EXECUTIVE SUMMARY

An analysis of Citigroup’s practices in four states—New York, New Jersey, Kentucky and Texas—suggests that the world’s largest financial institution rarely makes a move without getting taxpayers to help foot the bill.

Using the threat of moving facilities and jobs elsewhere, Citigroup has repeatedly played state against state and locality against locality to attract at least $285.9 million in subsidies in just the four states.

STATE AND LOCAL ECONOMIC DEVELOPMENT SUBSIDIES TO CITIGROUP 1989-2007

<table>
<thead>
<tr>
<th>STATE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York*</td>
<td>$125.5 million</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$101.1 million</td>
</tr>
<tr>
<td>Kentucky*</td>
<td>$46.7 million</td>
</tr>
<tr>
<td>Texas*</td>
<td>$12.6 million</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$285.9 million</td>
</tr>
</tbody>
</table>

* Includes local subsidies

Given that Citigroup operates in many states in the US and more than 100 other countries, these findings are in all likelihood just the tip of the iceberg.

In some cases, Citigroup sought special tax deals even though it was not pledging to create any new jobs. Worse, despite the company’s claims at the time that the job subsidies were necessary or that they determined where the company ultimately decided to expand or relocate, our findings also suggest that business basics—such as a skilled work force, affordable housing, good transportation infrastructure and a modern telecommunications system—mattered far more in determining where Citigroup jobs went.

Giving Citigroup such large subsidies is no guarantee the company will stay or that it will avoid layoffs. The latest proof of that came in April 2007 when the firm announced it will eliminate 17,000 positions worldwide. In that respect, Citigroup is a revealing case study in the perils of granting large, company-specific tax breaks.

Sometimes, Citigroup appears to have taken advantage of rivalry among states, exploiting the “prisoners’ dilemma” dynamic to mislead one government that it is competing against another, when no rival offers actually have been made.
Finally, the idea that Citigroup “needed” the tax breaks is undermined by its willingness in the same years to spend lavishly on global acquisitions, baseball stadium naming rights and executive compensation. For those who argue that economic development incentives are best reserved for small businesses that truly lack access to adequate or affordable capital, Citigroup—with more than a trillion dollars in assets and more than $21 billion in profits last year—presents compelling evidence.

**CITIGROUP: WORLD’S LARGEST FINANCIAL SERVICES COMPANY**

Citigroup, the first US bank to accumulate more than $1 trillion in assets, is involved in consumer banking and credit, corporate and investment banking, securities brokerage and wealth management. In 2006, it had net income of $21.5 billion. Citigroup says it has 200 million customer accounts and does business in more than 100 countries.

Citcorp and Travelers merged in 1998 to form banking giant Citigroup. Travelers was the result of previous mergers of Shearson Lehman, Smith Barney and Salomon Brothers.

Despite Citigroup’s first quarter earnings in 2007 beating Wall Street estimates, with $5 billion in net income, the nation’s largest bank has been under pressure to cut costs from analysts and shareholders impatient with sluggish stock prices. In recent years, the bank’s stock has not done as well as such competitors as Bank of America and JPMorgan Chase & Co. This prompted Citigroup’s biggest individual shareholder, Saudi Arabian Prince Alwaleed bin Talal, to call on the bank’s chairman and chief executive officer Charles O. Prince III to improve performance.

Prince launched a cost review leading to the recent announcement that Citigroup will eliminate about 17,000 jobs, shift 9,500 positions to “lower cost locations” and consolidate some corporate operations. All four states examined in this report will be affected to different degrees: 1,600 New York jobs, 1,000 Texas jobs, 129 New Jersey jobs and fewer than 40 Kentucky jobs have been slated for elimination. As for the relocated jobs, Citigroup said that Texas and the Buffalo/Amherst areas, both featured in this report as subsidy providers, could benefit from the restructuring.

The factors informing Citigroup’s investment and location decisions make the bank a risky bet for state and local governments in the US looking to invest economic development resources. In fact, CEO Prince recently predicted that overseas operations would supply most of Citigroup’s growth, and that many of the relocated jobs would wind up in India, the bank’s fastest-growing international market in terms of revenue.

**PAY OR WE (MIGHT) GO: CITIGROUP IN FOUR STATES**

Research by Good Jobs New York and New Jersey Policy Perspective about subsidies from New York and New Jersey led us on a trail to Kentucky, Texas and Florida. All three are places where Citigroup has operations and to which it has threatened to move jobs if New York and New Jersey didn’t give enough.

As recently as July 2006, Citigroup told New Jersey it needed a state subsidy to bring 1,200 jobs to Jersey City. Otherwise, the company said, it would move those high-paying positions to Irving, Texas, Louisville, Kentucky or Queens—or keep the jobs in Lower Manhattan. Summarized below are our findings about state and local subsidies Citigroup received from 1989 to 2007 in New York, New Jersey, Texas and Kentucky.
New York

New York City and the Buffalo suburb of Amherst have over the past decade and a half awarded Citicorp and Travelers Inc.—which merged in 1998 to become Citigroup—and Citigroup itself, at least $125.5 million in subsidies. Despite accepting these subsidies, the company has since announced several rounds of cuts in its New York City-based workforce.

Highlights of Citigroup’s New York subsidy history:

1989—Citicorp receives $90 million in New York City subsidies to develop a 48-story tower in Long Island City, Queens, to which it moves 3,500 to 4,000 jobs from elsewhere in the city. These are existing jobs with no addition to the company’s payroll. While the New York City Industrial Development Agency normally requires a determination by its staff that a project is not financially feasible “but for” the discretionary benefits being offered, Citigroup utilizes subsidy programs that do not require the bank to demonstrate a need for the incentives. The city does not negotiate job retention or job creation requirements with the bank at this point. In 1991, then-State Senator Franz S. Leichter questions the wisdom of the incentives, citing state Labor Department data showing Citicorp had eliminated 500 jobs from its Long Island City headquarters.4

1995—The New York Post reports that Citicorp is moving hundreds of employees from New York City to Hillsborough County, Florida—which includes Tampa—where the company plans to begin construction of a large office complex the following year.5

This is not the first time Citicorp moved workers from New York to Tampa. In April 1983, Citicorp shifted 600 jobs in its travelers check operations there, though New York City and Amherst had offered tax breaks and other subsidies to retain them.6

Citicorp’s decision to expand its Florida operations comes despite a 1994 decision by Hillsborough County commissioners to deny a $4 million subsidy application from Citicorp, despite a threat to move jobs to Dallas. Citicorp told Hillsborough County it would bring 900 new jobs, with starting pay in “the high teens,” if the County granted the subsidy for new sewer lines, roads and parking. But, Citicorp said, if the commissioners did not sign off on the package, then 600 Citicorp jobs might be headed for Texas.

Several of the commissioners openly dissented. Hillsborough County Commissioner Jan Platt told the St. Petersburg Times she worried about setting a bad precedent: “The line will start to grow of companies who want to know if we’ll give them a subsidy.” Commissioner Ed Turanchik told the Times “I’m very, very skeptical. There is a line which government should not cross. I think it’s a slippery slope, and I’m not prepared to go down it.” The county didn’t give in to the company’s threat—yet Citicorp didn’t leave.

Before merging with Citicorp, Travelers Inc./Smith Barney receives a $22.1 million package to keep 8,970 employees in New York City, with some of the benefits tied to the creation of 2,000 more jobs. Many in the real estate industry reportedly did not believe that Travelers was actually considering leaving Manhattan: the company had recently bought another brokerage house, Shearson Lehman, and began occupying its Tribeca office building before the city provided its subsidy. It is also worth noting that Travelers had previously inherited tens of millions of dollars in tax credits from Shearson Lehman Hutton, which received a 1984 subsidy package from New York City valued at between $50 and $74 million.8

1996—Amherst gives Citicorp $188,000 in sales tax breaks for 185 jobs, of which 75 will relocate from other locations, including 18 from Tampa. The deal is a combination of new positions and transfers. At the same time, it is reported that Citicorp will move 100 additional jobs to Amherst from New York City.9

1998—The Travelers-Citicorp merger creating Citigroup prompts a reduction of more than 1,000 New York City-based jobs as part of a global layoff exceeding 10,000 employees, despite the multiple subsidies granted to the various predecessor companies.

2004—On the same day, at dueling press conferences on either side of the Hudson River, Citigroup and government officials announce the bank will move jobs from New York City to New Jersey and also increase its New York City workforce over two years. New York City Mayor Michael Bloomberg and New Jersey Gov. James McGreevey each welcome the jobs and celebrate Citigroup’s investment in their respective jurisdictions.
Citigroup says 1,900 jobs will leave Lower Manhattan, with 1,600 headed to a corporate campus in Warren, NJ and the rest to Melville, Long Island. In what the New York Times calls “an effort to soften the blow,” Citigroup pledges in a joint press release with the city to increase its New York City workforce by 2,500 jobs over the next two years—a net gain of 600 higher-paying jobs. This pledge is not a contractual agreement, though the company and city announce it with much fanfare. The bank also announces it will erect a $200 million, 14-story office building across the street from its tower in Long Island City, to which it will move 700 jobs from midtown. In 2007, Citigroup would be approved for property tax breaks for this project.

At the time of the 2004 Citigroup announcement, Harvey Robins, a former aide to Mayors Ed Koch and David Dinkins, said of Citigroup’s promise of future jobs in the city: “It’s a great way to make lemonade from lemons. But I hope the bank’s promises don’t turn sour. We need jobs today, not a promise tomorrow.” In fact, New York City did not track Citigroup job totals covering the precise time period of promised expansion—July 2004 to July 2006—and has no recourse for penalizing the bank if the jobs were not created.

2006—The Amherst Industrial Development Agency (IDA) in a Buffalo suburb approves $4.1 million in breaks for an office park project with Citigroup as the main tenant, and directly offers Citigroup $708,750 in sales tax breaks on the purchase of equipment and furniture for the new building. The IDA’s executive director credits the area’s labor pool and the skills of the company’s existing workforce as the major factors that resulted in Citigroup’s decision to stay (the company had reportedly looked at alternative sites in New Jersey and other locations).

2007—The Amherst IDA approves another $8.1 million in tax breaks for a second Citigroup office building and directly offers Citigroup additional sales tax breaks worth $2.7 million. The building is being developed by Uniland Partnership of Delaware. And, according to the Amherst IDA, tax benefits will provide savings that are passed on to Citigroup as the sole tenant.

As part of the same project, the Empire State Development Corporation (ESDC) provides Citigroup with a $1.8 million grant through its JOBS NOW program, with $1.5 million covering the creation of 500 jobs in the new facility and another $250,000 if it adds 150 more jobs by January 2012. ESDC also announces preliminary approval of the project for Empire Zone credits worth up to $13 million in tax breaks over 10 years. Most of these tax breaks are already included in the IDA package discussed above, which the IDA put in place should changes to the Empire Zone program affect Citigroup’s eligibility going forward. Although the project is not actually located in an Empire Zone, the state has the authority to extend these benefits to “regionally significant” projects.

The Buffalo News’ coverage of the deal begins, “Citigroup officials said Wednesday the banking giant chose to expand in the Buffalo area over dozens of locations globally because of the quality of life and dedication of the work force—not $15 million in government incentives.”

JOBS NOW
The JOBS NOW program is a state economic development fund which provides grants to attract and retain large-scale employers. It is run by the ESDC and requires most projects to create at least 300 new, permanent, full-time jobs, although 25 percent of its funds can be awarded to projects that create as few as 100 jobs.

Empire Zones
New York State’s Empire Zone program (the name for what most states call enterprise zones) was created to stimulate economic growth through a variety of state tax subsidies designed to attract new businesses to New York State and to encourage existing businesses to expand. Legislation authorizing designation of an Empire Zone in every county will result in 85 zones statewide by the end of 2007. While the program is mostly intended to promote investment in targeted areas, the ESDC is authorized to extend Empire Zone benefits to “regionally significant projects” not located in the zone.
### SUMMARY: NEW YORK SUBSIDIES TO CITIGROUP

<table>
<thead>
<tr>
<th>SUBSIDY SOURCE</th>
<th>YEAR</th>
<th>PROJECTED AMOUNT</th>
<th>TERM</th>
<th>COMPANY ACTION</th>
<th>WORKERS COVERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>1989</td>
<td>$90 million in various city tax breaks</td>
<td>Not available</td>
<td>Development of new office tower in Queens</td>
<td>3,500-4,000</td>
</tr>
<tr>
<td>New York City</td>
<td>1995</td>
<td>$22.1 million in foregone city and state sales taxes (awarded to Travelers Inc.)</td>
<td>15 years</td>
<td>Retention in Manhattan</td>
<td>11,070 (8,970 of which were retained)</td>
</tr>
<tr>
<td>Amherst</td>
<td>1996</td>
<td>$188,000 in county and state sales tax breaks</td>
<td>10 years</td>
<td>Amherst from Tampa and other locations (75 jobs)</td>
<td>185</td>
</tr>
<tr>
<td>Amherst</td>
<td>2006</td>
<td>$708,750 in county and state sales tax breaks</td>
<td>10 years</td>
<td>Retention in Amherst</td>
<td>430 jobs retained; 100 additional jobs created within 2 years</td>
</tr>
<tr>
<td>Amherst</td>
<td>2007</td>
<td>$8.1 million in mortgage recording, sales tax and property tax breaks</td>
<td>15 years</td>
<td>Construction of new office tower</td>
<td>588</td>
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<tr>
<td>Amherst</td>
<td>2007</td>
<td>$2.7 million in sales tax breaks</td>
<td>10 years</td>
<td>Furnishing and equipping new office tower</td>
<td>588</td>
</tr>
<tr>
<td>New York State</td>
<td>2007</td>
<td>$1.8 million grant</td>
<td>5 years</td>
<td>Job creation</td>
<td>$1.5 million covers creation of 500 jobs; $250,000 covers creation of 150 jobs by 2012</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$125.5 million</strong></td>
<td></td>
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</table>

Note: This information was mostly compiled from news accounts of the subsidy deals, as well as the two cities' IDAs. More detailed information about the 1989 New York City project is difficult to obtain because neither the city nor the company released details regarding specific terms.

Sources: *The New York Times, New York Post, The Buffalo News; Amherst Industrial Development Agency; New York City Industrial Development Agency*
New Jersey

Since 2004, New Jersey has awarded Citigroup at least $101.1 million in subsidies. Of that, $94.3 million is from two 10-year state Business Employment Incentive Program (BEIP) grants as Citigroup hires or relocates 3,350 people to offices in Warren Township and Jersey City. So far, the company has added jobs at a rate well below what it projected when applying for subsidies.

Highlights from Citigroup’s New Jersey subsidy activities:

2004—Citigroup gets a $57.2 million BEIP grant in connection with bringing 2,150 jobs to Warren Township in Somerset County, from New York City and other New Jersey offices. Warren is 36 miles southwest of Manhattan.

Citigroup’s BEIP grant is, at the time, the second largest New Jersey ever awarded, after $164 million to Goldman Sachs in 2000. As of April 2007, Citigroup has received BEIP payouts of $51,712 for the Warren site, according to the New Jersey Economic Development Authority (EDA), which administers BEIP.

Citigroup’s application lists Michael Press, then of Ernst & Young, as the person EDA should contact to discuss the BEIP grant. He is at the time Partner and Managing Director of Ernst & Young’s Business Incentives practice. A presentation by Press at the 2004 annual meeting of the State Government Affairs Council—a group for state-level corporate lobbyists—was titled, “Turning Your State Government Relations Department from a Money Pit into a Cash Cow,” according to the Carolina Journal, a publication of the libertarian John Locke Foundation in North Carolina.

The audience for the presentation included officials from Wal-Mart, Procter & Gamble, Bank of America and Microsoft.

Citigroup’s BEIP subsidies are for creating “new” jobs. But, so far, the jobs coming to Warren are not new to the company. They are existing jobs moved to Warren from New York and other Citigroup operations in New Jersey. As of April 2007, according to data from the New Jersey EDA, Citigroup employment in Warren is well behind company projections: 1,356 employees in the second year of operation compared to the 1,500 Citigroup projected would be there by the first year.

When announcing the move to Warren, Citigroup says it expects to have relocated all 1,500 of its New York City employees by mid-2005. In addition, Citigroup projects it will consolidate in Warren 600-800 other jobs from within New Jersey—a process clearly not complete, given the Warren job shortfall.

In addition to shifting current workers to Warren, the bank says in its 2004 BEIP application that approximately 650 new workers would join the Warren site over an unspecified period of time. The bank says these new workers would come on board after current workers were relocated. By early 2007, it still hasn’t happened.

Citigroup’s application makes clear that, for the company, these subsidy deals are not about job creation, but cost reduction. New Jersey asks companies what role the BEIP grant will play in the locational decision-making process. Citigroup says the subsidy would save the bank money on overhead as part of a business plan to move to lower cost locations:

“The BEIP grant would act to offset portions of the company’s cash outlay and capital investment as well as to solidify its commitment to remain at its selected site for an extended duration of time.”

Citigroup explained further that it:

“has evaluated anticipated costs extrapolated over the next 20 years should it remain at its current space. This cost assessment has spurred the company’s intentions to relocate its divisional operations. The company
pays keen attention to its overhead costs, and continuously seeks to manage resources wisely.”

Then, after Citigroup announces it will come to Warren, a company official tells the Courier-News the move translated into a $5 million annual savings.

If New Jersey needed proof that job subsidies do not assure employment levels, it came nine months after offering Citigroup its first BEIP grant. The company laid off 363 employees from its New Jersey CitiCard office in Englewood Cliffs, a facility not part of the BEIP grant, The Bergen Record newspaper reported.

2005—Citigroup gets a BRRAG subsidy of $2.2 million for retaining 855 jobs in the state—jobs to be shifted to Warren from other facilities in New Jersey.

Business Retention and Relocation Assistance Grant Program

BRRAG is for companies already in the state that consolidate New Jersey facilities and retain jobs. The BRRAG program offers subsidies that include corporate income tax credits and sales tax exemptions. Companies get a credit against state income tax liability of up to $1,500 per job retained. The sales tax exemptions apply to such purchases as equipment, furniture and building materials in connection with a company’s move.

The BRRAG includes $1.3 million in corporate income tax credits and $894,498 in sales tax exemptions.

At Citigroup’s Warren office ribbon-cutting, Virginia Bauer, secretary of the state Commerce Commission, says of the BRRAG subsidies, “This levels the playing field. It’s New Jersey’s way of saying we want to keep you here.”

2006—Citigroup gets a second BEIP grant of $37.1 million for moving 1,200 jobs from Lower Manhattan to Jersey City. Unlike its move to Warren, Citigroup does not project expansion of its payroll in Jersey City, just that it is moving existing jobs one mile west across the Hudson River.

Citigroup is a tenant in a Jersey City office building that receives a 20-year, $60 million local property tax abatement, according to the Jersey City Department of Finance.

A name on Citigroup’s 2006 BEIP application provides insight into how the tax subsidy system is gamed by businesses. Citigroup lists Gary Marx of Mintax as a person with whom EDA should discuss the deal. Mintax, in East Brunswick, New Jersey, calls itself a firm of “economic incentive specialists” that, according to its website, has gotten subsidies for corporate clients for over 25 years and served half the Fortune 1000.

A Mintax executive, writing in a site location magazine, told businesses seeking subsidies to give states the strong impression that they are in competition:

“Government agencies are more likely to treat you properly when they feel they are competing for your business and are cognizant that you are flirting with others… Play hard to get, flirt, create a bidding war, and the sky is the limit. With billions of incentive dollars available, and global competition at an all-time high, the future belongs to the corporations that best compete for these monies.”

As in 2004, Citigroup’s answers about the role of the BEIP grant in its decision to move to Jersey City center on cost reduction, not job creation. Citigroup wrote that:

“the cost effectiveness associated with potential new business locations is a significant component of the relocation decision, and incentive programs do have a material affect on projected costs in competing locations. The company considers the award of this grant a critical inducement to bring new operations to Jersey City, New Jersey.”

Evidence suggests that in the case of this grant, the competition might not have been as real as Citigroup’s application made it seem. It says:

“Specific locations under consideration for these positions include various locations in New York City; Irving, Texas and Louisville, Kentucky.”
But, Citigroup’s new Long Island City office had been approved only for property tax breaks, not for negotiated company-specific subsidies. It is unclear how active the company’s “consideration” was elsewhere; Citigroup had not applied for new subsidies from Irving or Dallas County, Texas, according to city and county officials there; and Kentucky had not offered the bank any new subsidies. Before 2006, New York City, Kentucky and Texas had all given Citigroup subsidies for other deals.

Urban Enterprise Zone
New Jersey UEZ program, started in 1983, is aimed at attracting businesses to financially distressed communities through reduced business costs, sales and corporate tax breaks and priority help with business loans and grants. Today, there are 32 UEZs across the state.

Citigroup also benefits from its Jersey City facility being in an Urban Enterprise Zone. Based on its projection of spending $65 million to upgrade the Jersey City site, Citigroup stands to get a full sales tax refund of up to $4.6 million. And, Citigroup is eligible for the UEZ one-time $1,500 corporate income tax credit for each new full-time, permanent hire that is either a resident of Jersey City or has been unemployed for 90 days. The total value of this corporate income tax credit to Citigroup is not available yet because the company gets the credit after the new jobs have been in place for a period of time; Citigroup’s Jersey City staff is still too new for this information to be available, according to local officials.

<table>
<thead>
<tr>
<th>SUMMARY: NEW JERSEY SUBSIDIES TO CITIGROUP</th>
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<tbody>
<tr>
<td>DATE</td>
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<tr>
<td>-------</td>
</tr>
<tr>
<td>2004</td>
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<tr>
<td>2005</td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

Sources: New Jersey Economic Development Authority; New Jersey Commerce, Economic Growth and Tourism Commission; Jersey City Economic Development Corporation
Texas

One Texas facility to which Citigroup alluded in its 2006 BEIP application in New Jersey has been subsidized by both a city and county. Another new Citigroup facility in Texas recently got city and county subsidies in a different part of the state.

2004—Citigroup constructs two buildings in Irving, near Dallas, to consolidate more than 5,000 workers from various north Texas locations. According to news reports, the company does not project any payroll expansion. The facility receives a 15-year city property tax abatement worth an estimated $4.5 million, according to Irving officials. Dallas County gives Citigroup a 10-year, 85 percent property tax abatement worth an estimated $1.7 million, according to county officials. In return, Citigroup is required to employ a certain number of workers and invest a certain amount of money in its facilities.

2007—As part of its global layoffs, Citigroup announces it will lay off 663 workers in Irving. But, according to a city official, the layoffs may not affect Citigroup’s local property tax break because the subsidy agreement counts any jobs at the Irving site, whether or not they are Citigroup jobs—and the company is leasing space at the site to several unrelated businesses. Another factor apparently making it unlikely that Citigroup will lose its subsidies is that Irving checks Citigroup’s compliance with its job target only once a year. The recent layoffs may not show up as having a substantial impact on the city’s January 1, 2008 job count.

The Dallas County property tax break does not count employees of unrelated companies. So, Citigroup must have 5,500 of its own workers at the Irving office starting in January 2007 to get the county break. According to Dallas County officials, if in any year of the 10-year abatement Citigroup falls below that 5,500 job threshold, the abatement would be revoked permanently.

**SUMMARY: TEXAS SUBSIDIES TO CITIGROUP**

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>DATE</th>
<th>PROJECTED AMOUNT</th>
<th>TERM</th>
<th>COMPANY ACTION</th>
<th>WORKERS COVERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irving</td>
<td>2004</td>
<td>$4.5 million property tax abatement</td>
<td>15 years</td>
<td>Irving, Texas from other northern Texas locations</td>
<td>5,000</td>
</tr>
<tr>
<td>Dallas County</td>
<td>2004</td>
<td>$1.7 million property tax abatement</td>
<td>10 years</td>
<td>Irving, Texas from other northern Texas locations</td>
<td>5,500 (4,500 retained jobs; 1,000 new jobs)</td>
</tr>
<tr>
<td>Georgetown</td>
<td>Jan. 2007</td>
<td>Property tax abatement from 25%-100% over term Created tax reinvestment zone which offers sales tax breaks $6.4 million for new wastewater line and electrical infrastructure improvements</td>
<td>10 years</td>
<td>New building</td>
<td>50</td>
</tr>
<tr>
<td>Williamson County</td>
<td>2007</td>
<td>Property tax abatement from 25%-100% over term</td>
<td>10 years</td>
<td>New building</td>
<td>50</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$12.6 million</strong></td>
<td></td>
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</table>

Sources: City of Irving; Dallas County; *Dallas Morning News*; City of Georgetown; Williamson County Appraisal District; KXAN.com; *Austin Business Journal*; *Austin American-Statesman*
Citigroup is awarded a package of city and county subsidies for a call center in central Texas near Austin. From the city of Georgetown and Williamson County, Citigroup gets 10-year city and county property tax abatements, and $6.4 million in electrical and wastewater infrastructure improvements. Citigroup pledges to add 50 new jobs.

**Kentucky**

Citigroup has been expanding its operations in Kentucky over the past five years and has received subsidy packages from the state and the city of Louisville.

2001 — Kentucky provides Citigroup with a $26.7 million tax-break package to expand its credit services division in Florence. The decision comes after Citigroup tells officials it is considering expansion options in 19 other cities where it has operations. Although newspapers report projections that the deal will result in 2,000 new jobs, records obtained from the Kentucky Cabinet for Economic Development, the state economic development agency, indicate that Citigroup actually committed to creating only 569 new jobs for Kentucky residents.

2004 — Citigroup announces a new call center in Louisville that the bank says will create 1,453 jobs after the city and state award a $20 million package consisting of an industrial revenue bond, a 20-year property tax exemption and rebates of half the money its employees pay in occupational taxes for 10 years and two-thirds of employees’ income tax payments for up to 10 years.

Prior to the formal approval of the Louisville package, a Citigroup spokesperson told American Banker, a trade publication, that existing credit card operations would probably be expanded in Louisville and several other locations because they were “a good fit with Citigroup’s current needs.” This was not the case for some other recently acquired call centers that Citigroup was reevaluating at the time, including New Orleans where the Louisiana Department of Economic Development tried unsuccessfully to save its 847-employee call center by offering subsidies comparable to the Louisville package. Citigroup also decides to consolidate jobs at a call center in Guilford County, North Carolina, and receives state and county incentives there worth up to $6.4 million.

2007 — A University of Kentucky study raises questions about the state’s subsidy strategy. It concludes that business subsidies mattered in the creation of only 15 percent of jobs claimed by companies receiving them. The report finds that, while companies in Kentucky received tax breaks to hire 127,137 people since 1989, the state would be missing only 19,246 of those jobs had it not spent $788 million on the subsidies. The study goes on to say it is not clear whether the economic benefits of those jobs outweigh the cost of providing public services needed by new businesses and their employees.

**SUMMARY: KENTUCKY SUBSIDIES TO CITIGROUP**

<table>
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<tr>
<th>SOURCE</th>
<th>DATE</th>
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<th>COMPANY ACTION</th>
<th>WORKERS COVERED</th>
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<tbody>
<tr>
<td>Kentucky</td>
<td>2001</td>
<td>$26.7 million</td>
<td>10 years</td>
<td>Moved to Florence</td>
<td>569</td>
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<tr>
<td>Kentucky and Louisville</td>
<td>2004</td>
<td>$20 million</td>
<td>10 years</td>
<td>Moved to Louisville</td>
<td>1,453</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$46.7 million</td>
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</tbody>
</table>

Sources: The Associated Press State and Local Wire, Business First of Louisville
**CEO COMPENSATION, NAMING RIGHTS AND ACQUSITIONS**

While it won pledges of more than $285 million in job subsidies from the four states examined in this report, Citigroup was spending money in a manner that might be described as lavish.

In 2006, Citigroup paid its CEO, Charles Prince, $25 million in total compensation, up from $22.9 million the year before. Prince’s 2006 compensation included a $13.2 million bonus and $10.6 million in stock—even as the bank lagged behind competitors in profit and stock-price growth.

In November 2006, at a cost of $20 million a year for 20 years (with an option to extend the deal another 15 years), Citigroup purchased from the New York Mets the naming rights to a baseball stadium being built for the team in Queens. Though the stadium is owned by New York City, the Mets get to keep the naming rights payments. Stadium construction will be subsidized by triple-tax-exempt low-interest financing, other substantial tax breaks and capital contributions from the city and New York State.

And, Citigroup has grown over the years through million-dollar acquisitions and mergers. In the first five months of 2007 alone, Citigroup spent $12.1 billion:

- **January**—Citigroup pays more than $9 billion to buy ABN AMRO Mortgage Group from its parent firm, ABM AMRO.

- **April** —Two days before announcing a 17,000-worker layoff, Citigroup receives approval to acquire Taiwan-based Bank of Overseas Chinese (BOOC) for approximately $427.3 million.

- **April**—Two days after the layoff announcement, Citigroup agrees to pay more than $800 million to buy Old Lane Partners, a 13-month old investment fund. According to news accounts, Citigroup’s CEO wants Old Lane in order to get one of its leaders, Vikram Pandit, to join Citigroup’s management team.

- **May**—Citigroup completes its purchase of Egg Banking, an online bank based in the United Kingdom, for approximately $1.1 billion.

- **May**—Citigroup announces an acquisition for about $800 million of BISYS Group, Inc., a Roseland, New Jersey-based outsourcing firm for the financial services sector.

**CONCLUSION**

The issues raised by Citigroup’s history of using the threat of capital mobility to win very large economic development subsidies from states and localities suggest that public officials who want to promote good jobs and stronger communities should rethink whether companies so large and so mobile ought to even be eligible for such breaks.

And, if they are to receive them, several changes in policy are in order:

- In an age of accelerating globalization and capital mobility, states and cities should hold multi-facility companies to higher standards about job creation and reduce the duration of tax holidays (e.g., to two years or four years) so that the companies can be reasonably expected to pay some taxes and share the public-sector costs created by their arrival.

- When State A is told that a company is considering relocating to State B, the states should actively communicate with each other, with a goal of minimizing dislocation for current employees. Today, an unwritten code forbids states from even verifying the truthfulness of company representations about each other.

- States, in granting a subsidy to a company with multiple worksites in the state, should protect themselves by setting job creation and job retention requirements that apply to the company’s entire statewide employment level.

- Government energies and resources would produce better results if they were redirected to improving the business basics that attract and benefit all employers, such as skilled labor, good schools and universities, efficient infrastructure and high quality of life.

- Considering how much is at stake, New York and New Jersey should be leaders in advocating for a national solution to the economic war among the states. In the short term, the two states—and localities within them—should work toward broader cooperation to make the region more attractive instead of spending tax dollars to poach companies from one another.
ENDNOTES


17. Epstein, Jonathan D. “Citigroup says quality of life was key; Expansion of back-office operations in Amherst will double its local jobs.” The Buffalo News, February 22, 2007.


New Jersey Policy Perspective is a nonprofit, nonpartisan organization established to conduct research and analysis on state issues. NJPP’s Economic Development Accountability Project aims at bringing more scrutiny and discussion to business subsidies, a relatively little known and increasingly expensive government activity. Good Jobs New York, a project of Good Jobs First and the Fiscal Policy Institute, promotes policies that hold government officials and corporations accountable to the taxpayers, particularly when economic development agencies give subsidies to large corporations that threaten to leave New York City. In collaborating on this project, our two organizations strive to broaden public debate and understanding about how best to accomplish widespread economic growth that is not at the expense of any people or area.