

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



October 17, 2012

Billy Wiggins  
Superintendent  
Calhoun County Independent School District  
525 N. Commerce St.  
Port Lavaca, Texas 77979

Dear Superintendent Wiggins:

On July 20, 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 in May, 2012 to the Calhoun County Independent School District (Calhoun County ISD) by Formosa Plastics Corporation, Texas (Formosa). 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.

Calhoun County ISD is currently classified as a rural school district in Category I 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 (\$170,000,000) is consistent with the proposed appraised value limitation sought (\$30 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement. Formosa is proposing the construction of a manufacturing facility in Calhoun County. Formosa 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 Formosa, the Comptroller's recommendation is that Formosa'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

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

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.

Note that any new building or other improvement existing as of the application review start date of July 20, 2012, or any tangible personal property placed in service prior to that date may not become "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 Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. 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
4. 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	Formosa Plastics Corporation, Texas
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Calhoun County ISD
2010-11 Enrollment in School District	4,224
County	Calhoun
Total Investment in District	\$171,050,000
Qualified Investment	\$170,000,000
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	20
Number of qualifying jobs committed to by applicant	20
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$883
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$883
Minimum Annual Wage committed to by applicant for qualified jobs	\$45,920
Investment per Qualifying Job	\$8,552,500
Estimated 15 year M&O levy without any limit or credit:	\$13,453,344
Estimated gross 15 year M&O tax benefit	\$6,794,963
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):	\$6,520,586
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$937,130
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$6,932,758
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	48.5%
Percentage of tax benefit due to the limitation	86.2%
Percentage of tax benefit due to the credit	13.8%

This presents the Comptroller's economic impact evaluation of Formosa Plastics (the project) applying to Calhoun County Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
  - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
  - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

**Wages, salaries and benefits [313.026(6-8)]**

After construction, the project will create 20 new jobs when fully operational. All 20 jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Golden Crescent Regional Planning Commission Region, where Calhoun County is located was \$41,738 in 2010. The annual average manufacturing wage for 2011 for Calhoun County is \$84,214. That same year, the county annual average wage for all industries was \$56,719. In addition to a salary of \$45,920, each qualifying position will receive the following benefits: matching 401 k, vacation, pension, sick leave, personal time, medical insurance, dental insurance, vision insurance, life insurance, and tuition assistance. The project's total investment is \$171 million, resulting in a relative level of investment per qualifying job of \$8.6 million.

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

According to Formosa Plastics' application, "Formosa is a multi-national company with plants operating in Delaware City, Delaware as well as in Taiwan. The investment could be allocated to any of the other plants."

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

During the past two years, 8 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 Formosa Plastics 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 Formosa Plastics's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in Formosa Plastics**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	81	116	197	\$3,492,922	\$7,507,078	\$11,000,000
2013	20	74	94	\$918,403	\$6,081,597	\$7,000,000
2014	20	76	96	\$918,403	\$6,081,597	\$7,000,000
2015	20	81	101	\$918,403	\$7,081,597	\$8,000,000
2016	20	88	108	\$918,403	\$8,081,597	\$9,000,000
2017	20	87	107	\$918,403	\$8,081,597	\$9,000,000
2018	20	96	116	\$918,403	\$9,081,597	\$10,000,000
2019	20	95	115	\$918,403	\$10,081,597	\$11,000,000
2020	20	97	117	\$918,403	\$10,081,597	\$11,000,000
2021	20	101	121	\$918,403	\$11,081,597	\$12,000,000
2022	20	101	121	\$918,403	\$12,081,597	\$13,000,000
2023	20	94	114	\$918,403	\$11,081,597	\$12,000,000
2024	20	97	117	\$918,403	\$11,081,597	\$12,000,000
2025	20	93	113	\$918,403	\$12,081,597	\$13,000,000
2026	20	97	117	\$918,403	\$13,081,597	\$14,000,000
2027	20	101	121	\$918,403	\$14,081,597	\$15,000,000

Source: CPA, REMI, Formosa Plastics

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Calhoun County ISD's ad valorem tax base in 2010 was \$4 billion. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Calhoun County ISD's estimated wealth per WADA was \$749,402. 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, Calhoun County, and Calhoun County Port Authority, with all property tax incentives sought being granted using estimated market value from Formosa Plastics' application. Formosa Plastics has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county. Table 3 illustrates the estimated tax impact of the Formosa Plastics 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>	Calhoun County ISD I&S Levy	Calhoun County ISD M&O Levy	Calhoun County ISD M&O and I&S Tax Levies (Before Credit Credited)	Calhoun County ISD M&O and I&S Tax Levies (After Credit Credited)	Calhoun County Tax Levy	Calhoun County Port Authority Tax Levy	Estimated Total Property Taxes
				0.0861	1.0401			0.4900	0.0036	
2013	\$12,200,000	\$12,200,000		\$10,504	\$126,892	\$137,396	\$137,396	\$0	\$439	\$137,836
2014	\$120,100,000	\$120,100,000		\$103,406	\$1,249,160	\$1,352,566	\$1,352,566	\$0	\$4,324	\$1,356,890
2015	\$115,300,000	\$30,000,000		\$99,273	\$312,030	\$411,303	\$411,303	\$0	\$4,151	\$415,454
2016	\$110,692,000	\$30,000,000		\$95,306	\$312,030	\$407,336	\$273,460	\$0	\$3,985	\$277,445
2017	\$106,268,000	\$30,000,000		\$91,497	\$312,030	\$403,527	\$269,651	\$0	\$3,826	\$273,477
2018	\$102,022,000	\$30,000,000		\$87,841	\$312,030	\$399,871	\$265,995	\$0	\$3,673	\$269,668
2019	\$97,945,000	\$30,000,000		\$84,331	\$312,030	\$396,361	\$262,485	\$0	\$3,526	\$266,011
2020	\$94,031,000	\$30,000,000		\$80,961	\$312,030	\$392,991	\$259,115	\$460,752	\$3,385	\$723,252
2021	\$90,274,000	\$30,000,000		\$77,726	\$312,030	\$389,756	\$255,880	\$442,343	\$3,250	\$701,473
2022	\$86,667,000	\$30,000,000		\$74,620	\$312,030	\$386,650	\$252,775	\$424,668	\$3,120	\$680,563
2023	\$83,204,000	\$83,204,000		\$71,639	\$865,405	\$937,043	\$937,043	\$407,700	\$2,995	\$1,347,738
2024	\$79,880,000	\$79,880,000		\$68,777	\$830,832	\$899,609	\$899,609	\$391,412	\$2,876	\$1,293,896
2025	\$71,902,000	\$71,902,000		\$61,908	\$747,853	\$809,760	\$809,760	\$352,320	\$2,588	\$1,164,669
2026	\$64,721,800	\$64,721,800		\$55,725	\$673,171	\$728,897	\$728,897	\$317,137	\$2,330	\$1,048,364
2027	\$58,259,620	\$58,259,620		\$50,162	\$605,958	\$656,120	\$656,120	\$285,472	\$2,097	\$943,689
						<b>Total</b>	<b>\$7,772,056</b>	<b>\$3,081,803</b>	<b>\$46,565</b>	<b>\$10,900,424</b>

Assumes School Value Limitation and Tax Abatement from the County.

Source: CPA, Formosa Plastics

<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>	Calhoun County ISD I&S Levy	Calhoun County ISD M&O Levy	Calhoun County ISD M&O and I&S Tax Levies	Calhoun County Tax Levy	Calhoun County Port Authority Tax Levy	Estimated Total Property Taxes	
				0.0861	1.0401		0.4900	0.0036		
2013	\$12,200,000	\$12,200,000		\$10,504	\$126,892	\$137,396	\$59,780	\$439	\$197,616	
2014	\$120,100,000	\$120,100,000		\$103,406	\$1,249,160	\$1,352,566	\$588,490	\$4,324	\$1,945,380	
2015	\$115,300,000	\$115,300,000		\$99,273	\$1,199,235	\$1,298,509	\$564,970	\$4,151	\$1,867,629	
2016	\$110,692,000	\$110,692,000		\$95,306	\$1,151,307	\$1,246,613	\$542,391	\$3,985	\$1,792,989	
2017	\$106,268,000	\$106,268,000		\$91,497	\$1,105,293	\$1,196,790	\$520,713	\$3,826	\$1,721,329	
2018	\$102,022,000	\$102,022,000		\$87,841	\$1,061,131	\$1,148,972	\$499,908	\$3,673	\$1,652,552	
2019	\$97,945,000	\$97,945,000		\$84,331	\$1,018,726	\$1,103,057	\$479,931	\$3,526	\$1,586,513	
2020	\$94,031,000	\$94,031,000		\$80,961	\$978,016	\$1,058,977	\$460,752	\$3,385	\$1,523,114	
2021	\$90,274,000	\$90,274,000		\$77,726	\$938,940	\$1,016,666	\$442,343	\$3,250	\$1,462,258	
2022	\$86,667,000	\$86,667,000		\$74,620	\$901,423	\$976,044	\$424,668	\$3,120	\$1,403,832	
2023	\$83,204,000	\$83,204,000		\$71,639	\$865,405	\$937,043	\$407,700	\$2,995	\$1,347,738	
2024	\$79,880,000	\$79,880,000		\$68,777	\$830,832	\$899,609	\$391,412	\$2,876	\$1,293,896	
2025	\$71,902,000	\$71,902,000		\$61,908	\$747,853	\$809,760	\$352,320	\$2,588	\$1,164,669	
2026	\$64,721,800	\$64,721,800		\$55,725	\$673,171	\$728,897	\$317,137	\$2,330	\$1,048,364	
2027	\$58,259,620	\$58,259,620		\$50,162	\$605,958	\$656,120	\$285,472	\$2,097	\$943,689	
						<b>Total</b>	<b>\$14,567,019</b>	<b>\$6,337,985</b>	<b>\$46,565</b>	<b>\$20,951,569</b>

Source: CPA, Formosa Plastics

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

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$13,453,344. The estimated gross 15 year M&O tax benefit, or levy loss, is \$6,794,963.

Attachment 3 is an economic overview of Calhoun 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 50-298

Formosa Plastics Corporation, Texas  
Calhoun County

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

Applicant Name JSD Name	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B 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)	1	2013-14	2013	250,000			100,000	350,000
	2	2014-15	2014					
	3	2015-16	2015	500,000			100,000	600,000
	4	2016-17	2016					
	5	2017-18	2017	50,000,000		50,000,000	100,000	100,100,000
	6	2018-19	2018					
	7	2019-20	2019		120,000,000	120,000,000		120,000,000
Tax Credit Period (with 50% cap on credit)	8	2020-21	2020					
	9	2021-22	2021					
	10	2022-23	2022					
Credit Settle-Up Period	11	2023-24	2023					
	12	2024-25	2024					
	13	2025-26	2025					
Post-Settle-Up Period	14	2026-27	2026					
	15	2027-28	2027					

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.  
 Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D).  
 For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: 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).  
 For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property.  
 For the years outside the qualifying time period, this number should simply represent the planned investment in buildings or nonremovable components of buildings.  
 Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility.  
 The most significant example for many projects would be land. Other examples may be items such as professional services, etc.  
 Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Column D: 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.

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.

*John...*

June 13, 2012

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

**Schedule B (Rev. May 2010): Estimated Market And Taxable Value**  
**Formosa Plastics Corporation, Texas**

Form 50-296

Applicant Name  
 ISD Name

Caldwell County

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				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"		Final taxable value for I&S - after all reductions	Final taxable value for M&C—after all reductions
	pre-year 1	2012-13	2012	100,000					
Complete tax years of qualifying time period	1	2013-14	2013	100,000	12,100,000			12,200,000	12,200,000
	2	2014-15	2014	100,000	120,000,000			120,100,000	120,100,000
	3	2015-16	2015	100,000	115,200,000			115,300,000	30,000,000
	4	2016-17	2016	100,000	110,592,000			110,692,000	30,000,000
	5	2017-18	2017	100,000	106,168,000			106,268,000	30,000,000
Tax Credit Period (with 50% cap on credit)	6	2018-19	2018	100,000	101,922,000			102,022,000	30,000,000
	7	2019-20	2019	100,000	97,845,000			97,945,000	30,000,000
	8	2020-21	2020	100,000	93,931,000			94,031,000	30,000,000
	9	2021-22	2021	100,000	90,174,000			90,274,000	30,000,000
	10	2022-23	2022	100,000	86,567,000			86,667,000	30,000,000
Credit Settle-Up Period	11	2023-24	2023	100,000	83,104,000			83,204,000	83,204,000
	12	2024-25	2024	100,000	79,780,000			79,880,000	79,880,000
	13	2025-26	2025	100,000	71,802,000			71,902,000	71,902,000
Post-Settle-Up Period	14	2026-27	2026	100,000	64,621,800			64,721,800	64,721,800
Post-Settle-Up Period	15	2027-28	2027	100,000	58,159,620			58,259,620	58,259,620

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.

*Jack Z...*

*June 13, 2012*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

**Schedule C- Application: Employment Information**

Form 50-296

Applicant Name  
ISD Name  
Formosa Plastics Corporation, Texas  
Cathoun County

	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	2012-13	2012	127,500 manhours	\$ 42,000.00	20	\$ 45,920.16	20	\$ 45,920.16
Complete tax years of qualifying time period	1	2013-14	2013			20	\$ 45,920.16	20	\$ 45,920.16
	2	2014-15	2014			20	\$ 45,920.16	20	\$ 45,920.16
	3	2015-16	2015			20	\$ 45,920.16	20	\$ 45,920.16
	4	2016-17	2016			20	\$ 45,920.16	20	\$ 45,920.16
	5	2017-18	2017			20	\$ 45,920.16	20	\$ 45,920.16
Value Limitation Period	6	2018-19	2018			20	\$ 45,920.16	20	\$ 45,920.16
	7	2019-20	2019			20	\$ 45,920.16	20	\$ 45,920.16
	8	2020-21	2020			20	\$ 45,920.16	20	\$ 45,920.16
	9	2021-22	2021			20	\$ 45,920.16	20	\$ 45,920.16
	10	2022-23	2022			20	\$ 45,920.16	20	\$ 45,920.16
Credit Settle-Up Period	11	2023-24	2023			20	\$ 45,920.16	20	\$ 45,920.16
	12	2024-25	2024			20	\$ 45,920.16	20	\$ 45,920.16
	13	2025-26	2025			20	\$ 45,920.16	20	\$ 45,920.16
Post- Settle-Up Period	14	2026-27	2026			20	\$ 45,920.16	20	\$ 45,920.16
	15	2027-28	2027			20	\$ 45,920.16	20	\$ 45,920.16

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.

*[Handwritten Signature]*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

June 13 2012  
DATE

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

Applicant Name

Formosa Plastics Corporation, Texas

ISD Name

Calhoun County

Form 50-286

Sales Tax Information				Other Property Tax Abatements Sought				
Sales Taxable Expenditures				Franchise Tax	County	City	Hospital	Other
Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
	2012-13	2012	10 Million	40 Million	1.5 Million	100%	N/A	N/A
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Complete tax years of qualifying time period	1	2013-14	2013	1.5 Million	100%		
		2	2014-15	2014	1.2 Million	100%		
		3	2015-16	2015	1.2 Million	100%		
		4	2016-17	2016	1.2 Million	100%		
		5	2017-18	2017	1 Million	100%		
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	6	2018-19	2018	2 Million	100%		
		7	2019-20	2019	3 Million	100%		
		8	2020-21	2020	4 Million			
		9	2021-22	2021	1.2 Million			
		10	2022-23	2022	1.2 Million			
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2023-24	2023	1.5 Million			
		12	2024-25	2024	1.5 Million			
		13	2025-26	2025	1.5 Million			
Post-Settle-Up Period		14	2026-27	2026	1.5 Million			
Post-Settle-Up Period		15	2027-28	2027	1.5 Million			

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE June 13, 2012

# **Attachment 2**



1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Michael L. Williams  
Commissioner

October 10, 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 Formosa Plastics Corporation project for the Calhoun County Independent School District (CCISD). Projections prepared by our Office of School Finance confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Formosa Plastics Corporation project on CCISD 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,

A handwritten signature in black ink that reads "Belinda Dyer". The signature is written in a cursive, flowing style.

Belinda Dyer  
Division Manager  
Office of School Finance

BD/bd

October 10, 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 Formosa Plastics Corporation project on the number and size of school facilities in Calhoun County Independent School District (CCISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the CCISD superintendent, Mr. Billy Wiggins, the TEA has found that the Formosa Plastics Corporation project would not have a significant impact on the number or size of school facilities in CCISD.

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

Sincerely,



Belinda Dyer  
Division Manager  
Office of School Finance

BD/bd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED FORMOSA  
PLASTICS CORPORATION, TEXAS PROJECT ON THE FINANCES  
OF THE CALHOUN COUNTY INDEPENDENT SCHOOL DISTRICT  
UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE  
LIMITATION**

**August 21, 2012**

**Final Report**

**PREPARED BY**



# **Estimated Impact of the Proposed Formosa Plastics Corporation, Texas Project on the Finances of the Calhoun County Independent School District under a Requested Chapter 313 Property Value Limitation**

## **Introduction**

Formosa Plastics Corporation, Texas (Formosa) has requested that the Calhoun County Independent School District (CCISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to CCISD on May 30, 2012, Formosa proposes to invest \$171 million to construct a new industrial gas manufacturing project in CCISD.

The Formosa project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, CCISD may offer a minimum value limitation of \$30 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2013-14 and 2014-15 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2013-14 and 2014-15 school years. Beginning in the 2015-16 school year, the project would go on the local tax roll at \$30 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with CCISD currently levying a \$0.086 I&S tax rate. The full taxable value of the investment is expected to reach \$120 million in the 2014-15 school year, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

In the case of the Formosa project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. CCISD would experience a revenue loss as a result of the implementation of the value limitation in the 2015-16 school year and the remaining seven years of the value limitation, with total hold-harmless costs of about \$290,000.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$6.5 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

## **School Finance Mechanics**

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence

of the fact that the Comptroller's Office needs this time to conduct its property value study and the audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

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

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted under Senate Bill 1 (SB 1) as approved in the First Called Session in 2011 are designed to make \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 815 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 209 districts operate directly on the state formulas.

For the 2012-13 school year, the SB 1 changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula. As a result, 421 districts are expected to receive ASATR funding in the 2012-13 school year, while 603 districts will be operating on the state formulas.

For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the General Appropriations Act. The recent legislative session also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Formosa project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

## Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The general approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The current SB 1 reductions are reflected in the underlying models. With regard to ASATR funding the 92.35 percent reduction enacted for the 2012-13 school year is maintained until the 2017-18 school year. A statement of legislative intent was adopted in 2011 to no longer fund target revenue by the 2017-18 school year, so that change is reflected in the estimates presented below. The projected taxable values of the Formosa project are factored into the base model used here. While the existing Formosa Chapter 313 agreement is incorporated into the base model, the impact of the proposed limitation agreement is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 3,834 students in average daily attendance (ADA) in analyzing the effects of the Formosa project on the finances of CCISD. The District's local tax base reached \$3.3 billion for the 2011 tax year and is maintained at that level for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.04 is used throughout this analysis. CCISD has estimated state property wealth per weighted ADA or WADA of approximately \$604,227 for the 2011-12 school year. The enrollment and property value assumptions for the 15 years used in preparing this analysis are summarized in Table 1.

## School Finance Impact

School finance models were prepared for CCISD under the assumptions outlined above through the 2027-28 school year. Beyond the 2012-13 school year, no attempt was made to forecast the 88<sup>th</sup> percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Formosa facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A second model is developed which adds the Formosa value but imposes the proposed property value limitation effective in the third year, which in this case is the 2015-16 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3).

A summary of the differences between these models is shown in Table 4. The model results show approximately \$29 million a year in annual net General Fund revenue, after recapture and other adjustments have been made.

Under these assumptions, CCISD would experience a revenue loss as a result of the implementation of the value limitation in the 2015-16 school year (-\$65,587). The revenue reduction results from the mechanics of the up to six cents beyond the compressed M&O tax rate equalized to the Austin yield or not subject to recapture, which reflect the one-year lag in value associated with the property value study. Recurring annual hold-harmless losses are expected over the remaining seven years the value limitation is in effect, although these loss amounts are less than that occurring in the third year of the agreement.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.35 percent adjustment adopted for the 2012-13 school year, although it is assumed that ASATR will be eliminated beginning in the 2017-18 school year, based on the 2011 statement of legislative intent.

One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2015-16 school year. The formula loss of \$65,587 cited above between the base and the limitation models is based on an assumption that Formosa would receive initial tax savings of about \$887,000 the first year the \$30 million limitation is implemented. Under the estimates presented here and as highlighted in Table 4, an increase in ASATR funding of \$602,000 is expected to offset this reduction, combined with about \$200,000 in reduced recapture costs.

In general, the ASATR offset poses little financial risk to CCISD as a result of the adoption of the value limitation agreement. But a significant reduction of ASATR funding prior to the assumed 2017-18 school year elimination of these funds could reduce the residual tax savings in the first year that the \$30 million value limitation takes effect.

The Comptroller's state property value study influences these calculations, as noted previously. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. The Comptroller's Property Tax Assistance Division makes two value determinations for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

### **Impact on the Taxpayer**

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.04 per \$100 of taxable value M&O rate is assumed in the 2012-13 tax year and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$5.9 million over the life of the agreement. In addition, Formosa would be eligible for a tax credit for M&O taxes paid on value in excess of the value limitation in each of the first two qualifying years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$0.9 million over the life of the agreement, with no unpaid tax credits anticipated. CCISD is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key CCISD revenue losses are expected to total approximately -\$289,646 during the eight value-limitation years. The potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$6.5 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the initial year of the agreement, there would still be a substantial tax benefit to Formosa under the value limitation agreement for the remaining years that the limitation is in effect.

#### **Facilities Funding Impact**

The Formosa project remains fully taxable for debt services taxes, with CCISD currently levying a \$0.086 per \$100 I&S rate. The value of the Formosa project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to assist CCISD in meeting its debt service obligations.

The Formosa project is not expected to affect CCISD in terms of enrollment. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

#### **Conclusion**

The proposed Formosa industrial gas manufacturing project enhances the tax base of CCISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$6.5 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also assists CCISD in meeting its future debt service obligations.

**Table 1 – Base District Information with Formosa Plastics Corporation, Texas Project Value and Limitation Values**

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
Pre-Year 1	2012-13	3,811.48	5,219.89	\$1.0401	\$0.0861	\$3,348,983,833	\$3,348,983,833	\$3,244,733,165	\$3,244,733,165	\$621,609	\$621,609
1	2013-14	3,811.48	5,219.89	\$1.0401	\$0.0861	\$3,361,183,833	\$3,361,183,833	\$3,244,733,165	\$3,244,733,165	\$621,609	\$621,609
2	2014-15	3,811.48	5,219.89	\$1.0401	\$0.0861	\$3,469,083,833	\$3,469,083,833	\$3,256,933,165	\$3,256,933,165	\$623,946	\$623,946
3	2015-16	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,464,283,833	\$3,378,983,833	\$3,364,833,165	\$3,364,833,165	\$635,497	\$635,497
4	2016-17	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,459,675,833	\$3,378,983,833	\$3,360,033,165	\$3,274,733,165	\$634,590	\$618,480
5	2017-18	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,455,251,833	\$3,378,983,833	\$3,355,425,165	\$3,274,733,165	\$633,720	\$618,480
6	2018-19	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,611,618,915	\$3,539,596,915	\$3,351,001,165	\$3,274,733,165	\$632,884	\$618,480
7	2019-20	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,596,677,390	\$3,528,732,390	\$3,507,368,247	\$3,435,346,247	\$662,416	\$648,814
8	2020-21	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,582,518,119	\$3,516,487,119	\$3,492,426,722	\$3,424,481,722	\$659,595	\$646,762
9	2021-22	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,569,099,806	\$3,508,825,806	\$3,478,267,451	\$3,414,236,451	\$656,920	\$644,827
10	2022-23	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,556,382,166	\$3,499,715,166	\$3,464,849,138	\$3,404,575,138	\$654,386	\$643,002
11	2023-24	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,544,327,812	\$3,544,327,812	\$3,452,131,498	\$3,395,464,498	\$651,984	\$641,282
12	2024-25	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,532,902,147	\$3,532,902,147	\$3,440,077,144	\$3,440,077,144	\$649,708	\$649,708
13	2025-26	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,517,284,259	\$3,517,284,259	\$3,428,651,479	\$3,428,651,479	\$647,550	\$647,550
14	2026-27	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,502,899,627	\$3,502,899,627	\$3,413,033,591	\$3,413,033,591	\$644,600	\$644,600
15	2027-28	3,811.48	5,294.81	\$1.0401	\$0.0861	\$3,489,643,653	\$3,489,643,653	\$3,398,648,959	\$3,398,648,959	\$641,883	\$641,883

\*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

**Table 2 – “Baseline Revenue Model”--Project Value Added with No Value Limitation**

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2012-13	\$30,988,920	\$1,745,788	\$164,702	\$0	-\$6,872,383	\$3,114,456	\$0	-\$529,648	\$28,611,835
1	2013-14	\$31,101,918	\$1,255,702	\$566,850	\$0	-\$6,897,443	\$3,125,813	\$0	-\$531,580	\$28,621,260
2	2014-15	\$32,101,300	\$1,255,702	\$0	\$0	-\$7,206,642	\$3,226,253	\$0	-\$550,834	\$28,825,779
3	2015-16	\$32,056,842	\$1,379,670	\$581,748	\$0	-\$7,619,370	\$3,221,785	\$0	-\$560,563	\$29,060,112
4	2016-17	\$32,014,162	\$1,646,473	\$314,903	\$0	-\$7,576,648	\$3,217,495	\$0	-\$559,008	\$29,057,377
5	2017-18	\$31,973,187	\$1,379,670	\$0	\$0	-\$7,535,629	\$3,213,377	\$0	-\$557,515	\$28,473,089
6	2018-19	\$33,421,477	\$1,646,473	\$0	\$0	-\$7,845,453	\$3,358,934	\$0	-\$581,987	\$29,999,444
7	2019-20	\$33,283,086	\$1,379,670	\$0	\$0	-\$8,874,295	\$3,345,025	\$0	-\$605,920	\$28,527,566
8	2020-21	\$33,151,942	\$1,646,473	\$0	\$0	-\$8,742,404	\$3,331,845	\$0	-\$601,127	\$28,786,729
9	2021-22	\$33,027,660	\$1,379,670	\$0	\$0	-\$8,617,359	\$3,319,354	\$0	-\$596,583	\$28,512,742
10	2022-23	\$32,909,867	\$1,646,473	\$0	\$0	-\$8,498,801	\$3,207,516	\$0	-\$592,276	\$28,772,780
11	2023-24	\$32,798,219	\$1,379,670	\$0	\$0	-\$8,386,385	\$3,296,295	\$0	-\$588,192	\$28,499,607
12	2024-25	\$32,692,393	\$1,646,473	\$0	\$0	-\$8,279,788	\$3,285,659	\$0	-\$584,320	\$28,760,418
13	2025-26	\$32,547,738	\$1,646,473	\$0	\$0	-\$8,167,582	\$3,271,121	\$0	-\$579,859	\$28,717,891
14	2026-27	\$32,414,506	\$1,646,473	\$0	\$0	-\$8,030,459	\$3,257,731	\$0	-\$574,911	\$28,713,339
15	2027-28	\$32,291,728	\$1,646,473	\$0	\$0	-\$7,904,062	\$3,245,391	\$0	-\$570,351	\$28,709,179

Table 3-- "Value Limitation Revenue Model"--Project Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2012-13	\$30,988,920	\$1,745,788	\$164,702	\$0	-\$6,872,383	\$3,114,456	\$0	-\$529,848	\$28,611,835
1	2013-14	\$31,101,918	\$1,255,702	\$566,850	\$0	-\$6,897,443	\$3,125,813	\$0	-\$531,580	\$28,621,260
2	2014-15	\$32,101,300	\$1,255,702	\$0	\$0	-\$7,206,642	\$3,226,253	\$0	-\$550,834	\$28,825,779
3	2015-16	\$31,266,783	\$1,379,670	\$1,184,023	\$0	-\$7,431,586	\$3,142,382	\$0	-\$546,748	\$28,994,524
4	2016-17	\$31,266,783	\$1,646,473	\$304,438	\$0	-\$6,818,805	\$3,142,382	\$0	-\$531,538	\$29,009,734
5	2017-18	\$31,266,783	\$1,379,670	\$0	\$0	-\$6,818,805	\$3,142,382	\$0	-\$531,538	\$28,438,493
6	2018-19	\$32,754,400	\$1,646,473	\$0	\$0	-\$7,143,231	\$3,291,891	\$0	-\$558,828	\$29,992,706
7	2019-20	\$32,653,772	\$1,379,670	\$0	\$0	-\$8,238,675	\$3,281,778	\$0	-\$582,852	\$28,493,693
8	2020-21	\$32,558,879	\$1,646,473	\$0	\$0	-\$8,142,664	\$3,272,241	\$0	-\$579,369	\$28,755,580
9	2021-22	\$32,469,395	\$1,379,670	\$0	\$0	-\$8,052,091	\$3,263,247	\$0	-\$576,084	\$28,484,137
10	2022-23	\$32,385,011	\$1,646,473	\$0	\$0	-\$7,966,650	\$3,254,787	\$0	-\$572,986	\$28,746,615
11	2023-24	\$32,798,219	\$1,379,670	\$0	\$0	-\$8,006,343	\$3,296,295	\$0	-\$578,759	\$28,889,082
12	2024-25	\$32,692,393	\$1,646,473	\$0	\$0	-\$8,279,788	\$3,285,659	\$0	-\$584,320	\$28,760,418
13	2025-26	\$32,547,738	\$1,646,473	\$0	\$0	-\$8,167,582	\$3,271,121	\$0	-\$579,859	\$28,717,891
14	2026-27	\$32,414,506	\$1,646,473	\$0	\$0	-\$8,030,459	\$3,257,731	\$0	-\$574,911	\$28,713,339
15	2027-28	\$32,291,728	\$1,646,473	\$0	\$0	-\$7,904,062	\$3,245,391	\$0	-\$570,351	\$28,709,179

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2015-16	-\$790,059	\$0	\$602,275	\$0	\$187,784	-\$79,403	\$0	\$13,815	-\$65,587
4	2016-17	-\$747,379	\$0	-\$10,464	\$0	\$757,843	-\$75,113	\$0	\$27,470	-\$47,643
5	2017-18	-\$706,403	\$0	\$0	\$0	\$716,824	-\$70,995	\$0	\$25,977	-\$34,597
6	2018-19	-\$667,076	\$0	\$0	\$0	\$702,221	-\$67,043	\$0	\$25,159	-\$6,738
7	2019-20	-\$629,314	\$0	\$0	\$0	\$635,620	-\$63,248	\$0	\$23,069	-\$33,874
8	2020-21	-\$593,063	\$0	\$0	\$0	\$599,740	-\$59,604	\$0	\$21,758	-\$31,169
9	2021-22	-\$558,265	\$0	\$0	\$0	\$565,268	-\$56,107	\$0	\$20,499	-\$28,605
10	2022-23	-\$524,856	\$0	\$0	\$0	\$532,151	-\$52,749	\$0	\$19,290	-\$26,164
11	2023-24	\$0	\$0	\$0	\$0	\$380,041	\$0	\$0	\$9,433	\$389,474
12	2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2027-28	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Table 5 - Estimated Financial impact of the Formosa Plastics Corporation, Texas Project Property Value Limitation Request Submitted to CCISD at \$1.04 M&O Tax Rate**

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
Pre-Year 1	2012-13	\$0	\$0	\$0	\$1.040	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2013-14	\$12,200,000	\$12,200,000	\$0	\$1.040	\$126,892	\$126,892	\$0	\$0	\$0	\$0	\$0
2	2014-15	\$120,100,000	\$120,100,000	\$0	\$1.040	\$1,249,160	\$1,249,160	\$0	\$0	\$0	\$0	\$0
3	2015-16	\$115,300,000	\$30,000,000	\$85,300,000	\$1.040	\$1,199,235	\$312,030	\$887,205	\$0	\$887,205	-\$65,587	\$821,618
4	2016-17	\$110,692,000	\$30,000,000	\$80,692,000	\$1.040	\$1,151,307	\$312,030	\$839,277	\$133,876	\$973,153	-\$47,643	\$925,510
5	2017-18	\$106,268,000	\$30,000,000	\$76,268,000	\$1.040	\$1,105,293	\$312,030	\$793,263	\$133,876	\$927,139	-\$34,597	\$892,542
6	2018-19	\$102,022,000	\$30,000,000	\$72,022,000	\$1.040	\$1,061,131	\$312,030	\$749,101	\$133,876	\$882,977	-\$6,738	\$876,238
7	2019-20	\$97,945,000	\$30,000,000	\$67,945,000	\$1.040	\$1,018,726	\$312,030	\$706,696	\$133,876	\$840,572	-\$33,874	\$806,698
8	2020-21	\$94,031,000	\$30,000,000	\$64,031,000	\$1.040	\$978,016	\$312,030	\$665,986	\$133,876	\$799,862	-\$31,169	\$768,693
9	2021-22	\$90,274,000	\$30,000,000	\$60,274,000	\$1.040	\$938,940	\$312,030	\$626,910	\$133,876	\$760,786	-\$28,605	\$732,181
10	2022-23	\$86,867,000	\$30,000,000	\$56,867,000	\$1.040	\$901,423	\$312,030	\$589,393	\$133,876	\$723,269	-\$26,164	\$697,105
11	2023-24	\$83,204,000	\$30,000,000	\$0	\$1.040	\$865,405	\$865,405	\$0	\$0	\$0	\$0	\$0
12	2024-25	\$79,880,000	\$30,000,000	\$0	\$1.040	\$830,832	\$830,832	\$0	\$0	\$0	\$0	\$0
13	2025-26	\$71,902,000	\$30,000,000	\$0	\$1.040	\$747,853	\$747,853	\$0	\$0	\$0	\$0	\$0
14	2026-27	\$64,721,800	\$30,000,000	\$0	\$1.040	\$673,171	\$673,171	\$0	\$0	\$0	\$0	\$0
15	2027-28	\$58,259,620	\$30,000,000	\$0	\$1.040	\$605,958	\$605,958	\$0	\$0	\$0	\$0	\$0
<b>Total</b>						<b>\$13,453,344</b>	<b>\$7,595,511</b>	<b>\$5,857,833</b>	<b>\$937,130</b>	<b>\$6,794,963</b>	<b>-\$274,377</b>	<b>\$6,520,586</b>
<b>Tax Credit for Value Over Limit in First 2 Years</b>								<b>Year 1</b>	<b>Year 2</b>	<b>Max Credits</b>		
								\$0	\$937,130	\$937,130		
								Credits Earned		\$937,130		
								Credits Paid		<u>\$937,130</u>		
								Excess Credits Unpaid		\$0		

**\*Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

# **Attachment 3**

## Calhoun County

### Population

- Total county population in 2010 for Calhoun County: 20,527 , down 0.4 percent from 2009. State population increased 1.8 percent in the same time period.
- Calhoun County was the state's 114th largest county in population in 2010 and the 210 th fastest growing county from 2009 to 2010.
- Calhoun County's population in 2009 was 47.4 percent Anglo (above the state average of 46.7 percent), 2.5 percent African-American (below the state average of 11.3 percent) and 44.9 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Calhoun County:

Port Lavaca:	11,489	Seadrift:	1,455
Point Comfort:	711		

### Economy and Income

#### *Employment*

- September 2011 total employment in Calhoun County: 9,149 , up 4.2 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 Calhoun County unemployment rate: 9.4 percent, up from 9.2 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*

- Calhoun County's ranking in per capita personal income in 2009: 147th with an average per capita income of \$31,479, down 0.2 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

#### *Industry*

- Agricultural cash values in Calhoun County averaged \$54.51 million annually from 2007 to 2010. County total agricultural values in 2010 were up 20.4 percent from 2009. Major agriculture related commodities in Calhoun County during 2010 included:
  - Cotton
  - Soybeans
  - Sorghum
  - Corn
  - Other Beef
- 2011 oil and gas production in Calhoun County: 103,705.0 barrels of oil and 3.4 million Mcf of gas. In September 2011, there were 69 producing oil wells and 122 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 Calhoun County during the fourth quarter 2010: \$50.43 million, up 8.2 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Port Lavaca:	\$29.91 million, up 6.6 percent from the same quarter in 2009.
Seadrift:	\$1.16 million, up 33.1 percent from the same quarter in 2009.
Point Comfort:	\$13.46 million, up 14.2 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 Calhoun County through the fourth quarter of 2010: \$198.94 million, down 4.5 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Port Lavaca:	\$116.22 million, up 8.1 percent from the same period in 2009.
Seadrift:	\$4.61 million, up 14.4 percent from the same period in 2009.
Point Comfort:	\$53.74 million, down 26.0 percent from the same period in 2009.

*Annual (2010)*

- Taxable sales in Calhoun County during 2010: \$198.94 million, down 4.5 percent from 2009.
- Calhoun County sent an estimated \$12.43 million (or 0.07 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

<b>Port Lavaca:</b>	\$116.22 million, up 8.1 percent from 2009.
<b>Seadrift:</b>	\$4.61 million, up 14.4 percent from 2009.
<b>Point Comfort:</b>	\$53.74 million, down 26.0 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 Calhoun County based on the sales activity month of August 2011: \$224,362.37, up 9.5 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:
 

<b>Port Lavaca:</b>	\$201,613.34, up 6.5 percent from August 2010.
<b>Seadrift:</b>	\$9,721.75, up 27.4 percent from August 2010.
<b>Point Comfort:</b>	\$13,027.28, up 64.1 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 Calhoun County based on sales activity months from September 2010 through August 2011: \$2.54 million, up 3.3 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:
 

<b>Port Lavaca:</b>	\$2.32 million, up 1.9 percent from fiscal 2010.
<b>Seadrift:</b>	\$111,936.97, up 11.6 percent from fiscal 2010.
<b>Point Comfort:</b>	\$109,880.49, up 30.5 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 Calhoun County based on sales activity months through August 2011: \$1.69 million, up 11.9 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:
 

<b>Port Lavaca:</b>	\$1.53 million, up 10.1 percent from the same period in 2010.
<b>Seadrift:</b>	\$80,580.11, up 20.0 percent from the same period in 2010.
<b>Point Comfort:</b>	\$81,875.66, up 50.1 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 Calhoun County based on sales activity in the 12 months ending in August 2011: \$2.54 million, up 3.3 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>Port Lavaca:</b>	\$2.32 million, up 1.9 percent from the previous 12-month period.
<b>Seadrift:</b>	\$111,936.97, up 11.6 percent from the previous 12-month period.
<b>Point Comfort:</b>	\$109,880.49, up 30.5 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>Port Lavaca:</b>	\$1.94 million, up 1.4 percent from the same period in 2010.
<b>Seadrift:</b>	\$96,124.92, up 15.0 percent from the same period in 2010.
<b>Point Comfort:</b>	\$96,044.06, up 37.6 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 Calhoun County based on sales activity months in 2010: \$2.36 million, down 3.5 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:
 

<b>Port Lavaca:</b>	\$2.18 million, down 3.3 percent from 2009.
<b>Seadrift:</b>	\$98,503.71, up 0.0 percent from 2009.
<b>Point Comfort:</b>	\$82,557.38, down 11.3 percent from 2009.

**Property Tax**

- As of January 2009, property values in Calhoun County: \$4.12 billion, down 9.9 percent from January 2008 values. The property tax base per person in Calhoun County is \$200,198, above the statewide average of \$85,809. About 2.7 percent of the property tax base is derived from oil, gas and minerals.

**State Expenditures**

- Calhoun County's ranking in state expenditures by county in fiscal year 2010: 156th. State expenditures in the county for FY2010: \$44.93 million, down 0.1 percent from FY2009.
- In Calhoun County, 10 state agencies provide a total of 63 jobs and \$629,081.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
  - Parks & Wildlife Department
  - Health & Human Services Commission
  - Department of Family and Protective Services
  - Department of Transportation
  - Department of Public Safety

**Higher Education**

- Community colleges in Calhoun County fall 2010 enrollment:
  - None.
- Calhoun County is in the service area of the following:
  - Victoria College with a fall 2010 enrollment of 4,290. Counties in the service area include:
    - Calhoun County
    - DeWitt County
    - Gonzales County
    - Jackson County
    - Lavaca County
    - Refugio County
    - Victoria County
- Institutions of higher education in Calhoun County fall 2010 enrollment:
  - None.

**School Districts**

- Calhoun County had 1 school districts with 8 schools and 4,263 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.)
  - Calhoun County ISD had 4,263 students in the 2009-10 school year. The average teacher salary was \$45,987. The percentage of students meeting the 2010 TAKS passing standard for all tests was 79 percent.