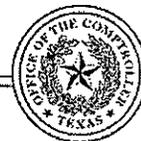


S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



December 6, 2010

Mr. Hollis Adams
Superintendent
Midway Independent School District
12142 State Highway 148 S
Henrietta, Texas 76365-7210

Dear Superintendent Adams:

On December 3, 2010, the agency received the completed application for a limitation on appraised value originally submitted to the Midway Independent School District (Midway ISD) by Horn Wind, LLC (Horn Wind) in August, 2010, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Horn Wind's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review 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. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Midway ISD is currently classified as a rural school district in Category 4. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$350,000,000) is consistent with the proposed appraised value limitation sought (\$5 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.

Horn Wind is proposing the construction of a wind power electricity generating facility in Clay County. Horn Wind is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by Horn Wind, the Comptroller's recommendation is that Horn Wind's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and 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, we prepared the recommendation 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.

Mr. Hollis Adams
December 6, 2010
Page Two

The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application.

This recommendation is contingent on the following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution.

During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at www.window.state.tx.us/taxinfo/proptax/hb1200 to find an outline of the program and links to applicable rules and forms.

Should you have any questions, please contact Robert Wood, director of Local Government Assistance and Economic Development, by e-mail at robert.wood@cpa.state.tx.us or by phone at (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	Horn Wind, LLC and its Affiliates South Clay Wind Farm, LLC and Shannon-1 Wind Farm, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Midway ISD
2008-2009 Enrollment in School District	118
County	Clay
Total Investment in District	\$350,000,000
Qualified Investment	\$350,000,000
Limitation Amount	\$5,000,000
Number of total jobs committed to by applicant	8*
Number of qualifying jobs committed to by applicant	7
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$865
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$862
Minimum Annual Wage committed to by applicant for qualified jobs	\$45,000
Investment per Qualifying Job	\$50,000,000
Estimated 15 year M&O levy without any limit or credit:	\$33,072,000
Estimated gross 15 year M&O tax benefit	\$23,959,000
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):	\$23,064,738
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$988,000
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$10,007,262
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	69.7%
Percentage of tax benefit due to the limitation	95.9%
Percentage of tax benefit due to the credit.	4.1%
* 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 Horn Wind (the project) applying to Midway 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 eight new jobs when fully operational. Seven 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 NORTEX Regional Planning Commission Region, where Clay County is located was \$40,768 in 2009. The annual average manufacturing wage for 2009 for Clay County was \$34,814. That same year, the county annual average wage for all industries was \$30,056. In addition to a minimum salary of \$45,000, each qualifying position will receive benefits such as a health benefits plan. The project's total investment is \$350 million, resulting in a relative level of investment per qualifying job of \$50 million.

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

According to Horn Wind's application, "Horn Wind, LLC was founded in Archer County, Texas and was created specifically to take advantage of developing wind industry in the area. Horn Wind, LLC is the parent company and has the ability to be relocated to other wind development areas/state..."

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

During the past two years, five projects in the NORTEX Regional Planning Commission 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 Horn Wind 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 Horn Wind'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 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.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Horn Wind

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	14	22	36	\$647,260	\$1,432,740	\$2,080,000
2012	42	56	98	\$1,890,274	\$5,189,726	\$7,080,000
2013	8	24	32	\$380,000	\$3,160,000	\$3,540,000
2014	8	21	29	\$380,000	\$3,040,000	\$3,420,000
2015	8	21	29	\$380,000	\$3,160,000	\$3,540,000
2016	8	18	26	\$380,000	\$3,040,000	\$3,420,000
2017	8	15	23	\$380,000	\$3,160,000	\$3,540,000
2018	8	19	27	\$380,000	\$3,160,000	\$3,540,000
2019	8	16	24	\$380,000	\$3,280,000	\$3,660,000
2020	8	18	26	\$380,000	\$3,530,000	\$3,910,000
2021	8	15	23	\$380,000	\$3,280,000	\$3,660,000
2022	8	13	21	\$380,000	\$3,280,000	\$3,660,000
2023	8	13	21	\$380,000	\$3,400,000	\$3,780,000
2024	8	11	19	\$380,000	\$3,770,000	\$4,150,000
2025	8	13	21	\$380,000	\$4,010,000	\$4,390,000

Source: CPA, REMI, Horn Wind, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2009. Midway ISD's ad valorem tax base in 2009 was \$79 million. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Midway ISD's estimated wealth per WADA was \$356,789. 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 and Clay County with all property tax incentives sought being granted using estimated market value from Horn Wind's application. Horn Wind has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the county. Table 3 illustrates the estimated tax impact of the Horn Wind project on the region if all taxes are assessed:

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Midway ISD I&S Levy	Midway ISD M&O Levy	Midway ISD M&O and I&S Tax Levies (Before Credit Credited)	Midway ISD M&O and I&S Tax Levies (After Credit Credited)	Clay County Tax Levy	Estimated Total Property Taxes
			0.0000		1.0400			0.7282	
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2012	\$100,000,000	\$100,000,000		\$0	\$1,040,000	\$1,040,000	\$1,040,000	\$728,200	\$1,768,200
2013	\$350,000,000	\$5,000,000		\$0	\$52,000	\$52,000	\$52,000	\$254,870	\$306,870
2014	\$323,750,000	\$5,000,000		\$0	\$52,000	\$52,000	\$26,000	\$471,510	\$497,510
2015	\$306,250,000	\$5,000,000		\$0	\$52,000	\$52,000	\$26,000	\$669,034	\$695,034
2016	\$288,750,000	\$5,000,000		\$0	\$52,000	\$52,000	\$26,000	\$841,071	\$867,071
2017	\$271,250,000	\$5,000,000		\$0	\$52,000	\$52,000	\$26,000	\$987,621	\$1,013,621
2018	\$253,750,000	\$5,000,000		\$0	\$52,000	\$52,000	\$26,000	\$1,108,685	\$1,134,685
2019	\$236,250,000	\$5,000,000		\$0	\$52,000	\$52,000	\$26,000	\$1,204,261	\$1,230,261
2020	\$218,750,000	\$5,000,000		\$0	\$52,000	\$52,000	\$26,000	\$1,274,350	\$1,300,350
2021	\$201,250,000	\$201,250,000		\$0	\$2,093,000	\$2,093,000	\$1,287,000	\$1,318,952	\$2,605,952
2022	\$183,750,000	\$183,750,000		\$0	\$1,911,000	\$1,911,000	\$1,911,000	\$1,338,068	\$3,249,068
2023	\$166,250,000	\$166,250,000		\$0	\$1,729,000	\$1,729,000	\$1,729,000	\$1,210,633	\$2,939,633
2024	\$148,750,000	\$148,750,000		\$0	\$1,547,000	\$1,547,000	\$1,547,000	\$1,083,198	\$2,630,198
2025	\$131,250,000	\$131,250,000		\$0	\$1,365,000	\$1,365,000	\$1,365,000	\$955,763	\$2,320,763
						Total	\$9,113,000	\$13,446,213	\$22,559,213

Assumes School Value Limitation and Clay County Tax Abatement

Source: CPA, Horn Wind, LLC

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Midway ISD I&S Levy	Midway ISD M&O Levy	Midway ISD M&O and I&S Tax Levies	Clay County Tax Levy	Estimated Total Property Taxes	
			0.0000		1.0400		0.7282		
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0	
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0	
2012	\$100,000,000	\$100,000,000		\$0	\$1,040,000	\$1,040,000	\$728,200	\$1,768,200	
2013	\$350,000,000	\$350,000,000		\$0	\$3,640,000	\$3,640,000	\$2,548,700	\$6,188,700	
2014	\$323,750,000	\$323,750,000		\$0	\$3,367,000	\$3,367,000	\$2,357,548	\$5,724,548	
2015	\$306,250,000	\$306,250,000		\$0	\$3,185,000	\$3,185,000	\$2,230,113	\$5,415,113	
2016	\$288,750,000	\$288,750,000		\$0	\$3,003,000	\$3,003,000	\$2,102,678	\$5,105,678	
2017	\$271,250,000	\$271,250,000		\$0	\$2,821,000	\$2,821,000	\$1,975,243	\$4,796,243	
2018	\$253,750,000	\$253,750,000		\$0	\$2,639,000	\$2,639,000	\$1,847,808	\$4,486,808	
2019	\$236,250,000	\$236,250,000		\$0	\$2,457,000	\$2,457,000	\$1,720,373	\$4,177,373	
2020	\$218,750,000	\$218,750,000		\$0	\$2,275,000	\$2,275,000	\$1,592,938	\$3,867,938	
2021	\$201,250,000	\$201,250,000		\$0	\$2,093,000	\$2,093,000	\$1,465,503	\$3,558,503	
2022	\$183,750,000	\$183,750,000		\$0	\$1,911,000	\$1,911,000	\$1,338,068	\$3,249,068	
2023	\$166,250,000	\$166,250,000		\$0	\$1,729,000	\$1,729,000	\$1,210,633	\$2,939,633	
2024	\$148,750,000	\$148,750,000		\$0	\$1,547,000	\$1,547,000	\$1,083,198	\$2,630,198	
2025	\$131,250,000	\$131,250,000		\$0	\$1,365,000	\$1,365,000	\$955,763	\$2,320,763	
						Total	\$33,072,000	\$23,156,760	\$56,228,760

Source: CPA, Horn Wind, LLC

¹Tax 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 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$33,072,000. The estimated gross 15 year M&O tax benefit, or levy loss, is \$23,959,000.

Attachment 3 is an economic overview of Clay 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

A (Rev. May 2010): Investment

Form 60-396

Applicant Name: Hem Wind, LLC (South Clay-Shannon-1 Project)
 USD Name: HSWENT USD

PROPERTY INVESTMENT AMOUNTS
 (Estimated investment in each year. Do not put

Year	School Year (YYYY-YYYY)	Tax Year (in actual tax year below) YYYY	Tangible Property placed in service during the year	Column A: Personal The amount of new investment (original cost placed in service during the year)	Column B: Building or permanent improvements component of building (net amount only)	Column C: Sum of A and B (Investment in qualifying investments)	Column D: 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 deferral)	2009/2010	2010	Investment made before filing complete application with district (whether qualified property nor eligible to become qualified investment) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	\$0	\$0	\$0	\$0	\$0		
				1	2010/2011	\$100,000,000	\$500,000	\$100,500,000	\$0	\$100,500,000
				2	2011/2012	\$250,000,000	\$0	\$250,000,000	\$0	\$250,000,000
Complete tax years of qualifying time period Value Limitation Period Tax Credit Period (with 50% cap on credit) Credit Settle-Up Period Post-Settle-Up Period Post-Settle-Up Period	3	2012/2013		\$0	\$0	\$0	\$0	\$0		
	4	2013/2014		\$0	\$0	\$0	\$0	\$0		
	5	2014/2015		\$0	\$0	\$0	\$0	\$0		
	6	2015/2016		\$0	\$0	\$0	\$0	\$0		
	7	2016/2017		\$0	\$0	\$0	\$0	\$0		
	8	2017/2018		\$0	\$0	\$0	\$0	\$0		
	9	2018/2019		\$0	\$0	\$0	\$0	\$0		
	10	2019/2020		\$0	\$0	\$0	\$0	\$0		
	11	2020/2021		\$0	\$0	\$0	\$0	\$0		
	12	2021/2022		\$0	\$0	\$0	\$0	\$0		
	13	2022/2023		\$0	\$0	\$0	\$0	\$0		
	14	2023/2024		\$0	\$0	\$0	\$0	\$0		
	15	2024/2025		\$0	\$0	\$0	\$0	\$0		

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 total.
 Column B: Include estimates of investment for "replacement" property that is part of original agreement but scheduled for probable replacement during limitation period.
 Column C: The total dollar amount of planned investment in buildings that the applicant considers qualified of buildings that the applicant considers qualified.
 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 defined 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: [Signature] DATE: 08/01/2016

Schedule C- Application: Employment Information

Form 50-296

Applicant Name
ISD Name

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2010-2011	2010	0	0	0	0	0	0
	1	2011-2012	2011	30000 manhours	45000	0	0	0	0
	2	2012-2013	2012	70000 manhours	45000	8	47500	7	47500
	3	2013-14	2013			8	47500	7	47500
	4	2014-15	2014			8	47500	7	47500
	5	2015-16	2015			8	47500	7	47500
	6	2016-17	2016			8	47500	7	47500
	7	2017-18	2017			8	47500	7	47500
	8	2018-19	2018			8	47500	7	47500
	9	2019-20	2019			8	47500	7	47500
	10	2020-21	2020			8	47500	7	47500
	11	2021-22	2021			8	47500	7	47500
	12	2022-23	2022			8	47500	7	47500
	13	2023-24	2023			8	47500	7	47500
	14	2024-25	2024			8	47500	7	47500
	15	2025-26	2025			8	47500	7	47500
Complete tax years of qualifying time period									
Value Limitation Period									
Tax Credit Period (with 50% cap on credit)									
Credit Settle-Up Period									
Post-Settle-Up Period									
Post-Settle-Up Period									

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

08/01/2020

DATE

Attachment 2



1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

December 2, 2010

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
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 Horn Wind, LLC, South-Clay Shannon-1 project on the number and size of school facilities in Midway Independent School District (MISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the MISD superintendent, Mr. Hollis Adams, Jr., the TEA has found that the Horn Wind, LLC, South-Clay Shannon-1 project would not have a significant impact on the number or size of school facilities in MISD.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Helen Daniels".

Helen Daniels
Director of State Funding

HD/hd



TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

December 2, 2010

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
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 analyzed the revenue gains that would be realized by the proposed Horn Wind, LLC, South-Clay Shannon-1 project for the Midway Independent School District (MISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid and their estimates of the impact of the Horn Wind, LLC, South-Clay Shannon-1 project on MISD are correct.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

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

Helen Daniels
Director of State Funding

HD/hd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED HORN
WIND, LLC, SOUTH-CLAY SHANNON-1 PROJECT ON THE
FINANCES OF THE MIDWAY INDEPENDENT SCHOOL DISTRICT
UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE
LIMITATION**

October 15, 2010

Final Report

PREPARED BY



Estimated Impact of the Proposed Horn Wind, LLC, South-Clay Shannon-1 Project on the Finances of the Midway Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Horn Wind, LLC, South-Clay Shannon-1 Project (Horn Wind) has requested that the Midway Independent School District in Clay County (MISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new renewable electric wind generation project. An application was submitted to MISD on August 4, 2010. Horn Wind proposes to invest \$350 million to construct a new wind energy project in MISD.

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

School Finance Mechanics

Under the provisions of Chapter 313, MISD may offer a minimum value limitation of \$5 million. Based on the application, the qualifying time period would begin with the 2011-12 school year. The full value of the investment is anticipated to reach \$350 million in 2013-14, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

The provisions of Chapter 313 call for the project to be fully taxable in the 2011-12 and 2012-13 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2011-12 and 2012-13 school years. Beginning in 2013-14, the project would go on the local tax roll at \$5 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period; although MISD currently does not levy an I&S tax rate and has no outstanding general-obligation debt.

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

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in 2006, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. Based on the data provided in the application, Horn Wind indicates that \$100 million in taxable value would be in place in the second year under the agreement. In year three (2013-14) of the agreement, the project is expected to go on the tax roll at \$5 million or, if applicable, a higher value limitation amount approved by the MISD Board of Trustees. This difference would result in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

HB 1 established a “target” revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district’s compressed M&O tax rate. The additional four cents of tax effort that a district may levy without voter approval are subject to an enriched level of equalization (or no recapture in the case of a Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy.

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is target revenue per WADA from HB 1. This amount is then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional \$120 per weighted student in average daily attendance (WADA) guarantee.

Under the provisions of HB 3646, school districts do have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 700 school districts are funded at the minimum \$120 per WADA level, while approximately 300 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district’s base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Horn Wind project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f) (1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

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

The approach used here is to maintain static enrollment and underlying property values in order to isolate the effects of the value limitation under the school finance system. While the new target revenue system appears to limit the impact of property value changes for a majority of school districts, changes in underlying property value growth have the potential to influence the revenue stream of a number of school districts.

Student enrollment counts are held constant at 104 students in average daily attendance (ADA) in analyzing the effects of the Horn Wind project on the finances of MISD. The District's local tax base is estimated to be \$88.7 million for the 2011 tax year. The district's tax base has been relatively stable in recent years. The underlying \$88.7 million estimated taxable value for 2011-12 is maintained for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.04 per \$100 of taxable value is assumed for this analysis. MISD is a moderate-wealth district, with wealth per WADA estimated to be approximately \$348,773 for the 2011-12 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for MISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Horn Wind facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the Horn Wind value but imposes the proposed property value limitation effective in the third year, which in this case is the 2013-14 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement. (See Table 3.)

A summary of the differences between these models is shown in Table 4. The model results show approximately \$1.4 million a year in net General Fund revenue, after recapture and other adjustments have been made, where appropriate.

Under these assumptions, MISD would experience a revenue loss as a result of the implementation of the value limitation in the 2013-14 school year (-\$311,224). The revenue reduction results from the mechanics of four cents equalized to the Austin ISD yield or not subject to recapture, which reflect the one-year lag in value associated with the property value study. It appears that smaller differences persist between the two models over the course of the agreement. Again, largely as a result of the treatment of the four cents equalized at the enriched rate and not subject to recapture.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller's Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced

value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, however, only a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. I&S taxes are not a factor in this analysis for MISD, so the Comptroller's value study adjustment does not affect these estimates.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.04 per \$100 of taxable value M&O rate is assumed in 2011-12 and thereafter, as noted earlier.

Under the assumptions used here, the potential tax savings from the value limitation total \$23 million over the life of the agreement. In addition, Horn Wind would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$1 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the state for the cost of tax credits. The key MISD revenue losses are associated with the additional four-cent levy not subject to recapture and expected to total approximately -\$894,262 over the course of the agreement. In total, the potential net tax benefits are estimated to be \$23.1 million over the life of the agreement.

Facilities Funding Impact

The Horn Wind project remains fully taxable for debt services taxes; however, MISD currently does not levy an I&S tax rate. The value of the Horn Wind project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA. This provides a potential benefit if future consideration is given to a bond issue.

The Horn Wind project is not expected to affect MISD in terms of enrollment. Continued expansion of the renewable energy industry could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

Conclusion

The proposed Horn Wind wind energy project enhances the tax base of MISD. It reflects continued capital investment in renewable electric energy generation, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$23.1 million over the course of the agreement. This amount is net of

any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of MISD in meeting its future debt service obligations, should MISD consider a future bond issue.

Table 1 – Base District Information with Horn Wind, LLC, South-Clay Shannon-1 Project Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
1	2011-12	104.00	247.71	\$1.0400	\$88,696,110	\$88,696,110	\$86,394,484	\$86,394,484	\$348,773	\$348,773
2	2012-13	104.00	247.71	\$1.0400	\$188,696,110	\$188,696,110	\$86,789,752	\$86,789,752	\$350,369	\$350,369
3	2013-14	104.00	247.71	\$1.0400	\$438,696,110	\$93,696,110	\$186,789,752	\$186,789,752	\$754,067	\$754,067
4	2014-15	104.00	247.71	\$1.0400	\$412,446,110	\$93,696,110	\$436,789,752	\$91,789,752	\$1,763,312	\$370,554
5	2015-16	104.00	247.71	\$1.0400	\$394,946,110	\$93,696,110	\$410,539,752	\$91,789,752	\$1,657,342	\$370,554
6	2016-17	104.00	247.71	\$1.0400	\$377,446,110	\$93,696,110	\$393,039,752	\$91,789,752	\$1,586,694	\$370,554
7	2017-18	104.00	247.71	\$1.0400	\$359,946,110	\$93,696,110	\$375,539,752	\$91,789,752	\$1,516,047	\$370,554
8	2018-19	104.00	247.71	\$1.0400	\$342,446,110	\$93,696,110	\$358,039,752	\$91,789,752	\$1,445,400	\$370,554
9	2019-20	104.00	247.71	\$1.0400	\$324,946,110	\$93,696,110	\$340,539,752	\$91,789,752	\$1,374,753	\$370,554
10	2020-21	104.00	247.71	\$1.0400	\$307,446,110	\$93,696,110	\$323,039,752	\$91,789,752	\$1,304,106	\$370,554
11	2021-22	104.00	247.71	\$1.0400	\$289,946,110	\$289,946,110	\$305,539,752	\$91,789,752	\$1,233,458	\$370,554
12	2022-23	104.00	247.71	\$1.0400	\$272,446,110	\$272,446,110	\$288,039,752	\$288,039,752	\$1,162,811	\$1,162,811
13	2023-24	104.00	247.71	\$1.0400	\$254,946,110	\$254,946,110	\$270,539,752	\$270,539,752	\$1,092,164	\$1,092,164
14	2024-25	104.00	247.71	\$1.0400	\$237,446,110	\$237,446,110	\$253,039,752	\$253,039,752	\$1,021,517	\$1,021,517
15	2025-26	104.00	247.71	\$1.0400	\$219,946,110	\$219,946,110	\$235,539,752	\$235,539,752	\$950,870	\$950,870

*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

Table 2– “Baseline Revenue Model”–Project Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2011-12	\$884,711	\$393,344	\$103,061	\$0	\$0	\$35,342	\$25,427	\$0	\$1,441,886
2	2012-13	\$1,872,750	\$389,391	\$0	-\$794,327	\$0	\$74,813	\$53,239	\$0	\$1,595,866
3	2013-14	\$4,384,286	\$46,190	\$0	-\$1,286,000	-\$1,589,962	\$175,143	\$0	\$0	\$1,729,657
4	2014-15	\$4,121,772	\$53,470	\$147,983	\$0	-\$2,942,109	\$164,657	\$0	\$0	\$1,545,773
5	2015-16	\$3,946,763	\$46,190	\$138,769	\$0	-\$2,750,606	\$157,665	\$0	\$0	\$1,538,782
6	2016-17	\$3,771,755	\$53,470	\$136,460	\$0	-\$2,580,569	\$150,674	\$0	\$0	\$1,531,790
7	2017-18	\$3,596,746	\$46,190	\$148,901	\$0	-\$2,410,721	\$143,683	\$0	\$0	\$1,524,799
8	2018-19	\$3,421,737	\$53,470	\$146,999	\$0	-\$2,241,090	\$136,692	\$0	\$0	\$1,517,808
9	2019-20	\$3,246,729	\$46,190	\$159,908	\$0	-\$2,071,711	\$129,700	\$0	\$0	\$1,510,817
10	2020-21	\$3,071,720	\$53,470	\$158,549	\$0	-\$1,902,622	\$122,709	\$0	\$0	\$1,503,825
11	2021-22	\$2,873,140	\$46,190	\$181,197	\$0	-\$1,719,411	\$114,776	\$0	\$0	\$1,495,892
12	2022-23	\$2,700,233	\$53,470	\$180,275	\$0	-\$1,552,862	\$107,869	\$0	\$0	\$1,488,985
13	2023-24	\$2,527,326	\$46,190	\$194,355	\$0	-\$1,386,755	\$100,962	\$0	\$0	\$1,482,078
14	2024-25	\$2,354,420	\$53,470	\$194,410	\$0	-\$1,221,183	\$94,054	\$0	\$0	\$1,475,171
15	2025-26	\$2,181,513	\$53,470	\$202,398	\$0	-\$1,056,265	\$87,147	\$0	\$0	\$1,468,263

Table 3 – “Value Limitation Revenue Model”--Project Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2011-12	\$884,711	\$393,344	\$103,061	\$0	\$0	\$35,342	\$25,427	\$0	\$1,441,886
2	2012-13	\$1,872,750	\$389,391	\$0	-\$794,327	\$0	\$74,813	\$53,239	\$0	\$1,595,866
3	2013-14	\$934,113	\$46,190	\$720,790	\$0	-\$319,977	\$37,316	\$0	\$0	\$1,418,432
4	2014-15	\$934,113	\$339,389	\$107,614	\$0	\$0	\$37,316	\$23,076	\$0	\$1,441,508
5	2015-16	\$934,113	\$339,389	\$107,614	\$0	\$0	\$37,316	\$23,076	\$0	\$1,441,508
6	2016-17	\$934,113	\$339,389	\$107,614	\$0	\$0	\$37,316	\$23,076	\$0	\$1,441,508
7	2017-18	\$934,113	\$339,389	\$107,614	\$0	\$0	\$37,316	\$23,076	\$0	\$1,441,508
8	2018-19	\$934,113	\$339,389	\$107,614	\$0	\$0	\$37,316	\$23,076	\$0	\$1,441,508
9	2019-20	\$934,113	\$339,389	\$107,614	\$0	\$0	\$37,316	\$23,076	\$0	\$1,441,508
10	2020-21	\$934,113	\$339,389	\$107,614	\$0	\$0	\$37,316	\$23,076	\$0	\$1,441,508
11	2021-22	\$2,873,140	\$339,389	\$0	-\$1,744,715	\$0	\$114,776	\$70,976	\$0	\$1,653,567
12	2022-23	\$2,700,233	\$53,470	\$180,275	\$0	-\$1,552,862	\$107,869	\$0	\$0	\$1,488,985
13	2023-24	\$2,527,326	\$46,190	\$194,355	\$0	-\$1,386,755	\$100,982	\$0	\$0	\$1,482,078
14	2024-25	\$2,354,420	\$53,470	\$194,410	\$0	-\$1,221,183	\$94,054	\$0	\$0	\$1,475,171
15	2025-26	\$2,181,513	\$53,470	\$202,398	\$0	-\$1,056,265	\$87,147	\$0	\$0	\$1,468,263

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2011-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2013-14	-\$3,450,173	\$0	\$720,790	-\$1,286,000	-\$1,269,985	-\$137,828	\$0	\$0	-\$311,224
4	2014-15	-\$3,187,659	\$285,919	-\$40,369	\$0	\$2,942,109	-\$127,341	\$23,076	\$0	-\$104,265
5	2015-16	-\$3,012,650	\$293,199	-\$31,154	\$0	\$2,750,606	-\$120,349	\$23,076	\$0	-\$97,274
6	2016-17	-\$2,837,642	\$285,919	-\$28,846	\$0	\$2,580,569	-\$113,358	\$23,076	\$0	-\$90,282
7	2017-18	-\$2,662,633	\$293,199	-\$41,287	\$0	\$2,410,721	-\$106,367	\$23,076	\$0	-\$83,291
8	2018-19	-\$2,487,625	\$285,919	-\$39,385	\$0	\$2,241,090	-\$99,376	\$23,076	\$0	-\$76,300
9	2019-20	-\$2,312,616	\$293,199	-\$52,294	\$0	\$2,071,711	-\$92,384	\$23,076	\$0	-\$69,309
10	2020-21	-\$2,137,607	\$285,919	-\$50,935	\$0	\$1,902,622	-\$85,393	\$23,076	\$0	-\$62,317
11	2021-22	\$0	\$293,199	-\$181,197	-\$1,744,715	-\$1,719,411	\$0	\$70,976	\$0	-\$157,675
12	2022-23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2023-24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial impact of the Horn Wind, LLC, South-Clay Shannon-1 Project Property Value Limitation Request Submitted to MISD at \$1.04 M&O Tax Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
1	2011-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2012-13	\$100,000,000	\$100,000,000	\$0	\$1,040,000	\$1,040,000	\$0	\$0	\$0	\$0	\$0
3	2013-14	\$350,000,000	\$5,000,000	\$345,000,000	\$3,640,000	\$52,000	\$3,588,000	\$0	\$3,588,000	-\$311,224	\$3,276,776
4	2014-15	\$323,750,000	\$5,000,000	\$318,750,000	\$3,367,000	\$52,000	\$3,315,000	\$26,000	\$3,341,000	-\$104,265	\$3,236,735
5	2015-16	\$306,250,000	\$5,000,000	\$301,250,000	\$3,185,000	\$52,000	\$3,133,000	\$26,000	\$3,159,000	-\$97,274	\$3,061,726
6	2016-17	\$288,750,000	\$5,000,000	\$283,750,000	\$3,003,000	\$52,000	\$2,951,000	\$26,000	\$2,977,000	-\$90,282	\$2,886,718
7	2017-18	\$271,250,000	\$5,000,000	\$266,250,000	\$2,821,000	\$52,000	\$2,769,000	\$26,000	\$2,795,000	-\$83,291	\$2,711,709
8	2018-19	\$253,750,000	\$5,000,000	\$248,750,000	\$2,639,000	\$52,000	\$2,587,000	\$26,000	\$2,613,000	-\$76,300	\$2,536,700
9	2019-20	\$236,250,000	\$5,000,000	\$231,250,000	\$2,457,000	\$52,000	\$2,405,000	\$26,000	\$2,431,000	-\$69,309	\$2,361,691
10	2020-21	\$218,750,000	\$5,000,000	\$213,750,000	\$2,275,000	\$52,000	\$2,223,000	\$26,000	\$2,249,000	-\$62,317	\$2,186,683
11	2021-22	\$201,250,000	\$201,250,000	\$0	\$2,093,000	\$2,093,000	\$0	\$806,000	\$806,000	\$0	\$806,000
12	2022-23	\$183,750,000	\$183,750,000	\$0	\$1,911,000	\$1,911,000	\$0	\$0	\$0	\$0	\$0
13	2023-24	\$166,250,000	\$166,250,000	\$0	\$1,729,000	\$1,729,000	\$0	\$0	\$0	\$0	\$0
14	2024-25	\$148,750,000	\$148,750,000	\$0	\$1,547,000	\$1,547,000	\$0	\$0	\$0	\$0	\$0
15	2025-26	\$131,250,000	\$131,250,000	\$0	\$1,365,000	\$1,365,000	\$0	\$0	\$0	\$0	\$0
Totals:					\$33,072,000	\$10,101,000	\$22,971,000	\$988,000	\$23,959,000	-\$894,262	\$23,064,738

Tax Credit for Value Over Limit in First 2 Years	Year 1	Year 2	Max Credits
	\$0	\$988,000	\$988,000
Credits Earned			\$988,000
Credits Paid			\$988,000
Excess Credits Unpaid			\$0

Attachment 3

Clay County

Population

Total county population in 2009 for Clay County: 10,893, down 0.4 percent from 2008. State population increased 2.0 percent in the same time period. Clay County was the state's 160th largest county in population in 2009 and the 202nd fastest growing county from 2008 to 2009. Clay County's population in 2009 was 91.1 percent Anglo (above the state average of 46.7 percent), 1.2 percent African-American (below the state average of 11.3 percent) and 5.2 percent Hispanic (below the state average of 36.9 percent).

2009 population of the largest cities and places in Clay County:

Henrietta:	3,199	Petrolia:	779
Byers:	510	Bellevue:	377
Dean:	340	Jolly:	185

Economy and Income

Employment

September 2010 total employment in Clay County: 5,756 , up 2.5 percent from September 2009. State total employment increased 1.2 percent during the same period.

September 2010 Clay County unemployment rate: 6.2 percent, down from 7.5 percent in September 2009. The statewide unemployment rate for September 2010 was 8.1 percent, unchanged from 8.1 percent in September 2009.

September 2010 unemployment rate in the city of: NA

(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

Clay County's ranking in per capita personal income in 2008: 88th with an average per capita income of \$33,840, up 6.9 percent from 2007. Statewide average per capita personal income was \$37,809 in 2008, up 2.6 percent from 2007.

Industry

Agricultural cash values in Clay County averaged \$90.16 million annually from 2006 to 2009. County total agricultural values in 2009 were up 9.9 percent from 2008. Major agriculture related commodities in Clay County during 2009 included:

Hay	Wheat	Milk Cows	Horses	Other Beef
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2010 oil and gas production in Clay County: 323,359.0 barrels of oil and 570,951.0 Mcf of gas. In September 2010, there were 1066 producing oil wells and 40 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Quarterly (January 2010 through March 2010)

Taxable sales in Clay County during the first quarter 2010: \$4.29 million, down 3.3 percent from the same quarter in 2009.

Taxable sales during the first quarter 2010 in the city of:

Henrietta:	\$1.90 million, down 2.3 percent from the same quarter in 2009.
Petrolia:	\$388,369.00, up 17.3 percent from the same quarter in 2009.
Byers:	\$161,847.00, up 5.7 percent from the same quarter in 2009.
Bellevue:	\$148,827.00, down 15.0 percent from the same quarter in 2009.
Dean:	\$66,840.00, up 49.6 percent from the same quarter in 2009.
Jolly:	\$531,729.00, down 4.7 percent from the same quarter in 2009.

Annual (2009)

Taxable sales in Clay County during 2009: \$19.10 million, down 8.4 percent from 2008.

Clay County sent an estimated \$1.19 million (or 0.01 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009.

Taxable sales during 2009 in the city of:

Henrietta:	\$8.43 million, down 7.1 percent from 2008.
Petrolia:	\$1.55 million, up 58.5 percent from 2008.
Byers:	\$654,383.00, up 2.2 percent from 2008.
Bellevue:	\$739,066.00, down 8.2 percent from 2008.
Dean:	\$192,076.00, down 22.0 percent from 2008.
Jolly:	\$2.44 million, down 9.4 percent from 2008.

Sales Tax – Local Sales Tax Allocations

Monthly

Statewide payments based on the sales activity month of September 2010: \$541.48 million, up 8.1 percent from September 2009.

Payments to all cities in Clay County based on the sales activity month of September 2010: \$51,517.10, up 3.0 percent from

September 2009. Payment based on the sales activity month of September 2010 to the city of:

Henrietta:	\$44,324.61, up 5.3 percent from September 2009.
Petrolia:	\$2,505.05, up 25.8 percent from September 2009.
Byers:	\$1,313.24, down 24.0 percent from September 2009.
Bellevue:	\$2,373.11, up 10.3 percent from September 2009.
Dean:	\$278.83, up 22.7 percent from September 2009.
Jolly:	\$722.26, down 60.2 percent from September 2009.

Annual (2009)

Statewide payments based on sales activity months in 2009: \$5.59 billion, down 7.3 percent from 2008.

Payments to all cities in Clay County based on sales activity months in 2009: \$416,457.33, down 4.6 percent from 2008.

Payment based on sales activity months in 2009 to the city of:

Henrietta:	\$338,434.69, down 4.0 percent from 2008.
Petrolia:	\$21,227.51, up 16.4 percent from 2008.
Byers:	\$11,790.26, down 8.0 percent from 2008.
Bellevue:	\$19,534.93, down 8.8 percent from 2008.
Dean:	\$3,495.62, up 5.3 percent from 2008.
Jolly:	\$21,974.32, down 21.7 percent from 2008.

Property Tax

As of January 2008, property values in Clay County: \$1.34 billion, up 7.0 percent from January 2007 values. The property tax base per person in Clay County is \$122,142, above the statewide average of \$85,992. About 13.5 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Clay County's ranking in state expenditures by county in fiscal year 2009: 172nd. State expenditures in the county for FY2009: \$35.88 million, up 14.9 percent from FY2008.

In Clay County, 8 state agencies provide a total of 36 jobs and \$345,506.00 in annualized wages (as of 1st quarter 2010).

Major state agencies in the county (as of first quarter 2010):

- Department of Transportation
- Parks & Wildlife Department
- Department of Public Safety
- Health & Human Services Commission
- AgriLife Extension Service

Higher Education

Community colleges in Clay County fall 2009 enrollment:

None.

Clay County is in the service area of the following:

Vernon College with a fall 2009 enrollment of 3,167. Counties in the service area include:

- Archer County
- Baylor County
- Clay County
- Cottle County
- Foard County
- Hardeman County
- Haskell County
- King County
- Knox County
- Throckmorton County
- Wichita County
- Wilbarger County

Institutions of higher education in Clay County fall 2009 enrollment:

None.

School Districts

Clay County had 5 school districts with 9 schools and 1,806 students in the 2008-09 school year.

(Statewide, the average teacher salary in school year 2008-09 was \$47,158. The percentage of students, statewide, meeting the 2009 TAKS passing standard for all 2008-09 TAKS tests was 74 percent.)

Bellevue ISD had 175 students in the 2008-09 school year. The average teacher salary was \$40,401. The percentage of students meeting the 2009 TAKS passing standard for all tests was 66 percent.

Byers ISD had 110 students in the 2008-09 school year. The average teacher salary was \$38,841. The percentage of students meeting the 2009 TAKS passing standard for all tests was 67 percent.

Henrietta ISD had 936 students in the 2008-09 school year. The average teacher salary was \$42,830. The percentage of students meeting the 2009 TAKS passing standard for all tests was 86 percent.

Midway ISD had 118 students in the 2008-09 school year. The average teacher salary was \$41,432. The percentage of students meeting the 2009 TAKS passing standard for all tests was 73 percent.

Petrolia ISD had 467 students in the 2008-09 school year. The average teacher salary was \$38,395. The percentage of students meeting the 2009 TAKS passing standard for all tests was 84 percent.