

REFERENCE TITLE: interstate compact; economic best practices

State of Arizona
Senate
Fifty-fifth Legislature
Second Regular Session
2022

SB 1425

Introduced by
Senators Mendez: Gonzales, Quezada, Terán; Representatives Andrade,
Dalessandro, Hernandez M, Salman

AN ACT

AMENDING TITLE 43, CHAPTER 11, ARIZONA REVISED STATUTES, BY ADDING ARTICLE
7; RELATING TO CORPORATE TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 43, chapter 11, Arizona Revised Statutes, is
3 amended by adding article 7, to read:

4 ARTICLE 7. COMPACT TO ESTABLISH BEST
5 PRACTICES IN ECONOMIC DEVELOPMENT

6 43-1191. Compact to establish best practices in economic
7 development

8 THE COMPACT TO ESTABLISH BEST PRACTICES IN ECONOMIC DEVELOPMENT IS
9 ADOPTED AND ENACTED INTO LAW AS FOLLOWS:

10 THE AGREEMENT FOR BEST PRACTICES IN ECONOMIC DEVELOPMENT ACT IS
11 HEREBY ENACTED INTO LAW AND ENTERED INTO WITH ANY STATE OR THE DISTRICT OF
12 COLUMBIA THAT LEGALLY JOINS IN SUBSTANTIALLY THE FOLLOWING FORM:

13 ARTICLE 1. MEMBERSHIP

14 ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA MAY
15 BECOME A MEMBER OF THIS COMPACT BY ENACTING THIS AGREEMENT IN
16 SUBSTANTIALLY THE FOLLOWING FORM.

17 ARTICLE 2. DEFINITIONS

18 "BEST PRACTICES" MEANS THE POLICIES, PROCEDURES AND LAWS THAT HAVE
19 BEEN DEMONSTRATED TO SUPPORT THE MOST AMOUNT OF ECONOMIC GROWTH WITH THE
20 LEAST AMOUNT OF TAXPAYER INVESTMENT.

21 "BOARD" MEANS THE BOARD FOR BEST PRACTICES IN ECONOMIC DEVELOPMENT
22 THAT IS ESTABLISHED BY THE MEMBER STATES.

23 "COMPANY-SPECIFIC GRANT" MEANS ANY DISBURSEMENT OF FUNDS VIA
24 PROPERTY, CASH OR DEFERRED TAX LIABILITY BY THE STATE GOVERNMENT TO A
25 PARTICULAR COMPANY.

26 "COMPANY-SPECIFIC TAX INCENTIVE" MEANS ANY CHANGE IN THE GENERAL TAX
27 RATE OR VALUATION OFFERED OR PRESENTED TO A SPECIFIC COMPANY THAT IS NOT
28 AVAILABLE TO OTHER SIMILARLY SITUATED COMPANIES.

29 "CORPORATE GIVEAWAY" MEANS ANY COMPANY-SPECIFIC OR INDUSTRY-SPECIFIC
30 DISBURSEMENT OF FUNDS VIA PROPERTY, CASH OR DEFERRED OR REDUCED TAX
31 LIABILITY BY A STATE OR LOCAL GOVERNMENT TO A PARTICULAR COMPANY OR
32 INDUSTRY.

33 "LOCATED IN ANY OTHER MEMBER STATE" MEANS ANY CORPORATE
34 HEADQUARTERS, OFFICE SPACE, MANUFACTURING FACILITY OR OTHER REAL ESTATE
35 DEVELOPMENT THAT IS PHYSICALLY LOCATED IN ANOTHER MEMBER STATE, WHETHER OR
36 NOT THE COMPANY HAS OTHER PROPERTY IN THE MEMBER STATE.

37 "MEMBER STATE" MEANS ANY STATE OR THE DISTRICT OF COLUMBIA THAT HAS
38 ENACTED A STATUTE AGREEING TO THIS COMPACT.

39 "NONVOTING MEMBER" MEANS ANY STATE, CITY, COUNTY, METROPOLITAN
40 PLANNING ORGANIZATION OR ECONOMIC DEVELOPMENT AGENCY THAT WISHES TO JOIN
41 THE BOARD. SUCH NONVOTING MEMBERS MAY NOT APPOINT A VOTING MEMBER TO THE
42 BOARD FOR GOVERNANCE PURPOSES. NONVOTING MEMBERSHIP SHALL ALSO BE OPEN TO
43 ANY STATE, CITY, COUNTY, METROPOLITAN PLANNING ORGANIZATION OR ECONOMIC
44 DEVELOPMENT AGENCY UNDER TERMS ESTABLISHED BY THE BOARD.

ARTICLE 3. FINDINGS

THE MEMBER STATES FIND THAT:

CORPORATE GIVEAWAYS ARE AMONG THE LEAST EFFECTIVE USES OF TAXPAYER DOLLARS TO CREATE AND MAINTAIN JOBS;

LOCAL AND STATE LEADERS ARE IN A PRISONERS' DILEMMA WHERE IT IS BEST FOR ALL TO CREATE A LEVEL PLAYING FIELD FOR ALL EMPLOYERS WITHOUT ANY CORPORATE GIVEAWAYS, BUT EACH LEVEL OF GOVERNMENT HAS AN INCENTIVE TO SUBSIDIZE A COMPANY, GENERATING A RACE TO THE BOTTOM;

GOVERNMENTS SHOULD ATTRACT AND RETAIN COMPANIES BASED ON GENERAL CONDITIONS (INCLUDING BUT NOT LIMITED TO MODERN INFRASTRUCTURE, AN EDUCATED WORKFORCE, A CLEAN ENVIRONMENT AND A FAVORABLE TAX AND REGULATORY CLIMATE), NOT BASED ON A SPECIFIC GRANT FOR A PARTICULAR COMPANY;

CORPORATE GIVEAWAYS FUEL BUSINESS INEQUALITY AS ONLY THE LARGEST BUSINESSES RECEIVE THE VAST MAJORITY OF THESE FUNDS;

ENTREPRENEURS AND FIRMS HAVE LEGITIMATE NEEDS IN DETERMINING THEIR OPTIMAL SITE SELECTION PLANS FOR GROWTH, AND PROVIDING ALL RELEVANT INFORMATION TO DECISION-MAKERS IS AMONG THE MOST IMPORTANT TASKS FOR ECONOMIC DEVELOPMENT OFFICIALS;

DESPITE ENORMOUS AMOUNTS OF PUBLICLY GENERATED DATA AND FEDERALLY REQUIRED PLANNING REPORTS FROM SEVERAL DIFFERENT AGENCIES, IT IS STILL TOO DIFFICULT FOR ENTREPRENEURS AND FIRMS TO ACCESS RELEVANT, ACTIONABLE INFORMATION TO ASSIST THEM IN THEIR PLANNING DECISIONS;

STATE AND LOCAL AGENCIES TASKED WITH ECONOMIC DEVELOPMENT WOULD BENEFIT FROM A SHARED RESOURCE DEVOTED TO DISCOVERING AND DISSEMINATING BEST PRACTICES TO HELP OFFICIALS IMPLEMENT POLICIES AND PROGRAMS THAT BENEFIT ALL FIRMS AND ENTREPRENEURS EQUALLY RATHER THAN RELY ON COMPANY-SPECIFIC GIVEAWAYS THAT ONLY BENEFIT A FEW;

A BOARD FOR BEST PRACTICES IN ECONOMIC DEVELOPMENT CHARGED WITH FINDING CONSENSUS AROUND BEST PRACTICES IN ECONOMIC DEVELOPMENT FOR STATES AND LOCAL AGENCIES TO CONSIDER IMPLEMENTING IN A COLLABORATIVE MANNER OVER TIME WILL ASSIST STATE AND LOCAL GOVERNMENTS IN ESCAPING FROM THE PRISONERS' DILEMMA OF COMPANY-SPECIFIC TAX EXPENDITURES AND IMPLEMENTING A LEVEL PLAYING FIELD FOR ALL EMPLOYERS.

ARTICLE 4. NATIONAL BOARD FOR BEST PRACTICES
IN ECONOMIC DEVELOPMENT

A NATIONAL BOARD FOR BEST PRACTICES IN ECONOMIC DEVELOPMENT IS ESTABLISHED BY THIS AGREEMENT. EACH CHIEF EXECUTIVE OFFICER OF EACH MEMBER STATE SHALL APPOINT THREE MEMBERS TO THE BOARD. LEGISLATORS MAY BE MEMBERS.

THE BOARD SHALL ACCEPT NONVOTING MEMBERS FROM NONMEMBER STATES AND FROM ANY CITY, COUNTY, METROPOLITAN PLANNING ORGANIZATION OR ECONOMIC DEVELOPMENT AGENCY THAT WISHES TO JOIN THE BOARD UNDER THE TERMS ESTABLISHED BY THE BOARD.

THE PURPOSE OF THE BOARD IS TO PUBLISH AND DISSEMINATE BEST PRACTICES IN ECONOMIC DEVELOPMENT TO MOVE AWAY FROM COMPANY-SPECIFIC TAX

1 EXPENDITURES AND TOWARD COLLABORATIVE POLICIES THAT EQUALLY ASSIST ALL
2 FIRMS, COMMUNITIES AND ENTREPRENEURS. THE BOARD SHALL CONSIDER
3 ESTABLISHING SHARED RESOURCES, INCLUDING DATA STANDARDS, DATABASES OF
4 PUBLIC ASSETS, WORKFORCE DEVELOPMENT PROGRAMS AND AVAILABLE PROPERTIES AND
5 SITES TO ASSIST ENTREPRENEURS AND FIRMS WITH THEIR SITE SELECTION
6 DECISION-MAKING. THE BOARD SHALL ACCEPT AND PUBLISH ALL PLANNING AND
7 ECONOMIC DEVELOPMENT REPORTS SUBMITTED TO IT BY MEMBER STATES AND
8 NONVOTING MEMBERS. ALL PRODUCTS AND RESOURCES OF THE BOARD SHALL BE
9 PUBLIC AND PUBLISHED.

10 THE BOARD MAY ACCEPT DONATIONS, EITHER MONETARY OR IN-KIND, FROM ANY
11 PARTY. THE BOARD MAY PUBLISH A SCHEDULE OF DUES FOR MEMBER STATES AND
12 NONVOTING MEMBERS.

13 THE BOARD SHALL ALSO SUGGEST REVISIONS TO THIS AGREEMENT IN DECEMBER
14 OF EVERY YEAR TO STRENGTHEN THE AGREEMENT FOR MEMBER STATES AND NONMEMBER
15 STATES TO CONSIDER THAT COULD BIND MEMBER STATES TOWARD EVIDENCE-BASED
16 ECONOMIC DEVELOPMENT POLICIES AND AVOID COMPANY-SPECIFIC TAX EXPENDITURES.

17 THE BOARD SHALL CONVENE (EITHER REMOTELY OR IN-PERSON) AT LEAST
18 ANNUALLY, ELECT OFFICERS FROM ITS MEMBERSHIP, ESTABLISH RULES AND
19 PROCEDURES FOR ITS GOVERNANCE AND PUBLISH A REPORT IN DECEMBER OF EVERY
20 YEAR THAT INCLUDES SUGGESTED REVISIONS AND IMPROVEMENTS TO THIS AGREEMENT.

21 THE BOARD SHALL COLLECT AND PUBLISH TESTIMONY FROM ALL INTERESTED
22 PARTIES, INCLUDING ACADEMIC EXPERTS, EMPLOYERS, ORGANIZATIONS AND
23 ASSOCIATIONS REPRESENTING STATE LEGISLATORS, GOVERNORS, COUNTIES, CITIES,
24 METROPOLITAN PLANNING ORGANIZATIONS AND ECONOMIC DEVELOPMENT AGENCIES AND
25 OTHER SUBJECT MATTER EXPERTS ON HOW TO IMPROVE ECONOMIC DEVELOPMENT AND
26 HOW TO STRENGTHEN THIS AGREEMENT.

27 ARTICLE 5. ANTI-POACHING PROHIBITION

28 EACH MEMBER STATE IS PROHIBITED FROM OFFERING OR PROVIDING ANY
29 COMPANY-SPECIFIC TAX INCENTIVE OR COMPANY-SPECIFIC GRANT TO ANY ENTITY FOR
30 A CORPORATE HEADQUARTERS, MANUFACTURING FACILITY, OFFICE SPACE OR OTHER
31 REAL ESTATE DEVELOPMENT LOCATED IN ANY OTHER MEMBER STATE AS AN INDUCEMENT
32 FOR THE CORPORATE HEADQUARTERS, MANUFACTURING FACILITY, OFFICE SPACE OR
33 OTHER REAL ESTATE DEVELOPMENT TO RELOCATE TO THE OFFERING MEMBER STATE.

34 ARTICLE 6. EXCLUSIONS

35 WORKFORCE DEVELOPMENT GRANTS THAT TRAIN EMPLOYEES ARE NOT SUBJECT TO
36 THIS AGREEMENT. COMPANY-SPECIFIC TAX INCENTIVES OR COMPANY-SPECIFIC
37 GRANTS FROM LOCAL GOVERNMENTS ARE NOT SUBJECT TO THIS AGREEMENT, EXCEPT
38 THAT THE TRANSPARENCY REQUIREMENTS DO APPLY TO LOCAL GOVERNMENTS. STATE
39 COMPANY-SPECIFIC TAX INCENTIVES OR STATE COMPANY-SPECIFIC GRANTS TO
40 ENTITIES FOR CORPORATE HEADQUARTERS, OFFICE SPACE, MANUFACTURING
41 FACILITIES OR REAL ESTATE DEVELOPMENTS LOCATED WITHIN ITS OWN STATE ARE
42 NOT SUBJECT TO THIS AGREEMENT.

43 ARTICLE 7. TRANSPARENCY

44 ALL PROPOSED AND EFFECTIVE ECONOMIC DEVELOPMENT AGREEMENTS FROM ANY
45 JURISDICTION IN ANY MEMBER STATE BY ANY UNIT OF GOVERNMENT SHALL BE

1 SUBJECT TO THE MEMBER STATE'S FREEDOM OF INFORMATION ACT. NO UNIT OF
2 GOVERNMENT MAY ENTER INTO ANY ECONOMIC DEVELOPMENT AGREEMENT THAT INVOLVES
3 ANY COMPANY-SPECIFIC GRANT OR COMPANY-SPECIFIC TAX INCENTIVE WITH ANY
4 COMPANY THAT IS NOT PUBLIC AND SUBJECT TO THE MEMBER STATE'S FREEDOM OF
5 INFORMATION ACT.

6 ARTICLE 8. DATA AND REPORT SHARING

7 EACH MEMBER STATE SHALL PROVIDE TO THE BOARD ELECTRONIC COPIES OF
8 ALL ECONOMIC DEVELOPMENT AND PLANNING REPORTS ALREADY GENERATED AS PART OF
9 FEDERAL OR STATE PROGRAMMATIC ACTIVITIES TO ASSIST THE BOARD IN COMPILING
10 AND PUBLISHING A NATIONAL SHARED RESOURCE FOR ECONOMIC DEVELOPMENT DATA.

11 ARTICLE 9. WITHDRAWAL

12 ANY MEMBER STATE MAY WITHDRAW FROM THIS AGREEMENT WITH SIX MONTHS'
13 NOTICE AND SHALL DO SO IN WRITING TO THE CHIEF EXECUTIVE OFFICER OF EVERY
14 OTHER MEMBER STATE TO THE AGREEMENT.

15 ARTICLE 10. ENFORCEMENT

16 THE CHIEF LAW ENFORCEMENT OFFICER OF EACH MEMBER STATE SHALL ENFORCE
17 THIS COMPACT.

18 ARTICLE 11. CONSTRUCTION AND SEVERABILITY

19 THIS COMPACT SHALL BE LIBERALLY CONSTRUED SO AS TO EFFECTUATE ITS
20 PURPOSES.

21 IF ANY PHRASE, CLAUSE, SENTENCE OR PROVISION OF THIS COMPACT, OR THE
22 APPLICABILITY OF ANY PHRASE, CLAUSE, SENTENCE OR PROVISION OF THIS COMPACT
23 TO ANY GOVERNMENT, AGENCY, PERSON OR CIRCUMSTANCE IS DECLARED IN A FINAL
24 JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO BE CONTRARY TO THE
25 CONSTITUTION OF THE UNITED STATES OR IS OTHERWISE HELD INVALID, THE
26 VALIDITY OF THE REMAINDER OF THIS COMPACT AND THE APPLICABILITY OF THE
27 REMAINDER OF THIS COMPACT TO ANY GOVERNMENT, AGENCY, PERSON OR
28 CIRCUMSTANCE SHALL NOT BE AFFECTED.

29 IF THIS COMPACT IS HELD TO BE CONTRARY TO THE CONSTITUTION OF ANY
30 MEMBER STATE, THE COMPACT SHALL REMAIN IN FULL FORCE AND EFFECT AS TO THE
31 REMAINING MEMBER STATES AND IN FULL FORCE AND EFFECT AS TO THE AFFECTED
32 MEMBER STATE AS TO ALL SEVERABLE MATTERS.

33 43-1192. Administration

34 THE DEPARTMENT OF REVENUE IS DESIGNATED AS THE AGENCY RESPONSIBLE
35 FOR PERFORMING ANY ADMINISTRATIVE AND ENFORCEMENT DUTIES ASSIGNED TO THIS
36 STATE BY THE COMPACT TO ESTABLISH BEST PRACTICES IN ECONOMIC DEVELOPMENT.

37 Sec. 2. Short title

38 Title 43, chapter 11, article 7, Arizona Revised Statutes, as added
39 by this act, may be cited as the "Agreement for Best Practices in Economic
40 Development Act".