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 -1 Short title. This chapter may be cited as the 6 7 Interstate Compact to Phase Out Corporate Welfare Act. 8 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.

1	PART II. DEFINITIONS
2	§ -21 Definitions. As used in this compact, unless the
3	context clearly requires a different meaning:
4	"Company-specific grant" means any disbursement of funds
5	via property, cash, or deferred tax liability, by the state
6	government to a particular company.
7	"Company-specific tax incentive" includes:
8	(1) Any change in the general tax rate or valuation
9	offered or presented to a specific company that is not
10	available to other similarly situated companies; and
11	(2) Any tax incentive that is part of a special agreement
12	negotiated with an official of the state government.
13	"Corporate welfare" means any company-specific or industry-
14	specific disbursement of funds via property, cash, or deferred
15	or reduced tax liability, by a state or local government, to a
16	particular company or industry.
17	"Located in any other member state" means any office space,
18	manufacturing facility, or company headquarters that is
19	physically located in another member state, whether or not the
20	company has other property in the member state.

1	"Melli	ber state" means any state of 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

	egregious and describerive roums or corporate werrare
	as soon as practicable, where agreement among some
	governments to do so can be reached;
(5)	Companies should grow and potentially relocate to
	other states based on the general condition of those
	states (including but not limited to modern
ŧ	infrastructure, an educated workforce, a clean
	environment, and a favorable tax and regulatory
	climate), not based on the size of a specific grant
	for that company;
(6)	Company-specific subsidies fuel business inequality
	because only the largest businesses tend to receive
	these subsidies;
(7)	A hopeful path toward ending the practice of corporate
	welfare altogether is to begin with the most
	problematic of these practices, which are company-
	specific offers to companies located in other states;
(8)	Creating a national board of appointees from states
	that results in a permanent body charged with finding
	consensus, and drafting improvements and revisions to
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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.
14	(b) Each member state agrees to refrain from offering or
15	providing funds for corporate headquarters, manufacturing
16	facilities, office space, or other real estate developments, for
17	any company facility currently located in any other member
18	state, if that headquarters, facility, or office space will
19	relocate to the offering member state.

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2	§ -51 Exclusions. (a) Workforce development grants for
3	employee training shall not be subject to this compact, as the
4	company receiving the grant may benefit but the employees
5	receiving the training are the largest beneficiaries.
6	(b) This compact is not retroactive and existing company-

PART V. EXCLUSIONS

- 7 specific grants shall not be impacted by this compact; provided
 8 that any changes to the terms of any existing company-specific
 9 grants shall be considered new company-specific grants and
 10 prohibited under the terms of this compact.
- 11 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.
- 15 PART VII. ENFORCEMENT
- 16 § -71 Enforcement. (a) The chief law enforcement
 17 officer of each member state shall enforce this compact.
- 18 (b) A taxpaying resident of any member state shall have
 19 standing in the courts of any member state to require the chief
 20 law enforcement officer of that member state to enforce this
 21 compact.

1	PART VI	II. NATIONAL BOARD OF STATES TO DRAFT AND DISSEMINATE
2		NEXT STEPS TO PHASE OUT CORPORATE WELFARE
3	S	-81 National board of states; establishment; purpose;
4	next step	s. (a) A board of member states to the Interstate
5	Compact to	o Phase Out Corporate Welfare Act is established by
6	this compa	act.
7	(1)	Each chief executive officer of each member state
8		shall appoint one member to the board; and
9	(2)	The board shall accept appointees from non-member
10		states that wish to appoint a member of the board.
11	(b)	The board's purpose shall be to publish suggested
12	revisions	to this compact that relate to continuing to phase out
13	all forms	of corporate welfare, including from local
14	governmen	ts, for consideration by state legislatures.
15	(c)	The board shall:
16	(1)	Convene at least annually;
17	(2)	Elect officers from its membership;
18	(3)	Establish rules and procedures for its governance;
19	(4)	Collect testimony from all interested parties,
20		including member states and organizations, and
21		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:

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5	INTRODUCED BY:
4	SECTION 2. This Act shall take effect on July 1, 2023.
3	matters."
2	(2) The affected member state as to all severable
1	(1) The remaining member states; and

Report Title:

Corporate Welfare; Phase Out; Interstate Compact

Description:

Adopts the Interstate Compact to Phase Out Corporate Welfare.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.