

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



April 5, 2013

Becky McManus
Assistant Superintendent
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, Texas 77580-1108

Dear Superintendent McManus:

On January 8, 2013, the Comptroller received the completed application (Application # 252) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in October 2012 to the Barbers Hill Independent School District (the school district) by Oneok Hydrocarbon, L.P. (the applicant). 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.

The school district is currently classified as a rural school district in Category 1 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 (\$155 million) 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.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a manufacturing facility in Chambers County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described in 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 the applicant, the Comptroller's recommendation is that this 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 only approve an application if the school district finds that the information in the application is true and

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. As stated above, the Comptroller's recommendation is prepared 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 January 8, 2013, 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 submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district 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 ten (10) days prior to the meeting scheduled by the school 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 must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Economic Impact for Chapter 313 Project

Applicant	Oneok Hydrocarbon, L.P.
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2011-12 Enrollment in School District	4,398
County	Chambers
Total Investment in District	\$480,000,000
Qualified Investment	\$155,000,000
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	10
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,136
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$1,136
Minimum Annual Wage committed to by applicant for qualified jobs	\$59,076
Investment per Qualifying Job	\$48,000,000
Estimated 15 year M&O levy without any limit or credit:	\$45,141,162
Estimated gross 15 year M&O tax benefit	\$29,870,850
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):	\$24,097,123
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$5,300,000
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$21,044,039
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	53.4%
Percentage of tax benefit due to the limitation	82.3%
Percentage of tax benefit due to the credit.	17.7%

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

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

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

After construction, the project will create ten new jobs when fully operational. All ten jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area State Planning Region, where Chambers County is located was \$53,711 in 2011. The annual average manufacturing wage for 2011 for Chambers County is \$82,732. That same year, the county annual average wage for all industries was \$51,662. In addition to a salary of \$59,076, each qualifying position will receive benefits such as medical plan & prescription drug coverage, vision coverage, dental coverage, flexible spending accounts, life insurance coverage, disability coverage, and 401(k) profit sharing plan. The project's total investment is \$480 million, resulting in a relative level of investment per qualifying job of \$48 million.

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

According to Oneok's application, "Oneok Hydrocarbon LP currently operates in three states. They allocate capital investment to projects and locations that create the best economic return. The existence of a limitation on tax value is a significant factor in calculating the economic return and allocation of reserves to the project. However, Oneok Hydrocarbon LP could redirect its expenditures to its plants in:

Medford - Oklahoma
Bushton - Kansas"

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

During the past two years, 20 projects in the Houston-Galveston Area State Planning Region applied for value limitation agreements under Tax Code, Chapter 313.

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

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

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	50	57	107	\$2,750,000	\$3,250,000	\$6,000,000
2014	400	445	845	\$22,000,000	\$30,000,000	\$52,000,000
2015	410	494	904	\$22,590,760	\$38,409,240	\$61,000,000
2016	10	88	98	\$590,760	\$12,409,240	\$13,000,000
2017	10	59	69	\$590,760	\$9,409,240	\$10,000,000
2018	10	45	55	\$590,760	\$8,409,240	\$9,000,000
2019	10	35	45	\$590,760	\$6,409,240	\$7,000,000
2020	10	31	41	\$590,760	\$5,409,240	\$6,000,000
2021	10	33	43	\$590,760	\$5,409,240	\$6,000,000
2022	10	39	49	\$590,760	\$5,409,240	\$6,000,000
2023	10	49	59	\$590,760	\$7,409,240	\$8,000,000
2024	10	45	55	\$590,760	\$6,409,240	\$7,000,000
2025	10	43	53	\$590,760	\$6,409,240	\$7,000,000
2026	10	43	53	\$590,760	\$6,409,240	\$7,000,000
2027	10	45	55	\$590,760	\$7,409,240	\$8,000,000
2028	10	51	61	\$590,760	\$7,409,240	\$8,000,000

Source: CPA, REMI, Oneok

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011. Barbers Hill ISD's ad valorem tax base in 2011 was \$3.4 billion. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Barbers Hill ISD's estimated wealth per WADA was \$669,576. The impact on the facilities and finances of the district are presented in Attachment 2.

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

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

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$45,141,162. The estimated gross 15 year M&O tax benefit, or levy loss, is \$29,870,850.

Attachment 3 is an economic overview of Chambers County.

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

Attachments

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

Attachment 1

Schedule A (Rev. May 2010): Investment

Applicant Name
 Oncoek Hydrocarbon, LP
 Barbers Hill ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS

The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Year	School Year (YYYY-YYYY)	Tax Year (FY in actual tax year below) YYYY	(Estimated investment in each year. Do not put cumulative totals.)					Column E: Total Investment (A+B+D)
				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)	
		2013-2014	2013	\$ 325,000,000	-				\$ 325,000,000
	1	2014-2015	2014	\$ 155,000,000	-				\$ 155,000,000
	2	2015-2016	2015	\$	-				\$
	3	2016-2017	2016		-				
	4	2017-2018	2017		-				
	5	2018-2019	2018		-				
	6	2019-2020	2019		-				
	7	2020-2021	2020		-				
	8	2021-2022	2021		-				
	9	2022-2023	2022		-				
	10	2023-2024	2023		-				
	11	2024-2025	2024		-				
	12	2025-2026	2025		-				
	13	2026-2027	2026		-				
	14	2027-2028	2027		-				
	15	2028-2029	2028		-				

Qualifying Time Period usually begins with the first 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: Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period. The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.02(1)(E).

Column C: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value-for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Column D: Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

Signature:  DATE: 10/22/12

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Schedule B (Rev. May 2010): Estimated Market And Taxable Value
Oneok Hydrocarbon, LP

Form 50-296

Applicant Name

ISD Name

Barbers Hill ISD

	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 M&O—after all reductions	Final taxable value for I&S - after all reductions
	pre-year 1	2013-2014	2013	-	-	-	-	-	-
Complete tax years of qualifying time period	1	2014-2015	2014	-	-	160,000,000	-	160,000,000	160,000,000
	2	2015-2016	2015	-	-	400,000,000	-	400,000,000	400,000,000
	3	2016-2017	2016	-	-	380,000,000	-	380,000,000	30,000,000
	4	2017-2018	2017	-	-	361,000,000	-	361,000,000	30,000,000
	5	2018-2019	2018	-	-	342,950,000	-	342,950,000	30,000,000
Value Limitation Period	6	2019-2020	2019	-	-	325,802,500	-	325,802,500	30,000,000
	7	2020-2021	2020	-	-	309,512,375	-	309,512,375	30,000,000
	8	2021-2022	2021	-	-	294,036,756	-	294,036,756	30,000,000
	9	2022-2023	2022	-	-	279,334,918	-	279,334,918	30,000,000
	10	2023-2024	2023	-	-	265,368,173	-	265,368,173	30,000,000
Credit Settle-Up Period	11	2024-2025	2024	-	-	252,099,764	-	252,099,764	252,099,764
	12	2025-2026	2025	-	-	239,494,776	-	239,494,776	239,494,776
	13	2026-2027	2026	-	-	227,520,037	-	227,520,037	227,520,037
Post- Settle-Up Period	14	2027-2028	2027	-	-	216,144,035	-	216,144,035	216,144,035
	15	2028-2029	2028	-	-	205,336,833	-	205,336,833	205,336,833

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.

M. L. L.

12/22/12

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

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

Applicant Name

Oneok Hydrocarbon, LP

ISD Name

Barbers Hill ISD

Form 50-296

Other Property Tax Abatements Sought

	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Sales Tax Information		Franchise Tax	County	City	Hospital	Other
				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					
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2013-2014	2013							
Tax Credit Period (with 50% cap on credit)	1	2014-2015	2014	\$ 400,000	\$ 600,000	\$ 275,856	100	100		
	2	2015-2016	2015	\$ 400,000	\$ 600,000	\$ 319,113	100	100		
	3	2016-2017	2016	\$ 400,000	\$ 600,000	\$ 362,370	75	100		
	4	2017-2018	2017	\$ 400,000	\$ 600,000	\$ 405,627	60	100		
	5	2018-2019	2018	\$ 400,000	\$ 600,000	\$ 448,884	50	75		
	6	2019-2020	2019	\$ 400,000	\$ 600,000	\$ 492,141		60		
	7	2020-2021	2020	\$ 400,000	\$ 600,000	\$ 535,398		50		
	8	2021-2022	2021	\$ 400,000	\$ 600,000	\$ 578,655		50		
	9	2022-2023	2022	\$ 400,000	\$ 600,000	\$ 621,912		50		
	10	2023-2024	2023	\$ 400,000	\$ 600,000	\$ 665,169		25		
	11	2024-2025	2024	\$ 400,000	\$ 600,000	\$ 708,426				
	12	2025-2026	2025	\$ 400,000	\$ 600,000	\$ 751,683				
	13	2026-2027	2026	\$ 400,000	\$ 600,000	\$ 794,940				
	14	2027-2028	2027	\$ 400,000	\$ 600,000	\$ 838,197				
	15	2028-2029	2028	\$ 400,000	\$ 600,000	\$ 881,454				

*For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE *Mark L.* DATE 10/22/12

Attachment 2

April 1, 2013

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 (TEA) has analyzed the revenue gains that would be realized by the proposed Oneok Hydrocarbons project for the Barbers Hill Independent School District (BHISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe the firm's assumptions regarding the potential revenue gain are valid, and its estimates of the impact of the Oneok Hydrocarbons project on BHISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/bd

April 1, 2013

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 Oneok Hydrocarbons project on the number and size of school facilities in Barbers Hill Independent School District (BHISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the BHISD assistant superintendent of finance, Rebecca McManus, the TEA has found that the Oneok Hydrocarbons project would not have a significant impact on the number or size of school facilities in BHISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/bd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED ONEOK
HYDROCARBONS, LP PROJECT ON THE FINANCES OF THE
BARBERS HILL INDEPENDENT SCHOOL DISTRICT UNDER A
REQUESTED CHAPTER 313 PROPERTY VALUE LIMITATION**

January 14, 2013

Final Report

PREPARED BY



Estimated Impact of the Proposed Oneok Hydrocarbons, LP Project on the Finances of the Barbers Hill Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Oneok Hydrocarbons, LP (Oneok) has requested that the Barbers Hill Independent School District (BHISD) 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 BHISD on October 22, 2012, Oneok proposes to invest \$480 million to construct a new fractionator and related facilities in BHISD.

The Oneok 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, BHISD may offer a minimum value limitation of \$30 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2014-15 and 2015-16 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 2014-15 and 2015-16 school years. Beginning in 2016-17, the project would go on the local tax roll at \$30 million and remain at that level of taxable value for eight years for maintenance and operations taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with BHISD currently levying a \$0.2698 per \$100 I&S tax rate. The full taxable value of the investment is expected to reach \$400 million in the 2015-16 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 Oneok 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. BHISD would experience a revenue loss as a result of the implementation of the value limitation in estimated to be \$5.8 million over the course of the agreement.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$24.1 million. 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 now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

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, although other factors may come into play such as the impact of the value limitation on the enrichment tax effort for a relatively property-wealthy school district like BHISD, or changes in recapture costs.

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 operating directly on the state formulas.

For the 2012-13 school year, the SB 1 changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula. As a result of these changes, the number of ASATR districts fell to 421, with 603 formula districts in operation.

For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the General Appropriations Act. Legislative action in 2011 also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year. It is likely that ASATR state funding will be reduced in future years and eliminated by the 2017-18 school year, based on current state policy.

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 Oneok

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 provide for modest enrollment increases and relatively static base 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 used 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. The projected taxable values of the Oneok project are factored into the base model used here, which also incorporates estimates for previously-approved Chapter 313 agreements. The impact of the limitation value for the proposed Lone Star II project is isolated separately and the focus of this analysis.

Student enrollment counts begin with an estimated 4,537 in ADA for the 2013-14 school year. The District's local tax base reached \$3.01 billion for the 2012 tax year and is maintained for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.06 is used throughout this analysis. BHISD has estimated state property wealth per weighted ADA or WADA of approximately \$624,105 for the 2011-12 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table 1.

School Finance Impact

School finance models were prepared for BHISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2012-13 school year, no attempt was made to forecast the 88th 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 Oneok 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 Oneok value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 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.

Under these assumptions, BHISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$209,825). The maximum annual revenue loss is \$1.8 million in the 2021-22 school year, with the current cumulative loss estimate being \$5.8 million. The revenue reduction results chiefly 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. In addition, the one-year lag appears to affect recapture costs associated with the project in the out-years under the limitation revenue-loss calculations.

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. 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 2016-17 school year. The formula loss of \$209,825 cited above between the base and the limitation models is based on an assumption of \$3.7 million in M&O tax savings for Oneok when the \$30 million limitation is implemented. Under the estimates presented here and as highlighted in Table 4, a \$2.7 million increase in ASATR funding and an \$806,000 reduction in recapture costs offset nearly all of the reduction in M&O taxes in the first year the value limitation is in effect.

In general, the ASATR offset poses little if any financial risk to the school district 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, resulting in a larger revenue loss amount.

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 now makes two value determinations will be made 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 \$1.06 per \$100 of taxable value M&O rate is assumed in 2012-13 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$24.6 million over the life of the agreement. In addition, Oneok 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 \$5.3 million over the life of the agreement, with no

unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key BHISD revenue losses are expected to total approximately \$5.8 million over the course of the agreement. In total, the potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$24.1 million. 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 Oneok under the value limitation agreement for the remaining years that the limitation is in effect.

Facilities Funding Impact

The Oneok project remains fully taxable for debt services taxes, with BHISD currently levying a \$0.2698 per \$100 I&S tax rate. The value of the Oneok project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to assist the District in meeting its debt service requirements. The full taxable value of the investment is expected to reach \$400 million in the 2015-16 school year.

The Oneok project is not expected to affect BHISD 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. The number of permanent positions as a result of the Oneok project is expected to meet the statutory minimum, which would not be expected to add many households to BHISD.

Conclusion

The proposed Oneok fractionator and related facilities enhance the tax base of BHISD. 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 \$24.1 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of BHISD in meeting its future debt service obligations.

Table 1 – Base District Information with Oncoq Hydrocarbons, LP 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	2013-14	4,537.08	5,271.82	\$1.0600	\$0.2698	\$3,537,659,969	\$3,537,659,969	\$3,427,725,436	\$3,427,725,436	\$650,198	\$650,198
1	2014-15	4,718.56	5,450.71	\$1.0600	\$0.2698	\$4,401,524,969	\$4,401,524,969	\$3,671,670,207	\$3,671,670,207	\$673,614	\$673,614
2	2015-16	4,907.30	5,741.43	\$1.0600	\$0.2698	\$3,991,064,969	\$3,991,064,969	\$4,535,535,207	\$4,535,535,207	\$789,967	\$789,967
3	2016-17	5,103.60	5,943.62	\$1.0600	\$0.2698	\$3,693,064,969	\$3,343,064,969	\$4,125,075,207	\$4,125,075,207	\$694,034	\$694,034
4	2017-18	5,307.74	6,153.99	\$1.0600	\$0.2698	\$3,674,064,969	\$3,343,064,969	\$3,827,075,207	\$3,477,075,207	\$621,885	\$565,011
5	2018-19	5,520.05	6,400.15	\$1.0600	\$0.2698	\$3,656,014,969	\$3,343,064,969	\$3,808,075,207	\$3,477,075,207	\$594,998	\$543,280
6	2019-20	5,740.85	6,656.16	\$1.0600	\$0.2698	\$3,638,867,469	\$3,343,064,969	\$3,790,025,207	\$3,477,075,207	\$589,401	\$522,385
7	2020-21	5,970.49	6,922.40	\$1.0600	\$0.2698	\$3,778,027,040	\$3,498,514,665	\$3,772,877,707	\$3,477,075,207	\$545,024	\$502,293
8	2021-22	6,209.31	7,199.30	\$1.0600	\$0.2698	\$3,908,485,863	\$3,644,449,107	\$3,912,037,278	\$3,632,524,903	\$543,391	\$504,566
9	2022-23	6,457.68	7,487.27	\$1.0600	\$0.2698	\$4,446,473,781	\$4,197,138,863	\$4,042,496,101	\$3,778,459,345	\$539,916	\$504,651
10	2023-24	6,715.99	7,786.76	\$1.0600	\$0.2698	\$5,666,402,782	\$5,431,034,609	\$4,580,484,019	\$4,331,149,101	\$588,240	\$556,219
11	2024-25	6,984.63	8,098.23	\$1.0600	\$0.2698	\$5,763,873,813	\$5,763,873,813	\$5,800,413,020	\$5,565,044,847	\$716,256	\$687,192
12	2025-26	7,264.01	8,422.16	\$1.0600	\$0.2698	\$5,651,455,689	\$5,651,455,689	\$5,897,884,051	\$5,897,884,051	\$700,281	\$700,281
13	2026-27	7,554.57	8,759.05	\$1.0600	\$0.2698	\$5,597,032,418	\$5,597,032,418	\$5,785,465,927	\$5,785,465,927	\$660,513	\$660,513
14	2027-28	7,856.75	9,109.41	\$1.0600	\$0.2698	\$5,442,021,933	\$5,442,021,933	\$5,731,042,656	\$5,731,042,656	\$629,134	\$629,134
15	2028-29	8,171.02	9,473.79	\$1.0600	\$0.2698	\$5,299,855,549	\$5,299,855,549	\$5,576,032,171	\$5,576,032,171	\$588,575	\$588,575

*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	2013-14	\$35,771,350	\$1,441,371	\$3,841,191	\$0	-\$6,021,126	\$2,144,385	\$0	\$0	\$37,177,171
1	2014-15	\$44,237,650	\$1,484,557	\$0	\$0	-\$8,656,384	\$2,651,915	\$0	\$0	\$39,717,737
2	2015-16	\$40,214,941	\$1,697,410	\$8,782,567	\$0	-\$12,546,318	\$2,410,765	\$0	\$0	\$40,559,365
3	2016-17	\$37,364,398	\$2,108,818	\$8,620,450	\$0	-\$8,603,537	\$2,239,884	\$0	\$0	\$41,730,013
4	2017-18	\$37,174,389	\$1,835,919	\$0	\$0	-\$5,104,094	\$2,228,493	\$0	\$0	\$36,134,707
5	2018-19	\$36,993,880	\$2,280,897	\$0	\$0	-\$4,094,643	\$2,217,672	\$17,527	\$0	\$37,415,332
6	2019-20	\$36,822,397	\$1,985,730	\$0	\$0	-\$2,297,432	\$2,207,392	\$117,458	\$0	\$38,835,546
7	2020-21	\$38,182,970	\$2,467,019	\$0	\$0	-\$1,287,806	\$2,288,955	\$229,624	\$0	\$41,880,762
8	2021-22	\$39,458,435	\$2,147,765	\$0	\$0	-\$785,452	\$2,365,415	\$245,115	\$0	\$43,431,279
9	2022-23	\$44,728,040	\$2,668,327	\$0	\$0	-\$1,120,786	\$2,681,312	\$296,899	\$0	\$49,253,792
10	2023-24	\$56,681,148	\$2,323,023	\$0	\$0	-\$5,147,662	\$3,397,865	\$66,198	\$0	\$57,320,573
11	2024-25	\$57,589,336	\$2,886,063	\$0	\$0	-\$14,557,234	\$3,452,308	\$0	\$0	\$49,370,473
12	2025-26	\$56,487,584	\$3,001,506	\$0	\$0	-\$13,380,278	\$3,386,261	\$0	\$0	\$49,495,072
13	2026-27	\$55,954,209	\$3,121,566	\$0	\$0	-\$10,851,469	\$3,354,287	\$0	\$0	\$51,578,593
14	2027-28	\$54,435,030	\$3,246,429	\$0	\$0	-\$8,504,124	\$3,263,217	\$0	\$0	\$52,440,552
15	2028-29	\$53,041,730	\$3,376,286	\$0	\$0	-\$5,385,066	\$3,179,693	\$60,103	\$0	\$54,272,746

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	2013-14	\$35,771,350	\$1,441,371	\$3,841,191	\$0	-\$6,021,126	\$2,144,385	\$0	\$0	\$37,177,171
1	2014-15	\$44,237,650	\$1,484,557	\$0	\$0	-\$8,656,384	\$2,651,915	\$0	\$0	\$39,717,737
2	2015-16	\$40,214,941	\$1,697,410	\$8,782,567	\$0	-\$12,546,318	\$2,410,765	\$0	\$0	\$40,559,365
3	2016-17	\$33,864,223	\$2,108,818	\$11,314,674	\$0	-\$7,797,586	\$2,030,059	\$0	\$0	\$41,520,188
4	2017-18	\$33,864,223	\$1,835,919	\$0	\$0	-\$1,879,318	\$2,030,059	\$124,635	\$0	\$35,975,518
5	2018-19	\$33,864,223	\$2,280,897	\$0	\$0	-\$1,042,535	\$2,030,059	\$210,823	\$0	\$37,343,467
6	2019-20	\$33,864,223	\$1,985,730	\$0	\$0	\$0	\$2,030,059	\$300,458	\$0	\$38,180,470
7	2020-21	\$35,387,707	\$2,467,019	\$0	\$0	\$0	\$2,121,387	\$411,389	\$0	\$40,387,502
8	2021-22	\$36,817,936	\$2,147,765	\$0	\$0	\$0	\$2,207,125	\$416,143	\$0	\$41,588,969
9	2022-23	\$42,234,566	\$2,668,327	\$0	\$0	\$0	\$2,531,836	\$476,861	\$0	\$47,911,591
10	2023-24	\$54,327,349	\$2,323,023	\$0	\$0	-\$2,246,795	\$3,256,762	\$254,587	\$0	\$57,914,925
11	2024-25	\$57,589,336	\$2,886,063	\$0	\$0	-\$12,859,018	\$3,452,308	\$0	\$0	\$51,068,690
12	2025-26	\$56,487,584	\$3,001,506	\$0	\$0	-\$13,380,278	\$3,386,261	\$0	\$0	\$49,495,072
13	2026-27	\$55,954,209	\$3,121,566	\$0	\$0	-\$10,851,469	\$3,354,287	\$0	\$0	\$51,578,593
14	2027-28	\$54,435,030	\$3,246,429	\$0	\$0	-\$8,504,124	\$3,263,217	\$0	\$0	\$52,440,552
15	2028-29	\$53,041,730	\$3,376,286	\$0	\$0	-\$5,385,066	\$3,179,693	\$60,103	\$0	\$54,272,746

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	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	-\$3,500,175	\$0	\$2,694,224	\$0	\$805,951	-\$209,825	\$0	\$0	-\$209,825
4	2017-18	-\$3,310,166	\$0	\$0	\$0	\$3,224,776	-\$198,435	\$124,635	\$0	-\$159,189
5	2018-19	-\$3,129,656	\$0	\$0	\$0	\$3,052,108	-\$187,614	\$193,296	\$0	-\$71,865
6	2019-20	-\$2,958,174	\$0	\$0	\$0	\$2,297,432	-\$177,334	\$182,999	\$0	-\$655,076
7	2020-21	-\$2,795,264	\$0	\$0	\$0	\$1,287,806	-\$167,568	\$181,766	\$0	-\$1,493,260
8	2021-22	-\$2,640,500	\$0	\$0	\$0	\$785,452	-\$158,290	\$171,028	\$0	-\$1,842,310
9	2022-23	-\$2,493,474	\$0	\$0	\$0	\$1,120,786	-\$149,476	\$179,963	\$0	-\$1,342,202
10	2023-24	-\$2,353,799	\$0	\$0	\$0	\$2,900,866	-\$141,103	\$188,388	\$0	\$594,352
11	2024-25	\$0	\$0	\$0	\$0	\$1,698,217	\$0	\$0	\$0	\$1,698,217
12	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial Impact of the Oneok Hydrocarbons, LP Project Property Value Limitation Request Submitted to BHISD at \$1.06 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	2013-14	\$0	\$0	\$0	\$1.060	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$160,000,000	\$160,000,000	\$0	\$1.060	\$1,696,000	\$1,696,000	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$400,000,000	\$400,000,000	\$0	\$1.060	\$4,240,000	\$4,240,000	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$380,000,000	\$30,000,000	\$350,000,000	\$1.060	\$4,028,000	\$318,000	\$3,710,000	\$0	\$3,710,000	-\$209,825	\$3,500,175
4	2017-18	\$361,000,000	\$30,000,000	\$331,000,000	\$1.060	\$3,826,600	\$318,000	\$3,508,600	\$545,989	\$4,154,589	-\$159,189	\$3,995,400
5	2018-19	\$342,950,000	\$30,000,000	\$312,950,000	\$1.060	\$3,635,270	\$318,000	\$3,317,270	\$621,640	\$3,938,910	-\$71,865	\$3,867,044
6	2019-20	\$325,802,500	\$30,000,000	\$295,802,500	\$1.060	\$3,453,507	\$318,000	\$3,135,507	\$598,508	\$3,734,014	-\$655,076	\$3,078,938
7	2020-21	\$309,512,375	\$30,000,000	\$279,512,375	\$1.060	\$3,280,831	\$318,000	\$2,962,831	\$576,532	\$3,539,363	-\$1,493,260	\$2,046,104
8	2021-22	\$294,036,756	\$30,000,000	\$264,036,756	\$1.060	\$3,116,790	\$318,000	\$2,798,790	\$555,656	\$3,354,445	-\$1,842,310	\$1,512,136
9	2022-23	\$279,334,918	\$30,000,000	\$249,334,918	\$1.060	\$2,960,950	\$318,000	\$2,642,950	\$535,823	\$3,178,773	-\$1,342,202	\$1,836,571
10	2023-24	\$265,368,173	\$30,000,000	\$235,368,173	\$1.060	\$2,812,903	\$318,000	\$2,494,903	\$516,982	\$3,011,884	\$0	\$3,011,884
11	2024-25	\$252,099,764	\$252,099,764	\$0	\$1.060	\$2,672,257	\$2,672,257	\$0	\$1,248,872	\$1,248,872	\$0	\$1,248,872
12	2025-26	\$239,494,776	\$239,494,776	\$0	\$1.060	\$2,538,645	\$2,538,645	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$227,520,037	\$227,520,037	\$0	\$1.060	\$2,411,712	\$2,411,712	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$216,144,035	\$216,144,035	\$0	\$1.060	\$2,291,127	\$2,291,127	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$205,336,833	\$205,336,833	\$0	\$1.060	\$2,176,570	\$2,176,570	\$0	\$0	\$0	\$0	\$0
Totals						\$45,141,162	\$20,570,312	\$24,570,850	\$5,300,000	\$29,870,850	-\$5,773,727	\$24,097,123
Tax Credit for Value Over Limit in First 2 Years								Year 1	Year 2	Max Credits		
								\$1,378,000	\$3,922,000	\$5,300,000		
								Credits Earned		\$5,300,000		
								Credits Paid		<u>\$5,300,000</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

Chambers County

Population

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

Mont Belvieu:	2,913	Anahuac:	2,081
Beach City:	2,058	Old River-Winfree:	1,812
Cove:	307		

Economy and Income

Employment

- September 2011 total employment in Chambers County: 14,359 , up 1.8 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 Chambers County unemployment rate: 10.5 percent, up from 9.4 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

- Chambers County's ranking in per capita personal income in 2009: 13th with an average per capita income of \$45,257, down 1.5 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Chambers County averaged \$22.26 million annually from 2007 to 2010. County total agricultural values in 2010 were up 44.2 percent from 2009. Major agriculture related commodities in Chambers County during 2010 included:
 - Aquaculture - Rice - Hunting - Hay - Other Beef
- 2011 oil and gas production in Chambers County: 758,413.0 barrels of oil and 3.6 million Mcf of gas. In September 2011, there were 182 producing oil wells and 62 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 Chambers County during the fourth quarter 2010: \$53.17 million, up 18.5 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Mont Belvieu:	\$21.65 million, up 88.2 percent from the same quarter in 2009.
Anahuac:	\$2.21 million, up 1.5 percent from the same quarter in 2009.
Old River-Winfree:	\$0.00
Cove:	\$1.05 million, up 24.0 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 Chambers County through the fourth quarter of 2010: \$192.70 million, down 1.9 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Mont Belvieu:	\$64.92 million, up 14.8 percent from the same period in 2009.
Anahuac:	\$8.73 million, down 5.0 percent from the same period in 2009.
Old River-Winfree:	\$0.00
Cove:	\$3.77 million, up 5.7 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Chambers County during 2010: \$192.70 million, down 1.9 percent from 2009.
- Chambers County sent an estimated \$12.04 million (or 0.07 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.

■ Taxable sales during 2010 in the city of:

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

Sales Tax – Local Sales Tax Allocations

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

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Chambers County based on the sales activity month of August 2011: \$251,094.84, down 9.6 percent from August 2010.

■ Payment based on the sales activity month of August 2011 to the city of:

Mont Belvieu:	\$237,085.85, down 10.2 percent from August 2010.
Anahuac:	\$5,641.51, down 26.2 percent from August 2010.
Old River-Winfree*:	\$4,805.15, up 184.3 percent from August 2010.
Cove:	\$3,562.33, down 17.8 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 Chambers County based on sales activity months from September 2010 through August 2011: \$3.65 million, up 68.9 percent from fiscal 2010.

■ Payments based on sales activity months from September 2010 through August 2011 to the city of:

Mont Belvieu:	\$3.47 million, up 73.2 percent from fiscal 2010.
Anahuac:	\$87,555.03, down 15.7 percent from fiscal 2010.
Old River-Winfree*:	\$49,878.98, up 149.7 percent from fiscal 2010.
Cove:	\$46,617.53, up 27.9 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 Chambers County based on sales activity months through August 2011: \$2.81 million, up 89.1 percent from the same period in 2010.

■ Payments based on sales activity months through August 2011 to the city of:

Mont Belvieu:	\$2.69 million, up 93.5 percent from the same period in 2010.
Anahuac:	\$53,193.97, down 8.5 percent from the same period in 2010.
Old River-Winfree*:	\$37,220.66, up 185.7 percent from the same period in 2010.
Cove:	\$28,490.84, up 19.7 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 Chambers County based on sales activity in the 12 months ending in August 2011: \$3.65 million, up 68.9 percent from the previous 12-month period.

■ Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Mont Belvieu:	\$3.47 million, up 73.2 percent from the previous 12-month period.
Anahuac:	\$87,555.03, down 15.7 percent from the previous 12-month period.
Old River-Winfree*:	\$49,878.98, up 149.7 percent from the previous 12-month period.
Cove:	\$46,617.53, up 27.9 percent from the previous 12-month period.

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

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

Mont Belvieu:	\$3.08 million, up 82.7 percent from the same period in 2010.
Anahuac:	\$67,392.60, down 15.2 percent from the same period in 2010.
Old River-Winfree*:	\$44,170.61, up 170.2 percent from the same period in 2010.
Cove:	\$34,087.81, up 16.4 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 Chambers County based on sales activity months in 2010: \$2.33 million, up 8.0 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

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

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

Property Tax

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

State Expenditures

- Chambers County's ranking in state expenditures by county in fiscal year 2010: 87th. State expenditures in the county for FY2010: \$129.70 million, up 0.2 percent from FY2009.
- In Chambers County, 8 state agencies provide a total of 47 jobs and \$470,459.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):

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

Higher Education

- Community colleges in Chambers County fall 2010 enrollment:
 - None.
- Chambers County is in the service area of the following:
 - Galveston College with a fall 2010 enrollment of 2,318 . Counties in the service area include:
 - Chambers County
 - Galveston County
 - Jefferson County
 - Lee College with a fall 2010 enrollment of 6,719 . Counties in the service area include:
 - Chambers County
 - Hardin County
 - Harris County
 - Liberty County
 - San Jacinto Community College with a fall 2010 enrollment of 32,105 . Counties in the service area include:
 - Chambers County
 - Harris County
- Institutions of higher education in Chambers County fall 2010 enrollment:
 - None.

School Districts

- Chambers County had 3 school districts with 17 schools and 6,678 students in the 2009-10 school year. (Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
 - Anahuac ISD had 1,286 students in the 2009-10 school year. The average teacher salary was \$44,844. The percentage of students meeting the 2010 TAKS passing standard for all tests was 82 percent.
 - Barbers Hill ISD had 4,096 students in the 2009-10 school year. The average teacher salary was \$55,305. The percentage of students meeting the 2010 TAKS passing standard for all tests was 90 percent.
 - East Chambers ISD had 1,296 students in the 2009-10 school year. The average teacher salary was \$45,678. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.