

Policy Backgrounder

The Future of the CHIPS and Science Act

Congress passed the CHIPS and Science Act of 2022 to incentivize the domestic production of semiconductors and support applied scientific research in the US. The bill, which garnered significant bipartisan support, was recently criticized by the President.

Key Insights

- The [CHIPS and Science Act of 2022 \(CHIPS\)](#) (the Act) authorized and appropriated roughly \$280 billion in new spending through FY2027. A significant portion of the funding is dedicated to onshoring semiconductor manufacturing through incentives.
 - The President [called](#) the Act a “horrible, horrible thing” in remarks to a joint session of Congress and called on Speaker Mike Johnson to “get rid” of the Act. However, many Republican lawmakers were taken aback by the remark, with several Senators arguing that the money allocated to bolster domestic chip production is [critical](#) to national security.
 - The Taiwan Semiconductor Manufacturing Company (TSMC) on March 4 [announced](#) its plan to increase US investment in advanced semiconductor manufacturing by \$100 billion, building upon the company’s ongoing \$65 billion investment (in part supported by CHIPS incentives) in its advanced semiconductor manufacturing operations in Phoenix.
 - A second major component of the Act is funding for basic and applied research to support the Nation’s innovation ecosystem. However, several [reports](#) have determined that appropriations fell well below authorized levels, especially at the National Science Foundation (NSF).
 - The real test for the Act’s future will come during the FY2026 appropriations process.
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The CHIPS and Science Act

Congress passed the [CHIPS and Science Act of 2022](#) (the Act) to incentivize the domestic production of semiconductors and support applied scientific research in the US. The bill, which garnered significant bipartisan support, authorized and appropriated roughly \$280 billion in new spending through FY2027, falling into [two categories](#). First is the authorization of \$174 billion for research and development (R&D) across the public and private sectors; science, technology, engineering, and math (STEM) education; and US semiconductor workforce development. Second, the Commerce Department (DOC) is overseeing \$50 billion in investments primarily in basic and applied research and semiconductor manufacturing (with additional funding for the Department of Defense).

Of the \$50 billion appropriated to the DOC, \$39 billion is dedicated to onshore semiconductor manufacturing through funding for incentives. As of December 2024, over \$32 billion of the \$39 billion had been [allocated](#) following a major deal with Texas Instruments (TI). The Dallas-based semiconductor company was awarded up to \$1.61 billion in direct funding under the CHIPS Incentives Program's Funding Opportunity for Commercial Fabrication Facilities to support TI's investment of more than \$18 billion through the end of the decade to construct three new state-of-the-art facilities, including two in Texas and one in Utah. More generally, according to the Semiconductor Industry Association, companies in the semiconductor industry have announced over 100 projects across the country totaling \$540 billion in private sector [investments](#).

The Push to Repeal the Act

The President [called](#) the Act a “horrible, horrible thing” in remarks to a joint session of Congress and called on Speaker Mike Johnson to “get rid” of the Act. Following the speech, the Semiconductor Industry Association organized a [call](#) with member companies; some companies attributed the President's opposition to the law to animus to against former President Biden.

Beyond this, the President, along with some congressional Republicans, has [criticized](#) the Act for giving money to wealthy companies, suggesting that tariffs that increase the cost of making chips overseas would be a more effective way to grow US semiconductor manufacturing. However, this position is not widely [shared](#) in the party, with some Republican lawmakers taken aback by the President's remarks. Senator Todd Young (R-IN) said he reached out to the White House following the address to gain clarity noting “[h]is comments seemed in tension with the reassurances I had received privately and publicly from his now-Cabinet [members], reassurances which I sought in order to be supportive of certain nominees [.]”. Republican Senators have suggested they would be willing to work with the President to make some changes to the program but argued that the money allocated to bolster domestic chip production is [critical](#) to national security. They also noted that most of the funding for the incentives has already been allocated or spent and there would not be enough votes to repeal CHIPS, which received bipartisan support in both chambers.

Last week, the Department of Commerce [laid off](#) 40 CHIPS office employees – about one-third of the office’s staff. Further, another 20 staffers departed the week prior as part of the Administration’s deferred resignation program.

TSMC Expands US Investments

The Taiwan Semiconductor Manufacturing Company (TSMC) on March 4 [announced](#) its plan to increase its US investment in advanced semiconductor manufacturing by \$100 billion with three new fabs, two advanced packaging facilities, and an R&D center. The move builds on the company’s ongoing \$65 billion investment in its advanced semiconductor manufacturing operations in Phoenix – [supported](#) in 2024 with \$6.6 billion in direct CHIPS Act funding and \$5 billion in low-cost loans – which currently employs over 3,000 people.

Still, TSMC’s announcement hinted at the change in political winds. “Back in 2020, thanks to President Trump’s vision and support, we embarked on our journey of establishing advanced chip manufacturing in the United States. This vision is now a reality,” said TSMC Chairman and CEO Dr. C.C. Wei. In the company’s press release, Wei also noted the fundamental role AI is playing in modern life and referred to semiconductor technology as “the foundation for new capabilities and applications.” The President noted the new investment by TSMC during his address to Congress last week and inferred that the company’s move was in response to pressure from his Administration. “[W]e’re giving them no money [for this new investment]. All that was important to them was they didn’t want to pay the tariffs, so they came and they’re building. And many other companies are coming.” However, two days following the President’s address, Taiwan President Lai Ching-te denied the company’s investment decision was due to political pressure by the US and [said](#) that it instead stemmed from customer demand.

TSMC is the world’s largest chipmaker and is the primary producer of advanced semiconductors in essential goods from smartphones to military equipment. Given the geopolitical tensions between China and Taiwan, the [vulnerability](#) of the world’s chip supply is a major factor in bringing chip production to the US. Taiwan’s leading KMT opposition party [criticized](#) President Lai for allowing the US to weaken the country’s “silicon shield,” a term referring to Taiwan’s indispensable role in the global semiconductor supply chain which could help deter a potential invasion by China. “I think fundamentally, this move is really designed to make sure that US companies have high-end chips available if there’s a blockage around Taiwan,” said Antonia Hmaid, a geopolitical technology analyst at the Mercator Institute for China Studies (MERICS), a German thinktank.

Funding For Basic Research Has Fallen Short

The Act also authorized increasing the spending targets for the Nation’s [innovation ecosystem](#), which includes the National Science Foundation (NSF), the Department of Energy’s Office of Science, and the National Institute of Standards and Technology (NIST). Funding for NSF

under CHIPS, if appropriated by Congress, was set to increase the agency's budget by \$81 billion over Fiscal Years 2023-2027, effectively [doubling](#) its budget.

Already, several [reports](#) have determined that previous appropriations fell well below levels authorized by CHIPS, especially at NSF. While the FY2023 appropriation was just under the level authorized, the FY2024 appropriation for NSF was reduced by \$814 million, an 8 percent decrease of the agency's \$9 billion operating budget. Such funding shortfalls undercut the NSF's ability to fulfill its statutory requirements within the bill, such as [support for](#) early-stage research in areas such as the food–energy–water system, sustainable chemistry, risk and resilience, clean water systems, technology and behavioral health, critical minerals, precision agriculture, and unmanned aircraft technologies.

Conclusion

CHIPS represents a monumental effort to incentivize private sector investment as well as funding from state and local agencies. US competitiveness depends upon substantial funding for basic and applied research from both the public and private sectors, and both parties broadly agree that domestic manufacturing of advanced chips is a strategic goal essential to the Nation's national security. In addition, the Act supports activities [including](#) new [regional innovation hubs and workforce partnerships](#) and K-12 [STEM and college preparation efforts](#), programs that are separate from the incentives for domestic manufacturing and large funds for applied research but that in some ways are related to it.

Thus far, there has not been any legislation introduced to repeal or modify the Act; however, the real test will come during the FY2026 appropriations process as Congress must determine not only whether to continue with the funding for domestic semiconductor workforce development and other "chips"-related funding but also whether to provide the significant appropriations for scientific research contemplated in the sometime-forgotten but no less essential "Science" part of the Act.

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