



AN OVERVIEW OF CHAPTER 313 AND RECAPTURE AT G-PISD FOR THE 2022-2023 SCHOOL YEAR

CHAPTER 313 AGREEMENTS

Tax value limitation agreements are a part of a state program in Chapter 313 of the Texas Tax Code originally created in 2001 which allows school districts to limit the taxable value of an approved project for the Maintenance & Operations (M&O) component of the tax rate. This does not apply for the Interest & Sinking (I&S) component of the tax rate that is used to repay debt from bonds for construction, so property is taxed at full value for the I&S fund. Since the property value is fully taxable for debt service, this is a key benefit for Gregory-Portland ISD and its taxpayers. The M&O taxable value is limited for 10 years. The district currently has ten (10) Chapter 313 agreements valued at approximately \$11.5 Billion for the 2022 Tax Year:

Project No.	Project Name	First Tax Year
299	voestalpine Texas, LLC (\$772.5 mil.)	2014
1091	Apex Wind Energy (\$91.5 mil.)	2017
296	Corpus Christi Liquefaction, LLC-Train 1 (\$3.3 bil.)	2019
297	Corpus Christi Liquefaction, LLC-Train 2 (\$1.9 bil.)	2019
298	Corpus Christi Liquefaction, LLC-Train 3 (\$1.8 bil.)	2021
1179	Corpus Christi Liquefaction, LLC-Train 4	2022
1180	Corpus Christi Liquefaction, LLC-Train 5	2023
1156	ExxonMobil	2022
1155	ExxonMobil GCGV Asset Holding	2022
1154	ExxonMobil Sabic US Project	2022

Any reduction in M&O revenue due to limitation that is not addressed by the school funding formulas is made up by the company through revenue-protection and supplemental payments. In order to qualify for a value limitation agreement, each applicant is required to meet a series of capital investment, job creation, and wage requirements specified by state law.

- **Revenue protection** payments are any reduction in M&O revenue due to limitation that is not addressed by the school funding formulas.
- **Supplemental payments** are allowed under the law not to exceed \$100 per ADA per year. A common target of recovery is 40 percent of the tax savings of the project.

What benefits does G-P ISD obtain from this part of the agreement?

Since the 2016-2017 school year, G-PISD has received approximately \$77.5 Million through revenue-protection and supplemental payments. G-PISD is able to utilize these additional funds without restriction for above and beyond academic purposes such as teacher salaries, instructional materials, and facility improvements due to not being considered in current law school finance formulas. In essence, G-PISD has capitalized on ensuring a high performing and engaged workforce throughout South Texas with competitive teacher salaries starting at \$60,000 for the 2022-2023 school year.

In addition, G-PISD has been committed to addressing capital improvements needs through school bonds since 2012. Due to Chapter 313 agreements not impacting the I&S component of the tax rate, school districts are able to capitalize of school bond capacity based on total appraised property values for these projects.

For example, G-PISD called a bond election for November 8, 2022 for approximately \$242 Million. This is possible because forecasted I&S net taxable values enable the school district to leverage bond dollars and as noted above, G-PISD is able to collect taxes on 100% of this total taxable value through the current I&S tax rate of \$.2500.

RECAPTURE

Recapture is a method of equalizing varying degrees of property wealth among Texas school districts. The Texas Legislature created recapture in 1993 in response to a Texas Supreme Court ruling which found that the state's heavy reliance on local property taxes to fund public education had created unconstitutional disparities in the amount of money that each district had to educate students.

A series of formulas determines a school district's entitlement, which is the amount of funding the district should have to educate each student. If the district's tax rate brings in revenue in excess of entitlement, the state takes those excess dollars away. If recapture-paying districts set a lower tax rate, the state reduces their entitlement. The state is recapturing an estimated \$350,000 from Gregory-Portland ISD in 2022. As Chapter 313 agreements end at 10 years for each investment project, the district's taxable property values will increase significantly. As a result, the amount the state will recapture from the district is predicted to increase to \$46 million in 2027, based on current-law school finance formulas.

FORECAST

As a result, the district recently completed a 5-year financial forecast to prepare for future effects. Nonetheless, the primary objective is upholding the vision, mission, and top priorities within the adopted 2021-2025 balanced scorecard: 1) Exceptional Student Performance, 2) High Performing and Engaged Workforce, 3) Quality Service and Impactful Community Engagement, and 4) Efficient and Effective District and Campus Operations.