

## **Model Corporate Welfare Prohibition Compact**

The state of \_\_\_\_\_ agrees to the following compact:

### **SECTION 1. FINDINGS AND DECLARATION OF POLICY**

A. The party states understand that subsidizing some businesses at the expense of others is, over the long term, ineffective at best and harmful to the national economy and honest governance at worst.

B. These policies are often enacted for the purpose of luring a company to relocate a headquarters or a part of a corporate operation to a state. Yet these actions often preclude a more healthy competition between states in which tax and regulatory barriers are lowered to benefit the general population and create a more favorable economic climate for all businesses.

C. These policies also lead to an inefficient distribution of resources among the states, leading to increased costs and inhibiting the ability of the nation to compete internationally as well as domestically. They also contribute to corruption and the loss of faith in the basic fairness of our political and economic system.

D. Therefore, the party states agree that their state government, or any political subdivision, shall not provide a subsidy to a private enterprise for the purpose of selectively supporting a specific industry or company, or to entice a specific industry or company to relocate a facility from one party state to another party state or open a new facility in a particular party state.

E. The party states also agree that once enough states with representation sufficient to constitute a three-fifths majority in both Houses of the U.S. Congress become party states, the party states and their political subdivisions will cease and desist in providing any additional subsidies except to satisfy contractual obligations agreed to prior to the activation of this section.

### **SECTION 2. DEFINITIONS**

As used in this compact, unless the context clearly indicates otherwise:

1. “Party state” means a state that has enacted a statute agreeing to this compact.
2. “Political subdivision” means governmental branches, departments, agencies, counties, municipalities, special districts, as well as other governmental entities and quasi-governmental entities created by the authorization of law.
3. A “subsidy” is an economic benefit, direct or indirect, granted by a state government or any political subdivision, including but not limited to direct grants, tax consideration,

favorable bonding status, special district status, or any other benefit that has the effect of reducing governmental costs for a venture or class of ventures compared to others similarly situated, with the primary purpose or substantial effect of encouraging or maintaining within a state or political subdivision's borders particular or specific classes of ventures in which private persons have a substantial financial or ownership interest. The economic benefits to private enterprise from the following shall not be considered a subsidy:

A. Benefits from the government's performance of essential government functions: specifically, benefits from:

- (1) The party state's or political subdivision's provision and maintenance of public infrastructure for general public benefit and for actual public use;
- (2) The party state's or political subdivision's performance of functions without which it would cease to exist as a governmental body;
- (3) The retention of private enterprise to perform functions of the type without which the party state or the political subdivision would cease to exist as a government body; and,
- (4) The procurement of supplies and services from private enterprise for the party state's or political subdivision's ordinary business operations.

B. Benefits from lower taxes and less regulation; specifically, benefits from:

- (1) The general and uniform relaxation or repeal of regulations;
- (2) The general and uniform reduction or repeal of taxes, assessments or fees;
- (3) The relaxation or repeal of special regulations which, if not relaxed or repealed, would otherwise subject specific individuals, entities, or classes of individuals or entities to regulatory burdens in excess of those imposed generally and uniformly; and,
- (4) The reduction or repeal of special taxes, assessments, or fees which, if not reduced or repealed, would otherwise subject specific individuals, entities, or classes of individuals or entities to taxation, assessments, or fees in excess of those imposed generally and uniformly.

D. A "facility" includes, but is not limited to, a headquarters, warehouse, outlet, affiliate, or production facility of a company.

### **SECTION 3. TERMS**

Notwithstanding any state law to the contrary:

When the number of states sufficient to satisfy the conditions outlined in Article I, Section E, agree to the compact, the party state governments, or any political subdivision, shall not give a subsidy to a private enterprise for the purpose of selectively supporting a specific industry or company, or to entice a specific industry or company to relocate an existing facility from one party state to another party state or open a new facility.

### **SECTION 4. ENFORCEMENT**

Notwithstanding any state law to the contrary:

A. The chief law enforcement officer of each party state shall enforce this compact.

B. A taxpaying resident of any party state has standing in the courts of any party state to require the chief law enforcement officer of any party state to enforce this compact.

### **SECTION 5. COMPACT ADMINISTRATOR AND INTERCHANGE OF INFORMATION**

A. The governor of each party state or the governor's designee is the compact administrator.

B. The compact administrator of each party state shall maintain an accurate list of all party states.

C. The compact administrator of each party state shall furnish to the compact administrator of each other party state any information or documents that are reasonably necessary to facilitate the administration of this compact.

D. When the condition specified in Article I, Section E is satisfied, the compact administrator of each party state shall inform the party state's congressional delegation, the president of the senate, and the speaker of the house and shall request that legislation that comports with Articles I, II, and IV of this compact be introduced and passed by Congress as soon as possible, and shall send copies of these communications to the compact administrator of each party state.

### **SECTION 6. ENTRY INTO EFFECT AND WITHDRAWAL**

A. This compact is effective when the conditions described in Article I, Section E are satisfied. Once the compact is effective, a state becomes a party to the compact and bound by its terms when it enacts a statute agreeing to the compact and written notice of such enactment is received by the governor of each other party state.

B. Until the conditions described in Article I, Section E are satisfied, any party state may withdraw from this compact after agreeing to it by enacting a joint resolution declaring such withdrawal and delivering written notice of the withdrawal to each other party state. A withdrawal does not affect the validity or applicability of the compact to states remaining party to the compact.

C. No party state may withdraw from this compact if the state was party to the compact when the conditions described in Article I, Section E were satisfied. Any state that joins subsequent to the satisfaction of Article I, Section E may not withdraw from this compact.

## **SECTION 7. CONSTRUCTION AND SEVERABILITY**

A. This compact shall be liberally construed so as to effectuate its purposes.

B. If any phrase, clause, sentence or provision of this compact, or the applicability of any phrase, clause, sentence or provision of this compact 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.

C. If this compact is held to be contrary to the constitution of any party state, the compact shall remain in full force and effect as to the remaining party states and in full force and effect as to the affected party state as to all severable matters.