Policy Matters Ohio

PRESS RELEASE

April 10, 2024
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Intel's status report leaves unanswered questions

Intel Corp. recently filed its 2023 annual report with the state of Ohio on its performance under a $600 million grant that the state made last year for it to build two semiconductor fabrication plants. While this provided useful information — most notably, that completion of the plants has been delayed until as late as 2027 — it underscored the need for more thorough reporting on the Intel project.

"The massive expenditure of state resources to support Intel, expected to top $2 billion, makes it especially important that the benefits from this project are maximized and widely shared," said Zach Schiller, research director at Policy Matters Ohio. "While Intel met the minimal annual reporting requirements set in the $600 million grant, Ohioans should be able to learn a lot more."

The company reported just 70 employees for the Ohio operation, a tiny share of the 3,000 expected to work at the plants once they are operating. All but one of the 70 live in the state, but we did not learn how many were Ohioans, rather than out-of-staters moving in. We did not get information on the race, gender, or ethnic make-up of Intel's workforce. Under the agreement, Intel was to make "a good faith effort to employ individuals who are minority and disadvantaged persons," reflective of the population in Licking County and contiguous counties, which includes Columbus's Franklin County. How is it doing on that effort?

Neither did the company disclose how many of the 7,000 construction workers anticipated to be employed are at work. We don't know how many there are, but we were informed that they live in 75 of the state's 88 counties. Intel also said that its total payroll during the year was $13.7 million (ultimately, annual payroll is supposed to hit $405 million).

The agreement requires Intel to comply with all applicable environmental, zoning, planning, and building laws and regulations. The report tells us next to nothing about these issues. A group of Licking County residents recently asked about air pollution control measures; water treatment, storage, testing, and planning; workers' health and union organizing rights; toxic chemical use; preventive measures to avoid accidental emissions, spills, and discharges; and mitigation plans if such accidents occur. A full report would provide detailed information about all of these concerns.

When Intel announced its Ohio investment, we were told that this would bring a host of suppliers along with the company — additional incentives were included for them as well. In its March 1 report, Intel said the number of Ohio suppliers had grown from 150 to more than 350. It said that in 2023 it purchased $665 million from megaproject suppliers — those suppliers that directly sell Intel tangible personal property that undergoes "substantial manufacturing, assembly, or processing" in Ohio for use at the project site. It purchased another $378 million from other suppliers. While some suppliers have announced plans to locate in Ohio, it's not clear from the report how much the project is attracting long-term suppliers as opposed to those supporting construction of the facilities. The list of 25 top suppliers with a physical presence in Ohio largely includes the latter.

Intel reported that as of the end of last year, it had spent a total of nearly $1.5 billion — $1.04 billion of that in 2023 — and had contractual commitments for another $3 billion. The company has estimated it will spend more than $28 billion on the facilities. So, while it's a massive project that's well under way, the bulk of construction is yet to be done.

The company said it was moving forward with design and engineering of its water treatment and reclamation facility. The state is providing $300 million for that facility with its share of funding from the American Rescue Plan Act. However, the agreement between the state and Intel covering that funding is not yet finalized.

Understanding how Intel handles its water is especially critical. A draft environmental assessment for expanding semiconductor manufacturing facilities by the U.S. Department of Commerce contained a discussion of the industry's use of PFAS, often known as "forever chemicals" because they don't break down, through much of the manufacturing process. According to the report, "Wastewater discharge from semiconductor manufacturing facilities presents the greatest risk for PFAS contamination of the environment."

Ohio is well aware of the dangers of PFAS. Governor DeWine initiated a lawsuit as attorney general that eventually resulted in a $110 million settlement with DuPont over PFAS chemical contamination for seven decades at a facility in Parkersburg, W.Va., just across the border from Ohio. More recently, the governor applauded the advent of "a new statewide initiative to collect and destroy stockpiled firefighting foam containing hazardous polyfluoroalkyl substances (PFAS)." DeWine's office noted that this was "the latest effort by the DeWine-Husted administration to address PFAS contamination in Ohio," which previously included a plan to sample drinking water and a survey of its prevalence in large rivers. While Intel is not obligated now to report on its use of PFAS under Ohio's $600 million grant, Ohio should make sure that the company is forthcoming on the subject.

In its annual 10-K report to the Securities & Exchange Commission, Intel stated that it received $723 million in grants from Ohio last year. Some of this conceivably might have come from JobsOhio, the nonprofit economic development agency that pledged $150 million for the Intel deal. However, that wasn't made clear in Intel's 10-K.

Soon after Intel submitted its Ohio report, the Commerce Department announced that it had reached preliminary agreement to award the company up to $8.5 billion under the CHIPS and Science Act to strengthen U.S. semiconductor manufacturing, as well as up to $11 billion in loans. This is to cover facilities in Arizona, New Mexico, and Oregon as well as Ohio.

According to the Notice of Funding Opportunity for the CHIPS incentive grant, the federal government "intends to collect a range of data from recipients, which include, but are not limited to information on: domestic production capacity; workforce pipeline expansion, particularly among underserved communities; environmental impacts, and implementation and effectiveness of environmental mitigation; and increased economic opportunity in communities."

"We expect more information will be made available to the public on Intel's operations under the CHIPS Act funding," Schiller said. "However, with $2 billion of our money at stake, Ohioans should demand more."