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Opinion: Don't Ask Texas Schoolchildren to Fund Your Corporate Expansion

Central Texas Interfaith calls on tech companies to withdraw their applications for Chapter 313 tax breaks

BY MICHAEL FLOYD, APRIL 22, 2022, COLUMNS

Central Texas schoolchildren and taxpayers are getting ripped off by large corporations rushing to take last-minute advantage of a failed state program that will be phased out by the end of this year. Applied Materials, with \$23 billion in 2021 profits, has applied to Hutto ISD for a decade's worth of Chapter 313 tax breaks, and Germany-based Infineon Technologies, with a market capitalization of over 50 billion euros, wants the same from Del Valle ISD. Chapter 313 of the Texas Tax Code authorizes school districts to give 10-year tax abatements as incentives to companies and then get reimbursed by the state. This arrangement is problematic in every way. School districts are reimbursed by Texas taxpayers with over \$1 billion per year in state dollars that could otherwise be used for the educational system as a whole, so relatively few school districts benefit at the expense of the majority.

Major exposés in the *Texas Observer* and *Houston Chronicle* have uncovered that Chapter 313 has been costing Texas schools over \$1 billion annually, that the tax incentives usually play no major role in a company's decision to relocate in Texas, and that the good jobs promised by this corporate giveaway often haven't materialized. When Central Texas Interfaith and our Texas IAF sister organizations, along with allies, pointed this out to lawmakers in the last legislative session, no wonder there was bipartisan agreement that Chapter 313 should not be renewed beyond 2022.

Our "Losers and Winners" analysis demonstrated to legislators that if this lost \$1 billion was distributed to each school district on a per-student basis, 95% of students were in districts that lost potential money to Chapter 313. For example, AISD loses a potential \$10 million per year, Bastrop ISD \$1.5 million per year, and Round Rock nearly \$7 million per year, while the biggest winners are major oil, gas, and [liquefied natural gas] companies like Corpus Christi Liquefaction, which gains \$56 million per year from 313 agreements.

Now that time is running out, there is a last-minute rush by oil, gas, and major manufacturing companies to take advantage of Chapter 313 before it expires in December. This includes some high-tech firms already in Central Texas like Applied Materials and Infineon, even though Chapter 313 is supposedly intended to encourage companies to relocate to Texas, not to finance the expansion of companies already here. The Texas comptroller even tried to make it easier for companies to apply by relaxing the reporting rules, so that they would not have to give information that could be used to monitor their performance. Public outcry led by the likes of CTI finally made him relent.

Chapter 313 is based on a self-contradictory notion of economic development. Austin has become recognized as the best city in the country for high-tech growth, not because of tax-abatement incentives, but because employers are attracted by the supply of highly skilled employees. The growth of high tech in the Austin area depends upon a large pool of top talent, which in turn depends upon a steady flow of well-qualified students from well-funded STEM programs in both public schools and universities. High-tech growth cannot be achieved by a program that pits local school districts against one another in a contest for diminishing funds, thus undermining their ability to provide the costly STEM education that high-tech firms require.

Central Texas Interfaith has worked for years on city and county tax incentive policies, ensuring that in exchange for these breaks, companies must pay living wages, benefits, and have a career ladder and a strategy to hire locally. But we draw the line at school districts: It is shameful to take money from schoolchildren to bolster the profits of major corporations.

It would be better let Chapter 313 die a natural death before it does anymore harm. To corporations currently applying for Chapter 313 incentives, we say: Withdraw your applications. To school district boards considering 313 applications, we say: Just say no. To local leaders and chambers of commerce, we say: Unite to oppose this corporate welfare steal.

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