CHIPS Act clears Congress, ensuring $52 billion boost to US foundries

It might get cheaper and easier to buy popular tech products, like gaming consoles and graphics cards, after Congress approved $52 billion in funding for domestic semiconductor manufacturing.

In a 243-187 vote on Thursday, the House passed the $280 billion CHIPS and Science Act to strengthen US science and technology innovation. The bill, a Biden administration priority, includes $52 billion in subsidies to encourage chip manufacturers to build out semiconductor fabrications plants, or "fabs," in the US.

After months of negotiations between the House and Senate, Thursday's approval resolves the looming threat of chipmakers reconsidering plans to build US plants. Earlier this month, the groundbreaking ceremony for a $20 billion Intel foundry was delayed while the funding remained stalled.

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"The American people may not know it, but semiconductors are integral to their everyday experiences," Rep. Frank Pallone Jr. (D-NJ) said in a Thursday floor statement ahead of the vote. "They are microchips that are used in automobiles, consumer electronics, and washing machines."

The coronavirus pandemic upended a wide variety of industries, but especially businesses that manufacture products that require semiconductor chips. Demand for tech products, like

laptops, consoles, and tablets, skyrocketed as consumers grew accustomed to spending more time at home instead of at school or the office. The confluence of demand and pandemic-related supply chain disruptions spurred a global semiconductor shortage that hardware suppliers, like Nvidia and AMD, are just now beginning to resolve.

But the pandemic supply chain crisis inspired lawmakers, namely Sen. Chuck Schumer (D-NY), to craft legislation to make it more feasible for chipmakers to employ American workers and build their products domestically. Over the last few decades, semiconductor plants have shipped factories and jobs overseas, primarily to countries like China, to cut down on manufacturing and shipping costs. The CHIPS and Science Act is the Biden administration's bet to incentivize chipmakers to reverse course and build fabs in the US.

"For decades, some 'experts' said we needed to give up on manufacturing in America. I never believed that. Manufacturing jobs are back," President Joe Biden said in a statement on Wednesday. "Thanks to this bill, we are going to have even more of them."

President Joe Biden has encouraged lawmakers to pass the measure, but it's unclear when he intends to sign it into law.

The CHIPS and Science Act is the final version of an innovation bill that's undergone numerous title and language changes since the concept was first introduced in 2019. The initial version of the bill was titled the Endless Frontier Act, a nod to President Franklin D. Roosevelt. Last summer, the Senate approved a newer version of the bill, the US Innovation and Competition Act, that stalled as House and Senate leaders negotiated changes.

But with pressure building due to a looming August recess and midterm election cycle, lawmakers revved up momentum to pass a smaller bill, the CHIPS and Science Act, that trimmed down

some of the former package’s ambitions but included billions for domestic chipmaking.

As the bill’s passage grew more imminent, progressives became more bullish in their opposition to the measure. In a statement earlier this month, Sen. Bernie Sanders — a Vermont independent who caucuses with Democrats — criticized the bill for serving as a “blank check” for profitable semiconductor companies despite supporting the expansion of domestic microchip manufacturing.

“There is no debate that the microchip and semiconductor shortage is a dire threat to our nation,” Sanders said. “What I cannot understand is why so many in Congress are so eager to pay this bribe.”

Sanders’ statements chilled optimism that House Democrats could garner enough support to approve the bill. It was unclear how many members of the House Congressional Progressive Caucus would vote hours ahead of the bill’s passage.

Outside of the chips subsidies, the bill provides the Commerce Department with $10 billion to award states and localities grants to build out “regional technology hubs” across the country. The hubs would serve as mini Silicon Valleys as a means of bringing jobs and economic growth to areas hard hit by globalization. The National Science Foundation is also set to receive billions in additional funding for semiconductor manufacturing research and workforce development programs.

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