

**Summary of the District's Financial Impact  
of Chapter 313 Agreement  
with Pattern Panhandle Wind, LLC**

Prepared by

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# White Deer ISD Financial Impact of Chapter 313 Agreement

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## **Summary of White Deer ISD Financial Impact of the Limited Appraised Value Application from Pattern Panhandle Wind, LLC**

### **Introduction**

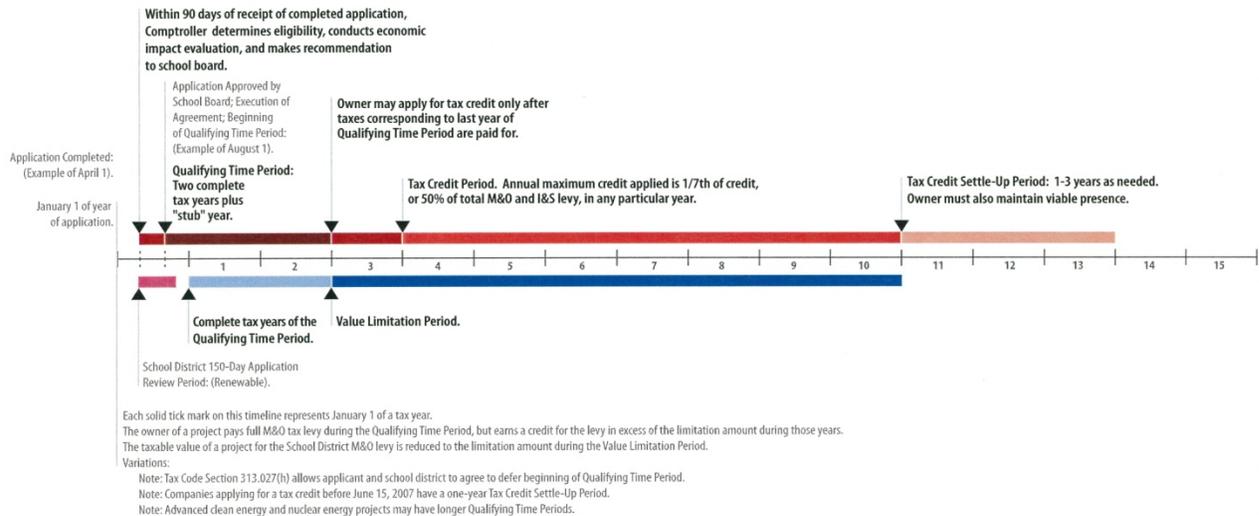
Pattern Panhandle Wind, LLC applied for a property value limitation from White Deer Independent School District under Chapter 313 of the Tax Code. The application was submitted on December 17, 2012 and subsequently approved for consideration by the White Deer ISD Board of Trustees. Pattern Panhandle Wind, LLC (“Pattern Panhandle Wind”), is requesting the property value limitation as a “renewable energy electric generation” project as listed in Sec. 313.024.(b) of the Tax Code.

“The Economic Development Act”, Tax Code Chapter 313, was created by House Bill 1200 of the 77<sup>th</sup> Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80<sup>th</sup> Texas Legislative Session in 2007.

The Economic Development Act was created to attract qualifying businesses to Texas by allowing school districts the option of approving a property value limitation to these qualifying entities. The purpose of the property value limitation is to reduce the maintenance and operations taxes paid by the company, to a school district during the applicable years as displayed below.

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## Appraised Value Limitation and Credit under Tax Code Chapter 313 for School District Maintenance & Operations (M&O) Tax



The company must file an application with the school district to qualify for consideration of a Limited Appraised Value Agreement (“LAVA” or “Agreement”) to begin the following tax year or a later year if agreed upon by the District and the Company. The first two years of the agreement are considered the qualifying time period and the company’s school district taxes will be levied at one-hundred percent of the appraised value. The applicant may then file a separate application with the school district to request tax credits (for taxes paid during the qualifying time period) to be applied during years four through ten of the LAVA, but not to exceed 50% of their tax levy for those years. Any tax credit balance remaining after this period can then be applied during years eleven through thirteen of the agreement, but cannot exceed the actual amount of taxes paid to the school district during the Settle-Up Period. After year thirteen, any leftover credits will not be applied and will expire.

During years three through ten of the LAVA, the qualifying entity’s taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller’s Office. White Deer ISD is considered a Rural category 3 District as categorized with total taxable value of industrial property of at least \$1 million but less than \$90 million, thus White Deer ISD

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has a minimum qualified investment amount of \$10 million. A qualifying entity's taxable value would be reduced to \$10 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of White Deer ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

## Taxable Value Impact from LAVA

The "Additional Value from Pattern Panhandle Wind" represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company's taxable value will be limited to the \$10,000,000 minimum qualified investment of White Deer ISD.

**TABLE I- Calculation of Taxable Value:**

<b>Tax Year</b>	<b>Additional Value From Pattern Panhandle Wind</b>	<b>Minimum Qualified Investment</b>	<b>Abated Value</b>	<b>Taxable Value</b>
Jan. 1, 2014	290,000,000	n/a	0	290,000,000
Jan. 1, 2015	275,500,000	n/a	0	275,500,000
Jan. 1, 2016	261,700,000	(10,000,000)	251,700,000	10,000,000
Jan. 1, 2017	248,600,000	(10,000,000)	238,600,000	10,000,000
Jan. 1, 2018	236,200,000	(10,000,000)	226,200,000	10,000,000
Jan. 1, 2019	224,400,000	(10,000,000)	214,400,000	10,000,000
Jan. 1, 2020	213,200,000	(10,000,000)	203,200,000	10,000,000
Jan. 1, 2021	202,500,000	(10,000,000)	192,500,000	10,000,000
Jan. 1, 2022	192,400,000	(10,000,000)	182,400,000	10,000,000
Jan. 1, 2023	182,800,000	(10,000,000)	172,800,000	10,000,000
Jan. 1, 2024	173,600,000	n/a	0	173,600,000
Jan. 1, 2025	165,000,000	n/a	0	165,000,000
Jan. 1, 2026	156,700,000	n/a	0	156,700,000

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## Pattern Panhandle Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for Pattern Panhandle Wind is \$22.2 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement.

**TABLE II- Computation of Net Tax Savings:**

Fiscal Year	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2014-2015	3,016,000	0	n/a	0	0
2015-2016	2,865,200	0	n/a	0	0
2016-2017	2,721,680	2,617,680	n/a	(117,544)	2,500,136
2017-2018	2,585,440	2,481,440	52,000	(111,426)	2,422,014
2018-2019	2,456,480	2,352,480	52,000	(105,635)	2,298,845
2019-2020	2,333,760	2,229,760	52,000	(100,125)	2,181,635
2020-2021	2,217,280	2,113,280	52,000	(94,894)	2,070,386
2021-2022	2,106,000	2,002,000	52,000	(89,897)	1,964,103
2022-2023	2,000,960	1,896,960	52,000	(85,181)	1,863,779
2023-2024	1,901,120	1,797,120	52,000	(80,698)	1,768,422
2024-2025	1,805,440	0	1,805,440	0	1,805,440
2025-2026	1,716,000	0	1,716,000	0	1,716,000
2026-2027	1,629,680	0	1,629,680	0	1,629,680
<b>Totals</b>	<b>29,355,040</b>	<b>17,490,720</b>	<b>5,515,120</b>	<b>(785,401)</b>	<b>22,220,439</b>

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## Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on White Deer ISD. First, a thirteen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a thirteen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a thirteen year financial forecast was prepared that incorporates the additional taxable value of the company with an approved LAVA. These three forecasts are detailed in the “Calculation of LAVA Impact on District’s Finances” section. The following assumptions were used to compare the financial impact of the LAVA:

- The current state funding formulas (in effect for 2012-2013 fiscal year) were used for state aid and recapture calculation purposes
  - Level 2 of Tier II yield - \$59.97 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district’s tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2012.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value increase of .5% was used to project the district’s taxable value, except as it related to the requested LAVA. The district’s 2012 taxable value was used as a baseline for all projections
- The district’s enrollment is projected to decrease slightly; therefore, the projected ADA and WADA for school year 2012-2013 was decreased by .25% per year for the life of the agreement.

Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the thirteen years of this proposed agreement. Also, Legislative changes to the school finance formulas are likely during the near future and almost certain during the life of this agreement.

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## Calculation of LAVA Impact on District's Finances

The tables displayed below (Table III, IV, V) show the different impacts on the school district's finances. These scenarios were computed to compare the District's revenue without the additional taxable value of Pattern Panhandle Wind (Table III), the addition of Pattern Panhandle Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of Pattern Panhandle Wind's taxable values with a Chapter 313 Agreement (Table V).

**TABLE III – District Revenues *without* Pattern Panhandle Wind:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue				
2014-2015	356,560,621	3,541,717	489,410	822,919	3,208,208	166,514	3,374,722
2015-2016	358,343,424	3,559,425	488,187	847,424	3,200,188	167,346	3,367,534
2016-2017	360,135,142	3,577,222	486,966	872,001	3,192,187	168,183	3,360,370
2017-2018	361,935,817	3,595,108	485,749	896,651	3,184,207	169,024	3,353,231
2018-2019	363,745,496	3,613,084	484,535	921,372	3,176,246	169,869	3,346,116
2019-2020	365,564,224	3,631,149	483,323	946,167	3,168,306	170,718	3,339,024
2020-2021	367,392,045	3,649,305	482,115	971,035	3,160,385	171,572	3,331,957
2021-2022	369,229,005	3,667,552	480,910	995,977	3,152,484	172,430	3,324,914
2022-2023	371,075,150	3,685,889	479,707	1,020,994	3,144,603	173,292	3,317,895
2023-2024	372,930,526	3,704,319	478,508	1,046,086	3,136,741	174,159	3,310,900
2024-2025	374,795,179	3,722,841	477,312	1,071,253	3,128,899	175,029	3,303,929
2025-2026	376,669,154	3,741,455	476,119	1,096,496	3,121,077	175,904	3,296,982
2026-2027	378,552,500	3,760,162	474,928	1,121,816	3,113,275	176,784	3,290,059

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**TABLE IV- District Revenues *with* Pattern Panhandle Wind *without* Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue				
2014-2015	646,560,621	6,422,287	195,850	1,492,220	5,125,916	301,944	5,427,860
2015-2016	633,843,424	6,295,967	554,756	3,650,535	3,200,188	296,005	3,496,193
2016-2017	621,835,142	6,176,688	551,421	3,535,922	3,192,187	290,397	3,482,584
2017-2018	610,535,817	6,064,452	547,964	3,428,209	3,184,207	285,120	3,469,327
2018-2019	599,945,496	5,959,259	544,384	3,327,396	3,176,246	280,175	3,456,421
2019-2020	589,964,224	5,860,115	541,129	3,232,938	3,168,306	275,513	3,443,819
2020-2021	580,592,045	5,767,021	537,775	3,144,411	3,160,385	271,136	3,431,522
2021-2022	571,729,005	5,678,984	534,781	3,061,281	3,152,484	266,997	3,419,482
2022-2023	563,475,150	5,596,999	531,246	2,983,642	3,144,603	263,143	3,407,746
2023-2024	555,730,526	5,520,071	528,087	2,911,417	3,136,741	259,526	3,396,267
2024-2025	548,395,179	5,447,209	525,329	2,843,639	3,128,899	256,101	3,385,000
2025-2026	541,669,154	5,380,400	521,556	2,780,879	3,121,077	252,959	3,374,037
2026-2027	535,252,500	5,316,663	519,153	2,722,542	3,113,275	249,963	3,363,237

**TABLE V – District Revenues *with* Pattern Panhandle Wind *with* Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Payment for District Losses	Total District Revenue
		Taxes Comp Rate	State Revenue					
2014-2015	646,560,621	6,422,287	195,850	1,492,220	5,125,916	301,944	0	5,427,860
2015-2016	633,843,424	6,295,967	554,756	3,650,535	3,200,188	296,005	0	3,496,193
2016-2017	370,135,142	3,676,552	1,620,323	2,104,688	3,192,187	172,853	117,544	3,482,584
2017-2018	371,935,817	3,694,438	486,112	996,343	3,184,207	173,694	111,426	3,469,327
2018-2019	373,745,496	3,712,414	484,895	1,021,062	3,176,246	174,539	105,635	3,456,421
2019-2020	375,564,224	3,730,479	483,681	1,045,854	3,168,306	175,388	100,125	3,443,819
2020-2021	377,392,045	3,748,635	482,470	1,070,720	3,160,385	176,242	94,894	3,431,522
2021-2022	379,229,005	3,766,882	481,262	1,095,660	3,152,484	177,100	89,897	3,419,482
2022-2023	381,075,150	3,785,219	480,057	1,120,674	3,144,603	177,962	85,181	3,407,746
2023-2024	382,930,526	3,803,649	478,855	1,145,763	3,136,741	178,829	80,698	3,396,267
2024-2025	548,395,179	5,447,209	201,659	1,668,760	3,980,107	256,101	0	4,236,208
2025-2026	541,669,154	5,380,400	521,556	2,780,879	3,121,077	252,959	0	3,374,037
2026-2027	535,252,500	5,316,663	519,153	2,722,542	3,113,275	249,963	0	3,363,237

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## Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79<sup>th</sup> Legislative Session and became effective for the 2006-2007 school year. These formula changes have had an effect on the district's financial impact from granting a property value limitation. Due to the district's "Hold Harmless" provision that was enacted in the new funding formulas, it is presumed that the majority of the district's revenue losses in year three of the LAVA will be offset with additional state funding or a reduction of recapture payments made to the State. Prior to these recent formula changes, school districts felt a significant loss in revenues in year three because the state funding formulas considered the district more property wealthy based on their prior year taxable value. However, districts were only able to tax on the lower value that was a result of the LAVA. Districts are currently "held harmless" for the majority amount of loss in year three; however, it is possible that a future legislative session could eliminate this provision. If the "hold harmless" provision is eliminated, then the company would be required to offset the district's losses as computed in Article III of the Agreement.

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## Payments in Lieu of Taxes

Assuming that the District and Pattern Panhandle Wind, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to White Deer ISD by Pattern Panhandle Wind, the projected amount of these payments over the life of the agreement is \$457,467 of the \$22.22 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

**TABLE VI - Calculation of the Payment in Lieu of Taxes:**

Fiscal Year	Net Tax Savings	White Deer ISD Share \$100/ADA	Pattern Panhandle Wind's Share
2014-2015	0	35,721	(35,721)
2015-2016	0	35,631	(35,631)
2016-2017	2,500,136	35,542	2,464,594
2017-2018	2,422,014	35,453	2,386,560
2018-2019	2,298,845	35,365	2,263,480
2019-2020	2,181,635	35,276	2,146,359
2020-2021	2,070,386	35,188	2,035,197
2021-2022	1,964,103	35,100	1,929,002
2022-2023	1,863,779	35,013	1,828,767
2023-2024	1,768,422	34,925	1,733,497
2024-2025	1,805,440	34,838	1,770,602
2025-2026	1,716,000	34,751	1,681,249
2026-2027	1,629,680	34,664	1,595,016
<b>Totals</b>	<b>22,220,439</b>	<b>457,467</b>	<b>21,762,972</b>

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## Impact of Projected Student Growth On District Facilities

**TABLE VII – Campus Capacity and Available Growth**

Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
K thru 8	23	506	287	219
9-12	18	360	103	257
<b>Total</b>	<b>41</b>	<b>866</b>	<b>390</b>	<b>476</b>

The building capacities are based on 22 students per classroom for the elementary and Jr. High campus, and 20 students for the high school campus. White Deer ISD is a kindergarten through 12<sup>th</sup> grade district.

Pattern Panhandle Wind, LLC provided supplemental information with their application that projected the number of full-time employees that are expected for permanent employment after construction of the project is completed. They projected that seven full-time employees are expected. It is not known whether these would be new employees to the White Deer ISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new seven positions equates to 4 new students.

This minimal projected student growth can easily be accommodated with the current facilities of White Deer ISD as displayed in Table VII above.

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## Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Pattern Panhandle Wind, LLC, would be beneficial to both Pattern Panhandle Wind and White Deer ISD under the current school finance system.

Pattern Panhandle Wind, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Pattern Panhandle Wind is projected to benefit from a 78% tax savings over the thirteen year period of this agreement. Pattern Panhandle Wind also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

White Deer ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require Pattern Panhandle Wind to offset any district losses caused by the LAVA. An annual calculation will be performed each year to determine if a loss to the District has been incurred. The revenue impact to the District will be computed by comparing the District's revenues with and without the LAVA in effect.