# SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED LINDE GAS NORTH AMERICA LLC PROJECT ON THE FINANCES OF THE LA PORTE INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE LIMITATION

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Final Report

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# Estimated Impact of the Proposed Linde Gas North America LLC Project on the Finances of the La Porte Independent School District under a Requested Chapter 313 Property Value Limitation

## Introduction

Linde Gas North America LLC (Linde Gas) has requested that the La Porte Independent School District (LPISD) 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 LPISD on May 8, 2013, Linde Gas proposes to invest $230 million to construct a new synthetic gas (syngas) manufacturing project in LPISD.

The Linde Gas 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, LPISD 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 the 2016-17 school year, the project would go on the local tax roll at $30 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with LPISD currently levying a $0.290 per $100 I&S tax rate. The full value of the investment is expected to reach $230 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 its peak year, the project will increase the underlying tax base of LPISD by about four percent.

In the case of the Linde Gas 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. LPISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-$1,516,186).

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated $11.1 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

## School Finance Mechanics

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct its property value study and 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 may result 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 at the compressed M&O tax rate 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. In the case of M&O tax effort in excess of the compressed tax rate, a recurring revenue loss may be incurred.

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 781 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 243 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 formulas. This resulted in 341 districts receiving ASATR funding, with an estimated 683 districts operating on state funding formulas.

Senate Bill 1 and House Bill 1025 as passed by the 83rd legislature restored much of the 2011 budget cuts in funding for the 2013-14 and 2014-15 school years. The ASATR reduction percentage is increased slightly to .9263, while the basic allotment is increased $325 and $365, respectively. A slight increase in the guaranteed yield for the 6 cents above compressed is also included. With the basic allotment increase, it is estimated that approximately 300 school districts will still receive ASATR in 2013-14 and an estimated 272 districts in 2014-15. It is likely that ASATR state funding will continue to be reduced in future years and eliminated by the 2017-18 school year, based on current state policy.

In the case of LPISD, it has a target revenue level of $5,533 per WADA, which is about $300 above the state average. Due to the earlier policy changes, these estimates assume that the 2011-12 school year is the last year that the District received ASATR funding. The estimates presented below show LPISD as a formula district in future years, no longer a recipient of state ASATR funds.

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 Linde Gas 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 agreement. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The general approach used here is to maintain relatively static base property values. The District's local tax base reached $6.2 billion for the 2012 tax year and is maintained for the forecast period. In addition, the current three Chapter 313 agreements approved previously by the LPISD Board of Trustees are incorporated into the base estimates. Finally, t he projected taxable values of the Linde Gas project are also factored into the base model used here. The impact of the limitation value for the proposed project is isolated separately and the focus of this analysis. An M&O tax rate of $1.04 per $100 is used throughout the forecast period.

Enrollment projections are held at 7,242 students in average daily attendance (ADA) for the forecast period. Again, the emphasis of this analysis is to isolate the impact of the proposed Linde gas value limitation.

As noted previously, the legislative changes in Senate Bill 1 and House Bill 1025 approved in Regular Session have been incorporated in preparing theses estimates. The statement of legislative intent adopted in 2011 to no longer fund target revenue by the 2017-18 school year remains on the books, so that change is reflected in the estimates presented below.

LPISD has estimated state property wealth per weighted ADA or WADA of approximately $664,073 for the 2012-13 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 LPISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2014-15 school year, no attempt was made to forecast the 88$^{th}$ 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 Linde Gas 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 Linde Gas 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, LPISD would experience a revenue loss of $1.5 million as a result of the implementation of the value limitation in the 2016-17 school year. The revenue reduction results from the mechanics of the one-year lag in value associated with the property value study.

Under these estimates, it is assumed that Linde Gas would see M&O tax savings of $2.08 million for the 2016-17 school year. Reduced recapture costs of about $564,000 would offset about one-quarter of the decrease in M&O tax collections associated with the 2016-17 school year value limitation. (This information is summarized in Table 4.) The absence of ASATR funding eliminates any additional state aid to offset the reduction in M&O taxes. Once the state property value reflects the $30 million limit for the 2017-18 school year, the revenue loss disappears under what is now current law.

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. Two state property value determinations are 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 $1.04 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 $9.8 million over the life of the agreement. In addition, Linde Gas 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 $2.8 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 LPISD revenue losses are expected to total approximately $1.5 million in the initial limitation year 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 $11.1 million over the life of the agreement. This amount is prior to any negotiated supplemental payments to the District.

### Facilities Funding Impact

The Linde Gas project remains fully taxable for debt services taxes, with LPISD currently levying a $0.290 per $100 I&S rate. The value of the Linde Gas project is expected to add about four percent to the District's underlying tax base for the 2015-16 school year, when the project will be at its peak taxable value. As a result, the project is expected to provide a modest level of I&S tax support to benefit the taxpayers of LPISD.

The Linde Gas project is not expected to affect LPISD in terms of enrollment. Once the project is in operation, 15 full-time positions are anticipated. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

### Conclusion

The proposed Linde Gas syngas manufacturing project enhances the tax base of LPISD. 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 $11.1 million. (This amount is net of any anticipated revenue losses for the District, but prior to any negotiated supplemental payments to LPISD.) The additional taxable value also enhances the tax base of LPISD in meeting its future debt service obligations.

**Table 1 – Base District Information with Linde Gas North America LLC 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 | 7,241.95 | 9,336.87 | $1.04 | $0.29 | $6,314,493,242 | $6,314,493,242 | $6,403,342,084 | $6,403,342,084 | $685,813 | $685,813 |
| **1** | 2014-15 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,423,721,517 | $6,423,721,517 | $6,445,125,096 | $6,445,125,096 | $690,269 | $690,269 |
| **2** | 2015-16 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,524,087,730 | $6,524,087,730 | $6,503,427,188 | $6,503,427,188 | $696,513 | $696,513 |
| **3** | 2016-17 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,524,087,730 | $6,324,087,730 | $6,603,793,401 | $6,603,793,401 | $707,262 | $707,262 |
| **4** | 2017-18 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,501,087,730 | $6,324,087,730 | $6,603,793,401 | $6,403,793,401 | $707,262 | $685,842 |
| **5** | 2018-19 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,481,420,430 | $6,324,087,730 | $6,580,793,401 | $6,403,793,401 | $704,799 | $685,842 |
| **6** | 2019-20 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,451,886,130 | $6,324,087,730 | $6,561,126,101 | $6,403,793,401 | $702,692 | $685,842 |
| **7** | 2020-21 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,424,870,330 | $6,324,087,730 | $6,531,591,801 | $6,403,793,401 | $699,529 | $685,842 |
| **8** | 2021-22 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,446,942,830 | $6,368,647,330 | $6,504,576,001 | $6,403,793,401 | $696,636 | $685,842 |
| **9** | 2022-23 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,432,706,135 | $6,375,117,535 | $6,526,648,501 | $6,448,353,001 | $699,000 | $690,614 |
| **10** | 2023-24 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,443,253,092 | $6,401,014,692 | $6,512,411,806 | $6,454,823,206 | $697,475 | $691,307 |
| **11** | 2024-25 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,428,699,693 | $6,428,699,693 | $6,522,958,763 | $6,480,720,363 | $698,605 | $694,081 |
| **12** | 2025-26 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,417,157,694 | $6,417,157,694 | $6,508,405,364 | $6,508,405,364 | $697,046 | $697,046 |
| **13** | 2026-27 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,388,956,954 | $6,388,956,954 | $6,496,863,365 | $6,496,863,365 | $695,810 | $695,810 |
| **14** | 2027-28 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,348,463,593 | $6,348,463,593 | $6,468,662,624 | $6,468,662,624 | $692,790 | $692,790 |
| **15** | 2028-29 | 7,241.95 | 9,337.12 | $1.04 | $0.29 | $6,335,943,280 | $6,335,943,280 | $6,428,169,263 | $6,428,169,263 | $688,453 | $688,453 |

***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 | $64,927,970 | $2,635,954 | $0 | $0 | -$16,947,644 | $2,561,410 | $0 | $0 | $53,177,689 |
| **1** | 2014-15 | $65,998,460 | $2,440,421 | $0 | $0 | -$16,711,689 | $2,604,174 | $0 | $0 | $54,331,366 |
| **2** | 2015-16 | $66,982,098 | $2,440,421 | $0 | $0 | -$17,375,339 | $2,643,468 | $0 | $0 | $54,690,649 |
| **3** | 2016-17 | $67,022,100 | $2,440,421 | $0 | $0 | -$18,095,351 | $2,645,066 | $0 | $0 | $54,012,236 |
| **4** | 2017-18 | $66,792,089 | $2,440,421 | $0 | $0 | -$18,029,248 | $2,635,878 | $0 | $0 | $53,839,140 |
| **5** | 2018-19 | $66,595,406 | $2,440,421 | $0 | $0 | -$17,808,877 | $2,628,021 | $0 | $0 | $53,854,970 |
| **6** | 2019-20 | $66,300,048 | $2,440,421 | $0 | $0 | -$17,592,157 | $2,616,222 | $0 | $0 | $53,764,534 |
| **7** | 2020-21 | $66,029,876 | $2,440,421 | $0 | $0 | -$17,318,636 | $2,605,429 | $0 | $0 | $53,757,089 |
| **8** | 2021-22 | $66,241,700 | $2,440,421 | $0 | $0 | -$17,188,873 | $2,613,891 | $0 | $0 | $54,107,139 |
| **9** | 2022-23 | $66,098,027 | $2,440,421 | $0 | $0 | -$17,302,887 | $2,608,152 | $0 | $0 | $53,843,713 |
| **10** | 2023-24 | $66,198,327 | $2,440,421 | $0 | $0 | -$17,231,553 | $2,612,158 | $0 | $0 | $54,019,353 |
| **11** | 2024-25 | $66,047,249 | $2,440,421 | $0 | $0 | -$17,264,152 | $2,606,123 | $0 | $0 | $53,829,640 |
| **12** | 2025-26 | $65,934,132 | $2,440,421 | $0 | $0 | -$17,134,411 | $2,601,604 | $0 | $0 | $53,841,745 |
| **13** | 2026-27 | $65,657,750 | $2,440,421 | $0 | $0 | -$16,982,560 | $2,590,563 | $0 | $0 | $53,706,175 |
| **14** | 2027-28 | $65,260,896 | $2,440,421 | $0 | $0 | -$16,685,282 | $2,574,710 | $0 | $0 | $53,590,745 |
| **15** | 2028-29 | $65,138,191 | $2,440,421 | $0 | $0 | -$16,373,453 | $2,569,808 | $0 | $0 | $53,774,966 |

### 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 | $64,927,970 | $2,635,954 | $0 | $0 | -$16,947,644 | $2,561,410 | $0 | $0 | $53,177,689 |
| **1** | 2014-15 | $65,998,460 | $2,440,421 | $0 | $0 | -$16,711,689 | $2,604,174 | $0 | $0 | $54,331,366 |
| **2** | 2015-16 | $66,982,098 | $2,440,421 | $0 | $0 | -$17,375,339 | $2,643,468 | $0 | $0 | $54,690,649 |
| **3** | 2016-17 | $65,022,000 | $2,440,421 | $0 | $0 | -$17,531,537 | $2,565,166 | $0 | $0 | $52,496,050 |
| **4** | 2017-18 | $65,022,000 | $2,440,421 | $0 | $0 | -$16,173,890 | $2,565,166 | $0 | $0 | $53,853,698 |
| **5** | 2018-19 | $65,022,000 | $2,440,421 | $0 | $0 | -$16,173,890 | $2,565,166 | $0 | $0 | $53,853,698 |
| **6** | 2019-20 | $65,022,000 | $2,440,421 | $0 | $0 | -$16,173,890 | $2,565,166 | $0 | $0 | $53,853,698 |
| **7** | 2020-21 | $65,022,000 | $2,440,421 | $0 | $0 | -$16,173,890 | $2,565,166 | $0 | $0 | $53,853,698 |
| **8** | 2021-22 | $65,458,706 | $2,440,421 | $0 | $0 | -$16,283,887 | $2,582,612 | $0 | $0 | $54,197,852 |
| **9** | 2022-23 | $65,522,117 | $2,440,421 | $0 | $0 | -$16,612,044 | $2,585,145 | $0 | $0 | $53,935,639 |
| **10** | 2023-24 | $65,775,922 | $2,440,421 | $0 | $0 | -$16,722,346 | $2,595,284 | $0 | $0 | $54,089,281 |
| **11** | 2024-25 | $66,047,249 | $2,440,421 | $0 | $0 | -$16,972,741 | $2,606,123 | $0 | $0 | $54,121,052 |
| **12** | 2025-26 | $65,934,132 | $2,440,421 | $0 | $0 | -$17,134,411 | $2,601,604 | $0 | $0 | $53,841,745 |
| **13** | 2026-27 | $65,657,750 | $2,440,421 | $0 | $0 | -$16,982,560 | $2,590,563 | $0 | $0 | $53,706,175 |
| **14** | 2027-28 | $65,260,896 | $2,440,421 | $0 | $0 | -$16,685,282 | $2,574,710 | $0 | $0 | $53,590,745 |
| **15** | 2028-29 | $65,138,191 | $2,440,421 | $0 | $0 | -$16,373,453 | $2,569,808 | $0 | $0 | $53,774,966 |

### 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 | -$2,000,100 | $0 | $0 | $0 | $563,814 | -$79,900 | $0 | $0 | -$1,516,186 |
| **4** | 2017-18 | -$1,770,089 | $0 | $0 | $0 | $1,855,358 | -$70,712 | $0 | $0 | $14,558 |
| **5** | 2018-19 | -$1,573,405 | $0 | $0 | $0 | $1,634,988 | -$62,854 | $0 | $0 | -$1,272 |
| **6** | 2019-20 | -$1,278,048 | $0 | $0 | $0 | $1,418,267 | -$51,055 | $0 | $0 | $89,164 |
| **7** | 2020-21 | -$1,007,876 | $0 | $0 | $0 | $1,144,747 | -$40,263 | $0 | $0 | $96,608 |
| **8** | 2021-22 | -$782,994 | $0 | $0 | $0 | $904,985 | -$31,279 | $0 | $0 | $90,713 |
| **9** | 2022-23 | -$575,910 | $0 | $0 | $0 | $690,842 | -$23,006 | $0 | $0 | $91,926 |
| **10** | 2023-24 | -$422,405 | $0 | $0 | $0 | $509,208 | -$16,874 | $0 | $0 | $69,929 |
| **11** | 2024-25 | $0 | $0 | $0 | $0 | $291,411 | $0 | $0 | $0 | $291,411 |
| **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 Linde Gas North America LLC Project Property Value Limitation Request Submitted to LPISD at $1.04 M&O Tax Rate**

| Year of Agreement | School Year | Project Value | Estimated Taxable Value | Value Savings | Assumed M&O Tax Rate | Taxes Before Value Limit | Taxes after Value Limit | Tax Savings @ Projected M&O Rate | Tax Credits for First Two Years Above Limit | Tax Benefit to Company Before Revenue Protection | School District Revenue Losses | Estimated Net Tax Benefits |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pre-Year 1 | 2013-14 | $0 | $0 | $0 | $1.040 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 1 | 2014-15 | $100,000,000 | $100,000,000 | $0 | $1.040 | $1,040,000 | $1,040,000 | $0 | $0 | $0 | $0 | $0 |
| 2 | 2015-16 | $230,000,000 | $230,000,000 | $0 | $1.040 | $2,392,000 | $2,392,000 | $0 | $0 | $0 | $0 | $0 |
| 3 | 2016-17 | $230,000,000 | $30,000,000 | $200,000,000 | $1.040 | $2,392,000 | $312,000 | $2,080,000 | $0 | $2,080,000 | -$1,516,186 | $563,814 |
| 4 | 2017-18 | $207,000,000 | $30,000,000 | $177,000,000 | $1.040 | $2,152,800 | $312,000 | $1,840,800 | $401,143 | $2,241,943 | $0 | $2,241,943 |
| 5 | 2018-19 | $187,332,700 | $30,000,000 | $157,332,700 | $1.040 | $1,948,260 | $312,000 | $1,636,260 | $401,143 | $2,037,403 | -$1,272 | $2,036,131 |
| 6 | 2019-20 | $157,798,400 | $30,000,000 | $127,798,400 | $1.040 | $1,641,103 | $312,000 | $1,329,103 | $384,808 | $1,713,911 | $0 | $1,713,911 |
| 7 | 2020-21 | $130,782,600 | $30,000,000 | $100,782,600 | $1.040 | $1,360,139 | $312,000 | $1,048,139 | $345,635 | $1,393,774 | $0 | $1,393,774 |
| 8 | 2021-22 | $108,295,500 | $30,000,000 | $78,295,500 | $1.040 | $1,126,273 | $312,000 | $814,273 | $313,028 | $1,127,302 | $0 | $1,127,302 |
| 9 | 2022-23 | $87,588,600 | $30,000,000 | $57,588,600 | $1.040 | $910,921 | $312,000 | $598,921 | $283,003 | $881,925 | $0 | $881,925 |
| 10 | 2023-24 | $72,238,400 | $30,000,000 | $42,238,400 | $1.040 | $751,279 | $312,000 | $439,279 | $260,746 | $700,025 | $0 | $700,025 |
| 11 | 2024-25 | $65,729,400 | $65,729,400 | $0 | $1.040 | $683,586 | $683,586 | $0 | $418,494 | $418,494 | $0 | $418,494 |
| 12 | 2025-26 | $61,824,000 | $61,824,000 | $0 | $1.040 | $642,970 | $642,970 | $0 | $0 | $0 | $0 | $0 |
| 13 | 2026-27 | $40,873,300 | $40,873,300 | $0 | $1.040 | $425,082 | $425,082 | $0 | $0 | $0 | $0 | $0 |
| 14 | 2027-28 | $7,263,594 | $7,263,594 | $0 | $1.040 | $75,541 | $75,541 | $0 | $0 | $0 | $0 | $0 |
| 15 | 2028-29 | $1,290,813 | $1,290,813 | $0 | $1.040 | $13,424 | $13,424 | $0 | $0 | $0 | $0 | $0 |
| | | | | | | **$17,555,380** | **$7,768,604** | **$9,786,776** | **$2,808,000** | **$12,594,776** | **-$1,517,458** | **$11,077,319** |

| Tax Credit for Value Over Limit in First 2 Years | Year 1 | Year 2 | Max Credits |
|---|---|---|---|
| | $728,000 | $2,080,000 | $2,808,000 |
| | Credits Earned | | $2,808,000 |
| | Credits Paid | | $2,808,000 |
| | 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.**