

# FORTUNE

## **'A Wild West moment': Competition to host microchip, battery, and electric vehicle factories heats up among states**

BY Marc Levy and The Associated Press

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*Workers prepare the site of a \$4 billion Panasonic EV battery plant on Thursday near DeSoto, Kansas. AP Photo/Charlie Riedel*

States are doling out more cash than ever to lure multibillion-dollar microchip, electric vehicle and battery factories, inspiring ever-more competition as they dig deeper into their pockets to attract big employers and capitalize on a wave of huge new projects.

Georgia, Kansas, Michigan, New York, North Carolina, Ohio and Texas have made billion-dollar pledges for a microchip or EV plant, with more state-subsidized plant announcements by profitable automakers and semiconductor giants surely to come.

States have long competed for big employers. But now they are floating more billion-dollar offers and offering record-high subsidies, lavishing companies with grants and low-interest loans, municipal road improvements, and breaks on taxes, real estate, power and water.

“We’re in the second war of the states,” said John Boyd, a principal at the Florida-based Boyd Company, which advises on site selections. “That’s how competitive economic development is between the states in 2023.”

The projects come at a transformative time for the industries, with automakers investing heavily in electrification and chipmakers expanding production in the U.S. following pandemic-related supply chain disruptions that raised economic and national security concerns.

One of the driving forces behind them are federal subsidies signed into law last summer that are meant to encourage companies to produce electric vehicles, EV batteries, and computer chips domestically. Another is that states are flush with cash thanks to inflation-juiced tax collections and federal pandemic relief subsidies.

The number of big projects and the size of state subsidy packages are extraordinary, said Nathan Jensen, a University of Texas professor who researches government economic development strategies.

“It is kind of a Wild West moment,” Jensen said. “It’s wild money and every state seems to be in on it.”

Good Jobs First, a nonprofit that tracks and is critical of corporate subsidies, said 2022 set a record for the number of billion-dollar-plus incentive deals. At least eight were finalized, though that figure might be higher since such deals can be cloaked in secrecy and take time to come to light.

Eighteen of last year’s 23 known “megadeals,” in which state and local incentive packages to private companies exceeded \$50 million in value, were for semiconductor and EV plants, according to the group’s data.

More than \$20 billion in public money was committed to subsidizing those known megadeals, according to Good Jobs First data. That total eclipsed the previous record of \$17.7 billion that was committed to subsidizing such deals in 2013.

Many of the companies drawing the biggest subsidy offers — such as Intel, Hyundai, Panasonic, Micron, Toyota, Ford and General Motors — are profitable and operate around the globe. Some lesser-known names in the nascent EV field are getting big offers too, such as Rivian, Volkswagen-backed Scout Motors and Vietnamese automaker VinFast.

The subsidy offers are generally embraced by politicians from both major parties and the business elite, who point to promises of hundreds or thousands of jobs, massive investments in construction and equipment, and what they contend are immeasurable trickle-down benefits.

Still, academics who study such subsidies find them to be a waste of money and rarely decisive in a company's choice of location.

In a 2021 paper arguing that subsidies are driven by politicians for their own benefit, researchers from The Citadel, the College of Charleston and the University of Louisville-Lafayette wrote that studies conclude "they do little, if anything, to promote meaningful improvements in economic outcomes."

The mounting cost of competing for the projects hasn't dissuaded states from trying. On the contrary, they're clambering to outdo each other.

Michigan was stung by hometown Ford's \$11.4 billion commitment in 2021 to build electric vehicle and battery plants in Tennessee and Kentucky. It responded by pledging more than \$2.5 billion for electric-vehicle projects by Ford and GM and plants by makers of EV batteries and battery components.

Pennsylvania has yet to lure a microchip or EV factory, and the state's business elite are sounding the alarm after watching neighboring Ohio land a \$20 billion Intel plant.

In his first budget speech to lawmakers, newly inaugurated Gov. Josh Shapiro said Pennsylvania needs to "get in the game" and warned that it would take money.

Jabbing a finger in the air, he brought the room to a standing ovation, saying: "It's time to compete again here in Pennsylvania!"

Oregon lawmakers hoping to attract a major semiconductor plant are advancing legislation that would marshal \$200 million in subsidies and loosen decades-old protections against urban sprawl.

The aim is to procure huge plots of land with ready-made utilities. That has elicited protests from conservationists who say the state mishandled developable land and agricultural groups that warned of the permanent destruction of high-quality farmland.

Dick Sheehy, a retired site selection consultant who traveled the world to inspect possible locations for semiconductor makers, told a panel of Oregon lawmakers in January that states are tipping the scales over better-qualified competitors by offering larger incentive packages.

"The money the state is putting up is so large that certain companies can't afford not to look at it," Sheehy said.

In Texas, Gov. Greg Abbott promised to win passage of “economic development tools” during the current legislative session, saying the state lost out on a massive Micron semiconductor plant because it couldn’t match the \$5.5 billion in tax credits offered by New York.

“The CEO of Micron was basically begging me because he really wanted to do business in Texas. He knew Texas was a better place. He said, ‘Please could you come up with some more?’” Abbott told a Greater Arlington Chamber of Commerce crowd in February. “We gave every penny that we could give.”

Asked about Abbott’s assertions, Micron declined to address Abbott’s description of the phone call with CEO Sanjay Mehrotra, but it called New York the most competitive state and listed reasons why it is the “ideal home” for its plant.

Those included a compelling case made by top officials — including Gov. Kathy Hochul and U.S. Sen. Chuck Schumer — plus an attractive local workforce, local research and development partners, and a good quality of life for employees.

In Oklahoma, frustration among lawmakers has been bubbling over since the state lost out on a string of projects: first a Tesla plant to Texas, then a Panasonic EV battery plant to Kansas and, just days ago, a Volkswagen EV battery plant to Canada.

That latest loss led state Senate President Pro Tempore Greg Treat to create a committee to figure out what went wrong in Oklahoma’s bidding for a “megaproject.”

Business-friendly Oklahoma shouldn’t keep losing out to other states, Treat said.

“You never know if you’re being used so they can go to that other state so they can say, ‘Hey, Oklahoma is willing to do this,’” Treat said in an interview. “And they intend on going to that state the whole time.”

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Associated Press writers Sean Murphy in Oklahoma City and Andrew Selsky in Salem, Oregon, contributed to this report.