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## Schumer Gets \$6B N.Y. CHIP Plant Best Placed Somewhere Else



*Gov. Kathy Hochul (not pictured), Micron CEO Sanjay Mehrotra and Sen. Chuck Schumer at a 2022 announcement about Micron's plan to manufacture computer chips in central New York. (Photo: Office of Gov. Hochul)*

By Marisa Herman | Monday, 29 April 2024

U.S. taxpayers are footing a \$6 billion bill for a New York State CHIP plant that Sen. Chuck Schumer backed, but makes little sense from a business perspective, financial experts say.

Despite its high taxes, excessive spending, and a poorly rated business climate, New York should have been one of the last places Micron Technology should have brought its new \$100 billion

computer chip plant, but Schumer's pork barrel intervention — a \$6 billion federal cash infusion — helped seal the deal.

President Joe Biden visited upstate New York's Syracuse last week to tout the massive federal grant in support of Boise-based Micron's plans to build four semiconductor fabrication plants over the next two decades.

While the U.S. is desperately playing catch-up when it comes to manufacturing and semiconductor research, experts say rewarding the Empire State with the massive cash injection is a mistake.

"For those opposed to the whole concept of massive federal incentives and the federal government tipping the scales of where companies relocate and invest, you can't come up with a better example than Micron locating in upstate New York," said John Boyd, a finance expert and principal of The Boyd Company, Inc.

While the region certainly has a history in the chip industry — IBM was founded in Endicott, New York — Boyd said when it comes to doing business now, New York has "one of the most difficult business climates in the nation."

Thanks to high taxes, expensive labor costs, challenging labor management relations, declining population, waning workforce, and myriad other controversial public policies, Boyd said Micron's decision to set up shop in New York has made it a "poster child" for taxpayers concerned about the federal government essentially arbitrarily picking winners and losers in the private sector.

The Commerce Department has a budget of \$39 billion for semiconductor investment funding thanks to the 2022 CHIPS and Science Act.

Even though the U.S. invented semiconductors, only about 10% of the world's supply is made in America. The Biden administration has set a goal to increase American chip production to 20%.

While revitalizing the semiconductor industry will promote both the economy and national security — considering the chips are used in nearly all types of technology from cell phones to advanced weapon systems — experts say New York isn't the best place to do it.

Boyd points out pro-business states like Arizona and Texas would be far less costly places for the chip industry to call home.

According to Forbes, New York has the second-to-last climate to start a business. Forbes determined its rankings using 18 key metrics across five categories: business costs, business climate, financial accessibility, economy, and workforce.

New York tied with Massachusetts for having the highest business costs in the nation.

While the announcement will bring jobs back to an area that has suffered losses before, Boyd said there are "serious workforce challenges in upstate New York."

According to the U.S. Bureau of Labor Statistics, between 2011 and 2021, the size of the New York labor force declined 1% while it increased more than 5% in the rest of the country.

The area also has suffered job losses before.

Biden acknowledged the 22,000 jobs that were lost after BCS Automotive Interface Solutions closed in 2021, when he spoke at the Milton J. Rubenstein Museum of Science & Technology in downtown Syracuse.

United Technologies also opted to shut down operations and moved Carrier from Syracuse — where its name was attached to the university's football and basketball stadiums — to Asia.

E.J. Antoni, a research fellow in The Heritage Foundation's Grover M. Hermann Center for the Federal Budget, said because New York has a "very unfavorable business climate, additional incentives are necessary to start a business there."

He argues that wouldn't necessarily be the case in states like Florida, Tennessee, Texas, or Utah, all of which are "much friendlier to businesses in terms of both taxes and regulations."

Schumer, D-N.Y., spoke alongside Biden when he stated that this type of partnership was what he envisioned when he brought Micron to Syracuse and advocated for the CHIPS & Science Act.

He has repeatedly stated that when he wrote the law, he had upstate New York in mind as his "north star."

Micron announced it selected New York not long after Biden signed the CHIPS bill into law.

"By selecting New York for the site, the Biden administration had to essentially bribe the company with a larger subsidy to counter the higher costs artificially imposed by the state of New York," Antoni said.

He contends that the company isn't even really receiving some of the subsidy.

"Micron is being used as a pass-through entity to subsidize New York," he said.

This isn't the first federal microchip investment in the area.

In February, the Biden administration and Schumer announced a proposed \$1.5 billion grant for chip production in New York and Vermont.

GlobalFoundries, headquartered in Malta and located just north of Albany, plans to build a new state-of-the-art computer chip factory that will cost about \$12 billion.

Micron announced it would invest billions in a semiconductor fabrication facility at the White Pine Commerce Park, a 1,400-acre industrial park owned by the Onondaga County Industrial Development Agency.

The first plant will be ready for production in 2028. A second is expected to come a year later. Ultimately, the goal is to bring four labs online.

In what is expected to be one of the largest projects, Micron will add 600,000-square-foot "clean rooms" that total 40 football fields in size.

The company will follow the Biden administration's "green agenda" with a sustainable design and plans to use 100% renewable electricity to curb emissions.

Micron expects the project to add 50,000 new jobs related to the buildout, including 9,000 positions at its plants.

Even though Biden claimed the positions pay workers \$100,000 annually, a recent Syracuse Housing Study found that less than one in five residents in the city could afford a newly built apartment.

According to a new report by ApartmentAdvisor, Syracuse has one of the most competitive rental markets in the country and is among one of the most expensive cities to rent.

Over the past two years, the cost of rent in the city has jumped 23%.

The report found that more than half of renters in Syracuse are spending 30% or more of their earnings on housing.

With Micron on its way, there is concern that there will be a greater squeeze on affordable housing.

"The higher cost of doing business in New York isn't just going to cost taxpayers," Antoni said. "Workers will receive lower wages and customers will pay higher prices."