

S U S A N  
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



August 31, 2012

Thomas Brad Lane  
Superintendent  
Kenedy Independent School District  
401 FM 719  
Kenedy, Texas 78119

Dear Superintendent Lane:

On June 27, 2012, the Comptroller received the completed application for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted on June 18, 2012 to the Kenedy Independent School District (Kenedy ISD) by ETC Texas Pipeline, LTD. This letter presents the results of the comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

Kenedy ISD is currently classified as a rural school district in Category 3 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$176.4 million) 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. ETC Texas Pipeline, LTD is proposing the construction of a manufacturing facility in Karnes County. ETC Texas Pipeline, LTD is an active franchise taxpayer in good standing, as required by Tax Code Section 313.024(a).

As required by Section 313.024(h), the Comptroller has determined that the property, as described by the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by ETC Texas Pipeline, LTD, the Comptroller's recommendation is that ETC Texas Pipeline, LTD's application under Tax Code Chapter 313 be approved.

Our review of the application 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. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. The school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, 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

<sup>1</sup> All statutory references are to the Texas Tax Code, unless otherwise noted.

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.

Note that any new building or other improvement existing as of the application review start date of June 27, 2012, or any tangible personal property placed in service prior to that date may not be considered "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application that has been submitted and reviewed by the Comptroller. The recommendation may not be used by the ISD to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

1. The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
2. The limitation agreement must contain a provision that requires the applicant to provide sufficient information to the Central Appraisal District to distinguish between and separately appraise qualified property (as defined by 313.021(2)) from any property that is not qualified, the district to confirm with the CAD that the applicant has provided such information, and that this office is provided with the CAD approved information not later than the first annual reporting period following the execution of the agreement.
3. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
4. The district must approve and execute a limitation agreement that has been reviewed by this office within a year from the date of this letter; and
5. Section 313.025 requires the district to provide to the Comptroller a copy of the signed limitation agreement within 7 days after execution.

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	ETC Texas Pipeline, LTD
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Kenedy
2010-11 Enrollment in School District	663
County	Karnes
Total Investment in District	\$199,870,000
Qualified Investment	\$176,400,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	15
Number of qualifying jobs committed to by applicant	12
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,058
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$761
Minimum Annual Wage committed to by applicant for qualified jobs	\$55,000
Investment per Qualifying Job	\$16,655,833
Estimated 15 year M&O levy without any limit or credit:	\$23,079,188
Estimated gross 15 year M&O tax benefit	\$14,962,498
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):	\$13,892,563
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$1,987,236
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$9,186,625
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	60.2%
Percentage of tax benefit due to the limitation	86.7%
Percentage of tax benefit due to the credit.	13.3%

This presents the Comptroller's economic impact evaluation of ETC Texas Pipeline, LTD (the project) applying to Kenedy 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 15 new jobs when fully operational. Twelve 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 Alamo Area Council of Governments Region, where Karnes County is located was \$35,952 in 2010. The annual average manufacturing wage for 2011 for Karnes County is \$54,236. That same year, the county annual average wage for all industries was \$33,592. In addition to a salary of \$55,000, each qualifying position will receive the following benefits: 401(k) plan; medical; dental, vision; Rx Plan; flex spending account; life and AD&D insurance; paid vacation, sick and holidays; wellness programs; employee assistance programs; and extended sick leave. The project's total investment is \$199.9 million, resulting in a relative level of investment per qualifying job of \$16.7 million.

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

According to ETC Texas Pipeline, LTD's application, "Energy Transfer is a leading midstream energy company whose primary activities include gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas processing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations included Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation."

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

During the past two years, two projects in the Alamo Area Council of Governments 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 ETC Texas Pipeline, LTD 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 I depicts ETC Texas Pipeline, LTD'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. (REM). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in ETC Texas Pipeline, LTD**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	140	133	273	\$8,400,000	\$7,600,000	\$16,000,000
2013	80	108	188	\$4,710,000	\$7,290,000	\$12,000,000
2014	155	191	346	\$9,165,000	\$13,835,000	\$23,000,000
2015	15	68	83	\$765,000	\$7,235,000	\$8,000,000
2016	15	73	88	\$765,000	\$8,235,000	\$9,000,000
2017	15	72	87	\$765,000	\$8,235,000	\$9,000,000
2018	15	74	89	\$765,000	\$8,235,000	\$9,000,000
2019	15	75	90	\$765,000	\$9,235,000	\$10,000,000
2020	15	77	92	\$765,000	\$9,235,000	\$10,000,000
2021	15	83	98	\$765,000	\$9,235,000	\$10,000,000
2022	15	84	99	\$765,000	\$10,235,000	\$11,000,000
2023	15	85	100	\$765,000	\$10,235,000	\$11,000,000
2024	15	79	94	\$765,000	\$10,235,000	\$11,000,000
2025	15	77	92	\$765,000	\$10,235,000	\$11,000,000
2026	15	77	92	\$765,000	\$11,235,000	\$12,000,000
2027	15	79	94	\$765,000	\$11,235,000	\$12,000,000

Source: CPA, REMI, ETC Texas Pipeline, LTD

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Kenedy ISD's ad valorem tax base in 2010 was \$147 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Kenedy ISD's estimated wealth per WADA was \$140,144. 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, Karnes County, Karnes County Wide Hospital District, Karnes County Wide Rural Fire District, Evergreen UWCD, Karnes County Wide Road & Bridge District, and San Antonio River Authority, with all property tax incentives sought being granted using estimated market value from ETC Texas Pipeline, LTD's application. ETC Texas Pipeline, LTD has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and hospital district. Table 3 illustrates the estimated tax impact of the ETC Texas Pipeline, LTD 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>	Kenedy ISD I&S Levy	Kenedy ISD M&O Levy	Kenedy ISD M&O and I&S Tax Levies (Before Credit Credited)	Kenedy ISD M&O and I&S Tax Levies (After Credit Credited)	Karnes County Tax Levy	Karnes County Wide Hospital District Tax Levy	Karnes County Wide Rural Fire District Tax Levy	Evergreen UWCD Tax Levy	Karnes County Wide Road & Bridge District Tax Levy	San Antonio River Authority Tax Levy	Estimated Total Property Taxes
				0.0709	1.0400			0.4269	0.1872	0.0295	0.0119	0.0523	0.0167	
2013	\$89,790,185	\$89,790,185		\$63,661	\$933,818	\$997,479	\$997,479	\$38,331	\$16,809	\$26,488	\$10,685	\$46,960	\$14,950	\$1,151,703
2014	\$121,290,185	\$121,290,185		\$85,995	\$1,261,418	\$1,347,413	\$1,347,413	\$51,779	\$22,706	\$35,781	\$14,434	\$63,435	\$20,195	\$1,555,741
2015	\$184,090,185	\$10,000,000		\$130,520	\$104,000	\$234,520	\$234,520	\$157,176	\$68,923	\$54,307	\$21,907	\$96,279	\$30,651	\$663,763
2016	\$178,590,185	\$10,000,000		\$126,620	\$104,000	\$230,620	\$151,832	\$152,480	\$66,864	\$52,684	\$21,252	\$93,403	\$29,735	\$568,251
2017	\$173,290,185	\$10,000,000		\$122,863	\$104,000	\$226,863	\$147,829	\$221,933	\$97,320	\$51,121	\$20,622	\$90,631	\$28,853	\$658,308
2018	\$168,090,185	\$10,000,000		\$119,176	\$104,000	\$223,176	\$145,122	\$215,273	\$94,399	\$49,587	\$20,003	\$87,911	\$27,987	\$640,282
2019	\$162,990,185	\$10,000,000		\$115,560	\$104,000	\$219,560	\$142,134	\$278,322	\$122,047	\$48,082	\$19,396	\$85,244	\$27,138	\$722,362
2020	\$158,190,085	\$10,000,000		\$112,157	\$104,000	\$216,157	\$138,688	\$270,125	\$118,453	\$46,666	\$18,825	\$82,733	\$26,339	\$701,829
2021	\$153,490,185	\$10,000,000		\$108,825	\$104,000	\$212,825	\$136,113	\$327,625	\$143,667	\$45,280	\$18,265	\$80,275	\$25,556	\$776,781
2022	\$148,890,185	\$10,000,000		\$105,563	\$104,000	\$209,563	\$133,592	\$317,806	\$139,361	\$43,923	\$17,718	\$77,870	\$24,790	\$755,059
2023	\$144,390,185	\$144,390,185		\$102,373	\$1,501,658	\$1,604,031	\$160,249	\$616,402	\$270,298	\$42,595	\$17,182	\$75,516	\$24,041	\$1,206,283
2024	\$140,190,185	\$140,190,185		\$99,395	\$1,457,978	\$1,557,373	\$1,557,373	\$598,472	\$262,436	\$41,356	\$16,683	\$73,319	\$23,342	\$2,572,981
2025	\$135,990,185	\$135,990,185		\$96,417	\$1,414,298	\$1,510,715	\$1,510,715	\$580,542	\$254,574	\$40,117	\$16,183	\$71,123	\$22,642	\$2,495,896
2026	\$131,890,185	\$131,890,185		\$93,510	\$1,371,658	\$1,465,168	\$1,465,168	\$563,039	\$246,898	\$38,908	\$15,695	\$68,979	\$21,960	\$2,420,647
2027	\$127,990,185	\$127,990,185		\$90,745	\$1,331,098	\$1,421,843	\$1,421,843	\$546,390	\$239,598	\$37,757	\$15,231	\$66,939	\$21,310	\$2,349,068
						<b>Total</b>	<b>\$9,690,069</b>	<b>\$4,935,696</b>	<b>\$2,164,353</b>	<b>\$654,650</b>	<b>\$264,079</b>	<b>\$1,160,617</b>	<b>\$369,489</b>	<b>\$19,238,953</b>

Assumes School Value Limitation and Tax Abatements with the County and Hospital District.

Source: CPA, ETC Texas Pipeline, LTD

<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>	Kenedy ISD I&S Levy	Kenedy ISD M&O Levy	Kenedy ISD M&O and I&S Tax Levies	Karnes County Tax Levy	Karnes County Wide Hospital District Tax Levy	Karnes County Wide Rural Fire District Tax Levy	Evergreen UWCD Tax Levy	Karnes County Wide Road & Bridge District Tax Levy	San Antonio River Authority Tax Levy	Estimated Total Property Taxes	
				0.0709	1.0400		0.4269	0.1872	0.0295	0.0119	0.0523	0.0167		
2013	\$89,790,185	\$89,790,185		\$63,661	\$933,818	\$997,479	\$383,314	\$168,087	\$26,488	\$10,685	\$46,960	\$14,950	\$1,647,964	
2014	\$121,290,185	\$121,290,185		\$85,995	\$1,261,418	\$1,347,413	\$517,788	\$227,055	\$35,781	\$14,434	\$63,435	\$20,195	\$2,226,099	
2015	\$184,090,185	\$184,090,185		\$130,520	\$1,914,538	\$2,045,058	\$785,881	\$344,617	\$54,307	\$21,907	\$96,279	\$30,651	\$3,378,699	
2016	\$178,590,185	\$178,590,185		\$126,620	\$1,857,338	\$1,983,958	\$762,401	\$334,321	\$52,684	\$21,252	\$93,403	\$29,735	\$3,277,755	
2017	\$173,290,185	\$173,290,185		\$122,863	\$1,802,218	\$1,925,081	\$739,776	\$324,399	\$51,121	\$20,622	\$90,631	\$28,853	\$3,180,481	
2018	\$168,090,185	\$168,090,185		\$119,176	\$1,748,138	\$1,867,314	\$717,577	\$314,665	\$49,587	\$20,003	\$87,911	\$27,987	\$3,085,043	
2019	\$162,990,185	\$162,990,185		\$115,560	\$1,695,098	\$1,810,658	\$695,805	\$305,118	\$48,082	\$19,396	\$85,244	\$27,138	\$2,991,440	
2020	\$158,190,085	\$158,190,085		\$112,157	\$1,645,177	\$1,757,334	\$675,313	\$296,132	\$46,666	\$18,825	\$82,733	\$26,339	\$2,903,342	
2021	\$153,490,185	\$153,490,185		\$108,825	\$1,596,298	\$1,705,122	\$655,250	\$287,334	\$45,280	\$18,265	\$80,275	\$25,556	\$2,817,082	
2022	\$148,890,185	\$148,890,185		\$105,563	\$1,548,458	\$1,654,021	\$635,612	\$278,722	\$43,923	\$17,718	\$77,870	\$24,790	\$2,732,656	
2023	\$144,390,185	\$144,390,185		\$102,373	\$1,501,658	\$1,604,031	\$616,402	\$270,298	\$42,595	\$17,182	\$75,516	\$24,041	\$2,650,065	
2024	\$140,190,185	\$140,190,185		\$99,395	\$1,457,978	\$1,557,373	\$598,472	\$262,436	\$41,356	\$16,683	\$73,319	\$23,342	\$2,572,981	
2025	\$135,990,185	\$135,990,185		\$96,417	\$1,414,298	\$1,510,715	\$580,542	\$254,574	\$40,117	\$16,183	\$71,123	\$22,642	\$2,495,896	
2026	\$131,890,185	\$131,890,185		\$93,510	\$1,371,658	\$1,465,168	\$563,039	\$246,898	\$38,908	\$15,695	\$68,979	\$21,960	\$2,420,647	
2027	\$127,990,185	\$127,990,185		\$90,745	\$1,331,098	\$1,421,843	\$546,390	\$239,598	\$37,757	\$15,231	\$66,939	\$21,310	\$2,349,068	
						<b>Total</b>	<b>\$24,652,567</b>	<b>\$9,473,563</b>	<b>\$4,154,254</b>	<b>\$654,650</b>	<b>\$264,079</b>	<b>\$1,160,617</b>	<b>\$369,489</b>	<b>\$40,729,219</b>

Source: CPA, ETC Texas Pipeline, LTD

<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. This attachment shows the estimated M&O tax levy without the value limitation agreement would be \$20,382,570. The estimated gross M&O tax benefit, or levy loss, is \$14,962,498.

Attachment 3 is an economic overview of Karnes County.

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

# Attachments

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

# **Attachment 1**

Schedule A (Rev. May 2010): Investment

Form 50-299

Applicant Name: ETC Texas Pipeline, LTD  
 ISD Name: Kennedy ISD

PROPERTY INVESTMENT AMOUNTS										
(Estimated investment in each year. Do not put cumulative totals.)										
	Year	School Year (YYYY-YYYY)	Tax Year (FBI in actual tax year below) YYYY	Column A: Tangible Personal Property (The amount of new investment (original cost) placed in service during this year)	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B 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 year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	2012-2013	2012	\$ 20,130,000	\$ -	\$ -	\$ -	\$ 20,130,000		
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)	2012-2013	2012	\$ 23,470,000	\$ -	\$ -	\$ -	\$ 23,470,000		
	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)	2012-2013	2012	\$ 70,400,000	\$ -	\$ 70,400,000	\$ -	\$ 70,400,000		
	Complete tax years of qualifying time period	1	2013-2014	2013	\$ 36,000,000	\$ -	\$ 36,000,000	\$ -	\$ 36,000,000	
		2	2014-2015	2014	\$ 70,000,000	\$ -	\$ 70,000,000	\$ -	\$ 70,000,000	
		3	2015-2016	2015						
		4	2016-2017	2016						
		5	2017-2018	2017						
		6	2018-2019	2018						
		7	2019-2020	2019						
		8	2020-2021	2020						
		9	2021-2022	2021						
		10	2022-2023	2022						
	Value Limitation Period	11	2023-2024	2023						
		12	2024-2025	2024						
13		2025-2026	2025							
Credit Settle-Up Period	14	2026-2027	2026							
	15	2027-2028	2027							
Peak 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 §313.02(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

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 §313.02(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 example for many projects would be land. Other examples may be items such as professional services, etc.

Notes: 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:  DATE: 6-18-2012

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

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

Form 50-296

Applicant Name: ETC Texas Pipeline, LTD  
 ISD Name: Kennedy ISD

Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O—after all reductions
			Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"			
pre-year 1	2012-2013	2012	590,185	-	-	Exempted Value	590,185	590,185
1	2013-2014	2013	590,185	-	93,900,000	4,700,000	89,790,185	89,790,185
2	2014-2015	2014	590,185	-	127,100,000	6,400,000	121,290,185	121,290,185
3	2015-2016	2015	590,185	-	193,200,000	9,700,000	184,090,185	10,000,000
4	2016-2017	2016	590,185	-	187,400,000	9,400,000	178,590,185	10,000,000
5	2017-2018	2017	590,185	-	181,800,000	9,100,000	173,290,185	10,000,000
6	2018-2019	2018	590,185	-	176,300,000	8,800,000	168,090,185	10,000,000
7	2019-2020	2019	590,185	-	171,000,000	8,600,000	162,990,185	10,000,000
8	2020-2021	2020	590,185	-	165,900,000	8,300,000	158,190,185	10,000,000
9	2021-2022	2021	590,185	-	160,900,000	8,000,000	153,490,185	10,000,000
10	2022-2023	2022	590,185	-	156,100,000	7,800,000	148,890,185	10,000,000
11	2023-2024	2023	590,185	-	151,400,000	7,600,000	144,390,185	144,390,185
12	2024-2025	2024	590,185	-	146,900,000	7,300,000	140,190,185	140,190,185
13	2025-2026	2025	590,185	-	142,500,000	7,100,000	135,990,185	135,990,185
14	2026-2027	2026	590,185	-	138,200,000	6,900,000	131,890,185	131,890,185
15	2027-2028	2027	590,185	-	134,100,000	6,700,000	127,990,185	127,990,185

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.

*[Handwritten Signature]*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-18-2017

DATE

**Schedule C- Application: Employment Information**

Applicant Name ETC Texas Pipeline, LTD  
 ISD Name Kenedy ISD

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	2012-2013	2012	140 FTE	60,000				
Complete tax years of qualifying time period	1	2013-2014	2013	70 FTE	60,000	10	51,000	8	55,000
	2	2014-2015	2014	140 FTE	60,000	15	51,000	12	55,000
	3	2015-2016	2015			15	51,000	12	55,000
	4	2016-2017	2016			15	51,000	12	55,000
	5	2017-2018	2017			15	51,000	12	55,000
Value Limitation Period	6	2018-2019	2018			15	51,000	12	55,000
	7	2019-2020	2019			15	51,000	12	55,000
	8	2020-2021	2020			15	51,000	12	55,000
	9	2021-2022	2021			15	51,000	12	55,000
	10	2022-2023	2022			15	51,000	12	55,000
Continue to Maintain Viable Presence	11	2023-2024	2023			15	51,000	12	55,000
	12	2024-2025	2024			15	51,000	12	55,000
	13	2025-2026	2025			15	51,000	12	55,000
Credit Settle-Up Period	14	2026-2027	2026			15	51,000	12	55,000
	15	2027-2028	2027			15	51,000	12	55,000

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.

 \_\_\_\_\_  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-18-2022  
 DATE

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

Form 50-296

Applicant Name

ETC Texas Pipeline, LTD

ISD Name

Kenedy ISD

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	Franchise Tax	County	City	Hospital	Other
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2012-2013	2012	7,980,000	106,020,000		0%				Fill in percentage exemption requested or granted in each year of the Agreement
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period	1	2013-2014	2013	2,520,000	33,480,000	30,000	90%			Fill in percentage exemption requested or granted in each year of the Agreement
		2	2014-2015	2014	4,800,000	65,100,000	95,000	90%			90%
		3	2015-2016	2015	150,000	300,000	201,000	80%			80%
		4	2016-2017	2016	200,000	400,000	212,000	80%			80%
		5	2017-2018	2017	200,000	400,000	215,000	70%			70%
		6	2018-2019	2018	200,000	400,000	217,000	70%			70%
		7	2019-2020	2019	200,000	400,000	219,000	60%			60%
		8	2020-2021	2020	200,000	400,000	221,000	60%			60%
		9	2021-2022	2021	200,000	400,000	224,000	50%			50%
		10	2022-2023	2022	200,000	400,000	226,000	50%			50%
		11	2023-2024	2023	200,000	400,000	228,000				
		12	2024-2025	2024	200,000	400,000	228,000				
		13	2025-2026	2025	200,000	400,000	228,000				
		14	2026-2027	2026	200,000	400,000	228,000				
		15	2027-2028	2027	200,000	400,000	228,000				

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

*[Handwritten Signature]*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

6-18-2012

DATE

# **Attachment 2**

August 28, 2012

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 ETC Texas Pipeline project for the Kenedy Independent School District (KISD). Projections prepared by our Office of School Finance confirm the analysis that was prepared by Dr. Douglas L. 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 ETC Texas Pipeline project on KISD 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

August 28, 2012

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 ETC Texas Pipeline project on the number and size of school facilities in Kenedy Independent School District (KISD). Based on our analysis of the project and a conversation with the KISD superintendent, Mr. Brad Lane, the TEA has found that the ETC Texas Pipeline project would not have a significant impact on the number or size of school facilities in KISD.

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

**FINAL REPORT**

**Summary of the Financial Impact of the Proposed ETC Texas Pipeline, LTD Gas Processing Plant on the Kenedy ISD Under a Requested Chapter 313 Property Value Limitation**

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

**August 15, 2012**

### **Introduction**

ETC Texas Pipeline, LTD (ETC) has requested that the Kenedy ISD (KISD) grant a property value limitation under Chapter 313 of the Texas Tax Code for the construction and operation of a gas processing plant. An application has been submitted by ETC to KISD and the KISD Board of Trustees approved that application on June 18, 2012. ETC proposes a minimum qualified investment of \$10 million in this project with a total estimated qualified investment of \$176,400,000 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. KISD 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. Currently filed 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 KISD 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 2012-13 as released on or about July 25, 2012 was used as the base value to which the estimated project values for each year as set forth in schedule B of the application 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 2012-13 projected M&O rate of \$1.04, projected I&S rates each year ranging from \$0.041 to \$0.340, 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 1.

### **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 KISD 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." Losses to the district are noted in years 3 - 8 resulting from the agreement due to the inverted value lag between the CPTD and CAD values during the first year of the value

limitation and due to recapture in the following years. Gains are noted in years 9-11. The larger gain noted in year 11 is due primarily to another value lag between the CPTD and CAD values, the inverse of that observed in year 3. ASATR funding is not a factor for KISD as the district's revenue is completely formula driven in all years of the agreement, except for year 3 which is again attributable to the aforementioned inverted value lag. 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, if applicable, 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 (ETC)**

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 \$12,975,263. In addition, ETC 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 \$1,987,236; 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 "Kenedy ISD & ETC Texas Pipeline (Comptroller's Beta Spreadsheet)" illustrates both the projected tax savings and tax credits.

#### **Facilities Funding Impact**

The ETC 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.

KISD is currently not eligible for facilities assistance from the state in the form of either existing debt allotment (EDA) and/or instructional facilities allotment (IFA). Increasing CPTD values resulting from taxable value added by the project will, therefore, not obliterate future EDA and IFA state share payments through school year 2026-27, the final year of the current debt service obligation for the district. As modeled, the increase in taxable value net of depreciation resulting from the project and the fact that the full value of this project remains fully taxable for I&S purposes will effectively decrease the I&S tax rate on a trend of escalating annual debt service payments beginning in year 1 ranging from \$0.041 at the highest to \$0.031 at the lowest.

**Summary**

While some uncertainty exists with regard to the future of the state's public school finance system, the following points appear to currently apply to the ETC project and the KISD:

1. It meets the intent of the economic development initiative for the State of Texas.
2. It increases 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 ETC.

**Table I - Data Assumptions for KISD & ETC Texas Pipeline, LTD Chapter 313 Project**

Year of Agreement	School Year	Tax Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value		CPTD Value	
							With Limitation	Without Limitation	With Limitation	Without Limitation
0	2012-13	2012	609.362	1014.343	\$1.04	\$0.041	\$477,474,200	\$477,474,200	\$238,263,216	\$238,263,216
1	2013-14	2013	609.362	1014.343	\$1.04	\$0.034	\$566,674,200	\$566,674,200	\$477,474,200	\$477,474,200
2	2014-15	2014	609.362	1014.343	\$1.04	\$0.033	\$598,174,200	\$598,174,200	\$566,674,200	\$566,674,200
3	2015-16	2015	609.362	1014.343	\$1.04	\$0.030	\$486,884,015	\$600,974,200	\$598,174,200	\$598,174,200
4	2016-17	2016	609.362	1014.343	\$1.04	\$0.030	\$486,884,015	\$655,474,200	\$486,884,015	\$660,974,200
5	2017-18	2017	609.362	1014.343	\$1.04	\$0.031	\$486,884,015	\$650,174,200	\$486,884,015	\$655,474,200
6	2018-19	2018	609.362	1014.343	\$1.04	\$0.031	\$486,884,015	\$644,974,200	\$486,884,015	\$650,174,200
7	2019-20	2019	609.362	1014.343	\$1.04	\$0.032	\$486,884,015	\$639,874,200	\$486,884,015	\$644,974,200
8	2020-21	2020	609.362	1014.343	\$1.04	\$0.032	\$486,884,015	\$635,074,200	\$486,884,015	\$639,874,200
9	2021-22	2021	609.362	1014.343	\$1.04	\$0.032	\$486,884,015	\$630,374,200	\$486,884,015	\$635,074,200
10	2022-23	2022	609.362	1014.343	\$1.04	\$0.032	\$486,884,015	\$625,774,200	\$486,884,015	\$630,374,200
11	2023-24	2023	609.362	1014.343	\$1.04	\$0.033	\$621,274,200	\$621,274,200	\$486,884,015	\$625,774,200
12	2024-25	2024	609.362	1014.343	\$1.04	\$0.034	\$617,074,200	\$617,074,200	\$621,274,200	\$621,274,200
13	2025-26	2025	609.362	1014.343	\$1.04	\$0.034	\$612,874,200	\$612,874,200	\$617,074,200	\$617,074,200
14	2026-27	2026	609.362	1014.343	\$1.04	\$0.034	\$608,774,200	\$608,774,200	\$612,874,200	\$612,874,200
15	2027-28	2027	609.362	1014.343	\$1.04	\$0.0	\$604,874,200	\$604,874,200	\$608,774,200	\$608,774,200





Year of Project	Year of Tax Credit	Year of Tax Credit Settle-Up	School Year	Tax Year	Estimated Market Value with no Exemptions	Exemptions (Not Including Ch. 313 Value Limitation)(Est.)	I&S Taxable Value of Investment (Est.)	Difference from previous year's value	Annual Depreciation Rate	M&O Property Value Limitation Amount	M&O Exempt Value of Property	M&O Tax Base Years 1-13	M&O Tax Rate	M&O Tax Levy without Limitation	M&O Tax Levy with Limitation
School District: <b>Widened ISD</b> Project: <b>ETC Texas Pipeline, LTD</b> County: <b>Harris</b> Eligibility Category: <b>Manufacturing</b> * From Application; enter #1 - 10 in cell D to activate					0	2012-13	2012	\$590,185	\$0	\$590,185	\$0	\$590,185	\$1.0400	\$6,138	\$6,138
1	1		2013-14	2013	\$94,490,185	\$4,700,000	\$89,790,185	\$0	\$0	\$0	\$0	\$89,790,185	\$1.0400	\$933,818	\$933,818
2	2		2014-15	2014	\$127,690,185	\$6,400,000	\$121,290,185	-\$31,500,000	-35.08%	\$0	\$0	\$121,290,185	\$1.0400	\$1,261,418	\$1,261,418
3	3	1	2015-16	2015	\$194,790,185	\$9,700,000	\$184,090,185	-\$67,800,000	-51.78%	\$10,000,000	\$174,090,185	\$10,000,000	\$1.0400	\$1,914,538	\$104,000
4	4	2	2016-17	2016	\$187,990,185	\$9,400,000	\$178,590,185	\$5,500,000	2.99%	\$10,000,000	\$168,590,185	\$10,000,000	\$1.0400	\$1,857,338	\$104,000
5	5	3	2017-18	2017	\$182,390,185	\$9,100,000	\$173,290,185	\$5,300,000	2.97%	\$10,000,000	\$163,290,185	\$10,000,000	\$1.0400	\$1,802,218	\$104,000
6	6	4	2018-19	2018	\$176,890,185	\$8,800,000	\$168,090,185	\$5,200,000	3.00%	\$10,000,000	\$158,090,185	\$10,000,000	\$1.0400	\$1,748,138	\$104,000
7	7	5	2019-20	2019	\$171,590,185	\$8,600,000	\$162,990,185	\$5,100,000	3.03%	\$10,000,000	\$152,990,185	\$10,000,000	\$1.0400	\$1,695,098	\$104,000
8	8	6	2020-21	2020	\$166,490,185	\$8,300,000	\$158,190,185	\$4,800,000	2.94%	\$10,000,000	\$148,190,185	\$10,000,000	\$1.0400	\$1,645,178	\$104,000
9	9	7	2021-22	2021	\$161,490,185	\$8,000,000	\$153,490,185	\$4,700,000	2.97%	\$10,000,000	\$143,490,185	\$10,000,000	\$1.0400	\$1,596,298	\$104,000
10	10	8	2022-23	2022	\$156,690,185	\$7,800,000	\$148,890,185	\$4,600,000	3.00%	\$10,000,000	\$138,890,185	\$10,000,000	\$1.0400	\$1,548,458	\$104,000
11	11	1	2023-24	2023	\$151,990,185	\$7,600,000	\$144,390,185	\$0	\$0	\$0	\$0	\$144,390,185	\$1.0400	\$1,501,658	\$1,501,658
12	12	2	2024-25	2024	\$147,490,185	\$7,300,000	\$140,190,185	\$0	\$0	\$0	\$0	\$140,190,185	\$1.0400	\$1,457,978	\$1,457,978
13	13	3	2025-26	2025	\$143,090,185	\$7,100,000	\$135,990,185	\$0	\$0	\$0	\$0	\$135,990,185	\$1.0400	\$1,414,298	\$1,414,298

NOTE: This is a BETA test estimating spreadsheet for a Chapter 313 project qualifying time period in 2013. Variables to plug in are: Estimated Market Value (such as Pollution Control), the school district limitation amount, and M&O SAMPLES. This sheet generates estimated gross tax benefit BEFORE any reduction for Revenue Protection, Extraordinary Educational Expenses, or other

Column I should equal the final taxable value for I&S after all reductions on Schedule B of the application



Other Supplemental Payments to District	Net Net Tax Savings (Savings for Company)
NOT INCL. HERE	
\$0	\$0
\$0	\$0
	\$1,810,538
	\$1,832,126
	\$1,777,251
	\$1,772,192
	\$1,668,524
	\$1,618,647
	\$1,569,010
	\$1,520,429
	\$1,443,782
	\$0
	\$0
\$0	\$14,962,499

ient

# Attachment 3

## Karnes County

### Population

- Total county population in 2010 for Karnes County: 15,126 , up 0.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Karnes County was the state's 139th largest county in population in 2010 and the 150 th fastest growing county from 2009 to 2010.
- Karnes County's population in 2009 was 38.2 percent Anglo (below the state average of 46.7 percent), 10.8 percent African-American (below the state average of 11.3 percent) and 49.8 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Karnes County:

Karnes City:	3,318	Kenedy:	3,290
Runge:	1,047	Falls City:	602

### Economy and Income

#### *Employment*

- September 2011 total employment in Karnes County: 4,939 , down 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 Karnes County unemployment rate: 9.2 percent, up from 9.0 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*

- Karnes County's ranking in per capita personal income in 2009: 242nd with an average per capita income of \$23,631, up 0.8 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 Karnes County averaged \$28.32 million annually from 2007 to 2010. County total agricultural values in 2010 were up 168.0 percent from 2009. Major agriculture related commodities in Karnes County during 2010 included:
  - Sorghum                      • Horses                      • Hay                      • Hunting                      • Other Beef
- 2011 oil and gas production in Karnes County: 2.5 million barrels of oil and 22.4 million Mcf of gas. In September 2011, there were 144 producing oil wells and 144 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 Karnes County during the fourth quarter 2010: \$21.12 million, up 42.4 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Karnes City:	\$2.00 million, up 20.6 percent from the same quarter in 2009.
Kenedy:	\$13.28 million, up 42.0 percent from the same quarter in 2009.
Runge:	\$450,370.00, up 32.0 percent from the same quarter in 2009.
Falls City:	\$500,329.00, up 20.5 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 Karnes County through the fourth quarter of 2010: \$69.22 million, up 23.3 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Karnes City:	\$7.18 million, up 11.3 percent from the same period in 2009.
Kenedy:	\$42.59 million, up 19.9 percent from the same period in 2009.
Runge:	\$1.48 million, up 13.3 percent from the same period in 2009.
Falls City:	\$1.75 million, up 11.9 percent from the same period in 2009.

##### *Annual (2010)*

- Taxable sales in Karnes County during 2010: \$69.22 million, up 23.3 percent from 2009.
- Karnes County sent an estimated \$4.33 million (or 0.03 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

<b>Karnes City:</b>	\$7.18 million, up 11.3 percent from 2009.
<b>Kenedy:</b>	\$42.59 million, up 19.9 percent from 2009.
<b>Runge:</b>	\$1.48 million, up 13.3 percent from 2009.
<b>Falls City:</b>	\$1.75 million, up 11.9 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 Karnes County based on the sales activity month of August 2011: \$215,203.13, up 146.8 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:
 

<b>Karnes City:</b>	\$57,058.24, up 216.8 percent from August 2010.
<b>Kenedy:</b>	\$147,136.08, up 133.1 percent from August 2010.
<b>Runge:</b>	\$7,903.25, up 110.6 percent from August 2010.
<b>Falls City:</b>	\$3,105.56, up 35.3 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 Karnes County based on sales activity months from September 2010 through August 2011: \$1.60 million, up 60.8 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:
 

<b>Karnes City:</b>	\$369,990.67, up 85.1 percent from fiscal 2010.
<b>Kenedy:</b>	\$1.12 million, up 54.2 percent from fiscal 2010.
<b>Runge:</b>	\$72,113.41, up 82.4 percent from fiscal 2010.
<b>Falls City:</b>	\$39,265.81, up 29.7 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 Karnes County based on sales activity months through August 2011: \$1.17 million, up 73.2 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:
 

<b>Karnes City:</b>	\$286,854.91, up 115.4 percent from the same period in 2010.
<b>Kenedy:</b>	\$801,072.93, up 61.8 percent from the same period in 2010.
<b>Runge:</b>	\$52,898.95, up 92.6 percent from the same period in 2010.
<b>Falls City:</b>	\$27,707.48, up 45.8 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 Karnes County based on sales activity in the 12 months ending in August 2011: \$1.60 million, up 60.8 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:
 

<b>Karnes City:</b>	\$369,990.67, up 85.1 percent from the previous 12-month period.
<b>Kenedy:</b>	\$1.12 million, up 54.2 percent from the previous 12-month period.
<b>Runge:</b>	\$72,113.41, up 82.4 percent from the previous 12-month period.
<b>Falls City:</b>	\$39,265.81, up 29.7 percent from the previous 12-month period.

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

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

<b>Karnes City:</b>	\$330,558.79, up 100.3 percent from the same period in 2010.
<b>Kenedy:</b>	\$979,781.79, up 58.9 percent from the same period in 2010.
<b>Runge:</b>	\$64,477.03, up 95.7 percent from the same period in 2010.
<b>Falls City:</b>	\$32,364.64, up 33.3 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 Karnes County based on sales activity months in 2010: \$1.11 million, up 15.6 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Karnes City:	\$216,293.38, up 9.0 percent from 2009.
Kenedy:	\$813,109.66, up 18.1 percent from 2009.
Runge:	\$46,673.24, up 13.7 percent from 2009.
Falls City:	\$30,559.05, up 5.4 percent from 2009.

### ***Property Tax***

- As of January 2009, property values in Karnes County: \$1.34 billion, up 16.1 percent from January 2008 values. The property tax base per person in Karnes County is \$89,280, above the statewide average of \$85,809. About 25.3 percent of the property tax base is derived from oil, gas and minerals.

### **State Expenditures**

- Karnes County's ranking in state expenditures by county in fiscal year 2010: 124th. State expenditures in the county for FY2010: \$69.17 million, up 0.1 percent from FY2009.
- In Karnes County, 11 state agencies provide a total of 760 jobs and \$6.95 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
  - Department of Criminal Justice
  - Department of Transportation
  - University of Texas Medical Branch
  - Health & Human Services Commission

### **Higher Education**

- Community colleges in Karnes County fall 2010 enrollment:
  - None.
- Karnes County is in the service area of the following:
  - Coastal Bend College with a fall 2010 enrollment of 4,348 . Counties in the service area include:
    - Atascosa County
    - Bee County
    - Brooks County
    - Duval County
    - Jim Wells County
    - Karnes County
    - Kleberg County
    - Live Oak County
    - McMullen County
- Institutions of higher education in Karnes County fall 2010 enrollment:
  - None.

### **School Districts**

- Karnes County had 4 school districts with 16 schools and 2,265 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.)
  - Falls City ISD had 329 students in the 2009-10 school year. The average teacher salary was \$44,363. The percentage of students meeting the 2010 TAKS passing standard for all tests was 96 percent.
  - Karnes City ISD had 953 students in the 2009-10 school year. The average teacher salary was \$46,325. The percentage of students meeting the 2010 TAKS passing standard for all tests was 85 percent.
  - Kenedy ISD had 683 students in the 2009-10 school year. The average teacher salary was \$42,591. The percentage of students meeting the 2010 TAKS passing standard for all tests was 68 percent.
  - Runge ISD had 300 students in the 2009-10 school year. The average teacher salary was \$40,149. The percentage of students meeting the 2010 TAKS passing standard for all tests was 74 percent.