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STUDY: WAL-MART'S U.S. EXPANSION HAS BENEFITED FROM MORE THAN \$1 BILLION IN ECONOMIC DEVELOPMENT SUBSIDIES

Washington, DC, May 24, 2004--Wal-Mart Stores Inc., the world's largest retailer, has benefited from more than \$1 billion in economic development subsidies from state and local governments across the United States, according to a new study by Good Jobs First, a Washington, DC-based research group (the study, SHOPPING FOR SUBSIDIES, is available online at www.goodjobsfirst.org). "Wal-Mart presents itself as an entrepreneurial success story, yet it has made extensive use of tax breaks, free land, cash grants and other forms of public assistance," said Philip Mattera, research director of Good Jobs First and principal author of the study.

The study, the first comprehensive national examination of subsidies received by the giant retailer, found more than 240 cases in which the construction of new Wal-Mart facilities was assisted by public resources. In addition to 160 retail outlets, the study found subsidies at 84 of Wal-Mart's distribution centers, representing more than 90 percent of the network of huge warehouses the company has built to facilitate its rapid expansion.

The publicly evident value of subsidy deals for individual distribution centers ranged as high as \$48 million (with an average of \$7.4 million), while for retail outlets the largest was \$12 million (with an average of \$2.8 million). Wal-Mart subsidy deals were found in 35 states, with the largest number in California, Illinois, Missouri, Texas and Mississippi. In total dollar terms, Louisiana, Florida and New York also ranked high. Although comparative data are not available, the study says it is likely that Wal-Mart, given the extent of its operations, receives state and local subsidies from more jurisdictions than any other corporation in the United States.

"That a company with \$9 billion in profits can wrest job subsidies from state and local governments shows that the candy store game has gotten out of control," said Greg LeRoy, executive director of Good Jobs First. "The subsidies to Wal-Mart are particularly troubling, given that the company uses taxpayer dollars to create jobs that tend to be poverty-wage, part-time and lacking in adequate healthcare benefits."

Mattera stressed that the \$1 billion figure is an understatement, since disclosure of economic development subsidies is poor in most states. "We had to track down subsidy deals using sources such as archives of local newspapers," Mattera said. "Then we had to interview hundreds of public officials to confirm the facts and seek additional details, which sometimes were not available." Mattera continued: "While it was not practical to contact officials in all of the more than 3,000 U.S. communities in which Wal-Mart has stores, we did contact officials in every one of the 91 places in which the company has its distribution centers. The fact that we found subsidies in more than 90 percent of the distribution centers suggests that the true extent of subsidies for stores is much higher than the rate we could find with our indirect methods."

The types of subsidies given to Wal-Mart projects included the following:

- Free or reduced-price land;
- Infrastructure assistance, including access roads and water/sewer lines;
- Tax increment financing, a diversion of property (and/or sales) tax generated by a new development;
- Property tax abatements;
- State corporate income tax credits;
- Sales tax rebates or exemptions;
- Enterprise zone status, which typically provides for a menu of subsidies such as property tax abatements, state tax credits, sales tax exemptions and reduced utility rates;
- Job training and worker recruitment funds;
- Tax-exempt bond financing; and
- General grants, including outright cash payments to the company.

While all of the distribution center subsidies went directly to Wal-Mart, some of the public assistance for retail projects was given through the developers of shopping centers in which Wal-Mart stores serve as anchors. The study regards these as, in effect, subsidies to Wal-Mart, since they helped make possible the company's expansion. Moreover, by reducing land acquisition and site preparation costs for developers, the subsidies presumably led to lower rents for Wal-Mart.

In addition to documenting subsidies actually awarded to Wal-Mart projects, the study describes those situations in which local citizen groups successfully opposed plans for public assistance to the company. "The fact that Wal-Mart often proceeded with such projects without subsidies suggests that the company did not seek the assistance out of financial need," Mattera said.

The study concludes by addressing public policy issues. "Given the poor quality of the jobs that tend to be created and the role that big-box stores play in contributing to sprawl, we suggest that states prohibit subsidies to retailers such as Wal-Mart unless strict conditions are met," LeRoy said. "First, the subsidies should be available only in economically distressed areas that are demonstrably underserved by retail outlets for necessities such as food. Second, any retailer receiving subsidies should be required to pay its employees a living wage."

The study was funded in part by the United Food & Commercial Workers International Union, but the UFCW played no role in the research or analysis. Good Jobs First is a non-profit research center promoting corporate and government accountability in economic development.