

S U S A N  
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



May 15, 2012

Orville L. Ballard  
Interim Superintendent  
Kenedy County Wide Common School District  
P.O. Box 100  
Sarita, Texas 78385

Dear Superintendent Ballard:

On February 27, 2012, the Comptroller received the completed application for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in February 1, 2012 to the Kenedy County Wide Common School District (Kenedy County Wide CISD) by Heartland Wind LLC. 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.

Kenedy County Wide CISD is currently classified as a rural school district in Category 1 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 (\$250 million) is consistent with the proposed appraised value limitation sought (\$30 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. Heartland Wind LLC is proposing the construction of a wind power electric generation facility in Kenedy County. Heartland Wind LLC is an active franchise taxpayer in good standing, as required by Tax Code Section 313.024(a).

As required by Section 313.024(h), 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 Heartland Wind LLC, the Comptroller's recommendation is that Heartland Wind, LLC's application under Tax Code Chapter 313 not be approved.

The agency's complete economic impact evaluation is attached, but in summary, the agency finds that the net impact of the Heartland Wind, LLC project may negatively impact the regional economy due to the potential negative impact on the military training mission of Naval Air Station Kingsville (NASK). The potential negative economic impact caused by the impact on the mission of NASK exceeds the positive economic impact estimated to be caused by the construction and operation of the project, which is within 25 miles of the base. Our office modeled the economic impact on the region assuming a 12.5% and a 50% reduction in economic activity at NASK. If the increased number of wind turbines causes a

<sup>1</sup> All statutory references are to the Texas TaxCode, unless otherwise noted.

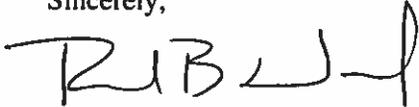
reduction in base related activity of just 12.5%, the regional economy is worse off after the project is built.

In late 2009, officials from the city of Kingsville, the US Navy and NASK contacted this office regarding their concerns about the potential for hundreds of wind turbines in close proximity of NASK. Their concern was the negative impact that wind turbine developments, both individually and cumulatively, could have on the base navigation system. In testimony before Texas House and Senate Committees in 2011, Naval officials expressed support for a notification system to alert them of potential wind turbine construction within 25 miles of the base, and said wind turbines within that distance would negatively impact training at NASK. The proposed Phase three of the Heartland Wind project places turbines approximately 4 miles closer to NASK, and within 24 miles of the nearest NASK runway.

The economy of the region around Kenedy County CSD is heavily dependent on the continued operation of NASK. Even a small reduction in the base employment or economic activity would offset the positive impact by the development, and therefore, the agency recommends against this project.

Should you have any questions, please contact me 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,

A handwritten signature in black ink, appearing to read 'RUBW', with a stylized flourish at the end.

Robert Wood  
Director, Economic Development and Analysis

Enclosure

**Economic Impact for Chapter 313 Project**

Applicant	Heartland Wind LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Kenedy County Wide CSD
2010-11 Enrollment in School District	80
County	Kenedy
Total Investment in District	\$250,003,200
Qualified Investment	\$250,003,200
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	6*
Number of qualifying jobs committed to by applicant	6
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$948
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$948
Minimum Annual Wage committed to by applicant for qualified jobs	\$49,304
Investment per Qualifying Job	\$41,667,200
Estimated 15 year M&O levy without any limit or credit:	\$22,167,950
Estimated gross 15 year M&O tax benefit	\$12,450,094
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):	\$11,604,238
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$1,597,950
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$10,563,712
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	52.3%
Percentage of tax benefit due to the limitation	87.2%
Percentage of tax benefit due to the credit.	12.8%
* 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 Heartland Wind LLC (the project) applying to Kenedy County Wide Common 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 six new jobs when fully operational. All six 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 Coastal Bend Council of Governments Region, where Kenedy County is located was \$44,822 in 2010. There is no annual average manufacturing wage for Kenedy County. The county annual average wage for all industries for 2010-2011 was \$56,992. In addition to a salary of \$49,304, Heartland Wind LLC will provide each qualifying position benefits including but not limited to the following: medical insurance coverage, paid holidays, paid vacation, and 401(k) retirement savings plan. The project's total investment is \$250 million, resulting in a relative level of investment per qualifying job of \$41.7 million.

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

According to Heartland Wind LLC's application, "Heartland Wind LLC has the ability to locate a wind farm in numerous locations in the United States."

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

During the past two years, two projects in the Coastal Bend Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

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

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Heartland Wind LLC project requires appear to be in line with the focus and themes of the plan. However, Heartland Wind LLC project will likely have a negative impact on Texas' economic growth plans due to the project's proximity to the Naval Air Station Kingsville (NASK). NASK has played an important role in the state's economy for almost 70 years, and has helped create thousands of Texas jobs. The Heartland Wind LLC project would affect the operations of NASK, which could result in the loss of a far greater number of Texas jobs than the project would create.

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

The following analysis describes Heartland Wind LLC's estimated economic impact to Texas. It examines the direct, indirect, and induced effects to employment and personal income within the state, while taking into account the impact of the project's possible effect on the NASK base. The Comptroller's office calculated the economic impact based on 15 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.

## RATIONALE

This analysis seeks to answer the following question, "What is the impact on the state economy if the following events occur simultaneously: (1) the construction and operation of a wind farm; and, (2) the potential 12.5 percent reduction in employment of a military installation?"

## ASSUMPTIONS

Using information regarding a Chapter 313 application submitted by the Kenedy County Wide CSD for a proposed wind farm project (Heartland Wind LLC) and a study conducted by Impact Data Source on the annual economic impact of Naval Air Station Kingsville, the following timeline, with their associated employment and income projections, have been developed:

Year	EMPLOYMENT					Total Change in Employment
	Wind Farm		12.5 Percent Reduction in Force			
	Construction	Operations	Military Troops	Federal Civilian	Military Construction	
	(Fulltime Equivalents)					
2013	175	3				178
2014		6	-12.4	-25.5	-6.1	-38.0
2015		6	-12.4	-25.5	-6.1	-38.0
2016		6	-12.4	-25.5	-6.1	-38.0
2017		6	-12.4	-25.5	-6.1	-38.0
2018		6	-12.4	-25.5	-6.1	-38.0
2019		6	-12.4	-25.5	-6.1	-38.0
2020		6				6
2021		6				6
2022		6				6
2023		6				6
2024		6				6
2025		6				6
2026		6				6
2027		6				6

## SOURCES:

1)	The number of construction and operation employment for the wind farm is based on information contained in the proposed Heartland Wind LLC Project Chapter 313 Application.
2)	According to a study of the annual economic impact of Naval Air Station - Kingsville, the facility had been host to 597 military and 1,224 civilian employees in 2010. In addition, 293 contract construction workers rely upon public work projects undertaken at the facility. (A Report of the Annual Economic Impact During Fiscal year 2010 of Naval Air Station Kingsville, Kingsville, Texas by Impact Data Source, December 19, 2009)
	The reductions in the number facility's workers are distributed over a six year time period. This follows the recommended time frame that is prescribed under the Base Realignment and Closure law ( <a href="http://www.hqda.army.mil/acsim/brac/pt_files/pt_FAQ.htm#general_q3">http://www.hqda.army.mil/acsim/brac/pt_files/pt_FAQ.htm#general_q3</a> ).

## Additional Information:

1)	The average annual wage rate to be paid to construction workers on the wind farm project is \$55,000.
2)	The average annual wage rate to be paid to wind farm workers is \$49,304.
3)	The salaries paid to the military workers at the facility totaled \$38,777,394 in 2010. This rounds off to approximately \$64,953.75 per person.
4)	The salaries paid to the civilian workers at the facility totaled \$57,973,585 in 2010. On a per worker basis, this comes out to approximately \$47,364.04.
5)	The salaries paid the construction workers associated with the facility totaled \$13,200,000 in 2010. The average wage for construction workers associated with the installation is roughly \$45,051.19.

INCOME						
Year	Wind Farm		12.5 Percent Reduction in Force			Total Change in Income
	Construction	Operations	Military Troops	Federal Civilian	Military Construction	
2013	\$9,625,000	\$147,912				\$9,772,912
2014		\$295,824	-\$807,865	-\$1,207,782	-\$274,980	-\$1,994,803
2015		\$295,824	-\$807,865	-\$1,207,782	-\$274,980	-\$1,994,803
2016		\$295,824	-\$807,865	-\$1,207,782	-\$274,980	-\$1,994,803
2017		\$295,824	-\$807,865	-\$1,207,782	-\$274,980	-\$1,994,803
2018		\$295,824	-\$807,865	-\$1,207,782	-\$274,980	-\$1,994,803
2019		\$295,824	-\$807,865	-\$1,207,782	-\$274,980	-\$1,994,803
2020		\$295,824				\$295,824
2021		\$295,824				\$295,824
2022		\$295,824				\$295,824
2023		\$295,824				\$295,824
2024		\$295,824				\$295,824
2025		\$295,824				\$295,824
2026		\$295,824				\$295,824
2027		\$295,824				\$295,824

**NOTE:**

Income was derived by multiplying the number of jobs in the Jobs Table by the average annual wage rate presented in the Addition Information Table.

Based on the tables presented above, it is assumed that the construction of the wind farm is the starting point of the analysis. In the succeeding year, additional construction and operations at the wind farm is projected to take effect. At the same time, reduction in force at the naval air facility will commence.

The projected job numbers for the wind farm construction and operations were obtained from the Chapter 313 application. On the other hand, it was assumed that the reduction in force at the facility would take place in equal increments over six years. This six-year time period is the maximum number of years that is prescribed by the Base Realignment and Closure law.

The information provided in the table was used as inputs in the REMI model for the Texas. For ease of analysis, this investigation precluded the use of specific investment and operational costs. In lieu of this, the REMI model used its built-in output per worker data to estimate the impacts of the job creation and job loss on economic activity in the state. The results of the analysis are presented in the succeeding table.

## RESULTS

The results obtained from the REMI model reflects the deviations from its control forecasted values of economic activity that are associated with the job and income changes listed above.

Year	Deviation from the REMI Base Model (Control) Projections				Population
	Total Employment	Real GDP	Real Output	Real Personal Income	
(Millions of 2005 Dollars)					
2013	340	21.00	38.00	16.78	74
2014	-119	-8.00	-15.00	-6.97	12
2015	-128	-9.00	-16.00	-8.59	-6
2016	-128	-9.00	-16.00	-9.31	-27
2017	-125	-9.00	-15.00	-9.17	-35
2018	-121	-9.00	-15.00	-9.86	-49
2019	-116	-8.00	-15.00	-9.67	-53
2020	30	4.00	6.00	0.79	-12
2021	39	4.00	7.00	1.55	4
2022	45	5.00	8.00	2.27	18
2023	40	4.00	8.00	2.21	25
2024	39	4.00	7.00	2.16	35
2025	33	4.00	6.00	2.10	41
2026	33	3.00	6.00	2.05	45
2027	29	3.00	6.00	2.00	55

SOURCE: TX CPA calculations based on the REMI Model for Texas.

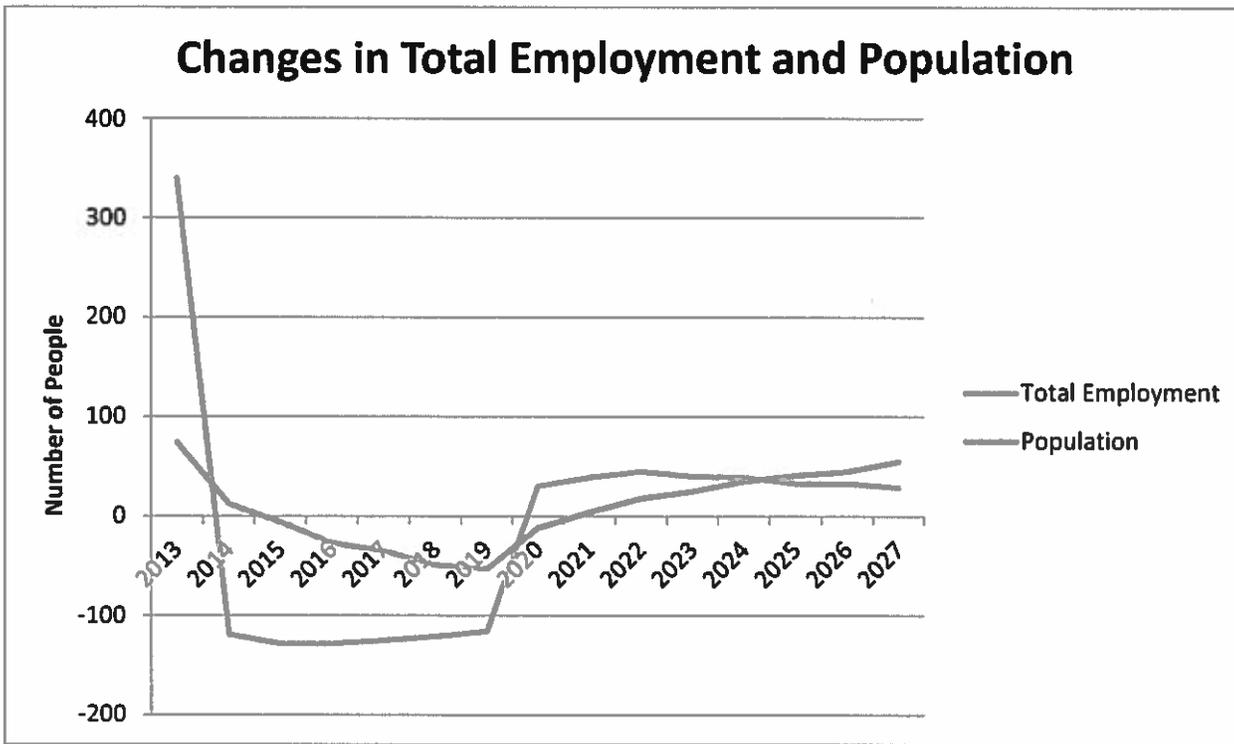
Based on information presented above, it is projected that the 178 jobs created by the 2013 construction of the wind farm will lead to the creation of an additional 162 jobs in Texas. These 178 jobs and its associated income of \$9.8 million will lead to the creation of an additional \$7.01 million in real personal income in the state. In addition, economic activity associated with the construction activity will result in the production of an additional \$38 million of intermediate and final goods and services in the state. In terms of Gross Domestic Product, this activity will increase projected state GDP by \$21 million. All of these monetary changes are presented in real terms (2005 dollars).

In the succeeding six years, the net job losses associated with the base's reduction in force will lead to reductions in employment in Texas. The projected losses directly associated with the naval station (military, civilian, contract construction) will affect at least twice as many Texas jobs in indirect and induced ways. These losses will also translate into reductions in real personal income, real state GDP, real state output and population.

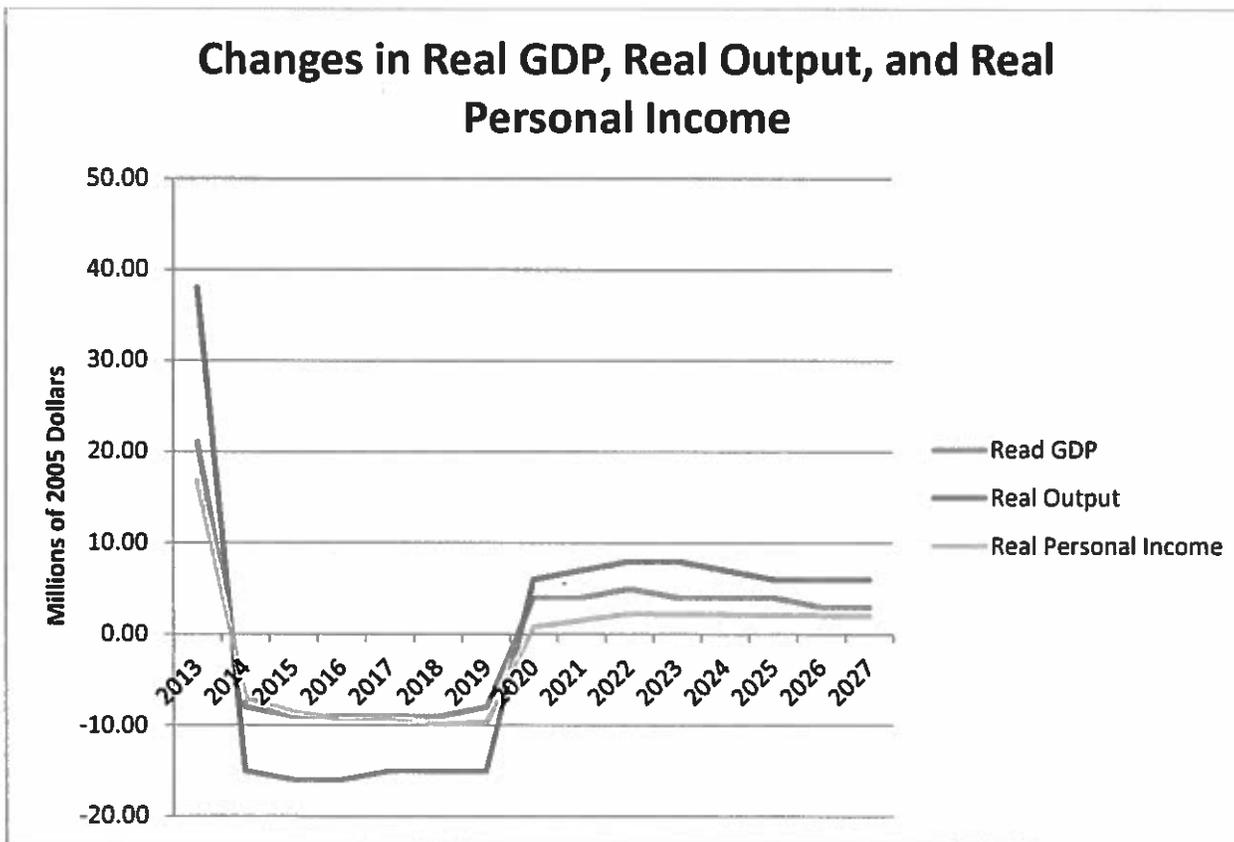
From 2020 to 2027, it is expected that all economic variables under consideration are projected to be above the model's control projections.

## SUMMARY

The following graphs provide a visual rendering of the projected impact/deviation of the combined events. In terms of total employment, the net jobs losses associated with the force reduction of the naval installation are projected to have a lingering effect on employment growth in the state. As shown in the table, over the 15 year time period, the net change in employment will be negative.



As far as the changes in real GDP, real output and real personal income are concerned, the net loss of jobs and income associated with the base force reduction will have a significant impact on the deviation of these variables from the REMI model's control projections. Over the 15 year time period, the cumulative changes in real GDP and real output will be zero, while the cumulative change in real personal income will be negative. These are presented in the succeeding graph.



The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Kenedy County Wide CSD's ad valorem tax base in 2010 was \$635.55 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Kenedy County Wide CSD estimated wealth per WADA was \$4,205,135. 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 with all property tax incentives sought being granted using estimated market value from Heartland Wind LLC's application. Heartland Wind LLC has applied for a value limitation under Chapter 313, Tax Code and no other property tax incentives. Table 3 illustrates the estimated tax impact of the Heartland Wind 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>	Kenedy County Wide CSD I&S Levy	Kenedy County Wide CSD M&O Levy	Kenedy County Wide CSD M&O and I&S Tax Levies (Before Credit Credited)	Kenedy County Wide CSD M&O and I&S Tax Levies (After Credit Credited)	Kenedy County	Kenedy County Groundwater Conservation District	Kenedy County Emergency Services District #1	Estimated Total Property Taxes
2013	\$0	\$0		0.0300	1.0600			0.3630	0.0153	0.0473	
2014	\$180,750,000	\$180,750,000		\$54.225	\$1,915,950	\$1,970,175	\$1,970,175	\$656,137	\$27,655	\$85,495	\$2,626,312
2015	\$175,331,300	\$30,000,000		\$52.599	\$318,000	\$370,599	\$370,599	\$636,467	\$26,826	\$82,932	\$1,007,066
2016	\$170,075,000	\$30,000,000		\$51.023	\$318,000	\$369,023	\$184,511	\$617,386	\$26,021	\$80,445	\$801,897
2017	\$164,976,340	\$30,000,000		\$49.493	\$318,000	\$367,493	\$183,746	\$598,877	\$25,241	\$78,034	\$782,624
2018	\$160,016,606	\$30,000,000		\$48.005	\$318,000	\$366,005	\$183,002	\$580,873	\$24,483	\$75,688	\$763,876
2019	\$155,206,125	\$30,000,000		\$46.562	\$318,000	\$364,562	\$182,281	\$563,411	\$23,747	\$73,412	\$745,692
2020	\$150,540,461	\$30,000,000		\$45.162	\$318,000	\$363,162	\$181,581	\$546,474	\$23,033	\$71,206	\$728,055
2021	\$146,015,212	\$30,000,000		\$43.805	\$318,000	\$361,805	\$180,902	\$530,047	\$22,340	\$69,065	\$710,949
2022	\$141,626,105	\$30,000,000		\$42.488	\$318,000	\$360,488	\$180,244	\$514,114	\$21,669	\$66,989	\$694,358
2023	\$137,368,991	\$137,368,991		\$41.211	\$1,456,111	\$1,497,322	\$1,175,640	\$498,660	\$21,017	\$64,976	\$1,674,301
2024	\$133,240,043	\$133,240,043		\$39.972	\$1,412,344	\$1,452,316	\$1,452,316	\$483,672	\$20,386	\$63,023	\$1,935,988
2025	\$129,235,253	\$129,235,253		\$38.771	\$1,369,894	\$1,408,664	\$1,408,664	\$469,134	\$19,773	\$61,128	\$1,877,799
2026	\$125,351,025	\$125,351,025		\$37.605	\$1,328,721	\$1,366,326	\$1,366,326	\$455,034	\$19,179	\$59,291	\$1,821,360
2027	\$121,583,576	\$121,583,576		\$36.475	\$1,288,786	\$1,325,261	\$1,325,261	\$441,358	\$18,602	\$57,509	\$1,766,619
						<b>Total</b>	<b>\$10,345,251</b>	<b>\$7,591,645</b>	<b>\$319,971</b>	<b>\$989,192</b>	<b>\$17,936,896</b>
Assumes School Value Limitation.											

Source: CPA, Heartland Wind LLC

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



# Attachments

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

# Attachment 1

Schedule A (Rev. May 2012): Investment

Form 5D-296

Applicant Name: Heartland Wind LLC  
 ISD Name: Kennedy County Wide CSD

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying Investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)	
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2012-2013	2012	\$ -	\$ -	\$ -	\$ -	\$ -	
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Tax Credit Period (with 50% cap on credit)	2013-2020	2013-2020	\$ 249,253,200	\$ 750,000	\$ 250,003,200	\$ -	\$ 250,003,200	
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			Post-Settle-Up Period	2029-2036	2029-2036	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	
\$ -	\$ -	\$ -				\$ -	\$ -	

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: [For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property]. Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period. The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

Column D: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value-for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc. Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual 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: 1/27/2012

**Schedule B (Rev. May 2010): Estimated Market Value and Taxable Value**

Form 50-296

Applicant Name  
ISD Name

Kennedy County Wide CSD

Applicant Name ISD Name	Year	School Year (YYYY-YYYY)	Tax Year (File in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O--after all reductions
				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"			
	pre-year 1	2012-2013	2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2	2014-2015	2014	\$ -	\$ 750,000	\$ 180,000,000	\$ -	\$ 180,750,000	\$ 180,750,000
	3	2015-2016	2015	\$ -	\$ 731,300	\$ 174,600,000	\$ -	\$ 175,331,300	\$ 30,000,000
	4	2016-2017	2016	\$ -	\$ 713,000	\$ 169,362,000	\$ -	\$ 170,075,000	\$ 30,000,000
	5	2017-2018	2017	\$ -	\$ 695,200	\$ 164,281,140	\$ -	\$ 164,976,340	\$ 30,000,000
	6	2018-2019	2018	\$ -	\$ 663,900	\$ 159,352,706	\$ -	\$ 160,016,606	\$ 30,000,000
	7	2019-2020	2019	\$ -	\$ 634,000	\$ 154,572,125	\$ -	\$ 155,206,125	\$ 30,000,000
	8	2020-2021	2020	\$ -	\$ 605,500	\$ 149,934,961	\$ -	\$ 150,540,461	\$ 30,000,000
	9	2021-2022	2021	\$ -	\$ 578,300	\$ 145,436,912	\$ -	\$ 146,015,212	\$ 30,000,000
	10	2022-2023	2022	\$ -	\$ 552,300	\$ 141,073,805	\$ -	\$ 141,626,105	\$ 30,000,000
	11	2023-2024	2023	\$ -	\$ 527,400	\$ 136,841,591	\$ -	\$ 137,368,991	\$ 137,368,991
	12	2024-2025	2024	\$ -	\$ 503,700	\$ 132,736,343	\$ -	\$ 133,240,043	\$ 133,240,043
	13	2025-2026	2025	\$ -	\$ 481,000	\$ 128,754,253	\$ -	\$ 129,235,253	\$ 129,235,253
	14	2026-2027	2026	\$ -	\$ 459,400	\$ 124,891,625	\$ -	\$ 125,351,025	\$ 125,351,025
	15	2027-2028	2027	\$ -	\$ 438,700	\$ 121,144,876	\$ -	\$ 121,583,576	\$ 121,583,576

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

  
SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

1/27/2012  
DATE

**Schedule C- Application: Employment Information**

Applicant Name: Heartland Wind LLC  
 ISD Name: Kennedy County Wide CSD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man-hours (specify [FTE])	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2012-2013	2012	-	\$ -	0	\$ -	0	\$ -
Complete tax years of qualifying time period	1	2013-2014	2013	175	\$ 55,000	3	\$ 49,304	3	\$ 49,304
	2	2014-2015	2014	-	\$ -	6	\$ 49,304	6	\$ 49,304
	3	2015-2016	2015	-	\$ -	6	\$ 49,304	6	\$ 49,304
	4	2016-2017	2016	-	\$ -	6	\$ 49,304	6	\$ 49,304
	5	2017-2018	2017	-	\$ -	6	\$ 49,304	6	\$ 49,304
	6	2018-2019	2018	-	\$ -	6	\$ 49,304	6	\$ 49,304
Tax Credit Period (with 50% cap on credit)	7	2019-2020	2019	-	\$ -	6	\$ 49,304	6	\$ 49,304
	8	2020-2021	2020	-	\$ -	6	\$ 49,304	6	\$ 49,304
	9	2021-2022	2021	-	\$ -	6	\$ 49,304	6	\$ 49,304
	10	2022-2023	2022	-	\$ -	6	\$ 49,304	6	\$ 49,304
	11	2023-2024	2023	-	\$ -	6	\$ 49,304	6	\$ 49,304
	12	2024-2025	2024	-	\$ -	6	\$ 49,304	6	\$ 49,304
Credit Settle-Up Period	13	2025-2026	2025	-	\$ -	6	\$ 49,304	6	\$ 49,304
	14	2026-2027	2026	-	\$ -	6	\$ 49,304	6	\$ 49,304
	15	2027-2028	2027	-	\$ -	6	\$ 49,304	6	\$ 49,304

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

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

  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE  
 DATE: 1/27/2017

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

Heartland Wind LLC

ISD Name

Franchise Tax

Sales Tax Information

Kennedy County Wide CSD

Other Property Tax Abatements Sought

Form 56-296

Applicant Name	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Sales Taxable Expenditures		Franchise Tax	County	City	Hospital	Other
				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					
The year preceding the year that completes a 4-year period assuming no deferrals)			2012-2013							
				\$ -	\$ -	\$ -	n/a	n/a	n/a	n/a
		1	2013-2014	2013	\$ 13,961,000	\$ 236,042,200	\$ -	n/a	n/a	n/a
		2	2014-2015	2014	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		3	2015-2016	2015	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		4	2016-2017	2016	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		5	2017-2018	2017	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		6	2018-2019	2018	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		7	2019-2020	2019	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		8	2020-2021	2020	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		9	2021-2022	2021	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		10	2022-2023	2022	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		11	2023-2024	2023	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		12	2024-2025	2024	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
		13	2025-2026	2025	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a
	14	2026-2027	2026	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a	
	15	2026-2027	2027	\$ -	\$ -	\$ 15,000	n/a	n/a	n/a	

Complete tax years of qualifying time period

Value Limitation Period

Continue to Maintain Viable Presence

Post-Settle-Up Period

Post-Settle-Up Period

or planning, construction or operation of the facility.

1/27/2012 DATE

*[Signature]*  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

# **Attachment 2**

**FINAL REPORT**

**Summary of the Financial Impact of the Proposed Heartland Wind, LLC Wind  
Turbine Project on the Kenedy County Wide CSD Under a Requested Chapter 313  
Property Value Limitation As Amended**

**Prepared By  
Douglas L. Karr, Ed.D.  
Contracted Services in School Finance**

**March 12, 2012**

**Kenedy County Wide CSD &  
Heartland Wind (HW) LLC  
Amended Agreement**

**Page 1**

**3/16/2012**

### **Introduction**

Heartland Wind, LLC (HW) has requested that the Kenedy County Wide CSD (KCWCSD) grant a property value limitation under Chapter 313 of the Texas Tax Code for the construction and operation of 84 2.4 megawatt wind driven turbines. An application has been submitted by HW to KCWCSD and the KCWCSD Board of Trustees approved that application on October 29, 2008. An amended application has now been submitted. HW proposes to invest \$250,003,200 in this project as set forth in the amended application. This project is consistent with the state's goal for economic development, the expanded intent of House Bill 1200 as passed by the Texas Legislature in 2001, and Chapter 313 of the Texas Tax Code.

### **Background**

In accordance with the amended application, this project will be fully taxable for both maintenance and operations (M&O) and debt service (I&S) purposes in the first two years (school years 2013-14 and 2014-15) which represent the project's qualifying time period. KCWCSD intends to offer a value limitation for this project of \$30 million effective school year 2015-16 through 2022-23. As a result, the project will impact the local tax roll of the school district at that same amount for M&O taxes only. Taxes for debt service, voter approved projects financed by the sale of bonds, will continue at the full taxable value. I&S taxes for any future projects approved by the voters of the district will also be assessed against the full taxable value. Depreciation will reduce the taxable value of the project over time.

While taxes are collected by the district on the current year county appraisal district (CAD) value, the state funding formulas use the comptroller's property tax division (CPTD) value for the purpose of calculating the district's required local shares within the funding tiers of that formula. The current year CPTD value is a reflection of last year's CAD value; therefore, it lags behind the CAD value in all years. As a result, state and local revenues are generated by two different values in any given year.

With the passage of House Bill 1 in the 2006 special legislative session, the school finance system in Texas moved from one that was formula driven with a maximum M&O tax rate of \$1.50 to one that was, and continues to be, target revenue driven at a maximum tax rate of generally \$1.04, voter approval for a higher tax rate up to \$1.17 notwithstanding. This means that most districts now receive additional state aid for tax reduction (ASATR) to offset the loss in state and local funds at the new maximum \$1.04 M&O tax cap vs. what was previously generated at the \$1.50 maximum M&O tax cap.

With the passage of Senate Bill 1 in the 2011 special legislative session, funding reductions to the school finance system in Texas amounted to \$4 billion for the biennium or \$2 billion each year of the biennium. To accomplish these reductions, schools' regular program allotments are reduced by 7.61 percent in school year 2011-12 while those same calculated allotments are reduced by 2 percent in school year 2012-13 in addition to the ASATR funding also being reduced by 7.65%. The stated goal is for ASATR revenue to be completely eliminated by school year 2017-18. Current legal challenges and future

legislative sessions will determine the course of school finance beginning in school year 2013-14 and beyond.

### **Assumptions**

As required of chapter 313 projects, 15 years of data must be assimilated in order to produce revenue projections for that same number of years. The revenue projections for the KCWCSD that accompany this project, therefore, adhere the following general assumptions:

1. The current school funding system and formulas as set forth in Senate Bill 1 were used to project state aid; although, no guarantee exists that this system or these formulas will remain in effect after the 2012-13 school year.
2. This system and its formulas are driven by student data, property values, and tax collections. As a result, certain assumptions were made concerning each of these details.
3. The student counts were held constant across the 15 years.
4. The certified CAD taxable value for school year 2011-12 was used as the base value and held constant to which the estimated project values for each year were added. These projected CAD values were then used for the CPTD values in each of the following years based on the lag between these two values as heretofore explained.
5. Tax collections each year were based on the district's 2011-12 adopted M&O rate of \$1.06 and the adopted I&S rate of \$0.03 and an assumed collection rate of 100 percent each year.

These assumptions allow for the isolation of the effects of the property value limitation on the district's finances. The detail of these assumptions are summarized and depicted in Table I.

### **School Finance Impact on the District**

In accordance with the proposed, amended agreement and under the assumptions heretofore outlined, two models were prepared for comparison purposes in an effort to determine the projected financial impact, if any, to KCWCSD resulting from this amended agreement.

The first model projects state and local revenue to the district under the amended agreement. In it, the taxable value of the project each year is added to the district's baseline taxable value including those years in which the value limitation is applicable.

The second model projects state and local revenue to the district without the provisions of the amended agreement. In this model, no value limitation is applied to the district's base taxable value; instead, the full taxable value of the project when added to the district's base year taxable value is used in place of the value limitation.

A summary of the differences is depicted in a separate spreadsheet entitled "Exhibit B." Significant losses to the district are noted in years 3-10 totaling \$10,852,144, the recapture of a portion of the district's tax dollars notwithstanding. When the recapture of

a portion of the tax dollars as calculated in the state funding formulas is factored in, however, the losses to the district in years 3-10 are reduced to a net total of \$784,257.

These annual and total losses are attributable to the following district specific factors:

1. KCWCSD is a chapter 41, grade K-6 school district that serves a relatively stable student population of 85 students each year and has a property wealth of over \$1 billion with the inclusion the values projected by the HW project. As a result, the district has a wealth per pupil that exceeds \$11 million.
2. Because of its relatively high wealth per pupil, the district generates no state aid other than its staff allotment and the per capita apportionment from the state's available school fund. The district's calculated Tier I allotment is completely offset by the Tier I calculated local share.
3. The district is completely formula driven under the state's new finance plan with tax collections exceeding its calculated target revenue per WADA, all of which precludes the generation of ASATR.
4. As a result, the district is almost totally dependent upon tax collections for financing educational costs; therefore, imposing the tax value limitation in years 3-10 when compared to the taxes collected at the full taxable value each year without the value limitation produces the projected losses in revenue resulting from the chapter 313 agreement as depicted in Exhibit B.

In addition, no revenue gains are noted in other years except for a slight gain of \$61,599 in year 11 resulting from a lag in the CPTD vs. the CAD value which is more favorable to the district, specifically the CPTD value, under the value limitation afforded by the chapter 313 agreement.

**NOTE:** Because ASATR funding has the effect of offsetting school district revenue losses arising from limitations on the value of a qualified investment, any reduction of ASATR funding after the 2012-13 school year will most likely not be the contributing factor toward significant increases in the amount of estimated revenue protection, if any, payable by the applicant to the district pursuant to the tax limitation agreement.

#### **Impact on the Taxpayer (HW)**

As heretofore mentioned, the property resulting from this project is fully taxable in the first two years under this agreement. In year three, the tax value limitation applies, but only to the M&O taxes collected at the assumed M&O tax rate of \$1.06 per \$100 of taxable value.

Under the assumptions used herein, the potential tax savings resulting from the value limitation total \$10,852,144. In addition, HW is eligible for a tax credit on taxes paid on value in excess of the value limitation in each of the first two years. The cumulative tax credits are projected to be \$1,597,950 initially based on the M&O taxes paid on the value of qualified property that exceeds the limitation amount during the two full years of the qualifying time period. However, chapter 313.104(2)(B) of the Texas Tax Code caps the value of tax credits paid in years 4-10 of the agreement at an amount not to exceed one-half of the total M&O and I&S taxes paid each year by the taxpayer. Applying that provision, the value of the tax credits paid in years 4-10 of the agreement are projected to

be \$1,276,268. The Texas Education Agency (TEA) issues the reminder that these estimates will be recalculated based on current data prior to any issuance of the tax credits. The school district is to be reimbursed by the state for tax credit payments.

A separate spreadsheet entitled “chapter 313 cost spreadsheet – amended agreement” illustrates the projected tax credits.

#### **Facilities Funding Impact**

The HW project remains fully taxable for I&S taxes. This stipulation applies not only to the district’s current debt, but also to any future debt the district’s voters may choose to incur.

KCWCSO is not eligible for existing debt allotment (EDA) or instructional facilities allotment (IFA) assistance from the state. As a result, increasing CPTD values resulting from taxable value added by the project will have no direct impact on state facilities assistance. However, the increase in the local taxable value resulting from the project and the fact that the full value of this project remains fully taxable should provide the opportunity for decreasing the current I&S tax rate assuming the addition of no new bonded debt.

#### **Summary**

While some uncertainty abounds with regard to the future of the state’s public school finance system, the following points appear to currently apply to the HW project under and the KCWCSO under the amended agreement:

1. It meets the intent of the economic development initiative for the State of Texas.
2. It substantially enhances the district’s I&S tax base.
3. It causes substantial financial loss for the district with regard to M&O earnings in years 3-10 of the project.
4. It produces substantial tax incentives and savings for HW.

**Table I - Data Assumptions for HW & KCWCSD Chapter 313 Project - Amended Agreement (March 2012)**

Year of Agreement	School Year	Tax Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value		CPTD Value		CPTD Value Without Limitation
							With Limitation	Without Limitation	With Limitation	Without Limitation	
1	2013-14	2013	75.93	151.878	\$1.06	\$0.03	\$959,410,847	\$959,410,847	\$959,410,847	\$959,410,847	\$959,410,847
2	2014-15	2014	75.93	151.878	\$1.06	\$0.03	\$1,140,160,147	\$1,140,160,847	\$959,410,847	\$959,410,847	\$959,410,847
3	2015-16	2015	75.93	151.878	\$1.06	\$0.03	\$989,410,847	\$1,134,742,147	\$1,140,160,847	\$1,140,160,847	\$1,140,160,847
4	2016-17	2016	75.93	151.878	\$1.06	\$0.03	\$989,410,847	\$1,129,485,847	\$989,410,847	\$989,410,847	\$1,134,742,147
5	2017-18	2017	75.93	151.878	\$1.06	\$0.03	\$989,410,847	\$1,124,387,187	\$989,410,847	\$989,410,847	\$1,129,485,847
6	2018-19	2018	75.93	151.878	\$1.06	\$0.03	\$989,410,847	\$1,119,427,453	\$989,410,847	\$989,410,847	\$1,124,387,187
7	2019-20	2019	75.93	151.878	\$1.06	\$0.03	\$989,410,847	\$1,114,616,972	\$989,410,847	\$989,410,847	\$1,119,427,453
8	2020-21	2020	75.93	151.878	\$1.06	\$0.03	\$989,410,847	\$1,109,951,308	\$989,410,847	\$989,410,847	\$1,114,616,972
9	2021-22	2021	75.93	151.878	\$1.06	\$0.03	\$989,410,847	\$1,105,426,059	\$989,410,847	\$989,410,847	\$1,109,951,308
10	2022-23	2022	75.93	151.878	\$1.06	\$0.03	\$989,410,847	\$1,101,036,952	\$989,410,847	\$989,410,847	\$1,105,426,059
11	2023-24	2023	75.93	151.878	\$1.06	\$0.03	\$1,096,779,838	\$1,096,779,838	\$989,410,847	\$989,410,847	\$1,101,036,952
12	2024-25	2024	75.93	151.878	\$1.06	\$0.03	\$1,092,650,890	\$1,092,650,890	\$1,096,779,838	\$1,096,779,838	\$1,096,779,838
13	2025-26	2025	75.93	151.878	\$1.06	\$0.03	\$1,088,646,100	\$1,088,646,100	\$1,092,650,890	\$1,092,650,890	\$1,092,650,890
14	2026-27	2026	75.93	151.878	\$1.06	\$0.03	\$1,084,761,872	\$1,084,761,872	\$1,088,646,100	\$1,088,646,100	\$1,088,646,100
15	2027-28	2027	75.93	151.878	\$1.06	\$0.03	\$1,080,994,423	\$1,080,994,423	\$1,084,761,872	\$1,084,761,872	\$1,084,761,872





Year of Project	Year of Tax Credit Settle-Up	Year of School Limit	School Year	Tax Year	Market Value with no Exemptions	I&S Taxable Value of Investment	Difference from previous year's value	Annual Depreciation Rate	M&O Property Value Limitation Amount	M&O Exempt Value of Property	M&O Tax Base Years 1-13	M&O Tax Rate	M&O Tax Levy without Limitation	M&O Tax Levy with Limitation	I&S Tax Rate	I&S Tax Levy	Sum of M&O and I&S Tax Levies BEFORE CREDIT	Sum of M&O and I&S Tax Levies AFTER CREDIT	Tax Savings Due to Limitation	
From Agreement List																				
School District: Kennedy County Wide CSD																				
Project: Heartland Wind Farm (Pensacal III Amended Agreement)																				
County: Kennedy County																				
Eligibility Category: Renewable Energy Electric Generation																				
Master App. Number: ???																				
Limitation Amount: \$30,000,000																				
0		2012-13	2012		\$0	\$0	\$30,000,000		\$0	\$0	\$1,800,750,000	\$1.0600	\$0	\$0	\$0.0300	\$0	\$0	\$0	\$0	\$0
1	1	2013-14	2013		\$0	\$0	-\$180,750,000		\$0	\$0	\$180,750,000	\$1.0600	\$1,215,950	\$1,915,950	\$0.0300	\$54,225	\$1,970,175	\$1,970,175	\$0	\$0
2	2	2014-15	2014		\$180,750,000	\$180,750,000	\$5,418,700	3.00%	\$30,000,000	\$145,331,300	\$30,000,000	\$1.0600	\$1,859,512	\$318,000	\$0.0300	\$52,599	\$370,599	\$370,599	\$1,540,512	\$1,540,512
3	3	2015-16	2015		\$175,331,300	\$170,075,000	\$5,256,300	3.00%	\$30,000,000	\$140,075,000	\$30,000,000	\$1.0600	\$1,802,795	\$318,000	\$0.0300	\$51,023	\$369,023	\$184,511	\$1,484,795	\$1,484,795
4	4	2016-17	2016		\$164,976,340	\$164,976,340	\$5,098,660	3.00%	\$30,000,000	\$134,976,340	\$30,000,000	\$1.0600	\$1,748,749	\$318,000	\$0.0300	\$49,493	\$367,493	\$183,746	\$1,430,749	\$1,430,749
5	5	2017-18	2017		\$160,016,606	\$160,016,606	\$4,959,734	3.01%	\$30,000,000	\$130,016,606	\$30,000,000	\$1.0600	\$1,696,176	\$318,000	\$0.0300	\$48,005	\$366,005	\$183,002	\$1,378,176	\$1,378,176
6	6	2018-19	2018		\$155,206,125	\$155,206,125	\$4,810,481	3.01%	\$30,000,000	\$125,206,125	\$30,000,000	\$1.0600	\$1,645,185	\$318,000	\$0.0300	\$46,562	\$364,562	\$182,281	\$1,327,185	\$1,327,185
7	7	2019-20	2019		\$150,540,461	\$150,540,461	\$4,655,664	3.01%	\$30,000,000	\$120,540,461	\$30,000,000	\$1.0600	\$1,595,129	\$318,000	\$0.0300	\$45,162	\$363,162	\$181,581	\$1,277,729	\$1,277,729
8	8	2020-21	2020		\$146,015,212	\$146,015,212	\$4,525,249	3.01%	\$30,000,000	\$116,015,212	\$30,000,000	\$1.0600	\$1,547,761	\$318,000	\$0.0300	\$43,805	\$361,805	\$180,902	\$1,229,761	\$1,229,761
9	9	2021-22	2021		\$141,626,105	\$141,626,105	\$4,389,107	3.01%	\$30,000,000	\$111,626,105	\$30,000,000	\$1.0600	\$1,501,237	\$318,000	\$0.0300	\$42,488	\$360,488	\$180,244	\$1,183,237	\$1,183,237
10	10	2022-23	2022		\$137,368,991	\$137,368,991			\$0	\$0	\$137,368,991	\$1.0600	\$1,456,111	\$1,456,111	\$0.0300	\$41,211	\$1,497,322	\$1,497,322	\$0	\$0
11	11	2023-24	2023		\$133,240,043	\$133,240,043			\$0	\$0	\$133,240,043	\$1.0600	\$1,412,344	\$1,412,344	\$0.0300	\$39,972	\$1,452,316	\$1,452,316	\$0	\$0
12	12	2024-25	2024		\$129,235,253	\$129,235,253			\$0	\$0	\$129,235,253	\$1.0600	\$1,369,894	\$1,369,894	\$0.0300	\$38,771	\$1,408,664	\$1,408,664	\$0	\$0
13	13	2025-26	2025																	
2009 market value of the qualified property as reported by company																	Limitation Tax Savings: \$10,052,144			
M&O Taxable Value of Qualified Property (in 2009) if limitation were not in effect (I&S Value)																				
Dollar amount of M&O levy that would have been imposed without the limitation (through 2009)																				
M&O Taxable Value of Qualified Property (in 2009) with limitation in effect (Limited M&O Value)																				
Dollar amount of M&O levy imposed with the limitation (through 2009)																				
Estimated tax benefit (school levy loss) from value limitation through 2009 (Diff. between...)																				
Estimated 13 year total M&O levy without any limit or credit (11 years for projects starting in 2003 & 2004)																				
Estimated 13 for 13 year total gross tax benefit to company/levy loss to district (through limitation and tax credit)																				
Amt. of Gross 13 for 13 Year Tax Benefit = Est. 13 for 13 year total levy without any limit or credit = Percentage Exempted																				
Number of qualifying jobs committed to: 6																				
CDNO Value: 131-001																				
Subchapter B or Subchapter C: Sub. C																				



**Project Owner:** Heartland Wind (RW) LLC  
**Project Name:** Kennedy County ESD #1 (Amended Application)  
**First Year of Qualifying Time Period:** 2013-14 school year  
**First Year of Value Limitation (Third Year):** 2015-16 school year  
**First Year of Tax Credit:** 2016-17 school year  
**Limitation Amount:** \$30,000,000  
**District Name:** Kennedy County Wide CSD  
**County-District Number:** 131-001  
**Amount Eligible During Qualifying Period:** \$250,003,200 (Amended)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
Date Agreement Was Approved by School Board	Year of Agreement	Tax Year	School Year	Taxable Value of Qualified Property (without a Limitation)	Difference Between Limitation Amount and Taxable Value (Exempt Value)	RSD's Local Tax Roll for Project (Current Tax Year)	Adopted M&O Tax Rate	Adopted Debt (M&O) Tax Rate	Total Tax Rate	Projected Full Taxes (Before Exemptions)	Amount in Excess of Limitation Amount in Years of Qualifying Period	Amount Credited Current & Future	Total M&O and ISS Levy to Calculate Max Credit Payback	M&O Tax Levy	50% Tax Credit Cap	Cumulative Tax Credit Issued (Net)
10/29/2008	0	2012	2012-13	0	0	0	1.06	0.03	1.09	0	0	0	NA	NA	NA	NA
	1	2013	2013-14	0	0	189,700,000	1.06	0.03	1.09	1,970,178	1,915,950	NA	NA	NA	NA	NA
	2	2014	2014-15	190,750,000	0	30,000,000	1.06	0.03	1.09	1,911,111	1,856,512	273,707	370,899	48,428.57	186,300	NA
	3	2015	2015-16	176,337,000	148,231,000	30,000,000	1.06	0.03	1.09	1,853,818	1,802,785	273,707	369,023	48,428.57	184,511	184,511
	4	2016	2016-17	170,078,000	140,078,000	30,000,000	1.06	0.03	1.09	1,786,242	1,740,749	273,707	367,483	48,428.57	183,746	183,746
	5	2017	2017-18	164,878,000	134,878,000	30,000,000	1.06	0.03	1.09	1,744,181	1,696,176	273,707	364,006	48,428.57	183,002	183,002
	6	2018	2018-19	160,016,000	130,016,000	30,000,000	1.06	0.03	1.09	1,691,747	1,645,185	273,707	361,162	48,428.57	182,281	182,281
	7	2019	2019-20	156,296,128	126,296,128	30,000,000	1.06	0.03	1.09	1,640,891	1,595,720	273,707	358,168	48,428.57	181,541	181,541
	8	2020	2020-21	150,540,481	120,540,481	30,000,000	1.06	0.03	1.09	1,591,666	1,547,781	273,707	351,008	48,428.57	180,902	180,902
	9	2021	2021-22	148,016,212	118,016,212	30,000,000	1.06	0.03	1.09	1,543,735	1,501,237	273,707	349,488	48,428.57	180,244	180,244
	10	2022	2022-23	141,828,106	111,828,106	30,000,000	1.06	0.03	1.09	1,497,322	1,456,111	0	0	0	0	321,681
	11	2023	2023-24	137,364,991	107,364,991	30,000,000	1.06	0.03	1.09	1,452,318	1,412,344	0	0	0	0	321,681
	12	2024	2024-25	133,240,043	103,240,043	30,000,000	1.06	0.03	1.09	1,408,664	1,369,894	0	0	0	0	321,681
	13	2025	2025-26	129,216,363	99,216,363	30,000,000	1.06	0.03	1.09	1,366,864	1,328,994	0	0	0	0	321,681
	<b>Total</b>											1,915,949	318,000	1,270,268	1,597,949	

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# TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Robert Scott  
Commissioner

April 9, 2012

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 re-evaluated the impact of the proposed Heartland Wind LLC project on the number and size of school facilities in Kenedy County-Wide Common School District (KCWCSD). Based on our analysis of the project and a previous conversation with the KCWCSD superintendent, Dr. Orville Ballard, the TEA has found that the Heartland Wind LLC project would not have a significant impact on the number or size of school facilities in KCWCSD.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, 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 regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Belinda Dyer". The signature is written in a cursive, flowing style.

Belinda Dyer  
Division Manager  
Office of School Finance

BD/bd

April 9, 2012

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 has reanalyzed the revenue gains that would be realized by the proposed Heartland Wind LLC project for the Kenedy County-Wide Common School District (KCWCSD). Projections prepared by our Office of School Finance confirm the revised analysis that was prepared by Dr. Douglas Karr and provided to us by your division. We believe Dr. Karr's assumptions regarding the potential revenue gain are valid, and his estimates of the impact of the Heartland Wind LLC project on KCWCSD are correct.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, 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 regarding this issue.

Sincerely,



Belinda Dyer  
Division Manager  
Office of School Finance

BD/bd

# Attachment 3

# Kenedy County

## Population

- Total county population in 2010 for Kenedy County: 385 , up 3.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Kenedy County was the state's 252th largest county in population in 2010 and the 10 th fastest growing county from 2009 to 2010.
- Kenedy County's population in 2009 was 30.4 percent Anglo (below the state average of 46.7 percent), 0.0 percent African-American (below the state average of 11.3 percent) and 68.8 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Kenedy County:

## Economy and Income

### Employment

- September 2011 total employment in Kenedy County: 221 , up 0.4 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 Kenedy County unemployment rate: 8.9 percent, up from 5.1 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

- Kenedy County's ranking in per capita personal income in 2009: 5th with an average per capita income of \$50,333, down 0.8 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 Kenedy County averaged \$16.98 million annually from 2007 to 2010. County total agricultural values in 2010 were up 52.5 percent from 2009. Major agriculture related commodities in Kenedy County during 2010 included:
  - Turkeys
  - Eggs
  - Horses
  - Other Beef
  - Hunting
- 2011 oil and gas production in Kenedy County: 33,048.0 barrels of oil and 26.4 million Mcf of gas. In September 2011, there were 4 producing oil wells and 214 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 Kenedy County during the fourth quarter 2010: \$97,067.00, down 4.2 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

#### *Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)*

- Taxable sales in Kenedy County through the fourth quarter of 2010: \$372,675.00, up 2.3 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

#### *Annual (2010)*

- Taxable sales in Kenedy County during 2010: \$372,675.00, up 2.3 percent from 2009.
- Kenedy County sent an estimated \$23,292.19 (or 0.00 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

### 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 Kenedy County based on the sales activity month of August 2011:
- Payment based on the sales activity month of August 2011 to the city of:

**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 Kenedy County based on sales activity months from September 2010 through August 2011:
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

**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 Kenedy County based on sales activity months through August 2011:
- Payments based on sales activity months through August 2011 to the city of:

**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 Kenedy County based on sales activity in the 12 months ending in August 2011:
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

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

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

**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 Kenedy County based on sales activity months in 2010:
- Payment based on sales activity months in 2010 to the city of:

**Property Tax**

- As of January 2009, property values in Kenedy County: \$2.05 billion, up 52.7 percent from January 2008 values. The property tax base per person in Kenedy County is \$5,551,629, above the statewide average of \$85,809. About 45.3 percent of the property tax base is derived from oil, gas and minerals.

**State Expenditures**

- Kenedy County's ranking in state expenditures by county in fiscal year 2010: 242nd. State expenditures in the county for FY2010: \$6.78 million, up 3.4 percent from FY2009.
- In Kenedy County, 3 state agencies provide a total of 4 jobs and \$51,713.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
  - Parks & Wildlife Department
  - AgriLife Extension Service
  - Texas A & M University

**Higher Education**

- Community colleges in Kenedy County fall 2010 enrollment:

- Kenedy County is in the service area of the following:
  - Del Mar College with a fall 2010 enrollment of 12,236 . Counties in the service area include:
    - Aransas County
    - Kenedy County
    - Kleberg County
    - Nueces County
    - San Patricio County
- Institutions of higher education in Kenedy County fall 2010 enrollment:

### **School Districts**

- Kenedy County had 1 school districts with 1 schools and 83 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.)
  - Kenedy County Wide CSD had 83 students in the 2009-10 school year. The average teacher salary was \$42,243. The percentage of students meeting the 2010 TAKS passing standard for all tests was 84 percent.