

# HOUSE BILL NO. 4426

April 13, 2023, Introduced by Rep. Wegela and referred to the Committee on Economic Development and Small Business.

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:**

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

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

6                           COMPANY-SPECIFIC SUBSIDY INTERSTATE COMPACT

1 The contracting states agree that:

2 ARTICLE 1: MEMBERSHIP

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

5 ARTICLE 2: DEFINITIONS

6 As used in this compact:

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

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

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

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

20 ARTICLE 3: FINDINGS

21 The member states find that:

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

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

1 annually on company-specific subsidies.

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

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

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

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

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

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

7                           ARTICLE 4: COMPANY-SPECIFIC SUBSIDIES

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

13                           ARTICLE 5: EXCLUSIONS

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

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

22                           ARTICLE 6: WITHDRAWAL

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

26                           ARTICLE 7: BOARD

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

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

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

15 Enacting section 1. This act does not take effect unless  
16 Senate Bill No.\_\_\_\_ or House Bill No. 4425 (request no. 01649'23)  
17 of the 102nd Legislature is enacted into law.