

Attachment E

Summary of Financial Impact

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED LONE
STAR NGL ASSET HOLDINGS II, LLC PROJECT ON THE
FINANCES OF THE BARBERS HILL INDEPENDENT SCHOOL
DISTRICT UNDER A REQUESTED CHAPTER 313 PROPERTY
VALUE LIMITATION**

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Final Report

PREPARED BY



Estimated Impact of the Proposed Lone Star NGL Asset Holdings II, LLC Project on the Finances of the Barbers Hill Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Lone Star NGL Asset Holdings II, LLC (Lone Star) has requested that the Barbers Hill Independent School District (BHISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to BHISD on July 22, 2013, Lone Star proposes to invest \$246 million to construct a new export fractionator project in BHISD.

The Lone Star project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, BHISD may offer a minimum value limitation of \$30 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2014-15 and 2015-16 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2014-15 and 2015-16 school years. Beginning with 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 would be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with BHISD currently levying a \$0.2698 per \$100 I&S tax rate. The full taxable value of the investment is expected to reach \$237 million in the 2015-16 school year, with depreciation expected to reduce the value of the project over the course of the value limitation agreement.

In the case of the Lone Star 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. Under current law, BHISD would experience a revenue loss of \$119,834 as a result of the implementation of the value limitation in the 2016-17 school year. Similar revenue losses are expected in four of the seven remaining limitation years.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$16.7 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). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state 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 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 83rd 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 6 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 would do so in the 2014-15 school year. Current state policy calls for ASATR funding to be eliminated by the 2017-18 school year.

BHISD has a relatively high target revenue level and has been a traditional recipient of ASATR funding. For the estimates presented below, however, BHISD is expected to be a formula district

in the 2014-15 and 2015-16 school years. ASATR funding is important for BHISD in the 2016-17 school year, as will be highlighted 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 Lone Star 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 show annual growth in enrollments and maintain the underlying base 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.

The projected taxable values of the Lone Star project are factored into the base model used here in order to simulate the financial impact of the construction of the project in the absence of a value limitation agreement. In addition, the 12 Chapter 313 value limitations either approved by or under consideration by the BHISD Board of Trustees are included in both the base and limitation models to neutralize their financial effects. The impact of the limitation value for the proposed Lone Star project is isolated separately and the focus of this analysis.

Student enrollment counts are assumed to increase by about four percent annually starting with a base estimate of 4,537 students in average daily attendance (ADA) for the 2013-14 school year in analyzing the effects of the Lone Star project on the finances of BHISD. The District's local tax base reached \$3.8 billion for the 2012 tax year and is maintained for the forecast period in order to isolate the effects of the property value limitation.

An M&O tax rate of \$1.06 per \$100 is used throughout this analysis. BHISD has estimated state property wealth per weighted ADA or WADA of approximately \$751,729 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 BHISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2014-15 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the “Baseline Revenue” by adding the value of the proposed Lone Star 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 Lone Star value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 school year. The results of this model are identified as “Value Limitation Revenue Model” under the revenue protection provisions of the proposed agreement (see Table 3). A summary of the differences between these models is shown in Table 4.

Under these assumptions, BHISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$119,834). The revenue reduction results chiefly from the mechanics of 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. It is assumed that ASATR will be eliminated beginning in the 2017-18 school year, based on the 2011 statement of legislative intent.

One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2016-17 school year. The formula loss of \$119,834 cited above between the base and the limitation models is based on an assumption that Lone Star would receive \$2.1 million in M&O tax savings. Under the estimates presented here and as highlighted in Table 4, an increase in ASATR funding of \$1.1 million and a reduction of \$889,689 in recapture costs offset most of the reduction in M&O taxes as in the first year of the \$30 million value limitation.

In general, the ASATR offset poses little financial risk to BHISD as a result of the adoption of the value limitation agreement. But a significant reduction of ASATR funding prior to the assumed 2017-18 school year elimination of these funds could reduce the residual tax savings in the first year that the \$30 million value limitation takes effect.

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. Two state-assigned 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 \$1.06 per \$100 of taxable value M&O rate is assumed in 2013-14 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$15.0 million over the life of the agreement. In addition, Lone Star 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 \$2.4 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key BHISD revenue losses under current law are expected to total approximately \$703,803 over the course of the agreement. The total potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to reach \$16.7 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 Lone Star under the value limitation agreement for the remaining years that the limitation is in effect.

Facilities Funding Impact

The Lone Star project remains fully taxable for debt services taxes, with BHISD currently levying a \$0.2698 per \$100 I&S rate. While the taxable value of the Lone Star project is expected to depreciate over the life of the agreement and beyond, full access to the additional taxable value is expected to provide BHISD with modest I&S tax benefits as a result of its addition to the District's I&S tax roll.

The Lone Star project is not expected to affect BHISD in terms of enrollment. Four permanent positions are assumed once the Lone Star plant goes into operation. 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 Lone Star fractionator project enhances the tax base of BHISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$16.7 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of BHISD in meeting its future debt service obligations.

Table 1 – Base District Information with Lone Star NGL Asset Holdings II, 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 | 4,537.08 | 5,363.78 | \$1.0600 | \$0.2698 | \$4,251,645,445 | \$4,251,645,445 | \$4,032,104,594 | \$4,032,104,594 | \$751,729 | \$751,729 |
| 1 | 2014-15 | 4,718.56 | 5,545.10 | \$1.0600 | \$0.2698 | \$5,025,950,445 | \$5,025,950,445 | \$4,196,549,365 | \$4,196,549,365 | \$756,803 | \$756,803 |
| 2 | 2015-16 | 4,907.30 | 5,771.95 | \$1.0600 | \$0.2698 | \$6,122,950,445 | \$6,122,950,445 | \$4,970,854,365 | \$4,970,854,365 | \$861,208 | \$861,208 |
| 3 | 2016-17 | 5,103.60 | 5,979.74 | \$1.0600 | \$0.2698 | \$4,396,440,445 | \$4,196,550,445 | \$6,067,854,365 | \$6,067,854,365 | \$1,014,736 | \$1,014,736 |
| 4 | 2017-18 | 5,307.74 | 6,192.80 | \$1.0600 | \$0.2698 | \$4,389,543,745 | \$4,196,550,445 | \$4,341,344,365 | \$4,141,454,365 | \$701,031 | \$668,753 |
| 5 | 2018-19 | 5,520.05 | 6,443.24 | \$1.0600 | \$0.2698 | \$4,382,853,946 | \$4,196,550,445 | \$4,334,447,665 | \$4,141,454,365 | \$672,713 | \$642,760 |
| 6 | 2019-20 | 5,740.85 | 6,700.97 | \$1.0600 | \$0.2698 | \$4,376,364,841 | \$4,196,550,445 | \$4,327,757,866 | \$4,141,454,365 | \$645,841 | \$618,038 |
| 7 | 2020-21 | 5,970.49 | 6,969.00 | \$1.0600 | \$0.2698 | \$4,525,520,105 | \$4,352,000,141 | \$4,321,268,761 | \$4,141,454,365 | \$620,070 | \$594,268 |
| 8 | 2021-22 | 6,209.31 | 7,247.76 | \$1.0600 | \$0.2698 | \$4,665,348,948 | \$4,497,934,583 | \$4,470,424,025 | \$4,296,904,061 | \$616,800 | \$592,859 |
| 9 | 2022-23 | 6,457.68 | 7,537.67 | \$1.0600 | \$0.2698 | \$5,212,116,273 | \$5,050,624,339 | \$4,610,252,868 | \$4,442,838,503 | \$611,628 | \$589,418 |
| 10 | 2023-24 | 6,715.99 | 7,839.18 | \$1.0600 | \$0.2698 | \$5,156,787,014 | \$5,001,039,838 | \$5,157,020,193 | \$4,995,528,259 | \$657,852 | \$637,251 |
| 11 | 2024-25 | 6,984.63 | 8,152.75 | \$1.0600 | \$0.2698 | \$7,127,437,850 | \$7,127,437,850 | \$5,101,690,934 | \$4,945,943,758 | \$625,763 | \$606,660 |
| 12 | 2025-26 | 7,264.01 | 8,478.86 | \$1.0600 | \$0.2698 | \$6,994,819,292 | \$6,994,819,292 | \$7,072,341,770 | \$7,072,341,770 | \$834,115 | \$834,115 |
| 13 | 2026-27 | 7,554.57 | 8,818.01 | \$1.0600 | \$0.2698 | \$6,894,656,858 | \$6,894,656,858 | \$6,939,723,212 | \$6,939,723,212 | \$786,994 | \$786,994 |
| 14 | 2027-28 | 7,856.75 | 9,170.73 | \$1.0600 | \$0.2698 | \$6,778,038,695 | \$6,778,038,695 | \$6,839,560,778 | \$6,839,560,778 | \$745,803 | \$745,803 |
| 15 | 2028-29 | 8,171.02 | 9,537.56 | \$1.0600 | \$0.2698 | \$5,994,781,379 | \$5,994,781,379 | \$6,722,942,615 | \$6,722,942,615 | \$704,891 | \$704,891 |

*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 | Recapture Costs | Additional Local M&O Collections | State Aid From Additional M&O Tax Collections | Recapture from Additional Local Tax Effort | Total General Fund |
|-------------------|-------------|-----------------------------|-------------|-------------------------------------|-----------------|----------------------------------|---|--|--------------------|
| Pre-Year 1 | 2013-14 | \$41,859,371 | \$1,478,171 | \$2,942,413 | -\$10,462,132 | \$2,509,344 | \$0 | \$0 | \$38,327,167 |
| 1 | 2014-15 | \$49,447,939 | \$1,556,618 | \$0 | -\$12,096,201 | \$2,964,256 | \$0 | \$0 | \$41,872,612 |
| 2 | 2015-16 | \$60,199,077 | \$1,618,930 | \$0 | -\$20,253,484 | \$3,608,754 | \$0 | \$0 | \$45,173,276 |
| 3 | 2016-17 | \$43,318,413 | \$1,684,165 | \$13,591,234 | -\$18,681,629 | \$2,596,809 | \$0 | \$0 | \$42,508,993 |
| 4 | 2017-18 | \$43,249,443 | \$1,751,871 | \$0 | -\$8,089,498 | \$2,592,674 | \$0 | \$0 | \$39,504,490 |
| 5 | 2018-19 | \$43,182,542 | \$1,822,317 | \$0 | -\$6,689,482 | \$2,588,664 | \$0 | \$0 | \$40,904,041 |
| 6 | 2019-20 | \$43,117,646 | \$1,895,209 | \$0 | -\$5,454,651 | \$2,584,774 | \$0 | \$0 | \$42,142,978 |
| 7 | 2020-21 | \$44,578,182 | \$1,971,018 | \$0 | -\$5,584,292 | \$2,672,328 | \$24,265 | \$0 | \$43,661,502 |
| 8 | 2021-22 | \$45,947,352 | \$2,049,859 | \$0 | -\$7,020,143 | \$2,754,406 | \$39,742 | \$0 | \$43,771,216 |
| 9 | 2022-23 | \$51,304,756 | \$2,131,853 | \$0 | -\$9,079,204 | \$3,075,566 | \$70,761 | \$0 | \$47,503,733 |
| 10 | 2023-24 | \$50,761,353 | \$2,217,128 | \$0 | -\$13,143,443 | \$3,042,991 | \$0 | \$0 | \$42,878,029 |
| 11 | 2024-25 | \$70,043,545 | \$2,305,812 | \$0 | -\$17,722,766 | \$4,198,901 | \$0 | \$0 | \$58,825,492 |
| 12 | 2025-26 | \$68,743,819 | \$2,398,045 | \$0 | -\$31,431,448 | \$4,120,986 | \$0 | \$0 | \$43,831,402 |
| 13 | 2026-27 | \$67,762,178 | \$2,493,967 | \$0 | -\$30,249,705 | \$4,062,139 | \$0 | \$0 | \$44,068,579 |
| 14 | 2027-28 | \$66,619,263 | \$2,593,726 | \$0 | -\$29,161,959 | \$3,993,625 | \$0 | \$0 | \$44,044,654 |
| 15 | 2028-29 | \$58,942,957 | \$2,697,474 | \$0 | -\$25,098,571 | \$3,533,454 | \$0 | \$0 | \$40,075,314 |

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

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 | 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 | \$41,859,371 | \$1,478,171 | \$2,942,413 | -\$10,462,132 | \$2,509,344 | \$0 | \$0 | \$38,327,167 |
| 1 | 2014-15 | \$49,447,939 | \$1,556,618 | \$0 | -\$12,096,201 | \$2,964,256 | \$0 | \$0 | \$41,872,612 |
| 2 | 2015-16 | \$60,199,077 | \$1,618,930 | \$0 | -\$20,253,484 | \$3,608,754 | \$0 | \$0 | \$45,173,276 |
| 3 | 2016-17 | \$41,319,413 | \$1,684,165 | \$14,700,545 | -\$17,791,939 | \$2,476,975 | \$0 | \$0 | \$42,389,159 |
| 4 | 2017-18 | \$41,319,413 | \$1,751,871 | \$0 | -\$6,206,927 | \$2,476,975 | \$0 | \$0 | \$39,341,331 |
| 5 | 2018-19 | \$41,319,413 | \$1,822,317 | \$0 | -\$4,869,919 | \$2,476,975 | \$0 | \$0 | \$40,748,786 |
| 6 | 2019-20 | \$41,319,413 | \$1,895,209 | \$0 | -\$3,696,489 | \$2,476,975 | \$30,706 | \$0 | \$42,025,813 |
| 7 | 2020-21 | \$42,842,896 | \$1,971,018 | \$0 | -\$3,832,782 | \$2,568,303 | \$135,844 | \$0 | \$43,685,279 |
| 8 | 2021-22 | \$44,273,125 | \$2,049,859 | \$0 | -\$5,339,036 | \$2,654,041 | \$147,018 | \$0 | \$43,785,007 |
| 9 | 2022-23 | \$49,689,755 | \$2,131,853 | \$0 | -\$7,345,973 | \$2,978,752 | \$183,361 | \$0 | \$47,637,748 |
| 10 | 2023-24 | \$49,203,803 | \$2,217,128 | \$0 | -\$11,640,913 | \$2,949,621 | \$0 | \$0 | \$42,729,638 |
| 11 | 2024-25 | \$70,043,545 | \$2,305,812 | \$0 | -\$16,100,864 | \$4,198,901 | \$131,785 | \$0 | \$60,579,179 |
| 12 | 2025-26 | \$68,743,819 | \$2,398,045 | \$0 | -\$31,431,448 | \$4,120,986 | \$0 | \$0 | \$43,831,402 |
| 13 | 2026-27 | \$67,762,178 | \$2,493,967 | \$0 | -\$30,249,705 | \$4,062,139 | \$0 | \$0 | \$44,068,579 |
| 14 | 2027-28 | \$66,619,263 | \$2,593,726 | \$0 | -\$29,161,959 | \$3,993,625 | \$0 | \$0 | \$44,044,654 |
| 15 | 2028-29 | \$58,942,957 | \$2,697,474 | \$0 | -\$25,098,571 | \$3,533,454 | \$0 | \$0 | \$40,075,314 |

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

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 | 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 |
| 1 | 2014-15 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2015-16 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2016-17 | -\$1,999,000 | \$0 | \$1,109,311 | \$889,689 | -\$119,834 | \$0 | \$0 | -\$119,834 |
| 4 | 2017-18 | -\$1,930,030 | \$0 | \$0 | \$1,882,570 | -\$115,700 | \$0 | \$0 | -\$163,159 |
| 5 | 2018-19 | -\$1,863,129 | \$0 | \$0 | \$1,819,563 | -\$111,689 | \$0 | \$0 | -\$155,255 |
| 6 | 2019-20 | -\$1,798,233 | \$0 | \$0 | \$1,758,161 | -\$107,799 | \$30,706 | \$0 | -\$117,165 |
| 7 | 2020-21 | -\$1,735,286 | \$0 | \$0 | \$1,751,509 | -\$104,025 | \$111,579 | \$0 | \$23,777 |
| 8 | 2021-22 | -\$1,674,227 | \$0 | \$0 | \$1,681,107 | -\$100,365 | \$107,275 | \$0 | \$13,791 |
| 9 | 2022-23 | -\$1,615,001 | \$0 | \$0 | \$1,733,230 | -\$96,814 | \$112,600 | \$0 | \$134,015 |
| 10 | 2023-24 | -\$1,557,550 | \$0 | \$0 | \$1,502,531 | -\$93,370 | \$0 | \$0 | -\$148,390 |
| 11 | 2024-25 | \$0 | \$0 | \$0 | \$1,621,902 | \$0 | \$131,785 | \$0 | \$1,753,687 |
| 12 | 2025-26 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2026-27 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2027-28 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2028-29 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

Table 5 - Estimated Financial Impact of the Lone Star NGL Asset Holdings II, LLC Project Property Value Limitation Request Submitted to BHISD at \$1.06 M&O Tax Rate

| Year of Agreement | School Year | Project Value | Estimated Taxable Value | Value Savings | Assumed M&O Tax Rate | Taxes Before Value Limit | Taxes after Value Limit | Tax Savings @ Projected M&O Rate | Tax Credits for First Two Years Above Limit | Tax Benefit to Company Before Revenue Protection | School District Revenue Losses | Estimated Net Tax Benefits |
|-------------------|-------------|---------------|-------------------------|---------------|----------------------|--------------------------|-------------------------|----------------------------------|---|--|--------------------------------|----------------------------|
| Pre-Year 1 | 2013-14 | \$0 | \$0 | \$0 | \$1.060 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | 2014-15 | \$47,000,000 | \$47,000,000 | \$0 | \$1.060 | \$498,200 | \$498,200 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | 2015-16 | \$237,000,000 | \$237,000,000 | \$0 | \$1.060 | \$2,512,200 | \$2,512,200 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | 2016-17 | \$229,890,000 | \$30,000,000 | \$199,890,000 | \$1.060 | \$2,436,834 | \$318,000 | \$2,118,834 | \$0 | \$2,118,834 | -\$119,834 | \$1,999,000 |
| 4 | 2017-18 | \$222,993,300 | \$30,000,000 | \$192,993,300 | \$1.060 | \$2,363,729 | \$318,000 | \$2,045,729 | \$339,200 | \$2,384,929 | -\$163,159 | \$2,221,770 |
| 5 | 2018-19 | \$216,303,501 | \$30,000,000 | \$186,303,501 | \$1.060 | \$2,292,817 | \$318,000 | \$1,974,817 | \$339,200 | \$2,314,017 | -\$155,255 | \$2,158,762 |
| 6 | 2019-20 | \$209,814,396 | \$30,000,000 | \$179,814,396 | \$1.060 | \$2,224,033 | \$318,000 | \$1,906,033 | \$339,200 | \$2,245,233 | -\$117,165 | \$2,128,068 |
| 7 | 2020-21 | \$203,519,964 | \$30,000,000 | \$173,519,964 | \$1.060 | \$2,157,312 | \$318,000 | \$1,839,312 | \$339,200 | \$2,178,512 | \$0 | \$2,178,512 |
| 8 | 2021-22 | \$197,414,365 | \$30,000,000 | \$167,414,365 | \$1.060 | \$2,092,592 | \$318,000 | \$1,774,592 | \$339,200 | \$2,113,792 | \$0 | \$2,113,792 |
| 9 | 2022-23 | \$191,491,934 | \$30,000,000 | \$161,491,934 | \$1.060 | \$2,029,815 | \$318,000 | \$1,711,815 | \$339,200 | \$2,051,015 | \$0 | \$2,051,015 |
| 10 | 2023-24 | \$185,747,176 | \$30,000,000 | \$155,747,176 | \$1.060 | \$1,968,920 | \$318,000 | \$1,650,920 | \$339,200 | \$1,990,120 | -\$148,390 | \$1,841,730 |
| 11 | 2024-25 | \$180,174,761 | \$180,174,761 | \$0 | \$1.060 | \$1,909,852 | \$1,909,852 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 12 | 2025-26 | \$174,769,518 | \$174,769,518 | \$0 | \$1.060 | \$1,852,557 | \$1,852,557 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13 | 2026-27 | \$169,526,433 | \$169,526,433 | \$0 | \$1.060 | \$1,796,980 | \$1,796,980 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 14 | 2027-28 | \$164,440,640 | \$164,440,640 | \$0 | \$1.060 | \$1,743,071 | \$1,743,071 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 | 2028-29 | \$159,507,420 | \$159,507,420 | \$0 | \$1.060 | \$1,690,779 | \$1,690,779 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | | | | | | \$29,569,690 | \$14,547,639 | \$15,022,051 | \$2,374,400 | \$17,396,451 | -\$703,803 | \$16,692,648 |

| Tax Credit for Value Over Limit in First 2 Years | | |
|--|-----------|-------------|
| | Year 1 | Year 2 |
| | \$180,200 | \$2,194,200 |
| Credits Earned | | \$2,374,400 |
| Credits Paid | | \$2,374,400 |
| 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.

