

SPECIAL REPORT

Tax breaks and broken promises

State's job-creation program mismanaged, lacks oversight

EDITOR'S NOTE: In September, a Blade investigation found numerous problems in Toledo's business tax break program. Over the last three months, The Blade reviewed tax breaks statewide.
FIRST OF A TWO-DAY SERIES

BY SAM ROE
BLADE STAFF WRITER

The Ohio Enterprise Zone program — a massive job creation effort that has given businesses hundreds of millions of dollars in tax breaks — is so poorly managed and monitored that no one really knows if it is working, an investigation by The Blade has found.

In cities throughout Ohio, oversight is so lax and record-keeping so sloppy that officials often do not know how many jobs the program has created, how many are full or part-time, or how much they pay.

Yet hundreds of companies continue to receive tax breaks in exchange for unverified claims of job creation.

A review of tens of thousands of records statewide has found:

- Cleveland has only spotty information on a third of its companies promising new jobs in exchange for tax breaks. Among the unknowns: job salaries and whether the new positions are full-time.

- Columbus isn't sure if companies

reporting new jobs are counting actual positions created or all of the hires who have filled those spots. For example, several people may come and go for a single job.

- In Youngstown, 60 per cent of the companies have reneged on their job promises, yet they continue to receive hundreds of thousands of dollars in abatements.

Other cities have similar problems.

Dayton, for example, reports that one of its businesses, Setters Volleyball Club, created 24 jobs after receiving a tax break.

When asked if these were full-time jobs, city officials said they were.

"There's a restaurant and bar out there, too," city administrator Norm Essman said.

But a visit to the volleyball club showed it was closed for the season, the entrance gates locked, the six outdoor courts quiet.

See **BREAKS**, Page 8 ►

Breaks

► Continued from Page 1

The restaurant and bar? Closed — and it's not much more than a concession stand with a few picnic tables out front.

In a telephone interview, co-owner Pat Maynard says the volleyball club is open April through October and then mostly at night. Although the club indeed has employed 24 people, they are not the high-paying manufacturing jobs often associated with corporate tax breaks.

They are seasonal part-timers, mostly volleyball referees and snack bar help.

Local officials defend the Enterprise Zone program, but critics charge it is poorly monitored, deprives schools of much-needed tax dollars, and includes businesses that shouldn't be subsidized.

As for the volleyball club tax break, "It's outlandish," says state Sen. Charles Horn, the Senate's economic development chairman. "This is not contributing to the wealth of the community."

Businesses getting the tax breaks must sign legal contracts with their communities, promising to create or retain jobs at a certain payroll level.

But after that, the firms are on the honor system.

No major Ohio city routinely visits the companies to see if they have kept their promises, The Blade's investigation found.

Instead, cities send out questionnaires. But many businesses, records show, fill them out incorrectly, skip key questions, or ignore them.

Officials often fail to follow up, so no one can answer with any certainty a fundamental question:

Are communities giving away more in tax breaks than they are getting back in new jobs and the city income tax they bring?

The effects are far-reaching: Last year, cities granted businesses more than \$300 million in tax abatements — money that

otherwise would have gone largely to public schools, along with parks and social services.

Over the next few months, Ohio Department of Development investigators will audit local Enterprise Zone programs.

The state decided to visit several cities after The Blade in September reported problems with Toledo's tax breaks, including lax oversight and companies renegeing on deals.

Toledo since has announced several reforms, including on-site audits.

Regarding the newspaper's recent findings, Ohio Development Director Donald Jakeway says he is troubled.

To improve accountability, he says, he would like to see the state require all cities to conduct on-site audits of at least 10 per cent of the companies getting Enterprise Zone tax breaks.

"Can we make the program even more accountable and even better administrated? Yes, I really do believe we can."

Under state law, cities must monitor the tax breaks annually. Most do the minimum: send out questionnaires and have local leaders review them.

Beyond this, the state has little authority. Tax breaks are city contracts, so locals decide how closely they should be watched and when they should be yanked.

Bob Stempfer, a state development administrator who oversees the program, says if companies are not cooperating with cities — ignoring questionnaires, for example — the tax benefits should be pulled.

And while he acknowledges job figures collected by cities are often sketchy, he says reporting has improved and that enough numbers exist for the state to conclude that the tax breaks are working.

Since the program began in 1982, he says, it has helped create 87,500 jobs and spark more than \$17 billion in investment.

The tax breaks are aimed mainly at manufacturers and distributors.

"The program provides communities with a viable economic development tool," he says.

Local officials, meanwhile, say they would watch the companies closer if they had the time.

"I'm basically running this program by myself," says Cynthia Long, who oversees Dayton's tax breaks.

So she says she cannot visit the 64 companies getting breaks nor double-check all job figures.

"Sometimes we have to take their word for what they write down" on city questionnaires, she says.

When the volleyball club reported 24 new jobs, she says, she assumed they were full-time equivalents. Now that she knows otherwise, she will talk with the owners.

Senator Horn, a Republican from the Dayton area, notes that lawmakers revamped the Enterprise Zone program two years ago to make it more accountable.

"But perhaps it's still not doing the job," he says. "I think it's time we go back and review [the issue]."

Jeff Chagnot grew up during Youngstown's heyday, when just about everyone in his neighborhood, his father included, worked in the giant steel mills.

He recalls how the blast furnaces roared around the clock, spewing so much soot that at sunset the sky turned a deep red and the town "looked like Mars."

"People would have to sweep up their porches the soot was so bad," he says.

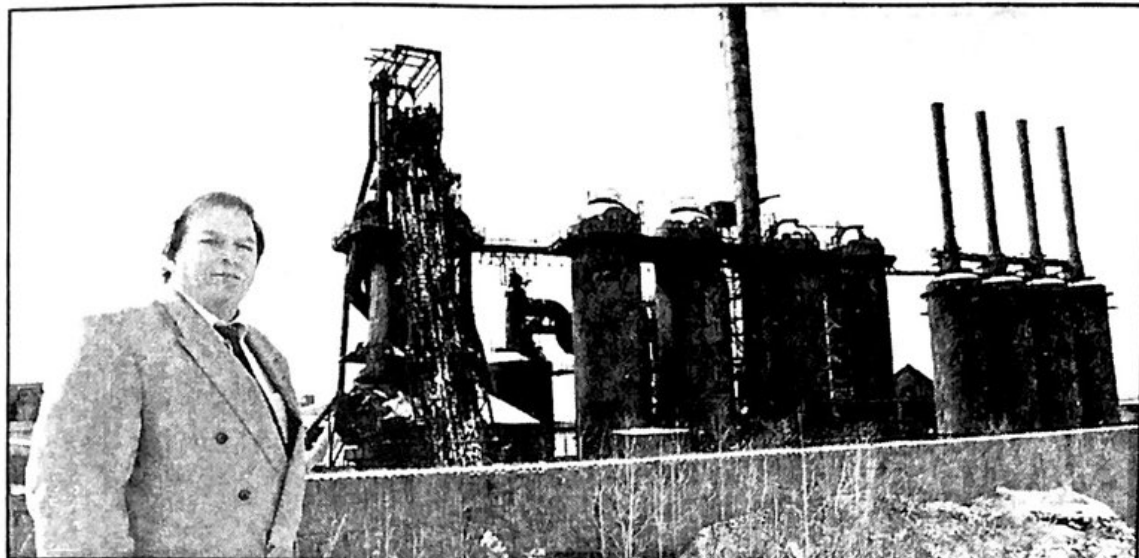
"Every day you would see little old ladies out with hoses, washing down the driveways, hosing down the sidings."

But people made good money, and the city was prosperous.

Today, the steel plants are gone, killed off by minimills, and Mr. Chagnot, 46, is the city's development director.

He has the daunting task of trying to keep Youngstown from falling further into ruin.

"Our city is struggling to survive financially," he says, driving past the rusting shell of a steel mill. "If



BLADE PHOTO BY LORI KING

Youngstown official Jeff Chagnot says the city has to offer tax breaks to offset job losses in the steel industry.

we don't do certain things, we won't survive."

One of those things, he says, is offering as many tax breaks as possible.

He pulls into the Salt Springs Industrial Park, 250 acres of city land that for decades was a waste dump for the steel companies.

Now, there are gleaming office buildings and large warehouses.

"We're building wealth out here," Mr. Chagnot says proudly. Without the tax abatements, he added, it wouldn't have been possible.

Since 1990, Youngstown has granted tax breaks to more than 40 companies. Mr. Chagnot says those breaks helped create 800 jobs and added millions of dollars in payroll.

But not all has been rosy.

Records show that most of the companies getting tax benefits have not created as many jobs as promised.

Last year, local officials suspected as much, and one meeting of the local monitoring board became so heated, Mr. Chagnot says, that officials almost came to blows.

Youngstown eventually hired local accountant Bill Reali to audit the program.

His conclusions were not pretty: He found so many discrepancies in the records that he often couldn't tell how many jobs companies had promised and how many had been delivered.

And the monitoring? "Extremely weak," the accountant says. "I think the grade has to be pretty close to an F."

Mr. Chagnot says he knows there are problems and that Youngstown will soon send warning letters to firms that have created few jobs.

But if he had his way, there would be less regulation, not more. A town like Youngstown, he says, can't burden companies with more paperwork.

Mahoning County Auditor George Tablack couldn't disagree more.

He says it's time Youngstown finds out whether it is throwing away money.

"Sometimes I wonder if government even belongs in the venture capital world," he says. "Generally, we don't run our own operations effectively."

Dayton says almost of its firms have created new jobs — sometimes many more than promised.

But numbers can be misleading.

When Setters Volleyball Club, a drab building in Dayton's industrial zone, reported it had created 24 jobs, officials assumed the best, adding two dozen full-time jobs to their scorecard.

In reality, the jobs are part-time seasonal help.

Cynthia Long, the Dayton development official, says she knew the jobs were seasonal but had told the volleyball club the same thing she tells all businesses: Report only full-time jobs.

But without more city staff, she says, it is difficult to confirm what companies report.

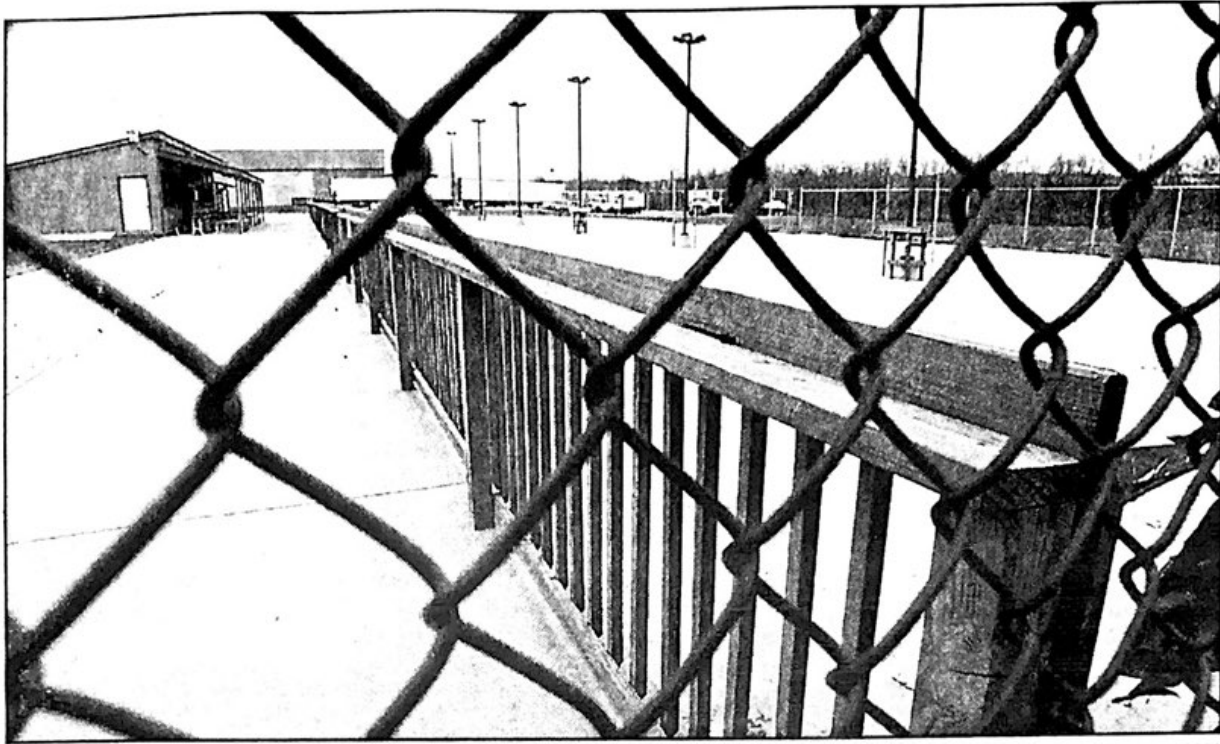
Still, she says she thinks the program is working: "I believe it encourages companies to remain in the city, to grow in the city, and to invest in the city."

Not far from the volleyball club is Eastown Dry Cleaners, a small but brightly lit shop in a strip mall.

Linda Hobbs stands behind the counter, quietly folding shirts. Lucia Nunez is in the corner, running the press, while Alex Bucio, almost lost amid racks of clothes, busily tags dresses.

A few years ago, Eastown Dry Cleaners got a tax break on new equipment.

Today, Dayton reports the cleaners has met its job promises by creating five full-time positions.



SPECIAL TO THE BLADE/ASSOCIATED PRESS

Dayton officials boast that a volleyball club created 24 full-time jobs. But the club is closed for the season, and its operator says the jobs are only part-time.

Payroll is listed in city records at \$400 per week; officials say they had assumed that meant per worker.

But employees at the cleaners smile at such claims.

Ms. Bucio, 23, says she only works 24 hours a week and makes \$132 weekly.

Ms. Nunez, 17, says she is also part-time, making about the same.

And when Ms. Hobbs, 46, is asked if she works 40 hours at \$10 an hour, her eyes grow wide.

She says it is half that much: 20 hours a week at \$5 an hour.

If she were paid \$400, she says, she would quit her other job — the morning shift at Burger King — “in a heartbeat.”

Kirk Kremer, who runs the cleaners, says he has six employees, most of whom work 30 hours a week, though “I got a couple that are working five and 10.”

Pay ranges from minimum wage to \$7 an hour. None, he says, make \$400 a week.

Records show he told the city last year that there were five full-time jobs with a \$400 weekly payroll.

But he says his accountant filled out those papers. He would not give that person's name.

When told of Mr. Kremer's remarks, the city's Ms. Long says she did not know the pay at the cleaners was so low.



SPECIAL TO THE BLADE/ASSOCIATED PRESS

Dayton says Eastown Dry Cleaners is meeting its job pledges. Employees dispute such claims.

“Had I known this in advance, I would have called him and questioned him about this.”

Some are outraged that Dayton has given Enterprise Zone tax breaks, designed mainly for large manufacturers, to volleyball clubs and dry cleaners in the first place.

But Dayton says it stopped giving the breaks to small shops a few years ago after public officials complained about a beer carryout getting one.

Oversight isn't much better in Cleveland. Officials there have only spotty information on companies getting breaks.

That's because a third of the businesses recently failed to turn in complete questionnaires, records show.

Other figures are out of whack. One company reported creating 26 new jobs but with an average

annual salary of only \$2,136.

When asked if these were part-time jobs, Cleveland officials said they didn't know.

"That's an awfully low number," says Solomon Balraj, the assistant director of economic development. "You can make minimum wage and work full time and make more than that."

He acknowledges that Cleveland has not always done a good job of monitoring.

He blames staff turnover but says that problem has been fixed.

Starting next year, he says, the city plans to conduct on-site audits.

"I think we are in much better shape now," he says.

In Columbus, officials say they think all of their firms are keeping their promises.

But they acknowledge they are not sure if companies are inflating their job numbers by counting hires who have only worked a few days and then quit.

"Who has time to sit down with those employee records and go over that?" asks Gary Guglielmi, a Columbus development official.

Alan Hutchinson says somebody better find time.

He's treasurer of the local South-Western City Schools — a system, he says, that has lost \$14 million over the last few years to corporate tax breaks.

And he sits on the local board that monitors the abatements. He says he has never had confidence in the companies' job figures.

Mr. Hutchinson wants a state law requiring cities to audit the corporations.

"I would hope there would be something in place to ensure that

HOW THE PROGRAM WORKS

The Enterprise Zone tax break program is one of Ohio's biggest job creation efforts. The state has created 310 zones statewide, covering more than 1,000 communities. Nearly all of Ohio's counties have them. The state reports that since the Enterprise Zone program was created in 1982, it has helped create 87,500 jobs and spark more than \$17 billion in investment.

Here's how the tax breaks work:

Businesses moving into or expanding in an Enterprise Zone are eligible for tax breaks on real property, such as a new building, or on personal property, such as a new machine for the plant floor.

The abatements may last up to 10 years and cover up to 100 per cent of the new property.

This is money that would otherwise go largely to public schools, with smaller amounts to parks, social services, and local municipalities.

In return for the breaks, businesses sign legal contracts with the communities, promising to create or retain a certain number of jobs.

Under state law, a panel of local leaders, called the Tax Incentive Review Council, monitors the companies at least once a year to ensure they are keeping their promises. If not, cities may yank the tax breaks.

BLADE GRAPHIC

my tax dollars are not taken in vain."

●
Columbus says it is making changes.

Starting next year, some companies must pay for at least one independent audit of their books. They also will be required to name all new workers and their salaries.

"If they're not willing to do that I don't think we should be entering into an agreement with them," Mr. Guglielmi says.

But he cautions restraint. If cities overdo it, companies may leave Ohio.

Cincinnati businessman Chuck Francis agrees. His company, Metro Recycling, a paper recycler, has received a tax break for years.

He says if officials wanted to audit his company, "I wouldn't be really happy. And they wouldn't be either — after they wrestled with me."

Senator Horn notes that next year, as part of a recent jobs measure, a state advisory panel will review all Ohio tax break programs.

Clearly, he says, better monitoring and data are needed.

Mr. Guglielmi, the Columbus official, agrees: "You have to be accountable to the public. The public has to have confidence that you are acting in their best interest."

Tomorrow: Enterprise Zone tax breaks, created to help struggling cities, may actually be hurting them.

Small communities keep close tabs on tax breaks

BY SAM ROE
BLADE STAFF WRITER

NAPOLEON — Jon Bisher figures that if local companies were to promise new jobs and then not come through, word would get around town pretty fast.

People would be talking about it at Pee Wee's diner, he says, or over at Adams Barber Shop, where haircuts are still only \$6.

"Everyone knows everyone's business," says Mr. Bisher, Henry County's economic development director. "That's the accountability you have in small communities."

That accountability, he says, has encouraged Henry County to keep a close eye on firms promising new jobs in exchange for tax breaks.

He points to the local board responsible for monitoring the companies. Records show it has met five times this year.

Compare that to Cincinnati's board, which has met once in 19 months.

Other rural areas say they closely watch firms getting breaks.

Bowling Green officials say they visit all of their companies, collect payroll figures and, if necessary, count workers.

That's not done in big cities.

One advantage small cities and rural areas have over big cities is that there are fewer businesses receiving Enterprise Zone tax breaks, so there are fewer to monitor.

Bowling Green has 12 and Henry County, 11. In contrast, Cincinnati has 45; Dayton, 64, and Toledo, 102.

"I've got only 30 manufacturing companies in all of Defiance County," says Ron Kusina, who oversees tax breaks there, "so I know the CEOs and plant managers very well." That wouldn't be the case in

large cities, he says.

The Blade reviewed the Enterprise Zone tax breaks in several area towns and suburbs. In general, most firms report they are meeting their pledges of new jobs.

Still, there are problems.

Like cities, towns don't always know if the new jobs are full or part-time or how much they pay.

The major reason: reliable data.

Many towns, like cities, do not physically visit businesses to see how many jobs have been created. Instead, companies are on the honor system, required only to fill out questionnaires once a year.

But often the questionnaires are filled out incompletely, and officials do not follow-up.

Last year, half of the companies in Henry County failed to report how much they were paying their new workers, records show.

Instead of calling the firms and getting the numbers, county officials listed those salaries as zero.

That meant the county ended up reporting to the state that its new jobs were paying an average of \$9,000 a year.

This year, Henry County reported to the state that tax breaks helped retain more than 6,200 jobs.

But records show nearly half of those "retained" jobs were the same jobs counted twice.

Mr. Bisher blames clerical errors and says no one is massaging the numbers.

But if so many figures are out of place, can officials accurately assess whether tax breaks are working?

"No," Mr. Bisher says, "that makes it difficult, I'm sure."

But, he quickly adds, numbers alone don't tell the story. There are so many variables — project size, taxes abated, jobs promised — that judging the results "is like counting Jell-O. It slides on you."

Inconsistent figures can also be found in Wood County, including Bowling Green and Northwood.

David Miesmer, who helps oversee Wood County's tax breaks, blames clerical errors and vaguely worded state forms.

"We get very little oversight or direction from the state," he says.

Mr. Bisher agrees, adding: "I don't know if we are doing as good a job as we can in evaluating the program."

There is one safeguard, he says. If the townsfolk become upset with the program, he'll get an earful.

"They know who I am," he says, "and they'll come get me."

SPECIAL REPORT

Enterprise zones often draw jobs away from cities

Suburbs use program meant to aid urban areas

EDITOR'S NOTE: In September, a Blade investigation found numerous problems in Toledo's business tax break program. Over the last three months, The Blade reviewed tax breaks statewide.

Second of a two-day series

BY SAM ROE

BLADE STAFF WRITER

Back in the early 1980s, when a recession was killing inner cities across the Midwest, Ohio lawmakers came up with an ambitious plan to save theirs: They would create inner-city "enterprise zones" and offer huge tax breaks to businesses willing to move in.

Neighborhoods would be reborn, the rush to the suburbs would end, and central-city residents, many of them minorities, would land high-paying jobs.

But today, the tax break program is not helping cities as expected.

In fact, it may be hurting them.

A computer analysis by The Blade has found that enterprise zone tax breaks — offered by a growing number of suburbs — are helping to drain thousands of jobs from the very cities they were meant to protect.

Cleveland has lost 2,249 jobs to suburbs offering the tax breaks. Cincinnati, 1,368. Toledo, 500.

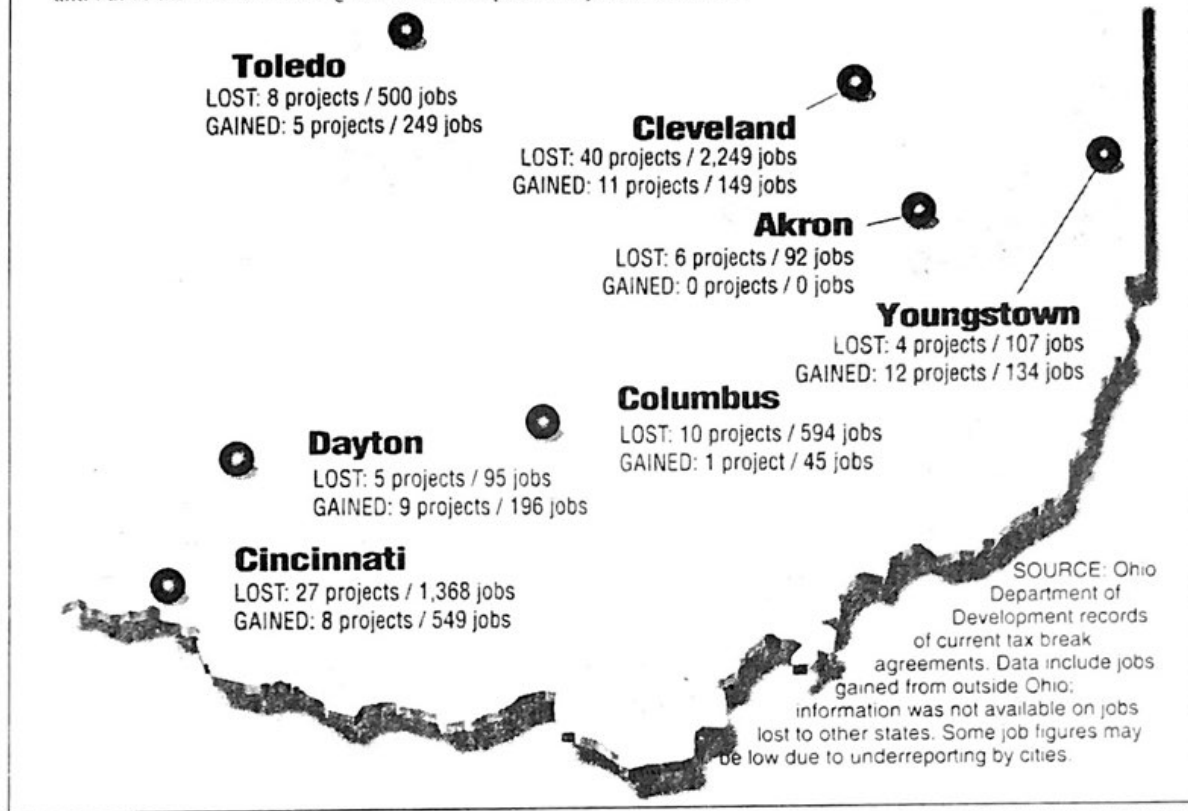
In all, the analysis found, enterprise zone tax breaks have helped nearly four times as many jobs move out of Ohio's big cities as move into them.

**TAX
BREAKS
&
BROKEN
PROMISES**

See **JOBS**, Page 4-A ►

CITIES OFTEN LOSE BIG

Enterprise Zone tax breaks often help jobs move from one point in Ohio to another. One result is that suburban tax breaks have helped drain several thousand jobs from Ohio's largest cities. Here are the number of jobs and companies, or projects, that the tax breaks have helped move in and out of the cities, according to a Blade computer analysis of state data.



BLADE CHART BY LARRY GEYMAN

Jobs

► Continued from Page 1

Especially hit hard: Cleveland. For every job that the tax breaks have helped win for the city, 15 have been lost.

"It's a big scam," says Solomon Balraj, Cleveland's assistant director of economic development.

He and others say Ohio has allowed so many suburbs to grant tax breaks that cities no longer have an edge.

"The way it's set up now, it's not a program to help distressed areas," Mr. Balraj says.

"That's what it ought to be."

Adds state Sen. Charles Horn, the Senate's economic development chairman: "We are, in effect, subsidizing the demise of our cities."

The Blade analyzed Ohio Department of Development data on enterprise zone tax break agreements.

Other findings include:

- Tax breaks often help communities trade jobs back and forth.

Youngstown once lost 28 jobs to Niles. Then Niles lost 34 back to Youngstown.

- Governor Voinovich has argued that Ohio should have as many enterprise zones as possible to lure jobs from out of state.

But more often than not, the tax breaks help move jobs within Ohio.

Six times as many jobs relocate from one Ohio community to another as they do from out of state.

State officials do not dispute that enterprise zones are luring jobs from cities.

But the tax break program, they say, has evolved to become more than just a city effort.

Six times as many jobs relocate from one Ohio community to another as they do from out of state.

Now, it's a statewide program.

Ohio Development Director Donald Jakeway says he sympathizes with cities concerned by the change.

But "a lot of things have happened since 1982," when the program started, he says.

"It's 1996, ready to go into a whole new century."

In the '80s, the state permitted only a few distressed cities, such as Toledo and Lima, to offer the tax breaks.

The abatements applied to new investment, like a new warehouse or another machine for the plant floor.

The enterprise zones became so popular that suburbs and rural areas wanted them too.

Today, 310 zones cover more than 1,000 communities. Nearly every county in Ohio has them.

Bob Stempfer, the state development administrator who oversees the program, says one reason the state allowed so many suburbs to give tax breaks is that cities started running out of space.



BLADE PHOTO BY HERRAL LONG

Governor Voinovich, left, with state senator-elect Bob Latta, says Ohio needs enterprise zones to lure jobs from out of state.

"Somebody says they want a new plant layout and they need 30 acres. Can you find a 30-acre site in downtown Toledo?"

If companies don't have financially attractive options in the suburbs, he says, they may move out of Ohio altogether.

This is especially true in areas like Toledo, state officials say, where companies may be eyeing locations in Michigan and Indiana.

The newspaper's analysis found that tax breaks have helped twice as many jobs move out of Toledo as into it.

Jobs have gone to places including Monclova Township, Perrysburg Township, and Bowling Green.

The data did not include jobs lost outside Ohio.

Bruce Gyde, who oversees Toledo's tax breaks, says abatements usually played a key role in the moves.

Suburbs, he says, can afford to give bigger tax breaks than Toledo can.

Abated taxes are dollars that would normally go to public schools, and urban school districts like Toledo's need money more than suburban schools do.

Last year, Toledo lost 134 jobs when JAC Products, an auto parts manufacturer, moved to Monclova Township.

"That's probably the biggest hit we have taken on the enterprise zone program," Mr. Gyde says.

The Ann Arbor, Mich.-based company was given a 90 per cent tax break on new real and personal property — about twice as much as Toledo could offer.

Bill Elliott, JAC's chief operating officer, says the tax package was the key factor in the company's decision to build in Monclova Township.

Had only small breaks been offered, Mr. Elliott says, "that would have made it a very different picture, no doubt."

One city has found a way to compete with the suburbs.

A few years ago, Youngstown officials offered their schools a

deal: We'll give you \$750,000 over three years if you let us give huge tax breaks to corporations.

The schools agreed, and suddenly Youngstown could offer 100 per cent abatements — much higher than what the suburbs were giving.

And it may have worked.

The Blade analysis found that tax breaks have helped move more jobs into Youngstown than out.

"It doesn't make me happy to take jobs away from someplace else," Jeff Chagnot, the city's development director, says, "but it didn't make me happy either when 35,000 steel jobs left Youngstown."

Overall, Ohio suburbs do the best.

Aurora, 20 miles southeast of Cleveland, has gained hundreds of new jobs, some from Cleveland.

Robert Paul, Aurora's finance director, says businesses like the city's open space, cheap land, and location right off the Ohio Turnpike.

Add in tax benefits, and you have a persuasive package.

Aurora's tax breaks, he says, are not anti-Cleveland but "pro-Greater Cleveland."

"You have to take a broader look at what's good for the region and what's good for the state."

Mr. Stempfer, the state official, says companies generally don't decide to move just for tax breaks; more space is the biggest factor.

Only after a company has decided to move, he says, does it shop around for the best deal.

Still, cities want changes so they can stay competitive.

Toledo's Bruce Gyde wants the state to limit the amount of tax breaks that suburbs can give.

State officials say changes have been made to level the playing field.

Now, for instance, suburbs can't give abatements to companies coming from "distressed" cities unless they have the state's permission.

But state officials acknowledge the changes might not be enough.

"Maybe some other programs need to be created to address [the cities'] particular concerns," Mr. Stempfer says.

Senator Horn agrees reforms are needed, with local governments looking "beyond their parochial interests."

And he wonders: If so much time and money is spent on simply shifting jobs around the state, often at the expense of schools, is Ohio damaging its greatest economic resource — education?

One area's gain may be another's employment loss

Enterprise zone plan provokes intrastate shifts

**BY MIKE WILKINSON
AND SAM ROE**

BLADE STAFF WRITERS

One day last fall, Governor Voinovich traveled to Perrysburg and proclaimed another victory: By luring electronics manufacturer Delafoil, Inc., to town, Ohio once again was adding good, new jobs to the state.

"Everybody kind of looked at this area as the glass being half empty," the governor said. "Today the glass is being looked at as at least half full and, in some cases, it is brimming over."

Forgive 150 workers at Philips ECG, Inc., 40 miles south in Ottawa, O., for not sharing in the celebration.

They were laid off when Philips cut its "mask-prep" line, a manufacturing process that makes components for its televisions. That work now will be shifted to the new Delafoil plant.

Perrysburg landed Delafoil early this year with the help of a 10-year enterprise zone tax break. And a \$300,000 state grant allowed the city to gussy up roads for the facility — all in the name of job creation.

"If you take jobs from one place and send them to somewhere else, you may be helping one place but hurting another," says Joe Turner, president of Ottawa's Local 1654 of the International Brotherhood of Electrical Workers.

"That's not really a gain."

Usually, only one company is involved when jobs shift. State records show that enterprise zone tax breaks have gone to more than 700 companies that closed or reduced their facilities elsewhere in Ohio as part of an expansion.

The total number of jobs relocated: nearly 24,000.

In the early 1980s, when the Ohio Enterprise Zone program was created, cities sometimes inflated their job figures by counting relocated jobs as "new" positions, says Bob Stempfer, an Ohio Department of Development administrator.

Now, he says, cities are instructed to count relocated jobs as "retained" jobs on their scorecards. A Blade review found cities are following that order.

While the Delafoil example is not a straight relocation, it does show how gray "new" job numbers can be.

When Perrysburg gave the company a tax break, the firm promised to create 125 full-time jobs within a year.

Delafoil now has more than 120 workers and hopes to hire 30 more, General Manager Patrick Burke says.

The jobs are nonunion, and Mr. Burke would not say how much they pay. At Philips, the jobs had been union and paying between \$10.50 and \$12 an hour, says Mr. Turner, the union leader.

Delafoil, based in Pottstown, Pa., makes segments of picture tubes for televisions. Mr. Burke says it decided to build a plant in Perrysburg so it could be along the "glass route" — the line that extends from the glass mills in Pennsylva-

nia and New York to television manufacturers in Ohio, Indiana, and Illinois.

"We're in a geographically well-centered location," he says.

Mr. Burke declined to answer a number of questions about the facility and its effect on the Philips plant. But he says Philips is one of at least three Delafoil customers.

Philips, meanwhile, says it needed room for a planned expansion and was staring at a major change in environmental regulations. So it eliminated a manufacturing line, says Max Mayberry, Philips' manager of human resources. The work was sent to Delafoil, along with equipment and some Philips managers.

The changes caused 150 layoffs, Mr. Mayberry says. If Philips' expansion plans work out, some will be rehired. Most, he says, will not.

Ottawa officials say they tried their best to keep the jobs home.

In fact, they were ready to offer free land and tax breaks to any company willing to take over the mask-prep process.

But Wood County officials had an attractive tax package of their own. When a deal was near, Thomas Blaha, head of the Wood County Economic Development Commission, made a request.

He wrote to Martin Kuhlman, of the Putnam County Economic Development group in Ottawa, requesting that he tell the state that

the new Delafoil plant would mean "no net employment loss" at Philips.

But Ottawa officials would have none of it.

Mayor Kenneth Maag wrote to the state that the loss of the Philips' jobs "will have a negative impact on our community and we oppose any effort to relocate this industry with public monies."

In the end, Perrysburg won the plant. Wes Fahrback, Governor Voinovich's economic development representative in northwest Ohio, says Delafoil was entitled to the tax break because most of the jobs would be new.

Wood County's Mr. Blaha says he was not picking off another town's jobs.

"It's certainly never a situation where we go to neighboring counties and raid jobs," he says. "That's not what we do."

The Delafoil deal, he says, not only gives the region new high-tech jobs, but also gives Ohio a new company that could have easily gone to Pennsylvania, Indiana, or even Mexico.

Ottawa officials remain bitter. "My theory is they're still punishing Ottawa," Mayor Maag says.

Philips worker Diane Bok says that when she learned she was laid off, she was putting the final touches on her wedding less than two weeks away.

She was called back a couple of months later, but she remains concerned about job security: "If it can happen once it can happen again."

*Perrysburg landed
Delafoil early this
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zone tax break.*
