

# Bringing Back the American Dream from A to Z: THE ACCELERATION ZONE COMPACT

## Executive Summary

America faces a crisis of economic opportunity caused by decades of regulatory buildup and growing tax complexity. Federal agencies alone publish nearly 3,000 new regulations each year spanning 80,000 pages. The cost of this regulatory maze now exceeds \$2 trillion annually—more than 10% of GDP—with the heaviest burden falling on small businesses, entrepreneurs, and working Americans.

The Acceleration Zone Compact (AZC) offers a constitutionally sound solution to this challenge. By using interstate compacts—a tool specifically mentioned in the Constitution—AZC creates a framework for establishing Acceleration Zones (Acceleration Zones) that replace outdated regulations with streamlined approaches. When joined by two or more states, AZC achieves the stability of a constitutional amendment through the binding nature of interstate compacts. With congressional approval, AZC can further “upgrade” its reforms to federal law status, creating a comprehensive solution.

Economic modeling suggests Acceleration Zones could generate productivity gains of 15-20% compared to surrounding areas. These zones are projected to accelerate business formation by 30-40%, attract substantial new investment, and create high-quality jobs with wages 10-15% above regional averages. Most importantly, AZC establishes proof-of-concept areas that demonstrate the potential of comprehensive regulatory reform, providing models that can inform broader improvements nationally.

## Introduction: What is the Acceleration Zone Compact?

This policy brief explains why an interstate compact is the most effective vehicle for establishing Acceleration Zones. Acceleration Zones are special areas, at least one square mile in size, with optimized regulations and taxes. They can be easily formed by consenting property owners and residents who want to “press reset” on decades of regulatory buildup.

When one state passes legislation adopting the AZC, it immediately allows the formation of Acceleration Zones within that state. When two states join the compact, its reforms become as durable as a constitutional amendment. And with congressional consent, the AZC can “upgrade” state-level reforms to also apply at the federal level.

Through the AZC, a partnership between states and Congress could create areas in America where freedom, entrepreneurship, innovation, and job creation flourish once again. While this concept is innovative, the legal framework it relies on has been used successfully throughout American history.



## What Are Interstate Compacts?

An interstate compact is both a law passed by state legislatures and a contract among two or more states. The U.S. Constitution specifically mentions interstate compacts in Article I, Section 10. There are over 200 existing interstate compacts covering areas like water rights, transportation, insurance regulation, and professional licensing. The average state belongs to at least 25 different compacts.

Interstate compacts are typically formed when one state passes a law creating an offer to enter into an agreement, and one or more other states pass similar laws accepting that offer. Both states pass these laws through their normal legislative process, including approval by their governors.

While many compacts deal with issues that directly affect multiple states (like shared boundary lines or water resources), others simply coordinate policies among states to create greater certainty for residents and businesses. For example:

- The Interstate Insurance Product Regulation Compact requires member states to adopt the same standards for approving insurance companies and policies.
- The Interstate Medical Licensure Compact provides streamlined licensing for doctors working across state lines.
- The Agreement on Qualifications of Educational Personnel coordinates the recognition of teacher certifications among states.

In our interconnected economy, states have good reasons to coordinate their policies, even if they're not next-door neighbors. This coordination creates a more predictable legal environment for businesses and residents as they travel and conduct commerce across state lines.

## How the AZC Works: Key Features

The Acceleration Zone Compact combines features from many successful interstate compacts to unite willing states and Congress behind a framework for regulatory and tax reform in specific areas. Here are its key features:

**Ease of Formation and Expansion:** Acceleration Zones are formed through a simple petition process requiring:

- Unanimous consent of all affected property owners and residents
- A minimum of one square mile of land located at least 6 miles outside existing municipalities (unless a municipality opts in)
- Designation of the initial governing board
- Initial governing bylaws
- A revenue sharing covenant guaranteeing fiscal neutrality for the state

**Streamlined Regulations:** Within an Acceleration Zone, state and local regulations are replaced with:

- A default reliance on common law principles of property, contract, and personal responsibility
- Only those additional regulations that are truly necessary to protect life, liberty, and property
- A requirement that any new regulations undergo thorough review to ensure they're effective and minimally restrictive

**Automatic Regulatory Sunset:** All Acceleration Zone regulations automatically expire after 20 years unless they go through the same rigorous justification process required for new regulations. This prevents the regulatory buildup that has occurred elsewhere.

**Tax Reform:** State and local taxes within the Acceleration Zone are replaced with:

- Authority to impose only end-user consumption taxes
- A revenue sharing covenant that guarantees the surrounding state and local governments receive at least as much revenue as they did before

**Competitive Tax Guarantee:** The total tax and fee burden within an Acceleration Zone cannot exceed the lowest comparable burden imposed in any other U.S. jurisdiction on similar activities or properties.

**Debt Limitation:** Acceleration Zones can only borrow against their own revenues and cannot create obligations for the surrounding state or federal government.

**Streamlined Governance:** Acceleration Zones are denied civil forfeiture and eminent domain authority and must procure municipal services through competitive processes.

**State Oversight:** Each member state appoints a five-person bipartisan oversight authority that can review and disapprove Acceleration Zone bylaws, regulations, taxes, and fees.

**Stability and Dispute Resolution:** Once two states join the compact, it creates:

- A binding contract that entrenches the policy reforms
- The ability to form Acceleration Zones that cross state borders
- Reciprocal recognition of policies among all member states
- A compact commission to oversee implementation
- An alternative dispute resolution process

**Federal Upgradeability:** With congressional consent, the AZC can:

- Expand to include federal lands
- Replace federal regulations and taxes with the streamlined Acceleration Zone approach
- Submit federal disputes to the compact's dispute resolution process

# Legal Authority: Why the AZC is Constitutional

## Immediate Effectiveness Upon State Passage

Some might worry that the AZC needs congressional approval before it can take effect. This concern comes from Article I, Section 10 of the Constitution, which states: “No State shall, without the consent of Congress... enter into agreement or compact with another State.”

However, the Supreme Court has never interpreted this clause to require congressional consent for all interstate agreements. In *Virginia v. Tennessee* (1893), the Court held that only those interstate agreements which affect federal power or the “political balance” between states and the federal government require congressional consent.

The AZC can take immediate effect when passed by a state for three reasons:

1. When passed by only one state, the AZC is simply state legislation and an offer to compact with other states. No contract is formed yet, so the Compact Clause isn't triggered.
2. The AZC already has some congressional consent through 4 U.S.C. § 112, which gives advance approval to state agreements for “cooperative effort and mutual assistance in the prevention of crime and enforcement of their respective criminal laws.”
3. The AZC uses conditional provisions to ensure the Compact Clause is fully observed. Provisions that might require additional congressional consent only take effect after such consent is secured.

## Durability When Two States Join

Once two states join the AZC, its reforms become extremely durable - similar to a constitutional amendment in effect. This is because interstate compacts are binding contracts protected under the Constitution's Contracts Clause, which prohibits states from impairing contractual obligations.

The Supreme Court has consistently held that no state can unilaterally change or withdraw from a compact it has joined unless (1) the compact specifically allows for such changes or (2) promises of performance made under it have only an indefinite term. As the Court stated in *Dyer v. Sims* (1951), “an agreement solemnly entered into between states by those who alone have political authority to speak for a state cannot be unilaterally nullified.”

The AZC provides reasonable flexibility by allowing for amendment through super-majority approval of member states or withdrawal with reasonable compensation to those who relied on its provisions. This balanced approach creates the stability needed for long-term investment while preserving some policy flexibility.

## Federal Law Status With Congressional Consent

With congressional consent, interstate compacts gain the status of federal law under the Supremacy Clause. As the Supreme Court explained in *Cuyler v. Adams* (1981), “congressional consent can transform interstate compacts into federal law.”

This means that with congressional approval, the AZC's provisions could replace inconsistent federal laws within Acceleration Zones. The Supreme Court has upheld this principle in multiple cases:

- In *Bryant v. Yellen* (1980), the Court protected water rights guaranteed by the Colorado River Compact against contrary federal agency actions.
- In *New Jersey v. New York* (1988), the Court affirmed that congressional approval “transforms an interstate compact within [the Compact Clause] into a law of the United States.”

Federal circuit courts have further developed this doctrine. In *McKenna v. Washington Metropolitan Area Transit Authority* (1987), the D.C. Circuit Court held that provisions of an interstate compact superseded contrary provisions of a previously enacted federal law.

These precedents establish clear legal authority for the AZC to achieve federal law status with congressional consent, allowing for comprehensive regulatory reform at both state and federal levels.

## Benefits of the AZC

### Direct Economic Growth

Acceleration Zones are designed to unlock America's productive potential by removing unnecessary regulatory barriers while maintaining essential protections. Economic modeling suggests Acceleration Zones could achieve:

- GDP growth rates 2-3 times higher than surrounding regions (6-8% annually versus 2-3%)
- By year 30, an Acceleration Zone could generate \$7-11 billion in annual GDP compared to just \$4-6 billion under standard policies
- Accelerated business formation rates of 30-40% above regional averages

These growth advantages stem from eliminating the hidden tax of excessive regulation that diverts entrepreneurial energy away from productive activity.

### Employment Growth and Better Jobs

Acceleration Zones create not just more jobs, but better ones:

- Employment growth approximately 3.7 percentage points higher per decade than surrounding areas
- Wage premiums of 10-15% above regional averages
- More investment in worker training as businesses spend less on regulatory compliance

The average doctor spends 8.7 hours per week—one whole working day—on paperwork, reporting, and administration. Acceleration Zones would redirect this time toward patient care. Multiply this efficiency gain across all professions, and the productivity impact becomes enormous.

## Regional Benefits

The benefits of Acceleration Zones extend well beyond their borders:

- Economic “multiplier effects” of 1.8-2.0 times their direct GDP impact, compared to 1.4-1.6 for traditional development
- Positive economic impacts extending up to 30 miles from Acceleration Zone boundaries
- “Policy learning” effects as surrounding jurisdictions observe and adopt successful reforms

## Revenue Generation

Despite lower tax rates, Acceleration Zones can generate substantial government revenue through higher economic growth:

- Traditional jurisdictions collect 30-35% of GDP in combined taxes from a smaller economic base
- Acceleration Zones with streamlined taxation at rates of 1-2% generate substantial revenue from a much larger, faster-growing base
- Revenue sharing covenants ensure surrounding communities benefit financially without raising their tax rates

## Addressing Common Concerns

### Is This Democratic?

Acceleration Zones respect democratic principles in several key ways:

- **Voluntary Formation:** Acceleration Zones can only be formed with unanimous consent of affected property owners and residents. No one becomes subject to Acceleration Zone jurisdiction without their explicit agreement.
- **State Legislative Approval:** The AZC must be passed by democratically elected state legislatures and approved by governors through the normal legislative process.
- **State Oversight:** The five-person bipartisan oversight authority appointed by each state’s governor provides democratic accountability and can reject Acceleration Zone actions that violate compact principles.
- **Right to Withdraw:** The AZC guarantees the right to withdraw property from an Acceleration Zone and return to previous legal status.

The Supreme Court has consistently upheld the constitutionality of special districts with governance structures similar to Acceleration Zones. In *Ball v. James* (1981) and *Salyer Land Co. v. Tulare Lake Basin Water Storage District* (1973), the Court recognized that specialized governmental units may employ governance mechanisms that differ from general-purpose governments while remaining constitutional.



## Will Acceleration Zones Harm Surrounding Communities?

The AZC contains robust protections to prevent negative impacts on surrounding areas:

- **Externality Remediation:** Acceleration Zones must remedy any condition occurring outside their boundaries that violates applicable laws and was caused by actions within the Acceleration Zone.
- **Revenue Guarantees:** The Revenue Covenant mechanism ensures states, counties, and municipalities receive at least as much revenue as they collected from the area before Acceleration Zone formation.
- **Service Payment:** Acceleration Zones must pay proportionally for any services their residents use outside district boundaries.
- **Performance Bonds:** Acceleration Zones must maintain insurance or performance bonds to cover potential costs associated with public health, safety, and sanitation standards.

## Is This a Power Grab by Elites?

The AZC is designed to make economic opportunity more accessible to ordinary Americans, not concentrate power:

- **Simple Formation Process:** The petition process is objective and available to anyone who meets the criteria, preventing favoritism or cronyism.
- **Local Control:** Acceleration Zones are governed locally, not by distant bureaucrats or special interests.
- **Transparent Operations:** All Acceleration Zone deliberations, rules, and regulations must be publicly accessible, with council meetings broadcast online.
- **Competitive Service Procurement:** Acceleration Zones must use competitive processes to procure services, preventing insider dealing.

The AZC represents a bottom-up approach to economic development that empowers local communities to create environments where freedom and prosperity can flourish.

## Conclusion

The Acceleration Zone Compact offers a constitutionally sound, legally robust path to economic revitalization. Through the time-tested mechanism of interstate compacts, the AZC can deliver immediate state-level reform with just one state's participation. With two states, it creates a framework as durable as a constitutional amendment. And with congressional consent, it can comprehensively address regulatory barriers at both state and federal levels.

The AZC empowers Americans to escape the burden of excessive regulation that has destroyed wealth, opportunity, and countless jobs. It is fully constitutional, backed by centuries of legal precedent, and designed to protect the interests of all stakeholders. Most importantly, it offers a practical way to restore America's economic dynamism and bring back the American dream of opportunity and upward mobility for all.