

Texas Economic Development Act (Tax Code, Chapter 313)

Payments in Lieu of Taxes

School District	WADA	Estimated Payments	Payment per WADA per year	
Sterling City	441	47,001,182	9,689	four projects
Borden Co	303	20,449,215	6,135	three projects
Loraine	269	15,139,715	5,116	two projects
Blackwell	292	15,348,039	4,778	two projects, plus three undetermined
Palacios	2,151	64,330,741	2,719	two projects
Plemons-Stinnett- Phillips Cnsld	992	19,739,089	1,809	two projects
Roscoe	477	9,412,838	1,794	
Sabine Pass	624	11,282,626	1,644	
Gruver	738	10,793,944	1,330	three projects
Priddy	247	3,559,054	1,310	
Robert Lee	490	6,245,833	1,159	two projects
Wildorado	145	1,797,857	1,127	
Lohn	263	3,058,035	1,057	
Hermleigh	390	4,425,073	1,031	two projects
Spur	496	5,170,701	948	
Bryson	455	4,581,867	915	
Lingleville	344	3,113,147	823	
Perrin-Whitt Cnsld	593	5,314,296	815	
Mullin	297	2,659,642	814	
Highland	372	3,298,831	806	two projects, plus one undetermined
Albany	1,035	6,794,750	597	
Forsan	987	6,459,932	595	two projects
Muenster	869	5,603,042	586	
Blanket	466	2,414,746	471	
Coahoma	1,201	6,145,103	465	
Paducah	447	2,217,142	451	
Jim Ned	1,574	6,984,537	403	
Iraan-Sheffield	1,142	4,688,079	373	

Data: Comptroller of Public Accounts, *Report of the Texas Economic Development Act*, January 2009, Table 5.

Calculations by Center for Public Policy Priorities

Port Arthur	10,921	37,311,279	311	two projects, plus three undetermined
Moran	271	920,793	309	
Clyde Cnsld	2,098	6,738,552	292	
Jacksboro	1,522	4,750,872	284	
Clarendon Cnsld	929	2,549,865	250	
Zyphyr	335	784,304	213	
McLean	398	872,629	199	
Calhoun Co	5,439	11,888,298	199	two projects
Port Neches-Groves	5,321	11,000,000	188	
Brady	2,062	3,932,438	173	
Stanton	1,274	2,422,163	173	two projects
Comanche	1,955	3,272,889	152	two projects, plus three undetermined
Sunray	832	1,339,297	146	
Rochelle	375	544,755	132	
Channing	302	390,223	117	two projects
Snyder	3,123	2,584,387	75	
Big Spring	4,736	3,768,234	72	
Grady	393	290,795	67	
Sweetwater	2,937	1,821,000	56	
Dalhart	2,225	1,200,000	49	
Sweeny	2,445	787,509	29	
Baird	598	152,423	23	
Ector Co	31,909	7,189,419	20	
Plainview	7,789	1,132,763	13	four projects
Southwest	13,991	2,000,000	13	
Beaumont	23,493	2,467,608	10	one project, plus one undetermined
Bazosport	16,510	400,000	2	one project, plus one undetermined
Round Rock	46,774	185,281	0	
Klein	51,729	170,000	0	
		410,896,832		
Austin	101,681	two undetermined		
Ingleside	2,735	undetermined		
Manor	7,093	undetermined		
Plano	64,321	undetermined		
Vega	536	undetermined		

Data: Comptroller of Public Accounts, *Report of the Texas Economic Development Act*,
January 2009, Table 5.

Calculations by Center for Public Policy Priorities

Texas schools get millions from wind farm deals

By DANNY ROBBINS Associated Press Writer © 2009 The Associated Press

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STERLING CITY, Texas — Property values are soaring in this West Texas community, and the reason is obvious. Looming on the northern horizon, hundreds of newly-built wind turbines dot the once-barren mesas.

Ordinarily, much of the tax dollars generated by the turbines would go to the state's "Robin Hood" school finance plan, which requires property-rich districts to share their wealth with those less fortunate. But that won't happen in Sterling City, at least not if school officials have their way.

The school district with an enrollment of 201 is among the dozens on Texas' wind-swept plains that have cut deals allowing them to collect hundreds of millions of dollars from wind farms without sending any of the money to the state. The deals give the energy companies operating the turbines massive tax breaks. In return, the school districts get part of the savings, all of it beyond "Robin Hood's" reach.

The Associated Press, using data compiled by the state comptroller's office, found that the agreements will allow 44 school districts to receive nearly \$248 million over the next 10 years, the districts' cut of more than \$700 million in tax breaks they granted wind farm operators. Another 21 school districts have made similar deals, but the agreements had not been completed when the data was collected by the comptroller.

The money, the magnitude of which has only recently become known, has led to a brewing controversy. School officials believe their districts — many of them small, rural and historically lacking in resources — deserve a payday that is theirs alone. But some watchdog groups and lawmakers contend that the windfall should be included in the state program to equalize funding for all students.

"Some of these districts ... they're twice as rich as anybody else," said Clint Carpenter, a former school superintendent and now an education professor at Texas Tech, where he has been researching the deals.

Wind industry officials say the tax breaks offered by Texas school districts have helped lure wind farms to the state, making it the top wind power producer in the nation.

"(Energy companies) don't have to be here," said Greg Wortham, executive director of the West Texas Wind Energy Consortium, an industry interest group based in Sweetwater. "They're going to be anywhere the wind blows, and that covers a million square miles."

The money being channeled back to the school districts, known as payments in lieu of taxes, or PILOT agreements, should be considered a "finder's fee" for putting the deals together, Wortham said.

"It seems like a totally reasonable thing to me," he said

But critics contend that wind farms would come to Texas even without the tax breaks, that the payments to the school districts are little more than kickbacks and the deals could cost the state billions in lost tax revenue.

"It's the school districts giving away the state's money, and the state has nothing to say about it," said Dick Lavine, senior fiscal analyst for the Austin-based Center for Public Policy Priorities.

Greg Leroy, executive director of Good Jobs First, a Washington, D.C.-based group that monitors economic development, said payments in lieu of taxes are often part of the deals when governments offer tax breaks. But he said wind farm deals are questionable because they are designed to get around the state's school funding requirements.

"The fact that the school board gets to treat it like it's off the books and take it out of the equalization formula, we think that's a recipe for mischief," he said.

The deals have their basis in the Texas Economic Development Act, a 2001 law that allows school districts to offer tax breaks similar to those handed out by county and city governments. Such property is taxed at full value for two years and then at a limited value for eight. A negotiated portion of the savings is passed on to the district.

The law was intended to attract manufacturing and other large employers to Texas, but it has mainly been used for wind energy, an industry that creates few permanent jobs. The 90 deals reviewed by the comptroller included 61 related to wind farms and 23 for manufacturing plants. The number of jobs proposed by the wind farms was 476, or roughly eight per farm, compared to the 4,328 proposed by the manufacturing operations. The deals, consummated with little public attention or government scrutiny, have recently drawn interest from lawmakers and other officials as a result of the comptroller's data, which was published in January.

"Many, many people, including many legislators, did not know that these arrangements were commonplace," said Robert Wood, director of local government assistance and economic development in the comptroller's office.

Several bills dealing with the issue have been introduced in the Legislature, including one by Rep. Lois Kolkhorst, R-Brenham, that would require school districts to include such payments in the "Robin Hood" formula.

Kolkhorst, formerly an economic development official in Brenham and Washington County, said she was stunned to learn that districts were using the law to circumvent the school finance system.

"When I worked in economic development, the incentive was to get jobs, which would then fuel the economy, not some kind of off-balance sheet accounting," she said.

During a meeting of the House Ways and Means committee Wednesday, committee chairman Rene Oliveira, D-Brownsville, and others on the panel expressed incredulity at the arrangements. Noting he was a joint author of the economic development act, Oliveira said, "I didn't know I was creating a Frankenstein."

Perhaps nowhere is the matter better defined than on the ranch land of Sterling County, where four wind farms have been built and a fifth is planned.

The four projects already in place will allow the Sterling City school district, the only one in the county, to collect at least \$47 million over the next decade as compensation for more than \$100 million in tax breaks it gave to wind farm operators.

The district, rich in oil and gas reserves, has been regarded as wealthy since the "Robin Hood" law went into effect in 1993, and its superintendent, Ronnie Krejci, makes no bones that the wind deals were made largely to give the district money the state can't recapture.

"My argument, on behalf of Sterling City ISD, is we have paid our dues with 'Robin Hood,'" he said.

Rising property values tied to the wind farms have already allowed the district to pass an \$11.2 million bond to pay for new elementary and middle schools, a new gym and other facility improvements.

If the PILOT deals pay off as expected, the district could also increase teacher salaries, upgrade technology and create a program to fund college scholarships, Krejci said.

"We sacrificed a beautiful landscape for wind turbines to be built," he said, "because we could see what they could do financially for this school district."

