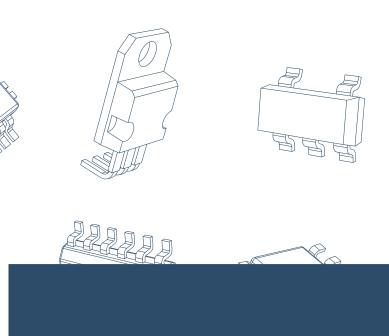
CHIPS for AMERICA

A Strategy for the CHIPS for America Fund Executive Summary

President Biden signed the bipartisan Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022 to tackle some of the biggest manufacturing and innovation challenges of our time. The Act will invest \$50 billion through the Department of Commerce's CHIPS for America Fund to revitalize the domestic semiconductor industry, protect American national and economic security, preserve U.S. leadership in the industries of the future, create goodpaying jobs, and build strong communities here in the United States. This Executive Summary provides an overview of "A Strategy for the CHIPS for America Fund," the full text of which can be found here.

The pandemic shed light on what many already knew—moving so much manufacturing overseas over the last several decades put America's national security and competitive edge at risk. The semiconductor industry's geographic concentration in Southeast Asia leaves the United States vulnerable to major disruptions from climate events, geopolitical tensions, and global pandemics. In the last year, disruptions in the supply



chain for semiconductors have stalled factories, furloughed workers, and reduced access or increased costs for everything from automobiles to appliances, medical devices, mobile phones, and military systems.

The CHIPS for America Fund tackles these problems by reshoring the manufacturing of semiconductors, while advancing American research and development (R&D).

The CHIPS for America Fund will:

- Protect U.S. national and economic security
 by establishing and expanding U.S. production
 of the most advanced semiconductors and
 chips essential to defense and critical manufacturing industries. The CHIPS for America
 Fund will ensure the U.S. will not be in a position where its national security interests are
 compromised or key industries are immobilized due to our inability to produce critical
 semiconductors.
- Preserve U.S. leadership in the industries of the future by investing in R&D and emerging



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microelectronics technologies. R&D investments will ensure the continued U.S. leadership in emerging technology that has underpinned our economic prosperity.

• Create good-paying jobs and build strong communities. The CHIPS for America Fund will support the growth of a vibrant U.S. semi-conductor industry that supports quality jobs and a diverse workforce. Workforce development investments will create jobs in communities around the country and create opportunities to increase industry participation for economically disadvantaged individuals and populations that may be underrepresented in the industry, such as women, people of color, workers in rural areas, and veterans.

The CHIPS for America Fund will support three distinct initiatives:

- 1. Large scale investments in leading edge manufacturing: The CHIPS incentives program will target approximately three quarters of the incentives funding, around \$28 billion¹, to establish domestic production of leadingedge logic and memory chips that require the most sophisticated manufacturing processes available today. Those amounts may be available for grants or cooperative agreements, or to subsidize loans or loan guarantees. The Department is still assessing the impact of the newly enacted, advanced manufacturing facility investment tax credit on capital expenditures that will generate significant additional project investment from participants and may reduce the required share of federal funding allocated for leading-edge projects. The Department will seek proposals for the construction or expansion of manufacturing facilities to fabricate, package, assemble, and test these critical components, particularly focusing on projects that involve multiple, highcost production lines and associated supplier ecosystems.
- 2. New manufacturing capacity for mature and current-generation chips, new and specialty technologies, and for semiconductor industry

suppliers: The CHIPS incentives program will increase domestic production of semiconductors across a range of nodes, including chips used in defense and critical commercial sectors such as autos, information and communications technology, and medical devices. This initiative is broad and flexible, encouraging industry participants to craft creative proposals. For this initiative, the Department expects dozens of awards with the total value expected to be at least one quarter of the available CHIPS incentives funding, or approximately \$10 billion. Those amounts may be available for grants or cooperative agreements or to subsidize loans or loan guarantees.

3. Initiatives to strengthen U.S. leadership in R&D: The CHIPS R&D program will invest \$11 billion in a National Semiconductor Technology Center, a National Advanced Packaging Manufacturing Program, up to three new Manufacturing USA Institutes, and in National Institute of Standards and Technology metrology R&D programs. This constellation of programs is intended to create a dynamic new network of innovation for the semiconductor ecosystem in the United States. Executing this vision will require collaboration with academia, industry, and allied countries, and will require sustained investment over many years.

The CHIPS for America Fund will advance longterm strategic goals:

Unlocking the productive capacity of U.S. industry, workers, and communities will require new thinking and new approaches. We encourage industry and other stakeholders to view CHIPS as a long-term program and a sustained collaboration between the public and private sectors. The Department plans to release a funding announcement for the CHIPS incentives program within 6 months and will articulate clear eligibility, evaluation, and selection criteria for proposals for the incentive funds. The Department encourages potential applicants to consider ways to:

Increase scale and attract private capital:
 The CHIPS incentives program will encourage large-scale investments that attract associated suppliers and workforce investments. In



¹ The CHIPS Act of 2022 makes available 2 percent of program funds for salaries and expenses, administration, and oversight purposes to carry out the CHIPS incentives program.

addition to committing their own significant resources, potential applicants are encouraged

to explore creative financing structures to tap a variety of sources of capital.

 Leverage collaborations to build out semiconductor ecosystems: The CHIPS incentives program will encourage collaboration between industry stakeholders, investors, customers, designers, suppliers, and international firms. Such collaborations could include purchase commitments, partnerships that enable fabless design or collaborations between suppliers and producers.

- Secure additional financial incentives and support to build regional and local industry clusters that strengthen communities: The CHIPS incentives program requires applicants to secure state or local incentives. The Department expects to give preference to projects that include state and local incentive packages that maximize regional and local competitiveness, invest in the surrounding community, and prioritize broad economic gains, rather than outsized financial contributions to a single company.
- Establish a secure and resilient semiconductor supply chain: The CHIPS incentives program will prioritize projects that adhere to standards and guidelines on information security, data tracking and verification, and that collaborate on further development and adoption of such standards.
- Expand the workforce pipeline to match increased domestic capacity workforce needs: The CHIPS incentives program will create good-paying jobs that benefit all Americans, including economically disadvantaged individuals and populations that may be underrepresented in the industry. The program will prioritize workforce solutions that enable employers, training providers, workforce development organizations, labor unions, and other key stakeholders to work together. The goal is to create more paid training and experiential apprenticeship programs, provide wrap around services, prioritize creative recruitment strategies and hire workers based on their acquired skills.

- Create inclusive and broadly shared opportunities for businesses: The CHIPS incentives program will prioritize projects that proactively work to ensure that small businesses; minority-owned, veteran-owned, and womenowned businesses; and businesses in rural areas benefit from the opportunities generated by the program.
- Provide robust financial plans: Applicants
 will be required to provide detailed projectspecific and entity-level financial data to
 ensure that incentives funds are meeting the
 economic and national security goals of the
 program while protecting taxpayer dollars.

The CHIPS for America Fund will include guardrails to protect taxpayers:

Throughout the implementation of the CHIPS incentives and R&D programs, the Department will work to maximize the public benefits of federal investments, protect national security interests, and ensure that funds produce broadly shared benefits. Federal funding will be contingent on the necessity, appropriateness, and long-term, economic viability of a project. The Department can seek the return of funds if awardees fail to start or complete projects on time or if applicants fail to meet certain application commitments. The Department will also implement congressionally mandated guardrails to ensure beneficiaries of CHIPS funds cannot compromise national security by investing in the latest technology in countries of concern. Davis-Bacon requirements will apply to CHIPS-funded construction projects, which ensures workers earn local prevailing wages. Finally, recipients cannot use any CHIPS funds on stock buybacks or dividend payments to shareholders.

The Department will coordinate with partners and allies:

The Department, in collaboration with other agencies, will engage with allies and partners that are providing government funding to their own semiconductor industries or developing critical R&D, workforce, and supply chain capabilities.

