

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	BP Wind Energy North America Inc.
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Olney ISD
2008-09 Enrollment in School District	783
County	Archer and Young
Total Investment in District	\$320,000,000
Qualified Investment	\$320,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	6*
Number of qualifying jobs committed to by applicant	6
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$862
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$862
Minimum Annual Wage committed to by applicant for qualified jobs	\$44,845
Investment per Qualifying Job	\$53,333,333
Estimated 15 year M&O levy without any limit or credit:	\$40,739,640
Estimated 15 year M&O tax benefit	\$27,721,124
Estimated 15 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):	\$26,756,012
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$3,627,000
Net Tax Paid After Limitation, Credits and Revenue Protection:	\$13,983,628
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	65.7%
Percentage of tax benefit due to the limitation	86.9%
Percentage of tax benefit due to the credit.	13.1%
<i>*Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).</i>	

This presents the Comptroller's economic impact evaluation of BP Wind Energy North America (the project) applying to Olney 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 six new jobs when fully operational. All six 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 NORTEX Regional Planning Commission Region, where Archer County and Young County are located was \$40,768 in 2009. The annual average manufacturing wage for 2009 for Archer and Young County is \$44,285. That same year, the county annual average wage for all industries was \$33,924. In addition to a salary of \$44,845, each qualifying position will receive benefits such as medical, dental, vision, life, and short & long term disability insurance, a 401(k) with 100% match up to 6%, and a retirement fund based upon age and years of service. The project's total investment is \$320 million, resulting in a relative level of investment per qualifying job of \$53.3 million.

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

According to BP Wind Energy's application, "Wind farms are currently being developed, built, and installed in numerous other states, including but not limited to Colorado, Kansas, New Mexico, California, and Minnesota. Within Texas, at least 20 other counties currently have wind farms proposed, under construction, or are currently operating with potential new sites that are growing yearly. The Company could invest its resources in any of these locations."

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 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 BP Wind Energy 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)]

Table 1 depicts BP Wind Energy'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 15 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 BP Wind Energy

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	150	217	367	\$7,800,000	\$16,100,000	\$23,900,000
2012	6	20	26	\$269,070	\$3,130,930	\$3,400,000
2013	6	23	29	\$269,070	\$3,530,930	\$3,800,000
2014	6	17	23	\$269,070	\$3,130,930	\$3,400,000
2015	6	16	22	\$269,070	\$3,030,930	\$3,300,000
2016	6	15	21	\$269,070	\$3,030,930	\$3,300,000
2017	6	12	18	\$269,070	\$2,630,930	\$2,900,000
2018	6	15	21	\$269,070	\$2,630,930	\$2,900,000
2019	6	12	18	\$269,070	\$2,930,930	\$3,200,000
2020	6	15	21	\$269,070	\$2,930,930	\$3,200,000
2021	6	15	21	\$269,070	\$3,130,930	\$3,400,000
2022	6	10	16	\$269,070	\$3,030,930	\$3,300,000
2023	6	10	16	\$269,070	\$3,030,930	\$3,300,000
2024	6	8	14	\$269,070	\$2,630,930	\$2,900,000
2025	6	10	16	\$269,070	\$3,130,930	\$3,400,000

Source: CPA, RBMI, BP Wind Energy North America Inc.

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2009. Olney ISD's ad valorem tax base in 2009 was \$0.18 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Olney ISD's estimated wealth per WADA was \$132,962. 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, Archer County, Young County, and Olney-Hamilton Hospital District with all property tax incentives sought being granted using estimated market value from BP Wind Energy's application. BP Wind Energy has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the counties and the hospital district. Table 3 illustrates the estimated tax impact of the BP Wind Energy 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	Olney ISD I&S Levy	Olney ISD M&O Levy	Olney ISD M&O and I&S Tax Levies (Before Credit Credited)	Olney ISD M&O and I&S Tax Levies (After Credit Credited)	Archer County (72% of Project)	Young County (28% of Project)	Olney-Hamilton Hospital District (80% of Project)	Estimated Total Property Taxes
2010	\$0	\$0		0.2050	1.1700	\$0	\$0	0.6759	0.6505	0.2500	\$0
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2012	\$320,000,000	\$320,000,000		\$656,000	\$3,744,000	\$4,400,000	\$4,400,000	\$0	\$0	\$0	\$4,400,000
2013	\$307,142,400	\$10,000,000		\$629,642	\$117,000	\$746,642	\$746,642	\$0	\$0	\$0	\$746,642
2014	\$294,856,704	\$10,000,000		\$604,456	\$117,000	\$721,456	\$525,848	\$0	\$0	\$0	\$525,848
2015	\$283,062,436	\$10,000,000		\$580,278	\$117,000	\$697,278	\$504,323	\$0	\$0	\$0	\$504,323
2016	\$271,739,938	\$10,000,000		\$557,067	\$117,000	\$674,067	\$485,132	\$0	\$0	\$0	\$485,132
2017	\$260,870,341	\$10,000,000		\$534,784	\$117,000	\$651,784	\$465,458	\$0	\$0	\$0	\$465,458
2018	\$250,435,527	\$10,000,000		\$513,393	\$117,000	\$630,393	\$446,675	\$0	\$0	\$0	\$446,675
2019	\$240,418,106	\$10,000,000		\$492,857	\$117,000	\$609,857	\$428,744	\$0	\$0	\$0	\$428,744
2020	\$230,801,382	\$10,000,000		\$473,143	\$117,000	\$590,143	\$411,626	\$0	\$0	\$0	\$411,626
2021	\$221,569,327	\$221,569,327		\$454,217	\$2,592,361	\$3,046,578	\$726,751	\$1,078,263	\$403,566	\$443,139	\$2,651,718
2022	\$212,706,554	\$212,706,554		\$436,048	\$2,488,667	\$2,924,715	\$2,924,715	\$1,035,132	\$387,424	\$425,413	\$4,772,684
2023	\$204,198,291	\$204,198,291		\$418,606	\$2,389,120	\$2,807,727	\$2,807,727	\$993,727	\$371,927	\$408,397	\$4,581,777
2024	\$196,030,360	\$196,030,360		\$401,862	\$2,293,555	\$2,695,417	\$2,695,417	\$953,978	\$357,050	\$392,061	\$4,398,506
2025	\$188,189,145	\$188,189,145		\$385,788	\$2,201,813	\$2,587,601	\$2,587,601	\$915,819	\$342,768	\$376,378	\$4,222,565
						Total	\$20,156,658	\$4,976,918	\$1,862,734	\$2,045,387	\$29,041,698

Assumes School Value Limitation and Tax Abatements

Source: CPA, BP Wind Energy North America Inc.

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Olney ISD I&S Levy	Olney ISD M&O Levy	Olney ISD M&O and I&S Tax Levies	Archer County (72% of Project)	Young County (28% of Project)	Olney-Hamilton Hospital District (80% of Project)	Estimated Total Property Taxes	
2010	\$0	\$0		0.2050	1.1700	\$0	0.6759	0.6505	0.2500	\$0	
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2012	\$320,000,000	\$320,000,000		\$656,000	\$3,744,000	\$4,400,000	\$1,557,274	\$582,848	\$640,000	\$7,180,122	
2013	\$307,142,400	\$307,142,400		\$629,642	\$3,593,566	\$4,223,208	\$1,494,702	\$559,429	\$614,285	\$6,891,624	
2014	\$294,856,704	\$294,856,704		\$604,456	\$3,449,823	\$4,054,280	\$1,434,914	\$537,052	\$589,713	\$6,615,959	
2015	\$283,062,436	\$283,062,436		\$580,278	\$3,311,831	\$3,892,108	\$1,377,518	\$515,570	\$566,125	\$6,351,321	
2016	\$271,739,938	\$271,739,938		\$557,067	\$3,179,357	\$3,736,424	\$1,322,417	\$494,947	\$543,480	\$6,097,268	
2017	\$260,870,341	\$260,870,341		\$534,784	\$3,052,183	\$3,586,967	\$1,269,520	\$475,149	\$521,741	\$5,853,377	
2018	\$250,435,527	\$250,435,527		\$513,393	\$2,930,096	\$3,443,488	\$1,218,739	\$456,143	\$500,871	\$5,619,242	
2019	\$240,418,106	\$240,418,106		\$492,857	\$2,812,892	\$3,305,749	\$1,169,990	\$437,898	\$480,836	\$5,394,473	
2020	\$230,801,382	\$230,801,382		\$473,143	\$2,700,376	\$3,173,519	\$1,123,190	\$420,382	\$461,603	\$5,178,694	
2021	\$221,569,327	\$221,569,327		\$454,217	\$2,592,361	\$3,046,578	\$1,078,263	\$403,566	\$443,139	\$4,971,546	
2022	\$212,706,554	\$212,706,554		\$436,048	\$2,488,667	\$2,924,715	\$1,035,132	\$387,424	\$425,413	\$4,772,684	
2023	\$204,198,291	\$204,198,291		\$418,606	\$2,389,120	\$2,807,727	\$993,727	\$371,927	\$408,397	\$4,581,777	
2024	\$196,030,360	\$196,030,360		\$401,862	\$2,293,555	\$2,695,417	\$953,978	\$357,050	\$392,061	\$4,398,506	
2025	\$188,189,145	\$188,189,145		\$385,788	\$2,201,813	\$2,587,601	\$915,819	\$342,768	\$376,378	\$4,222,565	
						Total	\$47,877,782	\$16,945,183	\$6,342,152	\$6,964,041	\$78,129,158

Source: CPA, BP Wind Energy North America Inc.

¹Tax Rate per \$100 Valuation



TEXAS EDUCATION AGENCY

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Robert Scott
Commissioner

December 2, 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 BP Wind Energy North America Inc. project for the Olney Independent School District (OISD). 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 BP Wind Energy North America Inc. project on OISD 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,

A handwritten signature in cursive script that reads 'Helen Daniels'.

Helen Daniels
Director of State Funding

HD/hd



TEXAS EDUCATION AGENCY

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Robert Scott
Commissioner

December 2, 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 BP Wind Energy North America Inc. project on the number and size of school facilities in Olney Independent School District (OISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the OISD business manager, Ms. Jan Chambers, the TEA has found that the BP Wind Energy North America Inc. project would not have a significant impact on the number or size of school facilities in OISD.

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 cursive script that reads 'Helen Daniels'.

Helen Daniels
Director of State Funding

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