

A Guide to CHIPS Act Funding: Application Process, Financial, and Technical Requirements

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The CHIPS Act Funding, administered by the National Institute of Standards and Technology (NIST), provides a unique opportunity for private entities or consortia of private and public entities to receive financial support for the construction, expansion, or modernization of semiconductor fabrication facilities. This guide aims to shed light on the application requirements to help potential applicants understand the process better.

The Application Process

The application process for CHIPS Act funding is rigorous and competitive. Here are the steps:

1. **Statement of Interest:** Applicants must submit a statement of interest that briefly describes their proposed project and how it aligns with the goals of the CHIPS Act. The CHIPS Program Office will review this statement and gauge interest and plan for future review of the project.
2. **Pre-application:** The pre-application process is optional for applicants, but it allows the CHIPS Program Office to review a more detailed project plan and provide valuable feedback, including recommendations to applicants for future steps in the application process. This stage includes submitting a detailed project plan, financial models, workforce development plans, and details regarding facility ownership.
3. **Full Application:** The full application process can be daunting and includes many additional requirements in addition to items that were required for applicants that submitted pre-applications. Within this stage, applicants will need to provide a detailed project plan, a technical feasibility narrative, a commercial strategy discussing end market demand, stability of supplies and materials and improvement plans. Additionally, applicants will need to provide audited company financial statements, financial models related to the project, creating a broader impact narrative detailing the commitment to future investment in the US Semiconductor industry and obtaining a covered incentive from state or local governments.
4. **Negotiation and Award Acceptance:** If your application is selected for negotiations, this will involve deciding the final scope of work, including project milestones, schedule, and budget. Once everything is agreed upon, you will receive a Notice of Award (NoA), which officially marks the start of your project.

Financial Requirements

The financial requirements for CHIPS Act funding applications can be challenging to navigate. However, there are some common elements that you should be prepared for:

1. **Type of Funding:** Applicants can request many forms of funding through the CHIPS Act. This can include direct government funding, government loans, loan guarantees or a combination of all three.
 - a. **Direct Funding** :There is no fixed amount for how much a project can receive in CHIPS Direct Funding. The level of support will vary based on the specific characteristics of

individual projects. However, it is generally expected that most CHIPS Direct Funding awards will range between 5-15% of project capital expenditures. This range may be higher if a project is not eligible for the Investment Tax Credit, such as for projects related to semiconductor materials facilities.

- b. Loans and Loan Guarantees:** There is no fixed limit on the loans or guarantees that a project may receive. Applicants should request CHIPS Loans or CHIPS Loan Guarantees to provide debt financing that is not available on comparable terms on the private market. All loans and guarantees will be subject to rigorous underwriting and due diligence. The Department will not make a loan or issue a guarantee unless it determines that the applicant has a reasonable prospect of repaying the principal and interest on the loan or guaranteed loan.

The specific terms of a CHIPS Loan will be based on the project's financing requirements and risk characteristics and will be subject to negotiation. The interest rate on a CHIPS Loan will generally be based on the cost of funds to the Department of the Treasury for obligations of comparable maturity plus a portion of the spread to the market rate for commercial loans or debt of similar risk, tenor, and terms.

2. **Budget:** You'll need to provide a detailed budget that outlines how you plan to use the funding. This should include costs for personnel, equipment, travel, supplies, and other direct costs. You should also include indirect costs, such as overhead or administrative expenses. This is done through submitting financial models showing the sources and uses of funds, cash flow projections, sensitivity analysis, and supporting evidence for key assumptions made in the budget. A financial narrative detailing this budget is also required.
3. **Company Financials:** Audited company financials, key financial metrics, and statistical ratings organizations reports will need to be provided by the applicant. Additionally, applicants will need to provide equity capital structures sharing detailed information on shareholders, company shares, market valuation, and information for planned equity issuances.
4. **Scenario Analysis:** This section will highlight key profitability metrics, internal rate of return (IRR), risk and debt service metrics under a range of scenarios through the estimated useful life of the facility. It should include cases for both upside and downside.
5. **Covered Incentive:** Applicants will need to provide a signed letter from a state or local government demonstrating that they have been offered a qualifying covered incentive.
6. **CHIPS Incentive Request:** The CHIPS incentive request will provide a description of the proposed terms of any loans or loan guarantees being requested by the applicant and an explanation of efforts made by the applicant to attract debt financing from other sources. A narrative will also be required providing justification of the size, appropriateness and project IRR based on the request.

Technical Requirements

The technical requirements for CHIPS Act funding applications can be extensive. However, here are some common elements:

1. **Technical Narrative:** You'll need to provide a detailed technical narrative that describes your project. This should include information about the project's objectives, methods, and expected outcomes. This will also include a summary narrative addressing evaluation criteria.

2. **Alignment with Economic Resilience and National Security Objectives:** Applicants will need to detail how their project meets economic and national security objectives, including cyber security practices, supply chain resilience and risk management, and any foreign control disclosures.
3. **Team Expertise:** The applicant must have the necessary technical capabilities. This includes having the right personnel with the appropriate expertise, as well as the necessary facilities, equipment, and manufacturing plan. Additionally, applicants will be required to share any history of projects for comparable facilities commissioned by the company in the last ten years.
4. **Environmental Questionnaire:** Information regarding any environmental impact the project may have on the community.
5. **Workforce Development Plan:** Applicants will need to provide details regarding expected workforce needs for the project and the strategy to meet those needs.
6. **Broader Impact Narrative:** This section will detail the broader impacts of the project including commitments for future investment in the US Semiconductor Industry, inclusive opportunities for businesses, community investments, support for semiconductor R&D, buyback commitments, commitment to climate and environmental responsibility, and more.

Securing CHIPS Act funding is a significant achievement that can propel your company to new heights. While the application process is challenging, the potential rewards are immense. By understanding the application process, financial requirements, and technical requirements, you'll be well-prepared to submit a compelling proposal.

If your company has considered applying for CHIPS funding, EverGlade Consulting is the right partner to help make that a reality. EverGlade has a full suite of experienced consulting professionals prepared to support your CHIPS Funding Application to the Department of Commerce. Our team has helped both large and small companies prepare, submit, and win applications for federal funding to expand U.S. manufacturing capabilities and repatriate critical supply chains. EverGlade consultants can help develop your business plan, prepare financial projections, and assemble a concise and complete package to take advantage of this unique program. With a successful history of supporting diverse clients through the application process, our team's unique understanding of the federal funding landscape will strengthen the chances of your proposal's success.

For additional information about EverGlade Consulting, visit:

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