

SB 4 -2 STAFF MEASURE SUMMARY

Joint Committee On Semiconductors

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/27, 3/1

WHAT THE MEASURE DOES:

Requires Oregon Business Development Department (OBDD) develop program to award \$200 million in grants and loans from Semiconductor and Advanced Manufacturing Opportunity Fund (Fund) to applicants for Creating Helpful Incentives to Produce Semiconductors for America Act of 2022 (CHIPS Act) funds. Provides that program be administered jointly by OBDD and Governor. Specifies that money may only be used for activities undertaken in connection with CHIPS Act. Specifies application requirements and timeline and criteria for review of applications. Requires recipient of funds to report to OBDD every six months for duration of contract. Allows Governor to designate certain industrial lands be brought within urban growth boundaries (UGB) for specified industrial uses. Land brought within acknowledged UGB will be removed from UGB, unless local government rezones land or development of land has been substantially completed. Repeals Fund on January 2, 2032. Repeals industrial land authority on January 2, 2028. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Industrial site readiness in City of Hillsboro
- Amendments
- Local and statewide economic impact of expansion of semiconductor industry
- Availability of industrial land in Oregon

EFFECT OF AMENDMENT:

-2 Funds the Semiconductor and Advanced Manufacturing Opportunity Fund (Fund) with \$200 million from General Fund.

BACKGROUND:

In July 2022 Congress passed the \$52 billion Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act to strengthen domestic semiconductor manufacturing, design and research, fortify the economy and national security, and reinforce America's chip supply chains.

In response, the Oregon Semiconductor Readiness Task Force (Task Force) was convened, led by U.S. Senator Ron Wyden, former Governor Kate Brown, and Portland General Electric President Maria Pope. The Task Force was charged with analyzing the state of the semiconductor industry in Oregon, how the industry can continue to grow, and develop a strategy to secure CHIPS Act funds to expand Oregon's semiconductor design and manufacturing sector.

The Task Force report recommended action on 5 key factors that impact the growth of the semiconductor industry and ability to drawdown CHIPS Act funds:

- Research & Development: Oregon should focus on solidifying a world-class innovation ecosystem around chip research and production.
- Talent: Oregon needs to invest across the talent and workforce continuum.
- Land: To attract and retain semiconductor research and development and manufacturers, Oregon needs more buildable industrial land proximate to infrastructure, talented workers, and specialized suppliers.

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- Incentives: Other states offer incentive packages that are both larger and more specifically tailored to the semiconductor industry than Oregon. Oregon needs to preserve and strengthen existing tools and consider new ones such as a research tax credit and workforce training incentive programs.
- Regulation: Oregon needs a streamline regulatory framework that aligns with the speed of market demands.

Senate Bill 4 establishes the Semiconductor and Advanced Manufacturing Opportunity Fund (Fund) to provide \$200 million for grants and loans to qualifying businesses for the purpose of growing the semiconductor and advanced manufacturing industry in Oregon. The funds must be used solely for activities a business undertakes in connection with the CHIPS and Science Act. Grant and loan funds may be used to develop a site for a semiconductor or other advanced manufacturing facility, research and development, and partnering with institutions of higher education for the purpose of workforce development and the creation of training, certified apprenticeship and internship opportunities, with respect to semiconductors and advanced manufacturing.

The measure allows the Governor to designate certain lands to be brought within urban growth boundaries for purposes of providing industrial land for uses that relate to the semiconductor industry, advanced manufacturing or the supply chain for semiconductors or advanced manufacturing. The Governor may designate up to a maximum of: two sites, if the largest site is greater than 500 acres; four sites, if the largest site is greater than 100 acres but does not exceed 500 acres; or six sites, if no site is greater than 100 acres.