

Last Word: The CHIPS Act

How is the Chips Act driving investment in the U.S., and how can local initiatives help?

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In August 2022, President Biden signed the \$50+ billion CHIPS and Science Act (“CHIPS Act”) into law to encourage domestic investment in the semiconductor industry and alleviate dependency on foreign chip manufacturing. The semiconductor industry impacts almost all aspects of the U.S. economy and daily life — examples include automobiles, cell phones, and electronics vital to national security. To understand the significance of the new legislation, it is important to look at the history of the semiconductor industry in the U.S.

{{RELATEDLINKS}} In the late 1980s and 1990s, semiconductor companies became early investors in offshoring their assembly and manufacturing plants to lower cost locations, mostly in eastern Asia. Land, taxes, and government regulations were among several reasons why offshoring became so cost-effective, along with the chips’ high value-to-weight ratio, making them easy to import back to the U.S. The U.S. simply could not compete with foreign government subsidies. As a result, only 10 percent of today’s world chip supply is produced in the U.S., despite being invented domestically.

How is The CHIPS Act driving investment in the U.S., and how can local initiatives help? The CHIPS Act reinvigorates U.S. semiconductor strategy and creates a federal landscape in which the industry can potentially afford to reinvest in the U.S. This is imperative to advance future projects and increase domestic production, as supply chain disruptions continue to plague U.S. OEMs and foreign manufacturing becomes more unreliable. As federal support continues to drive additional investment in the semiconductor industry, it is important for state and local governments to come to the table as well.

Dynamics between the federal, state, and local levels are of vital importance in leveraging federal investment. More specifically, it is paramount that state and local entities demonstrate a united front on their position as it relates to the CHIPS Act. For those locations seeking to attract the sector, state and local elected officials may do well to indicate a clear commitment to the semiconductor industry, first and foremost by noting their support of the CHIPS Act. This may be demonstrated through mechanisms such as writing a letter of support or showing a willingness to move at the speed of the industry.

Some additional examples of this commitment may include regular communications between officials and OEMs/suppliers, for example by assembling a semiconductor task force to advocate on their behalf at the federal level. Further, state and local governments may offer incentives, like a long-term tax credit or workforce investment program, or provide an ombudsman to assist current and new semiconductor companies with items such as talent identification and permitting. Finally, states and localities may invest in their educational systems by such means as creating relevant training programs, ultimately building an ecosystem around the industry. The CHIPS Act creates a federal landscape in which the industry can potentially afford to reinvest in the U.S.

The CHIPS Act has provided the U.S. with an exceptional opportunity for domestic investment through the semiconductor industry. Additionally, this legislation may serve as a gateway to increase investment and encourage

even more domestic production in adjacent industries. Federal, state, and local initiatives will become more important than ever in advancing future projects as companies begin to draft and submit their CHIPS Act applications and the true impact of this legislation comes to fruition.



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