Chapter 313 Agreements

History

- The Texas Chapter 313 program was created in 2001 by the Texas Legislature through House Bill 1200.
- The official name was the *Texas Economic Development Act*.

Purpose

- The purpose of the Economic Development Act was to ***encourage large-scale capital investments, create high-paying jobs, strengthen and improve the Texas economy and expand local property tax base*** by providing economic development incentives.
- Allowed public school districts to offer temporary, ***10-year property tax limitations.***

How the Program Worked

- **The Exchange:** A large business agreed to build or install costly property (e.g. manufacturing plant or renewable energy project) and create high-paying local jobs.
- **The Tax Break:** In return, the school district capped the appraised taxable value of the company's new property for M&O taxes for 10 yrs.
- **Partial Limitation:** The tax limitation only applied to the M&O portion of local school taxes, meaning the company still paid taxes on the full value for debt service (interest and sinking funds) after the limitation period expired
- **Expiration:** The original Chapter 313 program expired at the end of 2022 and is no longer accepting new applications.
- **Manor ISD has two active applications that become active in 2035.**

Financial Impact to Samsung

- ❑ Samsung Taxable Value Limitation Beginning TY2035 = $80MM p/Yr Cap
- ❑ **Potential Tax Benefit During Limitation Period = $415.0MM (89%)**

Financial Impact to Manor ISD

- ❑ (TY2025-2029) Supplemental Payments = $4.3MM (Non-limitation Period)
- ❑ (TY2035-2052) Supplemental Payments = $15.6MM (Limitation Period)
- ❑ (TY2035-2052) M&O Add'l State Aid for Chap 313 = $33.5MM
- ❑ **Potential Tax Revenue Benefit = $53.5MM (11%)**

Notes: Supplemental Payments are outside of the state funding formulas and not subject to state recapture. The total tax revenue to the district was agreed to be capped at 11%. Should funding to the district fall below the cap, Samsung will pay a revenue loss payment at the end of each year.