



Semiconductor Task Force recommendations require rigorous evaluation

Comments for the Washington County Commission 10.25.2022

The theme of the Semiconductor Task Force report¹ is that without new subsidies, Oregon will lose out, on as much as \$40 billion of new semiconductor spending (a figure the task force does not explain). The Task Force proposes spending—on higher education, land development, grants and tax subsidies—that will “catalyze transformational growth.” Some of these ideas make sense, but we should be cautious of grandiose claims, costs and payback.

Though chaired by the governor and a senator, the report is the product of a task force with a single focus. **It doesn’t address broader questions of policy that are your province.** The first is whether government should fund expansion of a single industry. If yes, then **you face questions about opportunity costs: who will pay for it, what other priorities will be downgraded, what services will be eliminated.**

The industry already benefits from the state’s tax code:

- No sales tax on construction or equipment
- Corporate income tax and the CAT apply only to Oregon sales
- Reduced personal income tax rates for pass-through business owners
- 3-, 5- and 15-year property tax exemptions, including the SIP
- Urban renewal districts that shift the cost of infrastructure from businesses

Since Intel arrived, Oregon’s Corporate Income Tax shifted from a basis of payroll, property and sales to instate sales alone (a change Intel championed). The SIP provides exemptions from property taxes for all but \$100 million of value. That threshold, set in 1993, is not indexed to inflation. Were it indexed, it would have doubled, providing some additional revenue from Intel’s newest SIP agreement.

The report has lots of rosy projections extrapolated from a two-page ECONorthwest memo, included as Appendix 1. We hope that you will not jump on the bandwagon before it is built, and expect the next report will set priorities and quantify their costs so that policymakers understand the tradeoffs.

Given time limits, I end my public testimony. Other considerations are in the written comments I’ve submitted. I would be happy to meet with any of you individually.

¹ Oregon Semiconductor Competitive Task Force, [Seizing Opportunity: Initial Report and Subcommittee Findings](#), August 2022

Tax Credits vs direct funding

Expanding funding for the Governor's Strategic Reserve Funds and Business Oregon's grant programs is a far more targeted approach than the reports' tax credits for research and for family wage jobs. Tax credits would benefit many businesses not just those that are semiconductor related. The Family Wage Tax Credit, for example, would apply to data center jobs, increasing companies' bottom line without generating any new jobs. Meanwhile, tax credits would diminish the state's General Fund—which provides funding to schools, counties and cities, housing, mental health, etc.

Location decisions

Large companies make their location decisions, and then go fishing for subsidies, often with different teams handling site selection and subsidies. We hope you will monitor how you allow that game to be played. Microchip Technologies has said it will “announce” its location decision about an expansion, possibly in Gresham, next spring. That's reminiscent of Nike's exploration of locating elsewhere in Oregon and Amazon's “HQ2,” a frenzy from which it extracted potential benefits from competing states.

Industrial Land is a need, but we do have sites

However, Intel has developed a proposal for an Advanced Lithography Center to be located in Oregon and “three major semiconductor companies are considering investments ranging from \$6-\$8 billion in the state.” Both Intel and Microchip Technology (one of the three) already have land, another is looking at a site in Sherwood.

How would we preserve large sites

Because warehouses and data centers have swallowed industrial parcels, available inventory is low. Eighteen large Metro area sites have disappeared since 2017. If one or more 500-acre sites and additional extra-large sites are made available for industrial use, how will they be held aside for research and manufacturing?

How would infrastructure be financed? Urban Renewal Zones rob the community's soft services for decades—from current residents, new employees and companies. If the public pays for hard infrastructure when farmland is brought in for industrial development, can repayment be captured from the purchasers rather than through Urban Renewal Zones? We hear that one story buildings and asphalt parking are the norm because our land is too cheap to justify the additional costs.

Oregon costs are lower than elsewhere

Writers cite one developer who says that it costs 10-15% more to build in Oregon than elsewhere. But a recent study on site selection² found that moving a facility from Silicon Valley to Hillsboro reduced operating costs 25%.

² <https://www.areadevelopment.com/data-centers/q2-2022/trends-in-data-center-site-selection.shtml> and <https://www.oregonbusiness.com/article/tech/item/19159-what-s-driving-the-hillsboro-data-center-influx>