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Study: Giant Job Subsidy Packages Grow More Common and Costly

Washington, DC, June 19, 2013 — In recent years, state and local governments have been awarding giant economic development subsidy packages to corporations more frequently than ever before. The packages frequently reach nine and even ten figures, and the cost per job averages $456,000 and often exceeds $1 million.

These are the findings of *Megadeals*, a report released today by Good Jobs First, a non-profit resource center based in Washington, DC. The report can be found online at www.goodjobsfirst.org/megadeals.

“These subsidy awards are getting out of control,” said Philip Mattera, research director of Good Jobs First and principal author of the report. “Huge packages that used to be reserved for ‘trophy’ projects creating large numbers of jobs are now being given away more routinely.”
In a painstaking review using hundreds of sources, Good Jobs First identifies 240 “megadeals,” or subsidy awards with a total state and local cost of $75 million or more each. The cumulative cost of these deals is more than $64 billion.

The number of such deals and their costs are rising: since 2008, the average frequency of megadeals per year has doubled (compared to the previous decade) and their aggregate annual cost has roughly doubled as well, averaging around $5 billion. For those deals where job projections were available, the average cost per job is $456,000.

Michigan has the most megadeals, with 29, followed by New York with 23; Ohio and Texas with a dozen each; Louisiana and Tennessee with 11 each; and Alabama, Kentucky and New Jersey with 10 each. Forty states plus the District of Columbia have done at least one megadeal.

In dollar terms, New York is spending the most, with megadeals totaling $11.4 billion. Next is Michigan with $7.1 billion, followed by five states in the $3 billion range: Oregon, New Mexico, Washington, Louisiana, and Texas.

“Despite their high costs, some of the deals involve little if any new-job creation,” said Good Jobs First executive director Greg LeRoy. “Some are instances of job blackmail, in which a company threatens to move and gets paid to stay put. Others involve interstate job piracy, in which a company gets subsidies to move existing jobs across a state border, sometimes within the same metropolitan area.”

Megadeals have been awarded to many of the largest and best known companies based in the United States as well as foreign ones doing business here, including: every large domestic automaker and all of the foreign auto producers with appreciable U.S. sales; oil giants such as Exxon Mobil and Royal Dutch Shell; aerospace leaders Boeing and Airbus; banks such as Citigroup and Goldman Sachs; media companies such as Walt Disney and its subsidiary ESPN; retailers such as Sears and Cabela's; old-line industrials such as General Electric and Dow Chemical; and tech leaders such as Amazon.com, Apple, Intel and Samsung.

The most expensive single listing is a 30-year discounted-electricity deal worth an estimated $5.6 billion given to aluminum producer Alcoa by the New York Power Authority. Taking all of a company's megadeals into account, Alcoa is at the top with its single $5.6 billion deal, followed by Boeing (four deals worth a total of $4.4 billion), Intel (six deals worth $3.6 billion), General Motors (11 deals worth $2.7 billion), Ford Motor (9 deals worth $2.1 billion), Nike (1 deal worth $2 billion) and Nissan (four deals worth $1.8 billion).

Fifty-six megadeals went to corporations with parents based outside the United States and seven more went to joint ventures of domestic and foreign companies.

The megadeals list is a new enhancement of Good Jobs First's Subsidy Tracker database, the first online compilation of company-specific data on economic development deals from around the country.

Until now, the content of Subsidy Tracker has consisted exclusively of official disclosure data provided by state and local governments. However, many large deals pre-dated disclosure and many recent ones are missing from the official lists because of gaps in state and local transparency practices. To overcome those constraints, Good Jobs First went back and assembled information on large deals using a wider variety of sources. The resulting list of megadeals has been incorporated into Subsidy Tracker (www.subsidytracker.org).

In a policy sidebar, the study points out that the Governmental Accounting Standards Board (GASB) has been long-negligent in failing to promulgate regulations for how state and local governments should account for tax-based economic development expenditures. If GASB were to finally promulgate such regulations—covering both programs *and deals*—taxpayers would have standardized, comparable statistics about megadeals and could better weigh their costs and benefits.

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