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Economic Development

Making the most of Intel for everyone

Ensuring maximum benefits from the corporation's Ohio deal

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Introduction

Intel Corporation's announcement that it would spend \$20 billion to build two semiconductor plants in Ohio is good news for the state's economy. It also represents the largest economic development deal in Ohio's history. Ohio is the third-largest manufacturing state. The industry has supported our standard of living as well as provided better pay than others to people of color.¹ If they proceed as promised, the Intel plants and the associated supplier investments will go a long way toward defining the future of manufacturing in Ohio.

The DeWine administration is promising a total of more than \$1.9 billion in cash, infrastructure investment and future tax breaks, and that doesn't include another \$150 million from JobsOhio, the private economic development entity, and local property-tax breaks. A significant share of these incentives will require approval by the state legislature.

Intel is to receive \$600 million in a "reshoring grant," which the General Assembly will have to approve. It also will benefit from \$691 million in infrastructure, including \$101 million on water and wastewater capacity, \$300 million on a water reclamation facility and \$290 million on roadwork. And because lawmakers expanded tax breaks in last year's state budget bill, it will be eligible for a 30-year tax credit where Intel will in effect receive much of the state income tax paid by its employees, diverting that increase in revenue from public coffers. That is estimated to add up to \$650 million.²

The giant amount of public money the state is spending to support the deal, and local property tax breaks, should come with measures to ensure a maximum of benefits for Ohioans. Moreover, the subsidies will be drawn from Ohio's public resources that will not be available to provide education to our young people, recover from the pandemic, and meet a host of other needs, from providing child care for families who desperately need support and keeping college tuition costs down to replacing lead water lines that threaten our health. This makes it crucial to be sure that the state's backing of Intel benefits all Ohioans. This report lays out a minimum set of standards that Intel should meet to qualify for the gigantic subsidies the DeWine administration has pledged to provide.

¹ See Michael Shields, "Manufacturing a High-Wage Ohio," The Century Foundation, March 12, 2018, at <https://bit.ly/38atnoO> and State of Working Ohio 2021, Sept. 6, 2021 at https://bit.ly/SOWO_2021

² Mihalik, Lydia, Director, Ohio Department of Development, Discussing State Incentives Regarding Intel, Jan. 28, 2022 at <https://www.ohiochannel.org/video/ohio-department-of-development-1-28-2022-discussing-state-incentives-regarding-intel>

Effective clawbacks

The DeWine administration agreed to pay the bulk of these incentives up front — effectively betting that Intel will come through on its promises. It could very well do so, and of course Ohioans are all hoping it does. However, it's no sure thing. As recently as last year, some investors thought Intel might spin off its manufacturing facilities. The company has fallen behind key competitors in semiconductor technology, and the Ohio plants along with other big investments announced by its new CEO are an attempt to regain the lead.³ If the company succeeds, it could invest \$100 billion and Ohio could become the site of its biggest production operations. But if history is a guide, it may not be a smooth ride. In 2016, for instance, Intel announced it would lay off 12,000 employees, or 11% of its workforce, as it shifted away from its dependence on demand for its products in personal computers.⁴

Here in Ohio, recent reports from the state attorney general have found that recipients of grants, loans and tax credits for economic development complied with their commitments just under two-thirds of the time, including barely half of job creation tax credits.⁵ In 2020, General Motors had to repay Ohio \$28 million, or nearly half the tax break it had gotten for its Lordstown assembly plant since 2009, because it violated the terms of its agreement.⁶ That may have been the biggest clawback—a return of incentives paid out—in U.S. history.

All of which is good reason why a bill to provide Intel with support needs to include clawbacks. In fact, in describing the incentives to the media in January, Lydia Mihalik, director of the Ohio Department of Development, cited the clawback issue. Referring to the \$600 million in cash, she said, “this incentive is performance-based, so if Intel fails to deliver on their commitments, which we’re very confident they won’t, they will not be eligible for the grant so we would have a discussion then of disbursed funds that would be clawed back.”⁷ As of March 7, according to the Department of Development, there were no agreements with Intel in place, so details of them remain unknown.⁸ State lawmakers should make good on Mihalik’s statement and ensure

³ Clark, Don, “The World Needs What Intel Makes. Can it Make a Comeback?” The New York Times, Feb. 17, 2022, at <https://www.nytimes.com/2022/02/17/technology/intel-ceo-patrick-gelsinger.html>

⁴ Email to employees by Intel ECO Brian Krzanich, April 19, 2016, at <https://intel.ly/3iaOuiQ>

⁵ Dave Yost, Ohio Attorney General, “2020 Report to the General Assembly: Compliance with State Awards for Economic Development,” Submitted to the Ohio General Assembly Pursuant to Section 125.112(G) of the Ohio Revised Code, at <https://bit.ly/3lu6h0l>. The report covering 2019 is available at <https://bit.ly/3lW4md>

⁶ O'Brien, Dan, “Ohio just ordered GM to repay \$28 million in tax breaks for closing the Lordstown auto plant,” ProPublica - The Business Journal, Sept. 28, 2020, at <https://bit.ly/3lfmeY4>. GM also provided \$12 million to support education and job training in the Mahoning Valley.

⁷ Mihalik, op. cit.

⁸ Email to Zach Schiller from Todd Walker, Chief Communications Officer, Ohio Department of Development, March 7, 2022.

strong, enforceable clawbacks in those agreements and in any legislation that the General Assembly approves.⁹

Mihalik said that Intel would provide an annual report detailing the project's status, including data on job creation, the number of full-time employees, payroll, income-tax revenue, and other information. Such a report should include jobs created (full- and part-time), wages and benefits paid, capital invested, and compliance with federal, state, and local laws. It should include a statement summarizing any instance during the previous calendar year in which the company or a major Ohio supplier was determined by a government agency to have violated any federal, state, or local law. The report should include any violations of regulations relating to environmental protection, taxation, labor standards or employment discrimination, or if a government agency notified the corporation that it initiated an investigation of a possible violation. This would allow Ohioans to track the success of our outlays.

Jobs for Ohioans

The DeWine administration has said that jobs will average \$135,000 a year, plus benefits, but averages can be highly skewed.¹⁰ Legislation granting Intel state support should include wage and benefit standards so that all workers make family-sustaining wages and benefits. According to the Economic Policy Institute, the cost of a modest but adequate standard of living in the Columbus metropolitan area for a family of one adult and two children is \$70,190 a year.¹¹ Though most Intel U.S. hourly workers make that much, some don't. According to the company's 2019 data reported to the U.S. Equal Employment Opportunity Commission, more than 3,000 of its nearly 10,000 U.S. technicians made less than \$62,919 that year. While this data overstates the number making that little, it illustrates that the pay figure cited for Ohio is an average that doesn't cover everyone.¹² Thus, a wage standard is worthwhile to be sure all Intel Ohio jobs are good jobs.

Ohioans should be the chief beneficiaries of the jobs Intel creates — and the same should be true of major Intel suppliers that win incentives, too. In New Mexico, as part of a revenue bond that supported its investment, Intel committed that at least 60% of the people it hired to work at its Rio Rancho facility would be state residents for at least one year. Since 1995, Intel has made good on that goal overall, though it failed to do so in the past three years.¹³ Under the lease agreement for the bonds, Intel is

⁹ Good Jobs First, an organization promoting accountable development, produced model clawback legislation that could serve as a basis. See "Model Legislation for Accountability in Economic Development," pp. 11-12, at <https://bit.ly/3wdOmtP>

¹⁰ Ohio Department of Development PowerPoint, "What Ohio is Getting," Jan. 28, 2022

¹¹ Economic Policy Institute, Family Budget Calculator, at <https://www.epi.org/resources/budget/>

¹² Intel 2017, 2018 and 2019 EEO-1 Pay Disclosure, <https://intel.ly/3u2BZML>. Intel noted that these are W2 Box 1 earnings; this means employees hired after the start of the year appear to have lower earnings because the W2 only covers those after the start date. Employee 401(k) contributions would also lower these reported earnings. These figures cover what the EEO-1 report calls "technicians," which aligns most closely but not exactly with Intel what calls hourly workers.

¹³ Intel, New Mexico RISE Report, 2020-2021 Impact, p. 8.

required to pay the county \$100,000 for school-to-work programs if it doesn't meet the hiring goal.¹⁴

Ohio is a much larger state with a far bigger workforce than New Mexico, so it is reasonable to set a higher target of 80% for hiring of state residents. In addition, there should be a more significant penalty for missing the goal.

Diversity goals

In its recent annual 10-K statement to the Securities and Exchange Commission, Intel says, “Diversity and inclusion are core to Intel’s values and instrumental in driving innovation and positioning us for growth. Over the past decade, we have taken actions to integrate diversity and inclusion expectations into our culture, performance and management systems, leadership expectations, and annual bonus metrics. We are proud of what we have accomplished to advance diversity and inclusion, but we recognize we still have work to do, including beyond the walls of Intel.”¹⁵

The company has set a variety of goals for expanding the number and share of both women and what Intel calls “underrepresented minorities” (which include African Americans, Latinx and Native Americans) in leadership and technical positions. Among these goals is to increase the number of U.S. Black employees in senior, director and executive roles by 30% by the end of 2023, and to double the number of women and under-represented racial groups in senior leadership from 1,250 and 380, respectively, in 2020 to 2,500 and 760 in 2030.¹⁶ Overall, these underrepresented groups accounted for 16.1% of Intel’s U.S. workforce as of Oct. 1, 2020, but 10.7% of senior staff, 7.6% of directors and 8.5% of executives.¹⁷

Intel should meet its own stated corporate goals to be eligible for the full incentives Ohio is set to award the company and should also ensure that its employment is representative of the Columbus metropolitan area population (and include the demographics of its Ohio employees in its annual reports cited above). It should follow through on similar goals with Ohio suppliers as well. It should also engage in targeted hiring of people from high-poverty census tracts in Ohio so there is direct benefit for Ohioans who are most in need.

¹⁴ Sandoval County, New Mexico, and Intel Corporation, Lease Agreement, Oct. 26, 2004, \$16,000,000,000 Taxable Industrial Revenue Bonds, p. 30. The agreement also calls for Sandoval County residents to have priority in hiring.

¹⁵ Intel Corp. Form 10-K, p. 13: <https://www.sec.gov/ix?doc=/Archives/edgar/data/50863/000005086322000007/intc-20211225.htm>

¹⁶ Intel Corporation, 2020-21 Corporate Responsibility Report, p. 45, at <https://intel.ly/3i9ghRT>

¹⁷ Intel Corporation, Global Diversity and Inclusion, A U.S. snapshot of our people, at <https://intel.ly/3KNYmfE>

Community benefits

As welcome as Intel's investment may be, as Bill Shkurti and Fran Stewart of The Ohio State University have noted, "it will also create pressure on the local transportation network, local school districts and the local housing market."¹⁸

"As the demand to supply ratio continues to tilt, Central Ohio faces substantial problems around housing availability, affordability, and instability," the Ohio Housing Finance Agency said in its 2021-2022 housing needs assessment. It noted later, for instance, that, "Twenty-three percent of renters in Central Ohio are severely cost burdened, meaning they spend at least half their income on rent, on par with the state average."¹⁹

Policymakers need to consider the potential effects the new development will have on housing prices and rents now. Transit needs also need to be aired and answered,²⁰ as well as environmental impacts, since the semiconductor industry is a high-volume user of chemicals and toxic gases.²¹ And local schools, which could see an influx of students, must receive the support they need to educate them.²²

The City of New Albany will abate the local property taxes on the buildings Intel constructs. Under a long-standing agreement with the Johnstown-Monroe Local School District, where the Intel facilities will be located, new municipal income taxes will be shared by the city with the district, which is likely to make the district whole for the revenue it is losing.²³ However, that doesn't cover other nearby districts that are likely to see enrollment increases. And because the Ohio General Assembly repealed the local tangible personal property tax in 2005, the vast majority of Intel's Ohio investment — machinery and equipment — isn't covered by a property tax.

¹⁸ Shkurti, Bill and Fran Stewart, "Intel Comes to Ohio: Prospects and Challenges. A Supplement to *Transforming Ohio's Economy in the Wake of the Great Pandemic*," The Ohio State University, John Glenn College of Public Affairs, Feb. 16, 2022, at <https://glenn.osu.edu/sites/default/files/2022-03/Intel-Supplement-Ohio-2022.pdf>

¹⁹ Ohio Housing Finance Agency, "Central Ohio Regional Housing Needs Assessment, Fiscal Year 2022," Office of Housing Policy, July 1, 2021, to June 30, 2022, at <https://ohiohome.org/research/documents/CentralOhio-rHNA.pdf>

²⁰ Schuermann Kuhlman, Mary, Public News Service, "Ohio Group Urges Expanded Transit for 'Silicon Heartland,'" Feb. 3, 2022, at <https://www.publicnewsservice.org/2022-02-03/urban-planning-transportation/ohio-group-urges-expanded-transit-for-silicon-heartland/a77702-1>

²¹ Cooley, Patrick, "Intel's chip manufacturing has a massive carbon footprint. What will this mean for Ohio?" The Columbus Dispatch, Feb. 1, 2022, at <https://www.dispatch.com/story/news/environment/2022/02/01/intels-manufacturing-process-has-massive-carbon-footprint/9252597002/> For historical background on the semiconductor industry and the environment in its original home, Silicon Valley, see Leslie Byster and Ted Smith, "From Grassroots to Global: The Silicon Valley Toxics Coalition's Milestones in Building a Movement for Corporate Accountability and Sustainability in High-Tech Industry," in "Challenging the Chip: Labor Rights and Environmental Justice in the Global Electronics Industry," Temple University Press, 2006.

²² Weidig, Dave, "Johnstown, other local school districts prepare for growth with \$20 billion Intel project," Newark Advocate, Jan. 26, 2022, at <https://www.newarkadvocate.com/story/news/education/2022/01/26/johnstown-licking-county-schools-prepare-intel-growth/6593657001/>

²³ Conversation of Policy Matters Ohio researcher Guillermo Bervejillo with Kimberly Pulley, Treasurer/CFO, Johnstown-Monroe Local School District, March 1, 2022.

In Oregon, where property tax covers such machinery and Intel is the largest private employer, the corporation gets giant property-tax breaks. One 2018 report found that the Hillsboro School District there, where Intel is located, forewent \$96.7 million in revenue in Fiscal Year 2017, the largest amount of any school district in the nation.²⁴ However, Intel is responsible for paying the full property tax on the land and buildings associated with each strategic investment, as well as community service fees.²⁵ It appears that Intel is getting an even better deal on property taxes in Ohio than it is in Oregon.

Mihalik said in response to a question at her January press conference that, “We are engaging all sorts of stakeholders not only locally, within the immediate area of where this project is being constructed, but in the entire region. A project of this magnitude has impacts not only within the specific site but within the entire state.” She added that, “Those conversations are going to continue to happen not only at the local level, but we’re going to do everything we can to be supportive as these investments continue to develop.”²⁶

To make good on Mihalik’s promise, state officials must develop a meaningful, robust process for including the public so that impacts are thoroughly discussed and community benefits from this giant deal are maximized. This must include a wide range of people, including those from communities that have previously been excluded from key benefits of economic growth, such as low-income Ohioans and people of color.

Across the country, major development projects receiving public subsidies have agreed to provide such community benefits as child care centers, affordable housing, green building measures, job quality guarantees, local hiring from high-unemployment neighborhoods, and a host of others.²⁷ As part of a giant, multi-billion-dollar development in downtown San Jose, Google last year agreed to a \$200 million community benefits fund, most of that for a fund for preserving affordable housing, increasing services for homeless residents and increasing protections for low-income renters.²⁸

²⁴ Rogoway, Mike, “Intel’s Oregon tax breaks are among the nation’s biggest, new report finds,” *The Oregonian/Oregon*, Dec. 12, 2018, at <https://www.oregonlive.com/silicon-forest/2018/12/intels-oregon-tax-breaks-are-among-the-nations-biggest-new-report-finds.html>

²⁵ Washington County, Oregon, “Intel Strategic Investment Program Agreements,” at <https://www.co.washington.or.us/CAO/upload/2014-SIP-Fact-Sheet.pdf>. See also <https://www.co.washington.or.us/cao/sip.cfm>.

²⁶ Mihalik, op. cit.

²⁷ See Partnership for Working Families, *Policy & Tools: Community Benefit Agreements and Policies in Effect*, at <https://www.forworkingfamilies.org/page/policy-tools-community-benefits-agreements-and-policies-effect>

²⁸ San Jose Spotlight, “UPDATE: San Jose council approves Google’s Downtown West project,” May 25, 2021 at <https://sanjosespotlight.com/san-jose-council-to-vote-on-googles-downtown-west-project/>

Intel has promised to spend \$100 million over the next decade in partnership with Ohio universities, community colleges and the National Science Foundation, “from collaborative research projects to building semiconductor-specific curricula for associate and undergraduate degree programs.”²⁹ Intel should also be asked how it will provide support to K-12 schools that have additional costs because of its massive development. Governor DeWine and the General Assembly should include in the Intel legislation a process for monitoring such costs and other impacts.

Recommendations & conclusion

Ohio’s Intel subsidies should come with measures to ensure a maximum of benefits for Ohioans. At a minimum, the General Assembly should make certain that:

- At least 80% of all the Intel jobs go to Ohioans.
- Intel reports annually on key measures, including full- and part-time jobs created, the demographics of its Ohio workforce, wages and benefits paid, capital invested, and others.
- All Ohio employees are paid family-sustaining wages and benefits.
- Intel meets its own corporate diversity goals, makes specific commitments to hire people of color in line with the demographics of the Columbus metropolitan area, and engages in targeted hiring of people from high-poverty census tracts in Ohio.
- The company is in compliance with all federal, state and local laws.
- Intel will repay monies received if it does not make good on its promises or is not in compliance with such laws.
- A meaningful, robust process is created for including the public so that community benefits from this huge public expenditure are maximized. This includes taking into account its effects on schools, housing, transportation and the environment, among other things. Legislation should include a specific program for monitoring the impacts of the development.
- Intel, which has pledged \$100 million over 10 years to help colleges and universities develop curricula and the like, should be asked how it will support K-12 schools as well.

Ohio policymakers must maximize the value of Intel’s landmark investment. Governor DeWine and the General Assembly must step forward to include measures to protect the state and its residents, and to ensure that the benefits flow to all Ohioans.

²⁹ Intel Corporation, “Intel announces next U.S. site with landmark investment in Ohio,” Jan. 21, 2022, at <https://www.intel.com/content/www/us/en/newsroom/news/intel-announces-next-us-site-landmark-investment-ohio.html>