

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 8, 2013

Chance Welch  
Superintendent  
Borger Independent School District  
P.O. Box 1177  
Borger, Texas 79008-1177

Dear Superintendent Welch:

On October 11, 2013, the Comptroller received the completed application (Application # 317) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in April 2013 to the Borger Independent School District (the school district) by Cominco Fertilizer Partnership (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 2 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 (\$443 million) is consistent with the proposed appraised value limitation sought (\$20 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 Hutchinson 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

<sup>1</sup> 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 October 11, 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 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 limitation agreement must contain provisions that require:
  - a. the applicant to provide sufficient information to the Central Appraisal District (CAD) to distinguish between and separately appraise qualified property (as defined by 313.021(2)) from any property that is not qualified;
  - b. the school district to confirm with the CAD that the applicant has provided such information; and
  - c. that the Comptroller is provided with the CAD approved information no later than the first annual reporting period following the execution of the agreement;
- 3) The Comptroller must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 4) 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
- 5) 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](mailto:robert.wood@cpa.state.tx.us) or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert  
Deputy Comptroller

Enclosure

cc: Robert Wood

**Economic Impact for Chapter 313 Project**

Applicant	Cominco Fertilizer Partnership
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Borger ISD
2011-12 Enrollment in School District	2,814
County	Hutchinson
Total Investment in District	\$600,000,000
Qualified Investment	\$443,000,000
Limitation Amount	\$20,000,000
Number of total jobs committed to by applicant	20
Number of qualifying jobs committed to by applicant	19
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$885
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$885
Minimum Annual Wage committed to by applicant for qualified jobs	\$46,035
Investment per Qualifying Job	\$31,578,947
Estimated 15 year M&O levy without any limit or credit:	\$57,337,295
Estimated gross 15 year M&O tax benefit	\$35,605,134
Estimated 15 year M&O tax benefit ( <i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$31,722,345
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$3,338,057
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$25,614,950
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	55.3%
Percentage of tax benefit due to the limitation	90.6%
Percentage of tax benefit due to the credit	9.4%

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

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

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

After construction, the project will create 20 new jobs when fully operational. Of these jobs, 19 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 Panhandle Regional Planning Commission, where Hutchinson County is located was \$41,850 in 2012. The annual average manufacturing wage for 2012-2013 for Hutchinson County is \$86,086. That same year, the county annual average wage for all industries was \$58,994. In addition to a salary of \$46,035, each qualifying position will receive benefits such as health insurance, life insurance, 401(k), paid vacation and sick leave, wellness, and at least 80% employer coverage of health benefits premiums. The project's total investment is \$600 million, resulting in a relative level of investment per qualifying job of \$31.6 million.

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

According to Cominco Fertilizer Partnership's application, "Cominco Fertilizer Partnership, as part of the larger Agrium US, Inc. and by extension Agrium, Inc., has production facilities in several US states including Texas, Washington, Ohio, California and Idaho as well as facilities in Alberta, Canada and South America. Our Board of Directors looks at all of these existing facilities for expansion opportunities as well as the potential to invest in new "Greenfield" projects in North America. At this time, the company is evaluating whether to invest in expanding production in the Texas Panhandle region of the state at our Borger, Texas facility. However, expansion opportunities at our other North American facilities in lieu of, or in addition to, the Borger, Texas project are also being evaluated. Agrium's Board of Directors are expected to make decisions on which projects to approve later this year. At this stage of the Board's investment plans for the future, the Chapter 313 economic incentive is a critical factor driving the Board of Director's decision as to whether to invest in Texas."

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

During the past two years, 18 projects in the Panhandle Regional Planning Commission 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 Cominco Fertilizer Partnership 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 Cominco Fertilizer Partnership'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 Cominco Fertilizer Partnership**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	9	26	35	\$414,315	\$1,585,685	\$2,000,000
2014	388	496	884	\$28,741,408	\$31,258,592	\$60,000,000
2015	670	853	1523	\$49,717,940	\$59,282,060	\$109,000,000
2016	20	105	125	\$996,980	\$16,003,020	\$17,000,000
2017	20	80	100	\$1,026,880	\$12,973,120	\$14,000,000
2018	20	58	78	\$1,057,700	\$10,942,300	\$12,000,000
2019	20	52	72	\$1,089,420	\$8,910,580	\$10,000,000
2020	20	54	74	\$1,122,100	\$8,877,900	\$10,000,000
2021	20	64	84	\$1,155,780	\$7,844,220	\$9,000,000
2022	20	72	92	\$1,190,440	\$8,809,560	\$10,000,000
2023	20	84	104	\$1,226,160	\$9,773,840	\$11,000,000
2024	20	70	90	\$1,262,940	\$8,737,060	\$10,000,000
2025	20	72	92	\$1,300,840	\$8,699,160	\$10,000,000
2026	20	72	92	\$1,339,860	\$8,660,140	\$10,000,000
2027	20	74	94	\$1,380,060	\$9,619,940	\$11,000,000
2028	20	74	94	\$1,421,460	\$9,578,540	\$11,000,000

Source: CPA, REMI, Cominco Fertilizer Partnership

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2011. Borger ISD's ad valorem tax base in 2011 was \$545 million. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Borger ISD's estimated wealth per WADA was \$159,292. 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, Hutchinson County, Hutchinson County Hospital District, and Frank Phillips College District, with all property tax incentives sought being granted using estimated market value from Cominco Fertilizer Partnership's application. Cominco Fertilizer Partnership has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county. Table 3 illustrates the estimated tax impact of the Cominco Fertilizer Partnership 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 \$57,337,295. The estimated gross 15 year M&O tax benefit, or levy loss, is \$35,605,134.

Attachment 3 is an economic overview of Hutchinson County.

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

# Attachments

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

# **Attachment 1**

Schedule A (Rev. May 2010): Investment

Form 50-296

Applicant Name: Cominco Fertilizer Partnership  
 ISD Name: Borger

PROPERTY INVESTMENT AMOUNTS										
(Estimated investment in each year. Do not put cumulative totals.)										
	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	(*)Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year.	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period) Please See Attachment W for additional info on Column C Costs	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)			
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)  Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)  Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)  Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)  Complete tax years of qualifying time period  Value Limitation Period  Continue to Maintain Viable Presence  Post-Settle-Up Period  Post-Settle-Up Period	1	2014	\$0	\$0	\$0	\$21,062,000	\$21,062,000			\$21,062,000
	2	2015	\$775,000	\$0	\$0	\$13,327,000	\$14,102,000			\$14,102,000
	3	2016								
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Schedule C- Application: Employment Information

Form 50-296

Applicant Name: Cominco Fertilizer Partnership  
 ISD Name: Borger

Application to Borger ISD Page 1

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man-hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1					9	\$46,035	9	\$46,035
Complete tax years of qualifying time period	1			(FTE) 375	\$75,000	13	\$47,416	13	\$47,416
	2			(FTE) 650	\$75,000	20	\$48,397	19	\$48,839
Tax Credit Period (with 50% cap on credit)	3	2016-2017	2016			20	\$49,849	19	\$50,304
	4	2017-2018	2017			20	\$51,344	19	\$51,813
	5	2018-2019	2018			20	\$52,885	19	\$53,367
	6	2019-2020	2019			20	\$54,471	19	\$54,968
	7	2020-2021	2020			20	\$56,105	19	\$56,617
	8	2021-2022	2021			20	\$57,789	19	\$58,316
	9	2022-2023	2022			20	\$59,522	19	\$60,085
	10	2023-2024	2023			20	\$61,308	19	\$61,867
	11	2024-2025	2024			20	\$63,147	19	\$63,723
	12	2025-2026	2025			20	\$65,042	19	\$65,635
Credit Settle-Up Period	13	2026-2027	2026			20	\$66,993	19	\$67,604
	14	2027-2028	2027			20	\$69,003	19	\$69,632
Post-Settle-Up Period	15	2028-2029	2028			20	\$71,073	19	\$71,721

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

Aug 15, 2013  
 DATE

Applicant Name: **Cominco Fertilizer Partnership**

ISD Name: **Borger**

The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Sales Tax Information		Other Property Tax Abatements Sought				
				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	Franchise Tax	County	City	Hospital	Other
		2013-2014	2013	\$2,300,000	\$13,000,000	\$54,000	0%	NA	0%	0%
Complete tax years of qualifying time period	1	2014-2015	2014	\$37,300,000	\$208,000,000	\$54,000	0%	NA	0%	0%
	2	2015-2016	2015	\$2,368,000	\$13,380,000	\$54,000	0%	NA	0%	0%
	3	2016-2017	2016	\$2,416,380	\$13,857,800	\$54,000	100%	NA	0%	0%
	4	2017-2018	2017	\$2,484,708	\$13,930,958	\$54,000	100%	NA	0%	0%
	5	2018-2019	2018	\$2,514,002	\$14,208,575	\$54,000	100%	NA	0%	0%
Value Limitation Period	6	2019-2020	2018	\$2,564,282	\$14,483,767	\$54,000	100%	NA	0%	0%
	7	2020-2021	2020	\$2,615,567	\$14,783,642	\$54,000	100%	NA	0%	0%
	8	2021-2022	2021	\$2,667,879	\$15,079,315	\$54,000	100%	NA	0%	0%
	9	2022-2023	2022	\$2,721,236	\$15,380,901	\$54,000	100%	NA	0%	0%
	10	2023-2024	2023	\$2,775,661	\$15,688,619	\$54,000	0%	NA	0%	0%
Credit Settle-Up Period	11	2024-2025	2024	\$2,831,174	\$16,002,288	\$54,000	0%	NA	0%	0%
	12	2025-2026	2025	\$2,887,798	\$16,322,335	\$54,000	0%	NA	0%	0%
	13	2026-2027	2026	\$2,945,554	\$16,648,782	\$54,000	0%	NA	0%	0%
Post-Settle-Up Period	14	2027-2028	2027	\$3,004,465	\$16,981,768	\$54,000	0%	NA	0%	0%
	15	2028-2029	2028	\$3,064,554	\$17,321,383	\$54,000	0%	NA	0%	0%

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

7/2/2013  
DATE

  
SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

# Attachment 2

November 5, 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 Cominco Fertilizer Partnership project for the Borger Independent School District (BISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Cominco Fertilizer Partnership project on BISD are correct.

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

Sincerely,



Al McKenzie, Manager  
Foundation School Program Support

AM/rk

November 5, 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 Cominco Fertilizer Partnership project on the number and size of school facilities in Borger Independent School District (BISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the BISD superintendent, Chance Welch, the TEA has found that the operations of Cominco Fertilizer Partnership project would not have a significant impact on the number or size of school facilities in BISD. However, as many as 650 FTEs are anticipated during the construction phase of this project, so provisions related to extraordinary expenses that may be incurred by BISD should be included in the agreement.

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

Sincerely,



Al McKenzie, Manager  
Foundation School Program Support

AM/rk

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED COMINCO  
FERTILIZER PARTNERSHIP PROJECT (APPLICATION NO. 317)  
ON THE FINANCES OF THE BORGER INDEPENDENT SCHOOL  
DISTRICT UNDER A REQUESTED CHAPTER 313 PROPERTY  
VALUE LIMITATION**

**October 10, 2013**

**Final Report - Revised**

**PREPARED BY**



# **Estimated Impact of the Proposed Cominco Fertilizer Partnership Project (Application No. 317) on the Finances of the Borger Independent School District under a Requested Chapter 313 Property Value Limitation**

## **Introduction**

Cominco Fertilizer Partnership (Cominco) has requested that the Borger Independent School District (BISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application initially submitted to BISD on April 11, 2013, Cominco proposes to invest \$433 million to construct a new fertilizer manufacturing project in BISD.

The Cominco 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, BISD may offer a minimum value limitation of \$20 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 with the 2016-17 school year, the project would go on the local tax roll at \$20 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 would be assessed issues throughout the limitation period for debt service taxes on voter-approved bond, with BISD currently levying a \$0.2939 per \$100 I&S tax rate. The full taxable value of the investment is expected to reach \$413 million in the 2018-19 school year. While depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement, in its peak value year the project would add about 72 percent to the District's current tax base. At its peak value, the Cominco project will provide some positive debt service benefits for the taxpayers of BISD, which will be addressed below.

In the case of the Cominco project, the agreement will call 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. Under current law, BISD would experience a revenue loss of \$3.8 million as a result of the implementation of the value limitation in the 2016-17 school year, with very small amounts anticipated in the following years. Reimbursement of this amount would be addressed in the limitation agreement between the District and Cominco.

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Under the assumptions outlined below, the potential tax benefits to Cominco under a Chapter 313 agreement could reach an estimated \$31.7 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

### **School Finance Mechanics**

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct its property value study and the audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter), if the district levies taxes for this purpose. The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 of the agreement as a result of the one-year lag in property values.

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

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

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted during the First Called Session in 2011 made \$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 students in weighted average daily attendance (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 operated directly on the state formulas. For the 2012-13 school year, the changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula, with 689 districts operating on formula and 335 districts still receiving ASATR funding.

Senate Bill 1 and House Bill 1025 as passed by the 83<sup>rd</sup> Legislature made significant increases to the basic allotment and other formula changes by appropriation. The ASATR reduction percentage is increased slightly to 92.63 percent, while the basic allotment is increased by \$325 and \$365, respectively, for the 2013-14 and 2014-15 school years. A slight increase in the guaranteed yield for the six cents above compressed—known as the Austin yield—is also included. With the basic allotment increase, it is estimated that approximately 300 school districts

will still receive ASATR in the 2013-14 school year and 273 districts in the 2014-15 school year. Current state policy calls for ASATR funding to be eliminated by the 2017-18 school year.

In the case of B1SD, it is classified as a formula school district with a relatively low target revenue level. Based on the estimates presented in this report, however, B1SD is expected to receive ASATR funding of \$444,684 in the 2016-17 school year under current law following the adoption of a value limitation agreement, which will be discussed in more detail below.

One concern in projecting into the future is that the underlying state statutes in the Education Code were not changed in order to provide these funding increases. All of the major formula changes were made by appropriation, which gives them only a two-year lifespan unless renewed in the 2015 legislative session. Despite this uncertainty, it is assumed that these changes will remain in effect for the forecast period for the purpose of these estimates, assuming a continued legislative commitment to these funding levels in future years.

A 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 Cominco project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

### **Underlying Assumptions**

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

The general approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The SB 1 basic allotment increases are reflected in the underlying models. With regard to ASATR funding the 92.63 percent reduction enacted for the 2013-14 school year and thereafter, until the 2017-18 school year. A statement of legislative intent was adopted in 2011 to no longer fund target revenue by the 2017-18 school year, so that change is reflected in the estimates presented below. Recent legislative action did not retreat from that principle. The projected taxable values of the Cominco Fertilizer Partnership project are factored into the base model used here. The impact of the limitation value for the proposed Cominco project is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 2,540 students in average daily attendance (ADA) in analyzing the effects of the Cominco project on the finances of B1SD. The District's local tax base reached \$577 million for the 2012 tax year and is maintained for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.04 is used throughout this analysis. B1SD has estimated state property wealth per weighted ADA or WADA of approximately \$166,434 for the 2013-14 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 BISD 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<sup>th</sup> percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the “Baseline Revenue” by adding the value of the proposed Cominco 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 Cominco 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, BISD would experience a revenue loss of \$3.8 million as a result of the implementation of the value limitation in the 2016-17 school year. The revenue reduction results chiefly because of the one-year lag in the state property value study. In addition, the mechanics of the up to six cents beyond the compressed M&O tax rate equalized to the Austin yield are also a factor, which also reflects the one-year lag in value associated with the state property value study.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.63 percent adjustment adopted for the 2013-14 school year, although it is assumed that ASATR will be eliminated beginning in the 2017-18 school year, based on the 2011 statement of legislative intent. ASATR is a factor in these estimates for the 2016-17 school year.

One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2016-17 school year. The formula loss of \$3,793,088 cited above between the base and the limitation models is based on an assumption that Cominco will save M&O taxes estimated at \$4.026 million when the \$20 million limitation is implemented. Under the estimates presented here and as highlighted in Table 4, an increase in ASATR funding estimated to reach \$444,684 would offset some of the reduction in M&O taxes in the first year the value limitation is in effect, but most if it would be addressed by the hold-harmless provisions of the limitation agreement.

In general, the ASATR offset poses little financial risk to the school district as a result of the adoption of the value limitation agreement. But a significant reduction of ASATR funding prior to the assumed 2017-18 school year elimination of these funds could reduce the residual tax savings in the first year that the \$20 million value limitation takes effect. The tax savings for the overall project are sufficient to offset any initial revenue losses and should allow for a financially viable project.

The Comptroller’s state property value study influences these calculations, as noted previously. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the

limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. Beginning with the 2011 state property value study, two value determinations are also 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 the 2012-13 school year and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$32.3 million over the course of the agreement. In addition, Cominco 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 \$3.3 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key BISD revenue losses are expected to total approximately \$3.9 million over the course of the agreement under current law. The potential total net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$31.7 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the initial year of the agreement, there would still be a substantial tax benefit to Cominco under the value limitation agreement for the remaining years that the limitation is in effect.

### **Facilities Funding Impact**

The Cominco project remains fully taxable for debt services taxes, with BISD currently levying a \$0.2939 per \$100 I&S tax rate. The value of the Cominco project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to increase the District's projected wealth per ADA to \$391,221 in the peak year of I&S taxable project value. Given that the current state facilities programs provide the equivalent of a \$350,000 per ADA tax base guarantee, the increased value will provide an I&S tax benefit to BISD taxpayers as long as the I&S tax base exceeds that level.

The Cominco project is not expected to affect BISD in terms of enrollment. While there will be as many as 650 FTEs employed during the construction phase of the project, 20 FTEs are expected to be added when the facility begins operations. As a result, it is unlikely that the project will have a long-term impact on enrollment in BISD schools, although the upgrade should ensure stable employment for the 75 employees currently operating at the Company's existing facility.

## **Conclusion**

The proposed Cominco manufacturing project enhances the tax base of B1SD. 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 \$31.7 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of B1SD in meeting its future debt service obligations.

Table 1 – Base District Information with Cominco Fertilizer Partnership 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	2,540.00	3,492.09	\$1.0400	\$0.2939	\$576,953,300	\$576,953,300	\$581,201,895	\$581,201,895	\$166,434	\$166,434
1	2014-15	2,540.00	3,491.82	\$1.0400	\$0.2939	\$597,074,300	\$597,074,300	\$581,201,895	\$581,201,895	\$166,447	\$166,447
2	2015-16	2,540.00	3,491.82	\$1.0400	\$0.2939	\$917,799,300	\$917,799,300	\$601,322,895	\$601,322,895	\$172,209	\$172,209
3	2016-17	2,540.00	3,491.82	\$1.0400	\$0.2939	\$984,065,880	\$596,953,300	\$922,047,895	\$922,047,895	\$264,059	\$264,059
4	2017-18	2,540.00	3,491.82	\$1.0400	\$0.2939	\$984,963,460	\$596,953,300	\$988,314,475	\$601,201,895	\$283,037	\$172,174
5	2018-19	2,540.00	3,491.82	\$1.0400	\$0.2939	\$989,451,721	\$596,953,300	\$989,212,055	\$601,201,895	\$283,294	\$172,174
6	2019-20	2,540.00	3,491.82	\$1.0400	\$0.2939	\$988,574,101	\$596,953,300	\$993,700,316	\$601,201,895	\$284,579	\$172,174
7	2020-21	2,540.00	3,491.82	\$1.0400	\$0.2939	\$986,948,484	\$596,953,300	\$992,822,696	\$601,201,895	\$284,328	\$172,174
8	2021-22	2,540.00	3,491.82	\$1.0400	\$0.2939	\$984,618,518	\$596,953,300	\$991,197,079	\$601,201,895	\$283,862	\$172,174
9	2022-23	2,540.00	3,491.82	\$1.0400	\$0.2939	\$981,621,638	\$596,953,300	\$988,867,113	\$601,201,895	\$283,195	\$172,174
10	2023-24	2,540.00	3,491.82	\$1.0400	\$0.2939	\$977,986,156	\$596,953,300	\$985,870,233	\$601,201,895	\$282,337	\$172,174
11	2024-25	2,540.00	3,491.82	\$1.0400	\$0.2939	\$973,728,034	\$973,728,034	\$982,234,751	\$601,201,895	\$281,296	\$172,174
12	2025-26	2,540.00	3,491.82	\$1.0400	\$0.2939	\$963,404,839	\$963,404,839	\$977,976,629	\$977,976,629	\$280,076	\$280,076
13	2026-27	2,540.00	3,491.82	\$1.0400	\$0.2939	\$957,979,326	\$957,979,326	\$967,653,434	\$967,653,434	\$277,120	\$277,120
14	2027-28	2,540.00	3,491.82	\$1.0400	\$0.2939	\$946,061,225	\$946,061,225	\$962,227,921	\$962,227,921	\$275,566	\$275,566
15	2028-29	2,540.00	3,491.82	\$1.0400	\$0.2939	\$933,223,989	\$933,223,989	\$950,309,820	\$950,309,820	\$272,153	\$272,153

\*Basic Allotment: \$5,040; AISD Yield: \$61.86; 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	2013-14	\$5,578,893	\$12,290,022	\$0	\$0	\$0	\$222,866	\$580,171	\$0	\$18,671,952
1	2014-15	\$5,776,089	\$12,611,423	\$0	\$0	\$0	\$230,743	\$626,816	\$0	\$19,245,071
2	2015-16	\$8,919,351	\$12,410,203	\$0	\$0	\$0	\$356,310	\$938,299	\$0	\$22,624,164
3	2016-17	\$9,646,222	\$9,202,793	\$0	\$0	\$0	\$385,347	\$527,750	\$0	\$19,762,112
4	2017-18	\$9,655,198	\$8,540,094	\$0	\$0	\$0	\$385,706	\$466,961	\$0	\$19,047,959
5	2018-19	\$9,700,083	\$8,531,118	\$0	\$0	\$0	\$387,499	\$468,354	\$0	\$19,087,054
6	2019-20	\$9,691,306	\$8,486,233	\$0	\$0	\$0	\$387,148	\$464,069	\$0	\$19,028,757
7	2020-21	\$9,675,050	\$8,495,010	\$0	\$0	\$0	\$386,499	\$464,041	\$0	\$19,020,600
8	2021-22	\$9,651,748	\$8,511,267	\$0	\$0	\$0	\$385,568	\$464,315	\$0	\$19,012,899
9	2022-23	\$9,621,778	\$8,534,567	\$0	\$0	\$0	\$384,371	\$464,870	\$0	\$19,005,586
10	2023-24	\$9,585,422	\$8,584,538	\$0	\$0	\$0	\$382,918	\$465,885	\$0	\$18,998,564
11	2024-25	\$9,467,480	\$8,600,894	\$0	\$0	\$0	\$378,207	\$463,057	\$0	\$18,909,638
12	2025-26	\$9,366,307	\$8,643,478	\$0	\$0	\$0	\$374,165	\$461,733	\$0	\$18,845,684
13	2026-27	\$9,313,135	\$8,746,715	\$0	\$0	\$0	\$372,041	\$467,978	\$0	\$18,899,870
14	2027-28	\$9,196,332	\$8,800,973	\$0	\$0	\$0	\$367,375	\$466,786	\$0	\$18,831,466
15	2028-29	\$9,070,520	\$8,920,160	\$0	\$0	\$0	\$362,349	\$470,719	\$0	\$18,823,748

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	\$5,578,893	\$12,290,022	\$0	\$0	\$0	\$222,866	\$580,171	\$0	\$18,671,952
1	2014-15	\$5,776,089	\$12,611,423	\$0	\$0	\$0	\$230,743	\$626,816	\$0	\$19,245,071
2	2015-16	\$8,919,351	\$12,410,203	\$0	\$0	\$0	\$356,310	\$938,299	\$0	\$22,624,164
3	2016-17	\$5,774,903	\$9,202,793	\$444,684	\$0	\$0	\$230,696	\$315,948	\$0	\$15,969,024
4	2017-18	\$5,774,903	\$12,411,413	\$0	\$0	\$0	\$230,696	\$607,678	\$0	\$19,024,690
5	2018-19	\$5,774,903	\$12,411,413	\$0	\$0	\$0	\$230,696	\$607,678	\$0	\$19,024,690
6	2019-20	\$5,774,903	\$12,411,413	\$0	\$0	\$0	\$230,696	\$607,678	\$0	\$19,024,690
7	2020-21	\$5,774,903	\$12,411,413	\$0	\$0	\$0	\$230,696	\$607,678	\$0	\$19,024,690
8	2021-22	\$5,774,903	\$12,411,413	\$0	\$0	\$0	\$230,696	\$607,678	\$0	\$19,024,690
9	2022-23	\$5,774,903	\$12,411,413	\$0	\$0	\$0	\$230,696	\$607,678	\$0	\$19,024,690
10	2023-24	\$5,774,903	\$12,411,413	\$0	\$0	\$0	\$230,696	\$607,678	\$0	\$19,024,690
11	2024-25	\$9,467,480	\$12,411,413	\$0	\$0	\$0	\$378,207	\$996,238	\$0	\$23,253,338
12	2025-26	\$9,366,307	\$8,643,478	\$0	\$0	\$0	\$374,165	\$461,733	\$0	\$18,845,684
13	2026-27	\$9,313,135	\$8,746,715	\$0	\$0	\$0	\$372,041	\$467,978	\$0	\$18,899,870
14	2027-28	\$9,196,332	\$8,800,973	\$0	\$0	\$0	\$367,375	\$466,786	\$0	\$18,831,466
15	2028-29	\$9,070,520	\$8,920,160	\$0	\$0	\$0	\$362,349	\$470,719	\$0	\$18,823,748

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	-\$3,871,319	\$0	\$444,684	\$0	\$0	-\$154,651	-\$211,802	\$0	-\$3,793,088
4	2017-18	-\$3,880,295	\$3,871,319	\$0	\$0	\$0	-\$155,010	\$140,717	\$0	-\$23,270
5	2018-19	-\$3,925,180	\$3,880,295	\$0	\$0	\$0	-\$156,803	\$139,323	\$0	-\$62,364
6	2019-20	-\$3,916,404	\$3,925,180	\$0	\$0	\$0	-\$156,453	\$143,609	\$0	-\$4,067
7	2020-21	-\$3,900,147	\$3,916,403	\$0	\$0	\$0	-\$155,803	\$143,637	\$0	\$4,090
8	2021-22	-\$3,876,846	\$3,900,146	\$0	\$0	\$0	-\$154,872	\$143,363	\$0	\$11,791
9	2022-23	-\$3,846,876	\$3,876,846	\$0	\$0	\$0	-\$153,675	\$142,808	\$0	\$19,103
10	2023-24	-\$3,810,519	\$3,846,875	\$0	\$0	\$0	-\$152,223	\$141,993	\$0	\$26,126
11	2024-25	\$0	\$3,810,519	\$0	\$0	\$0	\$0	\$533,181	\$0	\$4,343,700
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 Cominco Fertilizer Partnership Project Property Value Limitation Request Submitted to BISD 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	\$20,121,000	\$20,121,000	\$0	\$1.040	\$209,258	\$209,258	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$340,846,000	\$340,846,000	\$0	\$1.040	\$3,544,798	\$3,544,798	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$407,112,580	\$20,000,000	\$387,112,580	\$1.040	\$4,233,971	\$208,000	\$4,025,971	\$0	\$4,025,971	-\$3,793,088	\$232,883
4	2017-18	\$408,010,160	\$20,000,000	\$388,010,160	\$1.040	\$4,243,306	\$208,000	\$4,035,306	\$476,865	\$4,512,171	-\$23,270	\$4,488,901
5	2018-19	\$412,498,421	\$20,000,000	\$392,498,421	\$1.040	\$4,289,984	\$208,000	\$4,081,984	\$476,865	\$4,558,849	-\$62,364	\$4,496,484
6	2019-20	\$411,620,801	\$20,000,000	\$391,620,801	\$1.040	\$4,280,856	\$208,000	\$4,072,856	\$476,865	\$4,549,722	-\$4,067	\$4,545,655
7	2020-21	\$409,995,184	\$20,000,000	\$389,995,184	\$1.040	\$4,263,950	\$208,000	\$4,055,950	\$476,865	\$4,532,815	\$0	\$4,532,815
8	2021-22	\$407,665,218	\$20,000,000	\$387,665,218	\$1.040	\$4,239,718	\$208,000	\$4,031,718	\$476,865	\$4,508,584	\$0	\$4,508,584
9	2022-23	\$404,668,338	\$20,000,000	\$384,668,338	\$1.040	\$4,208,551	\$208,000	\$4,000,551	\$476,865	\$4,477,416	\$0	\$4,477,416
10	2023-24	\$401,032,856	\$20,000,000	\$381,032,856	\$1.040	\$4,170,742	\$208,000	\$3,962,742	\$476,865	\$4,439,607	\$0	\$4,439,607
11	2024-25	\$396,774,734	\$396,774,734	\$0	\$1.040	\$4,126,457	\$4,126,457	\$0	\$0	\$0	\$0	\$0
12	2025-26	\$386,451,539	\$386,451,539	\$0	\$1.040	\$4,019,096	\$4,019,096	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$381,026,026	\$381,026,026	\$0	\$1.040	\$3,962,671	\$3,962,671	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$369,107,925	\$369,107,925	\$0	\$1.040	\$3,838,722	\$3,838,722	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$356,270,689	\$356,270,689	\$0	\$1.040	\$3,705,215	\$3,705,215	\$0	\$0	\$0	\$0	\$0
						\$57,337,295	\$25,070,218	\$32,267,077	\$3,338,057	\$35,605,134	-\$3,882,789	\$31,722,345
Tax Credit for Value Over Limit in First 2 Years								Year 1	Year 2	Max Credits		
								\$1,258	\$3,336,798	\$3,338,057		
								Credits Earned		\$3,338,057		
								Credits Paid		\$3,338,057		
								Excess Credits Unpaid		\$0		

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

# **Attachment 3**

## Hutchinson County

### Population

- Total county population in 2010 for Hutchinson County: 21,564 , down 0.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Hutchinson County was the state's 110th largest county in population in 2010 and the 217 th fastest growing county from 2009 to 2010.
- Hutchinson County's population in 2009 was 72.9 percent Anglo (above the state average of 46.7 percent), 2.9 percent African-American (below the state average of 11.3 percent) and 20.6 percent Hispanic (below the state average of 36.9 percent).
- 2009 population of the largest cities and places in Hutchinson County:

Borger:	12,656	Fritch:	2,004
Stinnett:	1,801	Sanford:	191

### Economy and Income

#### *Employment*

- September 2011 total employment in Hutchinson County: 10,592 , up 0.6 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 Hutchinson County unemployment rate: 7.0 percent, down from 7.3 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*

- Hutchinson County's ranking in per capita personal income in 2009: 73rd with an average per capita income of \$36,491, up 0.7 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 Hutchinson County averaged \$41.13 million annually from 2007 to 2010. County total agricultural values in 2010 were down 3.1 percent from 2009. Major agriculture related commodities in Hutchinson County during 2010 included:
  - Sorghum
  - Corn
  - Other Beef
  - Fed Beef
  - Wheat
- 2011 oil and gas production in Hutchinson County: 486,238.0 barrels of oil and 7.7 million Mcf of gas. In September 2011, there were 3013 producing oil wells and 674 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 Hutchinson County during the fourth quarter 2010: \$42.76 million, up 2.8 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Borger:	\$32.80 million, down 0.3 percent from the same quarter in 2009.
Fritch:	\$1.64 million, up 1.6 percent from the same quarter in 2009.
Stinnett:	\$1.79 million, down 7.6 percent from the same quarter in 2009.
Sanford:	\$54,407.00, down 53.8 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 Hutchinson County through the fourth quarter of 2010: \$166.83 million, up 0.2 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Borger:	\$128.85 million, down 3.8 percent from the same period in 2009.
Fritch:	\$6.31 million, down 5.2 percent from the same period in 2009.
Stinnett:	\$7.45 million, up 7.7 percent from the same period in 2009.
Sanford:	\$345,004.00, up 49.3 percent from the same period in 2009.

*Annual (2010)*

- Taxable sales in Hutchinson County during 2010: \$166.83 million, up 0.2 percent from 2009.
- Hutchinson County sent an estimated \$10.43 million (or 0.06 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Hutchinson County based on sales activity months in 2010: \$4.04 million, down 0.5 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:
 

<b>Borger:</b>	\$3.65 million, down 0.8 percent from 2009.
<b>Fritch:</b>	\$206,179.46, down 1.2 percent from 2009.
<b>Stinnett:</b>	\$175,728.07, up 7.8 percent from 2009.
<b>Sanford:</b>	\$5,149.15, down 2.4 percent from 2009.

***Property Tax***

- As of January 2009, property values in Hutchinson County: \$2.78 billion, down 8.7 percent from January 2008 values. The property tax base per person in Hutchinson County is \$129,206, above the statewide average of \$85,809. About 18.8 percent of the property tax base is derived from oil, gas and minerals.

**State Expenditures**

- Hutchinson County's ranking in state expenditures by county in fiscal year 2010: 132nd. State expenditures in the county for FY2010: \$61.95 million, unchanged 0.0 percent from FY2009.
- In Hutchinson County, 6 state agencies provide a total of 65 jobs and \$596,449.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
 

• Department of Family and Protective Services	• Department of Transportation
• Department of Public Safety	• Health & Human Services Commission
• AgriLife Extension Service	

**Higher Education**

- Community colleges in Hutchinson County fall 2010 enrollment:
  - Frank Phillips College, a Public Community College, had 1,208 students.
- Hutchinson County is in the service area of the following:
  - Frank Phillips College with a fall 2010 enrollment of 1,208. Counties in the service area include:
    - Dallam County
    - Hansford County
    - Hartley County
    - Hemphill County
    - Hutchinson County
    - Lipscomb County
    - Ochiltree County
    - Roberts County
    - Sherman County
- Institutions of higher education in Hutchinson County fall 2010 enrollment:
  - None.

**School Districts**

- Hutchinson County had 4 school districts with 16 schools and 4,381 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.)
  - Borger ISD had 2,801 students in the 2009-10 school year. The average teacher salary was \$45,179. The percentage of students meeting the 2010 TAKS passing standard for all tests was 64 percent.
  - Plemons-Stinnett-Phillips CISD had 611 students in the 2009-10 school year. The average teacher salary was \$46,552. The percentage of students meeting the 2010 TAKS passing standard for all tests was 79 percent.
  - Sanford ISD had 865 students in the 2009-10 school year. The average teacher salary was \$42,000. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.
  - Spring Creek ISD had 104 students in the 2009-10 school year. The average teacher salary was \$39,661. The percentage of students meeting the 2010 TAKS passing standard for all tests was 79 percent.