NOTICE OF FUNDING OPPORTUNITY (NOFO)

CHIPS Incentives Program – Facilities for Semiconductor Materials and Manufacturing Equipment

EXECUTIVE SUMMARY

- **Federal Agency Name:** National Institute of Standards and Technology (NIST), United States Department of Commerce

- **Funding Opportunity Title:** CHIPS Incentives Program – Facilities for Semiconductor Materials and Manufacturing Equipment

- **Announcement Type:** Initial

- **Funding Opportunity Number**: 2023-NIST-CHIPS-SMME-01

- **Assistance Listing (CFDA Number):** 11.037 – CHIPS Incentives Program

- **Dates:**
  - For all potential applicants, concept plans will be accepted between December 1, 2023, and February 1, 2024.
  - For applications that are invited to advance to the full application phase, the CHIPS Program Office will communicate full application submission dates to applicants individually upon notifying them of their advancement.

  The Department of Commerce may amend this NOFO at any time. It may also close the funding opportunity with at least 60 days' notice. Changes will be communicated via https://www.grants.gov and https://www.chips.gov.

- **Application Submission Address:** https://applications.chips.gov/

Funding Opportunity Description: The CHIPS Incentives Program aims to catalyze long-term economically sustainable growth in the domestic semiconductor industry in support of U.S. economic and national security. This is the second Notice of Funding Opportunity under this program. It seeks applications for projects for the construction, expansion, or modernization of commercial facilities for semiconductor materials and manufacturing equipment for which the capital investment falls below $300 million.

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FULL ANNOUNCEMENT TEXT

I. Program Description

This Notice of Funding Opportunity (NOFO) seeks applications for the CHIPS Incentives Program, authorized by Title XCIX—Creating Helpful Incentives to Produce Semiconductors for America of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Pub. L. 116-283, referred to as the CHIPS Act or Act), as amended by the CHIPS Act of 2022 (Division A of Pub. L. 117-167). The CHIPS Incentives Program is administered by the CHIPS Program Office (CPO) within the National Institute of Standards and Technology (NIST) of the United States Department of Commerce (Department).

This NOFO seeks applications for CHIPS Incentives Awards that will support investments in the construction, expansion, or modernization of commercial facilities in the United States for semiconductor materials and semiconductor manufacturing equipment for which the capital investment falls below $300 million. The application process and requirements detailed below are designed to be appropriate for smaller projects and accessible to smaller businesses. Awards made pursuant to this NOFO will be in the form of direct funding (via grants, cooperative agreements, or other transactions).[1]

CPO will provide further guidance on the program requirements and procedures in subsequent publications and through a series of public webinars, information about which will be available at https://www.chips.gov. Interested parties should routinely check https://www.chips.gov for updates.

A. Program Objectives

The CHIPS Incentives Program aims to strengthen U.S. economic and national security, including economic resilience and competitiveness. The CHIPS Act sets forth multiple dimensions of this overriding objective:

- Strengthening the security and resilience of the semiconductor supply chain, including by mitigating gaps and vulnerabilities
- Providing a supply of secure semiconductors relevant for national security
- Strengthening the leadership of the United States in semiconductor technology
- Growing the economy of the United States and supporting job creation in the United States
- Bolstering the semiconductor and skilled technical workforces in the United States
- Promoting the inclusion of economically disadvantaged individuals[2] and small businesses

[1] Although this NOFO offers only direct funding, applicants will be asked as part of the application package whether they would be interested in a loan or loan guarantee should such options become available at a later date.
[2] See Appendix for the definition of "economically disadvantaged individuals."

- Improving the resilience of the semiconductor supply chains of critical manufacturing industries[3]

For the CHIPS Incentives Program to be successful on these many dimensions, it must lay the groundwork for long-term growth and economic sustainability in the domestic semiconductor industry and promote the secure and resilient supply chains on which the sector relies. The industry must have a robust and skilled workforce and a diverse base of suppliers for semiconductor production. It must support research and development (R&D) that will drive innovation in design, materials, and processes that will accelerate the industries of the future. And it must support the broader U.S. economy, creating good jobs accessible to all and supporting and growing local economies and communities.

In addition, for the CHIPS Incentives Program to succeed, the Federal funds must serve as a catalyst to galvanize private, state, and local investment in the semiconductor industry. That is, the program funds are a supplement to, not a replacement for, other sources of capital.

The CHIPS Incentives Program seeks to fund applicants that demonstrate a commitment to investment in the United States for the long term and projects that maximize private sources of capital. Only private industry can marshal the resources necessary to make the sustaining investments needed in the decades that follow to maintain a resilient, economically viable, and growing U.S. semiconductor industry.

B. Program Summary

The CHIPS Incentives Program must fund a variety of projects to achieve its economic and national security objectives. Projects will vary in technology, scale, cost, location, risk, workforce needs, and other factors. To fund any project, the Department must determine that the project is in the economic and national security interests of the United States and satisfies the CHIPS Act's eligibility requirements, as well as the amount of funding appropriate for the project.[4]

This NOFO describes considerations and procedures the Department will use to make these determinations. Because this funding opportunity is targeted towards smaller projects, the Department is operating a streamlined application process designed to facilitate participation for small and medium-sized businesses. This section summarizes, in a question-and-answer format, certain eligibility and procedural requirements for applications under this NOFO.

1. What projects are eligible for funding under this NOFO?

This NOFO seeks applications for the construction, expansion, or modernization of commercial facilities in the United States in the following categories.

[3] *See* 15 U.S.C.§ 4652(d). See Appendix for the definition of "critical manufacturing industries."
[4] *See* 15 U.S.C. §§ 4652(a)(2)(C)(i)(I)-(II), 4652(a)(3)(A).

Semiconductor Materials Facilities for the manufacture or production, including growth or extraction, of materials used to manufacture semiconductors, which are the chemicals, gases, raw and intermediate materials, and other consumables used in semiconductor manufacturing. Specific examples include but are not limited to polysilicon; photoresists and ancillaries (developers, strippers, litho solvents, and anti-reflective and hardmask layers); sputtering targets (including tantalum, titanium, and aluminum); and materials specifically used in quantum information systems (such as hafnium and niobium).[5] Applications for the construction, expansion, or modernization of these facilities will be eligible for this NOFO only if the capital investment, as defined in Section IV.G.3, falls below $300 million.

Semiconductor Manufacturing Equipment Facilities for the physical production of specialized equipment integral to the manufacturing of semiconductors and subsystems that enable or are incorporated into the manufacturing equipment. Specific examples of semiconductor manufacturing equipment include but are not limited to deposition equipment, including chemical vapor deposition, physical vapor deposition, and atomic layer deposition; etching equipment (wet etch, dry etch); lithography equipment (steppers, scanners, extreme ultraviolet); wafer slicing equipment, wafer dicing equipment, and wire bonders; inspection and measuring equipment, including scanning electron microscopes, atomic force microscopes, optical inspection systems, and wafer probes; certain metrology and inspection systems; and ion implantation and diffusion/oxidation furnaces. Applications for the construction, expansion, or modernization of these facilities will be eligible for this NOFO only if the capital investment, as defined in Section IV.G.3, falls below $300 million.

Only facilities of the types listed above are eligible for funding under this NOFO. Commercial fabrication facilities, as well as facilities for semiconductor materials and manufacturing equipment for which the capital investment equals or exceeds $300 million, may apply for funding under the NOFO the Department released in February and amended in June.[6] CPO expects to launch an additional funding process for applications related to R&D facilities at a later date.

Note that the Department will not fund applications that lack sufficient scale to meaningfully contribute to the objectives outlined in this NOFO. The Department expects that projects with capital investments below $20 million are unlikely to meet this standard. If a sub-$20 million project does meet this standard, the Department generally expects other stakeholders—including chipmakers, larger suppliers, and state and local entities—to make the project viable without CHIPS funding.

2. What are the eligibility requirements for funding under this NOFO?

The CHIPS Act imposes several eligibility requirements for funding.

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[5] For the purposes of this NOFO, wafer manufacturing facilities are not considered semiconductor materials facilities. Wafer manufacturing facilities are eligible to apply for funding under the CHIPS Incentives Program – Commercial Fabrication Facilities Notice of Funding Opportunity.

[6] *See* CHIPS Incentives Program – Commercial Fabrication Facilities Notice of Funding Opportunity.

First, funding is available only to "covered entities."[7] This term includes private entities or consortia of private and public entities with a demonstrated ability to substantially finance, construct, expand, or modernize a facility relating to fabrication, assembly, testing, advanced packaging, production, or research and development of semiconductors, materials used to manufacture semiconductors, or semiconductor manufacturing equipment.[8] Section III.A describes this requirement in more detail.

Second, funding is available to covered entities "to incentivize investment in facilities and equipment in the United States" for the production of materials used to manufacture semiconductors or semiconductor manufacturing equipment.[9] An applicant must demonstrate how the CHIPS Incentives requested will incentivize the applicant to make investments in facilities and equipment in the United States that would not occur in the absence of the CHIPS Incentives.

Third, funding must be for the construction, expansion, or modernization of facilities of the kind described in Section I.B.1.[10] For the purposes of this NOFO, construction means the construction of a new facility. Expansion or modernization includes, for example, significantly enlarging an existing facility, increasing the capacity of an existing facility via a material capital investment, such as by adding a new production line, and upgrading an existing facility, such as converting a facility from another use. Both expansions and modernizations will be evaluated on the materiality of the investment relative to existing production. Projects that involve relocating a material amount of equipment, facilities, or production from one facility in the United States to another facility, new or expanded, are disfavored. Such projects will be deemed nonresponsive to this NOFO absent a compelling economic or national security justification.[11]

Fourth, the CHIPS Act specifies that the covered entity must have a documented interest in constructing, expanding, or modernizing an eligible facility.[12] With respect to such construction, expansion, or modernization, the CHIPS Act requires that the covered entity shall:

- Have been offered a covered incentive from a state or local jurisdiction (state or local incentive) where the project is located, for the purposes of attracting the construction, expansion, or modernization of the facility[13]
- Make commitments to worker and community investment, including through training and education benefits paid by the covered entity and programs to expand employment opportunities for economically disadvantaged individuals[14]

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[7] *See* 15 U.S.C. § 4652(a)(1).
[8] *See* 15 U.S.C. § 4651(2).
[9] *See* 15 U.S.C. § 4652(a)(1).
[10] *See* 15 U.S.C. § 4652(a)(4)(A).
[11] 15 U.S.C. § 4652(a)(2)(C)(iv).
[12] 15 U.S.C. § 4652(a)(2)(B)(i).
[13] 15 U.S.C. § 4652(a)(2)(B)(ii)(I); 15 U.S.C. § 4651(3)(A).
[14] 15 U.S.C. § 4652(a)(2)(B)(ii)(II)(aa)-(bb).

- Secure commitments from regional educational and training entities and institutions of higher education to provide workforce training, including programming for training and job placement of economically disadvantaged individuals[15]
- Have an "executable plan," i.e., a plan reasonably capable of successful implementation, to sustain the facility without additional funding from the CHIPS Incentives Program[16]
- Have documented its workforce needs and produced a strategy to meet such workforce needs as well as the aforementioned commitments to worker and community investment[17]
- Have determined the types of semiconductor technology it will produce at the proposed facility, and the customers, or categories of customers, to whom the items will be sold,[18] and
- Have developed an "executable plan" to identify and mitigate relevant semiconductor supply chain security risks.[19]

The Department has designed this NOFO, including the application requirements and review process, to ensure that these statutory requirements will be met for projects receiving CHIPS Incentives.

3. What constitutes a project for purposes of an application?

For the purposes of an application, a "project" is a set of capital expenditures for the construction, expansion, or modernization of a single facility. A project also includes any related workforce development or operating expense costs for the facility that the applicant proposes to cover with CHIPS Incentives funds. Applicants may only include one project per application.

4. May applicants apply for funding under this NOFO as part of a consortium, and if so, how?

Yes, applicants may apply for funding under this NOFO as part of a consortium. For projects that claim to support vibrant U.S. clusters[20], in particular—see discussion of the Department's economic security objectives in Section I.C.1—the Department strongly encourages applicants to

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[15] 15 U.S.C. § 4652(a)(2)(B)(ii)(III).
[16] 15 U.S.C. § 4652(a)(2)(B)(ii)(IV).
[17] 15 U.S.C. § 4652(a)(2)(B)(ii)(VI).
[18] 15 U.S.C. § 4652(a)(2)(B)(ii)(V).
[19] 15 U.S.C. § 4652(a)(2)(B)(iii).
[20] The Department has defined a cluster for these purposes as "a geographically compact area with multiple commercial-scale fabs owned and operated by one or more companies; a large, diverse, and skilled workforce; nearby suppliers to the semiconductor industry; R&D facilities; utilities; and specialized infrastructure, such as chemical processing and water treatment facilities." Department of Commerce, "Vision for Success: Commercial Fabrication Facilities," February 28, 2023. The proximity and density of firms within a specific geography, and their linked industries, generate incentives for knowledge sharing, development of best practices, innovation, investment, and workforce development. They are often supported by government and other institutions including universities, standards-setting bodies, and vocational training institutions. The development of self-sustaining clusters is critical to developing the U.S. chips innovation ecosystem and can be furthered in various ways, including but not limited to the co-location of firms, the production of inputs within a supply chain, the upskilling of local workforces, and the establishment of collaborations between public and private institutions that facilitate tech commercialization.

consider applying as part of a consortium to leverage connections with other entities seeking to build and sustain regional semiconductor clusters. The Department will award funding on a per-project basis to consortium members proposing to construct, expand, or modernize a facility eligible under this NOFO.

Since applicants may include only one project per application, a consortium seeking funding for multiple projects must submit a separate application for each project. The Department expects the entity submitting the application to be the for-profit entity within the consortium that will own and/or operate the project facility. These applicants must also submit a consortium narrative detailing the other members of the consortium and the overall strategic vision of the consortium, among other relevant information.

The Department expects that strong consortia will include at least two suppliers, a state or local government entity (which may include quasi-governmental entities), and an anchor institution such as a semiconductor fab.[21] Other members may include workforce training providers, labor unions, economic development corporations, institutions of higher education, philanthropic foundations, industry organizations, Tech Hubs,[22] or other relevant entities.[23]

State or local government entities that join consortia are strongly encouraged to take steps to build and support vibrant semiconductor clusters. Such steps might include investments in workforce, education, site preparation, research and development, or infrastructure (including transportation, housing, water, or energy) designed to benefit both the consortia members and the broader community. State and local government entities in consortia are also strongly encouraged to help streamline access to resources critical to cluster growth, such as permitting and expansion services, and coordination with relevant regulatory authorities.

Under this NOFO, consortia do not need to have an umbrella organization or other formal legal structure. Consortium members must, however, actively collaborate and align on the content of each application submitted as part of the consortium. In evaluating projects submitted as part of a consortium, the Department will consider the extent to which the consortium's strategic vision advances economic and national security, and the extent to which a given project is necessary for achieving that vision. Thus, the Department strongly encourages consortia to be selective in choosing projects.

[21] Semiconductor fabs will not receive funding under this NOFO for the construction, expansion, or modernization of the fab. Those semiconductor fabs that wish to apply for a CHIPS Incentive Award for such activities may do so under the CHIPS Incentives Program – Commercial Fabrication Facilities Notice of Funding Opportunity.

[22] The Economic Development Agency (EDA) defines a Tech Hub's geography as an area with a concentration of assets, capital, R&D, labor market, and infrastructure strongly relevant to the Hub's selected core technology area, the Hub's identified market opportunity, and its potential to become globally competitive in that area within a decade. *See* Tech Hubs Notice of Funding Opportunity.

[23] Organizations that do not qualify as covered entities may participate in consortia and receive funding as subrecipients or contractors to an eligible covered entity.

5. Are there any benefits to applying as part of a consortium?

Whether a project meaningfully contributes to the development or sustainability of a cluster is a factor the Department may use to advance concept plans to the full application phase or to select a full application to receive an award. We generally expect applicants applying as part of consortia to be better positioned to make this showing.

In addition, applicants applying as part of a consortium may work together to satisfy various statutory eligibility and other requirements

Covered incentive: The CHIPS Act requires that a covered entity shall have been offered a covered incentive from a state or local jurisdiction (state or local incentive) where the project is located, for the purposes of attracting the construction, expansion, or modernization of the facility.[24] *For consortium members, this requirement may be satisfied by one letter that offers an incentive to all eligible facilities in the consortium being proposed for construction, expansion, or modernization. Note, however, that the Department will also accept multiple letters.*

Worker and community investment: The CHIPS Act requires that a covered entity shall make commitments to worker and community investment, including through training and education benefits paid by the covered entity and programs to expand employment opportunities for economically disadvantaged individuals.[25]

- Commitments to worker investment: *In general, consortium members may collaborate on their workforce investments to achieve economies of scale. Consortium members may also decide among themselves how much funding and/or other resources each contributes to the consortium's overall commitments. However, within a consortium, each individual applicant must: (1) specify their financial contribution to training and education benefits and (2) list their specific contributions (funding and/or other resources) to programs to expand employment opportunities for economically disadvantaged individuals.*
- Commitments to community investment: *Consortium members may collaborate on community investments, with consortium members deciding among themselves how much funding and/or other resources each contributes to the consortium's overall commitments. Individual consortium members applying for funding for eligible facilities must list their specific contribution in their application package.*

Commitments to provide workforce training: The CHIPS Act requires that a covered entity shall secure commitments from regional educational and training entities and institutions of higher education to provide workforce training, including programming for training and job placement of economically disadvantaged individuals.[26] *Consortium members may work together to secure*

[24] 15 U.S.C. § 4652(a)(2)(B)(ii)(I); 15 U.S.C. § 4651(3)(A).
[25] 15 U.S.C. § 4652(a)(2)(B)(ii)(II)(aa)-(bb).
[26] 15 U.S.C. § 4652(a)(2)(B)(ii)(III).

these required commitments. The evidence of the commitments should confirm that any individual consortium member applying for funding has secured the commitment.

Workforce strategy: The CHIPS Act requires that a covered entity shall have documented its workforce needs and produced a strategy to meet such workforce needs as well as the commitments to worker and community investment above.[27] *Consortia applicants may develop one workforce strategy at the consortium level that covers the strategy for each consortium member seeking CHIPS funding for a project to construct, expand, or modernize a facility eligible under this NOFO.*

6. How can CHIPS Incentives funds be used?

Funds made available under the CHIPS Incentives Program may be spent only on eligible uses, which include the costs to:

- finance the construction, expansion, or modernization of a facility, or equipment for that facility
- support site development and modernization for a facility
- support workforce development for a facility
- pay reasonable operating expenses for a facility, as determined by the Department.[28]

Not all of the applicant's activities within a project may be eligible to receive program funds. However, as described in Sections IV.G.3 and IV.H.4, the applicant must clearly describe any activities within its proposed project that may be eligible uses for CHIPS Incentives.

Certain purposes are ineligible uses for CHIPS Incentives. See Section IV.I for more details.

7. How much support can a project receive in CHIPS Direct Funding?

It is generally expected that most CHIPS Direct Funding awards will equal 10 percent of project capital expenditures.[29] In rare cases, applicants may receive an award of either 20 percent or 30 percent of project capital expenditures if they have (a) made a particularly compelling case that their project advances the Department's economic and national security objectives, and (b) demonstrated that the additional funding is necessary to make the project commercially viable. Projects eligible for the Advanced Manufacturing Investment Credit[30] (Investment Tax Credit) will not receive an award of more than 20 percent of project capital expenditures.

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[27] 15 U.S.C. § 4652(a)(2)(B)(ii)(VI).
[28] *See* 15 U.S.C. § 4652(a)(4).
[29] Project capital expenditures refers to expenses incurred in the construction or improvement of physical assets, such as the costs of land, building and construction, equipment and installation, physical improvements, and working capital during the construction phase.
[30] *See* 26 U.S.C. § 48D. This separate incentive is administered by the Internal Revenue Service and provides a tax credit for qualifying capital investments in a manufacturing facility for which the primary purpose is the manufacture of semiconductors or semiconductor manufacturing equipment, subject to certain credit recapture rules. The Department expects applicants to take advantage of the Investment Tax Credit, if eligible, to the fullest extent possible.

If an applicant requests more than 10 percent in CHIPS Direct Funding, the Department expects that it may take substantially longer to evaluate the full application and prepare an award.

In addition, if an applicant requests an award of more than 10 percent of project capital expenditures, the Department may offer an award for 10 percent of project capital expenditures contingent on the applicant demonstrating that the project will be able to close the funding gap and be commercially viable at that award amount.

8. How does the application process work?

The application process includes two primary phases. In the first phase, applicants will be asked to submit a concept plan describing how their proposed project addresses core program priorities. The Department will then invite the most promising applicants to the second phase, where they will have the opportunity to submit a full application. The Department will communicate full application submission dates to those applicants selected to advance, and may work with applicants selected to advance as they shape their concept paper into a full application. Applicants that advance in the process will be subject to due diligence prior to award. For more information on the application process, see Section V.D.

If an applicant is applying as part of a consortium: Each member of a consortium that seeks CHIPS Incentives for a project to construct, expand, or modernize a facility eligible for funding under this NOFO must submit a separate concept plan and, if invited to the second phase, a separate full application. Each project will be evaluated on its own merits. Consortium applicants will be required to provide details about their consortium in a separate consortium narrative. In evaluating an individual project proposed as part of a consortium, the Department will consider the strength of the consortium's overall strategic vision and the extent to which an individual project is necessary to advance that vision. For more information, see Sections V.C. and V.D.

C. Program Priorities

The CHIPS Incentives Program seeks to further priorities relating to economic and national security, workforce, and other matters. This section provides information about the program's priorities. Applicants should develop their applications with these priorities in mind, as they relate to various requirements and evaluative criteria that will form the basis for the Department's application review process. Applications that do not meet program priorities will not receive funding. The Department will not fund applications that lack sufficient scale to meaningfully contribute to the objectives outlined in this NOFO. The Department expects projects with capital investments below $20 million are unlikely to meet this standard. If a sub-$20 million project does meet this standard, the Department generally expects other stakeholders—including chipmakers, larger suppliers, and state and local entities— make the project viable without CHIPS funding.

1. Economic and National Security Objectives

Advancing U.S. economic and national security is the principal objective of the CHIPS Incentives Program. With respect to economic security, this NOFO contains a particular focus on incentivizing the development of vibrant, sustainable semiconductor clusters. These clusters are critical to creating a robust semiconductor ecosystem in the United States.

In addition, the Department seeks to invest in operationally secure projects employing appropriate cybersecurity practices, as well as implementing plans to promote supply chain security and risk management. Projects must be protected from internal and external risks ranging from insider threats to disaster recovery and ensure their supply chain is resilient to disruption. Moreover, projects should generally be capable of continued operations for a period of time without access to non-U.S. facilities and personnel.

a. **Economic Security Objectives**

The Department has laid out three objectives for its investments in semiconductor materials and manufacturing equipment facilities: (1) strengthening supply chain resilience, (2) advancing U.S. technology leadership in semiconductor materials and manufacturing equipment, and (3) supporting vibrant U.S. fab clusters. For more detailed information, see "Vision for Success: Semiconductor Materials and Manufacturing Equipment Facilities."

Through this NOFO, the Department is particularly focused on the third goal: supporting vibrant U.S. fab clusters. The Department seeks applications for semiconductor material and equipment facilities that advance clusters by closing critical gaps in the U.S. supplier landscape, for example by reducing the burdens associated with transporting critical supply chain inputs. Applicants claiming to benefit U.S. clusters are strongly encouraged to apply as part of a consortium and to work closely with state and local entities and other stakeholders. Applicants claiming to support one of the other two objectives are also welcome to apply as part of a consortium.

With respect to strengthening supply chain resilience, the Department seeks projects that address chokepoint risks flowing from geographic concentration and reduce the risks of production disruptions due to chronic shortages of critical supply chain inputs.

With respect to advancing U.S. technology leadership, the Department seeks projects that advance U.S. technology leadership by reinforcing existing supply chain strengths and/or developing new and innovative capabilities in the United States. The Department encourages major U.S. semiconductor manufacturing equipment and materials suppliers to increase their footprints in the United States, and aims to attract non-U.S. suppliers of the world's most advanced semiconductor manufacturing equipment, materials, and subsystems to establish large-scale footprints in the United States.

Ultimately, the Department recognizes that all three objectives are self-reinforcing: supporting vibrant U.S. fab clusters, for example, can generate efficiencies and innovation that end up strengthening supply chain resilience and/or technology leadership. The Department welcomes projects that support one or more of these objectives. If a project does not support a cluster, the application must make a compelling case for advancing one of the Department's other two objectives to receive funding.

Regardless of which objective(s) a project advances, the Department seeks applicants that are committed to strengthening the United States' robust innovation ecosystem for research and development, including by investing in domestic R&D facilities and participating in R&D initiatives established by the CHIPS Act. CHIPS Act R&D initiatives include the National Semiconductor Technology Center (NSTC), which will conduct research and prototyping of advanced semiconductor technology, and the National Advanced Packaging Manufacturing Program (NAPMP), which will strengthen semiconductor advanced test, assembly, and packaging capability in the domestic ecosystem; Manufacturing USA institute(s) focused on advanced manufacturing areas; and the CHIPS Metrology program, focused on advancing measurement methods to enhance semiconductor manufacturing. Robust industry participation in CHIPS R&D programs will be essential for their success.

Strong applications will include commitments to participate in the NSTC and, if applicable, engage, support, and collaborate with NAPMP-funded projects in an appropriate manner. The Department expects that the substance of applicant commitments to R&D will vary but may include: (1) rotating project technical staff to the NSTC, or training NSTC and NAPMP-funded facility technical staff through exchanges, (2) providing access to existing R&D facilities to NSTC research programs, or (3) providing the NSTC or other CHIPS R&D-funded programs with donations of or access to equipment and/or design tools. Commitments to R&D may also include participation in the Department of Defense Microelectronics Commons.

b. National Security Objectives

As foundational components to U.S. defense and critical infrastructure systems, semiconductors are vital to U.S. national security. The government organizations and contractors that fulfill national security missions require stable, long-term onshore access to semiconductors, which in turn requires a robust, secure domestic semiconductor supply chain. As relevant, CPO encourages applicants to identify the national security programs and platforms the project supports, any customers in the defense industrial base, and any government points-of-contact who can validate that the project will advance national security.

The Department also acknowledges that the risk of malicious disruptions to semiconductors and their supply chains has risen in concert with increased chip complexity, process separation, and outsourcing.[31] The evolving threat landscape, coupled with today's digitized world, provides a large attack surface for adversaries to steal, compromise, alter, or destroy sensitive information that is critical to economic and national security.[32] The Department seeks applicants that have made themselves resilient to these attacks, such as by establishing a strategy to protect intellectual property and by assuring the security of their product quality and supply chain to prevent tampering, counterfeiting, and other security issues. The Department will also evaluate projects based on their ability to mitigate additional operational and cyber security risks,

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[31] *See* The White House, Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth (2021).
[32] *See* Department of Commerce and Department of Homeland Security, Assessment of the Critical Supply Chains Supporting the U.S. Information and Communications Technology Industry (2022).

including those posed by insider threats, external influence from foreign entities of concern, dependence on foreign-owned or sourced inputs or equipment, and espionage.

Supply chain security is critical to ensure safe and continued production of semiconductors. The Department seeks projects with demonstrated resilience measures through the protection of physical infrastructure and the supplier ecosystem, and risk management strategies—such as regular supply chain mapping—to avoid supply chain exploitation or the theft of intellectual property.

The Department will also consider the national security risks of the location of any upstream or downstream steps in the semiconductor material or equipment manufacturing process.

2. Commercial Viability

Long-term commercial viability is an essential component of any successful application. Commercially viable projects will be grounded on a sound business case providing reliable cash flows that are sufficient to maintain continuity of operations and continued investment in the facility.

Each applicant must describe the type of semiconductor material or equipment the proposed project will produce, where in the semiconductor manufacturing process the technology is used, and key semiconductor- and non-semiconductor-related end markets.[33] A strong application will present a sophisticated understanding, backed by evidence, of the demand for a project's output and other sources of existing and potential future supply. Each applicant must also identify the customers, or categories of customers, for a project's output, and strong applications will include evidence of offtake commitments or other evidence of specific customer demand.[34] The Department encourages proposals that attract more private capital and induce larger-scale, private domestic investments. The Department also encourages purchase commitments and collaborations across the supply chain to clarify future demand, improve transparency and trust, and mitigate the risk of future supply chain shortages or oversupply.

3. Financial Strength

The CHIPS Incentives Program does not provide enough funding on its own to create the capacity needed to meet the program's economic and national security objectives. Applicants should structure the finances of their project in a way that maximizes private-sector contributions and minimizes the need for government incentives. The Department may decline to award CHIPS Incentives if the applicant has not demonstrated sufficient efforts to maximize the use of private-sector funds. The Department will evaluate the degree to which the applicant, through its funding request, leverages private investment, incentives provided by state and local governments, and the Investment Tax Credit (to the extent applicable) to increase scale and

[33] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(V)(aa).
[34] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(V)(bb).

lower the need for CHIPS Incentives. The Department will also ask applicants to submit a financial model, which will inform a comprehensive assessment of a project's finances.

4. Project Technical Feasibility and Readiness

Timely construction and effective operation of facilities is crucial to the overall success of the CHIPS Incentives Program. Project technical feasibility includes the ability of the applicant to construct, equip, and operate the proposed project. To demonstrate technical feasibility, applicants will be asked to provide a construction plan, including a construction schedule and a list of key partners, contractors, and suppliers.

Activities funded under this NOFO will be subject to various Federal, state, and local environmental and permitting requirements. The Department intends to prioritize applications that demonstrate a clear path to meeting these requirements in a timely manner. This path could include reducing or mitigating potential environmental impacts (including impacts on communities with environmental justice concerns), enhancing community engagement, identifying steps to reduce costs and barriers to construction, using existing infrastructure or making mitigation commitments, and securing agreements or support from state and local permitting authorities to ensure projects stay on schedule.

The applicant should identify the necessary environmental compliance and permitting steps for the proposed project, and, as relevant, for each individual activity within each individual project. Applicants are strongly encouraged to design their projects to minimize the potential for adverse impacts on the environment and the local community (including communities with environmental justice concerns), including by taking steps to prevent pollution and by relying as much as possible on clean energy to operate their projects. Applicants are also encouraged to describe the design features, construction methods, and operation strategies they will employ to increase resilience from weather- and climate-related risks and the metrics and processes the applicant will use to measure and track any climate and environmental responsibility goals and commitments.

5. Workforce and Community Investment

The CHIPS Act requires applicants to make commitments to worker and community investment.[35] Each applicant will therefore be asked in their full application to submit a "workforce and community investment" plan that sets forth (1) their strategy for investing in their construction and facility workforces, and (2) their strategy for community investment. As detailed in Section I.B.5 above, consortium members may collaborate on various parts of the plan.

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[35] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(II).

a. **Workforce Development**[36]

A strong, long-term workforce strategy is critical to achieving the economic and national security goals of the CHIPS Act. Each applicant will therefore lay out their strategy to recruit, train, hire, retain, and upskill a diverse workforce in good jobs at their facility. The Good Jobs Principles[37] published by the Departments of Commerce and Labor outline the elements of a good job, including recruitment and hiring practices, pay and benefits, job security and working conditions, worker empowerment, skills and career advancement, and organizational culture. All applicants must comply with all applicable Federal labor and employment laws, including but not limited to Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Occupational Safety and Health Act, and the National Labor Relations Act, which protects employees' right to bargain collectively and engage in concerted activities for the purpose of workers' mutual aid or protection.

To be eligible for CHIPS funding, applicants must secure "commitments from regional educational and training entities and institutions of higher education to provide workforce training, including programming for training and job placement of economically disadvantaged individuals."[38] Applicants are strongly encouraged to work with such partners to articulate their approach to meeting their facility and construction workforce needs through training and recruitment of American workers, as well as to consider applying as part of a consortium that includes such partners. For both their facility and construction workforce, applicants must provide a workforce needs assessment; outline evidence-informed strategies for recruitment, training, and retention; and describe their approach to ensuring job quality.

Recruiting, training, and retaining a diverse and skilled set of workers will necessitate building new pipelines for workers, including specific efforts to attract economically disadvantaged individuals[39] and thereby promote diversity, equity, inclusion, and accessibility. For both their facility and construction workforces, applicants must therefore document how they will expand access for economically disadvantaged individuals, including how their recruitment, training, and retention strategies will be tailored to address the needs of these workers.

The Department strongly encourages applicants to leverage evidence-informed recruitment, training, and retention strategies to increase the participation of economically disadvantaged individuals. For example, although applicants are not required to provide a plan for access to child care for facility and construction workers because awards of CHIPS Direct Funding under this NOFO will not exceed the $150 million threshold established in the first NOFO, applicants are encouraged to consider providing those workers with access to child care. For more details on programs and practices to attract and retain economically disadvantaged individuals—

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[36] For additional resources on the information presented here, applicants are encouraged to consult the appendix of the CHIPS Program Office, Workforce Development Planning Guide.
[37] *See* U.S. Department of Commerce and U.S. Department of Labor, Good Jobs Principles (2022).
[38] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(III).
[39] *See* 15 U.S.C. § 4652(a)(2)(B)(ii); Definition of "economically disadvantaged individuals" in the Appendix.

including Registered Apprenticeships and wraparound services—applicants are encouraged to consult the CHIPS Program Office Workforce Development Guide.[40]

An effective workforce strategy for both facility and construction workers will be informed by, and demonstrate support and commitments from, a diverse set of community and public-sector entities. Engaging with educational institutions at all levels will be key to training the next generation of workers, including commitments to work with K-12 institutions, develop and strengthen career and technical education, and work with programs at existing construction training centers. Strong applications will reflect a comprehensive approach to building inclusive workforce pipelines through participating in sectoral partnerships,[41] especially with semiconductor fabrication facilities or other supply chain companies in their cluster. Sectoral partnerships can play an integral role in the development and implementation of high-quality, equitable workforce development strategies.

Applicants are likewise strongly encouraged to engage with a broad array of strategic partners, including but not limited to labor unions; workforce development organizations; state and local workforce boards; educational institutions, including Minority-Serving Institutions; semiconductor fabrication companies; and other relevant entities. Applicants should describe their engagements with strategic partners as part of their applications, and the strongest applicants will, wherever possible, engage with a wide array of strategic partners to leverage the broadest view of potential workforce solutions. The Department encourages applicants applying as part of consortia to include such partners in their consortium and to leverage those relationships in putting together a comprehensive workforce strategy.

The Department strongly encourages the use of project labor agreements in connection with construction projects.[42] Applicants that commit to using best-practice project labor agreements will generally be likely to produce a construction workforce strategy that meets the criteria in this NOFO. Applicants that do not commit to using project labor agreements will need to demonstrate that they intend to take other measures to ensure workforce continuity and reduce the risk of project delays. The Department also encourages applicants to take steps to increase the representation of women and other economically disadvantaged individuals in their construction workforce and to ensure that applicants and their contractors and subcontractors adhere to high safety and job quality standards.

All laborers and mechanics employed by contractors or subcontractors on a construction project that receives financial assistance under the CHIPS Incentives Program shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the

[40] *See* CHIPS Program Office Workforce Development Guide, Sections 3.4.1, 3.4.2.
[41] A sectoral partnership is a systems-level approach to equitable workforce development that aligns employer demand for a skilled workforce with available workers by bringing together a range of key partners to train and place workers into high-quality jobs. In sectoral partnerships, multiple employers support shared resources and are supported by a backbone coordinating organization.
[42] For information on project labor agreements, *see* Department of Labor, Project Labor Agreement Resource Guide.

Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, commonly referred to as the "Davis-Bacon Act."

b. **Community Investment**

The Department aims to ensure that its investments build strong, diverse communities that participate in the prosperity of the semiconductor industry, growing the economy and supporting job creation in the United States.[43]

Because communities are best positioned to understand their own needs, the Department expects applicants to work closely with stakeholders in local communities to develop a set of investments that is responsive to local needs. Such investments could include but are not limited to financial support for a research institute or investments in local schools or colleges with a focus on pathways to career technical opportunities. Strong applications will reflect collaboration with relevant stakeholders to ensure that community investments address barriers to economic participation and inclusive growth. Similarly, applicants may seek to align their community investments with ongoing state and local economic development programs—such as regional or cluster-based growth efforts, philanthropic efforts, or other federal programs—to amplify their impact.

Creating Inclusive Opportunities for Businesses. In addition, to ensure that the CHIPS Incentives Program generates benefits for a broad range of stakeholders and communities, applicants are strongly encouraged to describe any proactive steps they will take to ensure that small, minority-owned, veteran-owned, and women-owned businesses are included in the overall project.[44] Such steps could include, for example, placing such businesses on solicitation lists and working with supplier diversity organizations to grow a pool of diverse suppliers. For more suggested steps to create inclusive opportunities for businesses, see the CHIPS for America Creating Inclusive Opportunities for Businesses Guide.[45]

II. <u>Federal Award Information</u>

A. Funding Instrument

CHIPS Incentives will be provided through this NOFO, as appropriate, through grants, cooperative agreements, and other transaction agreements.

The final composition and structure of any financial assistance awards made under this program will be determined during the review and selection process.

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[43] *See* 15 U.S.C. § 4652(d)(4).
[44] *See* 15 U.S.C. § 4652(d)(6); CHIPS Act of 2022, Pub. L. 117-167, § 104(c)(3).
[45] CHIPS for America, "Creating Inclusive Opportunities for Businesses Guide" (Aug. 21, 2023).

B. Funding Availability

The Department has reserved up to $500 million for CHIPS Direct Funding under this NOFO. The actual amounts awarded under this NOFO will depend on program priorities and the quality of applications received.

C. Award Amount

The total amount of a CHIPS Direct Funding award will vary by project. As noted in Section I.B.7, the Department generally expects most direct funding awards will equal 10 percent of project capital expenditures, though in rare cases applicants may receive either 20 percent or 30 percent of project capital expenditures. Direct funding awards will not exceed 30 percent of project capital expenditures.

D. Period of Performance

The specific period of performance will vary depend on the size and complexity of the project and the specific activities funded and will be negotiated with the applicant and reflected in the award documents. The conclusion of an award's period of performance does not signify the end of a recipient's obligations related to a CHIPS Incentives Award.

III. Eligibility Information

A. Eligible Applicants

1. Covered Entity Requirement

An applicant must be a "covered entity" to receive CHIPS Incentives. For purposes of this NOFO, a "covered entity" means a nonprofit entity; a private-sector entity; a consortium of private-sector entities; or a consortium of nonprofit, public, and private-sector entities with a demonstrated ability to substantially finance, construct, expand, or modernize a facility relating to the fabrication, assembly, testing, advanced packaging, production, or research and development of semiconductors, materials used to manufacture semiconductors or semiconductor manufacturing equipment.[46]

With respect to consortium applications, the Department will award funds on a per-project basis to each private-sector, domestic legal entity responsible for constructing, expanding, or modernizing a facility eligible for CHIPS funding under this NOFO.[47] A recipient will assume

[46] *See* 15 U.S.C. § 4651(2). Note that projects for semiconductor fabrication and research and development are outside the scope of this NOFO.

[47] Multiple recipients or a nondomestic recipient may be permitted, at the sole discretion of the Department, in exceptional cases, such as in cases of applications involving more than one member of an affiliated group, i.e. a corporate parent and one or more of its subsidiaries. Such exceptions will only be granted if consistent with applicable law and where providing for multiple recipients would further program or project objectives and would not undermine the ability of the Department to evaluate an application and monitor and enforce compliance with the terms of any resulting CHIPS Incentives Award. Multiple recipients will not be permitted where the recipients are not part of the same affiliated group. After the submission of a concept plan, a submitter may seek guidance on whether a multiple recipient or nondomestic recipient option may be available for its potential application.

legal and financial responsibility for the CHIPS Incentives received, including any funds provided to subrecipients and contractors.

The Department may require that the parent or affiliated entities of the recipient provide commitments or guarantees for the benefit of the Federal government or to advance program priorities.

2. Foreign Entities of Concern and Foreign Capital

Foreign entities of concern[48] are not eligible to receive CHIPS Incentives.[49] In addition, the Department will review applications for involvement of foreign entities of concern and will not approve any applications where a foreign entity of concern—through control,[50] access to information, or other mechanisms—poses an undue risk to a project or U.S. national security interests. Applicants are required to provide information via the SF-328 form at the time of full application to enable an initial assessment of these issues. Additional information, beyond the scope of the SF-328 form, may be required in due diligence, to further identify and, if necessary, mitigate potential risks to national security.

CHIPS Incentives Awards will also involve requirements to enable identification and mitigation of national security risks posed by involvement of foreign entities of concern that may arise after an application is approved.

3. Cost Sharing or Matching

Cost sharing or matching funds, as governed by 2 CFR § 200.306, are not legally required for this NOFO. However, as noted above, Direct Funding amounts will generally be 10% of project capital expenditures, and in no event greater than 30% of project capital expenditures. Each applicant must be able to demonstrate that they have sufficient resources available to complete the proposed project, when combined with the requested CHIPS Incentives.

IV. Application and Submission Information

A. How to Access an Application Package

Application forms and instructions are available on the CHIPS Incentives Program application portal. FAQs, guides and templates are available at https://www.chips.gov.

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[48] *See* Final Rule, Department of Commerce, "Preventing the Improper Use of CHIPS Act Funding," 15 C.F.R. Part 231 (Sept. 25, 2023).
[49] 15 U.S.C. § 4657.
[50] The term "control" for this purpose is defined as any direct or indirect investment in a corporate entity that provides the investor with the means to influence important matters affecting the project. The term "means to influence important matters" includes membership or observer rights on, or the right to nominate an individual to a position on, the board of directors or equivalent governing body of the corporate entity; any involvement, other than through voting of shares, in substantive decision-making by the corporate entity; and consultation rights with respect to technology licensing to third parties.

B. Submission Dates and Times

For all potential applicants, concept plans will be accepted between December 1, 2023, and February 1, 2024.

For applications that are invited to advance to the full application phase, the CHIPS Program Office will communicate full application submission dates to applicants individually upon notifying them of their advancement.

The Department may amend this NOFO at any time. It may also close the funding opportunity with at least 60 days' notice. Changes will be communicated via https://www.grants.gov and https://www.chips.gov.

C. Confidential Information

CPO recognizes the importance of protecting confidential business information from public disclosure. CPO and the Department will follow applicable laws, including, for example, the CHIPS Act, the Trade Secrets Act, and the Freedom of Information Act (FOIA), to protect such information.

1. Statutes Applicable to Confidential Business Information

Subject to certain exceptions, Section 4652 of the CHIPS Act provides that "any information derived from records or necessary information disclosed by a covered entity to the Secretary under this section" is exempt from disclosure under FOIA and "shall not be made public."[51]

All Federal employees are also bound by the Trade Secrets Act, which makes Federal employees criminally liable for the unauthorized disclosure of "information [that] concerns or relates to the trade secrets, processes, operations, style of work, or apparatus, or to the identity, confidential statistical data, amount or source of any income, profits, losses, or expenditures of any person, firm, partnership, corporation, or association." [52] Violations of the Trade Secrets Act may result in the loss of employment, fines, or imprisonment.

Finally, FOIA requires Federal agencies, including CPO and the Department, to disclose agency records requested by a member of the public, including information received from outside parties, unless FOIA specifically exempts the information from disclosure. Information that "shall not be made public" under Section 4652 of the CHIPS Act "shall be exempt from disclosure under section 552(b)(3) of title 5,"[53] making it exempt from disclosure under FOIA.[54] In addition, FOIA exempts from disclosure information submitted by an applicant that

[51] 15 U.S.C. § 4652(a)(6)(G)(i). The exceptions are for information 1) relevant to any administrative or judicial action or proceeding, 2) that a covered entity has consented to be disclosed to third parties, or 3) necessary to fulfill the congressional notification requirement specified under Section 4652(a)(6)(H). "Covered entity" is defined at 15 U.S.C. § 4651(2). The Department interprets "information disclosed by a covered entity to the Secretary under this section" to include information disclosed by a covered entity as part of the application process under this NOFO.
[52] 18 U.S.C. § 1905.
[53] 15 U.S.C. § 4652(a)(6)(G)(i).
[54] *See* 5 U.S.C. § 552(b)(3).

constitutes trade secrets or is privileged or confidential commercial or financial information.[55] The Department will apply these exemptions, in accordance with the law and the Department's FOIA regulations,[56] to FOIA requests.

2. Instructions for Marking Confidential Business Information

To assist the Department in protecting trade secrets or privileged or confidential commercial or financial information, applicants should follow these guidelines in submitting information via a concept plan or full application.

First, the following legend should appear on the first page of any document containing trade secrets or privileged or confidential commercial or financial information:

> This document contains trade secrets or commercial or financial information that is privileged or confidential and is exempt from public disclosure. Such information shall be used or disclosed only in accordance with the CHIPS Incentives Program NOFO or as otherwise authorized or required by law. The information subject to these restrictions is contained on all pages of the document except for pages [insert page number or other identification of pages that contain no restricted information.]
>
> (End of Legend)

Second, the following legend should appear on each page of the document that contains information the applicant seeks to designate as trade secrets or privileged or confidential commercial or financial information:

> Use or disclosure of information contained on this sheet is subject to the restriction on the title page of this document.
>
> (End of Legend)

The use of any other legend may constitute grounds for removing the application from further consideration without assuming any liability for inadvertent disclosure. Each applicant must also use good faith when designating information as trade secrets or commercial or financial information that is privileged or confidential.

3. Use of Information

Any person or entity submitting information under this NOFO acknowledges and understands that information and data contained in or submitted in connection with statements of interest[57], concept plans, full applications, or due diligence under this NOFO (together, "applicant information and data") may be accessed and used by Federal employees and their contractors for

[55] 5 U.S.C. § 552(b)(4).
[56] *See* 15 C.F.R. Part 4.
[57] Applicants that have not already submitted a statement of interest to the Department are not required to do so before submitting a concept plan under this NOFO, but may still do so if desired.

the purposes of this NOFO and carrying out the government's responsibilities in connection with the CHIPS Incentives Program, or as otherwise required by law. By submitting applicant information and data, the applicant, potential applicant, or an entity submitting a concept plan consents to the disclosure of such applicant information and data to consultants and contractors for these purposes, consistent with Federal law.

The Department may publish information concerning the award of incentives at stages through the review, selection, and award process. The Department may inform and, to the extent required by law, seek consent from applicants of any such disclosures. In addition, as will be set forth in the terms and conditions of a CHIPS Incentives Award, successful applicants will be expected to support program and project reviews, audits, and program evaluation activities, including by submitting required financial and performance information and data in an accurate and timely manner, making available documents and other records related to the award project upon request, and by cooperating with Department and external program evaluators, including, for non-program evaluation activities, the Office of the Inspector General. Certain post-award progress reporting may also be made public.

The Department may also publish aggregated information from statements of interest, concept plans, and applications.

D. False Statements

It is a crime to knowingly make false statements to a Federal agency. Misrepresentation of material facts may be the basis for denial of an application. Penalties upon conviction may include fine and imprisonment. For details, please refer to 18 U.S.C. § 1001.

E. Application Requirements

Application forms and instructions are available on the CHIPS Incentives Program application portal. FAQs, guides, and templates are available at https://www.chips.gov. Applicants will provide information to the CHIPS Incentives Program application portal via web forms, populating required templates, and uploading narrative documents and other required or supporting attachments. The following sections describe the information that will be required as part of the submissions for concept plans and full applications.

All application materials must be submitted electronically via the CHIPS Incentives Program application portal. In addition to the requirements set forth below, during the application review process the Department may request additional records and information necessary for fulfilling the purposes of this NOFO.

F. Requirements for Attachments Submitted through the CHIPS Incentives Program Application Portal

Requirements for attachments submitted through the CHIPS Incentives Program Application Portal can be found at Chips.gov.

G. Content and Form of Concept Plan

The concept plan allows the Department to evaluate proposed projects and invite those most likely to receive an award to advance to the full application phase.

Each member of a consortium that seeks CHIPS Incentives for a project to construct, expand, or modernize a facility eligible for funding under this NOFO must submit an individual concept plan. Consortium applicants will be required to provide details about their consortium in a separate consortium narrative.

Concept plans must be submitted through https://applications.chips.gov.

The concept plan includes information input via web forms on the CHIPS Incentives Program application portal and the following information:

1. Cover Page

The cover page will be input directly via a web form on the CHIPS Incentives Program application portal.

2. Consortium Narrative (if applicable)

Consortium members must also upload a separate consortium narrative of no more than 5 pages. The consortium narrative must include the following information, and each member is responsible for ensuring consistency across all related applications:

- The individual entities that are members or proposed members of the consortium and the roles of each entity[58]
- A narrative description of the consortium's overall strategic vision; how that vision aligns with the Department's economic and national security objectives; and the relevance of each proposed project to that vision
    - Include an explanation of why the proposed projects are necessary to advance the consortium's vision, and why CHIPS funding is necessary to incentivize the relevant investment
    - For consortia that include a state and/or local government (including quasi-governmental) entity, this narrative should also list any actions that entity is taking or intends to take to facilitate cluster development, such as efforts to coordinate with suppliers on site selection, infrastructure development, workforce development, permitting, and/or community engagement
- The structure of the consortium, including how members intend to coordinate and/or collaborate with one another

[58] The Department will not require consortia to be fully formed at the concept plan phase. Consortium applicants should simply list the members or proposed members that are part of the consortium's current plan. If a consortium wishes to add additional member(s) after they have submitted their concept plan, they should indicate any additions in the full application consortium narrative.

3. Concept Plan Details

Each applicant must submit a project plan of no more than 15 pages that describes the project for which CHIPS Incentives funds are being requested. Attachments such as the Project Sources and Uses of Funds spreadsheet are not included in this page limit.

The project plan must contain the following information:

- Description of Project: A description of the construction, expansion, or modernization activities proposed, including a description of the facility location and existing or required infrastructure. This description should include the products that the facility produces or will produce and their end market application, along with information on the scale, size, and capacity of production.
- Applicant Profile: A brief description of the applicant, including identification of its headquarters, primary officers, ownership (publicly traded or privately held, including main shareholders), main business lines, and main countries of operation. For applicants that are a subsidiary of another entity, this information should be provided for the ultimate corporate parent as well.
- CHIPS Incentives Justification: A summary narrative explaining how the CHIPS Incentives requested will incentivize the applicant to make investments in the facility and equipment in the United States that would not occur in the absence of the incentives. If relevant, include other ways that the requested incentives would change the nature, scale, or speed of the investment.
- Economic and National Security: A narrative description of how the proposed project will further the economic and national security objectives of the United States, as described in Section I.C.1. Applicants should describe, in particular, how the proposed project will help strengthen supply chain resilience, advance U.S. technology leadership, and/or support vibrant U.S. fab clusters.
- Commercial Viability: A narrative description of the demand drivers for the output of the facility with as much specificity as is available on end markets and customer demand. Evidence of customer demand could include key off-take agreements, letters of reference or intent, or a list of top customers for each major product and associated volumes (any such items should be included in an appendix). The narrative should also explain how the project will reach sufficient scale to be commercially viable over the long term.
- Project Feasibility and Readiness: A narrative description explaining why the proposed project is technically feasible, including a notional construction schedule; an explanation of the experience and qualifications of key management personnel, including experience with projects of similar size and scope; a list of any comparable facilities previously commissioned by the applicant or its parent companies; and any evidence that the applicant has the ability to effectively manage the environmental review process.
- Availability of Funds: Provide the information listed below about capital investment and capital sources via the Project Sources and Uses of Funds spreadsheet template available on the CHIPS Incentives Program application portal. In addition, provide a narrative that details specific, credible evidence of the availability of the listed sources of funds. That

evidence could include, for example, company financials demonstrating the availability of cash; commitment letters; or other approaches to accessing the required funding.

- Capital Investment: The costs required to complete the construction, expansion, or modernization of the project and initiate operation, broken down by category such as land, construction (e.g., labor and material), equipment, infrastructure improvements (e.g., utility plants, access to infrastructure, or wastewater treatment plants), and administrative expenses directly attributable to the construction, expansion, or modernization (e.g., legal, engineering, and permitting fees).
- Project Capital Sources: Total project capital sources should be greater than the capital investment costs described above (in the full application, the Department will expect total project capital sources to equal the sum of capital investment, operating losses and other cash outflows until cash flow breakeven, and workforce development costs), and should include, for example, CHIPS Incentives; equity from the applicant, its parent, and any third parties; debt financing from the applicant or corporate parents; state and local government incentives; the Investment Tax Credit; and any other sources of funds, such as customer pre-payments.

H. Content and Form of Full Application Submission

This section provides instructions and details for submission of full applications to the CHIPS Incentives Program. Based on the review of concept plans, the Department will invite selected applicants to submit a full application. Applicants not invited to submit a full application will be notified that they have been eliminated from consideration in this competition.

The full application includes a series of sections, each described below. Page limits are provided where applicable. Sections should be accompanied by relevant attachments that substantiate information in the narrative section, which do not count toward the page limit. All application materials must be submitted through the CHIPS Incentives Program application portal.

Each member of a consortium that seeks CHIPS Incentives for a project to construct, expand, or modernize a facility eligible for funding under this NOFO must submit a separate application. Consortium applicants will be required to provide details about their consortium in a separate consortium narrative.

Applicants should make efforts to complete the process of registering for the System for Award Management (SAM.gov), including obtaining a Unique Entity Identifier (UEI), prior to submitting a full application. For consortium applicants, SAM.gov registrations are required for all members seeking CHIPS Incentives for the construction, expansion, or modernization of a facility eligible for funding under this NOFO.

Applicants are strongly encouraged to begin the process of registering for SAM.gov as early as possible. While this process ordinarily takes between three days and two weeks, in some circumstances it can take six or more months to complete due to information verification requirements. The Department is unable to issue a CHIPS Incentives Award to an entity that lacks an active SAM.gov registration.

A summary table of the application structure is provided below:

1. Cover Page
2. Consortium Narrative (if applicable)
3. Covered Incentive
4. Description of Project
5. Applicant Profile
6. Alignment with Economic and National Security Objectives
7. Commercial Strategy
8. Financial Information
9. Project Technical Feasibility
10. Workforce and Community Investments
11. Standard Forms

1. Cover Page

The cover page will be input directly via a web form on the CHIPS Incentives Program application portal.

2. Consortium Narrative (if applicable)

Consortium members must also upload a separate consortium narrative of no more than 8 pages. The consortium narrative must include the following information, and each member is responsible for ensuring consistency across all related applications. If there have been no updates, consortium members may simply resubmit the narrative they submitted as part of the concept plan:

- The individual entities that are members of the consortium and the roles of each entity
- A narrative description of the consortium's overall strategic vision; how that vision aligns with the Department's economic and national security objectives; and the relevance of each proposed project to that vision
    - Include an explanation of why each proposed project within the consortium is necessary to advance the consortium's vision, and why CHIPS funding is necessary to incentivize the relevant investment
    - For consortia that include a state and/or local government entity, this narrative should also list any actions that entity is taking or intends to take to facilitate cluster development, such as any efforts to coordinate with suppliers on site selection, infrastructure development, workforce development, permitting, and/or community engagement
- The structure of the consortium, including how members intend to coordinate and/or collaborate with one another

- If applicable, any documentation and evidence of the planned operating model, such as the governance structure, decision-making authority/rights, contractual obligations, financial obligations, roles and responsibilities, and any memoranda of understanding

Letters of commitment must be attached from all entities responsible for executing portions of the proposed scope of work. For consortium applicants, this includes letters from other applicants in the consortium confirming their participation in the consortium.

3. Covered Incentive

Each applicant must provide a letter from a state or local government entity offering a qualifying covered incentive, indicating the estimated size and nature of the incentive.[59] For consortium applicants, the covered incentive requirement may be satisfied by one offer letter that names all facilities in the consortium applying for CHIPS Incentives funding.

4. Description of Project

The applicant must submit a detailed description of the project proposed in the application. The description should be no longer than 3 pages and contain the following information:

- <u>Description of Project</u>: A description of the construction, expansion, or modernization activities proposed, including a description of the facility location and existing or required infrastructure. This description should include the products that the facility produces or will produce and the end market application and top customers for those products, along with information on the scale, size, and capacity of production.
- <u>Project Timeline</u>: A detailed description of the overall timeline and key milestones inclusive for the project, for both the capital expenditure components of the project and the workforce development and/or operational cost components of the project.

5. Applicant Profile

Provide the following information for the applicant. If the applicant is a subsidiary, this information should be provided for the applicant, its ultimate corporate parent, and any key intermediate entities:

- <u>Descriptive Information About the Applicant</u>: Information related to the applicant's businesses, including but not limited to company name, corporate form, jurisdiction of formation, description of key business activities, year established, headquarters country/state/city, countries/U.S. states of operation, and number of employees. In addition, the application should include a brief description of the applicant's and (if applicable) its parent company's business profile, key products manufactured, end

[59] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(I). The offer of a covered incentive may be contingent; if so, any contingencies need to clearly be specified in the letter. Further, prior to receiving a CHIPS Incentives Award, the applicant may be required to provide additional information demonstrating to the Department's satisfaction that the covered incentive has been or will be received.

markets, and competitors, as well as any existing or planned business operations in foreign countries of concern.

- Ownership, Legal Entity, and Organizational Structure: The applicant should provide a formal legal entity and organizational structure detailing all parent companies, subsidiaries, and affiliates and other relevant entities, including associated ownership of those entities, up to the top shareholder(s) and the ultimate corporate parent (if applicable). In addition, the applicant should outline recent and upcoming organizational changes, including mergers and acquisitions and any recent or proposed changes to corporate structure. Applicants should provide this information in the form of detailed charts and accompanying narrative explaining the legal entity and organizational structure.
- Past Project History: A summary of any facilities comparable to the proposed project facility commissioned by the applicant or its parent companies in the last five years, including details on type of production and output, years in operation, location, project cost, and summary financials.
- Covered Entity Status: An explanation of how the applicant qualifies as a "covered entity," including a demonstration of the applicant's ability to substantially finance, construct, expand, or modernize the facility proposed.[60] Such a showing could include, for example, evidence of prior experience successfully managing and completing comparable projects, expertise of a scientific and technical nature that is applicable to the proposed project, or sufficient committed financing for the project outside of CHIPS Incentive Request.
- Company Financials: If available, audited consolidated financial statements at fiscal year-end for each of the last two years, and interim financial statements for the current fiscal year.[61]
- Equity Capital Structure: Information on major shareholders, number of shares outstanding, share price history, and market valuation (or estimated private valuation) at year-end for the last two years, if available.
- Outstanding Debt: Schedule listing outstanding debt, lines of credit, other material indebtedness, guarantees, or (material) off-balance sheet liabilities, along with the expected cost for those liabilities.

6. Alignment with Economic and National Security Objectives

Describe how the project meets economic and national security objectives in no more than 10 pages. Consistent with the program priorities set forth in Section I.C.1, this should include how the project will (a) support vibrant U.S. clusters and/or the broader U.S. ecosystem, (b) strengthen supply chain resilience, and/or (c) advance U.S. technology leadership. Applicants should note any commitments that have made or intend to make in CHIPS R&D initiatives, including commitments to participate in the NSTC.

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[60] *See* 15 U.S.C. § 4651(2).

[61] If an applicant does not have access to audited consolidated financial statements, they must explain why not.

In addition, applicants should specifically discuss the following aspects of their project:

- **Cybersecurity.** Applicants should review the NIST Framework for Improving Critical Infrastructure Cybersecurity[62] and describe their cybersecurity practices. Applicants should cite applicable laws, regulations, standards, NIST guidance or Cybersecurity and Infrastructure Security Agency (CISA) recommendations and cybersecurity performance goals.[63] The applicant should provide a brief assessment of any major risks identified, including mitigation strategies (e.g., access control, network segmentation, contingency planning, disaster recovery plans, redundant capacity, cyber insurance, employee training, and continuous monitoring).

  Applicants should also detail operational security measures and efforts to continuously assess and protect data.

- **Supply Chain Resilience and Risk Management**. An application must demonstrate, with respect to the project proposed, that the applicant has an executable plan to identify and mitigate relevant supply chain security risks, such as risks associated with access, availability, confidentiality, integrity, and a lack of geographic diversification in its supply chain.[64] This plan should provide information addressing its organizational approach to managing supply chain risk, resilience, and security, and how this will support the proposed project. The applicant should demonstrate its ability to continue operating in the United States without access to non-U.S. facilities and personnel. The applicant should also identify key suppliers; demonstrate access to power, water, air strips, and material transportation channels; and list its risk management strategies to minimize and mitigate adversarial attempts to degrade, exploit, or compromise the supply chain, including the introduction of counterfeit and/or malicious items into the supply chain.

  The applicant should also identify its corporate approach to managing supply chain risk, resilience, and security, including any senior executive leaders responsible for managing supply chain risk. The applicant should also include information about its relationship with suppliers (such as long-term contracts and/or mechanisms for information-sharing) to prevent and promote agile response to unexpected situations.

- **Foreign Control.** Each applicant should identify any foreign entity[65] that exercises control over the applicant or a proposed project or has access to confidential information about the proposed project. The applicant should also identify any potential transactions occurring during the application process that could result in such control by a foreign entity or sharing of confidential information with a foreign entity.

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[62] NIST, U.S. Dep't of Commerce, Version 1.1, Framework for Improving Critical Infrastructure Cybersecurity (2018).
[63] Cross-Sector Cybersecurity Performance Goals.
[64] *See* 15 U.S.C. § 4652(a)(2)(B)(iii).
[65] *See* 15 U.S.C. § 4651(6).

7. Commercial Strategy

An application must demonstrate that the applicant has an executable plan to sustain the proposed facility without additional CHIPS Incentives.[66] A sound commercial strategy is a component of having an executable plan. Each applicant must describe its commercial strategy, including information on customer and end-market demand, volume growth, pricing dynamics, competitive positioning, and supply dynamics, for the proposed project. This strategy must identify the type of semiconductor materials or equipment the applicant will produce at the project facility and the customers, or categories of customers, for those materials or equipment.[67] In no more than 3 pages, this section should discuss the following topics:

- End-Market Demand: Information on end market industries and projected growth. Specify what percentage of the project's output will serve the semiconductor industry, and explicitly reference the top customers for each major product and associated volumes (to the extent known). In an appendix, provide any concrete evidence of customer demand, such as off-take agreements, letters of reference or intent, or other pre-purchase commitments.
- Market Position and Competitor Landscape: Include an assessment of key competitors, market dynamics (including the applicant's relative place in the market), supply and demand dynamics over time, and pricing trends and exposure to pricing pressure during downturns.

8. Financial Information

A sound financial plan is also a component of having an executable plan to sustain the proposed facility without additional CHIPS Incentives.[68] Each applicant must provide a financial plan in no more than 5 pages (excluding attachments and appendices). The plan should include sources and uses of funds, cash flow projections, key return and debt service metrics, and the amount of the CHIPS Incentives request. The applicant should also provide supporting evidence for any key assumptions.

- Project Sources and Uses of Funds: Provide the information listed below about project costs and capital sources via a descriptive narrative and by filling out and uploading the Project Sources and Uses of Funds spreadsheet template available on the CHIPS Incentives Program application portal.
    - Project Costs: Project costs should include, but are not limited to:
        - Capital Investment: Costs required to complete construction of the project and initiate operation, broken down by category such as land, construction, equipment, infrastructure improvements, and administrative expenses directly attributable to the project construction.
        - Operating Losses and Other Cash Outflows until Cash Flow Breakeven: Estimated operating losses/cash outflows, including upgrade investments,

[66] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(IV).
[67] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(V).
[68] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(IV).

maintenance, interest expenses, and working capital once the project is operationalized until cash flow breakeven.
        - Workforce Development Costs: Spending by the applicant on workforce development activities to support the proposed project.
    - Project Capital Sources: Total project capital sources should equal the project costs described above and should include, as applicable, any sponsor equity; debt funding; third-party equity; state and local government incentives; the Investment Tax Credit; CHIPS Incentives; and any other sources of funds, such as from customers or suppliers.
- Financial Model: Applicants may submit their own financial model but have the option of using the Pre-Application Example Financial Model available on CHIPS.gov. Financial models must include a summary of the expected revenues (broken down by number of units sold and price per unit), costs, and cash flows for the project, including key income statement, cash flow statement, and balance sheet information. Also provide a summary narrative and supporting evidence for key assumptions underlying these projections.
- CHIPS Incentives Request:
    - Provide a narrative description for how the financial information submitted for the project supports a conclusion that a CHIPS Direct Funding award will incentivize the applicant to make investments in facilities and equipment in the United States that would not occur in the absence of the incentives.
    - Applicants requesting an award of more than 10 percent of project capital expenditures must explain (a) why their project is particularly compelling from an economic and national security perspective and (b) why the additional incremental amount of CHIPS Incentives is necessary to make the project commercially viable.
    - Provide a description of specific efforts to date to bring other capital (debt, state and local incentives, other private capital) into the project and how the CHIPS Incentives request would enable and not displace those other funding sources. In addition, applicants requesting an award of more than 10 percent of project capital expenditures must explain how they intend to fill the funding gap if the Department ultimately issues them an award of only 10 percent.

9. Project Technical Feasibility

The applicant must demonstrate the technical feasibility of the proposed project. In no more than 8 pages (excluding attachments to support details), the applicant should include the following:

- A description of the product to be made and the applicant's relevant experience and expertise to support successful execution at the scale envisioned in the application

- A construction plan, including the location of project facilities, a detailed description of the major engineering, construction, and site preparation activities linked to specified cost and other milestones and performance guarantees; a construction schedule; a list of key management personnel, partners, contractors, and suppliers; and an inventory of all Federal, state, and local permits, licenses, and approvals required to site, construct, implement, and operate the facility. The applicant should include one-page resumes for (a) all key construction management personnel and (b) all key personnel of contractors and any other entities that will play substantial roles in the construction of the project.

- An operation management plan, including a description of the managerial oversight and governance for the operation of the project from the completion of construction through the life of the facility. Include an organizational chart of management and other key personnel for the facility, including contractors and any other entities that will play substantial roles in operating the proposed project. List the experience and qualifications of key management personnel, including experience with projects of similar size and scope.

- A description of whether and how they intend to utilize domestically produced iron, steel, and construction materials as part of their projects.

Environmental Questionnaire: Each applicant must also provide the requested information in the Environmental Questionnaire using the appropriate template on the CHIPS Incentives Program application portal: one template is for applicants proposing to construct a new facility, and one is for applicants proposing to expand or modernize an existing facility. Applications will be judged on the merits of the responses to the Environmental Questionnaire, including on the quality of proposed efforts to implement climate and environmental responsibility practices. The purpose of the Environmental Questionnaire is to ensure that the Department is aware of relevant environmental considerations and can work with the applicant to ensure that they can provide all required environmental information during application review and due diligence. While the applicant is not expected to have complete information regarding all questions, more thorough responses will reduce the likelihood of unexpected delays at later phases, which may result if the Department determines that the project poses environmental concerns that have not been adequately disclosed, or that the information submitted is insufficient to assess the potential environmental impacts. The Department will fund only activities for which it is able to complete any necessary environmental review. The Department encourages applicants to consult with internal or external subject matter experts in preparing answers to the questionnaire.

In responding to the Environmental Questionnaire, applicants are encouraged to describe the design features, construction methods, and operation strategies that the applicant will employ to increase resilience from weather- and climate-related risks and to describe metrics and processes the applicant will use to measure and track any climate and environmental responsibility goals and commitments.

10. Workforce and Community Investment Plan

Each applicant must submit a workforce and community investment plan with the components set forth below.

The plan for workforce and community investment should not exceed 8 pages in total, excluding any attachments. As appropriate, it should also identify any strategic partners the applicant has worked with in crafting workforce strategies, including but not limited to labor unions, workforce development organizations, state and local workforce boards, educational institutions, semiconductor fabrication facilities, and other relevant entities.

For applicants applying as a member of a consortium: See Section I.B.5 for information on which of the following requirements may be satisfied at the consortium level.

a. **Facility Workforce**

The portion of the workforce and community investment plan covering the applicant's facility workforce must include the following components:

(1) **Workforce Commitments**

The CHIPS Act requires the applicant to make commitments to worker investments, including through training and education benefits paid by the applicant and programs to expand employment opportunities for economically disadvantaged individuals.[69] The applicant must specifically describe its financial and programmatic commitments to satisfy this requirement.

The CHIPS Act also requires the applicant to secure "commitments from regional educational and training entities and institutions of higher education to provide workforce training, including programming for training and job placement of economically disadvantaged individuals."[70] The applicant must attach letters of commitment from education and training entities and institutions that detail the specific tasks they will perform in support of the applicant's workforce strategy and the resources that will be provided.

(2) **Workforce Strategy**

The applicant must describe a workforce strategy that is consistent with, and builds upon, the commitments described above.[71] The strategy should address each of the following:

(i) Workforce Needs Assessment

A high-level assessment of the workforce needs of the project (job types, skills, and workers required over time in each job type), including the necessary workforce for facility operations, on-site supplier operations, engineering, administration, and others.[72]

(ii) Recruitment, Retention, and Training Approach

The applicant should explain its overall approach to recruiting, retaining, and training a diverse and skilled workforce to meet the needs described above. In addition, it should explain how its workforce commitments fit into that approach. Where possible, the applicant may consider identifying existing, successful training programs that can be scaled and adapted to meet the applicant's needs. Applicants may also consider partnering with programs that train workers with

[69] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(II).
[70] 15 U.S.C. § 4652(a)(2)(B)(ii)(III).
[71] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(VI).
[72] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(VI).

the needed skills and provide career pathways, such as Registered Apprenticeships, pre-apprenticeships with a strong relationship with one or more Registered Apprenticeship programs, or other programs (including those at community colleges, technical colleges, and high schools) with a successful track record putting people on the path to good jobs. They may also consider using work-and-learn training models and, where appropriate, portable, stackable credentials. As part of their description of their training approach, applicants must describe any wraparound services and/or other barrier reductions (such as transportation assistance) that they or their partners plan to provide directly or to arrange for the provision of through other sources (e.g., the public workforce system or community-based groups).[73] Wraparound services support facility workers' access to and completion of training, as well as transition into and progression in a job.

In laying out its approach to recruitment, retention, and training, the Department encourages the applicant to address several well-known workplace barriers. Accordingly, the applicant should reflect commitments to ensuring that all workers have access to a safe environment that is free of harassment, discrimination, and retaliation; setting clear expectations about workplace conduct and anti-harassment policies, including consequences for violating policies; and setting clear procedures for reporting misconduct in the workplace.

(iii) Job Quality Approach

The Departments of Labor and Commerce's Good Jobs Principles[74] provide a framework to ensure semiconductor facility jobs are high quality. The applicant should describe their approach to meeting these principles for newly created jobs and to increase job quality for existing jobs at expanded facilities. Additional details on the dimensions of job quality are available on Department of Commerce's website.[75]

(iv) Metrics and Milestones

CHIPS Incentives awardees will be expected to collect data that will inform the evaluation of their workforce efforts and help track the success of their workforce commitments, including demographically disaggregated data on project workforce. The Department will provide additional guidance on metrics at the time of award.

b. **Construction Workforce**

For concept plans that the Department determines involve more than an incidental amount of construction, the workforce and community investment plan must also discuss the applicant's strategy for investing in its construction workforce. This portion of the plan must include the same items in the workforce strategy discussed above: i) Workforce Needs Assessment; ii) Recruitment, Retention, and Training Approach; iii) Job Quality Approach; and iv) Metrics and Milestones. Applicants should also address whether they commit to having a project labor agreement. For applications that do not commit to using project labor agreements, the

[73] For more information on wraparound services, see p. 30-31 of the CHIPS Workforce Development Guide.
[74] U.S. Department of Labor, *Good Jobs Principles*, (2022).
[75] U.S. Department of Commerce, *Job Quality Toolkit*, (2022).

Department will be particularly interested in understanding what measures the applicant intends to take to ensure workforce continuity and reduce the risk of delays in project delivery.

As part of their construction workforce plan, applicants are strongly encouraged to describe any steps that will be taken to ensure that all contractors and subcontractors on the construction project have and will continue to have a strong track record of compliance with all Federal labor laws, including but not limited to all relevant provisions, rules, and regulations of the Davis-Bacon Act, Executive Order 11246, and the Occupational Safety and Health Act, and the steps that will be taken to prevent the misclassification of workers.

c. **Community Investment**

Each applicant must describe its commitments to community investments.[76] The applicant should identify how its community investments support regional economic resilience and broad-based growth and describe any engagement with local stakeholders to design such investments. Strong applications will include, as an attachment, any community benefits agreements and/or letters of support from community-based organizations and local officials. Where applicable, applicants should also discuss how their community investments align with ongoing state and local economic development programs.

Community investments may include but are not limited to the applicant's investments in any of the following: local workforce or education systems, climate and environmental responsibility, child care, affordable housing, and other efforts to unlock barriers to economic participation and support a community's long-term growth. Ideal investments would demonstrate a clear link between CHIPS Incentives Program goals and the underlying economic characteristics of a region.

Creating Inclusive Opportunities for Businesses. To ensure that the CHIPS Incentives Program generates benefits for a broad range of stakeholders and communities, applicants are strongly encouraged to describe any proactive steps they will take to ensure that small, minority-owned, veteran-owned, and women-owned businesses are included in the overall project, including how it intends to track and disclose such data.[77]

11. Standard Forms

All applicants should submit standard forms as follows:

- SF-328, Certificate Pertaining to Foreign Interests
- CD-511, Certification Regarding Lobbying. Enter "2023-NIST-CHIPS-SMME-01" in the Award Number field. Enter the title of the application, or an abbreviation of that title, in the Project Name field
- SF-LLL, Disclosure of Lobbying Activities (if applicable)

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[76] *See* 15 U.S.C. § 4652(a)(2)(B)(ii)(II).
[77] *See* CHIPS Act of 2022, Sec. 104(c)(3).

In addition, applicants may be required to submit additional standard forms, such as the SF-424 and SF-424A/C/D, during the application review process.

I. Funding Restrictions

Funds made available under the CHIPS Incentives Program may be spent only on eligible uses. See Section I.B.6. In addition, funds made available under the CHIPS Incentives Program may not be used to:

- construct, modify, or improve a facility outside of the United States[78]
- physically relocate existing facility infrastructure to another jurisdiction in the United States, unless the project is in the interest of the United States, as determined by the Department[79]
- purchase an equity security that is listed on a national securities exchange of an award recipient or any parent company of such recipient or to pay dividends or make other capital distributions with respect to the common stock (or equivalent interest) of the recipient or any parent company of such recipient[80]
- pay off any Federal direct or guaranteed loan or any other form of Federal debt

Project budgets may not include indirect costs. Applicants with a negotiated indirect cost rate agreement must ensure all uses of Federal funds are charged as direct costs in the categories listed in Section I.B.6.

The failure to mention a particular use of funds above does not imply that such use is either allowable or unallowable. Final determinations on the allowability of particular uses of funds is at the sole discretion of the Department.

J. Prohibition on Profit and Fees.

Recipients and subrecipients of CHIPS Incentives may not charge, as part of the project budget, profits, fees, or other incremental charges above the actual costs incurred in executing the award's approved scope of work.

This restriction does not impact an award recipient's ability to earn profits by selling products produced or manufactured at facilities supported by Federal financial assistance in the ordinary course of business.

V. Application Review Information

There will be two primary stages of review: the concept plan and the full application.

The Department will score concept plans using a point system and use the Selection Factors in Section V.B to advance the most promising potential applicants to the full application phase. At

[78] 15 U.S.C. § 4562(i).
[79] 15 U.S.C. § 4652(a)(2)(C).
[80] *See* CHIPS Act of 2022, Pub. L. No. 117-167, § 102(g)(1), 136 Stat. 1366, 1378-1379 (2022).

the full application phase, review will be qualitative and based on (1) an assessment of projects against the evaluation criteria laid out in Section V.C, and (2) application of the Selection Factors in Section V.B.

A. Concept Plan Evaluation Criteria

Concept plans will be scored based on the point system described below. Subject to the Selection Factors listed in Section V.B, the Department will invite a subset of concept plan submissions to advance to the full application phase. To advance, an applicant must receive a minimum threshold score in each category, to be determined by the Department once concept plans have been received and reviewed.

- The extent to which a project advances U.S. economic and national security by supporting vibrant U.S. fab clusters, strengthening supply chain resilience, and/or advancing U.S. technology leadership (**40 points**)
    - If the project is proposed as part of a consortium, the Department will evaluate the strength of the consortium's strategic vision and the extent to which the project is necessary to achieve that vision.
    - Given the scale of projects eligible under this funding opportunity and the importance of chips clusters for U.S. competitiveness, the Department expects that most projects will justify their request for funding by outlining their role in supporting self-sustaining U.S. fab clusters. The Department also welcomes project proposals that meaningfully contribute to strengthening supply chain resilience and/or advancing U.S. technology leadership, as well as projects that advance more than one of these objectives.
- A project's long-term commercial viability, including the extent to which the concept plan demonstrates robust customer demand for the proposed project output (**20 points**)
- The strength and plausibility of the applicant's justification for why the CHIPS Incentives requested will incentivize the applicant to make investments in facilities and equipment in the United States that would not occur in the absence of the incentives (**10 points**)
- The likelihood that the applicant will successfully execute the proposed projects, including an assessment of the experiences of the applicant and the extent to which the applicant has a viable plan to complete the required construction and manage the environmental review process (**15 points**)
- The availability and credibility of non-CHIPS funding sources for the project (**15 points**).

B. Selection Factors

The selection factors the Department will use to (1) advance the most promising applicants to the full application phase and (2) select full applications for funding, are:

- The mix and breadth of strategic objectives being advanced at the project and/or portfolio level

- The likelihood that the proposed project would proceed in substantially similar form without CHIPS funding
- The extent to which the project's risk profile impacts the program's overall portfolio risk profile
- The extent to which the project meaningfully contributes to the development or sustainability of a U.S. fab cluster
- The extent to which the project duplicates other projects funded by the Department or other Federal agencies
- Whether the applicant is a member of a consortium whose strategic vision advances economic and national security, and the relevance of the proposed project to that vision
- Whether the applicant, or a corporate affiliate of the applicant, has previously received financial assistance in this program
- The extent to which awards in the program contribute to a diversified portfolio, to include awards based on geographic location of facilities receiving support
- For consortium applicants, whether the consortium maximizes inclusion of and resources from relevant stakeholders, including state and/or local government entities

C. Full Application Evaluation Criteria

Full applications will be evaluated holistically and qualitatively based on the evaluation criteria described below. The Department will use these criteria, in addition to the Selection Factors listed in Section V.B, to determine whether to recommend an application for award.

- The extent to which an application advances economic and national security by supporting vibrant U.S. clusters, strengthening supply chain resilience, and/or advancing U.S. technology leadership
    - If the project is proposed as part of a consortium, the Department will evaluate the strength of the consortium's strategic vision and the extent to which the project is a core element of that vision.
- The extent to which an application addresses national security considerations, including cybersecurity, operational security, and supply chain resilience
- The extent to which there is a reasonable market environment and demand for the project's output, and the extent to which the project serves the semiconductor industry
- The extent of a project's financial strength, including the comprehensiveness and reasonableness of the projected capital expenditures; the likelihood that the project will generate sustainable earnings; and the degree to which the applicant has committed private investment and/or attracted third-party investment
- The degree to which the request for CHIPS Incentives is necessary to make the project viable in the United States
- The degree to which a project is feasible to execute, including the extent to which the applicant and key partners have the necessary experience to complete and operate the project; the extent to which the applicant has a viable construction plan; the strength of an applicant's plans relating to environmental responsibility and climate resilience; and the

likelihood and extent to which the project could face regulatory delays, such as in a permitting or environmental review process
- The completeness, cohesiveness, and feasibility of the applicant's plans for workforce and community investment, including the strength of the applicant's strategy for investing in the project's facility and construction workforce.

D. Review and Selection Process

Independent reviewers will score concept plans and an Investment Committee will use those scores and the selection factors to make the final determination regarding which applicants to advance. Once full applications have been submitted, the Investment Committee will conduct a merit review and consider whether to advance applications through the process or deny applications. If the Investment Committee determines that an application is sufficiently meritorious to be eligible to receive a CHIPS Incentives Award, it will make a recommendation to a selecting official. The selecting official must approve an application prior to issuance of a CHIPS Incentives Award. The following sections describe this process in greater detail.

1. Concept Plan Review

Concept plans will receive an initial review upon receipt for eligibility, completeness, and responsiveness to this NOFO, including the program priorities (see Section I.C). Concept plans determined to be ineligible, incomplete, or nonresponsive will be rejected. However, the Department, in its sole discretion, may continue the review process for a concept plan that is missing non-substantive information, the absence of which may easily be rectified during the review process.

A minimum of three independent reviewers will conduct an individual merit assessment of each concept plan that passes the initial review using the point system in Section V.A. The review process may include consultation with outside contractors or experts if deemed necessary to assist in the merit assessment.

An Investment Committee shall use those scores, in addition to any Selection Factors (Section V.B), to make a written determination that:

- A concept plan should advance to the full application phase
- A concept plan should not advance to the full application phase, which shall be a final and non-appealable decision[81]

2. Full Application Review

Full applications will receive an initial review upon receipt for eligibility, completeness, and responsiveness to this NOFO, including the program priorities (see Section I.C). Full applications determined to be ineligible, incomplete, or nonresponsive will be returned to the applicant. However, the Department, in its sole discretion, may continue the review process for a

[81] Further submissions by the same applicant for the project proposed in a concept plan the Department chooses not to advance will not be reviewed or considered.

full application that is missing non-substantive information, the absence of which may easily be rectified during the review process.

An Investment Committee will conduct a qualitative merit assessment of each full application that passes the initial review against the evaluation criteria in Section V.C. The Department may contact applicants at any point during the process to obtain additional or clarifying information. The review process may include interviews with applicants and consultation with outside contractors or experts if deemed necessary to assist in the merit assessment.

The Investment Committee will make a written determination, based on the qualitative assessment, the program requirements, the evaluation criteria (Section V.C) and one or more of the prioritization and selection factors (Section V.B), that:

- The application appears eligible for an award and should advance to the due diligence phase
- The application appears eligible for an award and should be held for further consideration
- The application should be denied, which shall be a final and non-appealable decision[82]

The Department may work with applicants throughout the review and selection process to maximize the chance of achieving the program's economic and national security objectives, including, for example, through discussing changes to application scope.

3. Due Diligence

Before entering into a final award for funding, the Department will conduct due diligence of the full application for—including, but not limited to—national security risks, financial and commercial information, environmental impacts, and other issues, to inform a final determination on whether to make a CHIPS Incentives Award and on what terms.

An invitation to the due diligence phase is not an assurance of funding. During the diligence phase, the Department will work directly with applicants to obtain all information required at this stage. Due diligence may also include obtaining information from sources other than the applicant. The Investment Committee may receive updates throughout this process. The Department may use the services of financial, commercial, technical, environmental, or other consultants or contractors and outside legal counsel in the due diligence phase. Applicants may be required to contribute to payment for these services. Information about the services and their costs will be provided to applicants upon or before entering the due diligence phase. Applicants may withdraw their application if they are asked to pay for these services and do not agree to do so.

When the due diligence phase is substantially complete, the Department and the applicant will negotiate the applicable terms of the CHIPS Incentives Award.

[82] Further submissions by the same applicant for the project proposed in a denied application will not be reviewed or considered.

4. Award Preparation and Issuance

After the due diligence phase, the Investment Committee may recommend an application to the selecting official, who must approve any applications for funding under this NOFO. The selecting official may accept, modify, or reject a recommendation of the Investment Committee, or return the recommendation for further evaluation, negotiation, or due diligence. In considering a recommendation, the selecting official may consider any information available.

The awarding of the CHIPS Incentives Award occurs upon the issuance of Form CD-450 or comparable award form by a NIST authorizing officer. The award decisions of the NIST authorizing officer are final and may not be appealed.

The Department will provide any notice to Congress required under the CHIPS Act.[83]

E. Responsibility / Qualification Records on SAM.gov

In considering applications, the Department will consider the record of the applicant, as well as of its corporate parent, in executing programs or activities under Federal grants, cooperative agreements, procurement awards, and other transactions, as well as its integrity and business ethics. As part of this consideration, prior to making a CHIPS Incentives Award, the Department will review and consider the non-publicly available information about that applicant in the designated integrity and performance system accessible through Responsibility / Qualification Records on SAM.gov (formally the Federal Awardee Performance and Integrity Information System (FAPIIS)). This review may also include the applicant's corporate parent or affiliates that are under common ownership and control. Each applicant, at its option, may review information in the designated integrity and performance system accessible through SAM and comment on any information about itself that a Federal awarding agency previously entered and is currently in the designated integrity and performance system accessible through SAM. The Department will consider any comments by the applicant, in addition to the other information in the designated integrity and performance system, in making a judgment about the applicant's integrity, business ethics, and record of performance under Federal awards.

F. Additional Information

Any decision by the Department to deny an application shall be final and non-appealable. Unsuccessful applicants will be notified of a denial by e-mail and will have the opportunity to receive a debriefing. Unsuccessful applications will be retained in accordance with Department of Commerce recordkeeping requirements.

VI. Federal Award Administration Information

Information regarding federal award notices, administrative and national policy requirements, funding availability and limitation of liability, and reporting requirements may be found on CHIPS.gov, which is incorporated by reference into this NOFO.

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[83] *E.g.*, 15 U.S.C. § 4652(a)(2)(C)(i)(III).

A. Federal Awarding Agency Contacts

Please direct programmatic inquiries to:

Michael Schmidt
Director, CHIPS Program Office
CHIPS Program Office
National Institute of Standards and Technology
Herbert C. Hoover Building
1401 Constitution Ave, NW
Washington, D.C. 20230
Phone: (301) 975-2000
Email: AskChips@chips.gov

Please direct grant management inquiries to:

Gilberto Castillo
Group Leader/Grants Management Officer
Grants Management Division
National Institute of Standards and Technology
100 Bureau Drive
Gaithersburg, MD 20899
Phone: (202) 281-8505
Email: AskChips@chips.gov

Please direct media inquiries to:

Matt Hill
Communications Director
CHIPS Program Office
Herbert C. Hoover Building
1401 Constitution Ave, NW
Washington, D.C. 20230
Phone: (202) 603-7640
Email: Matt.Hill@chips.gov

VII. Appendix

A. Definitions

- covered entity – a nonprofit entity; a private entity; a consortium of private entities; or a consortium of nonprofit, public, and private entities with a demonstrated ability to substantially finance, construct, expand, or modernize a facility relating to fabrication, assembly, testing, advanced packaging, or production of semiconductors, materials used to manufacture semiconductors, or semiconductor manufacturing equipment.

- covered incentive – an incentive offered by a governmental entity to (A) a covered entity, for the purposes of constructing within the jurisdiction of the governmental entity, or expanding an existing facility within that jurisdiction, a facility described under "covered entity;" and (B) a workforce-related incentive (including a grant agreement relating to workforce training or vocational education), any concession with respect to real property, funding for research and development with respect to semiconductors, and any other incentive determined appropriate by the Secretary, in consultation with the Secretary of State.
- economically disadvantaged individuals – individuals whose ability or opportunity to compete in the economy has been impaired due to an individual's (1) membership in a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; (2) gender; (3) veteran status; (4) limited English proficiency; (5) disability status; (6) long-term residence in an environment isolated from the mainstream of American society; (7) membership in a Federally or state-recognized Indian Tribe; (8) long-term residence in a rural community; (9) residence in a U.S. territory; (10) residence in a community undergoing economic transitions (including communities impacted by the shift toward a net-zero economy or deindustrialization); (11) individuals without a college degree; or (12) membership in another "underserved community," as defined in Executive Order 13985.
- materials used to manufacture semiconductors – the chemicals, gases, raw and intermediate materials, and other consumables used in either the front- or back-end fabrication of semiconductors. Specific examples include but are not limited to polysilicon; photoresists and ancillaries (developers, strippers, litho solvents, and anti-reflective and hardmask layers); sputtering targets (including tantalum, titanium, and aluminum); and materials specifically used in quantum information systems (such as hafnium and niobium).
- minority-owned business – a business where not less than 51 percent of the ownership or control of which is held, directly or indirectly, by one or more minority individuals; and not less than 51 percent of the net profit or loss of which accrues to one or more minority individuals.
- Secretary – the Secretary of Commerce.
- semiconductor – an integrated electronic device or system, most commonly manufactured using materials such as, but not limited to, silicon, silicon carbide, or III-V compounds, and processes such as, but not limited to, lithography, deposition, and etching. Such devices and systems include but are not limited to analog and digital electronics, power electronics, and photonics, for memory, processing, sensing, actuation, and communications applications.
- semiconductor manufacturing equipment – specialized equipment integral to the manufacturing of semiconductors and subsystems that enable or are incorporated into the manufacturing equipment. Specific examples of semiconductor manufacturing equipment include but are not limited to: (1) deposition equipment, including Chemical Vapor Deposition, Physical Vapor Deposition, and Atomic Layer

Deposition; (2) etching equipment (wet etch, dry etch); (3) lithography equipment (steppers, scanners, extreme ultraviolet); (4) wafer slicing equipment, wafer dicing equipment, and wire bonders; (5) inspection and measuring equipment, including scanning electron microscopes, atomic force microscopes, optical inspection systems, and wafer probes; (6) certain metrology and inspection systems; and (7) ion implantation and diffusion/oxidation furnaces.

- supply chain – a system of organizations, people, activities, information, and resources, possibly international in scope, that provides products or services to consumers in the private and public sectors. For the purposes of this NOFO, the scope of this definition encompasses any organization that directly contributes to the lifecycle of a semiconductor, especially focusing on the design, manufacturing, and packaging processes.
- veteran-owned business – a business where not less than 51 percent of which is owned by one or more veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more veterans and the management and daily business operations of which are controlled by one or more veterans.
- women-owned business – a business where not less than 51 percent of the ownership or control of which is held, directly or indirectly, by one or more women; and not less than 51 percent of the net profit or loss of which accrues to one or more women.