

# Many find tax breaks, but no jobs, surprising

**BY DAVID JACOBS**

BLADE STAFF WRITER

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Revelations that the city of Toledo has granted millions of dollars in tax breaks to firms that have not followed through on job-creation promises are raising red flags throughout the community.

"These [breaks] had been a problem with me for years, but I had no idea it was this many companies," Wilma Brown, president of the Toledo board of education, said last night.

The Blade reported yesterday that more than half the companies that have promised to create the jobs in exchange for tax cuts — including millions that would otherwise go to local schools, parks, and such emergency care as 911 — are not living up to their ends of the bargain. Several corporations have created no jobs or laid off workers.

Others have moved out of town or closed, a Blade review of every tax deal Toledo has cut since 1983 as part of its Enterprise Zone program found. More than 120 files were checked.

The Blade's review also uncovered significant lapses in monitoring by the city.

The findings reveal that most of the thousands of jobs Mayor Carty Finkbeiner has boasted about creating are not immediately available and many never existed because the figures are computed on projections related to company promises.

Mayor Finkbeiner refused repeated requests for an interview last week for the article, and after agreeing Saturday to make himself available yesterday, he did not respond to messages left at his home.

Councilman Peter Ujvagi noted that job figures supplied by the Finkbeiner administration have been under council scrutiny for some time.

Council members learned last year that the mayor's job figures were based on projections, some of them several years away. They also learned that the figures do not include job losses.

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The administration appears to be geared toward going after new economic development projects, as opposed to monitoring previous promises, Mr. Ujvagi said.

"We can't just grant abatements on the one hand, and not have the capacity to monitor them on the

other hand," Mr. Ujvagi added.

In cases where firms clearly are not following through on their job promises, the tax breaks should be pulled, Mr. Ujvagi said.

Judy Jones, chairman of council's finance and budget committee, said: "It is important that businesses that get abatements live up to their commitment."

Rick Weddle, president of the Regional Growth Partnership, a Toledo-based economic development organization, noted what

many consider the importance of tax breaks to development efforts.

"But clearly to do that, we owe the public a responsibility of monitoring performance," he said.

Bruce Gyde, the administrator who oversees the tax breaks, has said he wishes he could conduct thorough follow-ups, but with only two assistants, there isn't time.

The Blade's findings will be helpful to school officials in explaining funding challenges to taxpayers, Mrs. Brown predicted.

# State looks at city's tax abatement

BY MICHAEL D. SALLAH  
BLADE STAFF WRITER

State officials are looking into reports the city of Toledo has granted millions of dollars in tax breaks to companies that have failed to live up to their promises to create new jobs.

The state wants to know if the city is watching such businesses to make sure they're keeping their pledges.

"You can't just give people tax breaks, and then let them go without keeping their end of the bargain," Donald Jakeway, director of the Ohio Department of Development, said yesterday.

The review comes just two days



BLADE PHOTO

**Jakeway: wants to make sure the city is abiding by the law.**

after The Blade reported that half the companies getting tax cuts from the city have not hired the number of workers they promised.

The article said state officials

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warned the city less than two years ago it was failing to monitor all firms annually to make sure they were producing new jobs.

Mr. Jakeway said he ordered his staff to review the article and to make sure the city is abiding by the law.

"I don't know what to say at this point, because it's under [review]," he said. "But I hope that it at least sends a warning to people that they have to live up to their promises."

He said he was concerned about the city's oversight of its tax abatement program — critical to a community's ability to keep jobs and create new ones in tough economic times.

He said the state's warning in 1995 that Toledo was not monitoring firms after giving them tax breaks was "a classic case" of a community not performing a basic duty.

"We don't want to cast judgment on the city. We want to help if we can," he said.

The state has the power to issue warnings to the city and, in rare cases, refer any cities to the attorney general's office for failing to follow the law.

In an extreme case, the state can suspend a community's right to grant tax abatements, Mr. Jakeway said.

"I'm not aware of that ever happening," he said.

The article reported that several corporations have not created any jobs and some companies have laid off workers.

Other companies have moved out of town or shut down after reaping thousands of dollars in tax breaks.

While it's important for cities to be able to give tax benefits to companies looking to expand, it comes at a cost: Money that would normally go to schools, parks, and emergency operations, such as 911, is not collected, but waived.

The idea is that new jobs will do more for the local economy in the long run than people moving away to find work.

Mayor Carty Finkbeiner said he was conducting his own review of the article, and was expected to respond today to its revelations.

He showed up briefly at a press conference yesterday held by state and local labor leaders at Government Center who are supporting state legislation that could place some curbs on tax incentives to businesses.

The conference was planned before The Blade article was published, said Bill Burga, president of the Ohio AFL-CIO.

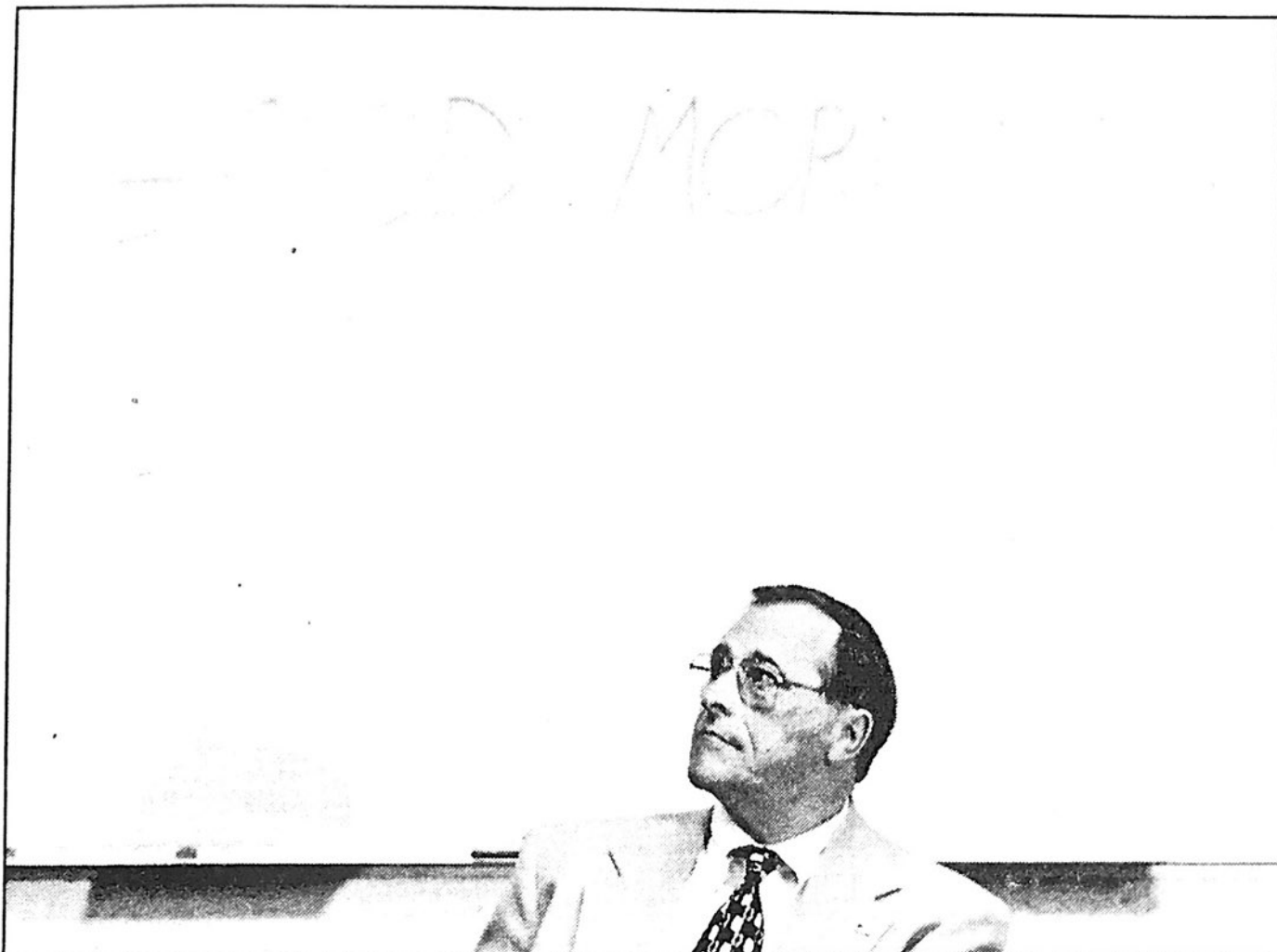
But Mr. Burga said the job creation problems reported by The Blade were not just in Toledo, "but all over the state."

He is pushing for legislation introduced last month by state Rep. Robert Hagan (D., Youngstown), which requires that firms receiving any state tax breaks or loans pay their workers at least \$6 an hour.

Mr. Hagan, who was at the press conference, said Youngstown has granted hundreds of thousands of dollars in tax breaks to companies that pay only minimum wage.

He said, in many cases, the companies never came through with the number of jobs they promised.

"What is happening in Toledo is



BLADE PHOTO BY ALLAN DETRICH

### AFL-CIO President William Burga says job creation problems were 'all over the state.'

happening all over the state," he said after the press conference.

He also is a co-sponsor of a House bill introduced last week that empowers the state to investigate plant closings or mass layoffs to see if the company merely wants to reduce wages or lower its taxes.

He said that too often, corporations "use" local governments to get what they want — and then

those same corporations forget the promises they made to get the tax breaks.

But Mr. Jakeway said that most of the community incentive programs, or "enterprise zones," throughout the state are working well.

He said his staff will review the report in *The Blade* over the next week to see if there is any way the state can help local officials better

administer the program.

In a related development yesterday, Democratic Councilman Peter Ujvagi announced that the council's economic development and planning committee will review the city's tax-break program at 2:30 p.m. Sept. 11 in council chambers in Government Center.

**Blade staff writer David Jacobs contributed to this report.**

# State suggests tightening tax abatement program

**BY SAM ROE**  
BLADE STAFF WRITER

State officials have recommended Toledo consider making several improvements in its tax abatement program, including keeping a closer eye on corporations receiving tax breaks.

In a report released yesterday, the Ohio Department of Development suggested that Toledo conduct random, on-site audits of companies to ensure that they have created the number of jobs they promised.

Currently, checks are conducted through form letters.

Other recommendations: more attention to job verification, timelier

reports, and better-defined policies.

The recommendations follow a Blade investigation earlier this month that raised questions about the tax breaks. The subsequent state review of Toledo's program was believed to be the first of its kind in Ohio.

Reached for comment yesterday, Waymon Usher, the city's acting development director, said the city will agree to start on-site auditing of firms receiving tax breaks, though he couldn't say when.

"We are putting the game plan together now," he said.

In general, Toledo is complying with state rules on tax breaks, the state officials who conducted the review

concluded.

But several shortcomings were noted:

- Some tax deals were not formally signed. Investigators found city council last year approved 28 deals, but only 15 had agreements executed by the city and the businesses.

Robert Stempfer, one of the state officials who conducted the review, said this finding was significant. He said the city should consider requiring businesses to sign deals prior to city council review, not after.

- Tax agreements lack specific language as required by law.

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● Toledo has failed to send copies of tax deals to the state within 15 days of execution.

Mr. Stempfer said these latter two issues were relatively minor.

The city has 30 days to tell the state how it will correct these deficiencies.

Mr. Usher declined to comment on the findings, saying he wanted to talk with Mayor Carty Finkbeiner first. Mr. Finkbeiner was out of town yesterday and unavailable for comment.

In its investigation, the state reviewed the city's Enterprise Zone tax abatement program, Toledo's main job-creation effort. Since 1983, the city has been offering tax breaks to lure new firms to town or keep those already here.

The tax breaks are tied to jobs, requiring firms to create a certain number of positions. Nationwide, such breaks are controversial, as opponents charge that firms are bleeding cash-strapped public schools, which would otherwise receive much of the tax revenue.

In its report, the state recommended Toledo consider implementing several changes:

● A formal policy could be developed to help officials better determine whether a company is living up to its promises.

● The Tax Incentive Review Council, a group of local leaders who review the tax deals, should submit findings to city council in a

timely fashion.

● The local review council could be more aggressive. The council only "conducts a cursory review" of businesses receiving tax breaks, the report said.

Instead, the council could review tax returns, payroll records, and Ohio Bureau of Employment Services data.

● Businesses reneging on deals could be asked to appear before officials to explain what went wrong.

● There is no need to review tax deals that never got off the ground or have expired.

In a case cited by The Blade, one company last year responded to a city letter requesting job figures by saying it was out of business — and had been since 1993.

The state has limited power over city tax deals, so the recommendations are merely that; Toledo need not implement these suggestions.

On the positive side, the state report commended Toledo for recently negotiating provisions that require some firms to pay back benefits if they leave town.

The state also lauded Toledo for requiring companies to send at least some money, usually 45 per cent of the abated taxes, to local schools.

The Blade investigation found that 55 per cent of the companies receiving tax breaks in exchange for jobs did not create the promised number of positions on time or are not currently in compliance. No firm ever has been penalized for reneging on a deal, and dozens of annual monitoring checks have been skipped.

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TOLEDO, OHIO, SATURDAY, OCTOBER 5, 1996

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# Officials pledge on-site audits of businesses given tax breaks

**BY SAM ROE**  
BLADE STAFF WRITER

Toledo officials pledged yesterday to implement numerous reforms to ensure that companies receiving millions of dollars in tax breaks live up to their promises to create new jobs.

Among the changes: on-site audits of businesses and more oversight by a local board charged with reviewing the tax deals.

"This makes things more accountable," said Bruce Gyde, a city economic development official.

The changes follow a Blade investigation last month that found that many firms receiving tax breaks had not cre-

ated the promised number of jobs on time and that dozens of annual monitoring checks had been skipped.

The Ohio Department of Development started an inquiry — the first of its kind — and subsequently recommended many changes in Toledo's tax-break program.

The changes Toledo will implement generally mirror the state's suggestions. Among them:

- The city will conduct random on-site audits of 10 per cent of companies getting breaks. Before, firms were on the honor system; reviews were conducted only through form letters filled out by the businesses.

- The Tax Incentive Review Council, a board of local leaders charged with

reviewing the tax deals, will meet quarterly instead of annually.

- Companies will be required to supply tax returns, payroll reports, and other data to help the city verify new jobs.

Ohio Development Director Donald Jakeway lauded the reforms.

"I'm proud they have done that," he said yesterday. "That's a signal they are not afraid to have their program looked at and that they accept recommendations that help their program."

Toledo officials said they expect firms to cooperate with the changes, which will begin soon.

"The companies we work with are

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good companies," Mr. Gyde said. "We don't have reason to believe, at this point, that we are being misled in any fashion."

But "if we feel companies are lying or misleading us, we will terminate the [tax] exemption."

Chrysler spokesman Dan Moore said his company will have no problem with the tighter monitoring.

"We are a member of the community, and we want to live up to what we have to do," he said. Chrysler owns Toledo's Jeep plant, which has received millions in tax breaks in recent years.

City officials said the increased oversight does not affect the overall goal of the tax-break program: to lure manufacturing jobs and keep the ones already here.

The changes affect Toledo's Enterprise Zone program, the city's main job-creation effort. Roughly 100 firms receive tax breaks, millions of dollars in real estate and personal property benefits that would otherwise go to local schools, parks, and emergency care, such as 911.

In return, companies typically promise to create a certain number of jobs over several years.

Mr. Gyde said he hopes that companies looking to locate in

Toledo will not be scared off by the recent media attention.

"There are some companies that are private in nature," he said. "If they feel the public will scrutinize them, that will hinder them from coming to us for a tax exemption."

Waymon Usher, the city's acting development director, said the city is "fighting a war" to attract new jobs, and tax abatement is an effective tool.

"Tax abatement brings about an economic gain for the entire community. All the institutions involved — schools, the city, companies — profit from this."

Mayor Carty Finkbeiner was out of town and unavailable for comment.

He has said previously that the city's tax break program was more successful than The Blade investigation portrayed. Recent tax deals, he has said, are proving fruitful.

# Tax breaks for business to get review

## City woes spur action statewide

BY SAM ROE  
BLADE STAFF WRITER

Citing recent problems in Toledo, state officials yesterday vowed to increase oversight of business tax-break programs across Ohio.

Starting next month, the Ohio Department of Development randomly will visit cities to review their enterprise zone tax-abatement programs, said Donald Jakeway, director of the state agency.

The goals, he said, are to help ensure that cities are not haphazardly giving away tax money and that businesses receiving tax breaks are living up to their promises to create new jobs.

"If we make a commitment with taxpayers' dollars, we are going to hold companies accountable for what they say they are going to do — just like they would do with any customer they were serving," he said.

Nationally, corporate tax breaks are a hot topic as more and more communities look for ways to protect themselves from firms renegeing on promises.

Mr. Jakeway said that years ago cities were so eager to land new jobs that they granted tax breaks without much negotiating.

"Now, they are starting to learn about not giving away the farm

and being responsible and accountable.

"We have gotten a lot more sophisticated," he said, "and we have to become even more so."

Mr. Jakeway doubted that firms looking to locate in Ohio would be scared off by additional oversight.

"I think we will gain a lot of respect," he said. "The majority of companies using tax abatements want to be accountable too."

The state action, Mr. Jakeway said, was sparked by The Blade's investigation last month of Toledo's tax-break program and a subsequent inquiry by his department.

The newspaper reported that many local firms receiving tax breaks — millions of dollars that would otherwise go to schools, parks, and other groups — had not created the promised number of jobs on time. In addition, dozens of annual monitoring checks had been skipped.

The state started an inquiry — the first of its kind — and recommended numerous changes, including on-site inspections, in Toledo's program.

Toledo officials last week pledged to make those changes.

Mr. Jakeway said the state's Toledo inquiry was so beneficial to Toledo and the state that he decided similar reviews should be conducted statewide.

"We are putting this into the regular part of the services we provide . . . to make the [enterprise zone] program better and more accountable," he said.

Mr. Jakeway said he wants to hold workshops for local develop-

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ment officials to strengthen the program.

Bill Burga, president of the Ohio AFL-CIO and a vocal critic of corporate tax breaks, welcomed the moves.

"It is good, it is a positive, and I think they should do it," he said yesterday.

The Ohio Enterprise Zone Program allows local communities to grant tax breaks to businesses on real estate and personal property. In return, firms typically promise to create a certain number of jobs over several years.

Since the program's inception in 1982, roughly 2,600 tax breaks have been granted statewide, helping create more than 87,000 jobs, the state says.

Last year, Ohio communities granted tax breaks totaling \$340 million over the life of the agreements.

As part of the increased oversight, state officials will check on whether cities are following the law regarding tax breaks and whether they are properly monitoring the agreements.

"If they have problems we'll ask them to correct them," said Robert Stempfer, the state's manager of tax incentives. "If they don't have problems, we'll still make recommendations on how they can improve their programs."

Added Mr. Jakeway: "I'm going to guess that we're probably going

to find similar things that we found in Toledo."

After their inquiry here, state officials recommended Toledo tighten up language in its tax deals and conduct on-site audits of firms getting breaks.

Mr. Stempfer said the state has now picked six more cities to be reviewed, but he wouldn't identify them.

The reviews are expected to be completed early next year.

Mr. Jakeway said he hopes that eventually all communities granting tax breaks will be reviewed.

By law, cities must monitor companies getting tax breaks and submit annual reports to the state.

But beyond that, the state has little say over the abatements.

Cities cut the deals so it is up to them whether to penalize companies failing to create jobs. That has never happened in Toledo.

And state recommendations are merely that; cities could ignore them and, technically, resist a state inquiry altogether.

But Mr. Jakeway said he doubted that would happen.

"It's in everyone's best interest to work together and try to make the program better."

He added that if local officials do refuse to fix serious problems, he might call a meeting with the city's mayor or notify the state auditor's office.

# Lawmakers advocate scrutiny of tax breaks

**BY SAM ROE**  
BLADE STAFF WRITER

Area state lawmakers yesterday called for more scrutiny of Ohio companies promising jobs in exchange for tax breaks.

"Jobs that are supposedly created need to be verified," said state Rep. Lynn Olman (R., Maumee).

He says he wants statewide rules requiring cities to conduct on-site audits of businesses getting tax breaks.

Rep. John Garcia (R., Toledo) agreed, saying: "When you give someone tax write-offs, someone should be on top of it to make sure the companies create the jobs they promise."

In a two-part series Sunday and yesterday, The Blade reported that the Ohio Enterprise Zone program — a statewide 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.

In cities across Ohio, oversight is so lax and record-keeping so sloppy that officials often do not know how

many jobs a program has created, how many are full or part time, or how much they pay.

Yet hundreds of firms continue to receive tax breaks in exchange for unverified

claims of job creation.

Businesses getting enterprise zone abatements must sign legal contracts with their cities, promising to create or retain a certain

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number of jobs. But after that they are on the honor system; no major Ohio city routinely visits the firms to check job numbers.

Instead, questionnaires are sent out. But companies often ignore them or fill them out incompletely.

Representative Olman said allowing firms to be on the honor system is like asking people at the license bureau if they have car insurance.

"What are you going to say if you want your plates? Are you going to say, 'No, I don't have insurance?'"

Without tough audits, he said, "we are creating a system which benefits those who know how to play the system, and I think we should close that door."

Last week, Donald Jakeway, the Ohio Department of Development director, said he wants rules requiring cities to audit 10 per cent of firms getting enterprise zone breaks.

Yesterday, department spokesman Amy Strauss said that such a rule would require the legislature's approval.

So, she said, Mr. Jakeway will raise the issue with lawmakers "and look at the best way to incorporate a policy like this."

While development department officials acknowledge flaws with the program, they say it is working. Since 1982, they say, it has helped create 87,500 jobs and spark \$17 billion in investment.

Two years ago, lawmakers tightened up the program. But some say more is needed.

"No question, some additional accountability needs to be instilled into the program," said Rep. Randall Gardner (R., Bowling Green), the majority floor leader.

But he wondered if on-site audits would create too much bureaucracy. He suggested that firms should be required to submit detailed payroll records.

"Any company that would be afraid of that kind of follow-up and accountability is probably not fully committed to the effort," he said.

Rep. Darrell Opfer (D., Oak Harbor) said he backs on-site audits. But he said national legislation is needed to address the problems of tax abatements.

"Companies can move across lines at will and play one state against another," he said.

Legally, the state's oversight of enterprise zone tax breaks is limited. The abatements are local contracts, so cities decide how closely to monitor them and when to yank them.

Last year, cities granted businesses more than \$300 million in enterprise zone tax breaks — money that would have otherwise gone largely to public schools, along with parks, social services, and municipalities.

Rep. Jack Ford (D., Toledo) said cities should be more selective when granting tax breaks. Generally, he said, abatements do little more than "sweeten the bottom line for businesses and kill schools."

Said Mr. Olman: "I see it as corporate welfare, quite frankly. We are creating an environment where we are causing these companies to act no better than other people on public assistance. What we have to do is break that stranglehold."

# Calls to fix tax breaks being heard nationwide

## Illinois governor says plan is 'monster'

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**BY SAM ROE**  
BLADE STAFF WRITER

CLEVELAND — Ohio lawmakers aren't the only ones calling for tax-break reform.

Illinois Gov. Jim Edgar says corporate tax breaks have grown into "kind of a monster" that need to be corralled.

"All we are doing is giving away money for jobs that eventually are going to be someplace," he said.

"There are very few cases where if we hadn't given incentives those companies wouldn't have built those plants someplace."

He spoke here yesterday at the annual conference of the Council of State Governments, a national group assisting local lawmakers.

After his talk, Governor Edgar said in an interview that Illinois, much like Ohio, needs studies on whether tax breaks are paying off.

"What really works and what

doesn't work? It's one of those things you don't really know," he said.

In a two-part series Sunday and Monday, The Blade reported that the Ohio Enterprise Zone tax break program — one the state's major job creation efforts — is monitored so poorly that officials often do not know how many jobs have been created, how many are full or part-time, or how much they pay.

The program gives millions of dollars in tax breaks to businesses each year in exchange for the promise of new jobs.

Since the newspaper's series, area lawmakers have called for tougher scrutiny of the program, including on-site monitoring of companies getting breaks.

At yesterday's conference, several experts discussed the problems of corporate tax breaks.

Speaking to about 100 lawmak-

ers from across the country, state Sen. Charles Horn assailed abatements that "simply move companies and jobs from one place to another with little or no job growth."

Senator Horn (R., Kettering), a leader in the Ohio legislature to reform tax breaks, said abatements offered by suburbs are crippling inner cities and fueling suburban sprawl.

The Blade investigation found that enterprise zone tax breaks, created in the 1980s to help cities, have drained thousands of jobs from urban areas.

J. Mac Holladay, with the Governor's Development Council in Georgia, said, "The world of tax incentives is in worse shape than ever before."

Corporations, he said, "start almost every conversation with, 'Will

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you give me this? Will you give me that?"

Mr. Holladay pointed to how Alabama in 1993 gave away millions in tax breaks to land a Mercedes-Benz plant because officials "thought this was their one chance to change the image of that state."

But the state gave away too much, he said.

He called for officials to closely monitor firms getting breaks, saying that if they break their job promises, they should have to pay the taxes foregone.

Governor Edgar said states should limit incentives and stop the bidding war.

"We have created a kind of monster in the last few years at the state level and we need to find a way to limit [tax breaks]."

But he said that "it is very difficult for one state to back off of incentives if other states, especially neighboring states, continue to give them."

# Tax-break watchdog AWOL

## Legislators break law by not holding meetings

**BY SAM ROE**  
BLADE STAFF WRITER

State legislators are breaking their own law by not overseeing business tax breaks — programs that divert hundreds of millions of dollars from schools, parks, and social services.

In 1994, lawmakers created a special commission to serve as a watchdog over the tax breaks. Under Ohio law, it is supposed to meet every six months.

But state records show it has only met once — and that was 15 months ago.

"It's outrageous it hasn't met [more often], but it doesn't surprise me in the least," said state Sen. Linda Furney, a Democrat from Toledo and a critic of corporate abatements.

"It's how these [tax-break] issues have been addressed: There is some appeasing and then never any follow-through."



The oversight commission was to consist of three state senators and three representatives.

The group was responsible for assessing whether tax breaks were paying off and whether cities were properly monitoring firms promising new jobs in exchange for abatements — issues raised in a recent series by The Blade.

State Rep. E.J. Thomas, a member of the special commission, said yesterday the group has been dormant mainly because of scheduling conflicts.

"We were having trouble finding people in town to pull the thing off," said Mr. Thomas, a Republican from Columbus.

Commission Chairman Charles Horn, a senator from Kettering, has been ill and unavailable for comment.

His aide, Ray DiRossi, said the commission would be resurrected and likely meet next month.

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He and others noted that several commission members, Senator Horn included, have pushed for more tax-break oversight and were instrumental in creating the special panel in the first place.

Said Representative Thomas: "The issue is clearly not dead. It will continue to get a great deal of scrutiny."

Much is at stake: Last year, the Ohio Enterprise Zone program, one of the state's main job creation efforts, granted businesses more than \$300 million in tax breaks.

That is money that would otherwise go largely to public schools, many of which are struggling to stay afloat.

Sunday and Monday, in a two-part series titled "Tax Breaks and Broken Promises," The Blade

reported that the Enterprise Zone program is so poorly monitored that no one really knows if it is working.

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.

Lawmakers had similar concerns in 1994 when they formed the oversight commission, called the Joint Legislative Commission on Tax Incentives.

By law, the new commission was supposed to start meeting no later than March 1, 1995.

But that first — and only — meeting came six months later, in September, 1995.

Several issues were discussed, including whether companies were renegeing on their job promises.

The meeting ended with the lawmakers agreeing to meet again in two months, with school and local

officials possibly testifying.

But no more meetings took place.

Earlier this year, one of the commission members, Rep. Daniel Troy, wrote to Chairman Horn.

The letter pointed out that the group was violating state law by not meeting every six months. "We should be meeting!" he wrote.

After the letter, Representative Troy said in an interview, he received a phone call from Chairman Horn's office, and some meeting dates were discussed.

"But nothing ever happened," Mr. Troy said. "Why this committee never met again, I don't know."

Representative Troy, a Democrat from Willowick, is in his last few days in office.

He lost a state Senate bid this fall. But he would like to see the commission revived.

"I think we should follow the law," he said.

He said someone other than eco-

nomics development officials should be overseeing tax breaks.

Generally, the Ohio Department of Development and local development officials are in charge of overseeing corporate tax breaks.

"That's like the fox guarding the hen house," Mr. Troy said.



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SATURDAY, JANUARY 25, 1997

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# Audits vowed for firms with tax breaks

**BY SAM ROE**  
BLADE STAFF WRITER

Responding to critical reports from state investigators, two more Ohio communities say they will implement reforms to keep a closer eye on firms getting tax breaks in exchange for new jobs.

Butler and Knox counties — which have granted millions of dollars in breaks to dozens of Ohio businesses — say they will start auditing corporations to verify that they have created the number of jobs promised.

Previously, the companies had been allowed to operate largely on the honor system.

“It tightens up the reins and makes sure that companies that get abatements know we will check them,” Courtney Combs, president of the Butler County commission-



ers, said yesterday.

At stake: millions of dollars that would otherwise go to public schools, parks, and social services.

The two counties announced the changes this week at the recommendation of Ohio Department of Development investigators.

In both counties, the investigators found several problems in how Enterprise Zone tax breaks — commonly used to attract new business — were granted and monitored.

In Knox County, northeast of Columbus, investigators found that officials violated Ohio law in 1994 and 1995 by not monitoring companies getting tax breaks.

“It just wasn’t done,” said Robert Durbin, president of the Knox County commissioners. “I don’t know why it wasn’t.”

“After the tax abatements were given, they were put in the bottom drawer and left there.”

In the last few months, state investigators have been ran-

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domly visiting several Ohio cities to determine if local officials are properly overseeing Enterprise Zone tax breaks.

The state inquiry was sparked by an ongoing Blade investigation, "Tax Breaks and Broken Promises." The articles detailed how firms often renege on job promises and how officials fail to monitor abatements.

The state's first stop was in Toledo, where numerous problems were found.

Toledo adopted several reforms, including on-site audits of firms getting breaks.

In Butler County, near Cincinnati, investigators recently found sloppy record-keeping, missing documents, and inconsistent job figures.

Among the changes recommended: random audits of 10 to 15 per cent of the companies getting abatements.

Yesterday, Curt Arulf, the county's economic development administrator, noted that most of the problems found involved older tax-break agreements.

But he vowed all shortcomings would be fixed and that audits would begin this summer.

He said the state inquiry was helpful: "It's good to have someone from the outside point out where you can improve."

Butler County has given tax breaks to about 90 companies. Investigators did not analyze how many have kept their job promises, but Mr. Arulf said virtually all have.

"I think we have been very successful with our program," he said.

In Knox County, investigators found similar problems. But the biggest: Local officials did not monitor the tax breaks for more than two years.

By state law, a local Tax Incentive Review Council must meet annually to determine whether companies are keeping their job promises.

Tom Heine, president of the Knox County Area Development Foundation and the local official who oversees the tax breaks, said the panel is now meeting regularly.

And he said he would start auditing some of the 45 companies getting breaks.

That, he said, should ease any concerns about lax oversight.

"We will have a ton of credibility," he said.

# State panel to check up on company tax breaks

BY SAM ROE  
BLADE STAFF WRITER

A special state watchdog panel is no longer truant.

Today, a half-dozen state legislators will file into a Statehouse hearing room and do something they were mandated to do months ago: hold a meeting.

By law, the lawmakers should have been meeting every six months to help oversee one of the state's most troubled programs: the Ohio Enterprise Zone tax break program.

But today's meeting marks the first time the group has met in 17 months.

"It's wonderful they are meeting again," said state Sen. Linda Furney, a Democrat from Toledo and a critic of corporate tax breaks. "I'm glad they are back in the mode of discussing the issues."

The commission was resurrected after The Blade in December reported how legislators were breaking their own law by not meeting regularly.

Lawmakers said they had meant to meet, but scheduling conflicts got in the way.

"The people on the committee have been dealing with these issues for some time, so we're going hit the ground running," state Rep. E.J. Thomas, a Columbus Republican and a member of the watchdog panel, said yesterday.

The Ohio Enterprise Zone is a job creation effort that has given businesses hundreds of millions of

dollars in tax breaks — money that would otherwise go to public schools, parks, and social services.

In return, companies promise to create or retain jobs.

The watchdog panel is responsible for determining whether the tax breaks are paying off and whether cities are monitoring firms receiving them.

Those are questions that likely will be raised today.

"Are we helping create jobs by these tax breaks or are we just moving jobs from one place to another?" asked state Sen. Gary Suhadolnik, a Republican panel member from Parma Heights.

He said lawmakers will even likely discuss scrapping Enterprise Zone abatements, created in 1982 when cities were scrambling for jobs.

"These are different times now, and we need to take a different look at it," Mr. Suhadolnik said.

Last year, a Blade investigation found that the Enterprise Zone program is so poorly managed and monitored that no one really knows if it is working.

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 they pay.

Lawmakers had similar concerns in 1994 when they formed the special watchdog panel, called the Joint Legislative Commission on Tax Incentives.

By law, the panel was supposed to meet no later than March 1, 1995.

But the first — and only — meeting came six months later, in September, 1995.

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# State effort on tax breaks faces changes

BY SAM ROE

BLADE STAFF WRITER

COLUMBUS — The Ohio Development Department yesterday defended its troubled corporate tax-break program, saying changes could be made to ensure firms keep their promises to create jobs.

"There are several areas we are looking at to strengthen the accountability," Bob Stempfer, the state's manager of tax incentives, said.

Among possible changes: independent audits of companies getting tax breaks.

Mr. Stempfer made his comments before a special panel of state lawmakers charged with overseeing the Ohio Enterprise Zone tax-break program.

By law, the panel is supposed to meet every six months. But yesterday's meeting was the first in 17 months. The watchdog panel was resurrected after The Blade in December reported that lawmakers



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were not meeting regularly.

Much is at stake: The Enterprise Zone program is a massive job-creation effort that has granted hundreds of millions of dollars in tax breaks to businesses. That is money that would otherwise go to public schools, parks, and social services. In return, firms promise to create or retain jobs.

Mr. Stempfer assured lawmakers the program is working and should continue to be funded. Governor Voinovich's recently unveiled budget proposal recommends extending the program another two years.

But state Sen. Gary Suhadolnik, a Republican from Parma Heights, questioned the wisdom of that plan, saying more study is needed. Rep. E.J. Thomas, a Columbus Republican, suggested continuing the program at least one year.

"I'd hate to see this entire pipeline get shut down," Mr. Thomas said. "I think a lot of communities

would be adversely affected."

Enterprise Zone tax breaks have come under increasing criticism and scrutiny from local officials. In September, a Blade investigation found the program is so poorly managed and monitored, no one really knows if it is working.

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 or how much they pay.

Mr. Stempfer told legislators his department was discussing possible improvements, including independent audits of businesses receiving tax breaks.

Many Ohio cities do not verify companies' claims of job creation. Instead, the honor system is used. Job claims are checked only by form letters sent to the firms.

Mr. Stempfer also said community leaders who monitor tax breaks might need more guidelines to help them decide whether firms are renegeing on job promises. He reminded legislators that the state has limited oversight of the tax breaks because they are contracts between cities and businesses.

# More pay sought if firm gets tax break

BY SAM ROE  
BLADE STAFF WRITER

Community activists have created a new group that wants Toledo firms getting tax breaks to pay workers decent wages.

"These companies need to provide jobs that sustain families," said founder Steve Miller, a longtime environmental activist.

City records show that several corporations getting tax breaks in exchange for jobs are paying their new workers less than \$7 an hour.

The new group, Toledoans for a Livable Wage, wants workers to get at least \$7.50 an hour.

"I don't think the city should be subsidizing poverty, and essentially that is what they are doing," Mr. Miller said.

He said the group was formed in part because of problems revealed in a recent Blade investigation and the willingness of Toledo officials to reform their tax-break policies.

Said Terry Lodge, a group member and Toledo attorney who has argued cases for the local American Civil Liberties Union:

"Enterprise zone tax breaks, in particular, are supposed to be this new way of using free enterprise to break the cycle of poverty. That's not what is happening at all."

The new citizens' group said that it has about a dozen members, has met several times, and has distributed flyers to drum up support.

Its main goal is to lobby city officials to require firms to pay at least \$7.50 an hour.

But yesterday, Bruce Gyde, a city administrator who oversees Toledo's tax breaks, was lukewarm to the idea.

"It would raise an additional obstacle" for some companies wanting to locate here," he said. Plus, "there needs to be entry-level positions."

Group founder Mr. Miller, 49, knows about entry positions.

He has been a shoe salesman, tomato picker, and warehouseman. Now he is a car porter at Yark Automotive — the person who washes cars and pulls them around for customers.

He said, "\$7.50 is the bare minimum that can support a family." He would like firms getting breaks to provide health insurance, though he acknowledged that might be a tough sell.

Annette Majewski said that companies getting tax breaks have an obligation to their communities.

"If a company is getting millions of dollars in tax abatements, they should be willing to provide a few dollars extra in wages," said Ms. Majewski, who is program director in the Toledo office of Ohio Citizen Action, a nonprofit consumer and environmental group.

Councilman Gene Zmuda said he welcomed the new group.

"Their concerns have also been the concerns of just about every member of council," he said.

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