





October 11, 2023

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Roger G. Banegas 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-072-2023 Prince George's County CHIPS Act of 2023

CB-072-2023 (*Proposed by:* Council Members Franklin, Harrison, and Hawkins)

Assigned to the Government Operations and Fiscal Policy Committee

AN ACT CONCERNING PRINCE GEORGE'S COUNTY CHIPS ACT OF 2023 for the purpose of establishing an incentive program for the manufacture, research, and development of semiconductors in Prince George's County, known as the Creating Helpful Incentives to Produce Semiconductors ("CHIPS") Act for Prince George's County's workforce and economy.

Fiscal Summary

Direct Impact

Expenditures: Additional expenditures likely, but revenue-neutral impact as structured.

Revenues: No direct revenue impact.

Indirect Impact

Potentially significant favorable long-term indirect impact.

Legislative Summary:

CB-072-2023¹, proposed and sponsored by Councilmembers Franklin, Harrison, and Hawkins, was presented on July 11, 2023, and referred to the Government Operations and Fiscal Policy (GOFP) Committee. If enacted, this bill would amend the Prince George's County Code by adding provisions that create an incentive program known as the Creating Helpful Incentives to Produce Semiconductors ("CHIPS") for the manufacture, research, and development of semiconductors in Prince George's County.

Background/Current Law:

The CHIPS and Science Act of 2022 (P.L. 117-167)², a bipartisan law, focuses on federal aid to encourage the construction of microprocessor manufacturing facilities in the United States.³ The law aims to reduce U.S. reliance on overseas chip supply chains and increase authorizations to boost the nation's science and technology base. The law provides subsidies to manufacture semiconductors in the United States, boosts science and technology research, and addresses China's anti-competitive trade practices. The Senate passed the CHIPS and Science Act 64 to 33 on July 27th, 2022, and the House passed it by a vote of 243 to 187 on July 28th, 2022. President Biden signed it into law on August 9, 2022.

The current Prince George's County Code does not provide subsidies or an incentive program to microprocessor manufacturing facilities.

Resource Personnel

- Leroy D. Maddox Jr., Legislative Officer
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¹ [CB-072-2023](#)

² [P.L. 117-167](#)

³ [The CHIPS and Science Act of 2022](#)

Discussion/Policy Analysis:

Federal Law

A year after President Biden signed the CHIPS and Science Act of 2022 into law, there has been minimal progress in expending and awarding the \$52.7 billion package to the U.S. semiconductor industry. The Department of Commerce has hired 140 new staff members in two newly established offices⁴. As of September 20, 2023, Southwest Advanced Prototyping (SWAP), a regional innovation hub based at Arizona State University, was awarded nearly \$40 million in federal funding to promote technological advances⁵. This serves as one of eight other research development hubs that will receive a total of \$238 million in the first official allocation of funds from the CHIPS and Science Act of 2022 for the Microelectronics Commons program⁶.

The other seven awardees⁷ are:

- Northeast Microelectronics Coalition (NEMC) Hub through The Massachusetts Technology Collaborative (MassTech), with an award of \$19.7 million.
- Silicon Crossroads Microelectronics Commons (SCMC) Hub through The Applied Research Institute (ARI), based out of Indiana, with an award of \$32.9 million.
- California Defense Ready Electronics and Microdevices Superhub (California DREAMS) through The University of Southern California, with an award of \$26.9 million.
- Commercial Leap Ahead for Wide Bandgap Semiconductors (CLAWS) Hub through the North Carolina State University (NCSU), with an award of \$39.4 million.
- Midwest Microelectronics Consortium (MMEC) Hub, based out of Ohio, with an award of \$24.3 million.
- Northeast Regional Defense Technology Hub (NORDTECH) through The Research Foundation for the State University of New York (SUNY), with an award of \$40 million.
- California-Pacific-Northwest AI Hardware Hub (Northwest-AI Hub) through The Board of Trustees of the Leland Stanford Junior University, with an award of \$15.3 million.

The CHIPS Incentives Program seeks to maximize private-sector financing by semiconductor companies, with the expectation that federal subsidies will only account for 5% to 15% of capital expenditures⁸. The Department of Commerce has also required that companies must secure a local or state government incentive to be eligible for the program. The goal of the federal government is to encourage states and localities to put their own fiscal weight behind these projects, which will ultimately lead states and localities to part-take in the risk of semiconductor production and maximize the chances of success from these manufacturers.

Although state and local governments are not required to provide financial backing to manufacturing companies and incentivize them, the proposed Bill, CB-072-2023, could provide

⁴ [U.S. Department of Commerce Celebrates One-Year Anniversary of CHIPS and Science Act](#)

⁵ [Research and development hub based at ASU gets nearly \\$40M in funding from CHIPS Act](#)

⁶ Ibid.

⁷ [Deputy Secretary of Defense Kathleen Hicks Announces \\$238M CHIPS and Science Act Award](#)

⁸ [What state and local leaders need to know about Biden's semiconductor subsidies](#)

necessary collaboration to leverage federal incentives. The Department of Commerce’s Notice of Funding Opportunity (NOFO) prioritizes incentives that create “spillover benefits that improve regional economic resilience and support a robust semiconductor ecosystem, beyond assisting a single company.” A state’s subsidies to a company could match or exceed awards from the Department of Commerce that would allow state and local governments to demand high-road practices from semiconductor manufacturers and drastically heighten the stakes for strong transparency, oversight, and public reporting⁹. The CHIPS Incentive Program NOFO stresses that revitalizing the semiconductor sector requires “robust innovation ecosystems” for research and development. The proposed Bill will promote innovation in Prince George’s County with the objective of making the County a production hub. Applicants of the Federal CHIPS Incentive Program will be required to create “a diverse and skilled set of workers”¹⁰. The goal is to create jobs that are open to people with less than a bachelor’s degree and provide a pathway for upward mobility to groups that have been historically under-represented in high-tech industries.

Prince George’s County’s Planning Department of the Maryland-National Capital Park and Planning Commission estimates that the industrial acreage in the County totals 13,696 acres, with Industrial, Employment (IE) being 10,474 and Industrial, Heavy (IH) being 3,222¹¹.

CB-072-2023

CB-072-2023 aims to establish an incentive program for the manufacture, research, and development of semiconductors in Prince George’s County, Maryland. The proposed bill would amend Subtitle 10. *Finance and Taxation*. of the Prince George’s County Code to add additional new language under *Division 33. Incentives for the Research, Development, and Manufacture of Semiconductors. Section 10-348*. The additions to the Prince George’s County Code are as follows:

- **§10-348(a)**. The addition of this subsection is to define the terms of the proposed incentive program clearly. *10-348(a)(1)* defines a *Semiconductor* as a solid-state electrical device that performs functions such as information processing and display, power handling, and interconversion between light energy and electrical energy. A *Semiconductor* also includes anything that can be regarded as a computer chip or its related components. (page 2, lines 1 through 4).
- **§10-348(a)(2)**. This subsection defines *Manufacturing or manufacture* as any process or operation involved in the production, fabrication, and finish of items or materials, including the manufacture of intermediate products in the supply chain for such items or materials. (page 2, lines 5 through 7).
- **§10-348(a)(3)**. *Research and development* is defined as any process intended to create new or improved technology.

⁹ Ibid.

¹⁰ Ibid.

¹¹ [Prior \(Legacy\) Zoning, with Acreage](#)

- **§10-348(a)(4)**. This subsection defines a *Site* as a physical location as shown on an application for a semiconductor manufacturing, research, and development incentive in accordance with this section.

CB-072-2023 proposes a ten-year incentive program for semiconductor manufacturing, research, and development under §10-348(b). §10-348(b)(1) states that any entity (“applicant”) engaged in the research and development and/or manufacture of semiconductors will be annually awarded funds by the County equivalent to the cost of semiconductor production in the County as long as (A) over 70% of the site’s buildings, facilities, and structures are utilized for semiconductor production, excluding packaging and storage of semiconductors, and (B) the maximum annual semiconductor incentive shall be the amount incurred that taxable year in County taxes on real property and personal property attributable to the site and the semiconductor production activities at the site, **minus**

- (i) Any other County tax credits, incentives, and abatements awarded to the site and/or to semiconductor production activities at the site in the taxable year immediately prior to the initial award of the semiconductor incentive (“base year”) and
- (ii) The level of County taxes on real property and personal property attributable to the site and/or the semiconductor production activities at the site in the taxable year immediately prior to the initial award of the semiconductor incentive (“base year”).

Essentially, the *maximum incentive package* that an applicant could receive, including the CB-072-2023 incentive, would be equal to the incremental increase in County real and personal property tax over the year prior to the first award of the semiconductor incentive. As such, the incentive program would be at worst revenue-neutral using current tax receipts as a baseline.

§10-348(b)(C) states that new construction or renovation of buildings, facilities, and/or structures within the site constructed or renovated for the purpose of semiconductor production will be eligible for the semiconductor incentive. The period of eligibility for the annual semiconductor incentive will be ten (10) taxable years after the base year, and only semiconductor production activities that occur after the initial effective date will be eligible costs for the incentive. Any application awarded an incentive will be required to enroll in the County’s mentor-protégé program, and The Office of Finance will oversee this section to establish application and approval procedures. The County Executive may also designate other County agencies, offices, or departments to assist the Office of Finance with administering the incentive program.

Fiscal Impact:

Direct Impact

The enactment of CB-072-2023 will likely have a direct adverse fiscal impact on the County due to the direct payment of subsidies to successful applicants. *However*, because of the way the incentive is structured, the payment will be dependent on increased property tax revenues over the base year and will not exceed that increase, and thus would be revenue-neutral with current tax

receipts as a baseline. Additionally, there is the possibility of modest additional administrative costs related to establishing an application and approval procedure for new semiconductor production incentive applicants.

Indirect Impact

The enactment of CB-072-2023 may have a significant favorable long-term indirect impact, to the extent that Prince George's County becomes a technological hub that drives innovation as the CHIPS and Science Act of 2022 intended.

Appropriated in the Current Fiscal Year Budget

No.

Effective Date of Proposed Legislation:

The Act shall take effect forty-five (45) days after it becomes law.

If you require additional information or have questions about this fiscal impact statement, please contact me via phone or email.