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Chips Act PLUS Passes with Plenty of Pork to Spare

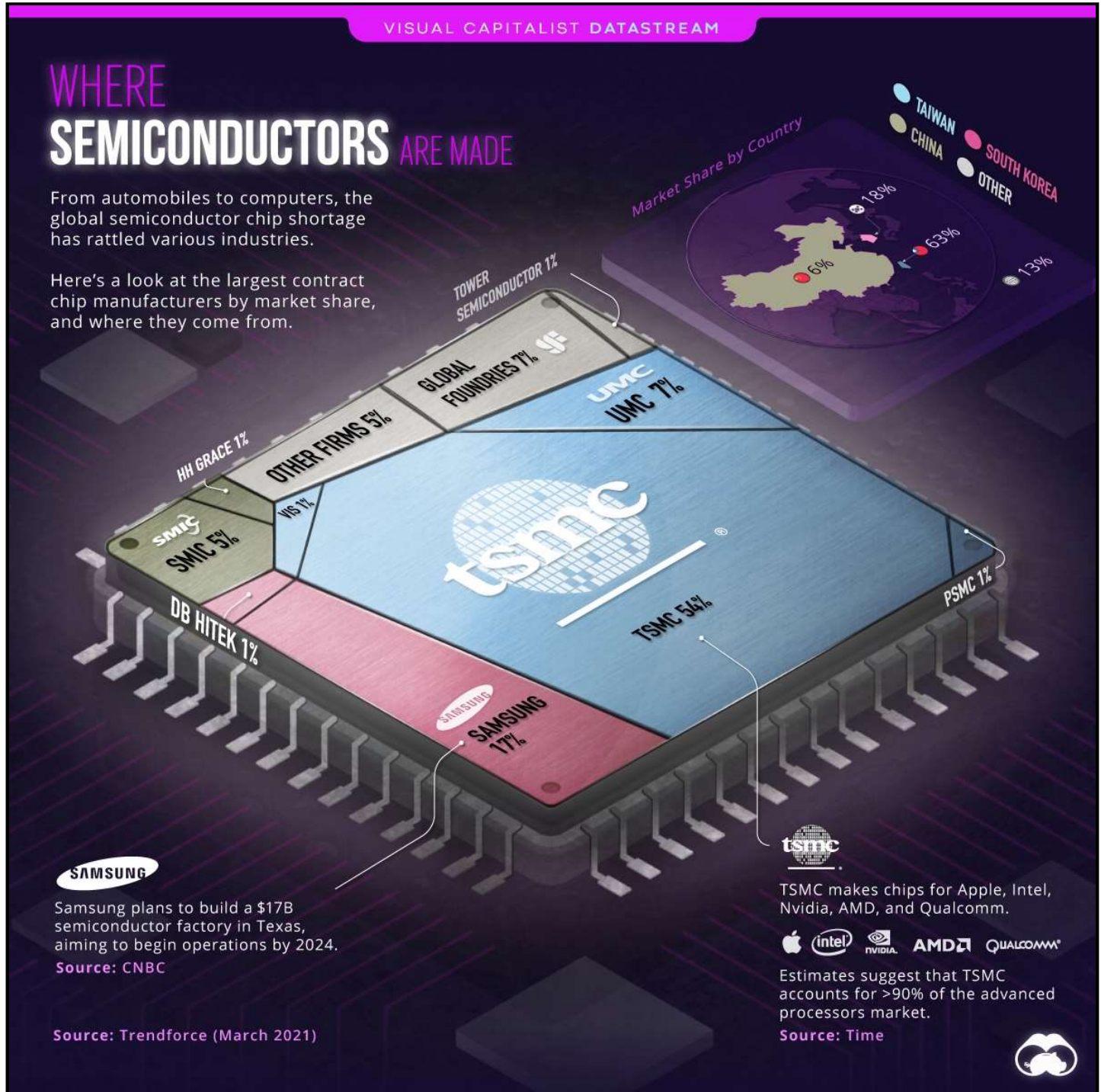


image source: <https://www.visualcapitalist.com/wp-content/uploads/2021/12/top-10-semiconductor-companies-1.jpg>
Thanks to the Visual Capitalist

On July 28, 2022, the House of Representatives passed the **“Chips plus Science” Act by a bi-partisan vote of 243-187**. This is the bill to provide \$52 billion to boost domestic US production of semiconductors, with several other proposals rolled into the bill. Like every major piece of legislation that I have ever studied or simply followed, what began as a solution to a major problem that consequently benefited only one or two states, eventually that

very specific and smaller bill morphed into a significantly larger bill that tries to spread the federal largess from sea to shining sea. The Chips Act stands as a textbook case of how major legislation ever gets passed in any Congress at any time.

In the case of the original CHIPS Act, and its companion piece the FABS Act, only two states stood to benefit greatly and directly from passage of the two bills. Those two states were Ohio and Texas. The bill that passed both houses of Congress, and then sent to the White House for the President's signature, grew to be over 1,000 pages, according to a posting by [RollCall, July 26, 2022](#). As passage of the original bill neared, "**a handful of Senators**" began pushing for inclusion in the Chips bill, investment "**in science and R&D to make the U.S. more competitive in key areas of national security, not just in semiconductor manufacturing, but in [artificial intelligence] and quantum and other key manufacturing sectors.**" Leading this effort was Senator Maria Cantwell, D-WA.

It was not only the Democratic Senator from Washington that wanted in on this **legislative logrolling**. Roger Wicker (R-MS) "**was among those senators who opposed advancing the semiconductor manufacturer incentives without the science and R&D provisions.**" Wicker voiced his opinion thusly:

The new language includes many research funding, security, and STEM education provisions that are essential if the U.S. hopes to outcompete China and protect our intellectual property.

Among other provisions, the new bill increased funding for "**\$100 billion over five years for the creation of a new technology and innovation directorate at the National Science Foundation.**"

The budget hawkish Committee for a Responsible Federal Budget posted the Congressional Budget Office projections for the cost of Chips PLUS bill. "**CBO estimates the legislation would increase budget deficits by \$48 billion over five years and by \$79 billion through 2031.**" And the website provided an excellent graphical summary of the CBO data.

Provision	2022-2026 Cost	2022-2031 Cost
Create CHIPS for America Fund	\$24.5 billion	\$50.5 billion
Funding for wireless supply chain innovation	\$0.7 billion	\$1.4 billion
Funding for research and innovation	\$0.2 billion	\$3.1 billion
Advanced Manufacturing Investment Tax Credit	\$22.1 billion	\$24.3 billion
Total	<\$47.5 billion	\$79.3 billion

Source: Congressional Budget Office.

image source: <https://www.crfb.org/blogs/cbo-estimates-chips-plus-bill-would-cost-79-billion>

Some other not well publicized provisions of the Act as passed are:

Sec. 106 —

Appropriations for wireless supply chain innovation. Appropriates \$1.5 billion for the Public Wireless Supply Chain Innovation Fund, to spur movement towards open-architecture, software-based wireless technologies, funding innovative, 'leap-ahead' technologies in the U.S. mobile broadband market.

Section 107 is the where evidence of some real legislative logrolling appears. Who doesn't like or want very tangible tax credits? My guess is that any big money donor from any state might find Section 107 attractive.

Sec. 107—

Advanced manufacturing investment credit. Creates a 25 percent investment tax credit for investments in semiconductor manufacturing and includes incentives for the manufacturing of semiconductors, as well as for the manufacturing of the specialized tooling equipment required in the semiconductor manufacturing process. Taxpayers may elect to treat the credit as a payment against tax ("direct pay").

Would this provision apply to investments people make in companies like Intel that will be manufacturing the new American made chips? Seems that would bring smiles among the investor class from Montana to Maine.

Another provision that spreads the federal largess around is Section 10102.

Sec. 10102. Basic Energy Sciences Program. Subsection (a) amends the Department of Energy Research and Innovation Act (42 U.S.C. 18641) by authorizing a research and development program in basic energy sciences, including materials sciences and engineering, chemical sciences, physical biosciences, geosciences, and other disciplines to provide the foundations for new energy technologies.

The entire Senate bill can be viewed here.

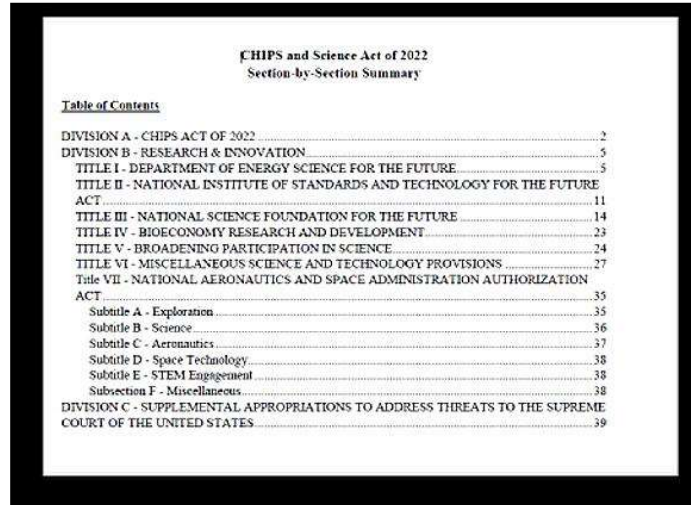
It is not surprising that even in today's highly partisan atmosphere in Congress, 24 House Republicans voted for final passage of Chips PLUS. Of course, as [USA Today reported, July 28, 2022](#), "**Eight of those Republicans represent Ohio, where Intel has plans to spur massive economic development with a new factory that will be subsidized by the new semiconductor funding.**"

This is how the sausage is made, and how it has always been made. If a broad enough constituency exists for, and all stand to benefit from, proposed legislation, then that legislation might well pass.

This blog has pointed to the CHIPS Act to offer a counter argument to the ludicrous ads placed on TV by The American Edge Project as evidence that this Congress has had no serious proposal before it that would result in American technology jobs going over to China. In fact, a key selling point of the

original CHIPS Act and the CHIPS PLUS Act that was just passed is that by boosting domestic semiconductor fabrication, more American tech jobs will be created. I expected some mention of this at the [American Edge website](#).

Just kidding... No I didn't.



The image shows a document titled "CHIPS and Science Act of 2022" with a subtitle "Section-by-Section Summary". Below this is a "Table of Contents" listing various divisions, titles, and subtitles with their corresponding page numbers. The document is framed by a thick black border.

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*Lobbyists are pounding at the door
Give some to me
And then give me some more
— Give Some To Me, Gerald Reiff*

Gerald Reiff

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