

**Summary of the District's Financial Impact  
of Chapter 313 Agreement  
with Grandview Wind Farm III, LLC**

Prepared by

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**Summary of Panhandle ISD Financial Impact  
of the  
Limited Appraised Value Application  
from  
Grandview Wind Farm III, LLC**

## **Introduction**

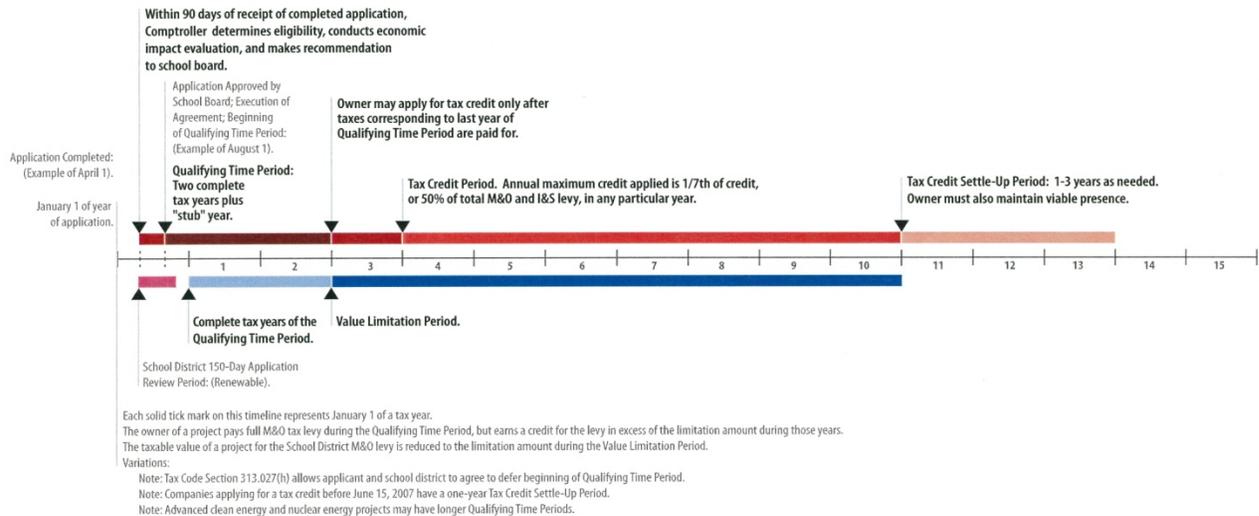
Grandview Wind Farm III, LLC applied for a property value limitation from Panhandle Independent School District under Chapter 313 of the Tax Code. The application was submitted on November 4, 2013 and subsequently approved for consideration by the Panhandle ISD Board of Trustees. Grandview Wind Farm III, LLC (“Grandview Wind III”), is requesting the property value limitation as a “renewable energy electric generation” project as listed in Sec. 313.024.(b) of the Tax Code.

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

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

# Panhandle ISD Financial Impact of Chapter 313 Agreement

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



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

During years three through ten of the LAVA, the qualifying entity’s taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller’s Office. Panhandle ISD is considered a Rural category 2 District as categorized with total taxable value of industrial property of at least \$10 million but less than \$200 million, thus Panhandle ISD

# Panhandle ISD Financial Impact of Chapter 313 Agreement

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has a minimum qualified investment amount of \$20 million. A qualifying entity’s taxable value would be reduced to \$20 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Panhandle ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

## Taxable Value Impact from LAVA

The “Additional Value from Grandview Wind III” represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company’s taxable value will be limited to the \$20,000,000 minimum qualified investment of Panhandle ISD.

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

Tax Year	Additional Value From Grandview Wind III	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2015	2,000,000	n/a	0	2,000,000
Jan. 1, 2016	239,967,750	n/a	0	239,967,750
Jan. 1, 2017	230,369,040	(20,000,000)	210,369,040	20,000,000
Jan. 1, 2018	220,770,330	(20,000,000)	200,770,330	20,000,000
Jan. 1, 2019	211,171,620	(20,000,000)	191,171,620	20,000,000
Jan. 1, 2020	201,572,910	(20,000,000)	181,572,910	20,000,000
Jan. 1, 2021	191,974,200	(20,000,000)	171,974,200	20,000,000
Jan. 1, 2022	182,375,490	(20,000,000)	162,375,490	20,000,000
Jan. 1, 2023	172,776,780	(20,000,000)	152,776,780	20,000,000
Jan. 1, 2024	163,178,070	(20,000,000)	143,178,070	20,000,000
Jan. 1, 2025	153,579,360	n/a	0	153,579,360
Jan. 1, 2026	143,980,650	n/a	0	143,980,650
Jan. 1, 2027	134,381,940	n/a	0	134,381,940

# Panhandle ISD Financial Impact of Chapter 313 Agreement

## Grandview Wind’s Tax Benefit from Agreement

The projected amount of the net tax savings for Grandview Wind III is \$15.261 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

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

- The District has not held a tax ratification election that would approve a M&O tax rate in excess of \$1.04; therefore, the study assumes that they will maintain a M&O tax rate of \$1.04. This does not suggest that Panhandle ISD will not exercise its authority to hold an agreement during this agreement period.
- The district has outstanding bonds that are scheduled to payoff in 2037 and currently have a \$.44 I&S tax rate. The district has received guidance their financial advisor and bond counsel that they can maintain a \$.44 I&S tax rate and pay the bonds off in 2024 or earlier. The district could pursue a bond election and issue additional bonded debt during the life of this agreement.

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

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District’s Revenue Losses	Net Tax Savings
2015-2016	1.04	0.44	20,800	0	n/a	0	0
2016-2017	1.04	0.44	2,495,665	0	n/a	0	0
2017-2018	1.04	0.44	2,395,838	2,187,838	n/a	(1,698,738)	489,100
2018-2019	1.04	0.44	2,296,011	2,088,011	326,809	0	2,414,821
2019-2020	1.04	0.44	2,196,185	1,988,185	326,809	0	2,314,994
2020-2021	1.04	0.44	2,096,358	1,888,358	326,809	(21,245)	2,193,923
2021-2022	1.04	0.44	1,996,532	1,788,532	326,809	(11,500)	2,103,841
2022-2023	1.04	0.44	1,896,705	1,688,705	326,809	(2,307)	2,013,207
2023-2024	1.04	0.44	1,796,879	1,588,879	326,809	0	1,915,688
2024-2025	1.04	0	1,697,052	1,489,052	104,000	0	1,593,052
2025-2026	1.04	0	1,597,225	0	222,809	0	222,809
2026-2027	1.04	0	1,497,399	0	0	0	0
2027-2028	1.04	0	1,397,572	0	0	0	0
<b>Totals</b>			<b>23,380,221</b>	<b>14,707,560</b>	<b>2,287,664</b>	<b>(1,733,790)</b>	<b>15,261,434</b>

# Panhandle ISD Financial Impact of Chapter 313 Agreement

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## Financial Impact Study

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

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

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

# Panhandle ISD Financial Impact of Chapter 313 Agreement

## Calculation of LAVA Impact on District's Finances

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

**TABLE III – District Revenues *without* Grandview Wind III:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue				
2015-2016	435,143,261	4,351,433	1,329,846	0	5,681,279	263,189	5,944,468
2016-2017	439,394,693	4,393,947	1,273,129	0	5,667,076	262,532	5,929,607
2017-2018	443,688,640	4,436,886	1,216,021	0	5,652,908	261,876	5,914,784
2018-2019	448,025,527	4,480,255	1,158,520	0	5,638,776	261,222	5,899,998
2019-2020	560,951,295	5,609,513	15,166	0	5,624,679	323,088	5,947,767
2020-2021	555,891,712	5,558,917	427,991	376,292	5,610,617	255,080	5,865,697
2021-2022	551,635,060	5,516,351	419,815	339,575	5,596,590	254,792	5,851,382
2022-2023	548,121,088	5,481,211	412,067	310,679	5,582,599	254,485	5,837,084
2023-2024	545,294,402	5,452,944	404,740	289,042	5,568,642	254,158	5,822,801
2024-2025	543,104,080	5,431,041	397,824	274,144	5,554,721	253,814	5,808,534
2025-2026	541,503,317	5,415,033	391,307	265,506	5,540,834	253,451	5,794,285
2026-2027	540,449,090	5,404,491	385,174	262,683	5,526,982	253,071	5,780,053
2027-2028	539,901,862	5,399,019	379,409	265,263	5,513,164	252,675	5,765,839

# Panhandle ISD Financial Impact of Chapter 313 Agreement

**TABLE IV- District Revenues *with Grandview Wind III without Chapter 313 Agreement:***

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue				
2015-2016	437,143,261	4,371,433	1,354,306	0	5,725,739	264,399	5,990,138
2016-2017	679,362,443	6,793,624	1,259,690	0	8,053,315	404,052	8,457,367
2017-2018	674,057,680	6,740,577	404,498	1,499,401	5,645,674	269,623	5,915,297
2018-2019	668,795,857	6,687,959	406,719	1,459,874	5,634,804	267,518	5,902,322
2019-2020	772,122,915	7,721,229	392,806	1,653,142	6,460,894	308,849	6,769,743
2020-2021	757,464,622	7,574,646	421,926	2,431,276	5,565,296	302,986	5,868,282
2021-2022	743,609,260	7,436,093	417,542	2,301,958	5,551,676	297,444	5,849,120
2022-2023	730,496,578	7,304,966	413,344	2,180,235	5,538,075	292,199	5,830,274
2023-2024	718,071,182	7,180,712	413,826	2,065,544	5,528,994	287,228	5,816,223
2024-2025	706,282,150	7,062,822	409,922	1,957,369	5,515,375	282,513	5,797,888
2025-2026	695,082,677	6,950,827	410,550	1,855,235	5,506,142	278,033	5,784,175
2026-2027	684,429,740	6,844,297	406,771	1,758,703	5,492,365	273,772	5,766,137
2027-2028	674,283,802	6,742,838	407,560	1,667,370	5,483,027	269,714	5,752,741

**TABLE V – District Revenues *with Grandview Wind III with Chapter 313 Agreement:***

Fiscal Year	Total Taxable Value	M&O Taxes Comp Rate	State Revenue	Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Payment for District Losses	Total District Revenue
2016-2017	679,362,443	6,793,624	1,259,690	0	8,053,315	404,052	0	8,457,367
2017-2018	463,688,640	4,636,886	425,645	1,031,448	4,031,084	185,475	1,698,738	5,915,297
2018-2019	468,025,527	4,680,255	989,558	0	5,669,814	261,113	0	5,930,927
2019-2020	580,951,295	5,809,513	914,481	0	6,723,994	320,309	0	7,044,302
2020-2021	575,891,712	5,758,917	394,634	561,675	5,591,877	255,160	21,245	5,868,282
2021-2022	571,635,060	5,716,351	391,619	525,210	5,582,759	254,860	11,500	5,849,120
2022-2023	568,121,088	5,681,211	388,771	496,557	5,573,425	254,542	2,307	5,830,274
2023-2024	565,294,402	5,652,944	390,656	475,155	5,568,445	254,205	0	5,822,650
2024-2025	563,104,080	5,631,041	388,081	460,482	5,558,640	253,850	0	5,812,490
2025-2026	695,082,677	6,950,827	375,064	559,600	6,766,290	313,779	0	7,080,069
2026-2027	684,429,740	6,844,297	406,771	1,758,703	5,492,365	273,772	0	5,766,137
2027-2028	674,283,802	6,742,838	407,560	1,667,370	5,483,027	269,714	0	5,752,741

# Panhandle ISD Financial Impact of Chapter 313 Agreement

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## Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79<sup>th</sup> Legislative Session and became effective for the 2006-2007 school year. Those formula changes had an effect on the district's financial impact from granting a property value limitation. Due to the district's "Hold Harmless" provision that was enacted in the funding formulas, some districts had the majority of the district's revenue losses in year three of the LAVA offset with additional state funding. The funding that was available to offset those revenue losses was called Additional State Aid for Tax Reduction (ASATR) and those funds were phased out as a result of legislation in the 82<sup>nd</sup> Legislative Session in 2011. This legislation eliminated the ASATR funding for fiscal year 2017-2018 and thereafter and can have a significant financial impact for LAVA agreements that have a year three in 2017-2018 or later. The loss of ASATR funding can again cause a district to experience a significant loss of funds in year three of the agreement and consequently cause the company to have revenue protection payments during that year that are similar to those experienced prior to 2006-2007.

# Panhandle ISD Financial Impact of Chapter 313 Agreement

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## Payments in Lieu of Taxes

Assuming that the District and Grandview Wind Farm III, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Panhandle ISD by Grandview Wind III, the projected amount of these payments over the life of the agreement is \$776,038 of the \$15.261 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

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

Fiscal Year	Net Tax Savings	Panhandle ISD Share \$100/ADA	Grandview Wind III's Share
<b>2015-2016</b>	0	60,596	(60,596)
<b>2016-2017</b>	0	60,444	(60,444)
<b>2017-2018</b>	489,100	60,293	428,807
<b>2018-2019</b>	2,414,821	60,143	2,354,678
<b>2019-2020</b>	2,314,994	59,992	2,255,002
<b>2020-2021</b>	2,193,923	59,842	2,134,080
<b>2021-2022</b>	2,103,841	59,693	2,044,148
<b>2022-2023</b>	2,013,207	59,543	1,953,664
<b>2023-2024</b>	1,915,688	59,395	1,856,293
<b>2024-2025</b>	1,593,052	59,246	1,533,806
<b>2025-2026</b>	222,809	59,098	163,711
<b>2026-2027</b>	0	58,950	(58,950)
<b>2027-2028</b>	0	58,803	(58,803)
<b>Totals</b>	<b>15,261,434</b>	<b>776,038</b>	<b>14,485,396</b>

# Panhandle ISD Financial Impact of Chapter 313 Agreement

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## Impact of Projected Student Growth On District Facilities

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

Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
PreK thru 5	28	616	321	295
6-8	18	360	143	217
9-12	25	500	204	296
<b>Total</b>	<b>71</b>	<b>1,476</b>	<b>668</b>	<b>808</b>

The building capacities are based on 22 students per classroom for the elementary campuses, 20 students for the Jr. High and high school. Panhandle ISD is a kindergarten through 12<sup>th</sup> grade district.

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

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

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

# Panhandle ISD Financial Impact of Chapter 313 Agreement

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## Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Grandview Wind Farm III, LLC, would be beneficial to both Grandview Wind III and Panhandle ISD under the current school finance system.

Grandview Wind Farm III, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Grandview Wind III is projected to benefit from a 83% tax savings over the first eleven year period of this agreement. Grandview Wind III also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

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