



February 22, 2023

TO: Members of the Joint Semiconductor Committee

FR: Angela Wilhelms, Oregon Business & Industry

RE: Semiconductor Package

Chairs Sollman and Bynum, Vice Chairs Knopp and Wallan, and members of the committee, I am Angela Wilhelms, president & CEO of Oregon Business & Industry. Thank you for the opportunity to be with you this evening.

OBI looks forward to continued work with this committee, the Legislature as a whole, and the governor's office to build and implement a package that can attract extraordinary private and federal investment in Oregon. We're off to a good start, but true success requires more.

I want to start by mentioning a New York Times article published today, titled "How Arizona Is Positioning Itself for \$52 Billion to the Chips Industry." The article reads, "Arizona, which is vying for subsidies along with Texas, New York and Ohio, may have a head start on the action." There is no mention of Oregon here, or elsewhere.

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

Our mission is to strengthen Oregon's economy to achieve a healthy, prosperous and competitive Oregon for the benefit of present and future generations. The work before this committee exemplifies this.

The semiconductor industry in Oregon provides nearly 27,000 jobs and \$11.6 billion in wages. Oregon is an export economy, and semiconductors are Oregon's top ranked export by value at \$8.2 billion. But I won't belabor the economic value of the industry—you know this, or we wouldn't be having this conversation.

While Oregon saw rapid growth in the 1990s and early 2000s, that trajectory has flattened. And today, many other states are catching on to the enormous benefit the industry can provide people, communities and states. As a result, Oregon's competitive position and the prosperity that would result from it are at risk unless significant action is taken.

This Legislative Assembly can leave an indelible mark on the future of Oregon, positively impacting individual livelihoods and entire communities. That is why the business community has invested

countless hours to bring forward recommendations that we believe are both politically feasible and reasonably tailored for our state.

Part of today's conversation is about ensuring we advance a package that allows us to seize the opportunity Duncan outlined...that we do not just that which is necessary, but that which is sufficient. The framework released last week is a great start. It is more than just an acknowledgment that we care about attracting businesses, it provides an important tool to help attract significant investments. As noted, we are happy to work with you to ensure the language—those devilish details—appropriately align with the unfolding landscape surrounding the CHIPS Act and the needs of existing and future Oregon innovators.

This type of direct investment in a targeted economic development opportunity is historic. It is an important down payment on the work before you. We recognize this, and appreciate its gravity, especially given the many serious issues and financial constraints before you and your colleagues.

However, while necessary, the limited initial framework is not sufficient. I want to stress that the Task Force recommendations were not made lightly. A myriad of stakeholders agreed on a handful of critical components that, taken together, create a sufficient policy and investment landscape to ensure Oregon's competitiveness in this tightening national and international race. Together, those details are designed to set the course for present and future generations. It is important that we get this right even as we move swiftly to meet federal deadlines.

As the Task Force recommendations made clear, a semiconductor package must go beyond the important initial \$200 million investment and include tax incentive and land use components that, taken altogether, create the ecosystem that will allow Oregon to compete and thrive.

My colleague will focus more on the land use components, but know that we wholly support those as well. I will focus for a minute on the tax components.

This package must include tax incentives designed to drive long-term investments and signal globally that Oregon is not just a, but the center for research and innovation. The most obvious tool is a substantial R&D tax credit. Oregon is one of only 12 states that do not have such a credit, and none of our competitors in this CHIPS Act landscape are in that group with us. Consideration should also be given to a capital investment tax credit, and we must protect Oregon's existing Enterprise Zone (EZ) programs and Strategic Investment Program (SIP). Each of these recommendations is laid out succinctly in the Task Force report.

ECONorthwest conducted a study of the industry and the impacts of potential investments. Under a generic new semiconductor campus scenario, ECONorthwest estimates that a hypothetical state investment of \$100 million would break even in about two years and provide \$2.8 billion in net state revenue over 20 years. This does not even account for local tax revenue. This is an extraordinary return on a state investment.

I want to reinforce a couple of things about the task force's recommendations and the overarching value of what we hope to see as a comprehensive legislative package: This is not just about one

city or county. This is not just about one or two companies. This is not even about one industry. This is about supporting employers who provide thousands of high-paying jobs while also supporting small businesses who provide materials, equipment and services into the manufacturing supply chain. This is about long-term investments that will root employers here for decades to come. And this is about far more than semiconductors; this is about making Oregon's reputation as the hub for innovation, research and design across industries unassailable.

As we all know, holistic packages that move through the Legislature take many forms, sometimes including staged work and multiple bills. While we would encourage movement of one bill with all of the necessary components, we recognize that may not be feasible here. If there is a need to separate out certain pieces, we would still urge this committee to make its recommendations collectively and early on. Sending a strong signal—from the committee as well as from legislative and executive leadership—is important to demonstrate that Oregon is serious about this opportunity and positioning its innovators for success. As work unfolds, we stand ready to participate and help this committee advance the entire package.

A historic opportunity is before us. How often will a massive national movement toward domestic innovation and manufacturing, and all of the resources that come with that movement, align so well with Oregon's economic strengths?

If we do not take full advantage of this moment, shame on us.