

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 18, 2011

Dr. Greg Poole  
Superintendent  
Barbers Hill Independent School District  
P. O. Box 1108  
Mont Belvieu, Texas 77580-1108

Dear Superintendent Poole:

On Oct. 11, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Barbers Hill Independent School District (Barbers Hill ISD) by Lone Star NGL Asset Holdings II, LLC (Lone Star NGL) on June 27, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Lone Star NGL'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, Barbers Hill ISD is currently classified as a rural school district in Category 1. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$350,100,000) is consistent with the proposed appraised value limitation sought (\$30 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.

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

Mr. Greg Poole  
November 18, 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;

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 Economic Development & Analysis Division, by email at [robert.wood@cpa.state.tx.us](mailto:robert.wood@cpa.state.tx.us) or by phone at 1-800-531-5441, 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   | Lone Star NGL Asset Holdings II, LLC |
| Tax Code, 313.024 Eligibility Category  | Manufacturing                        |
| School District   | Barbers Hill ISD                     |
| 2009-10 Enrollment in School District   | 4,096                                |
| County  | Chambers                             |
| Total Investment in District  | \$496,600,000                        |
| Qualified Investment  | \$350,100,000                        |
| Limitation Amount   | \$30,000,000                         |
| Number of total jobs committed to by applicant  | 25                                   |
| Number of qualifying jobs committed to by applicant   | 25                                   |
| Average Weekly Wage of Qualifying Jobs committed to by applicant  | \$1,078.88                           |
| Minimum Weekly Wage Required Tax Code, 313.051(b)   | \$1,078.88                           |
| Minimum Annual Wage committed to by applicant for qualified jobs  | \$56,102                             |
| Investment per Qualifying Job   | \$19,864,000                         |
| Estimated 15 year M&O levy without any limit or credit:   | \$52,914,892                         |
| Estimated gross 15 year M&O tax benefit   | \$28,844,261                         |
| 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): | \$27,305,039                         |
| Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)   | \$213,080                            |
| Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:  | \$25,609,853                         |
| Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)  | 51.6%                                |
| Percentage of tax benefit due to the limitation   | 99.3%                                |
| Percentage of tax benefit due to the credit.  | 0.7%                                 |

This presents the Comptroller's economic impact evaluation of Lone Star NGL (the project) applying to Barbers Hill 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 25 new jobs when fully operational. All 25 jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area State Planning Region, where Chambers County is located was \$51,001 in 2010. The annual average manufacturing wage for 2010 for Chambers County is \$75,855. That same year, the county annual average wage for all industries was \$49,530. In addition to a salary of \$56,102, each qualifying position will receive benefits such as medical insurance/pharmacy, vision insurance, voluntary dependant life insurance, voluntary long-term disability insurance, employee assistance program, dental insurance, basic life/AD&D insurance, supplemental disability insurance, flexible spending accounts, extended sick leave policy. The project's total investment is \$496.6 million, resulting in a relative level of investment per qualifying job of \$19.86 million.

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

According to Lone Star NGL's application, "Energy Transfer Partners considered multiple locations for its new fractionation facility from its extensive natural gas pipeline network throughout the Southwestern U.S. That network spans Texas, New Mexico, Arizona, and Louisiana, each of which is a possible location for the project under development. Ultimately, the City of Mont Belvieu, Chambers County, TX was chosen as the location for the new facility due to the economic incentives that the State of Texas offers as part of the Economic Development Act."

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

During the past two years, nine projects in the Houston-Galveston Area State Planning Region applied for value limitation agreements under Tax Code, Chapter 313.

**Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]**

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Lone Star NGL 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 Lone Star NGL'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 Lone Star NGL**

| Year | Employment |                    |       | Personal Income |                    |               |
|------|------------|--------------------|-------|-----------------|--------------------|---------------|
|      | Direct     | Indirect + Induced | Total | Direct          | Indirect + Induced | Total         |
| 2011 | 0          | 0                  | 0     | \$0             | \$122,100          | \$122,100     |
| 2012 | 550        | 791                | 1341  | \$30,856,100    | \$43,143,900       | \$74,000,000  |
| 2013 | 550        | 1990               | 2540  | \$30,856,100    | \$114,143,900      | \$145,000,000 |
| 2014 | 25         | 173                | 198   | \$1,402,550     | \$25,597,450       | \$27,000,000  |
| 2015 | 25         | 132                | 157   | \$1,402,550     | \$20,597,450       | \$22,000,000  |
| 2016 | 25         | 102                | 127   | \$1,402,550     | \$17,597,450       | \$19,000,000  |
| 2017 | 25         | 95                 | 120   | \$1,402,550     | \$16,597,450       | \$18,000,000  |
| 2018 | 25         | 98                 | 123   | \$1,402,550     | \$15,597,450       | \$17,000,000  |
| 2019 | 25         | 107                | 132   | \$1,402,550     | \$15,597,450       | \$17,000,000  |
| 2020 | 25         | 110                | 135   | \$1,402,550     | \$15,597,450       | \$17,000,000  |
| 2021 | 25         | 123                | 148   | \$1,402,550     | \$16,597,450       | \$18,000,000  |
| 2022 | 25         | 114                | 139   | \$1,402,550     | \$16,597,450       | \$18,000,000  |
| 2023 | 25         | 120                | 145   | \$1,402,550     | \$17,597,450       | \$19,000,000  |
| 2024 | 25         | 121                | 146   | \$1,402,550     | \$17,597,450       | \$19,000,000  |
| 2025 | 25         | 124                | 149   | \$1,402,550     | \$18,597,450       | \$20,000,000  |
| 2026 | 25         | 129                | 154   | \$1,402,550     | \$19,597,450       | \$21,000,000  |

Source: CPA, REMI, Lone Star NGL

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Barbers Hill ISD's ad valorem tax base in 2010 was \$3.369 billion. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Barbers Hill ISD's estimated wealth per WADA was \$718,583. 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, Chambers County, and the City of Mont Belvieu, with all property tax incentives sought being granted using estimated market value from Lone Star NGL's application. Lone Star NGL has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the county and city. Table 3 illustrates the estimated tax impact of the Lone Star NGL 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> | Barbers Hill ISD I&S Levy | Barbers Hill ISD M&O Levy | Barbers Hill ISD M&O and I&S Tax Levies (Before Credit Credited) | Barbers Hill ISD M&O and I&S Tax Levies (After Credit Credited) | Chambers County Tax Levy | City of Mont Belvieu Tax Levy | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|-----------------------|---------------------------|---------------------------|--|---|--------------------------|-------------------------------|--------------------------------|
|      |                                 |                                 | 0.2698                | 0.2698                    | 1.0601                    |  |   | 0.4518                   | 0.4613                        |                                |
| 2012 | \$100,000                       | \$100,000                       |                       | \$270                     | \$1,060                   | \$1,330  | \$1,330   | \$452                    | \$461                         | \$2,243                        |
| 2013 | \$50,100,000                    | \$50,100,000                    |                       | \$135,170                 | \$531,110                 | \$666,280  | \$666,280   | \$0                      | \$0                           | \$666,280                      |
| 2014 | \$350,100,000                   | \$30,000,000                    |                       | \$944,570                 | \$318,030                 | \$1,262,600  | \$1,262,600   | \$395,429                | \$0                           | \$1,658,029                    |
| 2015 | \$355,100,000                   | \$30,000,000                    |                       | \$958,060                 | \$318,030                 | \$1,276,090  | \$1,245,650   | \$641,723                | \$0                           | \$1,887,372                    |
| 2016 | \$360,100,000                   | \$30,000,000                    |                       | \$971,550                 | \$318,030                 | \$1,289,580  | \$1,259,140   | \$813,448                | \$415,308                     | \$2,487,896                    |
| 2017 | \$365,100,000                   | \$30,000,000                    |                       | \$985,040                 | \$318,030                 | \$1,303,070  | \$1,272,630   | \$1,649,485              | \$673,719                     | \$3,595,834                    |
| 2018 | \$370,100,000                   | \$30,000,000                    |                       | \$998,530                 | \$318,030                 | \$1,316,560  | \$1,286,120   | \$1,672,075              | \$853,682                     | \$3,811,876                    |
| 2019 | \$375,100,000                   | \$30,000,000                    |                       | \$1,012,020               | \$318,030                 | \$1,330,050  | \$1,299,610   | \$1,694,664              | \$865,215                     | \$3,859,489                    |
| 2020 | \$380,100,000                   | \$30,000,000                    |                       | \$1,025,510               | \$318,030                 | \$1,343,540  | \$1,313,100   | \$1,717,254              | \$876,748                     | \$3,907,102                    |
| 2021 | \$385,100,000                   | \$30,000,000                    |                       | \$1,039,000               | \$318,030                 | \$1,357,030  | \$1,326,590   | \$1,739,843              | \$1,332,422                   | \$4,398,855                    |
| 2022 | \$390,100,000                   | \$390,100,000                   |                       | \$1,052,490               | \$4,135,450               | \$5,187,940  | \$5,187,940   | \$1,762,433              | \$1,799,629                   | \$8,750,002                    |
| 2023 | \$395,100,000                   | \$395,100,000                   |                       | \$1,065,980               | \$4,188,455               | \$5,254,435  | \$5,254,435   | \$1,785,022              | \$1,822,695                   | \$8,862,152                    |
| 2024 | \$400,100,000                   | \$400,100,000                   |                       | \$1,079,470               | \$4,241,460               | \$5,320,930  | \$5,320,930   | \$1,807,612              | \$1,845,761                   | \$8,974,303                    |
| 2025 | \$405,100,000                   | \$405,100,000                   |                       | \$1,092,960               | \$4,294,465               | \$5,387,425  | \$5,387,425   | \$1,830,201              | \$1,868,828                   | \$9,086,454                    |
| 2026 | \$410,100,000                   | \$410,100,000                   |                       | \$1,106,450               | \$4,347,470               | \$5,453,920  | \$5,453,920   | \$1,852,791              | \$1,891,894                   | \$9,198,605                    |
|      |                                 |                                 |                       |                           |                           | <b>Total</b>   | <b>\$37,537,698</b>   | <b>\$19,362,432</b>      | <b>\$14,246,362</b>           | <b>\$71,146,491</b>            |

Assumes School Value Limitation and Tax Abatements from City of Mont Belvieu and Chambers County

Source: CPA, Lone Star NGL

<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> | Barbers Hill ISD I&S Levy | Barbers Hill ISD M&O Levy | Barbers Hill ISD M&O and I&S Tax Levies | Chambers County Tax Levy | City of Mont Belvieu Tax Levy | Estimated Total Property Taxes |                      |
|------|---------------------------------|---------------------------------|-----------------------|---------------------------|---------------------------|---|--------------------------|-------------------------------|--------------------------------|----------------------|
|      |                                 |                                 | 0.2698                | 0.2698                    | 1.0601                    |   | 0.4518                   | 0.4613                        |                                |                      |
| 2012 | \$100,000                       | \$100,000                       |                       | \$270                     | \$1,060                   | \$1,330                                 | \$452                    | \$461                         | \$2,243                        |                      |
| 2013 | \$50,100,000                    | \$50,100,000                    |                       | \$135,170                 | \$531,110                 | \$666,280                               | \$226,347                | \$231,124                     | \$1,123,751                    |                      |
| 2014 | \$350,100,000                   | \$350,100,000                   |                       | \$944,570                 | \$3,711,410               | \$4,655,980                             | \$1,581,717              | \$1,615,099                   | \$7,852,796                    |                      |
| 2015 | \$355,100,000                   | \$355,100,000                   |                       | \$958,060                 | \$3,764,415               | \$4,722,475                             | \$1,604,306              | \$1,638,165                   | \$7,964,946                    |                      |
| 2016 | \$360,100,000                   | \$360,100,000                   |                       | \$971,550                 | \$3,817,420               | \$4,788,970                             | \$1,626,896              | \$1,661,231                   | \$8,077,097                    |                      |
| 2017 | \$365,100,000                   | \$365,100,000                   |                       | \$985,040                 | \$3,870,425               | \$4,855,465                             | \$1,649,485              | \$1,684,298                   | \$8,189,248                    |                      |
| 2018 | \$370,100,000                   | \$370,100,000                   |                       | \$998,530                 | \$3,923,430               | \$4,921,960                             | \$1,672,075              | \$1,707,364                   | \$8,301,399                    |                      |
| 2019 | \$375,100,000                   | \$375,100,000                   |                       | \$1,012,020               | \$3,976,435               | \$4,988,455                             | \$1,694,664              | \$1,730,430                   | \$8,413,549                    |                      |
| 2020 | \$380,100,000                   | \$380,100,000                   |                       | \$1,025,510               | \$4,029,440               | \$5,054,950                             | \$1,717,254              | \$1,753,496                   | \$8,525,700                    |                      |
| 2021 | \$385,100,000                   | \$385,100,000                   |                       | \$1,039,000               | \$4,082,445               | \$5,121,445                             | \$1,739,843              | \$1,776,563                   | \$8,637,851                    |                      |
| 2022 | \$390,100,000                   | \$390,100,000                   |                       | \$1,052,490               | \$4,135,450               | \$5,187,940                             | \$1,762,433              | \$1,799,629                   | \$8,750,002                    |                      |
| 2023 | \$395,100,000                   | \$395,100,000                   |                       | \$1,065,980               | \$4,188,455               | \$5,254,435                             | \$1,785,022              | \$1,822,695                   | \$8,862,152                    |                      |
| 2024 | \$400,100,000                   | \$400,100,000                   |                       | \$1,079,470               | \$4,241,460               | \$5,320,930                             | \$1,807,612              | \$1,845,761                   | \$8,974,303                    |                      |
| 2025 | \$405,100,000                   | \$405,100,000                   |                       | \$1,092,960               | \$4,294,465               | \$5,387,425                             | \$1,830,201              | \$1,868,828                   | \$9,086,454                    |                      |
| 2026 | \$410,100,000                   | \$410,100,000                   |                       | \$1,106,450               | \$4,347,470               | \$5,453,920                             | \$1,852,791              | \$1,891,894                   | \$9,198,605                    |                      |
|      |                                 |                                 |                       |                           |                           | <b>Total</b>                            | <b>\$66,381,959</b>      | <b>\$22,551,098</b>           | <b>\$23,027,037</b>            | <b>\$111,960,094</b> |

Source: CPA, Lone Star NGL

<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 \$52,914,892. The estimated gross 15 year M&O tax benefit, or levy loss, is \$28,844,261.

Attachment 3 is an economic overview of Chambers 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

Lone Star NGL Asset Holdings II, LLC  
Barbers Hill Independent School District

Applicant Name  
ISD Name

Form 50-298

|   |   | PROPERTY INVESTMENT AMOUNTS  |  |   |   |  |  |  |               |              |               | Column E:<br>Total Investment<br>(A+B+D) |     |               |
|---|---|--|--|---|---|--|--|--|---------------|--------------|---------------|--|-----|---------------|
|   |   | (Estimated investment in each year. Do not put cumulative totals.) |  |   |   |  |  |  |               |              |               |  |     |               |
|   | Year  | School Year<br>(YYYY-YYYY)   | Tax Year<br>(Fill in actual tax<br>year below)<br>YYYY | Column A:<br>Tangible<br>Personal Property<br>The amount of new investment<br>(original cost) placed in service<br>during this year | Column B:<br>Building or permanent<br>nonremovable component<br>of building (annual amount<br>only) | Column C:<br>Sum of A and B<br>Qualifying Investment<br>(during the qualifying<br>time period) | Column D:<br>Other investment that is not<br>qualified investment but investment<br>affecting economic impact and<br>total value | Column E:<br>Total Investment<br>(A+B+D) |               |              |               |  |     |               |
| The year preceding<br>the first complete tax<br>year of the qualifying<br>time period<br>(assuming no<br>deferrals) | Investment made before filing complete application<br>with district (neither qualified property nor eligible to<br>become qualified investment)   | 2011-2012  | 2011   | \$0   | \$0   |  | \$32,554,470   | \$32,554,470                             |               |              |               | \$32,554,470                             |     |               |
|   | Investment made after filing complete application<br>with district, but before final board approval of<br>application (eligible to become qualified property)   |  |  |   |   |  |  |  | \$0           | \$0          |               |  | \$0 |               |
|   | Investment made after final board approval of<br>application and before Jan. 1 of first complete tax<br>year of qualifying time period (qualified<br>investment and eligible to become qualified<br>property) |  |  |   |   |  |  |  |               |              |               |  |     |               |
|   | Completes tax years of qualifying time<br>period  |  |  | 1   | 2012-2013   | 2012   | \$100,000  | \$0                                      | \$100,000     | \$0          | \$100,000     |  |     | \$100,000     |
|   |   |  |  | 2   | 2013-2014   | 2013   | \$50,000,000   | \$0                                      | \$50,000,000  | \$15,000,000 | \$65,000,000  |  |     | \$65,000,000  |
|   |   |  |  | 3   | 2014-2015   | 2014   | \$300,000,000  | \$0                                      | \$300,000,000 | \$10,000,000 | \$310,000,000 |  |     | \$310,000,000 |
|   |   |  |  | 4   | 2015-2016   | 2015   | \$5,000,000  | 1,500,000                                |               | \$10,000,000 | \$16,500,000  |  |     | \$16,500,000  |
|   |   |  |  | 5   | 2016-2017   | 2016   | \$5,000,000  |  |               | \$10,000,000 | \$15,000,000  |  |     | \$15,000,000  |
|   | Value Limitation Period   |  |  | 6   | 2017-2018   | 2017   | \$5,000,000  |  |               | \$10,000,000 | \$15,000,000  |  |     | \$15,000,000  |
|   |   |  |  | 7   | 2018-2019   | 2018   | \$5,000,000  |  |               | \$10,000,000 | \$15,000,000  |  |     | \$15,000,000  |
|   |   |  |  | 8   | 2019-2020   | 2019   | \$5,000,000  |  |               | \$10,000,000 | \$15,000,000  |  |     | \$15,000,000  |
|   |   |  |  | 9   | 2020-2021   | 2020   | \$5,000,000  |  |               | \$10,000,000 | \$15,000,000  |  |     | \$15,000,000  |
|   |   |  |  | 10  | 2021-2022   | 2021   | \$5,000,000  |  |               | \$10,000,000 | \$15,000,000  |  |     | \$15,000,000  |
|   | Credit Settle-Up<br>Period  |  |  | 11  | 2022-2023   | 2022   | \$5,000,000  |  |               | \$10,000,000 | \$15,000,000  |  |     | \$15,000,000  |
|   |   |  |  | 12  | 2023-2024   | 2023   | \$5,000,000  |  |               | \$10,000,000 | \$15,000,000  |  |     | \$15,000,000  |
| 13  |   | 2024-2025  | 2024   | \$5,000,000   |   |  | \$10,000,000   | \$15,000,000                             |               |              | \$15,000,000  |  |     |               |
| 14  |   | 2025-2026  | 2025   | \$5,000,000   |   |  | \$10,000,000   | \$15,000,000                             |               |              | \$15,000,000  |  |     |               |
| 15  |   | 2026-2027  | 2026   | \$5,000,000   |   |  | \$10,000,000   | \$15,000,000                             |               |              | \$15,000,000  |  |     |               |

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.

(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 §313.021(1)(E).

Column B: 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 be items 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.

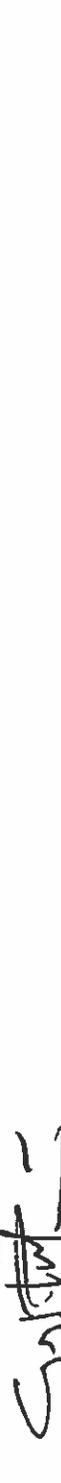
Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

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



DATE

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

Lone Star NGL Asset Holdings II, LLC

Barbers Hill ISD

Form 50-296

| Applicant Name<br>ISD Name                          | Year   | School Year<br>(YYYY-YYYY) | Tax Year<br>(FBI in actual<br>tax year)<br>YYYY | Qualified Property                |  |   | Reductions from<br>Market Value | Estimated Taxable Value | Final taxable value for<br>M&O--after all reductions |                |
|---|--|----------------------------|---|-----------------------------------|--|---|---------------------------------|-------------------------|--|----------------|
|   |  |                            |   | Estimated Market<br>Value of Land | Estimated Total Market<br>Value of new buildings<br>or other new<br>improvements | Estimated Total Market Value of<br>tangible personal property in the<br>new building or "in or on the new<br>improvement" |                                 |                         |  | Exempted Value |
| Tax Credit<br>Period (with<br>50% cap on<br>credit) | pre-year 1   | 2011-2012                  | 2011  | \$32,554,470                      | \$0  | \$0   |                                 | \$0                     | \$0  |                |
|   | Complete tax<br>years of qualifying<br>time period | 1                          | 2012-2013                                       | 2012                              | \$32,554,470   | \$0   | \$100,000                       |                         | \$100,000  | \$100,000      |
|   |  | 2                          | 2013-2014                                       | 2013                              | \$32,554,470   | \$0   | \$50,100,000                    |                         | \$50,100,000   | \$50,100,000   |
|   |  | 3                          | 2014-2015                                       | 2014                              | \$32,554,470   | \$1,500,000   | \$350,100,000                   |                         | \$350,100,000  | \$30,000,000   |
|   | 4  | 2015-2016                  | 2015  | \$32,554,470                      |  | \$355,100,000   |                                 | \$355,100,000           | \$30,000,000   |                |
|   | 5  | 2016-2017                  | 2016  | \$32,554,470                      |  | \$360,100,000   |                                 | \$360,100,000           | \$30,000,000   |                |
|   | 6  | 2017-2018                  | 2017  | \$32,554,470                      |  | \$365,100,000   |                                 | \$365,100,000           | \$30,000,000   |                |
|   | 7  | 2018-2019                  | 2018  | \$32,554,470                      |  | \$370,100,000   |                                 | \$370,100,000           | \$30,000,000   |                |
|   | 8  | 2019-2020                  | 2019  | \$32,554,470                      |  | \$375,100,000   |                                 | \$375,100,000           | \$30,000,000   |                |
|   | 9  | 2020-2021                  | 2020  | \$32,554,470                      |  | \$380,100,000   |                                 | \$380,100,000           | \$30,000,000   |                |
|   | 10   | 2021-2022                  | 2021  | \$32,554,470                      |  | \$385,100,000   |                                 | \$385,100,000           | \$30,000,000   |                |
|   | 11   | 2022-2023                  | 2022  | \$32,554,470                      |  | \$390,100,000   |                                 | \$390,100,000           | \$30,000,000   |                |
|   | 12   | 2023-2024                  | 2023  | \$32,554,470                      |  | \$395,100,000   |                                 | \$395,100,000           | \$395,100,000  |                |
|   | 13   | 2024-2025                  | 2024  | \$32,554,470                      |  | \$400,100,000   |                                 | \$400,100,000           | \$400,100,000  |                |
|   | 14   | 2025-2026                  | 2025  | \$32,554,470                      |  | \$405,100,000   |                                 | \$405,100,000           | \$405,100,000  |                |
| 15  | 2026-2027  | 2026                       | \$32,554,470                                    |                                   | \$410,100,000  |   | \$410,100,000                   | \$410,100,000           |  |                |

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.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

**Schedule C- Application: Employment Information**

Applicant Name: Lone Star NGL Asset Holdings II, LLC  
 ISD Name: Barbers Hill Independent School District

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                                    |   |  |   |  |  |  |  |
| Complete tax years of qualifying time period                     | 1           | 2012-2013               | 2012                                    | 550 FTE's   | \$56,102   |   |  |  |  |  |
|  | 2           | 2013-2014               | 2013                                    | 550 FTE's   | \$56,102   |   |  |  |  |  |
|  | 3           | 2014-2015               | 2014                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 4           | 2015-2016               | 2015                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 5           | 2016-2017               | 2016                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
| Value Limitation Period  | 6           | 2017-2018               | 2017                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 7           | 2018-2019               | 2018                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 8           | 2019-2020               | 2019                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 9           | 2020-2021               | 2020                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 10          | 2021-2022               | 2021                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
| Credit Settle-Up Period (with 50% cap on credit)                 | 11          | 2022-2023               | 2022                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 12          | 2023-2024               | 2023                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 13          | 2024-2025               | 2024                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
| Credit Settle-Up Period (Continuous to Maintain Viable Presence) | 14          | 2025-2026               | 2025                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |
|  | 15          | 2026-2027               | 2026                                    |   |  | 25  | \$56,102   | 25   | \$56,102   |  |

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 distinct 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

DATE \_\_\_\_\_

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

Applicant Name

Lone Star NGL Asset Holdings II, LLC

Barbers Hill Independent School District Form 50-296

Other Property Tax Abatements Sought

|  | Sales Tax Information |                         |                        |   | Franchise Tax | Other Property Tax Abatements Sought  |   |        |      |          |       |
|--|-----------------------|-------------------------|------------------------|---|---------------|---|---|--------|------|----------|-------|
|  | Year                  | School Year (YYYY-YYYY) | Tax/Calendar Year YYYY | 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 | County | City | Hospital | Other |
| The year preceding the first complete tax year of the qualifying time period (assuming no deferrals) |                       | 2011-2012               | 2011                   | \$0   | \$0           | \$0   |   |        |      |          |       |
| Tax Credit Period (with 50% cap on credit)   | 1                     | 2012-2013               | 2012                   | \$10,000  | \$90,000      | \$4,000   |   |        |      |          |       |
|  | 2                     | 2013-2014               | 2013                   | \$5,010,000   | \$45,090,000  | \$2,004,000   | 100%  | 100%   |      |          |       |
|  | 3                     | 2014-2015               | 2014                   | \$35,010,000  | \$315,090,000 | \$350,100,000   | 75%   | 100%   |      |          |       |
|  | 4                     | 2015-2016               | 2015                   | \$35,510,000  | \$319,590,000 | \$355,100,000   | 60%   | 100%   |      |          |       |
|  | 5                     | 2016-2017               | 2016                   | \$36,010,000  | \$324,090,000 | \$14,404,000  | 50%   | 75%    |      |          |       |
|  | 6                     | 2017-2018               | 2017                   | \$36,510,000  | \$328,590,000 | \$14,604,000  |   | 60%    |      |          |       |
|  | 7                     | 2018-2019               | 2018                   | \$37,010,000  | \$333,090,000 | \$14,804,000  |   | 50%    |      |          |       |
|  | 8                     | 2019-2020               | 2019                   | \$37,510,000  | \$337,590,000 | \$15,004,000  |   | 50%    |      |          |       |
|  | 9                     | 2020-2021               | 2020                   | \$38,010,000  | \$342,090,000 | \$15,204,000  |   | 50%    |      |          |       |
|  | 10                    | 2021-2022               | 2021                   | \$38,510,000  | \$346,590,000 | \$15,404,000  |   | 25%    |      |          |       |
|  | 11                    | 2022-2023               | 2022                   | \$39,010,000  | \$351,090,000 | \$15,604,000  |   |        |      |          |       |
|  | 12                    | 2023-2024               | 2023                   | \$39,510,000  | \$355,590,000 | \$15,804,000  |   |        |      |          |       |
|  | 13                    | 2024-2025               | 2024                   | \$40,010,000  | \$360,090,000 | \$16,004,000  |   |        |      |          |       |
|  | 14                    | 2025-2026               | 2025                   | \$40,510,000  | \$364,590,000 | \$16,204,000  |   |        |      |          |       |
|  | 15                    | 2026-2027               | 2026                   | \$41,010,000  | \$369,090,000 | \$16,404,000  |   |        |      |          |       |

\*For planning, construction and operation of the facility.



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

# **Attachment 2**

November 8, 2011

Mr. Robert Wood  
Director, Economic Development and Analysis  
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 Lone Star NGL Asset Holdings II LLC project on the number and size of school facilities in Barbers Hill Independent School District (BHISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the BHISD superintendent, Dr. Greg Poole, the TEA has found that the Lone Star NGL Asset Holdings II LLC project would not have a significant impact on the number or size of school facilities in BHISD.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at [al.mckenzie@tea.state.tx.us](mailto:al.mckenzie@tea.state.tx.us) if you need further information regarding this issue.

Sincerely,



Belinda Dyer  
Division Manager  
Office of School Finance

BD/bd

November 8, 2011

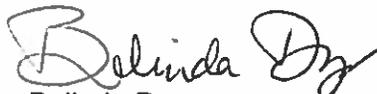
Mr. Robert Wood  
Director, Economic Development and Analysis  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed Lone Star NGL Asset Holdings II LLC project for the Barbers Hill Independent School District (BHISD). Projections prepared by our Office of School Finance 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 Lone Star NGL Asset Holdings II LLC project on BHISD are correct.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at [al.mckenzie@tea.state.tx.us](mailto:al.mckenzie@tea.state.tx.us) if you need further information regarding this issue.

Sincerely,



Belinda Dyer  
Division Manager  
Office of School Finance

BD/bd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED LONE  
STAR NGL ASSET HOLDINGS II, LLC PROJECT ON THE  
FINANCES OF BARBERS HILL ISD UNDER A REQUESTED  
CHAPTER 313 PROPERTY VALUE LIMITATION**

September 13, 2011

Final Report

**PREPARED BY**



# Estimated Impact of the Proposed Lone Star NGL Asset Holdings II, LLC Project on the Finances of Barbers Hill ISD under a Requested Chapter 313 Property Value Limitation

## Introduction

Lone Star NGL Asset Holdings II, LLC (Lone Star NGL) has requested that the Barbers Hill ISD (BHISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new industrial gas manufacturing project. An application was submitted to BHISD on June 27, 2011. Lone Star NGL proposes to invest nearly \$500 million to construct a new natural gas processing plant in BHISD.

The Lone Star NGL 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, BHISD may offer a minimum value limitation of \$30 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 \$350 million in 2014-15. Unlike a number of other projects that reflect annual depreciation in their investment schedules, Lone Star NGL anticipates additional investment on an annual basis raising the project taxable value to \$390.1 million in the 2022-23 school year, the last year the value limitation is in effect.

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 \$30 million and remain at that level of taxable value for eight years for maintenance and operations taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with BHISD currently levying a \$0.270 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. This generally resulted 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.

Under the HB 1 system, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

In the case of HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point was the target revenue provisions from HB 1, that were 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 did 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 70 percent of all school districts were funded at the minimum \$120 per WADA level, while approximately 30 percent school districts were expected to generate higher revenue amounts per WADA in the 2009-10 school year. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

The formula reductions enacted under Senate Bill 1 (SB 1) as approved in the First Called Session in 2011 are designed to make \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 797 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 227 districts operating directly on the state formulas.

For the 2012-13 school year, the SB 1 changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula. For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the appropriations bill. The recent legislative session also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year.

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 Lone

Star NGL 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. The current SB 1 reductions are reflected in the underlying models. With regard to ASATR funding, the 92.35 percent reduction enacted for the 2012-13 school year is maintained, since future changes are dependent on legislative action that is difficult to predict. While there is a statement of intent to no longer fund target revenue by the 2017-18 school year, implementing this change will require future legislative action, with any changes coming through the appropriations process, statutory changes, or both.

Student enrollment counts are held constant at 4,174 students in average daily attendance (ADA) in analyzing the effects of the Lone Star NGL project on the finances of BHISD. The District's local tax base reached \$2.8 billion for the 2011 tax year. The underlying \$2.8 billion taxable value for 2011-12 is maintained for the forecast period in order to isolate the effects of the property value limitation. BHISD is a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$588,365 for the 2011-12 school year. These assumptions are summarized in Table 1.

### **School Finance Impact**

A baseline model was prepared for BHISD 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 influences future state funding, although BHISD would appear to be at a wealth level where this factor has little, if any, impact. 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 Lone Star NGL 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 Lone Star NGL 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 \$1.06 is used

throughout this analysis, reflecting voter approval of a two-cent increase above the \$1.04 statutory maximum M&O tax rate permitted by school board action only.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$35.6 million a year in net General Fund revenue, after recapture and other adjustments have been made.

Under these assumptions, BHISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-\$192,303). The revenue reduction results from the mechanics of six cents not subject to recapture. Recurring losses near this level persist over the eight value limitation years for this same reason.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.35 percent adjustment adopted for the 2012-13 school year. One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2014-15 school year. The formula loss of \$192,303 cited above between the base and the limitation models is based on an assumption of \$3.4 million in M&O tax savings for Lone Star NGL when the \$30 million limitation is implemented. Under the estimates presented here and as highlighted in Table 4, a \$655,546 reduction in recapture costs is expected to offset a portion of this reduction in M&O tax collections. In addition, a \$2.5 million increase in ASATR funding is calculated under the assumptions used here.

Given that the ASATR amount falls below the anticipated tax savings for the project in the first year of implementation of the agreement, there is no financial risk to the District as a result of the adoption of the value limitation agreement in response to future legislative changes in ASATR funding. But significant or complete elimination of ASATR funding could reduce the residual tax savings in the first year that the \$30 million value limitation takes effect. The estimates for the 2015-16 school year and thereafter show the offset coming almost entirely from reductions in the amount of recapture that would be owed by BHISD.

Outside of the consideration of the value limitation, BHISD has considerable exposure to changes in ASATR funding. The District has base target revenue of \$7,061 per WADA in 2011-12, compared with the state average of \$5,182 per WADA. Even with the value limitation in place, the estimates in Table 3 show ASATR funding that averages approximately \$8 million per year over the forecast period. The revenue protection provisions of the agreement cover only the revenue losses associated with adoption of the value limitation, not major changes in state policy with regard to state funding.

The Comptroller's Property Tax Assistance Division announced recently that it would be adopting a rule this fall that would implement the use of two values for Chapter 313 school districts for its 2011 state property value study. These are the state values that will be used to calculate state aid and recapture in the 2012-13 school year.

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 through the 2010 tax year, however, only a single deduction amount was 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. Under the Lone Star NGL request for a value limitation, the 2014 state property value used for the 2015-16 school year would be the first year that this change in the value study would be reflected in funding formula calculations for the new Lone Star NGL project. This change has been made in the models presented here.

### **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 \$1.06 per \$100 of taxable value M&O rate is assumed in 2011-12 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$28.6 million over the life of the agreement. In addition, Lone Star NGL 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 \$0.2 million over the life of the agreement, with no unpaid tax credits anticipated. The cost of these credits is to be reimbursed by the state.

The key BHISD revenue losses are associated with the additional six-cent levy not subject to recapture and expected to total approximately -\$1.5 million 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 \$27.3 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the 2014-15 school year, there would still be a substantial tax benefit to Lone Star NGL under the value limitation agreement for the remaining years that the limitation is in effect.

### **Facilities Funding Impact**

The Lone Star NGL project remains fully taxable for debt services taxes, with BHISD currently levying a \$0.270 I&S rate. The value of the Lone Star NGL project is expected to increase slightly on an annual basis over the course of the agreement, with full access to the additional value adding to the District’s projected wealth per ADA that is currently well above what is provided for through the state’s facilities programs. At its peak taxable value, the project adds 14.6 percent to BHISD’s current tax base, which should assist the District in meeting its debt service obligations.

The Lone Star NGL project is not expected to affect BHISD in terms of enrollment. Continued expansion of industrial gas manufacturing 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 Lone Star NGL industrial gas manufacturing project enhances the tax base of BHISD. It reflects continued capital investment in industrial gas manufacturing, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$27.3 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 BHISD in meeting its future debt service obligations.

**Table 1 – Base District Information with Lone Star NGL Asset Holdings II, 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     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$2,824,038,060        | \$2,824,038,060           | \$2,979,887,592   | \$2,979,887,592      | \$588,365                        | \$588,365                           |
| 2                 | 2013-14     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$2,904,038,060        | \$2,904,038,060           | \$2,954,803,552   | \$2,954,803,552      | \$583,413                        | \$583,413                           |
| 3                 | 2014-15     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,204,038,060        | \$2,883,938,060           | \$3,034,803,552   | \$3,034,803,552      | \$599,208                        | \$599,208                           |
| 4                 | 2015-16     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,209,038,060        | \$2,883,938,060           | \$3,334,803,552   | \$3,014,703,552      | \$658,442                        | \$595,240                           |
| 5                 | 2016-17     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,214,038,060        | \$2,883,938,060           | \$3,339,803,552   | \$3,014,703,552      | \$659,429                        | \$595,240                           |
| 6                 | 2017-18     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,219,038,060        | \$2,883,938,060           | \$3,344,803,552   | \$3,014,703,552      | \$660,416                        | \$595,240                           |
| 7                 | 2018-19     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,224,038,060        | \$2,883,938,060           | \$3,349,803,552   | \$3,014,703,552      | \$661,404                        | \$595,240                           |
| 8                 | 2019-20     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,229,038,060        | \$2,883,938,060           | \$3,354,803,552   | \$3,014,703,552      | \$662,391                        | \$595,240                           |
| 9                 | 2020-21     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,380,163,325        | \$3,030,063,325           | \$3,359,803,552   | \$3,014,703,552      | \$663,378                        | \$595,240                           |
| 10                | 2021-22     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,558,372,725        | \$3,203,272,725           | \$3,510,928,817   | \$3,160,828,817      | \$693,217                        | \$624,091                           |
| 11                | 2022-23     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,552,100,886        | \$3,552,100,886           | \$3,689,138,217   | \$3,334,038,217      | \$728,404                        | \$658,291                           |
| 12                | 2023-24     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,546,164,024        | \$3,546,164,024           | \$3,682,866,378   | \$3,682,866,378      | \$727,165                        | \$727,165                           |
| 13                | 2024-25     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,493,996,846        | \$3,493,996,846           | \$3,676,929,516   | \$3,676,929,516      | \$725,993                        | \$725,993                           |
| 14                | 2025-26     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,485,085,557        | \$3,485,085,557           | \$3,624,762,338   | \$3,624,762,338      | \$715,693                        | \$715,693                           |
| 15                | 2026-27     | 4,313.55 | 5,064.69 | \$1.0601     | \$0.2698     | \$3,476,913,904        | \$3,476,913,904           | \$3,615,851,049   | \$3,615,851,049      | \$713,933                        | \$713,933                           |

\*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     | \$28,770,197                | \$1,064,662 | \$8,964,899                        | \$0                      | -\$5,135,859    | \$1,727,564                      | \$33,253                                      | -\$657   | \$35,424,058       |
| 2                 | 2013-14     | \$29,554,236                | \$1,089,063 | \$8,102,336                        | \$0                      | -\$5,081,737    | \$1,774,643                      | \$49,502                                      | -\$668   | \$35,487,375       |
| 3                 | 2014-15     | \$32,558,407                | \$1,089,063 | \$8,349,678                        | \$0                      | -\$8,333,249    | \$1,955,035                      | \$1,603                                       | -\$760   | \$35,619,778       |
| 4                 | 2015-16     | \$32,607,409                | \$1,541,985 | \$8,190,454                        | \$0                      | -\$8,675,949    | \$1,957,977                      | \$0   | -\$839   | \$35,621,036       |
| 5                 | 2016-17     | \$32,658,412                | \$1,843,933 | \$7,888,424                        | \$0                      | -\$8,724,870    | \$1,960,819                      | \$0   | -\$842   | \$35,623,978       |
| 6                 | 2017-18     | \$32,705,414                | \$1,541,985 | \$8,190,291                        | \$0                      | -\$8,773,791    | \$1,963,862                      | \$0   | -\$844   | \$35,626,916       |
| 7                 | 2018-19     | \$32,754,417                | \$1,843,933 | \$7,888,262                        | \$0                      | -\$8,822,712    | \$1,966,804                      | \$0   | -\$847   | \$35,629,858       |
| 8                 | 2019-20     | \$32,803,419                | \$1,541,985 | \$8,190,129                        | \$0                      | -\$8,871,634    | \$1,969,747                      | \$0   | -\$849   | \$35,632,796       |
| 9                 | 2020-21     | \$34,284,521                | \$1,843,933 | \$8,859,433                        | \$0                      | -\$9,323,988    | \$2,058,683                      | \$0   | -\$889   | \$35,721,892       |
| 10                | 2021-22     | \$36,031,060                | \$1,541,985 | \$7,020,876                        | \$0                      | -\$10,930,022   | \$2,163,557                      | \$0   | -\$971   | \$35,826,484       |
| 11                | 2022-23     | \$35,969,593                | \$1,843,933 | \$7,955,538                        | \$0                      | -\$12,105,165   | \$2,159,866                      | \$0   | -\$1,010                                       | \$35,822,755       |
| 12                | 2023-24     | \$35,911,409                | \$1,541,985 | \$8,255,541                        | \$0                      | -\$12,045,036   | \$2,156,372                      | \$0   | -\$1,007                                       | \$35,819,264       |
| 13                | 2024-25     | \$35,400,145                | \$1,843,933 | \$8,251,162                        | \$0                      | -\$11,831,341   | \$2,125,672                      | \$0   | -\$991   | \$35,788,580       |
| 14                | 2025-26     | \$35,312,810                | \$1,843,933 | \$7,974,918                        | \$0                      | -\$11,467,763   | \$2,120,428                      | \$0   | -\$977   | \$35,783,349       |
| 15                | 2026-27     | \$35,232,724                | \$1,843,933 | \$7,970,428                        | \$0                      | -\$11,383,186   | \$2,115,619                      | \$0   | -\$973   | \$35,778,544       |

**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     | \$28,770,197                | \$1,064,662 | \$8,964,899                        | \$0                      | -\$5,135,859    | \$1,727,564                      | \$33,253                                      | -\$657   | \$35,424,058       |
| 2                 | 2013-14     | \$29,554,236                | \$1,089,063 | \$8,102,336                        | \$0                      | -\$5,081,737    | \$1,774,643                      | \$49,502                                      | -\$668   | \$35,487,375       |
| 3                 | 2014-15     | \$29,357,246                | \$1,089,063 | \$8,895,292                        | \$0                      | -\$5,677,703    | \$1,762,815                      | \$1,445                                       | -\$685   | \$35,427,473       |
| 4                 | 2015-16     | \$29,357,246                | \$1,541,985 | \$8,286,719                        | \$0                      | -\$5,522,052    | \$1,762,815                      | \$13,199                                      | -\$680   | \$35,439,231       |
| 5                 | 2016-17     | \$29,357,246                | \$1,843,933 | \$7,984,771                        | \$0                      | -\$5,522,052    | \$1,762,815                      | \$13,199                                      | -\$680   | \$35,439,231       |
| 6                 | 2017-18     | \$29,357,246                | \$1,541,985 | \$8,286,719                        | \$0                      | -\$5,522,052    | \$1,762,815                      | \$13,199                                      | -\$680   | \$35,439,231       |
| 7                 | 2018-19     | \$29,357,246                | \$1,843,933 | \$7,984,771                        | \$0                      | -\$5,522,052    | \$1,762,815                      | \$13,199                                      | -\$680   | \$35,439,231       |
| 8                 | 2019-20     | \$29,357,246                | \$1,541,985 | \$8,286,719                        | \$0                      | -\$5,522,052    | \$1,762,815                      | \$13,199                                      | -\$680   | \$35,439,231       |
| 9                 | 2020-21     | \$30,789,346                | \$1,843,933 | \$8,838,350                        | \$0                      | -\$5,807,730    | \$1,848,808                      | \$13,842                                      | -\$713   | \$35,525,835       |
| 10                | 2021-22     | \$32,486,883                | \$1,541,985 | \$6,983,663                        | \$0                      | -\$7,348,632    | \$1,950,740                      | \$0   | -\$793   | \$35,613,845       |
| 11                | 2022-23     | \$35,905,569                | \$1,843,933 | \$5,495,734                        | \$0                      | -\$9,581,338    | \$2,158,022                      | \$0   | -\$924   | \$35,818,996       |
| 12                | 2023-24     | \$35,847,385                | \$1,541,985 | \$8,297,495                        | \$0                      | -\$12,022,966   | \$2,152,528                      | \$0   | -\$1,005                                       | \$35,815,421       |
| 13                | 2024-25     | \$35,336,121                | \$1,843,933 | \$8,293,163                        | \$0                      | -\$11,809,339   | \$2,121,828                      | \$0   | -\$989   | \$35,784,737       |
| 14                | 2025-26     | \$35,248,786                | \$1,843,933 | \$8,017,544                        | \$0                      | -\$11,446,365   | \$2,116,584                      | \$0   | -\$976   | \$35,779,507       |
| 15                | 2026-27     | \$35,168,700                | \$1,843,933 | \$8,013,159                        | \$0                      | -\$11,361,893   | \$2,111,775                      | \$0   | -\$971   | \$35,774,702       |

**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     | <del>-\$3,201,160</del>     | \$0       | <del>\$2,545,614</del>             | \$0                      | <del>\$655,546</del>   | <del>-\$192,220</del>            | <del>-\$158</del>                             | <del>\$75</del>                                | <del>-\$192,303</del> |
| 4                 | 2015-16     | <del>-\$3,250,163</del>     | \$0       | <del>\$96,265</del>                | \$0                      | <del>\$3,153,898</del> | <del>-\$195,163</del>            | <del>\$13,199</del>                           | <del>\$159</del>                               | <del>-\$181,805</del> |
| 5                 | 2016-17     | <del>-\$3,299,165</del>     | \$0       | <del>\$96,347</del>                | \$0                      | <del>\$3,202,818</del> | <del>-\$198,105</del>            | <del>\$13,199</del>                           | <del>\$162</del>                               | <del>-\$184,745</del> |
| 6                 | 2017-18     | <del>-\$3,348,168</del>     | \$0       | <del>\$96,428</del>                | \$0                      | <del>\$3,251,739</del> | <del>-\$201,047</del>            | <del>\$13,199</del>                           | <del>\$164</del>                               | <del>-\$187,685</del> |
| 7                 | 2018-19     | <del>-\$3,397,170</del>     | \$0       | <del>\$96,509</del>                | \$0                      | <del>\$3,300,661</del> | <del>-\$203,990</del>            | <del>\$13,199</del>                           | <del>\$167</del>                               | <del>-\$190,625</del> |
| 8                 | 2019-20     | <del>-\$3,446,173</del>     | \$0       | <del>\$96,590</del>                | \$0                      | <del>\$3,349,582</del> | <del>-\$206,932</del>            | <del>\$13,199</del>                           | <del>\$169</del>                               | <del>-\$193,565</del> |
| 9                 | 2020-21     | <del>-\$3,495,175</del>     | \$0       | <del>-\$21,083</del>               | \$0                      | <del>\$3,516,258</del> | <del>-\$209,875</del>            | <del>\$13,842</del>                           | <del>\$175</del>                               | <del>-\$195,857</del> |
| 10                | 2021-22     | <del>-\$3,544,178</del>     | \$0       | <del>-\$37,213</del>               | \$0                      | <del>\$3,581,390</del> | <del>-\$212,817</del>            | <del>\$0</del>                                | <del>\$178</del>                               | <del>-\$212,639</del> |
| 11                | 2022-23     | <del>-\$64,024</del>        | \$0       | <del>-\$2,459,803</del>            | \$0                      | <del>\$2,523,827</del> | <del>-\$3,844</del>              | <del>\$0</del>                                | <del>\$86</del>                                | <del>-\$3,759</del>   |
| 12                | 2023-24     | <del>-\$64,024</del>        | \$0       | <del>\$41,954</del>                | \$0                      | <del>\$22,070</del>    | <del>-\$3,844</del>              | <del>\$0</del>                                | <del>\$2</del>                                 | <del>-\$3,843</del>   |
| 13                | 2024-25     | <del>-\$64,024</del>        | \$0       | <del>\$42,021</del>                | \$0                      | <del>\$22,002</del>    | <del>-\$3,844</del>              | <del>\$0</del>                                | <del>\$2</del>                                 | <del>-\$3,843</del>   |
| 14                | 2025-26     | <del>-\$64,024</del>        | \$0       | <del>\$42,626</del>                | \$0                      | <del>\$21,397</del>    | <del>-\$3,844</del>              | <del>\$0</del>                                | <del>\$2</del>                                 | <del>-\$3,843</del>   |
| 15                | 2026-27     | <del>-\$64,024</del>        | \$0       | <del>\$42,731</del>                | \$0                      | <del>\$21,292</del>    | <del>-\$3,844</del>              | <del>\$0</del>                                | <del>\$2</del>                                 | <del>-\$3,843</del>   |

**Table 5 - Estimated Financial impact of the Lone Star NGL Asset Holdings II, LLC Project Property Value Limitation Request Submitted to BHISD at \$1.06 M&O Tax Rate**

| 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 |
|-------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|----------------------------------|---|--|--------------------------------|----------------------------|
| 2012-13     | \$100,000                | \$100,000                | \$0                      | \$1,060                  | \$1,060                 | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 2013-14     | \$50,100,000             | \$50,100,000             | \$0                      | \$531,110                | \$531,110               | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 2014-15     | <del>\$350,100,000</del> | <del>\$30,000,000</del>  | <del>\$320,100,000</del> | <del>\$3,711,410</del>   | <del>\$318,030</del>    | <del>\$3,393,380</del>           | <del>\$0</del>                              | <del>\$3,393,380</del>                           | <del>-\$192,303</del>          | <del>\$3,201,077</del>     |
| 2015-16     | <del>\$355,100,000</del> | <del>\$30,000,000</del>  | <del>\$325,100,000</del> | <del>\$3,764,415</del>   | <del>\$318,030</del>    | <del>\$3,446,385</del>           | <del>\$30,440</del>                         | <del>\$3,476,825</del>                           | <del>-\$181,805</del>          | <del>\$3,295,020</del>     |
| 2016-17     | <del>\$360,100,000</del> | <del>\$30,000,000</del>  | <del>\$330,100,000</del> | <del>\$3,817,420</del>   | <del>\$318,030</del>    | <del>\$3,499,390</del>           | <del>\$30,440</del>                         | <del>\$3,529,830</del>                           | <del>-\$184,745</del>          | <del>\$3,345,085</del>     |
| 2017-18     | <del>\$365,100,000</del> | <del>\$30,000,000</del>  | <del>\$335,100,000</del> | <del>\$3,870,425</del>   | <del>\$318,030</del>    | <del>\$3,552,395</del>           | <del>\$30,440</del>                         | <del>\$3,582,835</del>                           | <del>-\$187,685</del>          | <del>\$3,395,150</del>     |
| 2018-19     | <del>\$370,100,000</del> | <del>\$30,000,000</del>  | <del>\$340,100,000</del> | <del>\$3,923,430</del>   | <del>\$318,030</del>    | <del>\$3,605,400</del>           | <del>\$30,440</del>                         | <del>\$3,635,840</del>                           | <del>-\$190,625</del>          | <del>\$3,445,215</del>     |
| 2019-20     | <del>\$375,100,000</del> | <del>\$30,000,000</del>  | <del>\$345,100,000</del> | <del>\$3,976,435</del>   | <del>\$318,030</del>    | <del>\$3,658,405</del>           | <del>\$30,440</del>                         | <del>\$3,688,845</del>                           | <del>-\$193,565</del>          | <del>\$3,495,280</del>     |
| 2020-21     | <del>\$380,100,000</del> | <del>\$30,000,000</del>  | <del>\$350,100,000</del> | <del>\$4,029,440</del>   | <del>\$318,030</del>    | <del>\$3,711,410</del>           | <del>\$30,440</del>                         | <del>\$3,741,850</del>                           | <del>-\$195,857</del>          | <del>\$3,545,993</del>     |
| 2021-22     | <del>\$385,100,000</del> | <del>\$30,000,000</del>  | <del>\$355,100,000</del> | <del>\$4,082,445</del>   | <del>\$318,030</del>    | <del>\$3,764,415</del>           | <del>\$30,440</del>                         | <del>\$3,794,855</del>                           | <del>-\$212,639</del>          | <del>\$3,582,216</del>     |
| 2022-23     | <del>\$390,100,000</del> | <del>\$390,100,000</del> | \$0                      | <del>\$4,135,450</del>   | <del>\$4,135,450</del>  | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 2023-24     | <del>\$395,100,000</del> | <del>\$395,100,000</del> | \$0                      | <del>\$4,188,455</del>   | <del>\$4,188,455</del>  | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 2024-25     | <del>\$400,100,000</del> | <del>\$400,100,000</del> | \$0                      | <del>\$4,241,460</del>   | <del>\$4,241,460</del>  | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 2025-26     | <del>\$405,100,000</del> | <del>\$405,100,000</del> | \$0                      | <del>\$4,294,465</del>   | <del>\$4,294,465</del>  | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
| 2026-27     | <del>\$410,100,000</del> | <del>\$410,100,000</del> | \$0                      | <del>\$4,347,470</del>   | <del>\$4,347,470</del>  | \$0                              | \$0   | \$0  | \$0                            | \$0                        |
|             |                          |                          | <b>Totals</b>            | <b>\$52,914,892</b>      | <b>\$24,283,711</b>     | <b>\$28,631,181</b>              | <b>\$213,080</b>                            | <b>\$28,844,261</b>                              | <b>-\$1,539,222</b>            | <b>\$27,305,039</b>        |
|             |                          |                          |                          |                          |                         |                                  | <b>Year 1</b>                               | <b>Year 2</b>                                    | <b>Max Credits</b>             |                            |
|             |                          |                          |                          |                          |                         |                                  | \$0   | \$213,080  | \$213,080                      |                            |
|             |                          |                          |                          |                          |                         | Credits Earned                   |   |  | \$213,080                      |                            |
|             |                          |                          |                          |                          |                         | Credits Paid                     |   |  | <u>\$213,080</u>               |                            |
|             |                          |                          |                          |                          |                         | Excess Credits Unpaid            |   |  | \$0                            |                            |

# Attachment 3

## Chambers County

### Population

Total county population in 2010 for Chambers County: 32,332, up 2.5 percent from 2009. State population increased 1.8 percent in the same time period. Chambers County was the state's 91th largest county in population in 2010 and the 25th fastest growing county from 2009 to 2010. Chambers County's population in 2009 was 68.9 percent Anglo (above the state average of 46.7 percent), 10.5 percent African-American (below the state average of 11.3 percent) and 18.4 percent Hispanic (below the state average of 36.9 percent).

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

|                      |       |                           |       |
|----------------------|-------|---------------------------|-------|
| <b>Mont Belvieu:</b> | 2,913 | <b>Anahuac:</b>           | 2,081 |
| <b>Beach City:</b>   | 2,058 | <b>Old River-Winfree:</b> | 1,812 |
| <b>Cove:</b>         | 307   |                           |       |

### Economy and Income

#### *Employment*

August 2011 total employment in Chambers County: 14,368, up 1.7 percent from August 2010. State total employment increased 0.6 percent during the same period.

August 2011 Chambers County unemployment rate: 10.1 percent, up from 9.7 percent in August 2010. The statewide unemployment rate for August 2011 was 8.5 percent, up from 8.2 percent in August 2010.

August 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*

Chambers County's ranking in per capita personal income in 2009: 13th with an average per capita income of \$45,257, down 1.5 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 Chambers County averaged \$22.26 million annually from 2007 to 2010. County total agricultural values in 2010 were up 44.2 percent from 2009. Major agriculture related commodities in Chambers County during 2010 included:

|             |      |         |     |            |
|-------------|------|---------|-----|------------|
| Aquaculture | Rice | Hunting | Hay | Other Beef |
|-------------|------|---------|-----|------------|

2010 oil and gas production in Chambers County: 893,453.0 barrels of oil and 8.9 million Mcf of gas. In February 2011, there were 181 producing oil wells and 76 producing gas wells.

### Taxes

#### *Sales Tax - Taxable Sales*

*Quarterly (September 2010 through December 2010)*

Taxable sales in Chambers County during the fourth quarter 2010: \$53.17 million, up 18.5 percent from the same quarter in 2009.

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

|                           |   |
|---------------------------|---|
| <b>Mont Belvieu:</b>      | \$21.65 million, up 88.2 percent from the same quarter in 2009. |
| <b>Anahuac:</b>           | \$2.21 million, up 1.5 percent from the same quarter in 2009.   |
| <b>Old River-Winfree:</b> | \$0.00  |
| <b>Cove:</b>              | \$1.05 million, up 24.0 percent from the same quarter in 2009.  |

*Annual (2010)*

Taxable sales in Chambers County during 2010: \$192.70 million, down 1.9 percent from 2009.

Chambers County sent an estimated \$12.04 million (or 0.07 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010. Taxable sales during 2010 in the city of:

|                           |   |
|---------------------------|---|
| <b>Mont Belvieu:</b>      | \$64.92 million, up 14.8 percent from 2009. |
| <b>Anahuac:</b>           | \$8.73 million, down 5.0 percent from 2009. |
| <b>Old River-Winfree:</b> | \$0.00                                      |
| <b>Cove:</b>              | \$3.77 million, up 5.7 percent from 2009.   |

#### *Sales Tax - Local Sales Tax Allocations*

*Monthly*

Statewide payments based on the sales activity month of July 2011: \$483.96 million, up 10.0 percent from July 2010.

Payments to all cities in Chambers County based on the sales activity month of July 2011: \$240,575.59, up 53.5 percent from July 2010. Payment based on the sales activity month of July 2011 to the city of:

|                            |   |
|----------------------------|---|
| <b>Mont Belvieu:</b>       | \$226,952.78, up 55.1 percent from July 2010. |
| <b>Anahuac:</b>            | \$4,378.77, down 31.8 percent from July 2010. |
| <b>Old River-Winfree*:</b> | \$5,453.28, up 337.2 percent from July 2010.  |
| <b>Cove:</b>               | \$3,790.76, up 35.8 percent from July 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 Chambers County based on sales activity months in 2010: \$2.33 million, up 8.0 percent from 2009. Payment based on sales activity months in 2010 to the city of:

|                            |  |
|----------------------------|--|
| <b>Mont Belvieu:</b>       | \$2.17 million, up 11.7 percent from 2009. |
| <b>Anahuac:</b>            | \$92,526.01, down 38.1 percent from 2009.  |
| <b>Old River-Winfree*:</b> | \$25,685.64, up 20.4 percent from 2009.    |
| <b>Cove:</b>               | \$41,933.79, down 3.1 percent from 2009.   |

\*On 10/1/2010, the city of Old River-Winfree's local sales tax rate increased by 0.00 from 1.500 percent to 1.500 percent.

### **Property Tax**

As of January 2009, property values in Chambers County: \$6.94 billion, down 6.3 percent from January 2008 values. The property tax base per person in Chambers County is \$220,680, above the statewide average of \$85,809. About 2.0 percent of the property tax base is derived from oil, gas and minerals.

### **State Expenditures**

Chambers County's ranking in state expenditures by county in fiscal year 2010: 87th. State expenditures in the county for FY2010: \$129.70 million, up 0.2 percent from FY2009.

In Chambers County, 8 state agencies provide a total of 45 jobs and \$1.83 million in annualized wages (as of 4th quarter 2010).

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

- Department of Transportation
- Department of Public Safety
- Parks & Wildlife Department
- AgriLife Extension Service
- Health & Human Services Commission

### **Higher Education**

Community colleges in Chambers County fall 2010 enrollment:

None.

Chambers County is in the service area of the following:

- Galveston College with a fall 2010 enrollment of 2,318 . Counties in the service area include:  
Chambers County  
Galveston County  
Jefferson County

Lee College with a fall 2010 enrollment of 6,719 . Counties in the service area include:

- Chambers County
- Hardin County
- Harris County
- Liberty County

San Jacinto Community College with a fall 2010 enrollment of 32,105. Counties in the service area include:

- Chambers County
- Harris County

Institutions of higher education in Chambers County fall 2010 enrollment:

None.

### **School Districts**

Chambers County had 3 school districts with 17 schools and 6,678 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.)

Anahuac ISD had 1,286 students in the 2009-10 school year. The average teacher salary was \$44,844. The percentage of students meeting the 2010 TAKS passing standard for all tests was 82 percent.

Barbers Hill ISD had 4,096 students in the 2009-10 school year. The average teacher salary was \$55,305. The percentage of students meeting the 2010 TAKS passing standard for all tests was 90 percent.

East Chambers ISD had 1,296 students in the 2009-10 school year. The average teacher salary was \$45,678. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.