

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. Tom Kelley
Superintendent
Yoakum Independent School District
P.O. Box 737
Yoakum, Texas 77995

Dear Superintendent Kelley:

On May 11, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Yoakum Independent School District (Yoakum ISD) by Enterprise Hydrocarbons, L.P. (Enterprise Hydrocarbons) on April 11, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Enterprise Hydrocarbons' 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, Yoakum 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 (\$590,000,000) 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.

Enterprise Hydrocarbons is proposing the construction of a manufacturing facility in Lavaca County. Enterprise Hydrocarbons 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 Enterprise Hydrocarbons, the Comptroller's recommendation is that Enterprise Hydrocarbons' 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. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Mr. Tom Kelley
June 2, 2011
Page Two

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.

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 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 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	Enterprise Hydrocarbons, L.P.
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Yoakum ISD
2008-09 Enrollment in School District	1,539
County	Lavaca
Total Investment in District	\$932,200,000
Qualified Investment	\$590,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	20
Number of qualifying jobs committed to by applicant	20
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,442
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$873
Minimum Annual Wage committed to by applicant for qualified jobs	\$75,000
Investment per Qualifying Job	\$46,610,000
Estimated 15 year M&O levy without any limit or credit:	\$72,460,047
Estimated gross 15 year M&O tax benefit	\$50,294,814
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):	\$49,507,799
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$9,187,037
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$22,952,248
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	68.3%
Percentage of tax benefit due to the limitation	81.7%
Percentage of tax benefit due to the credit.	18.3%

This presents the Comptroller's economic impact evaluation of Enterprise Hydrocarbons (the project) applying to Yoakum 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 20 new jobs when fully operational. All 20 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 Golden Crescent Regional Planning Commission Region, where Lavaca County is located was \$41,273 in 2009. The annual average manufacturing wage for 2010 for Lavaca County is \$29,575. That same year, the county annual average wage for all industries was \$29,354. In addition to a salary of \$75,000, each qualifying position will receive benefits such as medical and dental insurance, life insurance, a 401(k) savings plan, vacation and holiday pay, and an employee unit purchase plan. The project's total investment is \$932.2 million, resulting in a relative level of investment per qualifying job of \$46.6 million.

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

According to Enterprise Hydrocarbons' application, "Enterprise is a leading midstream energy company with large pipeline foot print in America. These pipelines provide substantial flexibility in plant location. Enterprise has Gas manufacturing locations in TX, LA, NM, CO, and WY."

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

During the past two years, one project in the Golden Crescent Regional Planning Commission Region has 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 Enterprise Hydrocarbons project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]

Table 1 depicts Enterprise Hydrocarbons' 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 Enterprise Hydrocarbons

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	500	2524	3024	\$26,000,000	\$138,000,000	\$164,000,000
2012	520	3930	4450	\$27,500,000	\$235,500,000	\$263,000,000
2013	20	341	361	\$1,500,000	\$48,500,000	\$50,000,000
2014	20	223	243	\$1,500,000	\$37,500,000	\$39,000,000
2015	20	140	160	\$1,500,000	\$29,500,000	\$31,000,000
2016	20	100	120	\$1,500,000	\$24,500,000	\$26,000,000
2017	20	82	102	\$1,500,000	\$20,500,000	\$22,000,000
2018	20	83	103	\$1,500,000	\$19,500,000	\$21,000,000
2019	20	89	109	\$1,500,000	\$19,500,000	\$21,000,000
2020	20	102	122	\$1,500,000	\$19,500,000	\$21,000,000
2021	20	114	134	\$1,500,000	\$20,500,000	\$22,000,000
2022	20	128	148	\$1,500,000	\$22,500,000	\$24,000,000
2023	20	117	137	\$1,500,000	\$21,500,000	\$23,000,000
2024	20	115	135	\$1,500,000	\$21,500,000	\$23,000,000
2025	20	117	137	\$1,500,000	\$22,500,000	\$24,000,000
2026	20	117	137	\$1,500,000	\$23,500,000	\$25,000,000

Source: CPA, REMI, Enterprise Hydrocarbons, L.P.

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Yoakum ISD's ad valorem tax base in 2010 was \$0.4 billion. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Yoakum ISD's estimated wealth per WADA was \$192,189. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district and Lavaca County with all property tax incentives sought being granted using estimated market value from Enterprise Hydrocarbons' application. Enterprise Hydrocarbons has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the county. Table 3 illustrates the estimated tax impact of the Enterprise Hydrocarbons project on the region if all taxes are assessed.

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 \$72,460,047. The estimated gross 15 year M&O tax benefit, or levy loss, is \$50,294,814.

Attachment 3 includes economic overviews of Lavaca County and DeWitt 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

Form 50-296

Applicant Name: Enterprise Hydrocarbons, L.P.
 ISD Name: Yeakum ISD

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) YYYY	Column A: Tangible Personal Property (The amount of new investment (original cost) placed in service during this year)	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B (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+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) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) 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) Complete tax years of qualifying time period Value Limitation Period Continue to Maintain Viable Presence Post- Settle-Up Period Post- Settle-Up Period	2011-2012	2011	\$ 342,200,000				\$ 342,200,000
	1	2012-13	2012	\$ 590,000,000			\$ 590,000,000
	2	2013-14	2013				
	3	2014-15	2014				
	4	2015-16	2015				
	5	2016-17	2016				
	6	2017-18	2017				
	7	2018-19	2018				
	8	2019-20	2019				
	9	2020-21	2020				
	10	2021-22	2021				
	11	2022-23	2022				
	12	2023-24	2023				
	13	2024-25	2024				
	14	2025-26	2025				
15	2026-27	2026					

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 §313.021(1)(A)-(D).
 For the purposes of investment, please list amount invested each year, not cumulative totals.
 Column B: 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 §313.021(1)(E).
 Column D: 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.
 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
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

4/8/11
 DATE

**Schedule B (Rev. May 2010): Estimated Market And Taxable Value
Enterprise Hydrocarbons, L.P.**

Form 50-296

Applicant Name
ISD Name

Yoakum ISD

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O--after all reductions
				Estimated Market Value of Land	Estimated Total 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"			
	pre- year 1	2011-2012	2011	334,480	-	-	-	334,480	334,480
	1	2012-13	2012	334,480	-	342,200,000	-	342,534,480	342,534,480
	2	2013-14	2013	334,480	-	590,000,000	29,500,000	560,834,480	560,834,480
	3	2014-15	2014	334,480	-	572,300,000	28,615,000	544,019,480	10,000,000
	4	2015-16	2015	334,480	-	560,500,000	28,025,000	532,809,480	10,000,000
	5	2016-17	2016	334,480	-	548,700,000	27,435,000	521,599,480	10,000,000
	6	2017-18	2017	334,480	-	531,000,000	26,550,000	504,784,480	10,000,000
	7	2018-19	2018	334,480	-	525,100,000	26,255,000	499,179,480	10,000,000
	8	2019-20	2019	334,480	-	513,300,000	25,665,000	487,969,480	10,000,000
	9	2020-21	2020	334,480	-	501,500,000	25,075,000	476,759,480	10,000,000
	10	2021-22	2021	334,480	-	489,700,000	24,485,000	465,549,480	10,000,000
	11	2022-23	2022	334,480	-	477,900,000	23,895,000	454,339,480	454,339,480
	12	2023-24	2023	334,480	-	466,100,000	23,305,000	443,129,480	443,129,480
	13	2024-25	2024	334,480	-	442,500,000	22,125,000	420,709,480	420,709,480
	14	2025-26	2025	334,480	-	398,250,000	22,125,000	376,459,480	376,459,480
	15	2026-27	2026	334,480	-	358,425,000	22,125,000	336,634,480	336,634,480

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.

Curt Gate

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

4/8/11

Schedule C- Application: Employment Information

Applicant Name
ISD Name

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs		
				Column A: Number of Construction FTE's 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 meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs	
	pre-year 1	2011-2012	2011	500 FTE	annual \$2,000 \$25 an hour					
	1	2012-13	2012	500 FTE	annual \$2,000 \$25 an hour	20	\$ 75,000	20	\$ 75,000	
	2	2013-14	2013			20	\$ 75,000	20	\$ 75,000	
	3	2014-15	2014			20	\$ 75,000	20	\$ 75,000	
	4	2015-16	2015			20	\$ 75,000	20	\$ 75,000	
	5	2016-17	2016			20	\$ 75,000	20	\$ 75,000	
	6	2017-18	2017			20	\$ 75,000	20	\$ 75,000	
	7	2018-19	2018			20	\$ 75,000	20	\$ 75,000	
	8	2019-20	2019			20	\$ 75,000	20	\$ 75,000	
	9	2020-21	2020			20	\$ 75,000	20	\$ 75,000	
	10	2021-22	2021			20	\$ 75,000	20	\$ 75,000	
	11	2022-23	2022			20	\$ 75,000	20	\$ 75,000	
	12	2023-24	2023			20	\$ 75,000	20	\$ 75,000	
	13	2024-25	2024			20	\$ 75,000	20	\$ 75,000	
	14	2025-26	2025			20	\$ 75,000	20	\$ 75,000	
	15	2026-27	2026			20	\$ 75,000	20	\$ 75,000	
Tax Credit Period (with 50% cap on credit)										
Value Limitation Period										
Credit Settle-Up Period										
Post-Settle-Up Period										
Post-Settle-Up Period										

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(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 those amounts for future years.

Curt Jato

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

4/8/11

DATE

Schedule D: (Rev. May 2010): Other Tax Information

Applicant Name

Enterprise Hydrocarbons, LP.

ISD Name

Yoakum ISD

Form 50-296

Other Property Tax Abatements Sought

Sales Tax Information

Franchise Tax

County

City

Hospital

Other

		Sales Taxable Expenditures		Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
Year	School Year (YYYY-YYYY)	Tax/Calendar Year	Column F: Estimate of total annual expenditures * subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2011-12	YYYY	\$200,000	900,000	16,800,000				
Complete tax years of qualifying time period	1	2012	\$ 600,000	\$ 900,000	\$ 16,800,000	100			
	2	2013	\$ 600,000	\$ 900,000	\$ 16,800,000	100			
Value Limitation Period	3	2014	\$ 600,000	\$ 900,000	\$ 16,800,000	90			
	4	2015	\$ 600,000	\$ 900,000	\$ 16,800,000	85			
	5	2016	\$ 600,000	\$ 900,000	\$ 16,800,000	75			
	6	2017	\$ 600,000	\$ 900,000	\$ 16,800,000	75			
	7	2018	\$ 600,000	\$ 900,000	\$ 16,800,000	60			
Credit Settle-Up Period	8	2019	\$ 600,000	\$ 900,000	\$ 16,800,000	50			
	9	2020	\$ 600,000	\$ 900,000	\$ 16,800,000	50			
	10	2021	\$ 600,000	\$ 900,000	\$ 16,800,000	50			
Post-Settle-Up Period	11	2022	\$ 600,000	\$ 900,000	\$ 16,800,000				
	12	2023	\$ 600,000	\$ 900,000	\$ 16,800,000				
	13	2024	\$ 600,000	\$ 900,000	\$ 16,800,000				
Post-Settle-Up Period	14	2025	\$ 600,000	\$ 900,000	\$ 16,800,000				
	15	2026	\$ 600,000	\$ 900,000	\$ 16,800,000				

*For planning, construction and operation of the facility.

Curt Tate

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

4/8/11

Attachment 2

June 7, 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 Enterprise Hydrocarbons, L.P. project for the Yoakum Independent School District (YISD). 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 Enterprise Hydrocarbons, L.P. project on Yoakum ISD are correct.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,



Helen Daniels
Director of State Funding

HD/hd



TEXAS EDUCATION AGENCY

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

Robert Scott
Commissioner

June 7, 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 Enterprise Hydrocarbons, L.P. project on the number and size of school facilities in Yoakum Independent School District (YISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the YISD superintendent, Mr. Tom Kelley, the TEA has found that the Enterprise Hydrocarbons, L.P. project would not have a significant impact on the number or size of school facilities in YISD.

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

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED
ENTERPRISE HYDROCARBONS, L.P. PROJECT ON THE FINANCES
OF THE YOAKUM INDEPENDENT SCHOOL DISTRICT UNDER A
REQUESTED CHAPTER 313 PROPERTY VALUE LIMITATION**

May 11, 2011

Final Report

PREPARED BY



Estimated Impact of the Proposed Enterprise Hydrocarbons, L.P. Project on the Finances of the Yoakum Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Enterprise Hydrocarbons, L.P. (Enterprise) has requested that the Yoakum Independent School District (YISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new manufacturing project. An application was submitted to YISD on April 8, 2011. Enterprise proposes to make a total investment of \$590 million to construct a new gas processing plant in YISD.

The Enterprise 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, YISD 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 taxable value of the investment is expected to reach \$561 million in 2014-15, 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, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2012-13 and 2013-14 school years. 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 YISD currently levying a \$0.31 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, Enterprise indicates that \$560.8 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 YISD 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 cents of tax effort that a district may levy by Board action 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 tax rate of \$1.00 plus six cents, equalization and recapture occur at the level of \$319,500 per weighted student in average daily attendance (WADA). A tax rate election is required to exceed \$1.04 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. Based on the estimates presented here

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 Enterprise 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 1,474 students in average daily attendance (ADA) in analyzing the effects of the Enterprise project on the finances of YISD. The District's local tax base reached \$379.9 million for the 2010 tax year. The underlying \$379.9 million taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation. YISD is not a property-wealthy district, with wealth per WADA of approximately \$182,829 for the 2010-11 school year. These assumptions are summarized in Table 1. While District officials indicated that there should be increases in the local tax base in future years as a result of recent natural gas discoveries and pipeline construction, these increases will take several years to appear on the local tax roll and are not incorporated into the baseline estimates presented here.

School Finance Impact

A baseline model was prepared for YISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield that influences 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 Enterprise 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 Enterprise 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 \$1.04 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$11.2 million a year in net General Fund revenue, after recapture and other adjustments have been made.

Under these assumptions, YISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-\$293,479). The revenue reduction results from the mechanics of the up to six cents not subject to recapture, which reflect the one-year lag in value associated with the property value study. It appears that similar differences persist between the two models over the course of the agreement, largely a result of the treatment of the four cents equalized at the Austin yield and not subject to recapture for high-wealth districts.

It should be noted that these estimates are prepared under current law for school funding and property taxes, as these statutes existed in May 2011. Legislation is expected to modify the

current school finance formulas beginning with the 2011-12 school year. Once a school finance bill has passed the Legislature and gone into effect, these estimates will be reviewed to determine if the new state funding formulas have an impact on the information presented in this report.

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 this interpretation 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. The consequence of the lower deduction in the value study relative to the Chapter 313 reduction in the CAD values is that a school district risks not being fully compensated under the school finance funding formulas for having granted the property value limitation.

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. A \$1.04 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 \$41.1 million over the life of the agreement. In addition, Enterprise 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 approximately \$9.2 million over the life of the agreement, with no unpaid tax credits anticipated and the state required to reimburse the cost of these tax credits to YISD. The key YISD revenue losses are associated with the four cents equalized to the Austin ISD yield and expected to total approximately \$787,014 over the course of the agreement, with the school district to be reimbursed by the state for the tax credit payments. In total, the potential net tax benefits are estimated to reach \$49.5 million over the life of the agreement.

Facilities Funding Impact

The Enterprise project remains fully taxable for debt services taxes, with YISD currently levying a \$0.31 I&S rate. The value of the Enterprise 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 below what is provided for through the state's facilities program. In 2013-14, the District's wealth per ADA with full access to the additional value is projected to be 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 to \$0.140 per \$100 in 2012-13—\$0.17 cents of tax effort—with the rate reduction diminishing as the project value depreciates.

The Enterprise project is not expected to affect YISD significantly in terms of enrollment. While as many as 500 FTEs are expected during the two-year construction phase of the project, full-time employment once the plant begins operations is expected to total 20 employees. The experience on other projects is that many construction workers commute to job sites during the week and do not relocate their families during the construction period. The District indicates that it has the capacity to accommodate approximately 130 additional students based on its current campus configuration.

Conclusion

The proposed Enterprise wind energy project enhances the tax base of YISD. It reflects continued capital investment in gas manufacturing or processing, 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 \$49.5 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 YISD in meeting its future debt service obligations.

Table 1 – Base District Information with Enterprise Hydrocarbons, L.P. 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	1,473.51	2,113.82	\$1.0400	\$0.1400	\$722,398,487	\$722,398,487	\$360,671,933	\$360,671,933	\$170,626	\$170,626
2	2013-14	1,473.51	2,113.82	\$1.0400	\$0.1520	\$940,698,487	\$940,698,487	\$703,206,413	\$703,206,413	\$332,671	\$332,671
3	2014-15	1,473.51	2,113.82	\$1.0400	\$0.1550	\$923,883,487	\$389,864,007	\$921,506,413	\$921,506,413	\$435,944	\$435,944
4	2015-16	1,473.51	2,113.82	\$1.0400	\$0.1560	\$912,673,487	\$389,864,007	\$904,691,413	\$439,938,058	\$427,989	\$208,125
5	2016-17	1,473.51	2,113.82	\$1.0400	\$0.1580	\$901,463,487	\$389,864,007	\$893,481,413	\$438,864,474	\$422,686	\$207,617
6	2017-18	1,473.51	2,113.82	\$1.0400	\$0.1610	\$884,648,487	\$389,864,007	\$882,271,413	\$438,144,986	\$417,383	\$207,276
7	2018-19	1,473.51	2,113.82	\$1.0400	\$0.1620	\$879,043,487	\$389,864,007	\$865,456,413	\$437,000,244	\$409,428	\$206,735
8	2019-20	1,473.51	2,113.82	\$1.0400	\$0.1640	\$867,833,487	\$389,864,007	\$859,851,413	\$436,601,281	\$406,776	\$206,546
9	2020-21	1,473.51	2,113.82	\$1.0400	\$0.1670	\$856,623,487	\$389,864,007	\$848,641,413	\$435,777,410	\$401,473	\$206,156
10	2021-22	1,473.51	2,113.82	\$1.0400	\$0.1690	\$845,413,487	\$389,864,007	\$837,431,413	\$435,252,574	\$396,170	\$205,908
11	2022-23	1,473.51	2,113.82	\$1.0400	\$0.1710	\$834,203,487	\$834,203,487	\$826,221,413	\$434,350,893	\$390,867	\$205,482
12	2023-24	1,473.51	2,113.82	\$1.0400	\$0.1740	\$822,993,487	\$822,993,487	\$815,011,413	\$815,011,413	\$385,563	\$385,563
13	2024-25	1,473.51	2,113.82	\$1.0400	\$0.1790	\$800,573,487	\$800,573,487	\$803,801,413	\$803,801,413	\$380,260	\$380,260
14	2025-26	1,473.51	2,113.82	\$1.0400	\$0.1890	\$756,323,487	\$756,323,487	\$781,381,413	\$781,381,413	\$369,654	\$369,654
15	2026-27	1,473.51	2,113.82	\$1.0400	\$0.2000	\$716,498,487	\$716,498,487	\$737,131,413	\$737,131,413	\$348,720	\$348,720

*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	\$6,878,684	\$6,951,853	\$0	-\$2,415,298	\$0	\$274,790	\$691,017	\$0	\$12,381,045
2	2013-14	\$8,953,926	\$3,526,337	\$0	-\$325,188	\$0	\$357,691	\$287,113	\$0	\$12,799,880
3	2014-15	\$9,052,083	\$1,343,228	\$280,091	\$0	\$0	\$361,613	\$135,835	\$0	\$11,172,849
4	2015-16	\$8,939,804	\$1,511,387	\$224,211	\$0	\$0	\$357,127	\$143,281	\$0	\$11,175,810
5	2016-17	\$8,827,352	\$1,623,492	\$224,557	\$0	\$0	\$352,635	\$147,678	\$0	\$11,175,715
6	2017-18	\$8,658,676	\$1,735,598	\$281,127	\$0	\$0	\$345,897	\$151,092	\$0	\$11,172,390
7	2018-19	\$8,602,451	\$1,903,756	\$169,194	\$0	\$0	\$343,651	\$159,704	\$0	\$11,178,757
8	2019-20	\$8,490,002	\$1,959,809	\$225,590	\$0	\$0	\$339,159	\$160,855	\$0	\$11,175,415
9	2020-21	\$8,377,386	\$2,071,915	\$226,101	\$0	\$0	\$334,660	\$165,238	\$0	\$11,175,300
10	2021-22	\$8,264,939	\$2,184,020	\$226,442	\$0	\$0	\$330,168	\$169,622	\$0	\$11,175,192
11	2022-23	\$7,937,246	\$2,296,126	\$442,030	\$0	\$0	\$317,077	\$169,409	\$0	\$11,161,888
12	2023-24	\$7,830,064	\$2,408,231	\$437,106	\$0	\$0	\$312,795	\$173,722	\$0	\$11,161,920
13	2024-25	\$7,615,876	\$2,520,337	\$539,189	\$0	\$0	\$304,239	\$175,570	\$0	\$11,155,211
14	2025-26	\$7,193,133	\$2,744,548	\$737,720	\$0	\$0	\$287,351	\$178,827	\$0	\$11,141,580
15	2026-27	\$6,812,364	\$3,187,070	\$675,967	\$0	\$0	\$272,140	\$195,864	\$0	\$11,143,406

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	\$6,878,684	\$6,951,853	\$0	-\$2,415,298	\$0	\$274,790	\$691,017	\$0	\$12,381,045
2	2013-14	\$8,953,926	\$3,526,337	\$0	-\$325,188	\$0	\$357,691	\$287,113	\$0	\$12,799,880
3	2014-15	\$3,711,621	\$1,343,228	\$5,620,552	\$0	\$0	\$148,272	\$55,696	\$0	\$10,879,370
4	2015-16	\$3,711,447	\$6,159,152	\$804,802	\$0	\$0	\$148,265	\$278,952	\$0	\$11,102,619
5	2016-17	\$3,711,101	\$6,169,889	\$794,411	\$0	\$0	\$148,251	\$279,971	\$0	\$11,103,624
6	2017-18	\$3,710,584	\$6,177,084	\$787,734	\$0	\$0	\$148,230	\$280,635	\$0	\$11,104,268
7	2018-19	\$3,710,412	\$6,188,532	\$776,458	\$0	\$0	\$148,224	\$281,746	\$0	\$11,105,371
8	2019-20	\$3,710,069	\$6,192,522	\$772,811	\$0	\$0	\$148,210	\$282,113	\$0	\$11,105,724
9	2020-21	\$3,709,557	\$6,200,761	\$765,084	\$0	\$0	\$148,189	\$282,887	\$0	\$11,106,478
10	2021-22	\$3,709,217	\$6,206,010	\$760,175	\$0	\$0	\$148,176	\$283,381	\$0	\$11,106,959
11	2022-23	\$7,937,246	\$6,215,027	\$0	-\$2,737,034	\$0	\$317,077	\$608,316	\$0	\$12,340,632
12	2023-24	\$7,830,064	\$2,408,231	\$437,106	\$0	\$0	\$312,795	\$173,722	\$0	\$11,161,920
13	2024-25	\$7,615,876	\$2,520,337	\$539,189	\$0	\$0	\$304,239	\$175,570	\$0	\$11,155,211
14	2025-26	\$7,193,133	\$2,744,548	\$737,720	\$0	\$0	\$287,351	\$178,827	\$0	\$11,141,580
15	2026-27	\$6,812,364	\$3,187,070	\$675,967	\$0	\$0	\$272,140	\$195,864	\$0	\$11,143,406

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	-\$5,340,462	\$0	\$5,340,462	\$0	\$0	-\$213,341	-\$80,139	\$0	-\$293,479
4	2015-16	-\$5,228,356	\$4,647,765	\$580,591	\$0	\$0	-\$208,862	\$135,671	\$0	-\$73,191
5	2016-17	-\$5,116,251	\$4,546,397	\$569,854	\$0	\$0	-\$204,384	\$132,293	\$0	-\$72,091
6	2017-18	-\$4,948,093	\$4,441,486	\$506,607	\$0	\$0	-\$197,666	\$129,544	\$0	-\$68,123
7	2018-19	-\$4,892,040	\$4,284,776	\$607,264	\$0	\$0	-\$195,427	\$122,042	\$0	-\$73,385
8	2019-20	-\$4,779,933	\$4,232,713	\$547,220	\$0	\$0	-\$190,949	\$121,258	\$0	-\$69,691
9	2020-21	-\$4,667,829	\$4,128,846	\$538,983	\$0	\$0	-\$186,470	\$117,649	\$0	-\$68,821
10	2021-22	-\$4,555,723	\$4,021,990	\$533,733	\$0	\$0	-\$181,992	\$113,759	\$0	-\$68,233
11	2022-23	\$0	\$3,918,901	-\$442,030	-\$2,737,034	\$0	\$0	\$438,907	\$0	\$1,178,744
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 Enterprise Hydrocarbons, L.P. Project Property Value Limitation Request Submitted to YISD 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
1	2012-13	\$342,534,480	\$342,534,480	\$0	\$3,562,359	\$3,562,359	\$0	\$0	\$0	\$0	\$0
2	2013-14	\$560,834,480	\$560,834,480	\$0	\$5,832,679	\$5,832,679	\$0	\$0	\$0	\$0	\$0
3	2014-15	\$544,019,480	\$10,000,000	\$534,019,480	\$5,657,803	\$104,000	\$5,553,803	\$0	\$5,553,803	-\$293,479	\$5,260,323
4	2015-16	\$532,809,480	\$10,000,000	\$522,809,480	\$5,541,219	\$104,000	\$5,437,219	\$467,591	\$5,904,810	-\$73,191	\$5,831,619
5	2016-17	\$521,599,480	\$10,000,000	\$511,599,480	\$5,424,635	\$104,000	\$5,320,635	\$464,064	\$5,784,698	-\$72,091	\$5,712,607
6	2017-18	\$504,784,480	\$10,000,000	\$494,784,480	\$5,249,759	\$104,000	\$5,145,759	\$458,352	\$5,604,110	-\$68,123	\$5,535,987
7	2018-19	\$499,179,480	\$10,000,000	\$489,179,480	\$5,191,467	\$104,000	\$5,087,467	\$456,335	\$5,543,802	-\$73,385	\$5,470,417
8	2019-20	\$487,969,480	\$10,000,000	\$477,969,480	\$5,074,883	\$104,000	\$4,970,883	\$452,135	\$5,423,018	-\$69,691	\$5,353,327
9	2020-21	\$476,759,480	\$10,000,000	\$466,759,480	\$4,958,299	\$104,000	\$4,854,299	\$450,094	\$5,304,393	-\$68,821	\$5,235,571
10	2021-22	\$465,549,480	\$10,000,000	\$455,549,480	\$4,841,715	\$104,000	\$4,737,715	\$445,389	\$5,183,104	-\$68,233	\$5,114,871
11	2022-23	\$454,339,480	\$454,339,480	\$0	\$4,725,131	\$4,725,131	\$0	\$5,502,051	\$5,502,051	\$0	\$5,502,051
12	2023-24	\$443,129,480	\$443,129,480	\$0	\$4,608,547	\$4,608,547	\$0	\$491,026	\$491,026	\$0	\$491,026
13	2024-25	\$420,709,480	\$420,709,480	\$0	\$4,375,379	\$4,375,379	\$0	\$0	\$0	\$0	\$0
14	2025-26	\$376,459,480	\$376,459,480	\$0	\$3,915,179	\$3,915,179	\$0	\$0	\$0	\$0	\$0
15	2026-27	\$336,634,480	\$336,634,480	\$0	\$3,500,999	\$3,500,999	\$0	\$0	\$0	\$0	\$0

\$72,460,047 \$31,352,270 \$41,107,777 \$9,187,037 \$50,294,814 -\$787,014 \$49,507,799

Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
	\$3,458,359	\$5,728,679	\$9,187,037
Credits Earned			\$9,187,037
Credits Paid			<u>\$9,187,037</u>
Excess Credits Unpaid			\$0

Attachment 3

Lavaca County

Population

Total county population in 2009 for Lavaca County: 18,539 unchanged 0.0 percent from 2008. State population increased 2.0 percent in the same time period. Lavaca County was the state's 123rd largest county in population in 2009 and the 170th fastest growing county from 2008 to 2009. Lavaca County's population in 2009 was 77.1 percent Anglo (above the state average of 46.7 percent), 6.5 percent African-American (below the state average of 11.3 percent) and 15.5 percent Hispanic (below the state average of 36.9 percent).

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

Yoakum:	5,441	Hallettsville:	2,461
Shiner:	1,973	Moulton:	950

Economy and Income

Employment

April 2011 total employment in Lavaca County: 9,239, down 2.5 percent from April 2010. State total employment increased 1.3 percent during the same period.

April 2011 Lavaca County unemployment rate: 6.1 percent, down from 6.6 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

Lavaca County's ranking in per capita personal income in 2009: 69th with an average per capita income of \$36,736, unchanged 0.0 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 Lavaca County averaged \$74.50 million annually from 2006 to 2009. County total agricultural values in 2009 were up 5.2 percent from 2008. Major agriculture related commodities in Lavaca County during 2009 included:

Hunting	Eggs	Hay	Nursery	Other Beef
---------	------	-----	---------	------------

2010 oil and gas production in Lavaca County: 91,651.0 barrels of oil and 37.9 million Mcf of gas. In February 2011, there were 38 producing oil wells and 547 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Quarterly (June 2010 through September 2010)

Taxable sales in Lavaca County during the third quarter 2010: \$25.01 million, down 0.2 percent from the same quarter in 2009.

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

Yoakum:	\$8.68 million, up 3.7 percent from the same quarter in 2009.
Hallettsville:	\$9.23 million, up 2.0 percent from the same quarter in 2009.
Shiner:	\$4.71 million, up 10.2 percent from the same quarter in 2009.
Moulton:	\$978,288.00, down 4.0 percent from the same quarter in 2009.

Annual (2009)

Taxable sales in Lavaca County during 2009: \$99.70 million, down 16.1 percent from 2008.

Lavaca County sent an estimated \$6.23 million (or 0.02 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009. Taxable sales during 2009 in the city of:

Yoakum:	\$34.39 million, down 3.0 percent from 2008.
Hallettsville:	\$36.91 million, down 6.4 percent from 2008.
Shiner:	\$17.23 million, down 7.2 percent from 2008.
Moulton:	\$4.61 million, down 21.1 percent from 2008.

Sales Tax – Local Sales Tax Allocations

Monthly

Statewide payments based on the sales activity month of March 2011: \$600.06 million, up 5.8 percent from March 2010.

Payments to all cities in Lavaca County based on the sales activity month of March 2011: \$210,738.80, up 10.6 percent from March 2010. Payment based on the sales activity month of March 2011 to the city of:

Yoakum:	\$88,992.47, up 4.7 percent from March 2010.
Hallettsville:	\$87,436.21, up 11.4 percent from March 2010.
Shiner:	\$23,124.55, up 31.2 percent from March 2010.
Moulton:	\$11,185.57, up 18.6 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 Lavaca County based on sales activity months in 2010: \$2.06 million, down 0.3 percent from 2009. Payment based on sales activity months in 2010 to the city of:

Yoakum:	\$913,170.99, up 0.6 percent from 2009.
Hallettsville:	\$830,967.82, down 4.2 percent from 2009.
Shiner:	\$209,668.77, up 12.4 percent from 2009.
Moulton:	\$101,560.86, up 1.6 percent from 2009.

Property Tax

As of January 2009, property values in Lavaca County: \$3.01 billion, down 3.1 percent from January 2008 values. The property tax base per person in Lavaca County is \$162,460, above the statewide average of \$85,809. About 30.2 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Lavaca County's ranking in state expenditures by county in fiscal year 2009: 115th. State expenditures in the county for FY2009: \$79.19 million, down 12.1 percent from FY2008.

In Lavaca County, 11 state agencies provide a total of 62 jobs and \$1.94 million in annualized wages (as of 3rd quarter 2010). Major state agencies in the county (as of third quarter 2010):

- Department of Transportation
- Health & Human Services Commission
- Department of Family and Protective Services
- Animal Health Commission
- Department of State Health Services

Higher Education

Community colleges in Lavaca County fall 2010 enrollment:
None.

Lavaca County is in the service area of the following:

- Victoria College with a fall 2010 enrollment of 4,290. Counties in the service area include:
 - Calhoun County
 - DeWitt County
 - Gonzales County
 - Jackson County
 - Lavaca County
 - Refugio County
 - Victoria County

Institutions of higher education in Lavaca County fall 2010 enrollment:
None.

School Districts

Lavaca County had 6 school districts with 14 schools and 1,997 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.)

Ezzell ISD had 59 students in the 2009-10 school year. The average teacher salary was \$39,077. The percentage of students meeting the 2010 TAKS passing standard for all tests was 85 percent.

Hallettsville ISD had 860 students in the 2009-10 school year. The average teacher salary was \$41,593. The percentage of students meeting the 2010 TAKS passing standard for all tests was 83 percent.

Moulton ISD had 311 students in the 2009-10 school year. The average teacher salary was \$43,380. The percentage of students meeting the 2010 TAKS passing standard for all tests was 84 percent.

Shiner ISD had 552 students in the 2009-10 school year. The average teacher salary was \$42,358. The percentage of students meeting the 2010 TAKS passing standard for all tests was 87 percent.

Sweet Home ISD had 120 students in the 2009-10 school year. The average teacher salary was \$40,805. The percentage of students meeting the 2010 TAKS passing standard for all tests was 89 percent.

Vysehrad ISD had 95 students in the 2009-10 school year. The average teacher salary was \$44,763. The percentage of students meeting the 2010 TAKS passing standard for all tests was 86 percent.

DeWitt County

Population

Total county population in 2009 for DeWitt County: 19,713, up 0.4 percent from 2008. State population increased 2.0 percent in the same time period. DeWitt County was the state's 118th largest county in population in 2009 and the 137th fastest growing county from 2008 to 2009. DeWitt County's population in 2009 was 57.7 percent Anglo (above the state average of 46.7 percent), 10.6 percent African-American (below the state average of 11.3 percent) and 30.5 percent Hispanic (below the state average of 36.9 percent). 2009 population of the largest cities and places in DeWitt County:

Cuero:	6,474	Yorktown:	2,162
Nordheim:	320		

Economy and Income

Employment

April 2011 total employment in DeWitt County: 8,567, down 0.6 percent from April 2010. State total employment increased 1.3 percent during the same period.

April 2011 DeWitt County unemployment rate: 7.2 percent, down from 8.0 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

DeWitt County's ranking in per capita personal income in 2009: 172nd with an average per capita income of \$30,364, down 1.2 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 DeWitt County averaged \$61.54 million annually from 2006 to 2009. County total agricultural values in 2009 were down 8.1 percent from 2008. Major agriculture related commodities in DeWitt County during 2009 included:

Hunting	Other Crop	Nursery	Hay	Other Beef
---------	------------	---------	-----	------------

2010 oil and gas production in DeWitt County: 147,112.0 barrels of oil and 38.0 million Mcf of gas. In February 2011, there were 44 producing oil wells and 297 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Quarterly (June 2010 through September 2010)

Taxable sales in DeWitt County during the third quarter 2010: \$27.81 million, up 23.7 percent from the same quarter in 2009.

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

Cuero:	\$14.69 million, up 20.1 percent from the same quarter in 2009.
Yorktown:	\$2.82 million, up 16.5 percent from the same quarter in 2009.
Nordheim:	\$165,909.00, up 12.8 percent from the same quarter in 2009.

Annual (2009)

Taxable sales in DeWitt County during 2009: \$98.03 million, down 17.1 percent from 2008.

DeWitt County sent an estimated \$6.13 million (or 0.02 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009.

Taxable sales during 2009 in the city of:

Cuero:	\$52.97 million, down 7.4 percent from 2008.
Yorktown:	\$10.06 million, down 31.5 percent from 2008.
Nordheim:	\$623,687.00, up 1.4 percent from 2008.

Sales Tax – Local Sales Tax Allocations

Monthly

Statewide payments based on the sales activity month of March 2011: \$600.06 million, up 5.8 percent from March 2010.

Payments to all cities in DeWitt County based on the sales activity month of March 2011: \$220,361.07, up 48.1 percent from March 2010. Payment based on the sales activity month of March 2011 to the city of:

Cuero:	\$190,445.76, up 62.7 percent from March 2010.
Yorktown:	\$28,448.14, down 4.4 percent from March 2010.
Nordheim:	\$1,467.17, down 24.9 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 DeWitt County based on sales activity months in 2010: \$1.63 million, up 17.2 percent from 2009.

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

Cuero:	\$1.37 million, up 18.4 percent from 2009.
Yorktown:	\$249,941.96, up 11.5 percent from 2009.
Nordheim:	\$13,742.26, up 16.8 percent from 2009.

Property Tax

As of January 2009, property values in DeWitt County: \$1.87 billion, up 7.6 percent from January 2008 values. The property tax base per person in DeWitt County is \$94,835, above the statewide average of \$85,809. About 32.2 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

DeWitt County's ranking in state expenditures by county in fiscal year 2009: 122nd. State expenditures in the county for FY2009: \$71.13 million, up 2.8 percent from FY2008.

In DeWitt County, 12 state agencies provide a total of 448 jobs and \$14.07 million in annualized wages (as of 3rd quarter 2010). Major state agencies in the county (as of third quarter 2010):

- Department of Criminal Justice
- Department of Transportation
- University of Texas Medical Branch
- Health & Human Services Commission

Higher Education

Community colleges in DeWitt County fall 2010 enrollment:
None.

DeWitt County is in the service area of the following:

Victoria College with a fall 2010 enrollment of 4,290. Counties in the service area include:
Calhoun County
DeWitt County
Gonzales County
Jackson County
Lavaca County
Refugio County
Victoria County

Institutions of higher education in DeWitt County fall 2010 enrollment:
None.

School Districts

DeWitt County had 6 school districts with 15 schools and 4,244 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.)

Cuero ISD had 1,870 students in the 2009-10 school year. The average teacher salary was \$43,386. The percentage of students meeting the 2010 TAKS passing standard for all tests was 73 percent.

Meyersville ISD had 163 students in the 2009-10 school year. The average teacher salary was \$41,582. The percentage of students meeting the 2010 TAKS passing standard for all tests was 86 percent.

Nordheim ISD had 96 students in the 2009-10 school year. The average teacher salary was \$38,701. The percentage of students meeting the 2010 TAKS passing standard for all tests was 75 percent.

Westhoff ISD had 42 students in the 2009-10 school year. The average teacher salary was \$47,092. The percentage of students meeting the 2010 TAKS passing standard for all tests was 76 percent.

Yoakum ISD had 1,539 students in the 2009-10 school year. The average teacher salary was \$39,741. The percentage of students meeting the 2010 TAKS passing standard for all tests was 71 percent.

Yorktown ISD had 534 students in the 2009-10 school year. The average teacher salary was \$43,102. The percentage of students meeting the 2010 TAKS passing standard for all tests was 71 percent.