

Funding Opportunity – Commercial Fabrication Facilities

FACT SHEET:

CHIPS Program Office Launches Notice of Funding Opportunity

On February 28, 2023, the CHIPS Program Office released its first funding opportunity to boost domestic semiconductor manufacturing, solidify America’s technological leadership, and promote U.S. economic and national security.

The bipartisan CHIPS and Science Act of 2022 provides \$52.7 billion in federal funding to revitalize the U.S. semiconductor industry, including \$39 billion in semiconductor incentives, \$13.2 billion in R&D and workforce development, and \$500 million to strengthen global supply chains. The CHIPS Program Office within the U.S. Department of Commerce is responsible for administering the \$39 billion in incentives pursuant to Section 9902 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021.

The CHIPS Program Office’s first funding opportunity seeks applications for projects involving the construction, expansion, or modernization of commercial facilities for the fabrication of leading-edge, current-generation, and mature-node semiconductors. This includes both front-end wafer fabrication and back-end assembly, testing, and packaging. Pre-applications (optional) and full applications for leading-edge facilities will be accepted on a rolling basis beginning March 31, 2023. Pre-applications (recommended) for current-generation, mature-node, and back-end production facilities will be accepted on a rolling basis beginning May 1, 2023, and full applications for these categories will be accepted on a rolling basis beginning June 26, 2023.

The CHIPS Program Office expects to release two additional funding opportunities: one for semiconductor materials and manufacturing equipment facilities in late spring 2023, and one for R&D facilities in fall 2023. All potential applicants are encouraged to submit statements of interest beginning today so that the CHIPS Program Office may gauge interest in the program and prepare for application review.

AWARDS

Awards will take the form of direct funding, federal loans, and/or federal guarantees of third-party loans.

The funding opportunity will provide direct funding (through grants, cooperative agreements, or other transactions), loans, and loan guarantees. There is no fixed amount for how much a project can receive in direct funding. Instead, the CHIPS Program Office will determine the direct funding amount through rigorous evaluation and analysis of the project’s expected returns, among other factors. Most direct funding awards are generally expected to range between 5-15% of project capital expenditures.

There is also no fixed limit on the loans or loan guarantees that a project may receive. Applicants can request loans or loan guarantees to provide debt financing that is not available on comparable terms on the private market, and the specific terms will be based on a project’s financing requirements and risk profile.

A single application can result in an award that contains more than one type of incentive. The CHIPS Program Office generally expects that the total amount of an award, inclusive of direct funding and the principal amount of a loan or loan guarantee, will not exceed 35% of project capital expenditures.

CHIPS awards are meant to complement—rather than crowd out—private investment and other sources of funding, and applicants are highly encouraged to bring capital to the table. Applicants will have to demonstrate that the funding requested will incentivize investments in facilities and equipment in the United States that would not occur in the absence of the incentives. In addition, applicants are required to have been offered an incentive from a state or local government and are encouraged to claim the Advanced Manufacturing Investment Credit, a separate incentive administered by the U.S. Department of the Treasury and the Internal Revenue Service that provides a federal income tax credit for qualifying capital investments in a facility for which the primary purpose is the manufacturing of semiconductors or semiconductor manufacturing equipment.

APPLICATION PROCESS

The funding opportunity lays out a five-part application process:

1. Statement of Interest. A potential applicant must briefly describe the proposed project so that the CHIPS Program Office may gauge interest in the program and plan for further review.
2. Pre-Application (Optional). In this stage, potential applicants may choose to submit a more detailed description of their project plan(s). The CHIPS Program Office will provide written feedback on the pre-application, including a recommendation to the applicant for next steps (i.e., whether the applicant should submit a revised pre-application, a full application, or neither).
3. Full Application. Full applications contain detailed information on the project(s), including the technical and financial feasibility and alignment with economic and national security objectives. The CHIPS Program Office may provide feedback or seek further information or clarification from the applicant as part of the process. Before moving into the due diligence phase, the CHIPS Program Office will prepare and seek agreement to a non-binding Preliminary Memorandum of Terms, which will include recommendations for the award's amount and form and may also include terms related to other strategic objectives.
4. Due Diligence. If the CHIPS Program Office determines that an applicant is reasonably likely to receive an award—and the CHIPS Program Office and the applicant agree, or foresee agreement, on a non-binding Preliminary Memorandum of Terms—the application will enter the comprehensive due diligence phase. In this phase, the CHIPS Program Office will require the applicant to provide additional information on national security, financial, environmental, and other issues and will engage at the applicant's expense with outside advisors, consultants, and/or attorneys to validate the information provided in the application.
5. Award Preparation and Issuance. After successfully completing due diligence, the Department of Commerce will prepare and issue an award. Direct funding and loans will ultimately be disbursed in tranches tied to project milestones.

PROGRAM PRIORITIES

Applications must address six program priority areas, which are described in detail in the funding opportunity. The extent to which the application addresses the program's economic and national security objectives is of primary importance and will receive the greatest weight.

1. Economic and National Security. The semiconductor supply chain is global, and different elements of the supply chain are geographically concentrated in different regions of the world. This concentration means that a range of risks—from cybersecurity threats to natural disasters to pandemics—have the capacity to disrupt international semiconductor supply chains and damage the U.S. and global economy. The CHIPS Program Office will invest in projects that meaningfully increase U.S. semiconductor

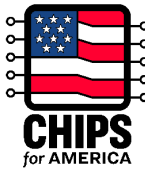
production and strengthen global supply chains. The CHIPS Program Office also seeks to fund projects that further U.S. national security interests, for example by providing the U.S. Department of Defense and national security community with stable, long-term onshore access to semiconductors. See [Vision for Success: Commercial Fabrication Facilities](#) for more details.

2. Commercial Viability. Applicants must have a plan for reliable cash flows and continued investment, and they should commit to making the investments and upgrades necessary to ensure that the facility remains commercially viable over the long term. See [Fact Sheet: Catalyzing Private Investment](#) for more details.
3. Financial Strength. Applicants will be asked to submit a detailed financial model for their proposed project, including projected cash flows, internal rates of return, and profitability metrics. Moreover, because CHIPS funding will not be enough on its own to build the semiconductor production capacity necessary to meet the program's economic and national security objectives, applicants are directed to maximize private-sector contributions. See [Fact Sheet: Catalyzing Private Investment](#) for more details.
4. Project Technical Feasibility & Readiness. To demonstrate technical feasibility, applicants are asked to provide a clear project execution plan, including major construction and operational milestones, construction rights and permits, and key contractual arrangements. The CHIPS Program Office will also prioritize applicants who explain how they plan to meet environmental and permitting requirements in a timely fashion, such as by using existing infrastructure or securing agreements in advance from state and local permitting authorities to keep projects on schedule. Applicants will also be asked to demonstrate their relevant experience and expertise to support successful execution at the scale envisioned in the application. See [NEPA materials](#) for more details.
5. Workforce Development. Applicants must commit to developing and maintaining a highly skilled, diverse workforce, including by outlining their plans to hire economically disadvantaged individuals. In addition, applicants are encouraged to work with government organizations, educational institutions, labor unions, industry associations, and other strategic partners to meet the needs of the semiconductor industry in their region. Finally, any applicant requesting more than \$150 million in funding must provide a plan for access to affordable, accessible, reliable, and high-quality child care for both facility and construction workers. See [Fact Sheet: Building a Skilled and Diverse Workforce](#) for more details.
6. Broader Impacts. The CHIPS Program Office is committed to building strong communities that share in the prosperity of the semiconductor industry, and to safeguarding taxpayer investments. Consistent with these aims, the CHIPS Program Office will evaluate projects based on applicants' plans to commit to future investment in the U.S. semiconductor industry, including to build R&D facilities in the United States; support CHIPS research and development programs; create opportunities for minority-owned, veteran-owned, and women-owned businesses; demonstrate climate and environmental responsibility; invest in their communities by addressing barriers to economic inclusion; and commit to using iron, steel, and construction materials produced in the United States. See [Fact Sheet: Spurring Regional Economic Development and Inclusive Economic Growth](#) for more details.

TAXPAYER PROTECTIONS

The CHIPS Program Office will strictly monitor the use of funds to protect taxpayer dollars and ensure that companies deliver on their promises.

The CHIPS Program Office will take appropriate steps to safeguard taxpayer investments. Awards will be made based on rigorous financial analysis and due diligence. Recipients who receive more than \$150 million in direct funding will be required to share with the U.S. government a portion of any cash flows or returns that exceed the applicant's projections by an agreed-upon threshold. These proceeds will be used to further the objectives



of the CHIPS Act and strengthen the U.S. semiconductor ecosystem. In addition, applicants are prohibited from using CHIPS funds for dividends or stock buybacks. Moreover, the CHIPS Program Office will require all applicants to detail their intentions with respect to stock buybacks over five years, including whether they intend to refrain from or limit them, and will consider the extent of the applicant's commitments to refrain from stock buybacks in the application review process.

Award funds will be disbursed in tranches tied to construction and operational milestones. The CHIPS Program Office will require a broad range of reporting from award recipients so that it may evaluate the extent to which applicant commitments are being upheld and program objectives have been achieved. Applicants will be held to commitments they make in their application by the terms of their award, and failure to comply may result, depending on the circumstances, in the withholding or suspension of payments, the termination of the award, and/or the return of funds, among other potential remedies. See [Fact Sheet: Protecting U.S. Taxpayers](#) for more details.

NATIONAL SECURITY GUARDRAILS

The CHIPS Program Office will also ensure that no company can use CHIPS funding to undermine national security.

Applicants will have to return the full amount of an award if they knowingly engage in any joint research or technology licensing effort with a foreign entity of concern that raises national security concerns. Moreover, successful applicants must agree not to engage in certain significant transactions involving expanding semiconductor manufacturing capacity in countries of concern for 10 years beginning on the date of the award. The Department of Commerce will soon be releasing additional information on these guardrails.

Read the first funding opportunity [here](#).