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Study: State and Local Governments Pay \$2 Million per Job to Tech Giants for Data Centers

Washington D.C., October 11, 2016 – States and localities are giving cash-rich tech giants an average of \$2 million per job for data centers the companies must build to run “the cloud.” Indeed, the companies are so aggressive playing states against each other that more than half the states have even enacted new data center-specific tax break programs. But the companies actually care most about cheap electricity and stable settings, not taxpayer subsidies. Public officials should cap data center subsidies at \$50,000 per job and be ready to walk away from bidding wars that guarantee net losses for taxpayers.

Those are the main findings and recommendations of *Money Lost to the Cloud: How Data Centers Benefit from State and Local Government Subsidies*, a study released today by Good Jobs First. It is available at <http://www.goodjobsfirst.org/datacenters>.

Profiling just 11 data center “megadeals,” the study finds that Google, Microsoft, Facebook, Apple and Amazon Web Services alone have been awarded more than \$2 billion in state and local incentives. The average cost these “megadeals” is \$1.95 million per job. The actual subsidy costs of many deals, however, is much higher but unknown, since some state and local governments still fail to project or disclose aggregate program costs, much less company-specific costs of deals.

The study also reviews data center-specific tax break programs in 27 states and finds irregular disclosure practices, with 10 states not providing easily accessible program costs to the public. Washington State’s program, already at \$57.4 million in fiscal year 2016, is the most expensive.

Economic development incentives are going to the tech giants despite the fact that they are not the most important site location factor. Access to cheap and renewable energy and locations free from natural and man-made hazards are the driving factors.

“High-profile companies are trading on their fame to win huge tax breaks in poor rural areas, while communities are coming to the rude awakening that data centers create very few jobs, and many of the best jobs are filled by people transferred in,” said Kasia Tarczyska, research analyst at Good Jobs First and the author of the study. “The best they can hope for is a stronger tax base, but that evaporates when property, sales and income taxes are abated.”

The report recommends full disclosure of deal-specific and aggregate program costs, including during the subsidy negotiation process and a cap on all state and local subsidies combined at \$50,000 per permanent job. The report also urges public officials to walk away from excessive data center subsidy demands.

The study was funded by the Surdna Foundation’s Strong Local Economies program, but the findings and recommendations are solely those of Good Jobs First.

Good Jobs First is a non-profit, non-partisan resource center promoting accountability in economic development. Founded in 1998, it is based in Washington DC.