

JAN 22 2021

A BILL FOR AN ACT

RELATING TO AN INTERSTATE COMPACT TO PHASE OUT CORPORATE
WELFARE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 **"CHAPTER**

5 **INTERSTATE COMPACT TO PHASE OUT CORPORATE WELFARE**

6 § -1 **Short title.** This chapter may be cited as the
7 Interstate Compact to Phase Out Corporate Welfare Act.

8 § -2 **Enactment of compact.** The Interstate Compact to
9 Phase Out Corporate Welfare Act is hereby enacted into law and
10 entered into with all other jurisdictions legally joining
11 therein in the form substantially as follows:

12 **PART I. MEMBERSHIP**

13 § -11 **Membership.** Any state of the United States and
14 the District of Columbia may become a member of this compact by
15 enacting this compact.



PART II. DEFINITIONS

§ -21 **Definitions.** As used in this compact, unless the context clearly requires a different meaning:

"Company-specific grant" means any disbursement of funds via property, cash, or deferred tax liability, by the state government to a particular company.

"Company-specific tax incentive" includes:

- (1) Any change in the general tax rate or valuation offered or presented to a specific company that is not available to other similarly situated companies; and
- (2) Any tax incentive that is part of a special agreement negotiated with an official of the state government.

"Corporate welfare" means any company-specific or industry-specific disbursement of funds via property, cash, or deferred or reduced tax liability, by a state or local government, to a particular company or industry.

"Located in any other member state" means any office space, manufacturing facility, or company headquarters that is physically located in another member state, whether or not the company has other property in the member state.



1 "Member state" means any state or the District of Columbia
2 that has enacted a statute agreeing to this compact.

3 **PART III. FINDINGS**

4 **§ -31 Findings.** The member states find that:

5 (1) Corporate welfare as an economic development policy is
6 among the least effective uses of taxpayer dollars;

7 (2) Local and state leaders are in a prisoner's dilemma
8 where it is in everyone's interest to stop the
9 practice of corporate welfare altogether and create a
10 level playing field for all employers, but each level
11 of government has an incentive to subsidize a company
12 through a tax abatement, tax credit, or direct
13 subsidy, thereby generating a race to the bottom;

14 (3) State and local government cooperation to phase out
15 all forms of corporate welfare, including company-
16 specific and industry-specific subsidies, is required
17 to free government leaders from the prisoner's
18 dilemma;

19 (4) While it will take years to build a national consensus
20 to phase out all forms of corporate welfare,
21 governments should begin to phase out the most



1 egregious and destructive forms of corporate welfare
2 as soon as practicable, where agreement among some
3 governments to do so can be reached;

4 (5) Companies should grow and potentially relocate to
5 other states based on the general condition of those
6 states (including but not limited to modern
7 infrastructure, an educated workforce, a clean
8 environment, and a favorable tax and regulatory
9 climate), not based on the size of a specific grant
10 for that company;

11 (6) Company-specific subsidies fuel business inequality
12 because only the largest businesses tend to receive
13 these subsidies;

14 (7) A hopeful path toward ending the practice of corporate
15 welfare altogether is to begin with the most
16 problematic of these practices, which are company-
17 specific offers to companies located in other states;

18 (8) Creating a national board of appointees from states
19 that results in a permanent body charged with finding
20 consensus, and drafting improvements and revisions to



1 this compact, will assist governments in escaping from
2 the prisoner's dilemma; and

3 (9) This compact is a collaborative approach toward
4 building a national consensus for a better, fairer
5 economic development policy for all.

6 PART IV. COMPANY-SPECIFIC SUBSIDIES TO COMPANIES IN OTHER
7 MEMBER STATES

8 § -41 **Company-specific subsidy; company facility located**
9 **in other member state.** (a) Each member state agrees to refrain
10 from offering or providing any company-specific tax incentive,
11 company-specific grant, or other distribution of funds
12 prohibited under this compact, for any company facility
13 currently located in any other member state.

(b) Each member state agrees to refrain from offering or providing funds for corporate headquarters, manufacturing facilities, office space, or other real estate developments, for any company facility currently located in any other member state, if that headquarters, facility, or office space will relocate to the offering member state.

PART V. EXCLUSIONS

§ -51 **Exclusions.** (a) Workforce development grants for employee training shall not be subject to this compact, as the company receiving the grant may benefit but the employees receiving the training are the largest beneficiaries.

(b) This compact is not retroactive and existing company-specific grants shall not be impacted by this compact; provided that any changes to the terms of any existing company-specific grants shall be considered new company-specific grants and prohibited under the terms of this compact.

PART VI. WITHDRAWAL

§ -61 **Withdrawal.** Any member state may withdraw from this compact with six months' written notice to the chief executive officer of every other member state to this compact.

PART VII. ENFORCEMENT

§ -71 **Enforcement.** (a) The chief law enforcement officer of each member state shall enforce this compact.

(b) A taxpaying resident of any member state shall have standing in the courts of any member state to require the chief law enforcement officer of that member state to enforce this compact.



**PART VIII. NATIONAL BOARD OF STATES TO DRAFT AND DISSEMINATE
NEXT STEPS TO PHASE OUT CORPORATE WELFARE**

**§ -81 National board of states; establishment; purpose;
next steps.** (a) A board of member states to the Interstate
Compact to Phase Out Corporate Welfare Act is established by
this compact.

(1) Each chief executive officer of each member state
shall appoint one member to the board; and

(2) The board shall accept appointees from non-member
states that wish to appoint a member of the board.

(b) The board's purpose shall be to publish suggested
revisions to this compact that relate to continuing to phase out
all forms of corporate welfare, including from local
governments, for consideration by state legislatures.

(c) The board shall:

(1) Convene at least annually;

(2) Elect officers from its membership;

(3) Establish rules and procedures for its governance;

(4) Collect testimony from all interested parties,
including member states and organizations, and
associations representing state legislators,



1 taxpayers, and subject matter experts, on how this
2 compact may be improved and strengthened; and
3 (5) Publish a report in December of each year that
4 includes suggested revisions and improvements to this
5 compact.

6 **PART IX. CONSTRUCTION AND SEVERABILITY**

7 § **-91 Construction.** The provisions of this compact
8 shall be liberally construed to effectuate its purposes.

9 § **-92 Severability.** (a) If any phrase, clause,
10 sentence, or provision of this compact, or the applicability of
11 any phrase, clause, sentence, or provision therein to any
12 government, agency, person, or circumstance is declared in a
13 final judgment by a court of competent jurisdiction to be
14 contrary to the constitution of the United States or is
15 otherwise held invalid, the validity of the remainder of this
16 compact and the applicability of the remainder of this compact
17 to any government, agency, person, or circumstance shall not be
18 affected.

19 (b) If this compact is held to be contrary to the
20 constitution of any member state, the compact shall remain in
21 full force and effect as to:



- 1 (1) The remaining member states; and
2 (2) The affected member state as to all severable
3 matters."

4 SECTION 2. This Act shall take effect on July 1, 2021.

5

INTRODUCED BY:

Karl Rhoads



S.B. NO. 531

Report Title:

Corporate Welfare; Phase Out; Interstate Compact

Description:

Adopts the Interstate Compact to Phase Out Corporate Welfare.

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