



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

HB6190

by Rep. Constance A. Howard

#### SYNOPSIS AS INTRODUCED:

New Act

Creates the Tri-State Metro Area Economic Development Interstate Compact Act. Provides that member states agree not to offer tax breaks to a company located in another member state as an inducement to change the company's location to the offering member state.

LRB097 21380 HLH 69313 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning economic development.

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 Tri-State Metro Area Economic Development Interstate Compact  
6 Act.

7 Section 3. Findings. The General Assembly finds and  
8 declares that:

9 (1) In 2011 and 2012, the Organisation for Economic  
10 Cooperation and Development, a 50-year-old Paris-based  
11 international institution dedicated to promoting policies  
12 that will improve the economic and social well-being of  
13 people around the world, conducted its first-ever study of  
14 a regional economy in the United States and issued a full  
15 and vigorous analysis of the economy in the Chicago  
16 metropolitan region.

17 (2) The report included the following language  
18 concerning the economic development pitfalls and  
19 challenges facing the Tri-State region: "Several recent  
20 examples of inter-state squabbling over finite (and  
21 diminishing) public resources or over business decisions  
22 to locate in a particular part of the tri-state region  
23 point to the need to "take a step back" to integrate the

1 true functionality of the region into planning for  
2 workforce development and economic development more  
3 generally. Empirical evidence in the U.S. and elsewhere  
4 demonstrates that trying to increase the number of firms in  
5 a limited geographical area by luring them away from nearby  
6 localities in the same functional region via tax incentives  
7 is self-defeating in the long run, because it invites  
8 retaliation, and some of the firms involved may move to  
9 greener pastures when the tax breaks terminate, or may have  
10 moved to the region anyway even without the tax breaks. It  
11 is preferable by far to attract firms by showing that a  
12 pool of talent and organisations exists in the region that  
13 can help a newcomer exploit it. In the Tri-State region,  
14 this petty, predatory zero-sum, intra-regional,  
15 competitive approach to economic growth and job-creation  
16 remains all too common."

17 Section 5. Tri-State Metro Area Economic Development  
18 Interstate Compact. The State of Illinois enters into the  
19 Tri-State Metro Area Economic Development Interstate Compact  
20 in substantially the following form with all other states  
21 joining the Compact:

22 ARTICLE I. PURPOSE

23 The Tri-State Metro Area Economic Development Interstate  
24 Compact is established to shift the state economic development  
25 strategies of the three states in our shared region away from

1 zero-sum tax breaks for large firms and towards a universal  
2 policy that improves the business climate for all firms and  
3 individuals in each of the three states.

4 The purpose of this Compact is to recognize that there is  
5 no net benefit to the region from inducing a business to move  
6 from one state in the region to another state in the region  
7 because of a special tax break or other specific incentive  
8 offered by a state government.

9 ARTICLE II. PROHIBITED ACTIVITIES

10 In order to further the purposes of this Compact, member  
11 states agree not to offer tax breaks to a company located in  
12 another member state as an inducement to change the company's  
13 location to the offering member state.

14 ARTICLE III. MEMBERSHIP

15 The states of Illinois, Indiana, and Wisconsin may become  
16 members of this Compact by enacting the Compact. Any member  
17 state may withdraw from this Compact in the same manner in  
18 which they entered into the Compact.

19 ARTICLE IV. EFFECT

20 This Compact shall take effect when at least two of the  
21 three eligible member states become a member of the Compact.  
22 The Compact shall apply only to member states and shall not  
23 apply to businesses located in a state that is eligible to  
24 become a member state but has not done so.

25 ARTICLE V. DEFINITIONS

26 "Tax break" means any tax credit, reduction, or elimination

1 specifically applied to a particular company, so that the  
2 company's state tax liability is less than the state tax  
3 liability of other similarly situated businesses in that state.