

HB0095



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB0095

Introduced 1/14/2021, by Rep. Michael Halpin

SYNOPSIS AS INTRODUCED:

New Act

Creates the Company-Specific Subsidy Interstate Compact. Enters into the compact, which may be entered into by any state and the District of Columbia, in which 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. Excludes existing company-specific subsidies (until terms change, are renewed, or are reenacted) and workforce development grants. Creates the Interstate Company-Specific Subsidy Board upon the second member state entering into the compact. Provides for withdrawal of a member state with 6-months' written notice. Defines terms.

LRB102 04010 AWJ 14026 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Company-Specific Subsidy Interstate Compact Act.

6 Section 5. Execution of compact. The Company-Specific
7 Subsidy Interstate Compact is hereby enacted into law and
8 entered into with any state or the District of Columbia which
9 legally joins in substantially the following form:

10 COMPANY-SPECIFIC SUBSIDY INTERSTATE COMPACT

11 The contracting states agree that:

12 ARTICLE 1: MEMBERSHIP

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

16 ARTICLE 2: DEFINITIONS

17 As used in this compact:

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

5 "Company-specific subsidies" means company-specific
6 grants or company-specific tax incentives.

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

14 "Workforce development grants" means grants that train
15 employees.

16 ARTICLE 3: FINDINGS

17 The member states find that:

18 (1) state governments are caught in a race to the
19 bottom offering ever-larger company-specific tax breaks or
20 grants in an attempt to lure large companies to stay or
21 relocate in their state despite overwhelming evidence that
22 the company-specific tax breaks are neither an efficient
23 use of public dollars nor a determining factor in a
24 company's eventual decision where to locate;

1 (2) state governments in the aggregate spend tens of
2 billions annually on company-specific subsidies;

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

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

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

22 (6) it would be far superior for all employers if
23 states competed for companies based on their overall
24 economic condition that all employers enjoyed, including
25 taxes, infrastructure, workforce, and regulations, and not
26 on a company-specific subsidy package which only benefits

1 a small number of the wealthiest companies;

2 (7) despite widespread recognition of the wasteful
3 nature of these company-specific subsidies, no one state
4 is able to unilaterally end the practice as doing so is
5 perceived to put that state at a competitive disadvantage
6 to other states; and

7 (8) in order to set a level playing field and abolish
8 the practice of company-specific subsidies, states should
9 enter into an agreement not to engage in the practice that
10 becomes binding for any companies located in any state
11 that is a member of the agreement, especially among
12 neighboring states, until all 50 states and the District
13 of Columbia are able to join the agreement.

14 ARTICLE 4: COMPANY-SPECIFIC SUBSIDIES

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

20 ARTICLE 5: EXCLUSIONS

21 Existing company-specific subsidies are not impacted by
22 this agreement, since this agreement is not retroactive,

1 except that any changes to the terms, including renewals or
2 reenactments, of any existing company-specific subsidies are
3 to be considered new company-specific subsidies and not
4 permitted under this agreement.

5 Workforce development grants are not subject to this
6 agreement since the company receiving the grant may benefit,
7 but the employees receiving the training are the largest
8 beneficiary.

9 ARTICLE 6: WITHDRAWAL

10 A member state may withdraw from this agreement with
11 6-months' written notice to the chief executive officer of
12 every other member state to the agreement.

13 ARTICLE 7: BOARD

14 The Interstate Company-Specific Subsidy Board is
15 established upon the second member state entering into this
16 compact. Each member state shall appoint 5 members to the
17 Board: one from the chief executive officer; one each from the
18 majority leader of each legislative chamber; and one each from
19 the minority leader of each legislative chamber. If a member
20 state does not have a bicameral legislature, then that member
21 state shall determine how the 4 appointments by its
22 legislative leaders shall be made. The Board shall convene at

1 least annually, elect officers from its membership, and
2 establish rules and procedures for its governance.

3 The purpose of the Board is to determine how this
4 agreement can be improved and strengthened by collecting
5 testimony from all interested parties, including
6 representatives of member states; organizations and
7 associations representing state legislators; taxpayers; and
8 subject matter experts. The Board may draft and disseminate
9 suggested revisions to this agreement from time to time.