101,635 |
| 11 | 2024-25 | $0 | $4,011,804 | -$4,011,804 | $0 | $0 | $0 | $372,100 | $226,962 | $599,062 |
| 12 | 2025-26 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 13 | 2026-27 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 14 | 2027-28 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 15 | 2028-29 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

**Table 5 - Estimated Financial impact of the Dow Chemical Company Project Property Value Limitation Request Submitted to BISD at $1.04 M&O Tax Rate**

| Year of Agreement | School Year | Project Value | Estimated Taxable Value | Value Savings | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **pre-year 1** | 2012-13 | $182,552,450 | $182,552,450 | $0 | $1,898,545 | $1,898,545 | $0 | $0 | $0 | $0 | $0 |
| **pre-year 2** | 2013-14 | $311,052,450 | $311,052,450 | $0 | $3,234,945 | $3,234,945 | $0 | $0 | $0 | $0 | $0 |
| **1** | 2014-15 | $722,052,450 | $722,052,450 | $0 | $7,509,345 | $7,509,345 | $0 | $0 | $0 | $0 | $0 |
| **2** | 2015-16 | $693,172,450 | $693,172,450 | $0 | $7,208,993 | $7,208,993 | $0 | $0 | $0 | $0 | $0 |
| **3** | 2016-17 | $665,447,650 | $30,000,000 | $635,447,650 | $6,920,656 | $312,000 | $6,608,656 | $0 | $6,608,656 | -$829,229 | $5,779,427 |
| **4** | 2017-18 | $638,831,842 | $30,000,000 | $608,831,842 | $6,643,851 | $312,000 | $6,331,851 | $705,395 | $7,037,247 | -$122,173 | $6,915,073 |
| **5** | 2018-19 | $613,280,666 | $30,000,000 | $583,280,666 | $6,378,119 | $312,000 | $6,066,119 | $701,820 | $6,767,939 | -$117,358 | $6,650,581 |
| **6** | 2019-20 | $588,751,538 | $30,000,000 | $558,751,538 | $6,123,016 | $312,000 | $5,811,016 | $682,933 | $6,493,949 | -$116,519 | $6,377,430 |
| **7** | 2020-21 | $565,203,574 | $30,000,000 | $535,203,574 | $5,878,117 | $312,000 | $5,566,117 | $664,118 | $6,230,235 | -$112,192 | $6,118,043 |
| **8** | 2021-22 | $542,597,529 | $30,000,000 | $512,597,529 | $5,643,014 | $312,000 | $5,331,014 | $663,329 | $5,994,343 | -$107,970 | $5,886,373 |
| **9** | 2022-23 | $520,895,726 | $30,000,000 | $490,895,726 | $5,417,316 | $312,000 | $5,105,316 | $645,642 | $5,750,958 | -$106,856 | $5,644,102 |
| **10** | 2023-24 | $500,061,995 | $30,000,000 | $470,061,995 | $5,200,645 | $312,000 | $4,888,645 | $323,521 | $5,212,166 | -$101,635 | $5,110,531 |
| **11** | 2024-25 | $480,061,613 | $480,061,613 | $0 | $4,992,641 | $4,992,641 | $0 | $4,992,641 | $4,992,641 | $0 | $4,992,641 |
| **12** | 2025-26 | $460,861,247 | $460,861,247 | $0 | $4,792,957 | $4,792,957 | $0 | $4,714,941 | $4,714,941 | $0 | $4,714,941 |
| **13** | 2026-27 | $442,428,895 | $442,428,895 | $0 | $4,601,261 | $4,601,261 | $0 | $0 | $0 | $0 | $0 |
| **14** | 2027-28 | $424,733,837 | $424,733,837 | $0 | $4,417,232 | $4,417,232 | $0 | $0 | $0 | $0 | $0 |
| **15** | 2028-29 | $407,746,582 | $407,746,582 | $0 | $4,240,564 | $4,240,564 | $0 | $0 | $0 | $0 | $0 |
| | | | | | **$91,101,218** | **$45,392,485** | **$45,708,733** | **$14,094,339** | **$59,803,072** | **-$1,613,932** | **$58,189,141** |

| **Tax Credit for Value Over Limit in First 2 Years** | **Year 1 (2014)** | **Year 2 (2015)** | **Max Credits** |
|---|---|---|---|
| | $7,197,345 | $6,896,993 | $14,094,339 |
| | Credits Earned | | $14,094,339 |
| | Credits Paid | | $14,094,339 |
| | Excess Credits Unpaid | | $0 |