

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



October 24, 2013

Clay Montgomery  
Superintendent  
Spearman Independent School District  
403 East 11<sup>th</sup> Ave.  
Spearman, Texas 79081

Dear Superintendent Montgomery:

On August 23, 2013, the Comptroller received the completed application (Application # 319) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in July 2013 to the Spearman Independent School District (the school district) by Palo Duro Wind Energy, LLC (the applicant). This letter presents the results of the Comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

The school district is currently classified as a rural school district in Category 3 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$66.3 million) is consistent with the proposed appraised value limitation sought (\$10 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a renewable energy facility in Hansford County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described by 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. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. 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 and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

Note that any new building or other improvement existing as of the application review start date of August 23, 2013, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

- 1) The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than ten (10) days prior to the meeting scheduled by the school district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
- 2) The Comptroller must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at [robert.wood@cpa.state.tx.us](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	Palo Duro Wind Energy, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Spearman ISD
2011-12 Enrollment in School District	817
County	Hansford
Total Investment in District	\$66,300,000
Qualified Investment	\$66,300,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	2*
Number of qualifying jobs committed to by applicant	2
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	\$33,150,000
Estimated 15 year M&O levy without any limit or credit:	\$5,716,646
Estimated gross 15 year M&O tax benefit	\$3,431,471
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):	\$3,397,395
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$557,939
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$2,319,251
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	59.4%
Percentage of tax benefit due to the limitation	83.7%
Percentage of tax benefit due to the credit	16.3%
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

This presents the Comptroller's economic impact evaluation of Palo Duro Wind Energy, LLC (the project) applying to Spearman 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 two new jobs when fully operational. Both of these jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Panhandle Regional Planning Council Region, where Hansford County is located was \$41,850 in 2012. The annual average manufacturing wage for 2012 for Hansford County is \$41,158. That same year, the county annual average wage for all industries was \$51,922. In addition to an annual average salary of \$46,035 each qualifying position will receive benefits in compliance with the Affordable Care Act, area wide competitive 401(k) retirement savings plan, vacation time, sick leave and skills training. The project's total investment is \$66.3 million, resulting in a relative level of investment per qualifying job of \$33.1 million.

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

According to Palo Duro Wind Energy, LLC's application, "Multiple MAP funds have invested approximately \$4,500,000,000 in wind entities and successfully developed multiple wind farms in different states around the United States of America totally over 3000 MW of wind generating projects. Depending on the ability to generate cost-effective electricity for regional consumers, these companies ultimately have the ability to locate or relocate in another state, another region of Texas, or another region of the world. Palo Duro Wind Energy believes, however, that the proposed site in Ochiltrie and Hansford Counties is a desirable business location and can provide electricity at a price that is competitive with other regions of Texas."

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

During the past two years, 20 projects in the Panhandle Regional Planning Council Region applied for value limitation agreements under Tax Code, Chapter 313.

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

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Palo Duro Wind Energy, LLC project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

### **Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]**

Table 1 depicts Palo Duro Wind Energy, LLC'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 Palo Duro Wind Energy, LLC**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	5	5	10	\$200,000	\$166,000	\$366,000
2014	100	94	194	\$4,000,000	\$6,986,000	\$10,986,000
2015	2	6	8	\$92,070	\$1,250,930	\$1,343,000
2016	2	1	3	\$92,070	\$761,930	\$854,000
2017	2	3	5	\$92,070	\$761,930	\$854,000
2018	2	0	2	\$92,070	\$395,930	\$488,000
2019	2	(2)	0	\$92,070	\$273,930	\$366,000
2020	2	2	4	\$92,070	\$273,930	\$366,000
2021	2	0	2	\$92,070	\$273,930	\$366,000
2022	2	0	2	\$92,070	\$151,930	\$244,000
2023	2	0	2	\$92,070	\$151,930	\$244,000
2024	2	(2)	0	\$92,070	\$29,930	\$122,000
2025	2	2	4	\$92,070	\$151,930	\$244,000
2026	2	0	2	\$92,070	\$151,930	\$244,000
2027	2	2	4	\$92,070	\$151,930	\$244,000
2028	2	2	4	\$92,070	\$151,930	\$244,000

Source: CPA, REMI, Palo Duro Wind Energy, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Spearman ISD's ad valorem tax base in 2012-2013 was \$402 million. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Spearman ISD's estimated wealth per WADA was \$293,003. 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, Hansford County, Hansford County Hospital District, Palo Duro River Water District and the North Plains Underground Water Conservation District, with all property tax incentives sought being granted using estimated market value from Palo Duro Wind Energy, LLC's application. Palo Duro Wind Energy, LLC has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and the hospital district. Table 3 illustrates the estimated tax impact of the Palo Duro Wind Energy, LLC project on the region if all taxes are assessed.

**Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Spearman ISD I&S Levy	Spearman ISD M&O Levy	Spearman ISD M&O and I&S Tax Levies (Before Credit Credited)	Spearman ISD M&O and I&S Tax Levies (After Credit Credited)	Hansford County Tax Levy	Hansford County Hospital District Tax Levy	Palo Duro River Water District Tax Levy	North Plains Underground Water Conservation District Tax Levy	Estimated Total Property Taxes
				0.199600	1.040000			0.413123	0.336934	0.078903	0.026016	
2014	1,657,500	\$1,657,500		\$3,308	\$17,238	\$20,546	\$20,546	\$6,848	\$5,585	\$1,308	\$431	\$34,718
2015	\$63,648,000	\$63,648,000		\$127,041	\$661,939	\$788,981	\$788,981	\$0	\$0	\$50,220	\$16,559	\$855,759
2016	\$58,556,000	\$10,000,000		\$116,878	\$104,000	\$220,878	\$220,878	\$0	\$0	\$46,202	\$15,234	\$282,314
2017	\$53,872,000	\$10,000,000		\$107,529	\$104,000	\$211,529	\$131,823	\$0	\$0	\$42,507	\$14,015	\$188,344
2018	\$49,562,000	\$10,000,000		\$98,926	\$104,000	\$202,926	\$123,220	\$0	\$0	\$39,106	\$12,894	\$175,220
2019	\$45,597,000	\$10,000,000		\$91,012	\$104,000	\$195,012	\$115,306	\$0	\$0	\$35,977	\$11,863	\$163,146
2020	\$41,949,000	\$10,000,000		\$83,730	\$104,000	\$187,730	\$108,024	\$0	\$0	\$33,099	\$10,913	\$152,037
2021	\$38,593,000	\$10,000,000		\$77,032	\$104,000	\$181,032	\$101,326	\$0	\$0	\$30,451	\$10,040	\$141,817
2022	\$35,506,000	\$10,000,000		\$70,870	\$104,000	\$174,870	\$95,164	\$0	\$0	\$28,015	\$9,237	\$132,417
2023	\$32,666,000	\$10,000,000		\$65,201	\$104,000	\$169,201	\$90,742	\$0	\$0	\$25,774	\$8,498	\$125,015
2024	\$30,053,000	\$30,053,000		\$59,986	\$312,551	\$372,537	\$371,291	\$0	\$0	\$23,713	\$7,819	\$402,822
2025	\$27,649,000	\$27,649,000		\$55,187	\$287,550	\$342,737	\$342,737	\$114,224	\$93,159	\$21,816	\$7,193	\$579,129
2026	\$25,437,000	\$25,437,000		\$50,772	\$264,545	\$315,317	\$315,317	\$105,086	\$85,706	\$20,071	\$6,618	\$532,797
2027	\$23,402,000	\$23,402,000		\$46,710	\$243,381	\$290,091	\$290,091	\$96,679	\$78,849	\$18,465	\$6,088	\$490,173
2028	\$21,530,000	\$21,530,000		\$42,974	\$223,912	\$266,886	\$266,886	\$88,945	\$72,542	\$16,988	\$5,601	\$450,962
						<b>Total</b>	<b>\$3,382,331</b>	<b>\$411,782</b>	<b>\$335,841</b>	<b>\$433,712</b>	<b>\$143,004</b>	<b>\$4,706,670</b>

Assumes School Value Limitation and Tax Abatements with the County and Hospital District.

Source: CPA, Palo Duro Wind Energy, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

**Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Spearman ISD I&S Levy	Spearman ISD M&O Levy	Spearman ISD M&O and I&S Tax Levies	Hansford County Tax Levy	Hansford County Hospital District Tax Levy	Palo Duro River Water District Tax Levy	North Plains Underground Water Conservation District Tax Levy	Estimated Total Property Taxes	
				0.199600	1.040000		0.413123	0.336934	0.078903	0.026016		
2014	1,657,500	\$1,657,500		\$3,308	\$17,238	\$20,546	\$6,848	\$5,585	\$1,308	\$431	\$34,718	
2015	\$63,648,000	\$63,648,000		\$127,041	\$661,939	\$788,981	\$262,945	\$214,452	\$50,220	\$16,559	\$1,333,156	
2016	\$58,556,000	\$58,556,000		\$116,878	\$608,982	\$725,860	\$241,908	\$197,295	\$46,202	\$15,234	\$1,226,500	
2017	\$53,872,000	\$53,872,000		\$107,529	\$560,269	\$667,797	\$222,558	\$181,513	\$42,507	\$14,015	\$1,128,390	
2018	\$49,562,000	\$49,562,000		\$98,926	\$515,445	\$614,371	\$204,752	\$166,991	\$39,106	\$12,894	\$1,038,114	
2019	\$45,597,000	\$45,597,000		\$91,012	\$474,209	\$565,220	\$188,372	\$153,632	\$35,977	\$11,863	\$955,064	
2020	\$41,949,000	\$41,949,000		\$83,730	\$436,270	\$520,000	\$173,301	\$141,340	\$33,099	\$10,913	\$878,654	
2021	\$38,593,000	\$38,593,000		\$77,032	\$401,367	\$478,399	\$159,437	\$130,033	\$30,451	\$10,040	\$808,360	
2022	\$35,506,000	\$35,506,000		\$70,870	\$369,262	\$440,132	\$146,683	\$119,632	\$28,015	\$9,237	\$743,700	
2023	\$32,666,000	\$32,666,000		\$65,201	\$339,726	\$404,928	\$134,951	\$110,063	\$25,774	\$8,498	\$684,214	
2024	\$30,053,000	\$30,053,000		\$59,986	\$312,551	\$372,537	\$124,156	\$101,259	\$23,713	\$7,819	\$629,483	
2025	\$27,649,000	\$27,649,000		\$55,187	\$287,550	\$342,737	\$114,224	\$93,159	\$21,816	\$7,193	\$579,129	
2026	\$25,437,000	\$25,437,000		\$50,772	\$264,545	\$315,317	\$105,086	\$85,706	\$20,071	\$6,618	\$532,797	
2027	\$23,402,000	\$23,402,000		\$46,710	\$243,381	\$290,091	\$96,679	\$78,849	\$18,465	\$6,088	\$490,173	
2028	\$21,530,000	\$21,530,000		\$42,974	\$223,912	\$266,886	\$88,945	\$72,542	\$16,988	\$5,601	\$450,962	
						<b>Total</b>	<b>\$6,813,802</b>	<b>\$2,270,844</b>	<b>\$1,852,050</b>	<b>\$433,712</b>	<b>\$143,004</b>	<b>\$11,513,413</b>

Source: CPA, Palo Duro Wind Energy, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

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 II" in this attachment shows the estimated 13 year M&O tax levy without the value limitation agreement would be \$5,249,353. The estimated gross 13 year M&O tax benefit, or levy loss, is \$3,431,471.

Attachment 3 is an economic overview of Hansford 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

Amendment No. 001  
Attachment 17

Schedule A (Rev. January 2013) Investment

Applicant Name: CALO DURO WIND ENERGY LLC  
SSD Name: SPEARMAN USD

Form 30-296

Year	Tax Year (If applicable, year before entry year)	School Year entry year	Column A Tangible Personal Property (The amount of new investment or other costs placed or services of building (physical amount) during this year)	Column B Building or permanent improvements (The amount of new investment or other costs placed or services of building (physical amount) during this year)	Column C Sum of A and B (During the building time period)	Column D Investment in energy qualified facilities during the building time period (See table)	Column E Total Investment (A+B+D)
Investment made before filing complete application with district (not a qualified investment)							
Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)	2013	2013-2014	3,315,000	0	3,315,000	0	3,315,000
Investment made after final board approval of application and before January 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2014	2014-2015	62,985,000	0	62,985,000	0	62,985,000
Completed tax years of qualifying time period	2015	2015-2016	0	0	0	0	0
	2016	2016-2017	0	0	0	0	0
	2017	2017-2018	0	0	0	0	0
	2018	2018-2019	0	0	0	0	0
	2019	2019-2020	0	0	0	0	0
	2020	2020-2021	0	0	0	0	0
	2021	2021-2022	0	0	0	0	0
	2022	2022-2023	0	0	0	0	0
	2023	2023-2024	0	0	0	0	0
	2024	2024-2025	0	0	0	0	0
	2025	2025-2026	0	0	0	0	0
	2026	2026-2027	0	0	0	0	0
	2027	2027-2028	0	0	0	0	0
	2028	2028-2029	0	0	0	0	0
	2029	2029-2030	0	0	0	0	0
	2030	2030-2031	0	0	0	0	0
	2031	2031-2032	0	0	0	0	0
	2032	2032-2033	0	0	0	0	0
	2033	2033-2034	0	0	0	0	0
	2034	2034-2035	0	0	0	0	0
	2035	2035-2036	0	0	0	0	0
	2036	2036-2037	0	0	0	0	0
	2037	2037-2038	0	0	0	0	0
	2038	2038-2039	0	0	0	0	0
	2039	2039-2040	0	0	0	0	0
	2040	2040-2041	0	0	0	0	0
	2041	2041-2042	0	0	0	0	0
	2042	2042-2043	0	0	0	0	0
	2043	2043-2044	0	0	0	0	0
	2044	2044-2045	0	0	0	0	0
	2045	2045-2046	0	0	0	0	0
	2046	2046-2047	0	0	0	0	0
	2047	2047-2048	0	0	0	0	0
	2048	2048-2049	0	0	0	0	0
	2049	2049-2050	0	0	0	0	0
	2050	2050-2051	0	0	0	0	0
	2051	2051-2052	0	0	0	0	0
	2052	2052-2053	0	0	0	0	0
	2053	2053-2054	0	0	0	0	0
	2054	2054-2055	0	0	0	0	0
	2055	2055-2056	0	0	0	0	0
	2056	2056-2057	0	0	0	0	0
	2057	2057-2058	0	0	0	0	0
	2058	2058-2059	0	0	0	0	0
	2059	2059-2060	0	0	0	0	0
	2060	2060-2061	0	0	0	0	0
	2061	2061-2062	0	0	0	0	0
	2062	2062-2063	0	0	0	0	0
	2063	2063-2064	0	0	0	0	0
	2064	2064-2065	0	0	0	0	0
	2065	2065-2066	0	0	0	0	0
	2066	2066-2067	0	0	0	0	0
	2067	2067-2068	0	0	0	0	0
	2068	2068-2069	0	0	0	0	0
	2069	2069-2070	0	0	0	0	0
	2070	2070-2071	0	0	0	0	0
	2071	2071-2072	0	0	0	0	0
	2072	2072-2073	0	0	0	0	0
	2073	2073-2074	0	0	0	0	0
	2074	2074-2075	0	0	0	0	0
	2075	2075-2076	0	0	0	0	0
	2076	2076-2077	0	0	0	0	0
	2077	2077-2078	0	0	0	0	0
	2078	2078-2079	0	0	0	0	0
	2079	2079-2080	0	0	0	0	0
	2080	2080-2081	0	0	0	0	0
	2081	2081-2082	0	0	0	0	0
	2082	2082-2083	0	0	0	0	0
	2083	2083-2084	0	0	0	0	0
	2084	2084-2085	0	0	0	0	0
	2085	2085-2086	0	0	0	0	0
	2086	2086-2087	0	0	0	0	0
	2087	2087-2088	0	0	0	0	0
	2088	2088-2089	0	0	0	0	0
	2089	2089-2090	0	0	0	0	0
	2090	2090-2091	0	0	0	0	0
	2091	2091-2092	0	0	0	0	0
	2092	2092-2093	0	0	0	0	0
	2093	2093-2094	0	0	0	0	0
	2094	2094-2095	0	0	0	0	0
	2095	2095-2096	0	0	0	0	0
	2096	2096-2097	0	0	0	0	0
	2097	2097-2098	0	0	0	0	0
	2098	2098-2099	0	0	0	0	0
	2099	2099-2100	0	0	0	0	0
	2100	2100-2101	0	0	0	0	0
	2101	2101-2102	0	0	0	0	0
	2102	2102-2103	0	0	0	0	0
	2103	2103-2104	0	0	0	0	0
	2104	2104-2105	0	0	0	0	0
	2105	2105-2106	0	0	0	0	0
	2106	2106-2107	0	0	0	0	0
	2107	2107-2108	0	0	0	0	0
	2108	2108-2109	0	0	0	0	0
	2109	2109-2110	0	0	0	0	0
	2110	2110-2111	0	0	0	0	0
	2111	2111-2112	0	0	0	0	0
	2112	2112-2113	0	0	0	0	0
	2113	2113-2114	0	0	0	0	0
	2114	2114-2115	0	0	0	0	0
	2115	2115-2116	0	0	0	0	0
	2116	2116-2117	0	0	0	0	0
	2117	2117-2118	0	0	0	0	0
	2118	2118-2119	0	0	0	0	0
	2119	2119-2120	0	0	0	0	0
	2120	2120-2121	0	0	0	0	0
	2121	2121-2122	0	0	0	0	0
	2122	2122-2123	0	0	0	0	0
	2123	2123-2124	0	0	0	0	0
	2124	2124-2125	0	0	0	0	0
	2125	2125-2126	0	0	0	0	0
	2126	2126-2127	0	0	0	0	0
	2127	2127-2128	0	0	0	0	0
	2128	2128-2129	0	0	0	0	0
	2129	2129-2130	0	0	0	0	0
	2130	2130-2131	0	0	0	0	0
	2131	2131-2132	0	0	0	0	0
	2132	2132-2133	0	0	0	0	0
	2133	2133-2134	0	0	0	0	0
	2134	2134-2135	0	0	0	0	0
	2135	2135-2136	0	0	0	0	0
	2136	2136-2137	0	0	0	0	0
	2137	2137-2138	0	0	0	0	0
	2138	2138-2139	0	0	0	0	0
	2139	2139-2140	0	0	0	0	0
	2140	2140-2141	0	0	0	0	0
	2141	2141-2142	0	0	0	0	0
	2142	2142-2143	0	0	0	0	0
	2143	2143-2144	0	0	0	0	0
	2144	2144-2145	0	0	0	0	0
	2145	2145-2146	0	0	0	0	0
	2146	2146-2147	0	0	0	0	0
	2147	2147-2148	0	0	0	0	0
	2148	2148-2149	0	0	0	0	0
	2149	2149-2150	0	0	0	0	0
	2150	2150-2151	0	0	0	0	0
	2151	2151-2152	0	0	0	0	0
	2152	2152-2153	0	0	0	0	0
	2153	2153-2154	0	0	0	0	0
	2154	2154-2155	0	0	0	0	0
	2155	2155-2156	0	0	0	0	0
	2156	2156-2157	0	0	0	0	0
	2157	2157-2158	0	0	0	0	0
	2158	2158-2159	0	0	0	0	0
	2159	2159-2160	0	0	0	0	0
	2160	2160-2161	0	0	0	0	0
	2161	2161-2162	0	0	0	0	0
	2162	2162-2163	0	0	0	0	0
	2163	2163-2164	0	0	0	0	0
	2164	2164-2165	0	0	0	0	0
	2165	2165-2166	0	0	0	0	0
	2166	2166-2167	0	0	0	0	0
	2167	2167-2168	0	0	0	0	0
	2168	2168-2169	0	0	0	0	0
	2169	2169-2170	0	0	0	0	0
	2170	2170-2171	0	0	0	0	0
	2171	2171-2172	0	0	0	0	0
	2172	2172-2173	0	0	0	0	0
	2173	2173-2174	0	0	0	0	0
	2174	2174-2175	0	0	0	0	0
	2175	2175-2176	0	0	0	0	0

Schedule B (Rev. January 2013): Estimated Market And Taxable Value  
PALO DURO WIND ENERGY, LLC

Form 50-296

Applicant Name  
ISD Name

SPEARMAN ISD

Year	School Year (YYYY-YYYY)	Tax Year (Fall in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
			Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or in or on the new improvement		Final taxable value for M&O - after all reductions	Final taxable value for I&S - after all reductions
pre-year 1	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1	2014-2015	2014	\$ -	\$ -	\$ 1,657,500	\$ -	\$ 1,657,500	\$ 1,657,500
2	2015-2016	2015	\$ -	\$ -	\$ 63,648,000	\$ -	\$ 63,648,000	\$ 63,648,000
3	2016-2017	2016	\$ -	\$ -	\$ 58,556,000	\$ -	\$ 58,556,000	\$ 10,000,000
4	2017-2018	2017	\$ -	\$ -	\$ 53,872,000	\$ -	\$ 53,872,000	\$ 10,000,000
5	2018-2019	2018	\$ -	\$ -	\$ 49,562,000	\$ -	\$ 49,562,000	\$ 10,000,000
6	2019-2020	2019	\$ -	\$ -	\$ 45,597,000	\$ -	\$ 45,597,000	\$ 10,000,000
7	2020-2021	2020	\$ -	\$ -	\$ 41,949,000	\$ -	\$ 41,949,000	\$ 10,000,000
8	2021-2022	2021	\$ -	\$ -	\$ 38,593,000	\$ -	\$ 38,593,000	\$ 10,000,000
9	2022-2023	2022	\$ -	\$ -	\$ 35,506,000	\$ -	\$ 35,506,000	\$ 10,000,000
10	2023-2004	2023	\$ -	\$ -	\$ 32,666,000	\$ -	\$ 32,666,000	\$ 10,000,000
11	2024-2025	2024	\$ -	\$ -	\$ 30,053,000	\$ -	\$ 30,053,000	\$ 30,053,000
12	2025-2026	2025	\$ -	\$ -	\$ 27,649,000	\$ -	\$ 27,649,000	\$ 27,649,000
13	2026-2027	2026	\$ -	\$ -	\$ 25,437,000	\$ -	\$ 25,437,000	\$ 25,437,000
14	2027-2028	2027	\$ -	\$ -	\$ 23,402,000	\$ -	\$ 23,402,000	\$ 23,402,000
15	2028-2029	2028	\$ -	\$ -	\$ 21,530,000	\$ -	\$ 21,530,000	\$ 21,530,000

Tax Credit Period (with 50% cap on credit)

Credit Settle-Up Period

Post-Settle-Up Period

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

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

*[Signature]*

July 19, 2013

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

**Amendment No. 001  
Attachment 19**

**Schedule C- Application: Employment Information**

Applicant Name: PALO DURO WIND ENERGY, LLC  
 ISD Name: SCLARMAN ISD

Form 50-296

	year	School Year (YYYY-YYYY)	Tax Year (F1 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
	year 1	2013-2014	2013	5 FTE's	\$40,000.00	0	\$0.00	0	\$0.00
Complete tax years of qualifying inter- period	1	2014-2015	2014	100 FTE's	\$40,000.00	0	\$0.00	0	\$0.00
	2	2015-2016	2015			2	\$46,035.00	2	\$46,035.00
	3	2016-2017	2016			2	\$46,035.00	2	\$46,035.00
	4	2017-2018	2017			2	\$46,035.00	2	\$46,035.00
	5	2018-2019	2018			2	\$46,035.00	2	\$46,035.00
Tax Credit Period (with 50% cap on credit)	6	2019-2020	2019			2	\$46,035.00	2	\$46,035.00
	7	2020-2021	2020			2	\$46,035.00	2	\$46,035.00
	8	2021-2022	2021			2	\$46,035.00	2	\$46,035.00
	9	2022-2023	2022			2	\$46,035.00	2	\$46,035.00
	10	2023-2024	2023			2	\$46,035.00	2	\$46,035.00
Credit Settle-Up Period	11	2024-2025	2024			2	\$46,035.00	2	\$46,035.00
	12	2025-2026	2025			2	\$46,035.00	2	\$46,035.00
	13	2026-2027	2026			2	\$46,035.00	2	\$46,035.00
Post-Settle-Up Period	14	2027-2028	2027			2	\$46,035.00	2	\$46,035.00
	15	2028-2029	2028			2	\$46,035.00	2	\$46,035.00

Notes: For job definitions see IAC §9-105(14) and Tax Code §313.021(3)

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

  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE: August 7, 2013

Amendment No. 003  
Attachment 20

Schedule D: (Rev. January 2013): Other Tax Information

Applicant Name		PALO DURO WIND ENERGY, LLC			Sales Tax Information		Franchise Tax		SPEARMAN ISD				Form 50-296
					Sales Taxable Expenditures		Franchise Tax		Other Property Tax Abatements Sought				
		Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Franchise Tax	County	City	Hospital	Other		
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)			2013-2014	2013	414,375	2,900,625	0	0%	n/a	n/a	n/a	Fill in percentage exemption requested or granted in each year of the Agreement	
	Complete tax years of qualifying time period	1	2014-2015	2014	7,873,125	55,111,875	0	0%	n/a	n/a	n/a	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		2	2015-2016	2015	22000	44000	0	100% *	n/a	100%	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		3	2016-2017	2016	22000	44000	0	100% *	n/a	100%	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		4	2017-2018	2017	22000	44000	0	100% *	n/a	100%	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		5	2018-2019	2018	22000	44000	0	100% *	n/a	100%	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
	Value Limitation Period	6	2019-2020	2019	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		7	2020-2021	2020	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		8	2021-2022	2021	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		9	2022-2023	2022	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		10	2023-2004	2023	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
	Credit Settle-Up Period	11	2024-2025	2024	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		12	2025-2026	2025	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
		13	2026-2027	2026	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
	Post-Settle-Up Period	14	2027-2028	2027	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement
15		2028-2029	2028	22000	44000	15,000	100% *	n/a	n/a	100%	n/a	Fill in percentage exemption requested or granted in each year of the Agreement	

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

*[Signature]*  
SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

*Spt. 25, 2013*

\*NOTE - An anticipated contractual PILOT payment of approximately \$2,000 per MW installed will be made annually.

# Attachment 2

October 18, 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 Palo Duro Wind Energy LLC project on the number and size of school facilities in Spearman Independent School District (SISD). Based on the analysis prepared by Randy McDowell and Neal Brown for the school district and a conversation with the SISD superintendent, William Montgomery, the TEA has found that the Palo Duro Wind Energy LLC project would not have a significant impact on the number or size of school facilities in SISD.

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

October 18, 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 Palo Duro Wind Energy LLC project for the Spearman Independent School District (SISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Randy McDowell and Neal Brown 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 Palo Duro Wind Energy LLC project on SISD 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

**Summary of the District's Financial Impact  
of Chapter 313 Agreement  
with Palo Duro Wind Energy, LLC**

**Prepared by  
Randy McDowell, RTSBA  
&  
Neal Brown  
School Finance Consultants**

**Summary of Spearman ISD Financial Impact  
of the  
Limited Appraised Value Application  
from  
Palo Duro Wind Energy, LLC**

## **Introduction**

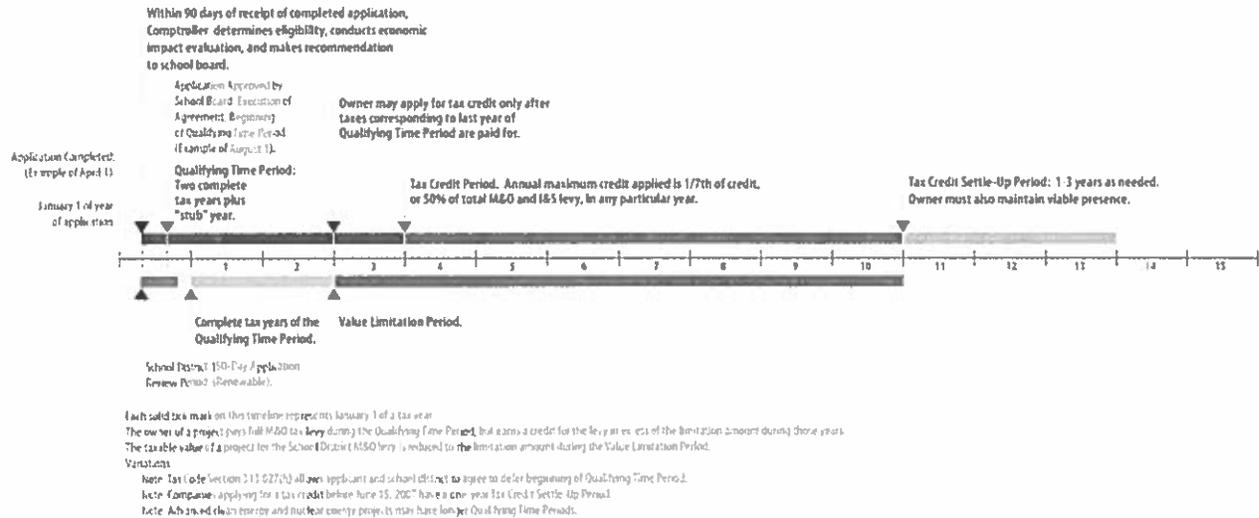
Palo Duro Wind Energy, LLC applied for a property value limitation from Spearman Independent School District under Chapter 313 of the Tax Code. The application was submitted on July 25, 2013 and subsequently approved for consideration by the Spearman ISD Board of Trustees. Palo Duro Wind Energy, LLC ("Palo Duro Wind"), is requesting the property value limitation as a "renewable energy electric generation" project as listed in Sec. 313.024.(b) of the Tax Code.

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

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

# Spearman ISD Financial Impact of Chapter 313 Agreement

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



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

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

## Spearman ISD Financial Impact of Chapter 313 Agreement

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

### Taxable Value Impact from LAVA

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

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

Tax Year	Additional Value From Palo Duro Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	1,657,500	n/a	0	1,657,500
Jan. 1, 2015	63,648,000	n/a	0	63,648,000
Jan. 1, 2016	58,556,000	(10,000,000)	48,556,000	10,000,000
Jan. 1, 2017	53,872,000	(10,000,000)	43,872,000	10,000,000
Jan. 1, 2018	49,562,000	(10,000,000)	39,562,000	10,000,000
Jan. 1, 2019	45,597,000	(10,000,000)	35,597,000	10,000,000
Jan. 1, 2020	41,949,000	(10,000,000)	31,949,000	10,000,000
Jan. 1, 2021	38,593,000	(10,000,000)	28,593,000	10,000,000
Jan. 1, 2022	35,506,000	(10,000,000)	25,506,000	10,000,000
Jan. 1, 2023	32,666,000	(10,000,000)	22,666,000	10,000,000
Jan. 1, 2024	30,053,000	n/a	0	30,053,000
Jan. 1, 2025	27,649,000	n/a	0	27,649,000
Jan. 1, 2026	25,437,000	n/a	0	25,437,000

# Spearman ISD Financial Impact of Chapter 313 Agreement

## Palo Duro Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for Palo Duro Wind is \$3.397 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

Spearman ISD's projected tax rates for maintenance & operations (M&O) and interest & sinking (I&S) are based on the following assumptions:

- The District has not held a tax ratification election and the study projects that it will maintain an M&O tax rate of \$1.04 for the life of this agreement.
- The district currently has outstanding bonded indebtedness that are scheduled to payoff in 2032 and currently has a \$.1996 I&S rate. The annual debt payment is approximately \$800,000. The additional value of the company will further reduce the I&S tax rate. The district could pursue a bond election and issue additional bonded debt during the life of this agreement.

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

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2014-2015	1.040	0.189	17,238	0	n/a	0	0
2015-2016	1.040	0.164	661,939	0	n/a	0	0
2016-2017	1.040	0.164	608,982	504,982	n/a	(34,075)	470,908
2017-2018	1.040	0.164	560,269	456,269	79,706	0	535,974
2018-2019	1.040	0.164	515,445	411,445	79,706	0	491,150
2019-2020	1.040	0.163	474,209	370,209	79,706	0	449,914
2020-2021	1.040	0.163	436,270	332,270	79,706	0	411,975
2021-2022	1.040	0.163	401,367	297,367	79,706	0	377,073
2022-2023	1.040	0.163	369,262	265,262	79,706	0	344,968
2023-2024	1.040	0.162	339,726	235,726	78,459	0	314,186
2024-2025	1.040	0.161	312,551	0	1,246	0	1,246
2025-2026	1.040	0.161	287,550	0	0	0	0
2026-2027	1.040	0.160	264,545	0	0	0	0
<b>Totals</b>			<b>5,249,353</b>	<b>2,873,530</b>	<b>557,939</b>	<b>(34,075)</b>	<b>3,397,395</b>

# Spearman ISD Financial Impact of Chapter 313 Agreement

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## Financial Impact Study

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

- The current state funding formulas (in effect for 2013-2014 fiscal year) were used for state aid and recapture calculation purposes
  - Level 2 of Tier II yield - \$61.86 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district's tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2012.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value increase of 1.0% was used to project the district's taxable value, except as it related to the requested LAVA. The district's 2012 taxable value was used as a baseline for all projections
- The district's enrollment is projected to increase slightly; therefore, the projected ADA and WADA for school year 2012-2013 was increased by .25% per year for the life of the agreement.

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

# Spearman ISD Financial Impact of Chapter 313 Agreement

## Calculation of LAVA Impact on District's Finances

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

**TABLE III – District Revenues *without* Palo Duro Wind:**

Fiscal Year	Total Taxable Value	M&O Taxes			Tier I	Revenue	Total
		Compressed Rate	State Revenue	Recapture Amount	Total Revenue	Above Comp Rate	District Revenue
2014-2015	422,045,091	4,220,451	3,410,806	0	7,631,257	347,101	7,978,358
2015-2016	426,265,542	4,262,655	3,387,679	0	7,650,335	347,953	7,998,288
2016-2017	430,528,197	4,305,282	3,364,179	0	7,669,461	348,808	8,018,268
2017-2018	434,833,479	4,348,335	3,060,790	0	7,409,124	349,664	7,758,788
2018-2019	439,181,814	4,391,818	3,038,018	0	7,429,836	350,523	7,780,359
2019-2020	443,573,632	4,435,736	3,014,809	0	7,450,546	351,384	7,801,929
2020-2021	448,009,368	4,480,094	2,985,986	0	7,466,079	352,247	7,818,326
2021-2022	452,489,462	4,524,895	2,961,898	0	7,486,792	353,112	7,839,905
2022-2023	457,014,356	4,570,144	2,932,183	0	7,502,327	353,980	7,856,307
2023-2024	461,584,500	4,615,845	2,907,193	0	7,523,038	354,850	7,877,888
2024-2025	466,200,345	4,662,003	2,876,565	0	7,538,569	355,723	7,894,291
2025-2026	470,862,348	4,708,623	2,850,660	0	7,559,283	356,597	7,915,881
2026-2027	475,570,972	4,755,710	2,819,832	0	7,575,542	357,474	7,933,016

# Spearman ISD Financial Impact of Chapter 313 Agreement

**TABLE IV- District Revenues with Palo Duro Wind without Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Tier I	Revenue	Total District Revenue
		Compressed Rate	State Revenue		Total Revenue	Above Comp Rate	
2014-2015	423,702,591	4,237,026	3,394,231	0	7,631,257	348,458	7,979,715
2015-2016	489,913,542	4,899,135	3,087,282	0	7,986,418	403,669	8,390,087
2016-2017	489,084,197	4,890,842	2,778,619	0	7,669,461	344,584	8,014,045
2017-2018	488,705,479	4,887,055	2,469,844	0	7,356,898	345,764	7,702,663
2018-2019	488,743,814	4,887,438	2,494,342	0	7,381,780	346,924	7,728,704
2019-2020	489,170,632	4,891,706	2,514,629	0	7,406,336	348,067	7,754,402
2020-2021	489,958,368	4,899,584	2,525,821	0	7,425,404	349,192	7,774,596
2021-2022	491,082,462	4,910,825	2,538,550	0	7,449,374	350,301	7,799,675
2022-2023	492,520,356	4,925,204	2,542,702	0	7,467,906	351,394	7,819,300
2023-2024	494,250,500	4,942,505	2,548,866	0	7,491,371	352,474	7,843,845
2024-2025	496,253,345	4,962,533	2,546,899	0	7,509,433	353,539	7,862,972
2025-2026	498,511,348	4,985,113	2,547,365	0	7,532,478	354,592	7,887,071
2026-2027	501,007,972	5,010,080	2,540,491	0	7,550,571	355,634	7,906,205

**TABLE V – District Revenues with Palo Duro Wind with Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Revenue			Total District Revenue
		Comp Rate	State Revenue		Tier I Total Revenue	Above Comp Rate	Payment for District Losses	
2014-2015	423,702,591	4,237,026	3,394,231	0	7,631,257	348,458	0	7,979,715
2015-2016	489,913,542	4,899,135	3,087,282	0	7,986,418	403,669	0	8,390,087
2016-2017	440,528,197	4,405,282	3,264,179	0	7,669,461	310,509	34,075	8,014,045
2017-2018	444,833,479	4,448,335	2,959,790	0	7,408,124	349,550	0	7,757,675
2018-2019	449,181,814	4,491,818	2,937,018	0	7,428,838	350,410	0	7,779,246
2019-2020	453,573,632	4,535,736	2,913,809	0	7,449,546	351,272	0	7,800,818
2020-2021	458,009,368	4,580,094	2,884,986	0	7,465,079	352,137	0	7,817,216
2021-2022	462,489,462	4,624,895	2,860,898	0	7,485,792	353,003	0	7,838,796
2022-2023	467,014,356	4,670,144	2,831,183	0	7,501,327	353,872	0	7,855,199
2023-2024	471,584,500	4,715,845	2,806,193	0	7,522,038	354,744	0	7,876,782
2024-2025	496,253,345	4,962,533	2,773,559	0	7,736,093	370,531	0	8,106,624
2025-2026	498,511,348	4,985,113	2,547,365	0	7,532,478	354,592	0	7,887,071
2026-2027	501,007,972	5,010,080	2,540,491	0	7,550,571	355,634	0	7,906,205

# Spearman ISD Financial Impact of Chapter 313 Agreement

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## Current School Finance Law

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

# Spearman ISD Financial Impact of Chapter 313 Agreement

## Payments in Lieu of Taxes

Assuming that the District and Palo Duro Wind Energy, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Spearman ISD by Palo Duro Wind, the projected amount of these payments over the life of the agreement is \$1,080,924 of the \$3.397 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

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

Fiscal Year	Net Tax Savings	Spearman ISD Share \$100/ADA	Palo Duro Wind's Share
2014-2015	0	81,908	(81,908)
2015-2016	0	82,113	(82,113)
2016-2017	470,908	82,318	388,590
2017-2018	535,974	82,524	453,451
2018-2019	491,150	82,730	408,420
2019-2020	449,914	82,937	366,977
2020-2021	411,975	83,144	328,831
2021-2022	377,073	83,352	293,721
2022-2023	344,968	83,561	261,407
2023-2024	314,186	83,769	230,416
2024-2025	1,246	83,979	(82,733)
2025-2026	0	84,189	(84,189)
2026-2027	0	84,399	(84,399)
<b>Totals</b>	<b>3,397,395</b>	<b>1,080,924</b>	<b>2,316,471</b>

# Spearman ISD Financial Impact of Chapter 313 Agreement

## Impact of Projected Student Growth On District Facilities

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

Campus Name	Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
Gus Birdwell Elem	EE-5	30	600	455	145
Spearman Jr High	6-8	18	324	197	127
Spearman High School	9-12	31	558	227	331
<b>Total</b>		<b>79</b>	<b>1,482</b>	<b>879</b>	<b>603</b>

The building capacities are based on 20 students per classroom for elementary and 18 students per classroom for secondary. Spearman ISD is a early education through 12<sup>th</sup> grade district.

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

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new two positions equates to 1 new students.

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

## **Conclusion**

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Palo Duro Wind Energy, LLC, would be beneficial to both Palo Duro Wind and Spearman ISD under the current school finance system.

Palo Duro Wind Energy, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Palo Duro Wind is projected to benefit from a 73% tax savings over the first eleven year period of this agreement. Palo Duro Wind also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

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

# Attachment 3

## Hansford County

### Population

- Total county population in 2010 for Hansford County: 5,411 , up 1.0 percent from 2009. State population increased 1.8 percent in the same time period.
- Hansford County was the state's 198th largest county in population in 2010 and the 97 th fastest growing county from 2009 to 2010.
- Hansford County's population in 2009 was 53.3 percent Anglo (above the state average of 46.7 percent), 0.1 percent African-American (below the state average of 11.3 percent) and 45.0 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Hansford County:

Spearman:	3,011	Gruver:	1,152
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### Economy and Income

#### *Employment*

- September 2011 total employment in Hansford County: 2,741 , up 2.6 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 Hansford County unemployment rate: 4.7 percent, up from 4.5 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

*(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).*

#### *Income*

- Hansford County's ranking in per capita personal income in 2009: 97th with an average per capita income of \$34,373, down 12.8 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 Hansford County averaged \$251.32 million annually from 2007 to 2010. County total agricultural values in 2010 were up 34.6 percent from 2009. Major agriculture related commodities in Hansford County during 2010 included:
  - Hogs
  - Other Beef
  - Wheat
  - Corn
  - Fed Beef
- 2011 oil and gas production in Hansford County: 134,983.0 barrels of oil and 11.4 million Mcf of gas. In September 2011, there were 104 producing oil wells and 902 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 Hansford County during the fourth quarter 2010: \$9.21 million, up 35.3 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:
 

Spearman:	\$5.96 million, up 51.0 percent from the same quarter in 2009.
Gruver:	\$1.79 million, down 4.8 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 Hansford County through the fourth quarter of 2010: \$30.85 million, up 15.8 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:
 

Spearman:	\$18.95 million, up 21.9 percent from the same period in 2009.
Gruver:	\$7.10 million, down 9.8 percent from the same period in 2009.

##### *Annual (2010)*

- Taxable sales in Hansford County during 2010: \$30.85 million, up 15.8 percent from 2009.
- Hansford County sent an estimated \$1.93 million (or 0.01 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:
 

Spearman:	\$18.95 million, up 21.9 percent from 2009.
Gruver:	\$7.10 million, down 9.8 percent from 2009.

## ***Sales Tax – Local Sales Tax Allocations***

*(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)*

### ***Monthly***

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Hansford County based on the sales activity month of August 2011: \$65,817.19, up 29.8 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:
 

<b>Spearman:</b>	\$46,603.79, up 27.8 percent from August 2010.
<b>Gruver:</b>	\$19,213.40, up 35.0 percent from August 2010.

### ***Fiscal Year***

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Hansford County based on sales activity months from September 2010 through August 2011: \$737,424.72, up 16.9 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:
 

<b>Spearman:</b>	\$559,111.32, up 26.2 percent from fiscal 2010.
<b>Gruver:</b>	\$178,313.40, down 5.1 percent from fiscal 2010.

### ***January 2011 through August 2011 (Sales Activity Year-To-Date)***

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Hansford County based on sales activity months through August 2011: \$482,288.93, up 17.8 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:
 

<b>Spearman:</b>	\$363,621.13, up 22.6 percent from the same period in 2010.
<b>Gruver:</b>	\$118,667.80, up 5.3 percent from the same period in 2010.

### ***12 months ending in August 2011***

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Hansford County based on sales activity in the 12 months ending in August 2011: \$737,424.72, up 16.9 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:
 

<b>Spearman:</b>	\$559,111.32, up 26.2 percent from the previous 12-month period.
<b>Gruver:</b>	\$178,313.40, down 5.1 percent from the previous 12-month period.

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

- Payment to the cities from January 2011 through October 2011:
 

<b>Spearman:</b>	\$466,398.61, up 24.7 percent from the same period in 2010.
<b>Gruver:</b>	\$147,679.70, down 8.7 percent from the same period in 2010.

### ***Annual (2010)***

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Hansford County based on sales activity months in 2010: \$664,486.03, up 2.2 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:
 

<b>Spearman:</b>	\$492,182.98, up 12.1 percent from 2009.
<b>Gruver:</b>	\$172,303.05, down 18.4 percent from 2009.

## ***Property Tax***

- As of January 2009, property values in Hansford County: \$1.19 billion, up 15.5 percent from January 2008 values. The property tax base per person in Hansford County is \$219,844, above the statewide average of \$85,809. About 44.2 percent of the property tax base is derived from oil, gas and minerals.

## **State Expenditures**

- Hansford County's ranking in state expenditures by county in fiscal year 2010: 219th. State expenditures in the county for FY2010: \$12.63 million, down 0.1 percent from FY2009.
- In Hansford County, 4 state agencies provide a total of 19 jobs and \$215,396.00 in annualized wages (as of 1st quarter 2011).

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

- Department of Transportation
- Parks & Wildlife Department
- AgriLife Extension Service
- Department of Public Safety

**Higher Education**

■ Community colleges in Hansford County fall 2010 enrollment:

- None.

■ Hansford 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 Hansford County fall 2010 enrollment:

- None.

**School Districts**

■ Hansford County had 3 school districts with 7 schools and 1,338 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.)

- Gruver ISD had 420 students in the 2009-10 school year. The average teacher salary was \$43,655. The percentage of students meeting the 2010 TAKS passing standard for all tests was 89 percent.
- Pringle-Morse CISD had 111 students in the 2009-10 school year. The average teacher salary was \$48,632. The percentage of students meeting the 2010 TAKS passing standard for all tests was 76 percent.
- Spearman ISD had 807 students in the 2009-10 school year. The average teacher salary was \$46,744. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.