

EDUCATION

Time ticking for Austin school board to vote on proposed tax breaks for NXP Semiconductors

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A week ahead of a planned vote on a controversial multimillion-dollar taxing agreement with tech industry giant NXP Semiconductors, it remains unclear whether the Austin district's school board can take action on the proposed deal.

Approval of the agreement, worth hundreds of millions in tax breaks for the company and millions in additional money for the district, is on a time crunch as the state legislation that the proposed deal is based upon expires at the end of the year.

In addition, four newly elected board members, several of whom have expressed opposition to the proposal, are weeks away from taking their seats and changing almost half of the board's makeup.

Proposed tax breaks

The proposal, called a Chapter 313 agreement, would give Netherlands-based NXP a break on school district taxes over 10 years on one or both of its proposed expansion projects within the district's taxing boundaries.

Under a Chapter 313 agreement, the district agrees to cap the taxable value of the company's improved property. The company then pays the district a fee in lieu of additional property tax revenue.

For the company, this means a tax break.

For the district, the deal means millions in revenue not subject to the state's recapture program, which collects money from property-rich districts — like Austin — and redistributes funds to supplement education costs at districts that have less property wealth per student.

The recapture program's formula has been an ongoing woe for school board members and officials. In Austin, more than half of the district's tax revenue — \$846 million — is recaptured by the state, according to district data.

NXP, which last year made \$11 billion in revenue, has two chip factories in Austin and is seeking \$140.5 million in tax breaks for a larger project and \$22.8 million for a smaller project.

The larger \$2.6 billion project would deliver \$64 million to the district above what it's currently getting, while the second project, worth \$1.2 billion, would bring in an additional \$12 million for the district.

These estimates assume no change in the district's tax rate over the next 10 years.

The more expensive project would create 350 new jobs and the smaller one would create 150, both at a minimum salary of \$68,500, according to the company.

The projects

During an informational board meeting Thursday night, district officials and representatives from third-party consulting firms prepared board members for a possible vote on the deal next week.

If the deal moves forward, the district would also want to partner with NXP to get students industry ready, said Jacob Reach, chief of governmental relations and board services.

“Some of the major focus is on how we recognize if this is a partnership with NXP, how are we building out our own manufacturing pipeline?” Reach said.

The \$2.6 billion investment includes constructing a 520,000-square-foot fabrication plant and 47,000-square-foot central plant at 3501 and 2949 Ed Bluestein Blvd., alongside existing chip fabrication plants, according to the application. The project would enable production of advanced analog and logic devices for the auto industry.

The smaller project would expand the company's 6501 W. William Cannon Drive site, which would make way for production of advanced analog and logic devices for NXP's foundry business, the company said.

NXP plans on creating some kind of career and technical training partnership if the deal goes through, company spokesperson Jacey Zuniga said.

"Through these programs, we are providing them access to NXP engineers and experts as well as experiences to prepare them for jobs in the semiconductor space," Zuniga said.

However, neither project will happen without school district support, Zuniga said.

"The bottom line is, without local incentive support, NXP will not be able to apply for CHIPS Act funding for its Texas sites," Zuniga said, referring to the federal Creating Helpful Incentives to Produce Semiconductors for America Act, which provides \$280 billion to boost the semiconductor industry.

Time crunch

Whether the board will vote on the agreement next week, as it's scheduled to, remains unclear.

The Texas Comptroller of Public Accounts must sign off on all Chapter 313 agreements, and it hadn't done so for the NXP proposal as of Friday.

In last year's legislative session, state lawmakers declined to renew the 20-year Chapter 313 program so it will expire at the end of this year. Because of that, the comptroller is facing a deluge of proposals to approve before that deadline.

However, if the board doesn't vote on the proposal next week, the decision could fall to a group with four newly elected members, some of whom oppose the project.

Andrew Gonzales, who unseated District 6 representative and board President Geronimo Rodriguez on Tuesday, noted during a public comment on Thursday that if given the chance, he would vote against the NXP proposal.

Incoming District 1 Trustee Candace Hunter wrote on Facebook after the Thursday meeting that her prerecorded public comment didn't play because of technical issues, but she expressed skepticism of any Chapter 313 agreement.

"I know the board's chief concern is how this agreement will impact our students and it must do everything it can to mitigate the fallout of recapture, but with this agreement, what is the net impact for the children of Texas?" Hunter said.

District 2 Trustee Ofelia Zapata, who was absent Thursday, expressed opposition to the deal through a written statement Rodriguez read for her.

“This program has been shown to be destructive to our state budget,” Zapata, whose seat was not up for election this year, said in her statement. “If we believe, as a board, a program is harmful on any level, we should oppose it”

Supporters and critics

People who called in during Thursday's informational session were split on their support for any agreement with NXP.

Those in favor of the deal said it would bring money to the Austin district that isn't subject to the state's recapture program and would support local industry.

“NXP is an important part of our semiconductor manufacturing ecosystem in Austin,” said Laura Huffman, president and CEO of the Greater Austin Chamber of Commerce. “This is an important part of our strategy in the region.”

Others opposed the deal because they worried the tax breaks wouldn't benefit the district and would divert public money from Texas students.

Multiple members of Central Texas Interfaith, a group of nonprofits that advocates for various community interests, spoke in opposition to the proposal.

“We're not anti-economic development,” said the Rev. Miles Brandon of St. Julian of Norwich Episcopal Church and member of Central Texas Interfaith. “We believe that all of the dollars we can possibly put together in this state should go to educate our children.”

The board's next regular meeting is scheduled for 6 p.m. Thursday.

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