

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

Bob Wells
Superintendent
EDNA Independent School District
P. O. Box 919
Edna, Texas 77957

Dear Superintendent Wells:

On Oct. 19, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Edna Independent School District (Edna ISD) by DCP Midstream, LP (DCP Midstream) on Aug. 29, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding DCP Midstream'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, Edna ISD is currently classified as a rural school district in Category 3. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$100,000,000) is consistent with the proposed appraised value limitation sought (\$10 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

DCP Midstream is proposing the construction of a manufacturing facility in Jackson County. DCP Midstream 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 DCP Midstream, the Comptroller's recommendation is that DCP Midstream'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. Bob Wells
November 18, 2011
Page Two

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

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution;

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

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at 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	DCP Midstream, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Edna ISD
2009-10 Enrollment in School District	1,459
County	Jackson
Total Investment in District	\$300,000,000
Qualified Investment	\$100,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	10
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,019
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$882
Minimum Annual Wage committed to by applicant for qualified jobs	\$53,000
Investment per Qualifying Job	\$30,000,000
Estimated 15 year M&O levy without any limit or credit:	\$22,434,233
Estimated gross 15 year M&O tax benefit	\$13,055,788
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):	\$12,876,712
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$1,047,206
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$9,557,521
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	57.4%
Percentage of tax benefit due to the limitation	92.0%
Percentage of tax benefit due to the credit.	8.0%

This presents the Comptroller's economic impact evaluation of DCP Midstream (the project) applying to Edna 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 ten new jobs when fully operational. All ten jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Golden Crescent Regional Planning Commission Region, where Jackson County is located was \$41,738 in 2010. The annual average manufacturing wage for 2010 for Jackson County is \$43,901. That same year, the county annual average wage for all industries was \$35,737. In addition to a salary of \$53,000, each qualifying position will receive benefits such as medical, dental and vision plans. DCP also offers 401(k) and retirement plans, life insurance, short and long term disability insurance, education assistance, scholarship program, holidays an vacation, a wellness program, matching gifts, and a short term incentive plan. The project's total investment is \$300 million, resulting in a relative level of investment per qualifying job of \$30 million.

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

According to DCP Midstream's application, "DCP Midstream is the largest producer of natural gas liquids in North America and has significant pipeline infrastructure throughout Texas. This infrastructure provides DCP Midstream with the flexibility and opportunity to invest in a variety of regions in Texas and its neighboring states. Currently, DCP Midstream owns and operates 61 gas processing plants in 18 states. Capital investment is granted to projects that generate the best economic return for DCP Midstream. Currently, several projects in Louisiana, New Mexico and Colorado are competing with Texas projects for company investment."

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

During the past two years, two projects in the Golden Crescent Regional Planning Commission Region applied for value limitation agreements under Tax Code, Chapter 313.

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

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the DCP Midstream 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 DCP Midstream's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 15 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in DCP Midstream

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	18	15	33	\$911,250	\$1,088,750	\$2,000,000
2013	115	126	241	\$5,981,250	\$8,018,750	\$14,000,000
2014	10	38	48	\$530,000	\$3,470,000	\$4,000,000
2015	10	39	49	\$530,000	\$3,470,000	\$4,000,000
2016	10	42	52	\$530,000	\$4,470,000	\$5,000,000
2017	10	44	54	\$530,000	\$4,470,000	\$5,000,000
2018	10	47	57	\$530,000	\$4,470,000	\$5,000,000
2019	10	53	63	\$530,000	\$5,470,000	\$6,000,000
2020	10	52	62	\$530,000	\$5,470,000	\$6,000,000
2021	10	55	65	\$530,000	\$6,470,000	\$7,000,000
2022	10	53	63	\$530,000	\$6,470,000	\$7,000,000
2023	10	51	61	\$530,000	\$6,470,000	\$7,000,000
2024	10	46	56	\$530,000	\$5,470,000	\$6,000,000
2025	10	45	55	\$530,000	\$6,470,000	\$7,000,000
2026	10	46	56	\$530,000	\$6,470,000	\$7,000,000

Source: CPA, REMI, DCP Midstream

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Edna ISD's ad valorem tax base in 2010 was \$444.2 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Edna ISD's estimated wealth per WADA was \$225,448. 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, Jackson County, Jackson County Hospital District, and Jackson County Flood Control District, with all property tax incentives sought being granted using estimated market value from DCP Midstream's application. DCP Midstream has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county, hospital district, and flood control district. Table 3 illustrates the estimated tax impact of the DCP Midstream project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Edna ISD I&S Levy	Edna ISD M&O Levy	Edna ISD M&O and I&S Tax Levies (Before Credit Credited)	Edna ISD M&O and I&S Tax Levies (After Credit Credited)	Jackson County	Jackson County Hospital District	Jackson County Flood Control District	Estimated Total Property Taxes
			0.3382	1.0400				0.5576	0.1887	0.0896	
2013	\$50,671,424	\$50,671,424		\$171,371	\$526,983	\$698,354	\$698,354	\$84,763	\$28,685	\$13,620	\$783,117
2014	\$70,021,424	\$70,021,424		\$236,812	\$728,223	\$965,035	\$965,035	\$117,132	\$39,639	\$18,822	\$1,082,167
2015	\$68,121,424	\$10,000,000		\$230,387	\$104,000	\$334,387	\$334,387	\$113,954	\$38,564	\$18,311	\$448,340
2016	\$113,721,424	\$10,000,000		\$384,606	\$104,000	\$488,606	\$339,005	\$190,233	\$64,378	\$30,568	\$529,238
2017	\$133,671,424	\$10,000,000		\$452,077	\$104,000	\$556,077	\$406,476	\$223,606	\$75,671	\$35,931	\$630,082
2018	\$177,371,424	\$10,000,000		\$599,870	\$104,000	\$703,870	\$554,269	\$296,707	\$100,410	\$47,677	\$850,976
2019	\$194,471,424	\$10,000,000		\$657,702	\$104,000	\$761,702	\$612,102	\$325,312	\$110,090	\$52,274	\$937,413
2020	\$188,771,424	\$10,000,000		\$638,425	\$104,000	\$742,425	\$592,824	\$315,777	\$106,864	\$50,742	\$908,601
2021	\$183,071,424	\$10,000,000		\$619,148	\$104,000	\$723,148	\$573,547	\$306,242	\$103,637	\$49,210	\$879,789
2022	\$175,471,424	\$10,000,000		\$593,444	\$104,000	\$697,444	\$547,844	\$293,529	\$99,334	\$47,167	\$841,372
2023	\$170,227,424	\$170,227,424		\$575,709	\$1,770,365	\$2,346,074	\$2,346,074	\$949,188	\$321,219	\$152,224	\$3,295,262
2024	\$165,140,744	\$165,140,744		\$558,506	\$1,717,464	\$2,275,970	\$2,275,970	\$920,825	\$311,621	\$147,966	\$3,196,795
2025	\$160,206,664	\$160,206,664		\$541,819	\$1,666,149	\$2,207,968	\$2,207,968	\$893,312	\$302,310	\$143,545	\$3,101,281
2026	\$155,420,607	\$155,420,607		\$525,632	\$1,616,374	\$2,142,007	\$2,142,007	\$866,625	\$293,279	\$139,257	\$3,008,632
2027	\$150,778,132	\$150,778,132		\$509,932	\$1,568,093	\$2,078,024	\$2,078,024	\$840,739	\$284,518	\$135,097	\$2,918,763
						Total	\$16,673,885	\$6,737,943	\$2,280,218	\$1,082,711	\$23,411,828

Assumes School Value Limitation and Tax Abatement with the County, Hospital District, and Flood Control District.

Source: CPA, DCP Midstream
¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Edna ISD I&S Levy	Edna ISD M&O Levy	Edna ISD M&O and I&S Tax Levies	Jackson County	Jackson County Hospital District	Jackson County Flood Control District	Estimated Total Property Taxes	
			0.3382	1.0400			0.5576	0.1887	0.0896		
2013	\$50,671,424	\$50,671,424		\$171,371	\$526,983	\$698,354	\$282,544	\$95,617	\$45,402	\$980,897	
2014	\$70,021,424	\$70,021,424		\$236,812	\$728,223	\$965,035	\$390,439	\$132,130	\$62,739	\$1,355,475	
2015	\$68,121,424	\$68,121,424		\$230,387	\$708,463	\$938,849	\$379,845	\$128,545	\$61,037	\$1,318,695	
2016	\$113,721,424	\$113,721,424		\$384,606	\$1,182,703	\$1,567,309	\$634,111	\$214,592	\$101,894	\$2,201,419	
2017	\$133,671,424	\$133,671,424		\$452,077	\$1,390,183	\$1,842,260	\$745,352	\$252,238	\$119,770	\$2,587,611	
2018	\$177,371,424	\$177,371,424		\$599,870	\$1,844,663	\$2,444,533	\$989,023	\$334,700	\$158,925	\$3,433,556	
2019	\$194,471,424	\$194,471,424		\$657,702	\$2,022,503	\$2,680,205	\$1,084,373	\$366,968	\$174,246	\$3,764,578	
2020	\$188,771,424	\$188,771,424		\$638,425	\$1,963,223	\$2,601,648	\$1,052,589	\$356,212	\$169,139	\$3,654,237	
2021	\$183,071,424	\$183,071,424		\$619,148	\$1,903,943	\$2,523,090	\$1,020,806	\$345,456	\$164,032	\$3,543,897	
2022	\$175,471,424	\$175,471,424		\$593,444	\$1,824,903	\$2,418,347	\$978,429	\$331,115	\$157,222	\$3,396,776	
2023	\$170,227,424	\$170,227,424		\$575,709	\$1,770,365	\$2,346,074	\$949,188	\$321,219	\$152,524	\$3,295,262	
2024	\$165,140,744	\$165,140,744		\$558,506	\$1,717,464	\$2,275,970	\$920,825	\$311,621	\$147,966	\$3,196,795	
2025	\$160,206,664	\$160,206,664		\$541,819	\$1,666,149	\$2,207,968	\$893,312	\$302,310	\$143,545	\$3,101,281	
2026	\$155,420,607	\$155,420,607		\$525,632	\$1,616,374	\$2,142,007	\$866,625	\$293,279	\$139,257	\$3,008,632	
2027	\$150,778,132	\$150,778,132		\$509,932	\$1,568,093	\$2,078,024	\$840,739	\$284,518	\$135,097	\$2,918,763	
						Total	\$29,729,673	\$12,028,200	\$4,070,519	\$1,932,795	\$41,757,874

Source: CPA, DCP Midstream
¹Tax 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 \$22,434,233. The estimated gross 15 year M&O tax benefit, or levy loss, is \$13,055,788.

Attachment 3 is an economic overview of Jackson County.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachments

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

Attachment 1

Schedule A (Rev. May 2010): Investment

Applicant Name: DCP Midstream LP
 I.D. Name: Edna ISD

Form 80-296

PROPERTY INVESTMENT AMOUNTS										
(Estimated investment in each year. Do not put cumulative totals.)										
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Year	School Year (YYYY-YYYY)	Tax Year (FY in actual tax year below) YYYY	Column A: Tangible Personal Property		Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying Investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)	
				The amount of new investment (original cost) placed in service during this year	The amount of investment in new buildings or nonremovable components of buildings					
Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2011	2011-2012	2011	\$ 20,000,000			\$ 20,000,000	
			2012	2012-2013	2012	\$ 80,000,000			\$ 80,000,000	
			2013	2013-2014	2013					
			2014	2014-2015	2014					
			2015	2015-2016	2015	\$ 100,000,000				\$ 100,000,000
			2016	2016-2017	2016					
			2017	2017-2018	2017	\$ 100,000,000				\$ 100,000,000
			2018	2018-2019	2018					
			2019	2019-2020	2019					
			2020	2020-2021	2020					
			2021	2021-2022	2021					
			2022	2022-2023	2022					
			2023	2023-2024	2023					
			2024	2024-2025	2024					
			2025	2025-2026	2025					
2026	2026-2027	2026								
2027	2027-2028	2027								
Tax Credit Period (with 60% cap on credit)	Value Limitation Period									
Credit Settle-Up Period	Continue to Maintain Viable Presence									
	Post- Settle-Up Period									
	Post- Settle-Up Period									

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

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

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

Column D: 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 examples 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: 9-30-11

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

Form 50-296

Applicant Name DCP Midstream LP
 ISD Name Edna ISD

Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Estimated Market Value of Land	Qualified Property		Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O--after all reductions
				Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"			
pre-year 1	2012-2013	2012	671,424				671,424	671,424
1	2013-2014	2013	671,424		50,000,000		50,671,424	50,671,424
2	2014-2015	2014	671,424		73,000,000	3,650,000	70,021,424	70,021,424
3	2015-2016	2015	671,424		71,000,000	3,550,000	68,121,424	10,000,000
4	2016-2017	2016	671,424		119,000,000	5,950,000	113,721,424	10,000,000
5	2017-2018	2017	671,424		140,000,000	7,000,000	133,671,424	10,000,000
6	2018-2019	2018	671,424		186,000,000	9,300,000	177,371,424	10,000,000
7	2019-2020	2019	671,424		204,000,000	10,200,000	194,471,424	10,000,000
8	2020-2021	2020	671,424		198,000,000	9,900,000	188,771,424	10,000,000
9	2021-2022	2021	671,424		192,000,000	9,600,000	183,071,424	10,000,000
10	2022-2023	2022	671,424		184,000,000	9,200,000	175,471,424	10,000,000
11	2023-2024	2023	671,424		178,480,000	8,924,000	170,227,424	170,227,424
12	2024-2025	2024	671,424		173,125,600	8,656,280	165,140,744	165,140,744
13	2025-2026	2025	671,424		167,931,832	8,396,592	160,206,664	160,206,664
14	2026-2027	2026	671,424		162,893,877	8,144,694	155,420,607	155,420,607
15	2027-2028	2027	671,424		158,007,061	7,900,353	150,778,132	150,778,132

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.

K. West
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

9-30-11

DATE

Schedule C- Application: Employment Information

Applicant Name DCP Midstream LP
 ISD Name Edna ISD

Form 50-298

	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	2012-2013	2012	36,450 hrs	\$25/hr					
	1	2013-2014	2013	218,050 hrs	\$25/hr	10	\$ 53,000	10	\$ 53,000	
	2	2014-2015	2014			10	\$ 53,000	10	\$ 53,000	
	3	2015-2016	2015			10	\$ 53,000	10	\$ 53,000	
	4	2016-2017	2016			10	\$ 53,000	10	\$ 53,000	
	5	2017-2018	2017			10	\$ 53,000	10	\$ 53,000	
	6	2018-2019	2018			10	\$ 53,000	10	\$ 53,000	
	7	2019-2020	2019			10	\$ 53,000	10	\$ 53,000	
	8	2020-2021	2020			10	\$ 53,000	10	\$ 53,000	
	9	2021-2022	2021			10	\$ 53,000	10	\$ 53,000	
	10	2022-2023	2022			10	\$ 53,000	10	\$ 53,000	
	11	2023-2024	2023			10	\$ 53,000	10	\$ 53,000	
	12	2024-2025	2024			10	\$ 53,000	10	\$ 53,000	
	13	2025-2026	2025			10	\$ 53,000	10	\$ 53,000	
	14	2026-2027	2026			10	\$ 53,000	10	\$ 53,000	
	15	2027-2028	2027			10	\$ 53,000	10	\$ 53,000	
Tax Credit Period (with 50% cap on credit)										
Credit Settle-Up Period										
Post-Settle-Up Period										
Post-Settle-Up Period										

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

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

R. J. West
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

9-30-11

DATE

Attachment 2

November 16, 2011

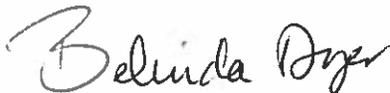
Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed DCP Midstream LP project for the Edna Independent School District (EISD). Projections prepared by our Office of School Finance confirm the analysis that was prepared by Dr. Douglas Karr and provided to us by your division. We believe his assumptions regarding the potential revenue gain are valid, and his estimates of the impact of the DCP Midstream LP project on EISD 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 if you need further information regarding this issue.

Sincerely,



Belinda Dyer
Division Manager
Office of School Finance

BD/bd

November 16, 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 DCP Midstream LP project on the number and size of school facilities in Edna Independent School District (EISD). Based on our analysis of the project and a conversation with the EISD superintendent, Mr. Robert Wells, the TEA has found that the DCP Midstream LP project would not have a significant impact on the number or size of school facilities in EISD.

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 if you need further information regarding this issue.

Sincerely,



Belinda Dyer
Division Manager
Office of School Finance

BD/bd

FINAL REPORT

Summary of the Financial Impact of the Proposed DCP Midstream Gas Plant on the Edna ISD Under a Requested Chapter 313 Property Value Limitation

**Prepared By
Douglas L. Karr, Ed.D.
Contracted Services in School Finance**

October 2, 2011

Introduction

DCP Midstream, LP (DCP) has requested that the Edna ISD (EISD) grant a property value limitation under Chapter 313 of the Texas Tax Code for the construction and operation of a gas plant. An application has been submitted by DCP to EISD and the EISD Board of Trustees approved that application on August 29, 2011. DCP proposes to invest \$100 million initially in this project with two additional \$100 million investments to occur in subsequent years as set forth in the application. This project is consistent with the state's goal for economic development, the expanded intent of House Bill 1200 as passed by the Texas Legislature in 2001, and Chapter 313 of the Texas Tax Code.

Background

In accordance with the application, this project will be fully taxable for both maintenance and operations (M&O) and debt service (I&S) purposes in the first two years (school years 2013-14 and 2014-15) which represent the project's qualifying time period. EISD intends to offer a value limitation for this project of \$10 million effective school year 2015-16 through 2022-23. As a result, the project will impact the local tax roll of the school district at that same amount for M&O taxes only. Taxes for debt service, voter approved projects financed by the sale of bonds, will continue at the full taxable value. I&S taxes for any future projects approved by the voters of the district will also be assessed against the full taxable value. Depreciation will reduce the taxable value of the project over time.

While taxes are collected by the district on the current year county appraisal district (CAD) value, the state funding formulas use the comptroller's property tax division (CPTD) value for the purpose of calculating the district's required local shares within the funding tiers of that formula. The CPTD is a reflection of last year's CAD value; therefore, it lags behind the CAD value in all years. As a result, state and local revenues are generated by two different values in any given year.

With the passage of House Bill 1 in the 2006 special legislative session, the school finance system in Texas moved from one that was formula driven with a maximum M&O tax rate of \$1.50 to one that was, and continues to be, target revenue driven at a maximum tax rate of generally \$1.04, voter approval for a higher tax rate up to \$1.17 notwithstanding. This means that most districts now receive additional state aid for tax reduction (ASATR) to offset the loss in state and local funds at the new maximum \$1.04 M&O tax cap vs. what was previously generated at the \$1.50 maximum M&O tax cap.

With the passage of Senate Bill 1 in the 2011 special legislative session, funding reductions to the school finance system in Texas amounted to \$4 billion for the biennium or \$2 billion each year of the biennium. To accomplish these reductions, schools' regular program allotments are reduced by 7.61 percent in school year 2011-12 while those same calculated allotments are reduced by 2 percent in school year 2012-13 in addition to the ASATR funding also being reduced by 7.65%. The stated goal is for ASATR revenue to be completely eliminated by school year 2017-18. Anticipated legal challenges and future legislative sessions will determine the course of school finance beginning in school year 2013-14 and beyond.

Assumptions

As required of chapter 313 projects, 15 years of data must be assimilated in order to produce revenue projections for that same number of years. The revenue projections for the EISD that accompany this project, therefore, adhere the following general assumptions:

1. The current school funding system and formulas as set forth in Senate Bill 1 were used to project state aid; although, no guarantee exists that this system or these formulas will remain in effect after the 2012-13 school year.
2. This system and its formulas are driven by student data, property values, and tax collections. As a result, certain assumptions were made concerning each of these details.
3. The student counts were held constant across the 15 years.
4. The certified CAD taxable value for school year 2011-12 was used as the base value to which the estimated project values for each year were added. These projected CAD values were then used for the CPTD values in each of the following years based on the lag between these two values as heretofore explained.
5. Tax collections each year were based on the district's 2011-12 adopted M&O rate of \$1.04 and the adopted I&S rate of \$0.3382 and an assumed collection rate of 100 percent each year.

These assumptions allow for the isolation of the effects of the property value limitation on the district's finances. The detail of these assumptions are summarized and depicted in Table I.

School Finance Impact on the District

In accordance with the proposed agreement and under the assumptions heretofore outlined, two models were prepared for comparison purposes in an effort to determine the projected financial impact, if any, to EISD resulting from this agreement.

The first model projects state and local revenue to the district under the agreement. In it, the taxable value of the project each year is added to the district's baseline taxable value including those years in which the value limitation is applicable.

The second model projects state and local revenue to the district without the provisions of the agreement. In this model, no value limitation is applied to the district's base taxable value; instead, the full taxable value of the project when added to the district's base year taxable value is used in place of the value limitation.

A summary of the differences is depicted in separate spreadsheet entitled "Exhibit B." Relatively small losses to the district are noted in years 3-7. Relatively small gains are also noted in years 8-10. The larger gain noted in year 11 is due primarily to the value lag between the CPTD and CAD values and the target revenue effect, both heretofore mentioned. As also mentioned, no attempt was made to forecast further reductions in ASATR funding beyond school year 2012-13. It should be noted, however, that this

source of funding will come under future legislative review as early as the 2013 legislative session. **NOTE:** Because ASATR funding has the effect of offsetting school district revenue losses arising from limitations on the value of a qualified investment, any reduction of ASATR funding after the 2012-13 school year may result in significant increases in the amount of estimated revenue protection payable by the applicant to the district pursuant to the tax limitation agreement.

Impact on the Taxpayer (DCP)

As heretofore mentioned, the property resulting from this project is fully taxable in the first two years under this agreement. In year three, the tax value limitation applies, but only to the M&O taxes collected at the assumed M&O tax rate of \$1.04 per \$100 of taxable value.

Under the assumptions used herein, the potential tax savings resulting from the value limitation total \$12,008,582. In addition, DCP is eligible for a tax credit on taxes paid on value in excess of the value limitation in each of the first two years. The cumulative tax credits are projected to be approximately \$1,000,000; although, the Texas Education Agency (TEA) issues the reminder that these estimates will be recalculated based on current data prior to any issuance of the tax credits. The school district is to be reimbursed by the state for tax credit payments.

A separate spreadsheet entitled “chapter 313 template” illustrates the projected tax credits.

Facilities Funding Impact

The DCP project remains fully taxable for I&S taxes. This stipulation applies not only to the district’s current debt, but also to any future debt the district’s voters may choose to incur.

EISD is currently eligible for existing debt allotment (EDA) facilities assistance from the state. Increasing CPTD values resulting from taxable value added by the project may reduce, if not totally eliminate, future EDA payments. However, the increase in taxable value resulting from the project and the fact that the full value of this project remains fully taxable should offset, if not more than offset, any loss of state facilities assistance.

Summary

While some uncertainty abounds with regard to the future of the state’s public school finance system, the following points appear to currently apply to the DCP project and the EISD:

1. It meets the intent of the economic development initiative for the State of Texas.
2. It substantially enhances the district’s I&S tax base without creating substantial financial loss for the district with regard to M&O earnings over the term of the project.
3. It produces substantial tax incentives and savings for DCP.

Table I - Data Assumptions for DCP & EISD Chapter 313 Project

Year of Agreement	School Year	Tax Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value		CPTD Value		CPTD Value	
							With Limitation	Without Limitation	With Limitation	Without Limitation	With Limitation	Without Limitation
1	2013-14	2013	1291.29	1880.463	\$1.04	\$0.3383	\$418,830,350	\$418,830,350	\$378,158,926	\$378,158,926	\$378,158,926	\$378,158,926
2	2014-15	2014	1291.29	1880.463	\$1.04	\$0.3383	\$438,180,350	\$438,180,350	\$438,180,350	\$438,180,350	\$438,180,350	\$438,180,350
3	2015-16	2015	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$436,280,350	\$378,158,926	\$438,180,350	\$438,180,350	\$438,180,350
4	2016-17	2016	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$481,880,350	\$378,158,926	\$378,158,926	\$378,158,926	\$436,280,350
5	2017-18	2017	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$501,830,350	\$378,158,926	\$378,158,926	\$378,158,926	\$481,880,350
6	2018-19	2018	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$545,530,350	\$378,158,926	\$378,158,926	\$378,158,926	\$501,830,350
7	2019-20	2019	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$562,630,350	\$378,158,926	\$378,158,926	\$378,158,926	\$545,530,350
8	2020-21	2020	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$556,930,350	\$378,158,926	\$378,158,926	\$378,158,926	\$562,630,350
9	2021-22	2021	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$551,230,350	\$378,158,926	\$378,158,926	\$378,158,926	\$556,930,350
10	2022-23	2022	1291.29	1880.463	\$1.04	\$0.3383	\$378,158,926	\$543,630,350	\$378,158,926	\$378,158,926	\$378,158,926	\$551,230,350
11	2023-24	2023	1291.29	1880.463	\$1.04	\$0.3383	\$538,386,350	\$538,386,350	\$538,386,350	\$538,386,350	\$538,386,350	\$543,630,350
12	2024-25	2024	1291.29	1880.463	\$1.04	\$0.3383	\$533,299,670	\$533,299,670	\$533,299,670	\$538,386,350	\$538,386,350	\$538,386,350
13	2025-26	2025	1291.29	1880.463	\$1.04	\$0.3383	\$528,365,590	\$528,365,590	\$528,365,590	\$533,299,670	\$533,299,670	\$533,299,670
14	2026-27	2026	1291.29	1880.463	\$1.04	\$0.3383	\$523,579,533	\$523,579,533	\$523,579,533	\$528,365,590	\$528,365,590	\$528,365,590
15	2027-28	2027	1291.29	1880.463	\$1.04	\$0.3383	\$518,937,058	\$518,937,058	\$518,937,058	\$523,579,533	\$523,579,533	\$523,579,533

Attachment 3

Jackson County

Population

- Total county population in 2010 for Jackson County: 14,305 , unchanged 0.0 percent from 2009. State population increased 1.8 percent in the same time period.
- Jackson County was the state's 140th largest county in population in 2010 and the 194th fastest growing county from 2009 to 2010.
- Jackson County's population in 2009 was 62.2 percent Anglo (above the state average of 46.7 percent), 7.3 percent African-American (below the state average of 11.3 percent) and 29.0 percent Hispanic (below the state average of 36.9 percent).
- 2009 population of the largest cities and places in Jackson County:

Edna:	5,845	Ganado:	1,847
La Ward:	196		

Economy and Income

Employment

- September 2011 total employment in Jackson County: 6,567 , up 1.3 percent from September 2010. State total employment increased 0.9 percent during the same period.
(October 2011 employment data will be available November 18, 2011).
- September 2011 Jackson County unemployment rate: 7.3 percent, up from 7.2 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

(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

- Jackson County's ranking in per capita personal income in 2009: 167th with an average per capita income of \$30,515, down 4.1 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 Jackson County averaged \$75.00 million annually from 2007 to 2010. County total agricultural values in 2010 were up 31.9 percent from 2009. Major agriculture related commodities in Jackson County during 2010 included:
 - Aquaculture - Sorghum - Rice - Corn - Other Beef
- 2011 oil and gas production in Jackson County: 428,479.0 barrels of oil and 7.0 million Mcf of gas. In September 2011, there were 205 producing oil wells and 168 producing gas wells.

Taxes

Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

Quarterly (September 2010 through December 2010)

- Taxable sales in Jackson County during the fourth quarter 2010: \$25.50 million, up 11.9 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Edna:	\$13.90 million, up 13.4 percent from the same quarter in 2009.
Ganado:	\$3.85 million, up 3.4 percent from the same quarter in 2009.
La Ward:	\$188,391.00, down 52.1 percent from the same quarter in 2009.

Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)

- Taxable sales in Jackson County through the fourth quarter of 2010: \$101.01 million, up 7.1 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Edna:	\$53.34 million, up 5.6 percent from the same period in 2009.
Ganado:	\$15.12 million, down 2.4 percent from the same period in 2009.
La Ward:	\$1.15 million, down 42.7 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Jackson County during 2010: \$101.01 million, up 7.1 percent from 2009.
- Jackson County sent an estimated \$6.31 million (or 0.04 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Edna:	\$53.34 million, up 5.6 percent from 2009.
Ganado:	\$15.12 million, down 2.4 percent from 2009.

La Ward: \$1.15 million, down 42.7 percent from 2009.

Sales Tax – Local Sales Tax Allocations

(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Jackson County based on the sales activity month of August 2011: \$121,931.34, up 9.5 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Edna:	\$91,794.94, up 5.5 percent from August 2010.
Ganado:	\$29,671.82, up 23.5 percent from August 2010.
La Ward:	\$464.58, up 92.6 percent from August 2010.

Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Jackson County based on sales activity months from September 2010 through August 2011: \$1.28 million, up 5.9 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Edna:	\$977,356.15, up 4.4 percent from fiscal 2010.
Ganado:	\$295,874.66, up 9.9 percent from fiscal 2010.
La Ward:	\$9,099.94, up 82.0 percent from fiscal 2010.

January 2011 through August 2011 (Sales Activity Year-To-Date)

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Jackson County based on sales activity months through August 2011: \$842,504.37, up 4.2 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Edna:	\$632,047.94, up 0.6 percent from the same period in 2010.
Ganado:	\$203,176.73, up 14.7 percent from the same period in 2010.
La Ward:	\$7,279.70, up 126.2 percent from the same period in 2010.

12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Jackson County based on sales activity in the 12 months ending in August 2011: \$1.28 million, up 5.9 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Edna:	\$977,356.15, up 4.4 percent from the previous 12-month period.
Ganado:	\$295,874.66, up 9.9 percent from the previous 12-month period.
La Ward:	\$9,099.94, up 82.0 percent from the previous 12-month period.

■ **City Calendar Year-To-Date (RJ 2011)**

- Payment to the cities from January 2011 through October 2011:

Edna:	\$812,250.74, up 4.3 percent from the same period in 2010.
Ganado:	\$246,884.53, up 9.4 percent from the same period in 2010.
La Ward:	\$8,067.44, up 100.6 percent from the same period in 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 Jackson County based on sales activity months in 2010: \$1.25 million, up 1.8 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Edna:	\$973,374.36, up 3.7 percent from 2009.
Ganado:	\$269,900.45, down 4.2 percent from 2009.
La Ward:	\$5,038.60, down 17.7 percent from 2009.

Property Tax

- As of January 2009, property values in Jackson County: \$1.93 billion, down 1.0 percent from January 2008 values. The property tax base per person in Jackson County is \$135,036, above the statewide average of \$85,809. About 14.2 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Jackson County's ranking in state expenditures by county in fiscal year 2010: 158th. State expenditures in the county for FY2010: \$43.13 million, up 0.1 percent from FY2009.
- In Jackson County, 6 state agencies provide a total of 39 jobs and \$383,454.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
 - Department of Transportation
 - Department of Public Safety
 - AgriLife Extension Service
 - Parks & Wildlife Department
 - Health & Human Services Commission

Higher Education

- Community colleges in Jackson County fall 2010 enrollment:
 - None.
- Jackson County is in the service area of the following:
 - Victoria College with a fall 2010 enrollment of 4,290 . Counties in the service area include:
 - Calhoun County
 - DeWitt County
 - Gonzales County
 - Jackson County
 - Lavaca County
 - Refugio County
 - Victoria County
 - Wharton County Junior College with a fall 2010 enrollment of 6,922 . Counties in the service area include:
 - Austin County
 - Colorado County
 - Fort Bend County
 - Jackson County
 - Matagorda County
 - Wharton County
- Institutions of higher education in Jackson County fall 2010 enrollment:
 - None.

School Districts

- Jackson County had 3 school districts with 10 schools and 3,208 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.)
 - Edna ISD had 1,459 students in the 2009-10 school year. The average teacher salary was \$43,332. The percentage of students meeting the 2010 TAKS passing standard for all tests was 74 percent.
 - Ganado ISD had 649 students in the 2009-10 school year. The average teacher salary was \$43,098. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
 - Industrial ISD had 1,100 students in the 2009-10 school year. The average teacher salary was \$44,908. The percentage of students meeting the 2010 TAKS passing standard for all tests was 92 percent.