



# Why do we consider approval of Chapter 313 "Tax Limitation" Agreements w/ Industry?

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100% TAX REVENUE FOR SCHOOL BONDS

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MINIMIZES RECAPTURE FROM M&O REVENUE

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PROTECTION FROM REDUCED STATE FUNDING

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SUPPLEMENTAL PAYMENTS PROVIDED, NOT SUBJECT TO RECAPTURE

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ALLOWS TIME TO PREPARE FOR HIGHER RECAPTURE

It's a **FINANCIAL** opportunity for school districts to manage local changes under wealth equalization ("Robin Hood") law.

Two school district revenue sources are funded by local tax dollars: The Maintenance & Operations (M&O) Fund that pays teacher salaries and all other operational needs, and the Interest & Sinking (I&S Debt Service) Fund that is ONLY for school bonds. ALL Texas school districts are subject to wealth equalization. This means the state declares a certain amount of funding per student that a district may use for district operations (M&O revenue) -- beginning with the basic allotment of \$6,160 per student. When district revenue EXCEEDS the foundation school program state entitlement, recapture payments must be made to the state.

Chapter 313 agreements with industry can limit tax revenue paid to the M&O fund for up to 10 years, which minimizes the amount of recapture owed from a district and allows time to prepare for impending recapture. This limitation protects the district from higher reductions in state funding for operations; industry makes revenue protection and supplemental payments, in turn, for these Chapter 313 tax limitation agreements. Meanwhile, the district is still receiving 100% of taxes from industry for I&S revenue at all times - meaning school bonds can be offered with higher bond capacity, often with little or no increase to the total tax rate. This revenue can only be accessed with voter approval.

**ABOUT G-PISD AGREEMENTS:** Agreements have been approved in recent years in keeping with strategic financial management practices that have allowed our district to save millions in M&O revenue (keeping local dollars local for our students), and also billions in valuation that have impacted our ability to provide school bond opportunities with no increase to the total tax rate. Visit our website for more details!

Can industry decide to locate or build in our area with or without an approved Chapter 313 Agreement? **YES, they can.**

