Substitute House Bill 1170

Building economic strength through manufacturing

House Innovation, Community & Economic Development, & Veterans Committee Presentation

Carolyn Busch

WORKFORCE SECTOR LEAD & SECTOR LEAD COORDINATOR
OFFICE OF ECONOMIC DEVELOPMENT & COMPETITIVENESS

DECEMBER 5, 2023

Washington State Department of Commerce

Outcomes

1. Manufacturing and R&D in every region of the state
2. Dramatically expand manufacturing and small businesses, as well as women/minority-owned businesses in next 10 years

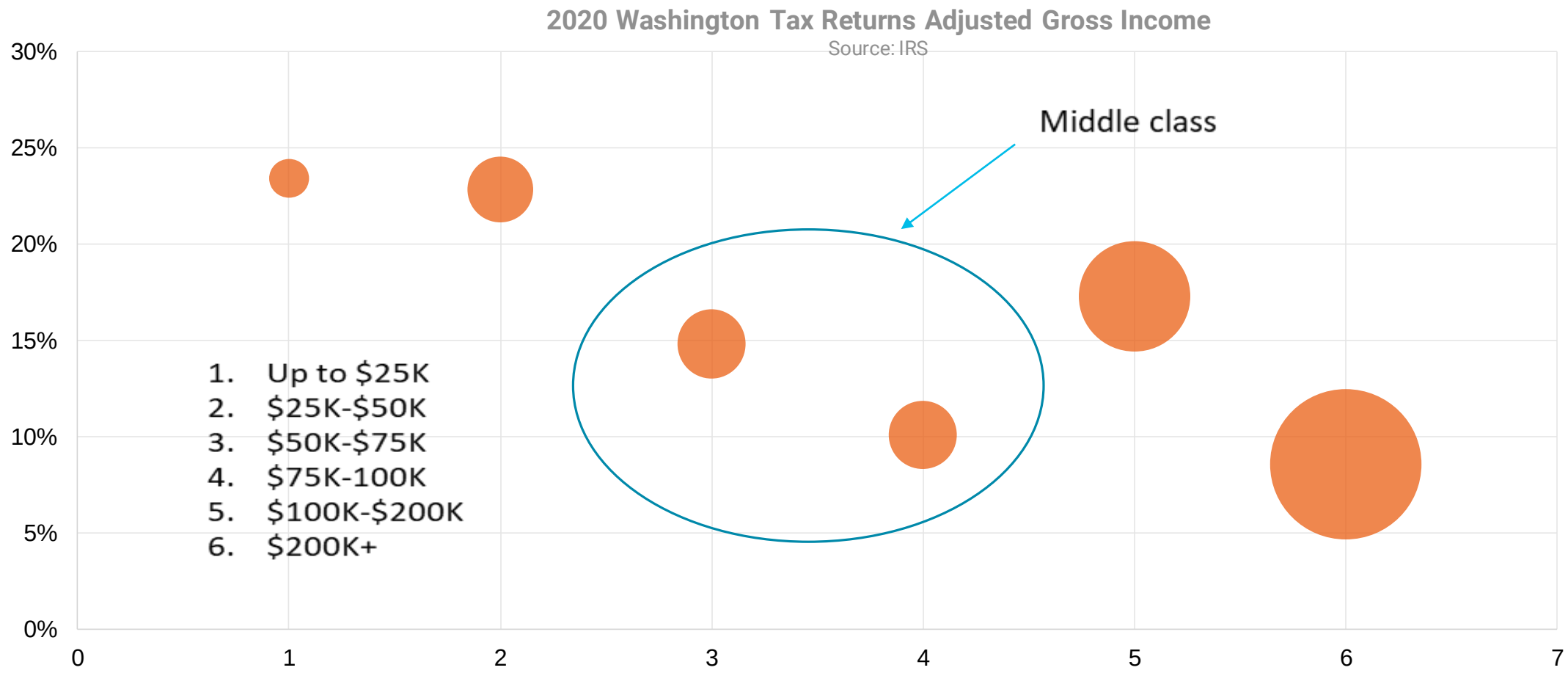
Manufacturing Council

- Advise and consult on report
- Appoint from private, non-profit and public sectors
  - Small to mid-sized private sector manufacturing
  - Apprenticeship programs
  - Statewide business associations
  - Higher education
  - Workforce partners
- Equal representation of manufacturing business and labor
- All state agencies upon request

SHB 1170: Reporting

- Council: Biennial budget report on state of manufacturing and research and development (R&D), including challenges with legislative remedies
- Commerce: Every four years beginning December 1, 2022
  - Progress in developing, recruiting and retaining R&D employers and workers
  - Comparative analysis with other states' policy toolkits for developing strength in R&D

Why focus on manufacturing? Middle class jobs and a stronger economy for everyone.



U.S. CHIPS and Science Act Update

House Innovation, Community & Economic Development, & Veterans Committee Presentation

Dr. Joseph Williams

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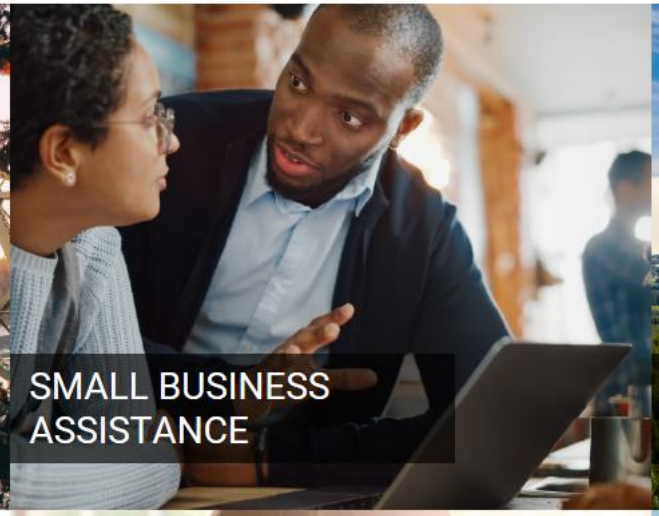
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We strengthen communities















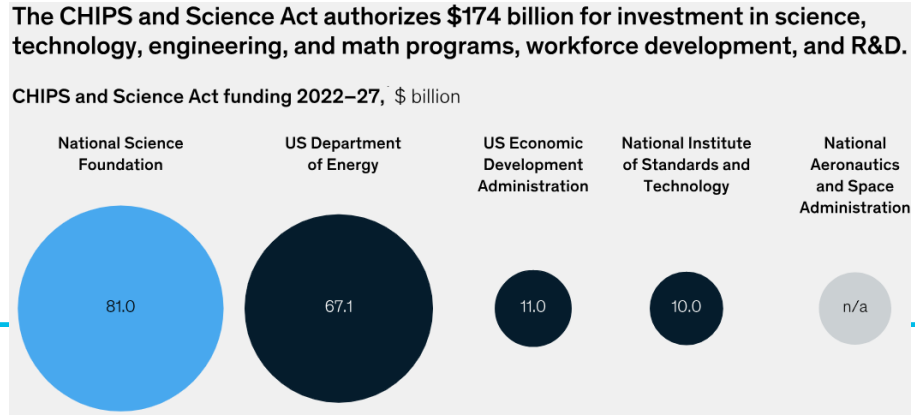


What is the CHIPS and Science Act?

Introduction and Background

- Once a leader in semiconductors, the U.S. has lost ground over the last several decades to Taiwan, South Korea and China.
- Primary area of contention between the U.S. and China for both economic and military reasons.
- The CHIPS Act of 2022 is meant to reposition the U.S. as a leader in semiconductors and to reshore the supply chain in the U.S.
- Marks a significant shift in U.S. industrial policy and represents a major opportunity for governments, universities, non-profits, and, most significantly, private businesses.

- The U.S. is currently only 10% of global commercial production
- $50 billion in direct funding
  - $11 billion is for R&D
  - $39 billion is incentives for investment in manufacturing
- Through all federal sources, budget targets $278 billion in spending



McKinsey & Company, 2022

Covered entities eligible for CHIPS Act funding include

A nonprofit entity, a private entity, a consortium of private entities, or a consortium of nonprofit, public, and private entities that

- have a demonstrated ability to substantially **finance, construct, expand, or modernize a facility** relating to fabrication, assembly, testing, advanced packaging, production; or

- conduct **research and development** of semiconductors, materials used to manufacture semiconductors, or semiconductor manufacturing equipment

Covered entities must secure a covered incentive

- an incentive offered by a state/local governmental entity to construct a new facility, or expand/modernize an existing facility; and/or
- a workforce-related incentive (including workforce training or vocational education)
- any concession with respect to real property, funding for research and development with respect to semiconductors,
- any other incentive determined appropriate by the Secretary of Commerce

Reality Check

The CHIPS Act describes $50 billion in funding, but only $39 billion was appropriated, including $6 billion in loan guarantees

- Many of the incentives are tax credits
- Expectation of local matching funds

U.S. Department of Commerce is prioritizing funding requests that also explicitly address:

- Environmental issues
- Workforce development
- Outreach to economically disadvantaged groups and rural areas

Property must be placed in service in 2023 - 2026

Notable awards to date

$240M for U.S. Dept. of Defense Innovation Hubs

- New York ($40M)
- Arizona ($39.8M)
- North Carolina ($39.4M)
- Indiana ($32.9M)
- California ($26.9M)
- Ohio ($24.3M)
- Massachusetts ($19.7M)
- California-Pacific-Northwest ($15.3M)

Workforce Hubs

- Phoenix, Arizona
- Columbus, Ohio
- Pittsburgh, Pennsylvania
- Baltimore, Maryland
- Augusta, Georgia

31 selected Tech Hubs eligible to apply for $500M in funding from U.S. Dept. of Commerce.

Two regional Materials Manufacturing Hubs:

- Gonzaga: Aerospace Materials Manufacturing
- Oregon State: Mass Timber Tech Hub

Business attraction by state

States that have seen major investments:

- Arizona: $61.7 billion
- Texas: $61.1 billion
- New York: $21.5 billion
- Ohio: $20.1 billion
- Idaho: $15 billion
- Utah: $11 billion

Specific outcomes:

- Arizona: $32 billion from TSMC and Intel
- Idaho: $15 billion from Micron
- Indiana: $1.8 billion from SkyWater Technology
- New York: $6 billion from GlobalFoundries, $100 billion from Micron
- Ohio: $20 billion from Intel
- Texas: $17 billion from NXP Semiconductors and Infineon Technologies
- Virginia: $3 billion from Micron

What states are doing to compete

- 14 states have enacted state-level incentive programs
  - Most aggressive are Arizona, California, New York, and Ohio
    New York: $10 billion in tax credits over 20 years
    Arizona: $100 million from American Rescue Plan Act funding
    California: $40 million in direct incentives
    Ohio: $650 million in tax credits over 30 years
  - Pacific Northwest incentives
    Oregon: $210 million total funding over 7 years for grants, loans, tax incentives ($24.5 million in fiscal year 2025)
    Idaho: Sales and Use Tax exemptions, no budget yet forecasted
- Branding
  Arizona: Silicon Desert
  Idaho: Silicon Spuds
  Oregon: Silicon Forest

Thank you!

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