



## **States are paying huge sums to lure semiconductor manufacturers, on top of CHIPS Act billions**

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- The federal CHIPS and Science Act offers billions of dollars in incentives to manufacture semiconductors in the United States. Some states are kicking in billions more to win projects.
- The biggest deal so far is in New York, which is providing \$5.5 billion in tax breaks to win a Micron Technology memory chip factory.
- New York Governor Kathy Hochul defends the deal because of the jobs and economic ripple effect it will generate, but critics say states would be better off spending money on all their citizens.

The landmark CHIPS and Science Act which passed last year includes more than \$52 billion in federal subsidies to revitalize the U.S. semiconductor industry. But that is not enough for chipmakers. They are also snapping up billions more from the states, which are eagerly ponying up tax breaks and incentives to win trophy projects and the benefits that come with them.

No state is doing so more enthusiastically than New York, which is providing \$5.5 billion in tax credits to Micron Technology to build a \$100 billion memory chip manufacturing complex outside Syracuse. The subsidies are part of a \$10 billion package approved last year to woo chip manufacturers to the state.



*Governor Hochul on \$100B Micron chip factory to be built outside of Syracuse*

Gov. Kathy Hochul, who courted Micron from her first days in office in 2021 and championed the legislation creating the incentives, makes no apologies. In an interview, she explained why she believes New York taxpayers are getting their money's worth.

"That's real simple. Fifty-thousand jobs," she said. "This is the largest private sector investment in America today. \$100 billion."

In addition to those jobs — which include 9,000 permanent company positions — Hochul said the development will have a massive ripple effect.

"I cannot tell you the supply chain opportunities. I've already recruited businesses to go to small communities," said Hochul, a Democrat. "We are on fire here."

## **Rust Belt rebound**

In Syracuse, which endured the losses of major manufacturers including Carrier, Rockwell and General Electric in the 1970s, 80s and 90s, many are welcoming the Micron investment as the biggest thing since the Erie Canal opened nearly 200 years ago.

"I think it's a vote of confidence that we're doing some things right," said local developer and restaurateur Ryan Benz, a Syracuse native, who noted that even before Micron's announcement, Syracuse was already rebounding from its Rust Belt past.

“For the first time in 70 years, our population is growing. Apartment occupancy downtown is at all-time highs approaching almost 100%. There’s a ton of development, and there’s been a palpable sense of optimism across the community.”



*Figure 1 US President Joe Biden (2L), with US Senate Majority Leader Chuck Schumer, and New York Governor Kathy Hochul, looks at a 3D rendering of a future Micron factory presenting by CEO of Micron Technology Sanjay Mehrotra (L) during a tour of the Micron Pavilion at the SRC Arena and Events Center of Onondaga Community College in Syracuse, New York on October 27, 2022. Mandel Ngan | Afp | Getty Images*

New York’s subsidies are the largest by any state for a chipmaker, by far, but they are not the only ones. Ohio agreed to pony up \$2 billion for an Intel

facility now under construction near Columbus. Speaking with CNBC last year, Republican Gov. Mike DeWine said the state subsidies combined with the CHIPS Act funding would make the difference between a \$20 billion investment by Intel over many years, and an \$80-to-\$100-billion project opening more quickly.

“I don’t think they’re holding anybody hostage,” he said. “They told us, ‘We’re coming.’ But all the way through, they told us if the CHIPS Act passes, we will accelerate extremely fast.”

Economic development experts say that at a time when companies in most other industries are scaling back their expansion plans due to high interest rates and recession fears, the chip industry is one of the few growth opportunities for states.

“That’s the bright spot that’s out there,” said Tom Stringer, a principal and leader of the site selection and incentives practice at BDO in New York.

## **Critics say state incentives are short-sighted**

The CHIPS Act encourages states to supplement the federal dollars with incentives of their own, but it doesn’t specify what form those incentives should take. Subsidy watchdog Greg LeRoy of the nonprofit group Good Jobs First believes that states like New York and Ohio are missing the point.

“If you read the fine print of the CHIPS and Science Act it makes it clear,” he said. “They don’t need to match the federal dollars. They should be spending the money on making their economies generally competitive for tech development.”

LeRoy believes states are almost reflexively offering financial incentives rather than taking a more nuanced approach, because it is the way they have always done things.

“We wish the states were getting more rational and smart about incentives, but the opposite seems to be true right now,” he said. “A state that doesn’t break the bank and makes sure it has workforce development systems, good infrastructure good broadband is going to win more deals and is going to have a stronger longer economy.”

But at Micron, which posted \$30.8 billion in revenue last year, an executive who led the site selection process said New York’s incentive package was essential to sealing the deal.

“That legislation was really key not just for the funding, but all the elements of the framework that came together there,” said Manish Bhatia, executive vice president of global operations at Micron. “We think New York took a big leap forward and set the standard for what other states can look to in terms of being able to have a smart industrial policy.”

## **Tax breaks have strings attached**

The state legislation, dubbed the Green CHIPS Act, requires that in exchange for the tax breaks, manufacturers must draw all their energy from renewable sources, and invest in the community — all of which Bhatia said the company was happy to do.

“All of the elements in the framework of the Green CHIPS (Act) aligns very well with Micron’s core values,” he said.

Site selection consultant John Boyd, Jr., of The Boyd Company, said regardless, chipmakers are finding that the strings attached to the state subsidy deals are a small price to pay.

“Companies view the social impact platform as a way to make an incentive deal more palatable,” he said. “New York is an expensive place to do business. That’s one of the reasons why incentives are so critical, both state and federal incentives, to mitigate a lot of those cost pressures.”

Micron’s deal with New York also includes an agreement with organized labor to keep costs under control.

But New York had more than incentives and labor peace in its favor. The plant site — on 1,400 acres in the Syracuse suburb of Clay, has ample power nearby, and an abundant fresh water supply — all essential to chip manufacturing. There is also lots of talent in the region from local colleges, universities, and military bases.

“New York has a long history of advanced semiconductor technology research, advanced material science research for other adjacent industries, and the talent pipeline to be able to provide scientists and engineers,” Bhatia said.

Syracuse Mayor Ben Walsh knows that billions of state dollars going to Micron means less direct funding available for his city. He is hoping it is a worthwhile tradeoff.

“I think we all need to take seriously the fact that when we’re talking about economic development incentives, we’re talking about taxpayer dollars,” he said. “We want to make sure that we can look the taxpayer in the eye and say they’re going to get a return on their investment. We believe that to be the case with Micron.”