

SB 4 -9, -15 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, 3/6, 3/8, 3/13, 3/15

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:

- Availability and readiness of industrial sites
- Amendments
- Local and statewide economic impact of expansion of semiconductor industry
- Urban and rural reserves
- Establishment of research and development as key incentive for CHIPS Act applicants
- Current incentives - Enterprise zones, Gain Share, and Strategic Investment Program (SIP)
- Multifaceted approach to developing semiconductor and advanced manufacturing workforce
- Partnerships between businesses and community colleges
- Challenges with timeline for repeal of Governor's industrial land authority
- Balance of industrial land expansion and preservation of agricultural land
- History of Oregon's land use laws
- Inability to expend more than one percent in biennium from Industrial Lands Loan Fund for planning projects
- Judicial review

EFFECT OF AMENDMENT:

-9 Changes name of Semiconductor and Advanced Manufacturing Opportunity Fund to Oregon CHIPS.

-15 Replaces measures. Requires Oregon Business Development Department (OBDD) to develop program to award grants and make loans from Semiconductor and Advanced Manufacturing Opportunity Fund (Fund) to businesses applying for federal semiconductor financial assistance. Specifies use of funds by recipient. Requires contractors and subcontractors on construction projects funded by program grant or loan to pay Oregon Prevailing Wage Rate (PWR) Federal PWR rate, whichever is greater.

Loans and grants may not be awarded for more than \$50 million, unless approved by Legislative Assembly. For every \$1 million in program grant or loan funds, recipient: must commit to either the creation of new jobs in Oregon, at least 65 percent of which are permanent, full-time positions and pay on average at least the average median income for the region of this state in which the services will be performed or to generate at least \$1.25 million in state and local revenue, if term of agreement is less than five years. Applicant must generate \$1.5

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million in state and local revenue per \$1 million in state financial assistance of the term of the agreement is over 5 years.

Recipient may apply for up to \$50,000 in application assistance grant. Specifies use of assistance funds.

Establishes advisory panel to consist of Governor or designees; OBDD; and at least five individuals with expertise or experience in semiconductor and advanced manufacturing industry, appointed by Governor. Panel will assist Governor and OBDD in establishing statewide strategy to promote and expand Oregon's semiconductor and advanced manufacturing industry and supply chains associated with industry; establishing application requirements for grant and loan program developed by OBDD; and determining criteria for reviewing and scoring applications and weighting the preferences for approving applications and setting program grant and loan amounts.

OBDD must prescribe application process, including forms and deadlines for business to apply for loan or grant funds. Specifies requirements of application.

OBDD and Governor must jointly review applications and must make decision to approve application within 90 days of receipt. Decisions are not subject to appeal. Specifies preferences that OBDD and Governor must consider when reviewing applications.

Requires business to report to OBDD at least once every six months after entering into loan or grant agreement. Specifies content of report. Requires OBDD to report to Legislative Assembly no later than September 15th of each year.

Specifies condition requiring business to immediately repay grant or loan in full. Business must immediately repay funds if it has not applied for permits required for project on or before January 1, 2027; project changes substantially from original project approved in application and project would not have been eligible; business has not generated required state and local revenue; business has not complied with all environmental or labor standards applicable to project or has not cured its noncompliance within a reasonable time, as determined by OBDD.

If project is suspended for reason beyond the control of business, amount to be repaid must be in proportion to the percentage of project that has not been completed at the time of suspension. Any and all amounts required to be repaid will be considered liquidated and delinquent, and assigned to the Oregon Department of Revenue for collection. OBDD may penalize business that willfully made false statement or misrepresentation, or failed to report a material fact, to obtain a program grant or loan, or an application assistance grant.

Establishes Semiconductor and Advanced Manufacturing Opportunity Fund within the Oregon State Treasury. Repeals Fund on January 2, 2032.

Appropriates \$210 million dollars from General Fund to Fund from: \$190 million to support loans and grants; \$10 million for University Innovation Research Fund; and \$10 million for Industrial Lands Loan Fund.

On or before December 31, 2024, Governor may, by executive order, bring within existing urban growth boundary (UGB) designated lands for purposes of providing lands available for industrial uses as part of the state's covered incentive for semiconductor industry that relate to the semiconductor industry, advanced manufacturing or the supply chain for semiconductors or advanced manufacturing. Governor may designate up to 8 sites: two that exceed 500 acres, six up that do not exceed 500 acres. Specifies public process that Governor must complete prior to issuing executive order.

Provides Supreme Court jurisdiction to determine legal effect industrial site provisions or legal effect of any Executive Order issued by the Governor and must be given priority over other issues before Court. Person who is

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or will adversely affected be industrial site provisions or Governor's Executive Order must file petition within 60 days following: the effective date of measure or the date the Governor issues the Executive Order. Supreme Court may appoint a special master to hear evidence and to prepare recommended findings of fact.

No later than six months after entry of executive order, each local government with jurisdiction over land identified in Executive Order may, amend its comprehensive plan or enact or amend any land use regulation to allow use of the land for industrial use if certain conditions are met.

Land brought within UGB boundary is removed from UGB upon order of Governor after determining that development of the land will not receive federal semiconductor financial assistance.

Repeals Governor's industrial lands authority on January 2, 2029.

Establishes Industrial Lands Loans Fund (ILLF). ILLF will provide project sponsor financial assistance for development projects, forgivable loans for planning projects, or other forms of financial assistance to invest in preparation of land for development projects including planning project activities that are necessary or useful to a development project. Development project for purpose of ILLF means project for acquisition, improvement, construction, demolition or redevelopment of publicly or privately owned utilities, buildings, land, transportation facilities or other facilities that assist the economic and community development of a municipality. Includes planning project activities that are necessary or useful to a development project.

Specifies application, eligibility, terms of repayment, and breach of contract for project sponsor requesting financial assistance from the Industrial Lands Loan Fund. Identifies allowable costs for a development project.

Defines terms.

Declares emergency, effective upon passage.

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.
- 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.

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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.