

JAN 15 2025

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.

16 **PART II. DEFINITIONS**



1 § -21 Definitions. As used in this compact, unless the
2 context clearly requires a different meaning:

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

6 "Company-specific tax incentive" includes:

7 (1) Any change in the general tax rate or valuation
8 offered or presented to a specific company that is not
9 available to other similarly situated companies; and

10 (2) Any tax incentive that is part of a special agreement
11 negotiated with an official of the state government.

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

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

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



PART III. FINDINGS

§ -31 Findings. The member states find that:

- (1) Corporate welfare as an economic development policy is among the least effective uses of taxpayer dollars;
- (2) Local and state leaders are in a prisoner's dilemma where it is in everyone's interest to stop the practice of corporate welfare altogether and create a level playing field for all employers, but each level of government has an incentive to subsidize a company through a tax abatement, tax credit, or direct subsidy, thereby generating a race to the bottom;
- (3) State and local government cooperation to phase out all forms of corporate welfare, including company-specific and industry-specific subsidies, is required to free government leaders from the prisoner's dilemma;
- (4) While it will take years to build a national consensus to phase out all forms of corporate welfare, governments should begin to phase out the most egregious and destructive forms of corporate welfare



1 as soon as practicable, where agreement among some
2 governments to do so can be reached;

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

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

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

17 (8) Creating a national board of appointees from states
18 that results in a permanent body charged with finding
19 consensus, and drafting improvements and revisions to
20 this compact, will assist governments in escaping from
21 the prisoner's dilemma; and



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

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

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



1 company receiving the grant may benefit but the employees
2 receiving the training are the largest beneficiaries.

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

8 **PART VI. WITHDRAWAL**

9 § -61 **Withdrawal.** Any member state may withdraw from
10 this compact with six months' written notice to the chief
11 executive officer of every other member state to this compact.

12 **PART VII. ENFORCEMENT**

13 § -71 **Enforcement.** (a) The chief law enforcement
14 officer of each member state shall enforce this compact.

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

19 **PART VIII. NATIONAL BOARD OF STATES TO DRAFT AND DISSEMINATE**

20 **NEXT STEPS TO PHASE OUT CORPORATE WELFARE**



1 § -81 National board of states; establishment; purpose;
2 next steps. (a) A board of member states to the Interstate
3 Compact to Phase Out Corporate Welfare Act is established by
4 this compact.

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

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

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

13 (c) The board shall:

14 (1) Convene at least annually;

15 (2) Elect officers from its membership;

16 (3) Establish rules and procedures for its governance;

17 (4) Collect testimony from all interested parties,

18 including member states and organizations, and

19 associations representing state legislators,

20 taxpayers, and subject matter experts, on how this

21 compact may be improved and strengthened; and



(5) Publish a report in December of each year that includes suggested revisions and improvements to this compact.

PART IX. CONSTRUCTION AND SEVERABILITY

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

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

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

(1) The remaining member states; and



1 (2) The affected member state as to all severable
2 matters."

3 SECTION 2. This Act shall take effect on July 1, 2025.

4

INTRODUCED BY: Karl Rhoads



S.B. NO. 54

Report Title:

Corporate Welfare; Phase Out; Interstate Compact

Description:

Adopts the Interstate Compact to Phase Out Corporate Welfare.

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