

SENATE BILL NO. 854

May 01, 2024, Introduced by Senator LAUWERS and referred to the Committee on Economic and Community 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:

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 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. 855 of the 102nd Legislature is enacted into law.