

News from Texans for Public Justice

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TPJ Calls on Perry, Dewhurst & Straus To Investigate State Grant to Sematech

Did Sematech Cheat on Texas By Loving New York in the Middle of its \$40 Million Subsidy Deal?

Austin—Texans for Public Justice today urged Texas' top three officials who oversee the Texas Enterprise Fund (TEF) to investigate if Sematech, Inc. violated the 2004 contract it signed to obtain \$40 million in state funds. Governor Rick Perry's highly-touted Enterprise Fund awarded the high-tech consortium \$40 million in 2004 to establish the Advanced Material Research Center (AMRC) in Austin. Sematech's subsequent dealings with the State of New York strain the terms of its TEF contract—arguably to the breaking point. In a letter today to Governor Perry, Lieutenant Governor David Dewhurst and Speaker Joe Straus, TPJ called for a probe into Sematech's contract compliance, urging the officials to either “enforce compliance or recover the scarce funds that failed to deliver the promised benefits.”

Sematech's January 1, 2004 development agreement with Texas (approved by Perry, Dewhurst and then-Speaker Tom Craddick) awarded the company a \$40 million grant in return for its contractual commitments: To maintain an average of 400 Texas employees; To not establish any significant facility outside the state; and To not transfer any core managerial or operational functions based in Texas outside of the state. The agreement also forbids Sematech from negotiating with any governmental entities to transfer operations or establish new facilities outside of Texas.

Nevertheless, Sematech has negotiated with New York to establish new facilities in Albany and move most, if not all, of its Texas operations and employees there. Company documents indicate Sematech's Austin-based employees dropped from 640 in 2004 to 124 or fewer in 2009. In 2007, Sematech entered into an agreement with the Research Foundation of the State University of New York (SUNY) to “establish the headquarters and administrative, programmatic and technical operations of International Sematech at the [SUNY] facilities in Albany.” Sematech has pledged to invest upwards of \$300 million in the Albany project.

"The Enterprise Fund is crying out for greater accountability, transparency and oversight. The Sematech fiasco highlights Governor Perry's conflicts in both awarding and enforcing Enterprise Fund grants," said Craig McDonald, director of Texans for Public Justice. "The governor is quick to tout the promised jobs but slow to make corporate welfare recipients live up to the terms of their handouts."

Last January, TPJ published an [in-depth analysis](#) of 45 TEF projects that took \$363 million in public funds, promising to create 47,735 jobs. A review of their 2008 compliance reports revealed that the projects had produced only 31,319 jobs, with just 13 of the 45 projects performing well.

“If Sematech is two-timing Texas, Perry needs to get our \$40 million back,” added McDonald.

View [TPJ's letter](#) to Perry, Dewhurst and Straus.

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