SENATE BILL NO. 524

June 09, 2021, Introduced by Senators ANANICH, NESBITT, BARRETT, BRINKS, BAYER, LAUWERS, CHANG, BUMSTEAD and BULLOCK and referred to the Committee on Economic and Small Business Development.

A bill to allow the state of Michigan to enter into the company-specific subsidy interstate compact and for purposes related to the compact.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 1. This act shall be known and may be cited as the "company-specific subsidy interstate compact act".

Sec. 2. The company-specific subsidy interstate compact is hereby enacted into law and entered into with any Midwest state which legally joins in substantially the following form:

COMPANY-SPECIFIC SUBSIDY INTERSTATE COMPACT

The contracting states agree that:

ARTICLE 1: MEMBERSHIP

Any Midwest state of the United States may become a member state of this compact by enacting this compact.

ARTICLE 2: DEFINITIONS

As used in this compact:

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

(2) "Company-specific subsidies" means company-specific grants or company-specific tax incentives.

(3) "Company-specific tax incentive" means a change in the general tax rate or valuation offered or presented to a specific company that is not available to other similarly-situated companies, including, but not limited to, a tax incentive that is part of a special agreement negotiated with an official of the state or an official of any subdivision of the state government.

(4) "Workforce development grants" means grants that train employees.

ARTICLE 3: FINDINGS

The member states find that:

(1) State governments are caught in a race to the bottom offering ever-larger company-specific tax incentives or grants in an attempt to lure large companies to stay or relocate in their state despite overwhelming evidence that the company-specific subsidies are neither an efficient use of public dollars nor a determining factor in a company's eventual decision where to locate.

(2) State governments in the aggregate spend tens of billions

annually on company-specific subsidies.

(3) Spending those economic development dollars on universal infrastructure such as transportation or education that benefits all employers, not just the few large for-profit companies that negotiate a special subsidy, is a far superior use of state budget resources.

(4) The ability of the world's most profitable companies to set off a bidding war, often in secret, between states to package the largest subsidy imaginable in order to lure the company to that state demonstrates the inherently weak bargaining position of states in any company-specific subsidy negotiation, which drives up the prices of these subsidies.

(5) Providing special subsidies for a company puts all the competitors to that company at a disadvantage since they must pay the full tax rate or operative without the benefit of the subsidy, which further exacerbates the largest companies getting even greater market share than they otherwise would if all companies paid the same tax rate.

(6) It would be far superior for all employers if states competed for companies based on their overall economic condition that all employers enjoyed, including taxes, infrastructure, workforce, and regulations, and not on a company-specific subsidy package which only benefits a small number of the wealthiest companies.

(7) Despite widespread recognition of the wasteful nature of these company-specific subsidies, a single state is not able to unilaterally end the practice of offering company-specific subsidies as doing so is perceived to put that state at a competitive disadvantage to other states.

(8) In order to set a level playing field and abolish the practice of company-specific subsidies, states should enter into the compact not to engage in the practice that becomes binding for any companies located in any state that is a member of the compact, especially among neighboring states, until all 50 states are able to join the compact.

ARTICLE 4: COMPANY-SPECIFIC SUBSIDIES

Each member state agrees to not offer company-specific subsidies for companies currently located in or considering locating in the member state, including, but not limited to, for corporate headquarters, manufacturing facilities, office space, or other real estate developments.

ARTICLE 5: EXCLUSIONS

(1) Existing company-specific subsidies are not impacted by this agreement, since this agreement is not retroactive, except that any changes to the terms, including renewals or reenactments, of any existing company-specific subsidies are to be considered new company-specific subsidies and not permitted under this agreement.

(2) Workforce development grants are not subject to this compact since the company receiving the grant may benefit, but the employees receiving the training are the largest beneficiary.

ARTICLE 6: WITHDRAWAL

A member state may withdraw from this compact with 6-months' written notice to the chief executive officer of every other member state to the compact.

ARTICLE 7: BOARD

(1) The interstate company-specific subsidy board is established upon the second member state entering into this compact. Each member state shall appoint 5 members to the board as

follows: 1 from the chief executive officer; 1 each from the majority leader of each legislative chamber; and 1 each from the minority leader of each legislative chamber. If a member state does not have a bicameral legislature, then that member state shall determine how the 4 appointments by its legislative leaders shall be made. The board shall convene at least annually, elect officers from its membership, and establish rules and procedures for its governance.

(2) The purpose of the board is to determine how this compact can be improved and strengthened by collecting testimony from all interested parties, including representatives of member states; organizations and associations representing state legislators; taxpayers; and subject matter experts. The board may draft and disseminate suggested revisions to this compact from time to time.

Enacting section 1. This act does not take effect unless Senate Bill No. 523 of the 101st Legislature is enacted into law.