

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



July 30, 2013

John O'Brien
Superintendent
Van Vleck Independent School District
142 S. Fourth Street
Van Vleck, Texas 77482

Dear Superintendent O'Brien:

On May 9, 2013, the Comptroller received the completed application (Application # 284) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in March 2013 to the Van Vleck Independent School District (the school district) by Maverick Tube Corporation dba Tenaris USA (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 3 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$1.153 billion) is consistent with the proposed appraised value limitation sought (\$10 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

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 Matagorda 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 May 9, 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	Maverick Tube Corporation dba Tenaris USA
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Van Vleck ISD
2011-2012 Enrollment in School District	903
County	Matagorda
Total Investment in District	\$1,356,200,000
Qualified Investment	\$1,153,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	600
Number of qualifying jobs committed to by applicant	480
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	\$59,082
Investment per Qualifying Job	\$2,825,417
Estimated 15 year M&O levy without any limit or credit:	\$144,259,805
Estimated gross 15 year M&O tax benefit	\$99,779,271
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$87,857,295
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$6,700,720
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$56,402,510
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	60.9%
Percentage of tax benefit due to the limitation	93.3%
Percentage of tax benefit due to the credit.	6.7%

This presents the Comptroller's economic impact evaluation of Maverick Tube Corporation dba Tenaris USA (the project) applying to Van Vleck 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 600 new jobs when fully operational. Four hundred, eighty 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 Council of Governments Region, where Matagorda County is located was \$53,711 in 2011. The annual average manufacturing wage for 2012 for Matagorda County is \$67,233. That same year, the county annual average wage for all industries was \$49,218. In addition to a salary of \$59,082, each qualifying position will receive benefits such as medical insurance, dental insurance, vision insurance, flexible spending accounts, life insurance, accidental death and dismemberment, short-term disability, 401(k) plan, gym membership incentive, employee assistance program and other programs that include tuition reimbursement, paid vacation, and paid company holidays. The project's total investment is \$1.356 billion, resulting in a relative level of investment per qualifying job of \$2.8 million.

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

According to Maverick Tube Corporation dba Tenaris USA's application, "One factor in determining whether the project will proceed is the internal competition for capital among the various project opportunities for Maverick's affiliated entities, both nationally and globally. Since this factor is financial in nature, Maverick is seeking assistance in the way of incentives to help ensure that the project advances. Tenaris SA allocates 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. Additionally, the company is considering Louisiana as a potential location for this facility, as the state and localities are preparing a comprehensive incentive offer for the project."

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

During the past two years, 34 projects in the Houston-Galveston Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

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

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

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	500	475	975	\$17,085,000	\$32,915,000	\$50,000,000
2014	1900	1,790	3690	\$64,923,000	\$136,077,000	\$201,000,000
2015	2700	2,835	5535	\$97,241,400	\$226,758,600	\$324,000,000
2016	1665	2,206	3871	\$67,231,530	\$195,768,470	\$263,000,000
2017	750	1,553	2303	\$40,574,700	\$149,425,300	\$190,000,000
2018	600	1,345	1945	\$35,449,200	\$136,550,800	\$172,000,000
2019	600	1,283	1883	\$35,449,200	\$134,550,800	\$170,000,000
2020	600	1,254	1854	\$35,449,200	\$134,550,800	\$170,000,000
2021	600	1,250	1850	\$35,449,200	\$137,550,800	\$173,000,000
2022	600	1,255	1855	\$35,449,200	\$142,550,800	\$178,000,000
2023	600	1,273	1873	\$35,449,200	\$149,550,800	\$185,000,000
2024	600	1,287	1887	\$35,449,200	\$154,550,800	\$190,000,000
2025	600	1,296	1896	\$35,449,200	\$161,550,800	\$197,000,000
2026	600	1,287	1887	\$35,449,200	\$167,550,800	\$203,000,000
2027	600	1,295	1895	\$35,449,200	\$173,550,800	\$209,000,000
2028	600	1,316	1916	\$35,449,200	\$182,550,800	\$218,000,000

Source: CPA, REMI, Maverick Tube Corporation dba Tenaris USA

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011-2012. Van Vleck ISD's ad valorem tax base in 2011-2012 was \$582.8 million. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Van Vleck ISD's estimated wealth per WADA was \$350,209. 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, Matagorda County, Matagorda County Hospital District, Port of Bay City Authority, Matagorda County Drainage District #1, Coastal Plains Groundwater Conservation District, and Matagorda County Conservation and Reclamation District, with all property tax incentives sought being granted using estimated market value from Maverick Tube Corporation dba Tenaris USA's application. Maverick Tube Corporation dba Tenaris USA has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county, hospital district, drainage district, and port authority. Table 3 illustrates the estimated tax impact of the Maverick Tube Corporation dba Tenaris USA 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 \$144,259,805. The estimated gross 15 year M&O tax benefit, or levy loss, is \$99,779,271.

Attachment 3 is an economic overview of Matagorda 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: Meritech Tube Corporation
 BSO Name: Van Vleet BSO

Period preceding the first complete tax year of the qualifying time period (assumes deferral)	Year	School Year (YYYY-YYYY)	Tax Year (File actual tax year below) YYYY	PROPERTY INVESTMENT AMOUNTS					Column E: Total Investment (A+B+D)																																							
				Column A: Tangible Personal Property Investment (original cost) placed in service during this year	Column B: Building Investment (nonresidential component of building) (actual 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)																																								
Period preceding the first complete tax year of the qualifying time period (assumes deferral)	Investment made before filing complete application with district (whether qualified property not eligible to become qualified investment)	2013-2014	2013	\$ 63,000,000	\$ 27,300,000			\$ 33,500,000	122,800,000																																							
				Investment made after filing complete application with district, but before final board approval of application and deferred commencement of construction	2014-2015	2014	\$ 251,000,000	\$ 107,000,000			\$ 358,000,000	\$ 394,600,000																																				
							Investment made after final board approval of application and deferred commencement of construction	2015-2016	2016	\$ 334,000,000	\$ 152,000,000			\$ 478,000,000	\$ 514,700,000																																	
										Investment made after final board approval of application and deferred commencement of construction	2016-2017	2017	\$ 247,100,000	\$ 81,900,000			\$ 319,000,000	\$ 324,100,000																														
													Investment made after final board approval of application and deferred commencement of construction	2017-2018	2018																																	
																Investment made after final board approval of application and deferred commencement of construction	2018-2019	2019																														
																			Investment made after final board approval of application and deferred commencement of construction	2019-2020	2020																											
																						Investment made after final board approval of application and deferred commencement of construction	2020-2021	2021																								
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																																					Investment made after final board approval of application and deferred commencement of construction	2025-2026	2026									
																																								Investment made after final board approval of application and deferred commencement of construction	2026-2027	2027						
																																											Investment made after final board approval of application and deferred commencement of construction	2027-2028	2028			
Investment made after final board approval of application and deferred commencement of construction	2028-2029	2029																																														
			Investment made after final board approval of application and deferred commencement of construction	2029-2030	2030																																											

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 §13.021(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 nonresidential component of buildings that the applicant considers qualified investment under Tax Code §13.021(1)(E).

Column C: 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. This amount should be included in the "Year 1" time period. It cannot be part of qualified investment.

Column D: Note: Lead can be taken as part of investment during the "Year 1" time period. It cannot be part of qualified 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 original 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]

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE: 3/26/2013

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

Applicant Name
USD Name

Van Vleet ISD

Form 50-296

	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"	Exempted Value	Final taxable value for US - after all reductions	Final taxable value for M&O - after all reductions	
	pre-year 1	2013-2014	2013							
	pre-year 1 (assumes default)	2014-2015	2014	\$ 12,000,000	\$ 13,650,000	\$ 31,000,000		\$ 56,650,000	\$ 56,650,000	
	1	2015-2016	2015	\$ 12,000,000	\$ 67,150,000	\$ 156,500,000	\$ 15,000,000	\$ 220,650,000	\$ 220,650,000	\$ 220,650,000
	2	2016-2017	2016	\$ 12,000,000	\$ 136,150,000	\$ 323,500,000	\$ 30,000,000	\$ 443,650,000	\$ 443,650,000	\$ 443,650,000
	3	2017-2018	2017	\$ 12,000,000	\$ 356,200,000	\$ 884,100,000	\$ 60,000,000	\$ 1,194,300,000	\$ 1,194,300,000	\$ 1,194,300,000
	4	2018-2019	2018	\$ 12,000,000	\$ 369,942,722	\$ 908,756,037	\$ 60,153,150	\$ 1,228,545,609	\$ 1,228,545,609	\$ 1,228,545,609
	5	2019-2020	2019	\$ 12,000,000	\$ 365,356,205	\$ 877,845,136	\$ 56,384,215	\$ 1,186,837,126	\$ 1,186,837,126	\$ 1,186,837,126
	6	2020-2021	2020	\$ 12,000,000	\$ 360,311,719	\$ 846,609,944	\$ 56,430,404	\$ 1,182,491,259	\$ 1,182,491,259	\$ 1,182,491,259
	7	2021-2022	2021	\$ 12,000,000	\$ 354,694,614	\$ 812,781,628	\$ 54,331,768	\$ 1,125,144,474	\$ 1,125,144,474	\$ 1,125,144,474
	8	2022-2023	2022	\$ 12,000,000	\$ 348,611,544	\$ 776,489,412	\$ 52,079,897	\$ 1,085,031,059	\$ 1,085,031,059	\$ 1,085,031,059
	9	2023-2024	2023	\$ 12,000,000	\$ 341,916,201	\$ 737,605,791	\$ 49,663,523	\$ 1,041,658,469	\$ 1,041,658,469	\$ 1,041,658,469
	10	2024-2025	2024	\$ 12,000,000	\$ 334,681,629	\$ 696,050,140	\$ 47,079,088	\$ 995,652,681	\$ 995,652,681	\$ 995,652,681
	11	2025-2026	2025	\$ 12,000,000	\$ 326,874,705	\$ 651,877,214	\$ 44,330,663	\$ 946,421,256	\$ 946,421,256	\$ 946,421,256
	12	2026-2027	2026	\$ 12,000,000	\$ 316,431,633	\$ 604,937,023	\$ 41,407,001	\$ 893,861,855	\$ 893,861,855	\$ 893,861,855
	13	2027-2028	2027	\$ 12,000,000	\$ 309,396,419	\$ 555,359,700	\$ 39,316,668	\$ 838,439,451	\$ 838,439,451	\$ 838,439,451
	14	2028-2029	2028	\$ 12,000,000	\$ 298,747,086	\$ 503,219,818	\$ 35,064,991	\$ 779,901,923	\$ 779,901,923	\$ 779,901,923
	15	2029-2030	2029	\$ 12,000,000	\$ 289,466,991	\$ 448,427,114	\$ 31,643,970	\$ 718,250,135	\$ 718,250,135	\$ 718,250,135

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.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

6/6/2013

Schedule C- Application: Employment Information

Maverick Tube Corporation
Van Vleet ISD

Applicant Name
ISD Name

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTEs	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	2013-2014	2013	500	34,170				
	pre-year 1 (assumes deferral)	2014-2015	2014	1900	34,170				
Complete tax years of qualifying time period	1	2015-2016	2015	2500	34,170	200	59,082	160	59,082
	2	2016-2017	2016	1250	34,170	415	59,082	332	59,082
	3	2017-2018	2017	150	34,170	600	59,082	480	59,082
	4	2018-2019	2018			600	59,082	460	59,082
	5	2019-2020	2019			600	59,082	480	59,082
Tax Credit Period (with 50% cap on credit)	6	2020-2021	2020			600	59,082	480	59,082
	7	2021-2022	2021			600	59,082	480	59,082
	8	2022-2023	2022			600	59,082	480	59,082
	9	2023-2024	2023			600	59,082	480	59,082
	10	2024-2025	2024			600	59,082	480	59,082
Credit Settle-Up Period	11	2025-2026	2025			600	59,082	480	59,082
	12	2028-2027	2026			600	59,082	480	59,082
	13	2027-2028	2027			600	59,082	480	59,082
	14	2028-2029	2028			600	59,082	480	59,082
	15	2029-2030	2029			600	59,082	480	59,082
Post- Settle-Up Period									
Post- Settle-Up Period									

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

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



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

7/24/2013

Attachment # 20

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

Form 50-296

Van Vleck ISD

Other Property Tax Abatements Sought

Maverick Tube Corporation

Applicant Name

Applicant Name	Sales Tax Information				Franchise Tax	Other Property Tax Abatements Sought			
	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		County	City	Hospital	Other
Period preceding the first complete tax year of the qualifying time period (assumes deferral)	2013-2014	2013	26,124,812	96,675,188	3,000,000	100%	n/a	100%	100%
	2014-2015	2014	105,539,996	289,060,004	3,000,000	100%	n/a	100%	100%
	2015-2016	2015	140,415,413	374,284,587	3,000,000	100%	n/a	100%	100%
Complete tax years of qualifying time period	2016-2017	2016	99,106,002	224,993,998	3,000,000	100%	n/a	100%	100%
	2017-2018	2017	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2018-2019	2018	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2019-2020	2019	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2020-2021	2020	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2021-2022	2021	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2022-2023	2022	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2023-2024	2023	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2024-2025	2024	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2025-2026	2025	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2026-2027	2026	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2027-2028	2027	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2028-2029	2028	2,000,000	-	3,000,000	100%	n/a	100%	100%
	2029-2030	2029	2,000,000	-	3,000,000	100%	n/a	100%	100%
Tax Credit Period (with 50% cap on credit)									
Credit Settle-Up Period									
Post- Settle-Up Period									
Post- Settle-Up Period									

*For planning, construction and operation of the facility.

 DATE 3/28/2018

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

*NOTE Maverick Tube Corporation files sales tax returns under Hydrin Company

Attachment 2

July 25, 2013

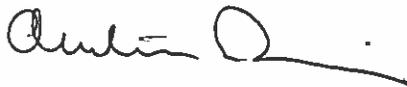
Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

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 Maverick Tube Corporation dba Tenaris USA project on the number and size of school facilities in Van Vleck Independent School District (VVISD). Based on the analysis prepared by Walsh, Anderson, Gallegos, Green and Trevino, P.C. for the school district and a conversation with John O'Brien, the superintendent for the district, the TEA has found that the Maverick Tube Corporation dba Tenaris USA project would not have a significant impact on the number or size of school facilities in VVISD.

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 regarding this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

July 25, 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 Maverick Tube Corporation dba Tenaris USA project for the Van Vleck Independent School District (VVISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Walsh, Anderson, Gallegos, Green and Trevino, P.C. 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 Maverick Tube Corporation dba Tenaris USA project on VVISD 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 regarding this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

SUMMARY OF THE FINANCIAL IMPACT OF THE PROPOSED
MAVERICK TUBE CORPORATION PROJECT ON THE
FINANCES OF VAN VLECK ISD UNDER A REQUESTED
CHAPTER 313 PROPERTY VALUE LIMITATION AGREEMENT

PREPARED BY
JIGSAW SCHOOL FINANCE SOLUTIONS, LLC
REVISED JUNE 23, 2013

Introduction

Maverick Tube Corporation DBA Tenaris USA has submitted an application to the Van Vleck ISD Board of Trustees for a property value limitation on a proposed project under Chapter 313 of the Tax Code. The Van Vleck ISD Board of Trustees accepted the application on April 15, 2013. The application is for a seamless pipe mill, heat treatment, and threading manufacturing project as authorized by Sec. 313.024. (b) of the Tax Code. Maverick Tube Corporation DBA Tenaris USA is proposing a \$1,153,000,000 qualified investment in this new seamless pipe-manufacturing project in Van Vleck ISD.

This project is authorized by the intent of HB 1200 in the 77th Legislative Session in 2001. Other enabling legislation expanded participation to specified additional qualifying applicants. This application is consistent with the intent of the original legislation.

The purpose of the enacted legislation was to encourage large-scale capital investments in Texas by providing authority for school districts to provide property value limitations for qualifying applicants.

Maverick Tube Corporation DBA Tenaris USA is proposing to invest in Van Vleck ISD for their manufacturing project. After the 2-year qualifying period, 2015-16 and 2016-17, Maverick Tube Corporation DBA Tenaris USA proposes a \$10,000,000 value limitation. The years 2015-16 and 2016-17 (years 1 and 2) would be the qualifying period and the limitation would extend from 2017-18 through 2024-25 (years 3-10). Beginning with the 2017-18 school year, the project would go on the local tax roll at \$10 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

School Finance Background

In 2006, Texas Schools moved from a formula driven system to a target revenue system with the passage of HB 1 in the third called legislative session. In essence, the target revenue system established a target revenue amount the district would receive and drove the maintenance and operations (M&O) tax rate down to 66.67% of the established M&O rate (Compressed Rate). Districts were to lower their rate to that level and the state supplied the revenue to make up for the loss of M&O funds because of M&O rate decrease. This was funded as Additional State Aide for Tax Rate Reduction (ASATR). Subsequent legislation sought to increase school districts Target Revenue by allowing the district to keep more of their tax revenue by moving qualifying districts to a formula based funding mechanism rather than the target revenue system.

Van Vleck ISD has received ASATR funding since HB1. This is illustrated in Table A.

Table A

School Year	ASATR Funds
2006-07	505,674
2007-08	1,872,026
2008-09	1,133,951

2009-10	913,683
2010-11	1,542,927
2011-12	1,052,005
2012-13	372,569

Another component of school finance legislation that started with HB1 in 2006 was the ability to raise the local M&O tax rate to 4 cents above the Compressed Rate for local enrichment. Additional M&O “pennies” could be added to the tax rate by voter approval.

The importance of the additional pennies has been not only to increase M&O revenue but also to increase the equalization funding from the state. The Guaranteed Yield for the tax rate of \$1.05 and \$1.06 is \$59.97 per cent of tax effort per Weighted ADA and \$31.95 for the tax rate from \$1.07 through \$1.17

With the passage of SB 1 in 2011, funding reductions were targeted to be near \$4 billion. The mechanics of the legislation was to reduce cost outlays because of state revenue availability and also eliminate ASATR by 2017-18. 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 formulas. For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the General Appropriations Act. The 2011 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

In 2013, the passage of SB 1, the main state budget bill, and HB 1025 include a restoration of about \$3.4 billion for public education. SB 1 and HB 1025 contain the changes to the funding elements for the FSP in 2014-15 biennium. These two bills together increase the FSP formulas by \$3.4 billion (\$4.0 billion reduction last biennium from FSP). When combined with the funding levels for the basic allotment in SB 1, the approximate \$100 million added to the FSP per year increases the basic allotment for the 2013-14 school year to \$4,950 and the 2014-15 school year to \$5,040. The FSP Funding changes are outlined below.

FSP Funding Elements - SB 1 Supplemented by HB 1025						
	Current Law	2013-14	2014-15	2015-16	2016-17	2017-18
Basic Allotment	\$4765	\$4950	\$5040	\$5040	\$5040	\$5040
Equalized Wealth Level – Compressed Tier	\$476,500	\$495,000	\$504,000	\$504,000	\$504,000	\$504,000
Golden Penny Yield	\$59.97	\$59.97	\$61.86	\$62.11	\$63.66	\$65.24
Copper Penny Yield	\$31.95	\$31.95	\$31.95	\$31.95	\$31.95	\$31.95
Copper Penny Equalized Wealth Level	\$319,000	\$319,000	\$319,000	\$319,000	\$319,000	\$319,000
Regular Program Allotment Adjustment	0.98	1.000	1.000	Expired	Expired	Expired
Hold Harmless Reduction Percentage	0.9235	0.9263	0.9263	0.9263	0.9263	Expired

One important element 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 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

The drivers of the funding mechanisms for Texas school districts are the current year property values, known as the County Appraisal District (CAD values), the prior year property values [after review by the Texas State Comptroller become the "comptroller's property tax division" (CPTD) values (used for next year funding)] and Average Daily Attendance (ADA of current funding Year).

In calculating district's state and local tax revenue for any year the current year CAD values, current year ADA and prior year CPTD is used.

For the purposes of these calculations, the starting point is to determine what the projected CAD value for the 2013-14 school year will be. The following chart (Table B) illustrates the historical value growth/decline for recent years. Final Certified Values will not be received by Van Vleck ISD until July 29, 2013.

Table B

Tax Year	CAD Value
2007	\$457,633,238
2008	\$551,245,364
2009	\$561,254,397
2010	\$529,808,800
2011	\$501,447,555
2012	\$509,228,094
2013	\$516,397,894

The CAD values for Van Vleck ISD have shown an inconsistent growth rate over the last 6 years.

Average Daily Attendance in Van Vleck ISD has been inconsistent since 2006-07. See Table C.

Table C

Tax Year	ADA Value
2006-07	891.34
2007-08	865.32
2008-09	858.38
2009-10	901.61
2010-11	913.76
2011-12	864.98
2012-13	866.00

An ADA of 866 has been used as the basis of these calculations. The enrollment projections provided by Van Vleck ISD's pupil projections are used as a basis for these estimates. The magnitude of this project with projected job creation of 600+ workers could have an impact on enrollment.

For the Chapter 313 projects, 15 years of data must be calculated. In order to provide calculations extended 15 years into the future and to isolate the impact of the proposed project by Maverick Tube Corporation DBA Tenaris USA certain constants and assumptions are used.

1. The estimates presented below are based upon the school funding system and formulas as defined by Senate Bill 1 and supplemented by House Bill 1025 passed in 2013. This school funding system and formulas were used for the duration of the project.
2. The ADA funding driver used is 866 as explained in Table 3 and this number was used for the duration of the agreement.
3. The general approach used here is to maintain relatively static base property values. The District's local 2013 CAD value estimate of \$516,397,994 is maintained for the forecast period. Finally, the proposed taxable values from the Maverick Tube Corporation DBA Tenaris USA project are added to the base model used here. The company revised the proposed taxable values after the initial application submission and those revised values are used in this revised report. In order to remain constant throughout the fifteen-year period a collection rate of 98% is used in the calculations.
4. Van Vleck ISD voters approved a tax rate of \$1.04 for the 2010-11 school year. This tax rate is held constant for the duration of the agreement to determine M&O taxes and state revenues.

The enrollment and property value assumptions are summarized in Table 1.

Table 1 – Data Assumptions for Van Vleck ISD and Maverick Tube Corporation DBA Tenaris USA – This table illustrates by year the tax rates, CAD Values with the Limitation in place, CAD Values for full taxable value for I&S purposes and the respective move to the next year of those value to the CPTD value. This respective data is then used as the basis for calculations in Tables 2 - 4.

Tables 2 - 4 – M&O Revenue Without the Limitation and With the Limitation – The first set of calculations (Table 2) uses the data to calculate the baseline revenue by adding the value of the proposed facility to the model, but without assuming that the value limitation is approved. The second set of the calculations (Table 3) show the M&O taxes and state revenue with the limitation in place. The ending result after the basic calculations are performed is to illustrate the difference between the two sets of calculations since this will be the basis for the Revenue Protection under the agreement. This is summarized in Table 4.

Financial Impact on the District

Utilizing the base line data from Exhibit A in calculating the M&O taxes and state revenues in Exhibit B, losses to the district are noted in project years 3-10 resulting from the lag of the CPTD following its use as CAD value for each of those years. Beginning at year 11 the reverse is true as the full value comes on to M&O portion of the rate and revenues remain flat.

Beginning with 2014-15, a district becomes subject to recapture under Chapter 41 if the district exceeds \$504,000 in property value / per Weighted ADA (WADA) at the Compressed Rate and \$319,500 per WADA at M&O tax rates from \$1.07 through \$1.17. Currently the district has 1498.645 WADA. For year 3, the largest value of the project, the CPTD value will be \$964,405,231. The result is that the district will have a maximum value from the Maverick Tube Corporation DBA Tenaris USA of \$634,210 per WADA resulting in value per WADA above the recapture threshold.

Impact on Taxpayer

The property listed within is fully taxable for the first 2 years on the agreement. In year 3, the tax value limitation applies, but only to the M&O portion of the M&O taxes collected at the assumed rate of \$1.04 per \$100 of taxable value.

Under these provisions, Maverick Tube Corporation DBA Tenaris USA has the potential savings in M&O taxes of \$99,779,271 in gross tax savings (\$93,078,551 tax savings + \$6,700,720 credits. This does not include school revenue loss). The credits may be recovered at 1/7 of credit amount per year for each of project years 4-10. 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.

Facilities Funding and Instructional Facilities Allotment

The interest and sinking fund (I&S) is used to tax the property value of the district to retire voter approved bonded indebtedness. The state of Texas has provided funding to enable districts that raise less than \$35 per ADA per 1 cent of tax effort funding to guarantee the district will reach that level of funding. This program is called the Instructional Facilities Allotment (IFA). TEA provides the difference between what the district raises per ADA/1 cent of tax effort and the \$35. The basis for the funding is the T8 CPTD value (the value that the comptroller assigns to the full taxable value for I&S purposes) and this value lags a year behind the local CAD value as with M&O funding. As property values (T8) increases in value the district's ability to raise more of the \$35 goes up as well.

Van Vleck ISD currently has no debt service, therefore does not tax for I&S purposes.

Conclusion

While some uncertainty exists concerning school finance legislation over the future of this project, it is evident by the analysis that several aspects apply to the Maverick Tube Corporation DBA Tenaris USA and Van Vleck ISD's proposed agreement. The proposed project enhances the tax base of VVUSD and it reflects continued capital investment and job creation in keeping with the goals of Chapter 313 of the Tax Code. Under the assumptions outlined above, the potential tax savings for Maverick Tube Corporation DBA Tenaris USA under a Chapter 313 agreement could reach an estimated \$87.9 million. This amount is net of any anticipated revenue losses, but prior to any supplemental payments to VVUSD as permitted by law. The additional taxable value also enhances the tax base of VVUSD in meeting possible future debt service obligations.

Table 1 - Base District Information with Maverick Tube 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	with Limitation per WADA
Pre-Year 1	2014-15	866.00	1,491.23	\$1.0400	\$0.0000	\$516,397,894	\$516,397,894	\$520,755,231	\$520,755,231	\$349,212	\$349,212
1	2015-16	866.00	1,516.32	\$1.0400	\$0.0000	\$737,047,894	\$737,047,894	\$520,755,231	\$520,755,231	\$343,434	\$343,434
2	2016-17	866.00	1,518.38	\$1.0400	\$0.0000	\$960,047,894	\$960,047,894	\$741,405,231	\$741,405,231	\$488,287	\$488,287
3	2017-18	866.00	1,520.64	\$1.0400	\$0.0000	\$1,710,697,894	\$526,397,894	\$964,405,231	\$964,405,231	\$634,210	\$634,210
4	2018-19	866.00	1,523.10	\$1.0400	\$0.0000	\$1,744,943,503	\$526,397,894	\$1,715,055,231	\$530,755,231	\$1,126,029	\$348,470
5	2019-20	866.00	1,523.10	\$1.0400	\$0.0000	\$1,713,235,020	\$526,397,894	\$1,749,300,840	\$530,755,231	\$1,148,513	\$348,470
6	2020-21	866.00	1,523.10	\$1.0400	\$0.0000	\$1,678,889,153	\$526,397,894	\$1,717,592,357	\$530,755,231	\$1,127,695	\$348,470
7	2021-22	866.00	1,523.10	\$1.0400	\$0.0000	\$1,641,542,368	\$526,397,894	\$1,683,246,490	\$530,755,231	\$1,105,145	\$348,470
8	2022-23	866.00	1,523.10	\$1.0400	\$0.0000	\$1,601,428,953	\$526,397,894	\$1,645,899,705	\$530,755,231	\$1,080,625	\$348,470
9	2023-24	866.00	1,523.10	\$1.0400	\$0.0000	\$1,558,256,363	\$526,397,894	\$1,605,786,290	\$530,755,231	\$1,054,288	\$348,470
10	2024-25	866.00	1,523.10	\$1.0400	\$0.0000	\$1,512,050,575	\$526,397,894	\$1,562,613,700	\$530,755,231	\$1,025,943	\$348,470
11	2025-26	866.00	1,523.10	\$1.0400	\$0.0000	\$1,462,819,150	\$1,462,819,150	\$1,516,407,912	\$530,755,231	\$995,606	\$348,470
12	2026-27	866.00	1,523.10	\$1.0400	\$0.0000	\$1,410,359,549	\$1,410,359,549	\$1,467,176,487	\$1,467,176,487	\$963,283	\$963,283
13	2027-28	866.00	1,523.10	\$1.0400	\$0.0000	\$1,354,837,345	\$1,354,837,345	\$1,414,716,886	\$1,414,716,886	\$928,840	\$928,840
14	2028-29	866.00	1,523.10	\$1.0400	\$0.0000	\$1,296,299,817	\$1,296,299,817	\$1,359,194,682	\$1,359,194,682	\$892,387	\$892,387
15	2029-30	866.00	1,523.10	\$1.0400	\$0.0000	\$1,234,648,029	\$1,234,648,029	\$1,300,657,154	\$1,300,657,154	\$853,954	\$853,954
2013-14	Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$495,000 per WADA										
2014-15	Tier II Yield: \$47.65; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA										
2015-16	Tier II Yield: \$47.85; AISD Yield: \$62.11; Equalized Wealth: \$504,000 per WADA										
2016-17	Tier II Yield: \$47.65; AISD Yield: \$63.66; Equalized Wealth: \$504,000 per WADA										
2017-18	Tier II Yield: \$47.65; AISD Yield: \$65.24; Equalized Wealth: \$504,000 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	2014-15	\$4,748,960	\$2,746,087	\$0	\$0	\$0	\$514,167	\$234,235	-\$17,196	\$8,226,254
1	2015-16	\$6,778,128	\$2,707,132	\$0	\$0	\$0	\$733,864	\$350,392	-\$20,103	\$10,549,414
2	2016-17	\$8,828,908	\$636,553	\$0	\$0	\$0	\$955,900	\$171,465	-\$129,882	\$10,462,944
3	2017-18	\$15,732,125	\$290,674	\$0	\$0	-\$3,186,041	\$1,703,308	\$28,850	-\$332,232	\$14,236,685
4	2018-19	\$16,047,059	\$290,674	\$0	\$0	-\$8,680,523	\$1,737,405	\$0	-\$489,150	\$8,905,465
5	2019-20	\$15,755,457	\$290,902	\$0	\$0	-\$8,651,525	\$1,705,834	\$0	-\$483,986	\$8,616,682
6	2020-21	\$15,439,602	\$290,978	\$0	\$0	-\$8,354,723	\$1,671,636	\$0	-\$470,909	\$8,576,584
7	2021-22	\$15,096,149	\$291,357	\$0	\$0	-\$8,033,109	\$1,634,451	\$0	-\$456,720	\$8,532,128
8	2022-23	\$14,727,253	\$291,813	\$0	\$0	-\$7,686,607	\$1,594,511	\$0	-\$441,448	\$8,485,522
9	2023-24	\$14,330,224	\$292,344	\$0	\$0	-\$7,314,868	\$1,551,525	\$0	-\$425,043	\$8,434,182
10	2024-25	\$13,905,301	\$293,255	\$0	\$0	-\$6,917,078	\$1,505,518	\$0	-\$407,484	\$8,379,512
11	2025-26	\$13,452,553	\$293,445	\$0	\$0	-\$6,493,622	\$1,456,500	\$0	-\$388,784	\$8,320,091
12	2026-27	\$12,970,118	\$293,635	\$0	\$0	-\$6,043,940	\$1,404,267	\$0	-\$368,898	\$8,255,181
13	2027-28	\$12,459,518	\$294,014	\$0	\$0	-\$5,568,268	\$1,348,984	\$0	-\$347,854	\$8,186,394
14	2028-29	\$11,921,188	\$294,204	\$0	\$0	-\$5,067,969	\$1,290,700	\$0	-\$325,656	\$8,112,427
15	2029-30	\$11,354,218	\$294,394	\$0	\$0	-\$4,543,444	\$1,229,314	\$0	-\$302,419	\$8,032,063

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	2014-15	\$4,748,960	\$2,746,087	\$0	\$0	\$0	\$514,167	\$234,235	-\$17,196	\$8,226,254
1	2015-16	\$6,778,128	\$2,707,132	\$0	\$0	\$0	\$733,864	\$350,392	-\$20,103	\$10,549,414
2	2016-17	\$8,828,908	\$636,553	\$0	\$0	\$0	\$955,900	\$171,465	-\$129,882	\$10,462,944
3	2017-18	\$4,840,923	\$290,978	\$0	\$0	-\$1,048,225	\$524,124	\$8,877	-\$102,231	\$4,514,446
4	2018-19	\$4,840,923	\$2,629,312	\$0	\$0	\$0	\$524,124	\$269,959	-\$17,127	\$8,247,191
5	2019-20	\$4,840,923	\$2,629,312	\$0	\$0	\$0	\$524,124	\$269,959	-\$17,127	\$8,247,191
6	2020-21	\$4,840,923	\$2,629,312	\$0	\$0	\$0	\$524,124	\$269,959	-\$17,127	\$8,247,191
7	2021-22	\$4,840,923	\$2,629,312	\$0	\$0	\$0	\$524,124	\$269,959	-\$17,127	\$8,247,191
8	2022-23	\$4,840,923	\$2,629,312	\$0	\$0	\$0	\$524,124	\$269,959	-\$17,127	\$8,247,191
9	2023-24	\$4,840,923	\$2,629,312	\$0	\$0	\$0	\$524,124	\$269,959	-\$17,127	\$8,247,191
10	2024-25	\$4,840,923	\$2,629,312	\$0	\$0	\$0	\$524,124	\$269,959	-\$17,127	\$8,247,191
11	2025-26	\$13,452,553	\$2,661,208	\$0	\$0	\$0	\$1,456,500	\$750,197	-\$47,596	\$18,272,861
12	2026-27	\$12,970,118	\$293,635	\$0	\$0	-\$6,043,940	\$1,404,267	\$0	-\$368,898	\$8,255,181
13	2027-28	\$12,459,518	\$294,014	\$0	\$0	-\$5,568,268	\$1,348,984	\$0	-\$347,854	\$8,186,394
14	2028-29	\$11,921,188	\$294,204	\$0	\$0	-\$5,067,969	\$1,290,700	\$0	-\$325,656	\$8,112,427
15	2029-30	\$11,354,218	\$294,394	\$0	\$0	-\$4,543,444	\$1,229,314	\$0	-\$302,419	\$8,032,063

Table 4 - "Baseline Revenue Model" Less "Value Limitation Model"

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
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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	2017-18	-\$10,891,202	\$304	\$0	\$0	\$2,137,815	-\$1,179,184	-\$19,973	\$230,001	-\$9,722,239
5	2018-19	-\$11,206,135	\$2,338,638	\$0	\$0	\$8,680,523	-\$1,213,282	\$269,959	\$472,023	-\$858,274
6	2019-20	-\$10,914,534	\$2,338,410	\$0	\$0	\$8,651,525	-\$1,181,710	\$269,959	\$466,859	-\$369,491
7	2020-21	-\$10,598,678	\$2,338,334	\$0	\$0	\$8,354,723	-\$1,147,513	\$269,959	\$453,782	-\$329,393
8	2021-22	-\$10,255,225	\$2,337,955	\$0	\$0	\$8,033,109	-\$1,110,327	\$269,959	\$439,592	-\$284,937
9	2022-23	-\$9,886,330	\$2,337,499	\$0	\$0	\$7,686,607	-\$1,070,387	\$269,959	\$424,320	-\$238,331
10	2023-24	-\$9,489,301	\$2,336,968	\$0	\$0	\$7,314,868	-\$1,027,401	\$269,959	\$407,915	-\$186,991
11	2024-25	-\$9,064,377	\$2,336,057	\$0	\$0	\$6,917,078	-\$981,395	\$269,959	\$390,357	-\$132,321
12	2025-26	\$0	\$2,367,763	\$0	\$0	\$6,493,622	\$0	\$750,197	\$341,188	\$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 Tenaris Project Property Value Limitation Request Submitted to Van Vleck ISD at \$1.04 M&O 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	2014-15			\$0	\$1.040				\$0	\$0	\$0	\$0
1	2015-16	\$220,650,000	\$220,650,000	\$0	\$1.040	\$2,294,760	\$2,294,760	\$0	\$0	\$0	\$0	\$0
2	2016-17	\$443,650,000	\$443,650,000	\$0	\$1.040	\$4,613,960	\$4,613,960	\$0	\$0	\$0	\$0	\$0
3	2017-18	\$1,194,300,000	\$10,000,000	\$1,184,300,000	\$1.040	\$12,420,720	\$104,000	\$12,316,720	\$0	\$12,316,720	-\$9,722,239	\$2,594,481
4	2018-19	\$1,228,545,609	\$10,000,000	\$1,218,545,609	\$1.040	\$12,776,874	\$104,000	\$12,672,874	\$52,000	\$12,724,874	-\$658,274	\$12,066,601
5	2019-20	\$1,196,837,125	\$10,000,000	\$1,186,837,126	\$1.040	\$12,447,106	\$104,000	\$12,343,106	\$52,000	\$12,395,106	-\$369,491	\$12,025,616
6	2020-21	\$1,162,491,259	\$10,000,000	\$1,152,491,259	\$1.040	\$12,089,909	\$104,000	\$11,985,909	\$52,000	\$12,037,909	-\$329,393	\$11,708,516
7	2021-22	\$1,125,144,474	\$10,000,000	\$1,115,144,474	\$1.040	\$11,701,503	\$104,000	\$11,597,503	\$52,000	\$11,649,503	-\$284,937	\$11,364,565
8	2022-23	\$1,085,031,059	\$10,000,000	\$1,075,031,059	\$1.040	\$11,284,323	\$104,000	\$11,180,323	\$52,000	\$11,232,323	-\$238,331	\$10,993,992
9	2023-24	\$1,041,858,469	\$10,000,000	\$1,031,858,469	\$1.040	\$10,835,328	\$104,000	\$10,731,328	\$52,000	\$10,783,328	-\$186,991	\$10,596,337
10	2024-25	\$995,652,681	\$10,000,000	\$985,652,681	\$1.040	\$10,354,788	\$104,000	\$10,250,788	\$52,000	\$10,302,788	-\$132,321	\$10,170,467
11	2025-26	\$946,421,256	\$946,421,256	\$0	\$1.040	\$9,842,781	\$9,842,781	\$0	\$6,336,720	\$6,336,720	\$0	\$6,336,720
12	2026-27	\$893,961,655	\$893,961,655	\$0	\$1.040	\$9,297,201	\$9,297,201	\$0	\$0	\$0	\$0	\$0
13	2027-28	\$838,439,451	\$838,439,451	\$0	\$1.040	\$8,719,770	\$8,719,770	\$0	\$0	\$0	\$0	\$0
14	2028-29	\$779,901,923	\$779,901,923	\$0	\$1.040	\$8,110,980	\$8,110,980	\$0	\$0	\$0	\$0	\$0
15	2029-30	\$718,250,135	\$718,250,135	\$0	\$1.040	\$7,469,801	\$7,469,801	\$0	\$0	\$0	\$0	\$0
						\$144,259,805	\$51,181,254	\$93,078,551	\$6,700,720	\$99,779,271	-\$11,921,976	\$87,857,295
Tax Credit for Value Over Limit in First 2 Years								Year 1	Year 2	Max Credits		
								\$2,190,760	\$4,509,960	\$6,700,720		
								Credits Earned		\$6,700,720		
								Credits Paid		\$6,700,720		
								Excess Credits Unpaid		\$0		

Attachment 3

Matagorda County

Population

- Total county population in 2010 for Matagorda County: 37,128 , up 0.6 percent from 2009. State population increased 1.8 percent in the same time period.
- Matagorda County was the state's 80th largest county in population in 2010 and the 138 th fastest growing county from 2009 to 2010.
- Matagorda County's population in 2009 was 47.1 percent Anglo (above the state average of 46.7 percent), 11.3 percent African-American (below the state average of 11.3 percent) and 37.9 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Matagorda County:

Bay City:	17,672	Palacios:	5,034
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Economy and Income

Employment

- September 2011 total employment in Matagorda County: 16,051 , down 0.7 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 Matagorda County unemployment rate: 12.0 percent, up from 11.5 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

- Matagorda County's ranking in per capita personal income in 2009: 170th with an average per capita income of \$30,409, up 1.7 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 Matagorda County averaged \$145.34 million annually from 2007 to 2010. County total agricultural values in 2010 were down 4.4 percent from 2009. Major agriculture related commodities in Matagorda County during 2010 included:
 - Hay
 - Rice
 - Sorghum
 - Other Beef
 - Nursery
- 2011 oil and gas production in Matagorda County: 222,917.0 barrels of oil and 16.3 million Mcf of gas. In September 2011, there were 103 producing oil wells and 244 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 Matagorda County during the fourth quarter 2010: \$58.96 million, up 9.8 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Bay City:	\$42.60 million, up 4.6 percent from the same quarter in 2009.
Palacios:	\$3.82 million, up 10.6 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 Matagorda County through the fourth quarter of 2010: \$225.33 million, up 0.6 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Bay City:	\$163.96 million, down 2.5 percent from the same period in 2009.
Palacios:	\$14.76 million, up 4.6 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Matagorda County during 2010: \$225.33 million, up 0.6 percent from 2009.
- Matagorda County sent an estimated \$14.08 million (or 0.08 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Bay City:	\$163.96 million, down 2.5 percent from 2009.
Palacios:	\$14.76 million, up 4.6 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 Matagorda County based on the sales activity month of August 2011: \$425,657.18, up 8.2 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:
 - Bay City: \$372,628.18, up 9.1 percent from August 2010.
 - Palacios: \$53,029.00, up 2.8 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 Matagorda County based on sales activity months from September 2010 through August 2011: \$5.02 million, up 9.4 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:
 - Bay City: \$4.42 million, up 8.7 percent from fiscal 2010.
 - Palacios: \$599,538.92, up 14.9 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 Matagorda County based on sales activity months through August 2011: \$3.37 million, up 10.6 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:
 - Bay City: \$2.97 million, up 9.9 percent from the same period in 2010.
 - Palacios: \$403,222.38, up 16.7 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 Matagorda County based on sales activity in the 12 months ending in August 2011: \$5.02 million, up 9.4 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:
 - Bay City: \$4.42 million, up 8.7 percent from the previous 12-month period.
 - Palacios: \$599,538.92, up 14.9 percent from the previous 12-month period.

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

- Payment to the cities from January 2011 through October 2011:
 - Bay City: \$3.73 million, up 9.4 percent from the same period in 2010.
 - Palacios: \$505,349.50, up 17.6 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 Matagorda County based on sales activity months in 2010: \$4.70 million, down 2.3 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:
 - Bay City: \$4.16 million, down 3.5 percent from 2009.
 - Palacios: \$541,935.06, up 7.9 percent from 2009.

Property Tax

- As of January 2009, property values in Matagorda County: \$5.43 billion, up 2.6 percent from January 2008 values. The property tax base per person in Matagorda County is \$146,763, above the statewide average of \$85,809. About 9.7 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Matagorda County's ranking in state expenditures by county in fiscal year 2010: 93rd. State expenditures in the county for FY2010: \$114.44 million, down 0.1 percent from FY2009.
- In Matagorda County, 15 state agencies provide a total of 100 jobs and \$1.04 million in annualized wages (as of 1st quarter 2011).

■ Major state agencies in the county (as of first quarter 2011):

- Department of Transportation
- Department of Family and Protective Services
- Parks & Wildlife Department
- Health & Human Services Commission
- Department of Public Safety

Higher Education

■ Community colleges in Matagorda County fall 2010 enrollment:

- None.

■ Matagorda County is in the service area of the following:

- Wharton County Junior College with a fall 2010 enrollment of 6,922 . Counties in the service area include:
 - Austin County
 - Colorado County
 - Fort Bend County
 - Jackson County
 - Matagorda County
 - Wharton County

■ Institutions of higher education in Matagorda County fall 2010 enrollment:

- None.

School Districts

■ Matagorda County had 5 school districts with 22 schools and 7,180 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.)

- Bay City ISD had 3,792 students in the 2009-10 school year. The average teacher salary was \$43,854. The percentage of students meeting the 2010 TAKS passing standard for all tests was 69 percent.
- Matagorda ISD had 99 students in the 2009-10 school year. The average teacher salary was \$43,891. The percentage of students meeting the 2010 TAKS passing standard for all tests was 73 percent.
- Palacios ISD had 1,508 students in the 2009-10 school year. The average teacher salary was \$50,902. The percentage of students meeting the 2010 TAKS passing standard for all tests was 79 percent.
- Tidehaven ISD had 808 students in the 2009-10 school year. The average teacher salary was \$43,297. The percentage of students meeting the 2010 TAKS passing standard for all tests was 70 percent.
- Van Vleck ISD had 973 students in the 2009-10 school year. The average teacher salary was \$47,081. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.