

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



June 2, 2011

Mr. Kent Ruffin  
Superintendent  
Rotan Independent School District  
102 N. McKinley Ave.  
Rotan, Texas 79546

Dear Superintendent Ruffin:

On April 7, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Rotan Independent School District (Rotan ISD) by WKN Mozart, LLC (WKN Mozart) on April 5, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding WKN Mozart's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Rotan ISD is currently classified as a rural school district in Category 3. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$45,000,000) is consistent with the proposed appraised value limitation sought (\$10 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

WKN Mozart is proposing the construction of a wind power electric generating facility in Kent County and Stonewall County. WKN Mozart is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by WKN Mozart, the Comptroller's recommendation is that WKN Mozart's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

Mr. Kent Ruffin  
June 2, 2011  
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The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application.

This recommendation is contingent on the following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution;
4. The district providing the Comptroller all the documents necessary to establish that a reinvestment zone has been created that includes the qualified property identified in the application, as required by Section 313.021(2) of the Tax Code. When that zone has been created, please forward to our office maps and legal descriptions for the zone as well as detailed maps showing that all proposed qualified property will be located inside the reinvestment zone.

During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at [www.window.state.tx.us/taxinfo/proptax/hb1200](http://www.window.state.tx.us/taxinfo/proptax/hb1200) to find an outline of the program and links to applicable rules and forms.

Should you have any questions, please contact Robert Wood, director of Local Government Assistance and Economic Development, by e-mail at [robert.wood@cpa.state.tx.us](mailto:robert.wood@cpa.state.tx.us) or by phone at (800) 531-5441, ext. 3-3973, or direct in Austin at (512) 463-3973.

Sincerely,



Martin A. Hubert  
Deputy Comptroller

Enclosure

cc: Robert Wood

**Economic Impact for Chapter 313 Project**

Applicant	WKN Mozart, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Rotan ISD
2009-10 Enrollment in School District	338
County	Kent and Stonewall
Total Investment in District	\$45,000,000
Qualified Investment	\$45,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	3*
Number of qualifying jobs committed to by applicant	3
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$760
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$760
Minimum Annual Wage committed to by applicant for qualified jobs	\$39,514
Investment per Qualifying Job	\$15,000,000
Estimated 15 year M&O levy without any limit or credit:	\$5,207,841
Estimated gross 15 year M&O tax benefit	\$2,846,694
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):	\$2,665,895
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$702,000
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$2,541,946
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	51.2%
Percentage of tax benefit due to the limitation	75.3%
Percentage of tax benefit due to the credit.	24.7%
* 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 WKN Mozart (the project) applying to Rotan 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 three new jobs when fully operational. All three jobs will meet the criteria for qualifying jobs as specified in Tax Code Sections 313.051(b) and 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the West Central Texas Council of Governments Region, where Kent County and Stonewall County are located, was \$35,916 in 2009. Data for the annual average wage in 2010 for manufacturing in Kent County and Stonewall County is unavailable. The annual average wage for all industries in 2010 for Kent County and Stonewall County was \$36,579. In addition to a salary of \$39,514, each qualifying position will receive a full benefits package including skilled training, paid sick leave and vacation time, as well as medical, dental and vision insurance. The project's total investment is \$45 million, resulting in a relative level of investment per qualifying job of \$15 million.

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

The applicant has identified this section as being confidential under Tax Code Section 313.028.

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

During the past two years, one project in the West Central Texas Council of Governments Region has applied for a value limitation agreement 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 WKN Mozart 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 WKN Mozart'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 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 WKN Mozart**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	200	205	405	\$8,320,000	\$11,680,000	\$20,000,000
2012	203	212	415	\$8,438,542	\$14,561,458	\$23,000,000
2013	3	22	25	\$118,542	\$4,881,458	\$5,000,000
2014	3	5	8	\$118,542	\$2,881,458	\$3,000,000
2015	3	1	4	\$118,542	\$1,881,458	\$2,000,000
2016	3	0	3	\$118,542	\$1,881,458	\$2,000,000
2017	3	-4	-1	\$118,542	\$881,458	\$1,000,000
2018	3	0	3	\$118,542	\$881,458	\$1,000,000
2019	3	3	6	\$118,542	\$881,458	\$1,000,000
2020	3	4	7	\$118,542	\$881,458	\$1,000,000
2021	3	7	10	\$118,542	\$881,458	\$1,000,000
2022	3	8	11	\$118,542	\$1,881,458	\$2,000,000
2023	3	10	13	\$118,542	\$1,881,458	\$2,000,000
2024	3	8	11	\$118,542	\$1,881,458	\$2,000,000
2025	3	11	14	\$118,542	\$1,881,458	\$2,000,000
2026	3	17	20	\$118,542	\$2,881,458	\$3,000,000

Source: CPA, REMI, WKN Mozart, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Rotan ISD's ad valorem tax base in 2010 was \$68.3 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Rotan ISD's estimated wealth per WADA was \$107,547. 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, Kent County, Stonewall County, and the Stonewall County Memorial Hospital District, with all property tax incentives sought being granted using estimated market value from WKN Mozart's application. WKN Mozart has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the hospital district and both counties. Table 3 illustrates the estimated tax impact of the WKN Mozart 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>	Rotan ISD I&S Levy	Rotan ISD M&O Levy	Rotan ISD M&O and I&S Tax Levies (Before Credit Credited)	Rotan ISD M&O and I&S Tax Levies (After Credit Credited)	Kent County (61%)	Stonewall County (39%)	Stonewall County Memorial Hospital District (100%)	Estimated Total Property Taxes
				<b>0.0450</b>	<b>1.1700</b>			<b>0.5324</b>	<b>0.5920</b>	<b>0.6135</b>	
2012	\$35,000,000	\$35,000,000		\$15,750	\$409,500	\$425,250	\$425,250	\$45,469	\$32,323	\$85,890	\$588,932
2013	\$45,000,000	\$45,000,000		\$20,250	\$526,500	\$546,750	\$546,750	\$58,460	\$41,558	\$110,430	\$757,198
2014	\$41,850,000	\$10,000,000		\$18,833	\$117,000	\$135,833	\$135,833	\$54,368	\$38,649	\$102,700	\$331,549
2015	\$38,920,500	\$10,000,000		\$17,514	\$117,000	\$134,514	\$69,106	\$50,562	\$35,944	\$95,511	\$251,123
2016	\$36,196,065	\$10,000,000		\$16,288	\$117,000	\$133,288	\$68,182	\$47,023	\$33,428	\$88,825	\$237,458
2017	\$33,662,341	\$10,000,000		\$15,148	\$117,000	\$132,148	\$67,421	\$65,597	\$46,632	\$123,911	\$303,560
2018	\$31,305,978	\$10,000,000		\$14,088	\$117,000	\$131,088	\$66,640	\$61,005	\$43,368	\$115,237	\$286,249
2019	\$29,114,560	\$10,000,000		\$13,102	\$117,000	\$130,102	\$65,997	\$56,735	\$40,332	\$107,171	\$270,234
2020	\$27,076,541	\$10,000,000		\$12,184	\$117,000	\$129,184	\$65,337	\$52,763	\$37,509	\$99,669	\$255,277
2021	\$25,181,184	\$10,000,000		\$11,332	\$117,000	\$128,332	\$64,732	\$49,070	\$34,883	\$92,692	\$241,377
2022	\$23,418,502	\$23,418,502		\$10,538	\$273,996	\$284,535	\$33,776	\$76,058	\$54,069	\$143,673	\$307,575
2023	\$21,779,207	\$21,779,207		\$9,801	\$254,817	\$264,617	\$264,617	\$70,734	\$50,284	\$133,615	\$519,251
2024	\$20,254,663	\$20,254,663		\$9,115	\$236,980	\$246,094	\$246,094	\$65,783	\$46,764	\$124,262	\$482,903
2025	\$18,836,836	\$18,836,836		\$8,477	\$220,391	\$228,868	\$228,868	\$61,178	\$43,490	\$115,564	\$449,100
2026	\$17,518,258	\$17,518,258		\$7,883	\$204,964	\$212,847	\$212,847	\$56,895	\$40,446	\$107,475	\$417,663
						<b>Total</b>	<b>\$2,561,449</b>	<b>\$871,698</b>	<b>\$619,678</b>	<b>\$1,646,625</b>	<b>\$5,699,449</b>

Assumes School Value Limitation and Tax Abatement with the hospital district and both counties.

Source: CPA, WKN Mozart, LLC

<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>	Rotan ISD I&S Levy	Rotan ISD M&O Levy	Rotan ISD M&O and I&S Tax Levies	Kent County (61%)	Stonewall County (39%)	Stonewall County Memorial Hospital District (100%)	Estimated Total Property Taxes	
				<b>0.0450</b>	<b>1.1700</b>		<b>0.5324</b>	<b>0.5920</b>	<b>0.6135</b>		
2012	\$35,000,000	\$35,000,000		\$15,750	\$409,500	\$425,250	\$113,672	\$80,808	\$214,725	\$834,455	
2013	\$45,000,000	\$45,000,000		\$20,250	\$526,500	\$546,750	\$146,150	\$103,896	\$276,075	\$1,072,871	
2014	\$41,850,000	\$41,850,000		\$18,833	\$489,645	\$508,478	\$135,919	\$96,623	\$256,750	\$997,770	
2015	\$38,920,500	\$38,920,500		\$17,514	\$455,370	\$472,884	\$126,405	\$89,860	\$238,777	\$927,926	
2016	\$36,196,065	\$36,196,065		\$16,288	\$423,494	\$439,782	\$117,557	\$83,569	\$222,063	\$862,971	
2017	\$33,662,341	\$33,662,341		\$15,148	\$393,849	\$408,997	\$109,328	\$77,720	\$206,518	\$802,563	
2018	\$31,305,978	\$31,305,978		\$14,088	\$366,280	\$380,368	\$101,675	\$72,279	\$192,062	\$746,384	
2019	\$29,114,560	\$29,114,560		\$13,102	\$340,640	\$353,742	\$94,558	\$67,220	\$178,618	\$694,137	
2020	\$27,076,541	\$27,076,541		\$12,184	\$316,796	\$328,980	\$87,938	\$62,514	\$166,115	\$645,547	
2021	\$25,181,184	\$25,181,184		\$11,332	\$294,620	\$305,951	\$81,783	\$58,138	\$154,487	\$600,359	
2022	\$23,418,502	\$23,418,502		\$10,538	\$273,996	\$284,535	\$76,058	\$54,069	\$143,673	\$558,334	
2023	\$21,779,207	\$21,779,207		\$9,801	\$254,817	\$264,617	\$70,734	\$50,284	\$133,615	\$519,251	
2024	\$20,254,663	\$20,254,663		\$9,115	\$236,980	\$246,094	\$65,783	\$46,764	\$124,262	\$482,903	
2025	\$18,836,836	\$18,836,836		\$8,477	\$220,391	\$228,868	\$61,178	\$43,490	\$115,564	\$449,100	
2026	\$17,518,258	\$17,518,258		\$7,883	\$204,964	\$212,847	\$56,895	\$40,446	\$107,475	\$417,663	
						<b>Total</b>	<b>\$5,408,143</b>	<b>\$1,445,632</b>	<b>\$1,027,681</b>	<b>\$2,730,778</b>	<b>\$10,612,234</b>

Source: CPA, WKN Mozart, LLC

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

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement 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 \$5,207,841. The estimated gross 15 year M&O tax benefit, or levy loss, is \$2,846,694.

Attachment 3 includes economic overviews of Stonewall County and Kent 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.

# Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

# **Attachment 1**

Schedule A (Rev. May 2010): Investment

Applicant Name: WKN Mazan, LLC  
 ISD Name: Rain Independent School District

Form 50-293

		PROPERTY INVESTMENT AMOUNTS									
		(Estimated investment in each year. Do not put cumulative totals.)									
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below)	Personal Property Investment (original cost) placed in service during the year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+C+D)			
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)			0	0	0	0	0			
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)		2011	0	0	0	0	0			
	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)		2011-2012	2011	0	0	0	0			
	Complete tax years of qualifying time period	1	2012-2013	2012	25,000,000	0	25,000,000	0	25,000,000		
		2	2013-2014	2013	10,000,000	0	10,000,000	0	10,000,000		
		3	2014-2015	2014	0	0	0	0	0		
		4	2015-2016	2015	0	0	0	0	0		
		5	2016-2017	2016	0	0	0	0	0		
		6	2017-2018	2017	0	0	0	0	0		
		7	2018-2019	2018	0	0	0	0	0		
		8	2019-2020	2019	0	0	0	0	0		
		9	2020-2021	2020	0	0	0	0	0		
		10	2021-2022	2021	0	0	0	0	0		
	Value Limitation Period	11	2022-2023	2022	0	0	0	0	0		
		12	2023-2024	2023	0	0	0	0	0		
13		2024-2025	2024	0	0	0	0	0			
Credit Settle-Up Period	14	2025-2026	2025	0	0	0	0	0			
	15	2026-2027	2026	0	0	0	0	0			
Post-Settle-Up Period											

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §913.021(1)(A)-(D).

For the purposes of investment, please list amount invested each year, not cumulative total.

(For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property).

Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §913.021(1)(E).

For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility.

The most significant example for many projects would be land. Other examples may include such as professional services, etc.

Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application,

replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter

those amounts for future years.



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3/25/11

DATE

25-Mar-11

Schedule B (Rev. May 2010): Estimated Market And Taxable Value

Applicant Name  
ISD Name

WKN Mozart, LLC  
Rotan Independent School District

Form 50-296

Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Estimated Market Value of Land	Qualified Property		Reductions from Market Value		Estimated Taxable Value	
				Estimated Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Exempted Value	Final taxable value for I&S - after all reductions	Final taxable value for M&C - after all reductions	
pre-year 1	2011 - 2012	2011	NA	0	0	0	0	0	0
Complete tax years of qualifying time period	1	2012 - 2013	NA	35,000,000	0	0	0	35,000,000	35,000,000
	2	2013 - 2014	NA	45,000,000	0	0	0	45,000,000	45,000,000
	3	2014 - 2015	NA	41,850,000	0	0	0	41,850,000	10,000,000
	4	2015 - 2016	NA	38,920,500	0	0	0	38,920,500	10,000,000
	5	2016 - 2017	NA	36,196,065	0	0	0	36,196,065	10,000,000
Value Limitation Period	6	2017 - 2018	NA	33,662,341	0	0	0	33,662,341	10,000,000
	7	2018 - 2019	NA	31,305,978	0	0	0	31,305,978	10,000,000
	8	2019 - 2020	NA	29,114,560	0	0	0	29,114,560	10,000,000
	9	2020 - 2021	NA	27,076,541	0	0	0	27,076,541	10,000,000
	10	2021 - 2022	NA	25,181,184	0	0	0	25,181,184	10,000,000
Credit Settle-Up Period	11	2022 - 2023	NA	23,418,502	0	0	0	23,418,502	23,418,502
	12	2023 - 2024	NA	21,779,207	0	0	0	21,779,207	21,779,207
	13	2024 - 2025	NA	20,254,663	0	0	0	20,254,663	20,254,663
Post-Settle-Up Period	14	2025 - 2026	NA	18,836,836	0	0	0	18,836,836	18,836,836
	15	2026 - 2027	NA	17,518,258	0	0	0	17,518,258	17,518,258

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.



3/25/11 25-Mar-11  
DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Schedule C- Application: Employment Information

Applicant Name: WKN Miazari, LLC  
 ISD Name: Rotun Independent School District

Form 50-255

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction			New Jobs			Qualifying Jobs	
				Column A: Number of Construction FTEs or man-hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs	Column E: Number of qualifying jobs applicant commits to create matching on criteria of Sub. 513.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs		
	Pre-Year 1	2011 - 2012	2011	200 FTEs	41,600	0	39,514	0	39,514	0	39,514
Complete tax years of qualifying time period	1	2012 - 2013	2012	200 FTEs	41,600	3	39,514	3	39,514	3	39,514
	2	2013 - 2014	2013	0	0	3	39,514	3	39,514	3	39,514
	3	2014 - 2015	2014	0	0	3	39,514	3	39,514	3	39,514
	4	2015 - 2016	2015	0	0	3	39,514	3	39,514	3	39,514
	5	2016 - 2017	2016	0	0	3	39,514	3	39,514	3	39,514
	6	2017 - 2018	2017	0	0	3	39,514	3	39,514	3	39,514
	7	2018 - 2019	2018	0	0	3	39,514	3	39,514	3	39,514
	8	2019 - 2020	2019	0	0	3	39,514	3	39,514	3	39,514
	9	2020 - 2021	2020	0	0	3	39,514	3	39,514	3	39,514
	10	2021 - 2022	2021	0	0	3	39,514	3	39,514	3	39,514
	11	2022 - 2023	2022	0	0	3	39,514	3	39,514	3	39,514
	12	2023 - 2024	2023	0	0	3	39,514	3	39,514	3	39,514
	13	2024 - 2025	2024	0	0	3	39,514	3	39,514	3	39,514
	14	2025 - 2026	2025	0	0	3	39,514	3	39,514	3	39,514
	15	2026 - 2027	2026	0	0	3	39,514	3	39,514	3	39,514

Notes: For job definitions see TAC §9.1051(1-4) and Tax Code §913.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter these amounts for future years.

*[Signature]*  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3/5/11 09:40:11  
 DATE



# Attachment 2

May 25, 2011

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 WKN Mozart LLC project for the Rotan Independent School District (RISD). 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 WKN Mozart LLC project on RISD 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,



Helen Daniels  
Director of State Funding

HD/hd

May 25, 2011

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 WKN Mozart LLC project on the number and size of school facilities in Rotan Independent School District (RISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the RISD superintendent, Mr. Douglas Ruffin, the TEA has found that the WKN Mozart LLC project would not have a significant impact on the number or size of school facilities in RISD.

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,



Helen Daniels  
Director of State Funding

HD/hd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED WKN  
MOZART, LLC PROJECT ON THE FINANCES OF THE ROTAN  
INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED  
CHAPTER 313 PROPERTY VALUE LIMITATION**

**April 28, 2011**

**Final Report**

**PREPARED BY**



# Estimated Impact of the Proposed WKN Mozart, LLC Project on the Finances of the Rotan Independent School District under a Requested Chapter 313 Property Value Limitation

## Introduction

WKN Mozart, LLC (WKN Mozart) has requested that the Rotan Independent School District (RISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new renewable electric wind generation project. An application was submitted to RISD on April 5, 2011. WKN Mozart proposes to invest \$45 million to construct a new wind energy project in RISD.

The WKN Mozart project 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, RISD may offer a minimum value limitation of \$10 million. Based on the application, the qualifying time period would begin with the 2012-13 school year. The full value of the investment is expected to reach \$45 million in 2013-14, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2012-13 and 2013-14 school years during the two-year qualifying time period. Beginning in 2014-15, the project would go on the local tax roll at \$10 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) 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 RISD currently levying a \$0.045 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 special session, 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, WKN Mozart indicates that \$45.0 million in taxable value would be in place in the second year under the agreement. In year three (2014-15) of the agreement, the project is expected to go on the tax roll at \$10 million or, if applicable, a higher value limitation amount approved by the RISD 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, no additional revenue losses would be anticipated in the case of RISD 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.

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 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 Chapter 41 school district) 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). RISD currently levies a \$1.17 per \$100 M&O tax rate.

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 750 school districts are funded at the minimum \$120 per WADA level, while approximately 250 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. RISD is a formula district under these estimates in most years for the projections shown.

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 WKN Mozart project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, 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.

Student enrollment counts are held constant at 294 students in average daily attendance (ADA) in analyzing the effects of the WKN Mozart project on the finances of RISD. The District's local tax base reached \$78.5 million for the 2010 tax year. The underlying \$78.5 million taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation. RISD is not a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$118,174 for the 2010-11 school year. These assumptions are summarized in Table 1.

### **School Finance Impact**

A baseline model was prepared for RISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88<sup>th</sup> percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared 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.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed WKN Mozart 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 WKN Mozart value but imposes the proposed property value limitation effective in the third year, which in this case is the 2014-15 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). An M&O tax rate of \$1.17 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$3.6 million a year in net General Fund revenue.

Under these assumptions, RISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-\$180,798). 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 this reduction does not persist between the two models beyond the third year of the 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 calculations under the school funding formulas. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer receiving the value limitation in school districts that levy M&O taxes. In the case of RISD, the calculated lower reduction in the state property value relative to the M&O benefit to be received by the taxpayer does not appear to be substantial.

### **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. As noted previously, the property is fully taxable in the first two years under the agreement and a \$1.17 per \$100 of taxable value M&O rate is assumed in 2010-11 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$2.1 million over the life of the agreement. In addition, WKN Mozart would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two 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 \$702,000 over the life of the agreement, with no unpaid tax credits anticipated. The key RISD revenue losses are associated with the additional six-cent levy not subject to recapture and expected to total approximately -\$180,798 over the course of the agreement, with the school district to be reimbursed by the state for the tax credit payments. The potential net tax benefits are estimated to total \$2.7 million over the life of the agreement.

### **Facilities Funding Impact**

The WKN Mozart project remains fully taxable for debt services taxes, with RISD currently levying a \$0.045 I&S tax rate. The value of the WKN Mozart 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. The additional value is expected to help reduce the District's current I&S tax rate to \$0.0335 per \$100 in 2012-13—\$0.012 cents of tax effort—with the rate reduction diminishing as the project value depreciates. State facilities support for the reduction of debt service taxes in RISD remains relatively modest, assuming the project is completed.

The WKN Mozart project is not expected to affect RISD in terms of enrollment. Continued expansion of the renewable energy industry could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

### **Conclusion**

The proposed WKN Mozart wind energy project enhances the tax base of RISD. It reflects continued capital investment in renewable electric energy generation, 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 \$2.7 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 RISD in meeting its future debt service obligations.

**Table 1 – Base District Information with WKN Mozart, LLC 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
1	2012-13	294.00	634.66	\$1.1700	\$0.0335	\$113,528,088	\$113,528,088	\$75,000,000	\$75,000,000	\$118,174	\$118,174
2	2013-14	294.00	634.66	\$1.1700	\$0.0420	\$123,528,088	\$123,528,088	\$110,000,000	\$110,000,000	\$173,322	\$173,322
3	2014-15	294.00	634.66	\$1.1700	\$0.0456	\$120,378,088	\$88,528,088	\$120,000,000	\$120,000,000	\$189,078	\$189,078
4	2015-16	294.00	634.66	\$1.1700	\$0.0355	\$117,448,588	\$88,528,088	\$116,850,000	\$86,194,768	\$184,115	\$135,813
5	2016-17	294.00	634.66	\$1.1700	\$0.0365	\$114,724,153	\$88,528,088	\$113,920,500	\$85,851,661	\$179,499	\$135,272
6	2017-18	294.00	634.66	\$1.1700	\$0.0370	\$112,190,429	\$88,528,088	\$111,196,065	\$85,792,504	\$175,206	\$135,179
7	2018-19	294.00	634.66	\$1.1700	\$0.0380	\$109,834,066	\$88,528,088	\$108,662,341	\$85,725,358	\$171,214	\$135,073
8	2019-20	294.00	634.66	\$1.1700	\$0.0385	\$107,642,648	\$88,528,088	\$106,305,978	\$85,670,221	\$167,501	\$134,986
9	2020-21	294.00	634.66	\$1.1700	\$0.0395	\$105,604,629	\$88,528,088	\$104,114,560	\$85,608,945	\$164,048	\$134,890
10	2021-22	294.00	634.66	\$1.1700	\$0.0405	\$103,709,272	\$88,528,088	\$102,076,541	\$85,557,688	\$160,837	\$134,809
11	2022-23	294.00	634.66	\$1.1700	\$0.0405	\$101,946,590	\$101,946,590	\$100,181,184	\$85,507,921	\$157,851	\$134,731
12	2023-24	294.00	634.66	\$1.1700	\$0.0475	\$100,307,295	\$100,307,295	\$98,418,502	\$98,418,502	\$155,073	\$155,073
13	2024-25	294.00	634.66	\$1.1700	\$0.0475	\$98,782,751	\$98,782,751	\$96,779,207	\$96,779,207	\$152,490	\$152,490
14	2025-26	294.00	634.66	\$1.1700	\$0.0475	\$97,364,924	\$97,364,924	\$95,254,663	\$95,254,663	\$150,088	\$150,088
15	2026-27	294.00	634.66	\$1.1700	\$0.0475	\$96,046,346	\$96,046,346	\$93,836,836	\$93,836,836	\$147,854	\$147,854

\*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
1	2012-13	\$1,096,517	\$2,383,793	\$0	-\$139,831	\$0	\$186,344	\$473,451	\$0	\$4,000,274
2	2013-14	\$1,192,938	\$2,033,776	\$0	\$0	\$0	\$202,730	\$286,689	\$0	\$3,716,132
3	2014-15	\$1,173,652	\$1,933,771	\$0	\$0	\$0	\$199,452	\$241,928	\$0	\$3,548,803
4	2015-16	\$1,144,454	\$1,965,273	\$0	\$0	\$0	\$194,490	\$247,512	\$0	\$3,551,730
5	2016-17	\$1,117,198	\$1,994,569	\$0	\$0	\$0	\$189,858	\$252,713	\$0	\$3,554,339
6	2017-18	\$1,091,855	\$2,021,815	\$0	\$0	\$0	\$185,552	\$257,578	\$0	\$3,556,800
7	2018-19	\$1,068,281	\$2,047,153	\$0	\$0	\$0	\$181,545	\$262,126	\$0	\$3,559,105
8	2019-20	\$1,046,360	\$2,070,718	\$0	\$0	\$0	\$177,820	\$266,380	\$0	\$3,561,278
9	2020-21	\$1,025,969	\$2,092,633	\$0	\$0	\$0	\$174,355	\$270,356	\$0	\$3,563,314
10	2021-22	\$1,007,005	\$2,113,015	\$0	\$0	\$0	\$171,132	\$274,074	\$0	\$3,565,226
11	2022-23	\$984,680	\$2,131,969	\$0	\$0	\$0	\$167,338	\$276,234	\$0	\$3,560,222
12	2023-24	\$968,792	\$2,149,597	\$0	\$0	\$0	\$164,638	\$279,593	\$0	\$3,562,620
13	2024-25	\$954,080	\$2,165,991	\$0	\$0	\$0	\$162,138	\$282,757	\$0	\$3,564,966
14	2025-26	\$940,397	\$2,181,237	\$0	\$0	\$0	\$159,812	\$285,721	\$0	\$3,567,167
15	2026-27	\$927,672	\$2,195,416	\$0	\$0	\$0	\$157,650	\$288,495	\$0	\$3,569,233

**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
1	2012-13	\$1,096,517	\$2,383,793	\$0	-\$139,831	\$0	\$186,344	\$473,451	\$0	\$4,000,274
2	2013-14	\$1,192,938	\$2,033,776	\$0	\$0	\$0	\$202,730	\$286,689	\$0	\$3,716,132
3	2014-15	\$855,136	\$1,933,771	\$257,504	\$0	\$0	\$145,323	\$176,272	\$0	\$3,368,005
4	2015-16	\$855,235	\$2,271,840	\$0	\$0	\$0	\$145,340	\$302,435	\$0	\$3,574,849
5	2016-17	\$855,225	\$2,275,271	\$0	\$0	\$0	\$145,338	\$304,221	\$0	\$3,580,055
6	2017-18	\$855,220	\$2,275,863	\$0	\$0	\$0	\$145,337	\$304,529	\$0	\$3,580,949
7	2018-19	\$855,210	\$2,276,535	\$0	\$0	\$0	\$145,336	\$304,878	\$0	\$3,581,959
8	2019-20	\$855,205	\$2,277,086	\$0	\$0	\$0	\$145,335	\$305,166	\$0	\$3,582,792
9	2020-21	\$855,195	\$2,277,699	\$0	\$0	\$0	\$145,333	\$305,485	\$0	\$3,583,712
10	2021-22	\$855,185	\$2,278,211	\$0	\$0	\$0	\$145,332	\$305,751	\$0	\$3,584,479
11	2022-23	\$984,680	\$2,278,709	\$0	\$0	\$0	\$167,338	\$352,352	\$0	\$3,783,079
12	2023-24	\$968,792	\$2,149,597	\$0	\$0	\$0	\$164,638	\$279,593	\$0	\$3,562,620
13	2024-25	\$954,080	\$2,165,991	\$0	\$0	\$0	\$162,138	\$282,757	\$0	\$3,564,966
14	2025-26	\$940,397	\$2,181,237	\$0	\$0	\$0	\$159,812	\$285,721	\$0	\$3,567,167
15	2026-27	\$927,672	\$2,195,416	\$0	\$0	\$0	\$157,650	\$288,495	\$0	\$3,569,233

**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
1	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2014-15	-\$318,516	\$0	\$257,504	\$0	\$0	-\$54,129	-\$65,657	\$0	-\$180,798
4	2015-16	-\$289,220	\$306,567	\$0	\$0	\$0	-\$49,150	\$54,922	\$0	\$23,120
5	2016-17	-\$261,974	\$280,702	\$0	\$0	\$0	-\$44,520	\$51,508	\$0	\$25,716
6	2017-18	-\$236,635	\$254,048	\$0	\$0	\$0	-\$40,214	\$46,951	\$0	\$24,149
7	2018-19	-\$213,071	\$229,382	\$0	\$0	\$0	-\$36,210	\$42,752	\$0	\$22,854
8	2019-20	-\$191,155	\$206,368	\$0	\$0	\$0	-\$32,485	\$38,786	\$0	\$21,514
9	2020-21	-\$170,774	\$185,066	\$0	\$0	\$0	-\$29,022	\$35,128	\$0	\$20,399
10	2021-22	-\$151,820	\$165,196	\$0	\$0	\$0	-\$25,800	\$31,678	\$0	\$19,253
11	2022-23	\$0	\$146,740	\$0	\$0	\$0	\$0	\$76,118	\$0	\$222,858
12	2023-24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Table 5 - Estimated Financial impact of the WKN Mozart, LLC Project Property Value Limitation Request Submitted to RISD at \$1.17 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
1	2012-13	\$35,000,000	\$35,000,000	\$0	\$409,500	\$409,500	\$0	\$0	\$0	\$0	\$0
2	2013-14	\$45,000,000	\$45,000,000	\$0	\$526,500	\$526,500	\$0	\$0	\$0	\$0	\$0
3	2014-15	\$41,850,000	\$10,000,000	\$31,850,000	\$489,645	\$117,000	\$372,645	\$0	\$372,645	-\$180,798	\$191,847
4	2015-16	\$38,920,500	\$10,000,000	\$28,920,500	\$455,370	\$117,000	\$338,370	\$65,408	\$403,778	\$0	\$403,778
5	2016-17	\$36,196,065	\$10,000,000	\$26,196,065	\$423,494	\$117,000	\$306,494	\$65,106	\$371,600	\$0	\$371,600
6	2017-18	\$33,662,341	\$10,000,000	\$23,662,341	\$393,849	\$117,000	\$276,849	\$64,728	\$341,577	\$0	\$341,577
7	2018-19	\$31,305,978	\$10,000,000	\$21,305,978	\$366,280	\$117,000	\$249,280	\$64,448	\$313,728	\$0	\$313,728
8	2019-20	\$29,114,560	\$10,000,000	\$19,114,560	\$340,640	\$117,000	\$223,640	\$64,105	\$287,745	\$0	\$287,745
9	2020-21	\$27,076,541	\$10,000,000	\$17,076,541	\$316,796	\$117,000	\$199,796	\$63,848	\$263,643	\$0	\$263,643
10	2021-22	\$25,181,184	\$10,000,000	\$15,181,184	\$294,620	\$117,000	\$177,620	\$63,599	\$241,219	\$0	\$241,219
11	2022-23	\$23,418,502	\$23,418,502	\$0	\$273,996	\$273,996	\$0	\$250,759	\$250,759	\$0	\$250,759
12	2023-24	\$21,779,207	\$21,779,207	\$0	\$254,817	\$254,817	\$0	\$0	\$0	\$0	\$0
13	2024-25	\$20,254,663	\$20,254,663	\$0	\$236,980	\$236,980	\$0	\$0	\$0	\$0	\$0
14	2025-26	\$18,836,836	\$18,836,836	\$0	\$220,391	\$220,391	\$0	\$0	\$0	\$0	\$0
15	2026-27	\$17,518,258	\$17,518,258	\$0	\$204,964	\$204,964	\$0	\$0	\$0	\$0	\$0
					<b>\$5,207,841</b>	<b>\$3,063,147</b>	<b>\$2,144,694</b>	<b>\$702,000</b>	<b>\$2,846,694</b>	<b>-\$180,798</b>	<b>\$2,665,895</b>
Tax Credit for Value Over Limit in First 2 Years							<u>Year 1</u>	<u>Year 2</u>	<u>Max Credits</u>		
							\$292,500	\$409,500	\$702,000		
							Credits Earned		\$702,000		
							Credits Paid		<u>\$702,000</u>		
							Excess Credits Unpaid			\$0	

# Attachment 3

## Kent County

### Population

Total county population in 2009 for Kent County: 703, down 0.6 percent from 2008. State population increased 2.0 percent in the same time period. Kent County was the state's 250th largest county in population in 2009 and the 209th fastest growing county from 2008 to 2009. Kent County's population in 2009 was 83.1 percent Anglo (above the state average of 46.7 percent), 0.3 percent African-American (below the state average of 11.3 percent) and 16.4 percent Hispanic (below the state average of 36.9 percent).

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

**Jayton:** 422

### Economy and Income

#### *Employment*

April 2011 total employment in Kent County: 403, down 0.2 percent from April 2010. State total employment increased 1.3 percent during the same period.

April 2011 Kent County unemployment rate: 5.6 percent, down from 6.3 percent in April 2010. The statewide unemployment rate for April 2011 was 8.0 percent, down from 8.2 percent in April 2010.

April 2011 unemployment rate in the city of: NA

**(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*

Kent County's ranking in per capita personal income in 2009: 87th with an average per capita income of \$35,253, up 8.4 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

#### *Industry*

Agricultural cash values in Kent County averaged \$9.67 million annually from 2006 to 2009. County total agricultural values in 2009 were up 7.2 percent from 2008. Major agriculture related commodities in Kent County during 2009 included:

Hay	Wheat	Cotton	Hunting	Other Beef
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2010 oil and gas production in Kent County: 3.9 million barrels of oil and 6.5 million Mcf of gas. In February 2011, there were 574 producing oil wells and 0 producing gas wells.

### Taxes

#### *Sales Tax - Taxable Sales*

Taxable sales in Kent County during the third quarter 2010: \$258,385.00, up 14.7 percent from the same quarter in 2009.

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

**Jayton:** \$233,806.00, up 11.4 percent from the same quarter in 2009.

#### *Annual (2009)*

Taxable sales in Kent County during 2009: \$900,562.00, down 2.2 percent from 2008. Kent County sent an estimated \$56,285.13 (or 0.00 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

**Jayton:** \$851,573.00, down 1.9 percent from 2008.

#### *Sales Tax – Local Sales Tax Allocations*

##### *Monthly*

Payments to all cities in Kent County based on the sales activity month of March 2011: \$1,645.00, up 2.6 percent from March 2010.

Payment based on the sales activity month of March 2011 to the city of:

**Jayton:** \$1,645.00, up 2.6 percent from March 2010.

##### *Annual (2010)*

Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.

Payments to all cities in Kent County based on sales activity months in 2010: \$15,537.94, up 7.9 percent from 2009.

Payment based on sales activity months in 2010 to the city of:

**Jayton:** \$15,537.94, up 7.9 percent from 2009.

#### *Property Tax*

As of January 2009, property values in Kent County: \$964.78 million, up 14.6 percent from January 2008 values. The property tax base per person in Kent County is \$1,372,374, above the statewide average of \$85,809. About 89.0 percent of the property tax base is derived from oil, gas and minerals.

## State Expenditures

Kent County's ranking in state expenditures by county in fiscal year 2009: 247th. State expenditures in the county for FY2009: \$4.78 million, up 13.0 percent from FY2008.

In Kent County, 2 state agencies provide a total of 15 jobs and \$347,949.00 in annualized wages (as of 3rd quarter 2010). Statewide payments based on the sales activity month of March 2011: \$600.06 million, up 5.8 percent from March 2010.

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

Department of Transportation

AgriLife Extension Service

## Higher Education

Community colleges in Kent County fall 2010 enrollment:

None.

Kent County is in the service area of the following:

Western Texas College with a fall 2010 enrollment of 2,307. Counties in the service area include:

Borden County

Dickens County

Fisher County

Jones County

Kent County

Mitchell County

Nolan County

Runnels County

Scurry County

Stonewall County

Institutions of higher education in Kent County fall 2010 enrollment:

None.

## School Districts

Kent County had 1 school districts with 1 school and 143 students in the 2009-10 school year.

**(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)**

Jayton-Girard ISD had 143 students in the 2009-10 school year. The average teacher salary was \$46,312. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.

## Stonewall County

### Population

Total county population in 2009 for Stonewall County: 1,354, down 2.2 percent from 2008. State population increased 2.0 percent in the same time period. Stonewall County was the state's 242nd largest county in population in 2009 and the 247th fastest growing county from 2008 to 2009. Stonewall County's population in 2009 was 74.4 percent Anglo (above the state average of 46.7 percent), 4.2 percent African-American (below the state average of 11.3 percent) and 18.8 percent Hispanic (below the state average of 36.9 percent).  
2009 population of the largest cities and places in Stonewall County:

**Aspermont:** 820

### Economy and Income

#### *Employment*

April 2011 total employment in Stonewall County: 784, down 1.3 percent from April 2010. State total employment increased 1.3 percent during the same period.

April 2011 Stonewall County unemployment rate: 4.4 percent, down from 4.8 percent in April 2010. The statewide unemployment rate for April 2011 was 8.0 percent, down from 8.2 percent in April 2010.

April 2011 unemployment rate in the city of: NA

**(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*

Stonewall County's ranking in per capita personal income in 2009: 28th with an average per capita income of \$40,777, up 4.2 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

#### *Industry*

Agricultural cash values in Stonewall County averaged \$13.22 million annually from 2006 to 2009. County total agricultural values in 2009 were down 21.3 percent from 2008. Major agriculture related commodities in Stonewall County during 2009 included:

Hay	Wheat	Cotton	Hunting	Other Beef
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2010 oil and gas production in Stonewall County: 972,499.0 barrels of oil and 415,141.0 Mcf of gas. In February 2011, there were 584 producing oil wells and 0 producing gas wells.

### Taxes

#### *Sales Tax - Taxable Sales*

Taxable sales in Stonewall County during the third quarter 2010: \$3.13 million, up 15.0 percent from the same quarter in 2009.

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

**Aspermont:** \$1.78 million, up 14.1 percent from the same quarter in 2009.

#### *Annual (2009)*

Taxable sales in Stonewall County during 2009: \$10.50 million, down 28.5 percent from 2008.

Stonewall County sent an estimated \$656,122.44 (or 0.00 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

**Aspermont:** \$6.00 million, down 15.4 percent from 2008.

#### *Sales Tax – Local Sales Tax Allocations*

##### *Monthly*

Payments to all cities in Stonewall County based on the sales activity month of March 2011: \$21,052.77, up 24.5 percent from March 2010. Payment based on the sales activity month of March 2011 to the city of:

**Aspermont:** \$21,052.77, up 24.5 percent from March 2010.

##### *Annual (2010)*

Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.

Payments to all cities in Stonewall County based on sales activity months in 2010: \$189,873.11, up 14.2 percent from 2009.

Payment based on sales activity months in 2010 to the city of:

**Aspermont:** \$189,873.11, up 14.2 percent from 2009.

#### *Property Tax*

As of January 2009, property values in Stonewall County: \$503.76 million, up 0.8 percent from January 2008 values. The property tax base per person in Stonewall County is \$372,052, above the statewide average of \$85,809. About 58.5 percent of the property tax base is derived from oil, gas and minerals.

## State Expenditures

Stonewall County's ranking in state expenditures by county in fiscal year 2009: 234th. State expenditures in the county for FY2009: \$9.80 million, up 10.2 percent from FY2008.

In Stonewall County, 4 state agencies provide a total of 16 jobs and \$713,011.00 in annualized wages (as of 3rd quarter 2010). Statewide payments based on the sales activity month of March 2011: \$600.06 million, up 5.8 percent from March 2010.

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

- Department of Transportation
- Department of Public Safety
- Parks & Wildlife Department
- AgriLife Extension Service

## Higher Education

Community colleges in Stonewall County fall 2010 enrollment:

None.

Stonewall County is in the service area of the following:

Western Texas College with a fall 2010 enrollment of 2,307. Counties in the service area include:

- Borden County
- Dickens County
- Fisher County
- Jones County
- Kent County
- Mitchell County
- Nolan County
- Runnels County
- Scurry County
- Stonewall County

Institutions of higher education in Stonewall County fall 2010 enrollment:

None.

## School Districts

Stonewall County had 1 school districts with 2 schools and 238 students in the 2009-10 school year.

**(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)**

Aspermont ISD had 238 students in the 2009-10 school year. The average teacher salary was \$40,578. The percentage of students meeting the 2010 TAKS passing standard for all tests was 82 percent.