REAL SAFETY AI FOUNDATION · WORKING PAPER

FEDERAL DISABILITY POLICY · CIVIL RIGHTS COMPLIANCE · FEDERAL PROCUREMENT · TAX CREDITS · PROTECTED-CLASS HIRING · MAJOR RETAILER · DISABILITY RIGHTS · ENFORCEMENT GAP

The Architecture of Partial Obligation

How federal disability policy subsidizes a major retailer without securing civil rights compliance.

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Five federal programs. One retailer. Substantial engagement.

A large national retailer may, in the same fiscal year, stand in five distinct federal program relationships, each of which creates some form of civil rights obligation, and none of which produces the programwide nondiscrimination coverage that Section 504 of the Rehabilitation Act represents.

Procurement contracts
Federal agencies · documented on USASpending.gov

WOTC tax credits
Federal subsidy for hiring workers from targeted groups

SNAP authorization
Federal benefit delivery channel · nutrition assistance

Vocational rehabilitation placements
Federally funded state agency placements of disabled workers

CDBG pass-through
Federal funding through state/local subsidies for facilities

SOURCES USASpending.gov (Walmart procurement records, May 2026). · 29 U.S.C. §§793, 794.

The aggregate engagement is substantial. The aggregate civil rights coverage is patchwork.

The architecture of partial obligation is not the product of any single doctrinal failure. It is the product of multiple federal programs operating across multiple administering agencies with multiple individually defensible doctrinal carveouts that, in aggregate, produce a regime no single carveout was designed to create.

SOURCES Gilly, T. (2026). The Architecture of Partial Obligation. Real Safety AI Foundation (v1).

PART ONE

Five Dimensions

Each produces some obligation. None produces programwide Section 504 coverage. The carveout is different for each.

I

The five doctrines that produce the gap: procurement at market value carveout; tax expenditure exemption; recipient/beneficiary distinction; unsettled controlling entity doctrine; facility-level patchwork.

Five programs, five carveouts, one gap.

PROGRAM	WHAT IT PRODUCES	WHAT BLOCKS SECTION 504
Procurement	Section 503 affirmative action + OFCCP jurisdiction	Procurement-at-market-value carveout (DOJ; 45 C.F.R. §84.10)
WOTC	Federal subsidy for hiring from disability-targeted groups	Tax expenditure exemption (*Regan v. TWR*; 45 C.F.R. §84.10)
SNAP	Federal authorization to participate as benefit delivery channel	Recipient/beneficiary distinction (*Paralyzed Veterans*)
VR placements	Federally funded state agency placements of disabled workers	**Controlling entity doctrine, unsettled circuit split**
CDBG	Federal pass-through to state/local facility development subsidies	**Facility-by-facility patchwork, empirically opaque**

SOURCES *DOT v. Paralyzed Veterans of Am.*, 477 U.S. 597 (1986). · *Regan v. Taxation With Representation*, 461 U.S. 540 (1983). · 29 U.S.C. §793(a); 45 C.F.R. §§84.3, 84.10.

FEDERAL PROCUREMENT CONTRACTING

Section 503 applies. Section 504 does not.

VA gift cards, DHS trailers, DOJ televisions, DOD bifocal lenses, HHS supplies, Interior Indian-school supplies. Individually modest awards, documented continuously since 2008, that repeatedly cross Section 503's ten-thousand-dollar threshold. OFCCP's full affirmative-action apparatus applies. The procurement-at-market-value carveout excludes the same contracts from Section 504.

THE OBLIGATION THAT FOLLOWS

Employment affirmative action through Section 503. Not programwide nondiscrimination through Section 504, the federal government, as purchaser, is treated as an arm's-length buyer, not a benefactor.

SOURCES 29 U.S.C. §793; 41 C.F.R. pt. 60-741; Title VI Legal Manual, DOJ Civil Rights Division, § VI.B; 45 C.F.R. §84.10; USASpending.gov queries (May 2026).

WORK OPPORTUNITY TAX CREDIT

The subsidy for hiring the disabled does not protect them.

The federal government funds, dollar for dollar, the hiring of workers from disability-targeted groups. Aggregate national WOTC claims run roughly one billion dollars a year across all employers. The tax expenditure exemption classifies the credit as not federal financial assistance, so the subsidized hire gains no Section 504 protection from the subsidy itself.

THE COORDINATION FAILURE

IRS and DOL administer the credit. Civil rights agencies administer Section 504. No bridge conditions one on the other, the hiring is subsidized; the worker's protection is not.

SOURCES 26 U.S.C. §51 (WOTC); 45 C.F.R. §84.10; *Regan v. Taxation With Representation of Wash.*, 461 U.S. 540 (1983).

SNAP RETAILER AUTHORIZATION

The largest SNAP retailer in the country is a beneficiary, not a recipient.

Roughly 20-25 percent of national SNAP redemptions run through the company, more in food-desert markets where USDA cannot deliver the program at scale without it. The recipient-beneficiary distinction holds regardless: the federal benefit flows to the SNAP recipient, who spends it at market rates. Section 504 reaches recipients, not beneficiaries.

THE DOCTRINE

DOT v. Paralyzed Veterans of Am.

477 U.S. 597 (1986). Developed for diffuse economic benefit, not the operationally integrated facts a food-desert SNAP relationship presents.

SOURCES 7 U.S.C. §§2011 et seq.; 7 C.F.R. pt. 278; *Paralyzed Veterans*, 477 U.S. at 605-07; USDA FNS, SNAP Retailer Management Year End Summary; Numerator (2024), as reported in Supermarket News (Oct. 22, 2024).

VOCATIONAL REHABILITATION PLACEMENTS

The worker's rights depend on which circuit they happen to live in.

Federal money funds the state agency, a Section 504 recipient, which prescreens and places the worker at Walmart. Walmart's Section 504 status as the placement destination turns on the controlling-entity doctrine, which circuit courts have resolved inconsistently and the Supreme Court has not addressed.

AN UNRESOLVED CIRCUIT SPLIT

Doe v. Salvation Army in the United States

685 F.3d 564 (6th Cir. 2012), declining to extend Section 504 to a non-recipient tenant. Other circuits read controlling-entity theories more broadly.

SOURCES 29 U.S.C. §§720 et seq.; *Doe v. Salvation Army*, 685 F.3d 564 (6th Cir. 2012).

CDBG PASS-THROUGH TO FACILITY SUBSIDIES

Coverage that varies store to store, invisibly.

Good Jobs First has documented over a billion dollars in state and local subsidies to Walmart by the mid-2000s. Where Community Development Block Grant funds supported a specific store's infrastructure, that store carries facility-level Section 504 nexus. Which stores those are is empirically opaque, and no visible feature of a store tells a disabled customer the difference.

THE PATCHWORK PROBLEM

Coverage status depends on undisclosed pass-through tracing, store by store. The customer has no way to know.

SOURCES 42 U.S.C. §§5301 et seq.; 29 U.S.C. §794(b); Good Jobs First, *Shopping for Subsidies* (2004); Good Jobs First, Subsidy Tracker database.

PART TWO

The Aggregate

Not any single carveout. The sum of carveouts, which no single carveout was designed to produce.

II

Each carveout is individually defensible. Together they produce a structural regime, the architecture of partial obligation, that is incoherent as a whole even if each part has a coherent rationale.

The obligations are partial in three distinct senses.

Partial in scope

Each dimension produces some civil rights obligation. The obligations cumulate but do not aggregate into the programwide nondiscrimination regime Section 504 represents. Some operations are covered; others are not.

Partial in clarity

Several dimensions produce obligations that are doctrinally uncertain, geographically variable, or empirically opaque. A disabled person engaging with the retailer cannot determine from observable features what civil rights obligations attach.

Partial in enforcement

Section 503 has a documented OFCCP enforcement gap. Title III requires private litigation imposing substantial burdens on disabled plaintiffs. State enforcement varies across jurisdictions. The enforcement architecture does not match the scale of the federal engagement.

SOURCES 29 U.S.C. §794; 42 U.S.C. §12182. · DOL OFCCP, Section 503 compliance materials.

Each carveout is defensible. The aggregate is not.

The procurement carveout, the tax expenditure exemption, the recipient/beneficiary distinction, the controlling entity uncertainty, the CDBG opacity, each has a doctrinal rationale traceable to a coherent line of authority. The problem is that no coordinating principle prevents them from operating together to produce a regime of partial obligation that none of them was designed to create.

THE STRUCTURAL PROBLEM

The federal government engages substantially with the retailer. The retailer captures the benefit of the engagement. The civil rights coverage does not follow the money. This is not coordinated policy. It is the aggregate of doctrines that were never required to coordinate.

SOURCES 29 U.S.C. §794(b) (Civil Rights Restoration Act; principally engaged test). · *Paralyzed Veterans*, 477 U.S. at 607–11.

Six reforms. No doctrinal reconstruction.

Agency coordination
Data sharing and joint enforcement across GSA, IRS, DOL, USDA FNS, and HUD. Operating within existing statutory authority.

WOTC conditioning
Condition WOTC eligibility on Section 504 acceptance for the subsidized employment relationship. Close the incoherence without eliminating the credit.

SNAP conditioning
Condition SNAP retailer authorization on accessibility compliance at the point of sale. Achievable through USDA FNS rulemaking without statutory change.

Controlling entity clarity
DOJ interpretive guidance or regulatory amendment defining the controlling entity standard for federal civil rights enforcement purposes. No Supreme Court adjudication required.

CDBG disclosure
Require HUD grantees to disclose facility-level federal pass-through to private retailers, creating public records of where Section 504 nexus attaches.

Section 503 enforcement
Intensify OFCCP Section 503 compliance targeting, public reporting, and use of debarment authority. Within existing statutory authority.

SOURCES 26 U.S.C. §51 (WOTC). · 7 U.S.C. §§2011 et seq. (SNAP). · 29 U.S.C. §§793–794. · 42 U.S.C. §§5301 et seq.

The path forward is recognizable. What is required is the will to pursue it.

The pattern documented here is not unique to Walmart. It is structural and likely representative of several large national retailers with comparable federal engagement profiles. The federal commitment to disability rights, expressed in statutes, regulations, and international representations, is substantial. Closing the gap is administrative and institutional work, not doctrinal reconstruction. The reforms do not require revisiting the underlying statutes. They require coordination across the federal programs that currently operate without it.

SOURCES Gilly, T. (2026). The Architecture of Partial Obligation. Real Safety AI Foundation (v1, May 2026).

Gilly, T. (2026). *The Architecture of Partial Obligation: How Federal Disability Policy Subsidizes a Major Retailer Without Securing Civil Rights Compliance.* Real Safety AI Foundation. Working paper (v1, May 2026).

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Dep't of Transp. v. Paralyzed Veterans of Am., 477 U.S. 597 (1986).

Doe v. Salvation Army in the United States, 685 F.3d 564 (6th Cir. 2012).

Regan v. Taxation With Representation of Wash., 461 U.S. 540 (1983).

STATUTES & REGULATIONS

Rehabilitation Act §503, 29 U.S.C. §793; §504, 29 U.S.C. §794, §794(b).

OFCCP Section 503 Regulations, 41 C.F.R. pt. 60-741.

HHS Section 504 Regulations, 45 C.F.R. §§84.3, 84.10 (procurement carveout; tax expenditure exemption).

Work Opportunity Tax Credit, 26 U.S.C. §51.

SNAP, Food and Nutrition Act, 7 U.S.C. §§2011 et seq.

Community Development Block Grant, 42 U.S.C. §§5301 et seq.

Americans with Disabilities Act, 42 U.S.C. §§12111 et seq. (Title I); §§12181 et seq. (Title III).

DOJ, Civil Rights Division, Title VI Legal Manual, §VI.B.

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