Corporate Subsidies In Maine: What Mainers Got For Their Money

by

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ABSTRACT

New legislation in the State of Maine mandating the disclosure of business incentive payments by the State to private businesses has made possible an examination of how this money was spent. An analysis was conducted on publicly available data, which were derived from reports filed by 188 companies that received subsidies from the State of Maine in 1998.

Because of significant flaws in the data, generalizations are hazardous. However, three major sets of findings were evident: while the major goal of the program was job creation, followed by job retention, most of the money spent on business incentives was could not be linked to specific job retention or creation numbers. Of money that was associated with a job retention or creation claim, much more money was spent on retention, and many more jobs were retained than created. Second, job creation was, consistent with stated goals, concentrated in areas of the state outside the typically more prosperous southern coast region, although overall investment was not. Finally, the programs show a de facto strategy of industrial retention, although this goal was not an explicit strategy by the State. While a conventional strategy for economic development, it is important that the goals of the program emerge from public consensus.

Recommendations include further research to refine self-reported claims of job creation and retention, improvements in reporting requirements, more explicit targeting of incentive programs, and more extensive accountability measures to ensure that Mainers are getting a good value for their money.

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"The reality is, when I’m negotiating, I don’t even know the real cost of what I’m putting on the table or the value of what the firm is offering. We’re just shooting in the dark."

-Deputy commissioner of Chicago’s Department of Planning and Development, after losing 1000 warehousing and distribution jobs with the Spiegel Corporation to Columbus, Ohio in 1992.

Chapter 1: Introduction

In 1976, Business Week reported on a new “war between the states” in the form of tax incentives that were being used to lure businesses from one state to another. A quarter-century later, business incentives have grown dramatically in scale. They are now so common that states and local governments that do not provide them are sometimes thought to be at a disadvantage. Governments have been known to bow to competitive pressures, against their better judgment and against the evidence of research that shows no relation between these incentives and economic development. Some of the flagship deals include Alabama’s bargain with Mercedes-Benz, valued at $170,000 per job, and Kentucky’s incentive package for a steel “mini-mill”, which may have cost as much as $350,000 each for 400 jobs. Maine recently joined this big-ticket club, with an incentive package of almost ten million dollars granted to National Semiconductor in 1998 alone. In exchange, the company increased its full time employment by 73 jobs, putting the cost-per-job at $135,000. The hefty subsidies paid to National Semiconductor have been harshly criticized, since the plant has not reached even half of its capacity since its construction in 1995, and its owners came close to selling it in 1999.

In 1998, annual spending on business incentives by state and local governments was estimated at over $50 billion. According to In These Times, “That is more than the yearly national budget for welfare grants and food stamps – and doesn’t even include federal corporate subsidies which depending on how you slice them amount to another $75

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1 As quoted in Wiewel 1994.
2 Anonymous (Business Week) 1976.
3 Breslow 1999.
billion to $167 billion a year."\(^5\) Timothy Bartik further estimates that these subsidies exceed the funding of economic development programs by a margin of 3:1 to 8:1.\(^6\)

This paper focuses on incentives for businesses to expand and retain employment in the State of Maine. As will be described later, the two main programs Maine uses for this purpose are a rebate on local property taxes, and a Tax Increment Financing (TIF) program, where businesses can negotiate deals with local governments to rebate the portion of their property taxes that are the result of an investment in buildings and machinery. The rebate may be direct, or it may take the form of a bond issue, to be paid back using the tax increment.

The problem of business incentives in the form of tax breaks (some consider this a form of corporate subsidy) is an interesting one. Since incentives are not generally regarded as good policy, they are often created not to compliment an existing economic development strategy, but simply to compete with other states in a now-famous ‘race to the bottom’. Further, incentive programs are usually created by legislatures, not by economic development agencies, and are therefore designed with the sponsors’ interests in mind. An added complication, which is something Maine has wrestled with, is that development incentives, in the form of tax abatements and TIF deals, are negotiated by local governments, but are regulated by the State.

It is my intention in this paper to examine the State of Maine’s development incentives in the light of common economic development strategies. Maine presents a useful case study because of its new disclosure law, which makes extensive data available for the first time about the amounts and recipients of subsidies. Hopefully, this study will result in recommendations for bridging the gap between economic development strategy and the political pressures that result in such roundly criticized expenditures of public funds.

The following chapter outlines major research in the area of development incentives, showing that the effectiveness of tax breaks as an economic development strategy is highly questionable, but often considered a necessary evil by elected officials and

\(^6\) Bartik 1994 (2).
economic development professionals. It then describes the incentive programs currently being used by the State of Maine and the intended results of these programs, attempts at citizen action to change the rules governing business incentives, and various ways incentives can be targeted toward economic development goals. Chapter three examines the data made available by Maine’s disclosure law and shows how the money was spent, as well as in what regions and industries, and for what types of jobs. The final chapter presents conclusions and recommendations based on these findings.

Methodology
The State of Maine has been using business development incentives since the mid 1980s7, and an estimated 1,400 businesses receive some kind of assistance from the State each year8. Under pressure from critics of the subsidy programs, the Maine Legislature in 1998 passed “An Act on Return on Public Investment From Economic Development Incentives” (see Appendix A for text of the Statute). This law requires reporting by both the State agencies administering the subsidies and the firms receiving them. Only those businesses that received more than $10,000 in assistance during 1998 were to be included in the reports, and only seven of Maine’s 36 business incentive programs9 were subject to reporting requirements. According to James Nimon of the Department of Economic and Community Development, the decision to include these seven and not the others was somewhat arbitrary, and the result of political wrangling over the issue on the floor of the legislature10. In the end, Maine’s two largest incentive programs were included in the disclosure law, and many of the others are negligible in comparison.

About 300 firms should have filed reports with the State11. However, only 188 did so, and of these, several had missing or inadequate information. The reporting form and instructions are included as Appendix B. Businesses were asked to report on the amount of subsidy they received during the 1998 calendar year in each of the seven incentive categories, jobs created and retained as a result of the subsidy, 1998 year-end

7 Maine Department of Economic and Community Development 2000.
8 Carrier 1999.
9 Editor (Bangor Daily News) 1999 (2).
10 Nimon 2000.
11 Breslow 1999, and confirmed by Nimon.
employment, and actual employment change for 1998. Figures for job creation and retention, as well as year-end employment, were broken down by twelve occupational categories.

The most common method used to evaluate business incentive programs is to calculate the total money spent per business and divide this by the number of jobs created. Obviously, several problems arise with this method of comparing the dollar value of the subsidy to the number of jobs gained or lost. First, the true costs of the subsidy are not just the dollar value of the subsidy, as subsidies take different forms such as Tax Increment Financing, Industrial Development Bonds, Infrastructure Investments, Loan Guarantees, grants for job training, and infrastructure investments, to name a few. The costs could include actual state tax revenues and federal grants, as well as the opportunity costs of foregone revenue or spending elsewhere. True benefits are even harder to measure, as they could include variables such as the increased income taxes paid by the workers, increased sales and corporate taxes due to increased business in the state, and multiplier effects of employment income and increased output.

Further, creating a cost-per-job figure is often misleading, because some methods calculate this figure using a one-time cost, while others use an annual cost. Using the example given in the introduction of the “mini-mill” in Kentucky, the figure of $350,000 per job was obtained by considering the subsidy a one-time expenditure. However, the actual package of incentives used in this deal consisted in large part of tax credits that will be spread over a 25-year period. On a net present value basis, the cost per job figure is reduced to $102,000. While still a high price tag, this is a dramatically different figure than the first.

In addition to these difficulties in measurement, the “but for” question raises issues affecting the accuracy of creation and retention numbers. That is: “But for the subsidy, what would have happened to employment in subsidized firms?” Creation claims can be verified to some degree by comparing them to overall changes in employment. However, claims that jobs were retained are nearly impossible to verify, particularly because most

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private business information is not publicly available. In either case, the important question is whether the jobs would have been created or retained even without the subsidy. The only way to reliably determine this would be to set up a quasi-experimental study, in which firms receiving a subsidy were matched to firms not receiving the subsidy. As this is outside the scope of my research, I will use what information is available to answer this question. In addition to the quantitative questions on the State of Maine’s disclosure form, respondents were also asked to respond to the question, “Where would your company be if these incentives were not available to you?” (see Appendix B) While undeniably vague, this question provides some insight into the “but for” question.

Given the difficulty of assigning a cost-per-job figure to development incentives, as well as the questionable value of such a figure, I have tried to provide a more informative evaluation of Maine’s development incentive expenditures. I have looked for evidence of strategies and goals that the drafters of the incentive legislation intended, in order to compare these to the actual results of the programs. In addition, I have given consideration to what activists believe the strategy of the programs should be, as well as what conventional economic development theory suggests the goals might be. Chapter two gives more information about what these goals might be, and Chapter three presents my findings on how well Maine’s incentive programs are meeting these goals.

The data I use in this paper has some limitations. First, since this was the first year the reporting was required, the survey instrument used by the State seems to have been confusing to respondents. James Nimon reports that he received many telephone calls from respondents who did not know how to answer the questions on creation and retention, and that many felt such numbers could not even be determined. Additionally, several businesses omitted information without comment, and many did not return the survey at all. Clearly, this introduces a bias into an analysis of the available data.

Another serious limitation of these data is that the person who returned the survey was not necessarily the person who would have made decisions about investment or employment levels. Therefore, many of the answers, particularly in the qualitative section, reflected the uncertainty of the person answering the survey, who in many cases
would not have been included in the decision to hire more people, and who might not have known if job losses were imminent.

Finally, perhaps the most serious limitation of this information is that it is self-reported. The firms responding to the survey had a clear motive to exaggerate job creation and retention claims, since further funding for the programs depends in large part on public opinion, and public opinion probably depends on job creation figures. Conversely, firms are aware of how difficult it is to verify these numbers, and no penalties are in place for giving misleading information on these forms, so there was really no reason not to give the highest numbers they could. Many firms actually gave job creation numbers that were actually impossible – job creation figures were larger than the change in employment for the firm, and job retention figures were larger than overall employment.

It is not known how many firms should have returned a reporting form to the State of Maine, but estimates are between 250 and 300. 188 firms returned forms. Of these 188, 90 made some claim of job creation or retention. 66 claimed job creation, and 69 claimed retention (45 claimed both).

There were some serious problems with the data. First, 17 firms (9%) did not offer any information about beginning and ending employment levels for 1998. One of these, however, still claimed job creation and retention.

Second, many errors were made in the reporting of job creation and retention. Specifically, 38 of 66 firms that claimed creation (58%), reported job creation figures that were larger than the actual increase in jobs over that time period. Some of these (13) even claimed job creation, even though employment declined during 1998. It may be possible that some jobs were created, even though overall employment decreased.

Results for job retention were similar, though not as severe. Of the 69 firms that claimed retention, 14 (20%) reported retention claims that were larger than their beginning employment. That is, they claimed to have retained more jobs than they actually started with. Of these, three listed 1997 employment levels as zero.
Additionally, 20 firms reported creation and retention numbers that did not add up because, had each of their claims been correct, their expected 1998 employment but for the subsidy would have been less than zero, which is impossible.

Another possible error was that 12 firms reported job creation numbers that were exactly equal to job retention numbers. That is, reports of jobs created were the same as jobs retained for full-time, part-time, and total jobs. While it is possible that these numbers could be exactly the same, it is likely that this was an error by the reporter, due to a misunderstanding of the reporting categories.

These errors all constitute serious flaws in the data. If all observations including one of these errors are excluded from the analysis, 122 cases are left of the original 188 (since many reports contained more than one error, the number of errors does not add up to the number of excluded firms). This is 65% of the reporting firms, and between 41% and 49% of the firms that probably should have reported.

When determining errors, I always compared full-time jobs to each other and part-time jobs to each other. For example, one firm reported a 1997 year-end employment level of 20 full-time and 80 part-time employees and a 1998 year-end employment of 40 full-time and 145 part-time. This firm was excluded because it reported a job creation of 25 full-time jobs, while full-time employment only rose by 20 jobs. If I had only used total employment figures, this firm would not have been excluded, as 25 jobs is fewer than the firm’s overall job growth from 100 to 185 employees.
Chapter 2: Background

Tax Incentives in business location decisions

Much has been written on the effects of taxation on business location decisions. In this paper, I'm interested in not only location decisions, but decisions about investment and disinvestment. The results in this area have been mixed, with some researchers claiming that taxation has a significant effect, while others say it is negligible. This section will review literature on two questions: do tax incentives matter to location and investment decisions, and if so, why? It will then go on to discuss one of the few things we can tell with some certainty from the literature: that taxation is a more significant factor in intra-regional location decisions than in inter-regional ones.

Do taxes matter?

Taxes matter to the extent that they are considered, along with many other factors, in decisions about locating or investing in a business. But relative to other factors, they have very little influence on these decisions. Robert Ady, a facility location consultant for Deloitte & Touche/Fantus Consulting, says that, while reporting on tax rates is part of his job, neither he nor his clients felt that taxes were an important factor in location decisions. Ady's clients were asked to assign percentages of relative importance to broad classes of location factors: labor, transportation, utilities, occupancy, and taxes, and taxes came in last with just 4%\(^\text{13}\). In the end, Ady concluded, "The single most important factor in site selection today is the quality of the available work force".

Some researchers have found evidence that levels of taxation make a difference. For example, in 1987, Leslie Papke found that differences in overall tax burden among regions were statistically significant and were inversely related to both the level and placement of capital investment\(^\text{14}\). More broadly, Timothy Bartik saw a relationship

\(^{13}\text{Ady 1997.}\)

\(^{14}\text{Papke 1987.}\)
between tax rates at the state and local level and employment growth. He asserted that a 10% increase in taxes would cause a decline in jobs of 3.3% in the long run.\(^{15}\)

On the other hand, Russell Hanson found that “incentives have marginal, if any, influence on business location decisions”\(^{16}\), and others have concurred. According to Schweke, “Incentives are not good development policy. In using them to attract businesses, we waste scarce public dollars but do not create any net new jobs in the vast majority of cases. (In other words, it may decide where the jobs are created but not whether the jobs are generated.) In effect, we are subsidizing the shareholders of these companies for economic actions they would usually have taken anyway.”\(^{17}\) (parentheses in original)

The situation is similar for the question of job retention. Wiewel says, “Research on relocating firms points to space constraints and ownership of existing facilities as the most important determinants of moving. In most cases, expanding firms are constrained from staying in the city by the difficulties of assembling land, environmental problems, or other externalities.”\(^{18}\)

Blair’s conclusion about tax incentives is probably the best summary of the various opinions: “…it would be imprudent to ignore taxes as one of the important factors that influence the industrial development of regions. Nevertheless, the preponderance of evidence shows that state and local tax policies alone will do little to change the economic fortune of regions.”\(^{19}\)

As these few examples illustrate, different authors draw different conclusions from the available evidence. Among others, Bartik has pointed out that “equally competent” studies on this topic produce “widely divergent” and “fragile” results. The disagreement among academics is reflected in practice. Some evidence of this is available in the ambiguous findings of a 1993 Deloitte & Touche study of economic development practitioners in which 49 percent “believed that jurisdictions would be better off with no

\(^{15}\) Bartik 1992.
\(^{16}\) Hanson 1992.
\(^{17}\) Schweke 1996.
\(^{18}\) Wiewel 1994.
\(^{19}\) Blair 1995.
incentives. However, in the same survey 63 percent of the practitioners responded that communities without incentives are competitively disadvantaged. The efficacy of tax incentives for economic development purposes is largely a matter of opinion.

These differences of opinion originate in a few major places. One is the difficulty of operationalizing the variables to study. Herbert Rubin has described economic development as an “inherently ambiguous” concept, and this ambiguity is evident when looking for endpoints to study. Broad variables such as overall growth and employment levels don’t work because they don’t have adequate comparisons, and there are too many other factors that can influence them to separate the effect from tax policy. Many studies end up using self-reported data such as the number of jobs created for lack of other variables. Even then, job creation figures are dubious, because it is difficult to tell when a job was actually ‘created’ and when it would have just appeared elsewhere.

The issue of whether a job was really created or if it was only relocated is a problem of defining the area to be studied. Similar problems arise when defining the population under consideration. Tax incentives are not only criticized as transfers from taxpayers to corporations, but their benefits are also thought to accrue to new workers that are attracted to a place for the new jobs, rather than the people who lived there already. An example of this is a study by Bartik, which showed that for each 100 jobs created, the distribution would be as follows: “6 or 7 to local residents who would otherwise be unemployed, 16 to local residents who would otherwise be out of the labor force, and 77 or 78 in-migrants”.

Tax incentives, as well as other development policies, also vary by region and industry. While some industries may require very particular locational factors such as access to transportation, a highly qualified labor force (or conversely, a very inexpensive labor force), others have greater consideration for the quality of life of the area, in order to attract employees for whom this is important. Even worse, if the importance of tax incentives is a matter of opinion for academics and practitioners of economic development,

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20 As reported in Sheldon 1994.
22 As accounted by Accordin 1994.
it is probably even more so for the executives who make investment and location decisions. For some, a marginal effect on the bottom line may be important. Others may be picky about their ideas of what a "business climate" should be like. Given this subjectivity, a good question for localities faced with competition in business incentives would be, 'For what kinds of firms is a small difference in taxation an issue, and are these the kinds of firms we want to attract?'

Even with all this uncertainty, there are some things that are fairly clear. One is that taxation matters more within regions than across regions. In a meta-analysis of empirical studies, Wasylenko estimates an interregional elasticity of -0.2 and at least -0.8 intraregionally\(^\text{23}\). This is intuitive, considering that tax rates show more variation within than across states, especially in the case of property taxes, which are the most frequent candidates for abatement\(^\text{24}\). Ady confirms these findings in his account of how location decisions are made. A detailed estimate of overall tax burden is usually not even made, he says, until the mostly likely region for location has been identified. "The only case where taxes along could sway a location decision is a company relocation within a city or metropolitan area, where labor, transportation, and utility costs are consistent. Then tax variations, and frequently occupancy costs, can be the final determinant"\(^\text{25}\).

However, even here there is not consensus. Schmenner, for example, found that, when relocating, firms that stayed within a 20 mile radius more often chose a site where the taxes were at least as high as where they left, while firms that moved over 20 miles "generally select lower tax locations"\(^\text{26}\).

One more interesting finding is particularly relevant to this research. As might be expected, corporate profit tax levels are more important in capital-intensive industries\(^\text{27}\).

\(^{23}\) Wasylenko 1997.
\(^{24}\) Charnley 1983.
\(^{25}\) Ady, 1997.
\(^{26}\) Schmenner 1982.
\(^{27}\) Bartik 1984.
Why do they matter?
Perhaps one of the best reasons we still care so much about tax incentives, despite the sketchy evidence that they are useful, is simply that we can see them. Blair says taxation may receive more attention than its due because it is measurable\textsuperscript{28}. While it doesn’t clearly doesn’t have a dramatic effect on the bottom line, it is quantifiable, and numbers can make it seem dramatic, when considered next to more important, but less tangible, factors.

Blair goes on to describe a second reason: that taxation is also a large part of the ‘business climate’, which is a much more “slippery” concept. The business climate is largely subjective, both in definition and in the weight given it. It could be considered a collection of factors that add to the impression of the State’s good will to businesses, or a heuristic device used by executives to guess what kinds of policies the State might enact toward business in the future. What these decision makers really need to know is the certainty of their financial position, which is crucial in making long-term plans, and the business climate is often the tool they use to estimate this position.

Ady’s account of location decisions also indicates that tax rates are used more often as symbols of less tangible factors than for their real value. At the initial stages of screening locations, “…if any state is not reasonably competitive with the others based upon …general tax inputs, it will probably be eliminated”, he reports. That is, if one state has a corporate tax levy that is a few points or more above the others, it “may be eliminated, even though actual corporate income taxes for the project have not been calculated.” Swanstrom aptly characterized this attitude, when he called tax breaks for businesses “symbolic reassurances” from local governments\textsuperscript{29}.

Margaret Dewar has offered another theory to explain the persistence of tax incentives as economic development policy. Politicians, she says, benefit from the ability to claim responsibility for high-profile plant births and expansions and the jobs they bring, so they have a strong motivation to offer incentives to enhance their own political power\textsuperscript{30}. The

\textsuperscript{28} Blair 1995.
\textsuperscript{29} Swanstrom 1985.
\textsuperscript{30} Dewar 1998.
same problems that make these claims hard to verify also make them hard to refute, and politicians are allowed to get away with their dubious claims. Schweke elaborates that in comparison to sounder methods of improving the economy such as investments in education, tax deals provide more benefit to the politician, because “the benefits of success can happen during an elected official’s term, while the additional costs and downside risks may occur later during another political administration”

Activism in corporate subsidies
Business incentives have become an activist issue. Here is a list, compiled by Sheldon, of the most commonly cited reasons that writers and activists oppose corporate subsidies:

- They make little or no difference to location decisions
- They are unfair and inequitable – they shift the community’s fiscal burdens to other taxpayers and/or contribute to a decline in service levels.
- They subsidize competitors, giving the recipient an unfair advantage
- They penalize small businesses
- They are upwardly redistributive: benefits primarily accrue to corporations, their owners, and their managers.
- Practitioners wrongly push incentives, due to the nature of their jobs. To make it look like they’re producing something concrete, they include taxation factors where they don’t belong.
- Governments shouldn’t be picking and choosing businesses to subsidize, they should make their jurisdiction as attractive as possible to all kinds of business.
- Location consultants are becoming bounty hunters – their pay has been known to be linked to the dollar amount of the package they can deliver.
- The system favors business over workers and taxpayers
- Incentives are symbolic politics – they have little real value, and are used by politicians for their own image.

Prominent among activists around the issue of corporate subsidies is Greg LeRoy of Good Jobs First!, a project of the Washington, D.C.-based Institute on Taxation and

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31 Schweke 1996.
Economic Policy. LeRoy advocates limiting incentives to those that are connected with a specific return, such as job creation or retention, a net tax increase to the state, or multiplier effects to the economy.

LeRoy outlines several actions that can be taken to make subsidies more accountable to government and taxpayers\textsuperscript{33}. First and foremost is the provision of disclosure laws. The basic knowledge of how much is being spent on incentives, as well as who benefits, has been almost universally unavailable, if not to government, to the citizens. Smart disclosure laws allow the first step to accountability – transparency – and they allow an independent analysis of what the state is buying for taxpayers’ money. Also along these lines is his call for public participation in the creation of subsidies: some have suggested that citizens should vote on large subsidy deals, or that they should have substantial representation on the boards that oversee and dispense incentive money.

Several of LeRoy’s other proposals would create eligibility requirements for businesses to receive subsidies, and penalties if they violate these requirements. Requirements include job creation guarantees, advance notice of plant closings, job quality (wages, benefits, etc), environmental protection, and targeted hiring, for example to distressed regions. Enforcement would mostly take the form of “clawback” provisions: firms that do not meet these requirements would be required to pay back the amount of the government subsidy, plus interest. Further, firms that have a history of failing to live up to an agreement could be barred from further incentives, and firms would not be allowed to use the incentives to move jobs from one area to another.

LeRoy is not alone: new community groups have been organized around this issue. Citizen organizations working on these issues include the Minnesota Alliance for Progressive Action\textsuperscript{34}, and Connecticut’s Citizens for Economic Opportunity\textsuperscript{35}. Maine also has activists working to change the laws governing incentives, including the Maine Citizen Leadership Fund and the Maine Center for Economic Policy\textsuperscript{36}.

\textsuperscript{33} LeRoy 1997.
\textsuperscript{34} Smith 1999.
\textsuperscript{35} Wong 1999
\textsuperscript{36} Washuk 1999
As these activists win such accountability measures, opportunities arise to examine the costs and benefits of state subsidies to corporations. Minnesota, for example, was one of the first states to introduce very strong disclosure and reporting laws. Their reporting law allowed the Institute on Taxation and Economic Policy to analyze data on subsidies given by cities and towns to induce firms to locate, expand, or stay there. Their report uncovered 38 subsidies where the cost to the state per job created exceeded $100,000. In addition, the jobs “created” with state subsidies paid lower wages than the average job in Minnesota. The report was widely criticized as partisan, and one of the strongest arguments against it was that the per-job cost figures were distorted by a detail in the law. To be eligible for subsidies, businesses must claim that they created at least one new job. When firms did not know how many jobs to attribute to the subsidy, they were instructed to report one job, to comply with this requirement. When included in the overall analysis, these one-job reporters drove up the subsidy-per-job figure. However, it would be a reasonable criticism to dispute this reporting detail. If a firm cannot demonstrate how many jobs they created, they could be considered to have failed to meet the eligibility requirement.

Maine’s new disclosure law invited a similar analysis. Marc Breslow recently completed an analysis using the data collected through the new disclosure law. In it, he found that jobs created in 1998 cost the state $36,000 each, averaged across the seven subsidy categories. Broken down by category, however, tax credit programs cost $269,000 per job, while programs for job training cost only $2,300 per job created. Additionally, he found that while subsidized firms grew in terms of employment, they did so at a slower rate than Maine employment overall. The figures were 2.1% and 2.7%, respectively.

Like the Minnesota study, Breslow’s work on subsidies in the State of Maine was criticized by proponents of the programs. The general complaint was the narrow focus of the study, that is, he focused on the cost per job created, without attempting to account for jobs retained, or the even less tangible benefits of greater cost-competitiveness of Maine’s firms, and the overall business climate. A program administrator also

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37 LeRoy 1999.
38 Isaacson 2000.
complained that some of the unimpressive results, especially the low response rate, were
due to the reporting requirement being new and untested. In the 1999 reporting cycle, he
said, many of these problems had been improved.

**Maine’s Incentive programs**
The State of Maine’s web site boasts that “compared to many other states, Maine offers
more programs and resources to promote business growth, and is dedicated to bringing
technology and a strong infrastructure to the State.” The State programs that fall under
the reporting law are as follows:\(^{40}\):

- **Business Equipment Tax Rebate (BETR)** reimburses property taxes paid on new
  plants and equipment for 12 years. In 1996, approximately 30,000 firms were
  expected to file for the reimbursement\(^ {41}\). The program does not include office
  furniture. Businesses pay the local tax, and then file with Maine Revenue
  Services within 60 days of payment, to receive a reimbursement from the State.
  Cost in 1998: $23.7 million (61% of total).

- **Municipal Tax Increment Financing (MTIF, or TIF)** allows towns and cities to
  exempt property taxes for specific business for up to 30 years. The municipality
  may either issue bonds to finance the investment or pay the money directly to the
  company undertaking the investment. Designation of a TIF district requires a
  public hearing and a majority vote by the local legislative body. A company
  receiving a TIF can receive a refund on a local tax bill and then submit the same
  tax bill to the state for a second refund under BETR.\(^ {42}\) Cost in 1998: $9.5 million
  (24% of total).

- **Passed in response to concerns about corporate giveaways, Employment Tax**
  Increment Financing (ETIF) will reimburse income taxes to businesses hiring at
  least 15 new employees within a two-year period, up to half of each employee's
  state payroll withholding each year. To qualify, a business must pay the new
  workers a higher wage than the average income in that county and provide health
  and retirement benefits. The business will be reimbursed for 30%, 50%, or 75% of
  income tax withholdings from new qualified employees, depending on
  unemployment levels in the county. A company must also demonstrate that an
  ETIF is an essential element to making a project work\(^ {43}\). Cost in 1998: no firms
  received this subsidy in 1998.

- **Governor’s Training Initiative (GTI)** gives partial reimbursement for training
  costs related to expansion, retention, or upgrading of a business. Employees hired
  under this program must receive a wage of at least 85% of the average for that

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\(^{39}\) Breslow 1999.

\(^{40}\) Where not otherwise specified, details of incentives are from Breslow 1999.

\(^{41}\) Porter 1996.

\(^{42}\) Porter 1996.

\(^{43}\) Porter 1996.
occupation in the relevant labor market, and the business must pay at least 50% of health insurance costs. Firms with fewer than 25 employees of those in business for fewer than three years are exempt from this requirement. Cost in 1998: $2.5 million (6% of total)

- Jobs and Investment Tax Credit (JITC) provides a credit against state income taxes of 10% of the investment amount. To qualify, a business must create 100 jobs and invest in property worth $5 million over two years. Utilities are excluded and the size of the credit can vary, based on several factors. The benefit is capped at $500,000 annually, and participation in the program is limited to seven years. Jobs must pay higher wages than the average for the labor market area and must include health and retirement benefits. This cannot be used simultaneously with an ETIF. Cost in 1998: $1.7 million (1% of total).

- Maine Quality Centers (MQC) provide new or expanding firms free education and training to employees at the state’s Technical Colleges. Eligible firms must create at least eight new full-time jobs with benefits in the state. Cost in 1998: $1.6 million (4% of total).

- Research Expense Tax Credit (RETC) covers research expenses as defined by the IRS. To be eligible, these expenses must exceed the average research expenditure by the company during the prior three years. The tax credit is 5% of the increase in expenses, plus 7.5% of research payments to educational institutions. The credit is limited to the first $25,000 of tax, plus 75% of the tax over $25,000 per year, and unused credits can be carried forward for 15 years. Cost in 1998: $0.6 million (4% of total).

According to Jonathan Speros of KPMG Peat Marwick, a New England-based location assistance consulting firm, Maine is the 10th most expensive state in the nation in which to do business, but is the cheapest place in New England. In 1994, independent candidate Angus King won the election for Governor of Maine on the issues of improving the business climate and creating jobs in the state. Until then, he had been a successful businessman and radio show host, but this was his first race for public office. In 1999, the Portland Press Herald editorialized, “No issue defines Gov. King more than the Business Equipment Tax Reimbursement program.”

This program, known as BETR, was created in 1995 after a struggle between the new governor and the legislature over the two-year budget. While Maine had had business incentive programs for many years, including authorization for Municipal Tax Increment Financing (TIF) that dated from 1985, BETR soon became the largest of the State’s

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44 Porter 1996.
45 Editor (Portland Press Herald) 1999.
business incentive programs. Expenditures through the BETR program in 1998 were $23.7 million, and are projected to reach $68.5 million by 2003. Through the program, businesses can apply for a reimbursement of municipal property taxes on machinery and equipment for up to twelve years. Businesses pay the local tax as usual, and then apply to the State for reimbursement, within 60 days.

In the few years since its inception, the program has been the subject of rancorous debate, and has been the point at which proponents and opponents of state assistance to business have been organized around. Early in 1999, the Maine Chamber and Business Alliance issued a policy statement called “Where We Stand”, which urges the continuation of BETR. It reads, “The BETR program makes Maine a more attractive place for capital investment by removing the economic disincentive that municipal taxation of business machinery and equipment creates.” Soon after, an editorial in the Portland Press Herald that even if BETR causes a loss of jobs in the short run by mechanizing their work, it preserves and creates jobs in the long run by helping firms be more competitive. “The BETR program … stands strongly on macro-economic theory. When businesses invest in capital equipment, productivity rises, with pay and employment increasing in the overall economy.”

Predictably, not all opinion has been this positive, and the program’s most vocal opponents include members of the legislature. Rep. Elizabeth Townsend, D-Portland, co-chair of the Legislature’s Appropriations Committee, said of the program that she’d “like to see very clear documentation that is has produced jobs”, and committee member Judith Powers, D-Rockport, says her “concern is that it’s a train out of control.” Several measures have been introduced in the legislature to limit the BETR program, but no legislator has yet proposed eliminating it. The only significant change to the program, outside the reporting requirement, was to make public utilities ineligible for the program in 1997, reducing the cost of the program by 15%. Other proposals have included

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46 Quinn 1999.
47 Editor (Portland Press Herald) 1999
48 Carrier 1999.
49 Porter 1997.
limiting the term of reimbursement from twelve to three years\(^5\), and limiting the reimbursement amount to 90\% or 75\% (firms are currently reimbursed for 100\% of the amount of their tax). A proposal to disqualify certain sectors, such as retail trade, failed by a wide margin in the Senate.

Another proposal, which has also failed to pass so far, would eliminate the practice of “double-dipping”. Under the present system, businesses that negotiate TIF deals with local governments can receive reimbursement from the BETR program for the same taxes that are also being used to finance the TIF deal. Since BETR and TIF are the largest expenditures made on development incentives, this reform has the most support. Even Governor King, who has threatened to veto whole budgets if they contain changes to his pet projects\(^5\), has indicated that he might support this change. Still, it failed in the Senate by a vote of 27-6. As the BETR program grows, so do the TIF deals. In the early years of the program, relatively few TIFs were negotiated by local governments. But in recent years, the number has grown considerably – there were 37 in 1993, the year before Governor King’s election, and 118 in 1998, costing $9.5 million.

Gov King ran for reelection in 1998, again as an Independent, with opposition from all the major and minor parties. The Bangor Daily News printed statements from the candidates. Included was the question, “What would you do to bring jobs to Northern and Eastern Maine?” While his enthusiasm for business incentives was well known, it was not part of his campaign rhetoric:

“My first priority is jobs (throughout the state, not just in southern Maine), ones that pay more, have better benefits, and provide satisfaction, security, and opportunity for growth… Achieving my first priority will require a major restructuring of our educational system, with greater emphasis on research and development, economies in administration, more focused and less redundant curricula at the various campuses, better use of distance learning technology, development of a community college system around the university and tech colleges, better recruitment and retention. This is the key to achieving the breakthrough economic growth we seek.”\(^5\)

His answer to question about bringing jobs to Northern and Eastern Maine was,

“In the short term, we will continue to work with the area economic development organizations and do all the things that we’ve started – cut taxes, streamline regulations,

\(^5\)Ibid.
\(^5\)Turcotte 1999 (2).
lower Workers’ Compensation costs, protect the environment, etc. In the long term, the key is investment in R&D and better education. If we do this, the new jobs with better pay and benefits will follow.”53

After Governor King’s reelection, an editorial in Bangor Daily News said, “Maine is not, as BETR’s staunchest supporters claim, one of only a few states that taxes business equipment – it is one of 39. And BETR is not, as detractors say, the only such program not tied to performance measures in economic development. Thirty states have programs like BETR. Not all reimburse so much for so long, but none effectively ensure that benefits extend beyond the business’s bottom line.”54

A Maine Sunday Telegram poll around 1996 showed that 51% of state residents polled “favored lowering taxes on businesses so that companies will earn more money and hire more people; 68 percent of those surveyed favored giving tax breaks to businesses paying above average wages.”55

An argument from the business community is that economic development and taxation policy needs to be consistent56. If the incentive is to make business equipment affordable for businesses, they have to know how long they’ll be receiving the subsidy. In fact, the business community has rallied to the cause of BETR. An employee of the Mead paper company distributed “BETR Works” stickers to people attending a hearing about limitations on subsidies57.

In August of 1999, Great Northern Paper mills in Millinocket and East Millinocket were sold by Botwater Inc of South Carolina to Inexcon of Quebec for $250 million. The new owners said they would cut between 200 and 225 jobs58. The year before, GNP had received $417,904 in investments, leveraging $25,183,816 in capital investments and $2,997,543 in training investments, according to self-reported data. GNP’s parent company had announced about March 1998 that it was selling the Millinocket mill, but

53 Ibid.
54 Editor (Bangor Daily News) 1999 (1).
56 Hall 1999.
57 Turcotte 1999 (1).
58 Lagasse 1999 (2).
would invest $200 million in the E. Millinocket\textsuperscript{59}. Unions tried without success to buy the Millinocket mill. GNP collected the incentive, and eventually both mills were sold. The new ownership said they have plans to invest $100 million for new paper machines, $20 million in the power system, and $20 million for a new satellite plant, to employ 3-5 people\textsuperscript{60}. Also, they said most of the predicted layoffs had come through retirements.

\textsuperscript{59} Adams 1999.
\textsuperscript{60} Lagasse 1999 (1).
Chapter 3: Data Analysis

A few results are evident from this cursory investigation into the intended results of Maine’s business incentives programs. The first is to create jobs in the state, and secondarily to retain jobs. The second is to create employment in the economically distressed counties in the North and East of the state, that is, away from the more urban Southern coast. And finally, while not explicit in statute or rhetoric, the design of these programs clearly indicates an intention to target investments in the manufacturing sector. This chapter will evaluate how well the incentives are meeting these goals.

What Maine Bought

Following the analysis Breslow has already conducted on these data, this section will elaborate on the levels of job creation and retention Maine taxpayers got for their money. My calculations are substantially different from Breslow’s numbers, largely because I have tried to include job retention in the equation, as well as money spent with no creation or retention claim at all, but also in that my figures are based on total employment levels, while he used only full time jobs. Since no information about how many hours were involved in part-time jobs was reported, it was not possible to give them their proper weight in these calculations. To solve this problem, Breslow decided to leave part time jobs out of his calculations, while I have counted them equally with full time jobs. This should not in itself create dramatic differences in our numbers, since only a small number of the job creation and retention claims involved part time jobs.

Overall, the State of Maine spent $13,313,042 on the 122 firms included in this data set. As a whole, these businesses claimed to have created 517 jobs, and retained 5,036 more. The average cost to the state was $2,397 per job. However, firms with errors on their reporting forms (those that were excluded from this analysis) were about one third of those who returned disclosure forms, but they were the recipients of almost two thirds of the money spent by the state. Altogether, $22,252,683 was paid to the 66 firms that provided inadequate data for analysis.
Of the 122 firms that returned reporting forms, 82 did not claim any job creation or retention at all. These firms accounted for $7,305,611 of incentives. The firms receiving incentives reported a total of 517 jobs created. Total money spent on creation was $1,654,837, averaging $3,201 per job. Likewise, firms receiving incentives reported 5,036 jobs retained. Total money spent on retention was $4,352,593, averaging $864 per job. While these figures are low, it should be noted that they do not include the expense of over seven million dollars, which was not associated with any job creation or retention claim at all, and that this was the largest category of incentive money.

To break up subsidy amounts by jobs retained and created, I added all the jobs created and retained by each company and divided these by the total subsidy received by that company to get a crude measure of the money spent on each job. While creation and retention may be more or less valuable depending on the observer, there is no objective criterion to value them by, so I weighted them equally. I then calculated figures for the total amount spent on job creation and retention for each firm, by multiplying the per-job
figure for that firm by the number of jobs created and/or retained. Finally, by summing the total figures spent on creation and the total figures spent on retention, and dividing these by total number of jobs created and retained, respectively, I arrived at the average per-job creation and retention price tags stated above. Again, it should be noted that these figures also include part time jobs, in part because no information is available about these jobs that would allow me to weight them properly. (But this shouldn’t make much difference – 5026 of 5036 jobs retained were full time, and 514 of 517 jobs created were full time).

The highest cost per job created or retained was Specialty Minerals, which received a subsidy of $36,435 for each of eight jobs it claimed to have created. C.M. Almy was not far behind, at $35,153 for each of 3 created and 5 it claims to have retained. $35,000 is a significant level, since, as Breslow reports, “two federal agencies, the Department of Housing and Urban Development and the Small Business Administration, have a limit of $35,000 per job”. However, this limit is the cap for the lifetime of the subsidy, and here we are looking at annual figures. If the federal standard were applied to these subsidies, many more would be ineligible. Overall, the largest subsidy of the 122 went to Fraser Papers, which received $1,060,000. The National Semiconductor deal, referred to in the introduction, was excluded from this analysis because of reporting errors, as were several of the larger deals.

A better comparison would be to look at what the firm said would happen to employment “but for” the assistance from the State. I constructed categories of “but for” scenarios by subtracting job creation and retention claims from actual 1998 employment. Those firms that had zero employment in 1997 but not 1998 were classified as Startups. Those whose “but for” employment figure was larger than or equal to their actual 1997 employment were judged as firms that would have increased employment even without the subsidy (the subsidy would then be considered to have added additional employees), and those with “but for” employment less than 1997 levels were considered likely to have lost employment. Of these, a few attributed all of 1998 employment to creation or retention due to the subsidy, and those were classified as likely to have shut down without
assistance from the state. The figures that follow make use of these constructed categories.

Table 1 shows a more detailed breakdown of how Maine's business incentive spending was used. Altogether, 2% of the money was spent for startups, 17% to avert shutdowns, and 44% to preserve jobs that might have been lost. However, 37% of the money went to firms that, by their own figures, estimated that they would have added employment anyway, although not as much as with the subsidy.

Table 1: Summary of Incentive Spending and Effects, by “But For” categories

<table>
<thead>
<tr>
<th>“But For” Category</th>
<th>Number of firms</th>
<th>Total Money Spent</th>
<th>Money spent on creation</th>
<th>Jobs created</th>
<th>Cost per job created</th>
<th>Money spent on retention</th>
<th>Jobs retained</th>
<th>Cost per job retained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Startups</td>
<td>2</td>
<td>$208,215</td>
<td>$32,900</td>
<td>35</td>
<td>$5,009</td>
<td>$0</td>
<td>0</td>
<td>n/a</td>
</tr>
<tr>
<td>Would have increased or stayed the same</td>
<td>68</td>
<td>$4,970,122</td>
<td>$3,848,717</td>
<td>226</td>
<td>$4,309</td>
<td>$147,597</td>
<td>39</td>
<td>$3,785</td>
</tr>
<tr>
<td>Would have decreased</td>
<td>45</td>
<td>$5,834,687</td>
<td>$3,412,186</td>
<td>256</td>
<td>$1,975</td>
<td>$1,916,787</td>
<td>788</td>
<td>$2,432</td>
</tr>
<tr>
<td>Would have closed</td>
<td>7</td>
<td>$2,300,018</td>
<td>$11,808</td>
<td>0</td>
<td>0</td>
<td>$2,288,210</td>
<td>4209</td>
<td>$544</td>
</tr>
<tr>
<td>TOTAL</td>
<td>122</td>
<td>$13,313,042</td>
<td>$7,305,611</td>
<td>517</td>
<td>$3,201</td>
<td>$4,352,594</td>
<td>5,036</td>
<td>$864</td>
</tr>
</tbody>
</table>

Source: Author’s calculations from Maine Economic Development Incentive Report data

Using these more detailed figures, it is possible to break down each of the three broad categories of spending: money spent on creation, money spent on retention, and money not associated with a creation or retention claim, by their “but for” categories. The following pie charts show how each of the three broad spending categories breaks down.
Of the $7.3 million spent on firms that did not associate the money with any employment gains or retention, 53% went to those businesses that added employment in 1998, and 47% to those that lost employment. (Since in this category there were no claims about the subsidy assisting in job creation or retention, actual 1998 employment levels were equal to the “but for” employment level.) Money spent on creation totaled $1.7 million, with 58% of this being used by firms that would have added employment anyway to increase the hiring of new employees. 31% was spent on firms that otherwise would have lost employment, and 11% of this money was used for job creation at startup companies. Finally, the category of money spent on job retention breaks down into 44% spent on retaining employment that might have disappeared, 3% spent on retention claims by firms that would have kept all their jobs, and 53% used to retain jobs that could have been loss to a plant closure.
This chart shows a break down of the number of jobs created and retained by the “but for” categories explained above. What is remarkable is that, although relatively few firms (7) claimed that they would have closed without the subsidy from the state, employment in those firms accounts for the vast majority of jobs retained overall. Specifically, 4,209 of the 5,036 jobs that firms say were retained as a result of development incentives (84%) would have been lost due to plant closures, if the retention claims are correct. The dollar amount of cost per job retained overall is very low ($864), but it falls even lower if we consider only those jobs preserved due to averted closures ($561). It is helpful that, although these claims are dramatic, impending plant closures are probably easier to verify than disinvestment, which accounts for most of the rest of the retention category.
In fact, cost-per-job figures vary considerably depending on whether we mean jobs created or retained, as well as on the “but for” category the subsidized firm falls into.

This graph shows cost per job figures for all these classifications. As stated above, the overall cost per job created is just over $3,000 each, and the cost per job retained is under $1,000. Jobs at startups were the most expensive, at $5,000 each. In terms of both creation and retention, additional employment added at firms that would have expanded anyway was relatively expensive, and jobs created and retained that were facing disinvestments were relatively cheap. Based on these numbers, jobs retained at firms facing closure were a bargain.

**Where Maine’s incentives went**

The second objective was to bring jobs to Maine’s less prosperous counties. The following chart shows how many jobs were created in each county, in relation to the 1996 unemployment rate in that county. The distribution does not indicate a relationship.
between the unemployment rate and the number of jobs being created in the county, although most of the jobs created and retained (73%) were located outside the southern coastal counties.

**Figure 5: Distribution by County of Jobs Created and Retained**

![Graph showing distribution of jobs created and retained by county.]

Source: Author’s calculations from Maine Economic Development Incentive Report data

This does not necessarily mean that investment was concentrated in these counties. Including all subsidized firms, there does not seem to be a relationship between economic distress (measured by unemployment) and the level of investment directed to firms in the county. In this case, total subsidies were adjusted to reflect the population density of the county, as more populous areas could be expected to have greater concentrations of economic activity.
Generally, the southern coastal counties, York, Cumberland, Sagadahoc, Lincoln, Knox, Waldo, and Hancock, tend to have low unemployment. Here they range from 3% to 6%. The “rim” counties, Oxford, Franklin, Somerset, Piscataquis, Aroostook, and Washington, tend to have higher unemployment, from 6% to 10%, with the centrally located counties of Androscoggin, Kennebec, and Penobscot falling in the middle. The figure above shows per-capita expenditure on business incentives for all of Maine’s counties. Even though the southern counties had low unemployment rates, just as much expenditure on business subsidies was concentrated there as in the northern counties, some of which have very high rates of unemployment. The major outlier is Cumberand County, where National Semiconductor is located.

While investment in businesses does not seem to be concentrated in the remote counties, job creation does. Job creation and retention also seems slightly more cost-effective.
outside the southern counties. Per-job costs were $2,849 in these more prosperous counties, and $2,256 in the rest of the state.

There are reasons for concentrating development in Maine’s more urban areas (the coast and south), and reasons for spreading development around the state. Rural areas have lower per capita income and higher rates of unemployment, so may be logical targets for development. However, Maine’s wilderness and agricultural land can be considered a valuable asset that needs preservation, and encouraging development in remote areas can be expensive. State Economist Laurie Lachance estimates that expansion into rural and suburban areas is costing taxpayers $50-75 million per year in “redundant” infrastructure and services.\(^{61}\)

**Which Industries Maine supported**

**Growing or Declining Industries?**

Figure 7: Incentive Spending on Growing and Declining Industries

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\(^{61}\) Lachance 2000.
Businesses completing the reporting form were asked to provide their two-digit SIC code. One of the simplest ways to get at the “but for” question is to compare each business to others in its industrial classification. To this end, 1998 growth rates were calculated for the US and for the State of Maine. Two growth figures were calculated for each firm: actual change in employment from 1997 to 1998 (year end figures), and what the change would have been, if the both the firm’s retention and creation claims had been true. That is, I subtracted from 1998 employment the number of jobs the firm claimed would not have been created, as well as those they said would have been lost.

I first determined how much money was being spent on firms in industries that were already showing positive growth in the State. 39 firms fell into this category, and total expenditure on these deals was $7,085,709 (average total subsidy of about $182,000), compared to 76 firms in declining industries, which received $6,010,310, or just over $79,000 each. (Some firms did not provide accurate SIC codes, so were excluded from this part of the analysis.)

I also calculated these numbers based on relative growth rates for the State of Maine. In this case, industries that were growing at a faster rate, or declining at a slower rate, than the US were classified as “growing”, and all others were classified as “declining”. Using this relative measure, 72 deals were made in growing industries, using $9,361,024 (about $130,000 each), and 44 in declining industries, totaling $3,754,462 ($85,000 each).
While not an explicit goal of Maine’s overall development strategy, the structure of the incentive programs creates a *de facto* targeting of the Manufacturing sector. Even though manufacturing only accounts for 19% of Maine’s total employment, 74% of the subsidies granted by these programs went to firms in this classification. This is largely due to the nature of the largest programs, which reimburse firms for part of the cost of machinery and equipment, which tend to be larger costs in capital-intensive industries. In the case of TIF deals, part of the reason could also be that municipalities are more likely to negotiate deals with firms in manufacturing, as these are popular jobs and often have union supporters among their advocates.
Within the manufacturing sector, the story is slightly different. The paper industry received the lion’s share of development expenditures. Although this is in fact Maine’s largest manufacturing sub-sector, only 17% of manufacturing employment is in paper, while the industry received 42% of the subsidies received by manufacturers. Few industries received a greater percentage of expenditures in manufacturing than their employment share would warrant; in addition to paper, they included textiles, apparel, Rubber & Plastics, and Stone, Clay & Glass. Again, this outcome may not have been the explicit goal of the program, but could be the result of structural factors built into the programs’ design, as paper is both a capital-intensive industry, and one with considerable political clout.
Chapter 4: Conclusions and Recommendations

While the unreliability of these data make generalizations flimsy at best, it does appear that Maine’s business incentives are at least consistent with the stated and unstated goals of the program. If the reported figures for job creation and retention are at all accurate, the state is getting a good deal on many of these jobs, with the exception of several more extravagant deals, in the case of those deals which involved creation or retention. The programs have indeed concentrated job creation and retention in counties outside the more prosperous southern coast. In addition, the design of the program has resulted in concentrated investment in manufacturing, particularly the paper industry.

On the other hand, the state is spending most of its business incentive money on firms who either did not comply at all with the disclosure law, or who provided such poor numbers that they had to be excluded from this analysis. The largest category of incentive spending was that which was not associated with any job creation or retention. In addition, the job creation numbers outside the southern coast seems almost accidental, although it could be explained by relatively higher property tax rates, a higher concentration of manufacturing employment, or perhaps the greater willingness of local officials to strike deals over taxes. And finally, the concentration of investment in manufacturing, especially paper, needs to be evaluated for its public purpose by asking to what extent this strategy is consistent with the overall economic development plan for the state, and to what extent there is a consensus around this targeted spending. It is at best a clever way to target investment toward one of Maine’s most important industries, and at worst, a clever way to subsidize a powerful group of large corporations.

If these data reflect the true effects of development incentive spending in Maine, some implications can be drawn in relation to the literature on this subject. While much attention has been paid to the relationship between taxation and job growth, there is not much information about taxation and retention. These numbers show that Maine’s tax incentives should be categorized as a job retention program, in contradiction to the rhetoric around this issue, and to the emphasis of the literature.
Clearly, this research has not been a complete analysis of the State of Maine’s business incentive programs. Much work is left to be done, particularly in the area of verifying business’ claims of jobs created and retained. The data used in this analysis have been fairly poor, due largely to the many errors contained in the data set, apparently because of the respondents’ misunderstanding of the questions. In short, there are several ways both reporting and analysis can be improved, to inform those who develop strategy for business incentives, as well as the people who pay for them.

Further Research
The only sets information currently provided to assess whether responders’ job creation and retention claims are true are the actual employment numbers at the beginning and end of the year, and the responses to a vague question on the reporting form. In the absence, these two things could be used to create a more accurate picture of retention and creation. While I have excluded from my analysis any data that does not make sense mathematically, those numbers could also be sent back to the firm for clarification. Further, answers to the qualitative questions may provide some insight, although since the question was not phrased to elicit evidence of impending job losses or other information about the “but for” question, it is unlikely that this work would provide convincing results.

Additional research could be conducted to collect better information about the “but for” question. Survey responders could be interviewed and/or surveyed to provide more direct answers about what their firm would have done without the subsidy. It would also be important to find out how often the survey is completed by the actual decision maker, or at least someone who would be aware of the firm’s strategic plans and investment decisions. If this is not the person answering the survey, it would be extremely useful to interview these people and check their answers against those of the respondent.

Still, these suggestions still suffer from the flaw of relying on self-reported data. This is a dangerous decision to make, since the firms involved have a fairly clear motive for exaggerating their claims. It may be possible to obtain more objective measures of what might have happened to the firm without the subsidy. In this respect, the literature
around early warning signs of plant closings may be informative. Among the suggestions contained there are to investigate building permits, and interviewing workers about clues to possible disinvestments. Since so many of the jobs that were claimed to have been retained were at firms claiming an imminent closure, these early warning signs may be especially informative.

**Reporting Requirements**

As this was the first attempt to disclose how Maine’s development incentive money was spent, this analysis can in part be considered a test of how well the new disclosure law has been drafted and implemented.

Improvements need to be made to the method of reporting of firm-level data if Maine’s new disclosure is to be useful. These data were based on the first year of data collection under the new program, and so it might be expected that problems would arise. State officials are aware of many of the problems around reporting, and are taking some steps to improve it. For example, the questionnaire for 1999 was redesigned, with instructions printed on the reporting form, under each question, instead of on a separate sheet. State officials were also better prepared this time around for the logistics of collecting information. This year, it is known how many firms should respond to the questionnaire, and people are available to follow up with non-responders. In addition, the system of taking questions about the forms has been decentralized to government officials who are more familiar with individual programs, which should improve the quality of information. However, any changes to be made to the questions themselves would require an act of the legislature, which mandated the content of the questionnaire by statute.

Questions on the disclosure form should at least be more explicit about the job retention claim, and ask for some kind of evidence. At the least, space should be provided for responders to explain their numbers, until a survey is designed that is more readily understandable to the respondents. If at all possible, analysis of the State’s business incentives should not rely on self-reported data at all. With some coordination among
jurisdictions, a database could be developed to provide objective insight into “but for” questions, using data such as building permits, loan guarantees, and taxation.

Since these incentive programs have turned out to be primarily effective in job retention, it might be wise to link them to other industrial retention programs currently operating in the State. Not only might this improve the effectiveness of both approaches to retention, but programs like Industrial Extension offices might already have data sufficient to substitute for self-reported information provided on the disclosure forms.

While some attempt is made to discover how much impact the incentives had on employment levels, the survey design prevents us from extracting useful information, in some cases. For example, each firm reports the dollar value of the subsidy received under each of the seven programs. However, job retention and creation questions, as well as the more qualitative “Where would you be” question, do not ask the responder to attribute effects to any particular programs. This is a significant problem for evaluating programs individually, as many firms received money from more than one program, and it is impossible to tell which program had an effect on employment. Further, while these seven programs all relate to taxation, they vary fairly considerably in nature. While most reward investments in equipment, others focus on job training and research and development investment.

Many of those who responded to the questionnaire complained that this extra requirement was burdensome. Others said that it was too difficult to determine employment levels and subsidies received on the basis of calendar years, as this information was easier to find by fiscal year. These complaints can be collapsed with the solution of reporting the subsidy at the time of application.

**Targeted Incentives**

This paper is not meant to outline an economic development strategy for the State of Maine. Therefore, I won’t give much discussion to how the State’s incentives should be targeted. But it is clear that Maine’s spending on development incentives has been fairly haphazard. Since incentive policies are designed by the legislature, not by the economic
development agency, they are not likely to be part of a guiding economic development strategy. While the subsidies discussed in this paper do seem to be consistent with conventional economic development goals, the method for creating them does not ensure that this will always be so.

Some structural peculiarities about Maine’s system have resulted in targeting of certain industries. While not a stated goal of the program, BETR and TIF have concentrated incentives in the manufacturing sector, with the overwhelming majority of the money going to the capital-intensive paper industry. However, also due to the structure of the program, this incentive is available to any firm, and there are no good ways to objectively measure what Maine bought for the money. The self-reported data are dubious, and there is no reason for reporters not to inflate their job creation and retention claim, and no easy way to verify them. The structure sets up a *de facto* strategy of industrial retention. This is probably a popular goal, but they need to be more explicit about it, debate it, and consider alternative or complementary goals and strategies.

One proposal to change the BETR program is to make the retail sector ineligible for its benefits. This may be a good target for reform, particularly if the retail sector is not one that Mainers believe is a good target for subsidies. Excluding the retail sector from eligibility for incentives from the state would reduce total spending by 17%.

**Accountability Measures**
Accountability measures are twofold: to create standards that firms must meet to qualify for incentives, and to create appropriate penalties for those firms that break their agreements with the state. Both these accountability standards require significant public involvement, through a process that allows citizens to participate directly in decision-making. The current state of the problem demonstrates that leaving decision making to elected officials leads to problematic results. We have seen that politicians have an incentive to make costly deals with private firms, for the sake of the public relations opportunities they create. Additionally, the system of public finance, which allows monied business interests to buy “access” to public officials and otherwise influence,
their election (and re-election) is an ongoing problem that interferes with elected representatives acting in the best interest of their constituency.

States and localities are having difficulties implementing effective accountability measures. Minnesota, the forerunner in making development incentives accountable to voters, enacted legislation in 1996 that said, in order to receive money from a local government, a firm must show that a loss of jobs was “imminent and demonstrable”. However, no money was allocated to evaluate these claims, so the law went largely unenforced. In 1998, the legislation was changed to read “significant and demonstrable”. This language, as well as the original language, is so vague that State administrators were unable to provide a working definition of its meaning.

The citizens of the State of Maine should decide whether they want their tax money to pay for development incentives in the form of tax breaks for corporations. Government needs to disclose enough information for the public to make informed decisions, and to facilitate their participation in the process. But short of federal legislation to regulate or ban subsidies, even an informed, engaged citizenry will be forced into bad decisions against their better judgment, allowing the war between the states to continue.


Porter, John W. “The Allure of Business; Gov. King has made good on promises to preserve jobs by giving businesses incentives to operate in Maine. Some say he’s wasting the State’s money”, Portland Press Herald, July 2, 1996.


Smith, Dane, “Group calls tax breaks for business too costly”, Minnesota Star Tribune, Feb 11, 1999


Washuk, Bonnie, “Reporting Requirements Ignored: Companies get breaks, state agency takes heat”, Lewiston Sun Journal, Sep 10, 1999


Appendix A: Maine’s Disclosure Law

Article 6
Return on Public Investment From Economic Development Incentives (HEADING: PL 1997, c. 761, §2 (new))

5 § 13070-J. Employer reporting associated with eligibility for public subsidies and incentives (CONTAINS TEXT WITH VARYING EFFECTIVE DATES)

(WHOLE SECTION TEXT EFFECTIVE UNTIL 10/1/01)

1. Definitions. As used in this article, unless the context otherwise indicates, the following terms have the following meanings.


B. "Commissioner" means the Commissioner of Economic and Community Development. [1997, c. 761, §2 (new)].

C. "Department" means the Department of Economic and Community Development. [1997, c. 761, §2 (new)].

D. "Economic development incentive" means:

(1) Assistance from Maine Quality Centers under Title 20-A, chapter 431-A;

(2) The Governor's Training Initiative Program under Title 26, chapter 25, subchapter IV;

(3) Municipal tax increment financing under Title 30-A, chapter 207;

(4) The jobs and investment tax credit under Title 36, section 5215;

(5) The research expense tax credit under Title 36, section 5219-K;

(6) Reimbursement for taxes paid on certain business property under Title 36, chapter 915; or

(7) Employment tax increment financing under Title 36, chapter 917. [1997, c. 761, §2 (new)].

2. Disclosure. Each applicant for an economic development incentive described in subsection 1, paragraph D, subparagraphs (1) to (4) and (7) shall at a minimum identify in writing:

A. The public purpose that will be served by the employer through use of the economic development incentive and the specific uses to which the benefits will be put; and [1997, c. 761, §2 (new)].

B. The goals of the employer for the number, type and wage levels of jobs to be created or retained as a result of the economic development incentive received. [1997, c. 761, §2 (new)].

Applications filed under this subsection are public records for purposes of Title 1, chapter 13. [1997, c. 761, §2 (new)].

3. Report. Annually, an employer receiving an economic development incentive, the value of which exceeds $10,000 in one year, shall submit a written report to the commissioner containing but not limited to the following information:
A. The amount of assistance received by the employer in the preceding year from each economic development incentive and the uses to which that assistance has been put; [1997, c. 761, §2 (new).]

B. The total amount of assistance received from all economic assistance programs; [1997, c. 761, §2 (new).]

C. The number, type and wage level of jobs created or retained as a result of an economic development incentive; [1997, c. 761, §2 (new).]

D. Current employment levels for the employer for all operations within the State, the number of employees in each job classification and the average wages and benefits for each classification; [1997, c. 761, §2 (new).]

E. Any changes in employment levels that have occurred over the preceding year; and [1997, c. 761, §2 (new).]

F. An assessment of how the employer has performed with respect to the public purpose identified in subsection 2, paragraph A, if applicable. [1997, c. 761, §2 (new).]

Reports filed under this subsection are public records for purposes of Title 1, chapter 13. [1997, c. 761, §2 (new).]

4. Agency reports. The following agencies shall submit the following reports.

A. The State Tax Assessor shall submit a report by May 1st of 1999 and each odd-numbered year thereafter to the Legislature and the commission identifying the amount of public funds spent and the amount of revenues foregone as the result of economic development incentives. The report must identify the amount of the economic development incentives under the jurisdiction of the Bureau of Revenue Services received by each employer to the extent permitted under Title 36, section 191 and other provisions of law concerning the confidentiality of information. [1997, c. 761, §2 (new).]

B. The Commissioner of Labor shall report by May 1st annually to the Legislature and the commission on the amount of public funds spent on workforce development and training programs directly benefiting businesses in the State. The report must identify the amount of economic development incentives under the jurisdiction of the Department of Labor received by each employer and the public benefit resulting from those economic development incentives. [1997, c. 761, §2 (new).]

C. The Maine Technical College System shall report by May 1st annually to the Legislature and the commission on the amount of public funds spent on job training programs directly benefiting businesses in the State. The report must identify the amount of economic development incentives under the jurisdiction of the system received by each employer and the public benefit resulting from those economic development incentives. [1997, c. 761, §2 (new).]

D. The department shall report by May 1st annually to the Legislature and the commission on the amount of public funds spent for the direct benefit of businesses in the State under municipal tax increment financing, employment tax increment financing and the Governor's training initiative. The report must identify the amount of economic development incentives under the jurisdiction of the department received by each employer and the public benefit resulting from those economic development incentives. [1997, c. 761, §2 (new).]

[1997, c. 761, §2 (new).]

6. Rules. Rules adopted by the commissioner under this section are routine technical rules as defined in chapter 375, subchapter II-A. [1997, c. 761, §2 (new).]

05 §13070-J
Employer reporting associated with eligibility for public subsidies and incentives

(WHOLE SECTION TEXT REPEALED 10/1/01 by T. 5, §13070-M)

Section History:
1997, c. 761, § 2 (NEW).

5 § 13070-K. Economic development incentive contract (CONTAINS TEXT WITH VARYING EFFECTIVE DATES)

(WHOLE SECTION TEXT EFFECTIVE UNTIL 10/1/01)

If the commissioner enters into a contractual relationship with an employer regarding the provision of an economic development incentive in return for the employer's agreement to locate, expand or retain its facilities in the State, that contract must contain a statement of the State's expected public benefit from its investment of public funds. 1997, c. 761, §2 (new).

5 § 13070-L. Economic Development Incentive Commission (CONTAINS TEXT WITH VARYING EFFECTIVE DATES)

(WHOLE SECTION TEXT EFFECTIVE UNTIL 10/1/01)

The Economic Development Incentive Commission, established in section 12004-I, subsection 6-E is created to review and advise the commissioner and the Legislature on public benefits derived from economic development incentives provided to employers. 1997, c. 761, §2 (new).

1. Membership. The commission consists of 11 members appointed as follows:

A. Two members of the Senate appointed by the President of the Senate, at least one of whom is a member of the minority party; [1997, c. 761, §2 (new).]

B. Two members of the House of Representatives appointed by the Speaker of the House, at least one of whom is a member of the minority party; [1997, c. 761, §2 (new).]

C. The commissioner, or the commissioner's designee, appointed by the Governor; [1997, c. 761, §2 (new).]

D. The State Tax Assessor, or the State Tax Assessor's designee, appointed by the Governor; and [1997, c. 761, §2 (new).]

E. Five members of the public, appointed as follows: one member by the President of the Senate; one member by the Speaker of the House; and 3 members by the Governor. [1997, c. 761, §2 (new).]

2. Appointments; first meeting. Appointments of the first members of the commission must be made by August 1, 1998. The State Tax Assessor or the State Tax Assessor's designee shall convene the first meeting of the commission by September 30, 1998.

[1997, c. 761, §2 (new).]
3. Terms; vacancies. Terms of the 5 public members are for 3 years, except that for those members first appointed, terms expire on October 1, 2001. Vacancies must be filled for the remainder of the term in the same manner as the original appointment. Nonpublic members serve at the pleasure of the appointing authority or until their term of office or employment that qualified them for appointment ends. A quorum of the commission is 6 members and the affirmative vote of at least 6 members of the commission is necessary to conduct business. Each year the members shall select a chair from among the members.

[1997, c. 761, §2 (new).]

4. Duties. The commission has the following duties:

A. Gathering information pertaining to economic development incentives provided in the State and analyzing the effectiveness of those incentives relative to alternative public investment opportunities; [1997, c. 761, §2 (new).]

B. Making recommendations to the commissioner on additional economic development incentives that should be included in section 13070-J, subsection 1; [1997, c. 761, §2 (new).]

C. Examining and making recommendations to the Legislature concerning whether economic development incentives are being used by employers to relocate employees outside the State or to encourage intercommunity competition for development projects; [1997, c. 761, §2 (new).]

D. Reviewing every 2 years economic development incentives provided to employers including the effect of all business-related grants, subsidies, tax exemptions, tax credits and tax abatements made under state law on the aggregate number of jobs created, the cost to taxpayers per job created and the wages paid in those jobs; and making recommendations to the Legislature concerning the public benefit to be gained and the feasibility of applying the wage and benefit standards of Title 36, chapter 917 to other economic development incentives; [1997, c. 761, §2 (new).]

E. Reporting biannually to the Legislature, the Governor and the commissioner on the rate of return to the State on its economic development incentives as determined by the commission; and [1997, c. 761, §2 (new).]

F. Examining whether economic incentive programs inhibit competition or provide preferential treatment to private employers and making recommendations to the Governor and the Legislature for improvement in the purpose, award criteria, administration, accountability and enforcement of economic development incentive programs. [1997, c. 761, §2 (new).]

[1997, c. 761, §2 (new).]

5. Staffing. The Bureau of Revenue Services shall provide staff assistance to the commission.

[1997, c. 761, §2 (new).]

05 §13070-L

Economic Development Incentive Commission

(WHOLE SECTION TEXT REPEALED 10/1/01 by T. 5, §13070-M)

Section History:
1997, c. 761, §2 (NEW).

5 § 13070-M. Repeal (CONTAINS TEXT WITH VARYING EFFECTIVE DATES)

(WHOLE SECTION TEXT EFFECTIVE UNTIL 10/1/01)

This article is repealed October 1, 2001. 1997, c. 761, §2 (new).]
05 §13070-M

Repeal
(WHOLE SECTION TEXT REPEALED 10/1/01 by T. 5, §13070-M)

Section History:
1997, c. 761, § 2 (NEW).

5 § 13070-N. Maine Technology Institute Director

1. Appointment. The Governor shall appoint, using a full and competitive search process and after giving proper consideration to the qualifications in subsection 3, a full-time Maine Technology Institute Director, referred to in this section as the "director," subject to review by the joint standing committee or joint select committee of the Legislature having jurisdiction over research and development matters and to confirmation by the Legislature, who serves at the pleasure of the Governor. The director shall report to the commissioner in the execution of the director's responsibilities.

[1999, c. 401, Pt. AAA, §2 (new).]

2. Duties. The director serves as the president of the Maine Technology Institute upon confirmation by the institute's board of directors. The director shall oversee activities of the institute and has the duties and responsibilities provided in chapter 407.

[1999, c. 401, Pt. AAA, §2 (new).]

3. Qualifications. The director must have demonstrated experience in the management of organizations that innovate, commercialize and deploy technology and expertise in integrating technology commercialization and deployment with economic development.

[1999, c. 401, Pt. AAA, §2 (new).]

Section History:
1999, c. 401, § AAA2 (NEW).
Appendix B: 1998 Disclosure Form with Instructions

### A. EMPLOYER INFORMATION

<table>
<thead>
<tr>
<th>1. Employer Name:</th>
<th>2. Contact Person:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Street Address:</td>
<td>4. Municipality:</td>
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<tr>
<td>5. County:</td>
<td>6. State:</td>
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<tr>
<td>7. Zip Code:</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>8. SIC Code:</td>
<td>9. Phone:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>10. Fax:</td>
<td>11. E-Mail:</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Relocation: Yes □ No</td>
<td>13. Previous Address:</td>
</tr>
<tr>
<td>□</td>
<td></td>
</tr>
<tr>
<td>14. Parent Company Name &amp; State:</td>
<td></td>
</tr>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

### B. TYPE AND AMOUNT OF ASSISTANCE (PLUS TOTAL INVESTMENT)

<table>
<thead>
<tr>
<th>Program</th>
<th>Rank</th>
<th>Amount</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Employment Tax Increment Financing</td>
<td>$</td>
<td>RE,ME,TR,DS,O T</td>
<td></td>
</tr>
<tr>
<td>3. Governor's Training Initiative</td>
<td>$</td>
<td>RE,ME,TR,DS,O T</td>
<td></td>
</tr>
<tr>
<td>4. Jobs Investment Tax Credit</td>
<td>$</td>
<td>RE,ME,TR,DS,O T</td>
<td></td>
</tr>
<tr>
<td>5. Maine Quality Centers</td>
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<td>RE,ME,TR,DS,O T</td>
<td></td>
</tr>
<tr>
<td>6. Research Expense Tax Credit</td>
<td>$</td>
<td>RE,ME,TR,DS,O T</td>
<td></td>
</tr>
<tr>
<td>7. Tax Increment Financing</td>
<td>$</td>
<td>RE,ME,TR,DS,O T</td>
<td></td>
</tr>
<tr>
<td>8. Total Incentives</td>
<td>$</td>
<td>RE,ME,TR,DS,O T</td>
<td></td>
</tr>
<tr>
<td>9. Total Capital Investment: $</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Total Training Investment: $</td>
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</tr>
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### C. JOBS CREATED (ATTRIBUTABLE TO RECEIPT OF INCENTIVE)

<table>
<thead>
<tr>
<th>Occupational Cluster</th>
<th>Full-time</th>
<th>Part-time</th>
<th>Wage Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Executive, Administrative &amp; Managerial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Professional Specialty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Technicians &amp; Related Support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Marketing &amp; Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

51
<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>5.</td>
<td>Administrative Support, including Clerical</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Service</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Agriculture, Forestry &amp; Fishing</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Mechanics, Installers &amp; Repairers</td>
<td>$</td>
<td></td>
<td></td>
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<tr>
<td>9.</td>
<td>Construction Trades &amp; Extractive</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Production</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Transportation &amp; Material Moving</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Handlers, Equip. Cleaners, Helpers &amp; Lab’rs</td>
<td>$</td>
<td></td>
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</tr>
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</table>

**D. JOBS RETAINED (ATTRIBUTABLE TO RECEIPT OF INCENTIVE)**

<table>
<thead>
<tr>
<th>Occupational Cluster</th>
<th>Full-time</th>
<th>Part-time</th>
<th>Wage Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive, Administrative &amp; Managerial</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Specialty</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technicians &amp; Related Support</td>
<td>$</td>
<td></td>
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</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>$</td>
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<tr>
<td>Administrative Support, including Clerical</td>
<td>$</td>
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</tr>
<tr>
<td>Service</td>
<td>$</td>
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<tr>
<td>Mechanics, Installers &amp; Repairers</td>
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<tr>
<td>Construction Trades &amp; Extractive</td>
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<tr>
<td>Production</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; Material Moving</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Handlers, Equip. Cleaners, Helpers &amp; Lab’rs</td>
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<td></td>
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</table>

**E. CURRENT EMPLOYMENT (NOT JUST INCENTIVE-RELATED, BUT ALL MAINE EMPLOYEES)**

<table>
<thead>
<tr>
<th>Occupational Cluster</th>
<th>FT</th>
<th>PT</th>
<th>Wage Level</th>
<th>Benefits</th>
<th>Avg Pct</th>
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</thead>
<tbody>
<tr>
<td>Exec., Admin. &amp; Managerial</td>
<td>$</td>
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<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Professional Specialty</td>
<td>$</td>
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<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Technicians &amp; Related Support</td>
<td>$</td>
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<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>$</td>
<td></td>
<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Admin. Support, incl. Clerical</td>
<td>$</td>
<td></td>
<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Service</td>
<td>$</td>
<td></td>
<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Agriculture, Forestry &amp; Fishing</td>
<td>$</td>
<td></td>
<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Mech., Installers &amp; Repairers</td>
<td>$</td>
<td></td>
<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Construction Trades &amp; Extractive</td>
<td>$</td>
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<td>$</td>
<td>C D H R</td>
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<tr>
<td>Production</td>
<td>$</td>
<td></td>
<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Transportation &amp; Mater’l Moving</td>
<td>$</td>
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<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
<tr>
<td>Handlers, E/C, Helpers &amp; Lab’rs</td>
<td>$</td>
<td></td>
<td>$</td>
<td>C D H R</td>
<td>%</td>
</tr>
</tbody>
</table>
### F. Employment Changes

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Full-time</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Number of Employees on December 31, 1998</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2. Number of Employees on December 31, 1997</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Employment Level Change</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
G. PUBLIC PURPOSE ASSESSMENT (IF APPLICABLE) & EMPLOYER FEEDBACK

1. Answer #1 only if you applied for an incentive after July 16, 1998. What public purpose was identified on your incentive application? How has your company performed with respect to the public purpose you identified? Feel free to use the other side as additional sheet; identify question as G1.

2. Where would your company be if these incentives were not available to you? Which incentives provided the most benefit to your company? Why? How could incentives be improved? Feel free to use the other side as additional sheet; identify question as G2.

H. CERTIFICATIONS

I certify that the information contained in this report is an accurate account of the activities related to my company's participation in state economic development incentive programs.

1. Name:

2. Title:

3. Signature:

4. Date:
1998 ECONOMIC DEVELOPMENT INCENTIVE REPORT INSTRUCTIONS

(NOTE: to be completed only by companies that received more than $10,000 during calendar 1998 from at least one of the seven economic development incentive programs referenced in the new reporting statute – 5 MRSA §13070-J)

INSTRUCTIONS

A. **Employer Information.** Please provide the information as requested for each line item. For #3, please provide your permanent street or rural route address, not P.O. Box number. For #8, please list your 4-digit SIC code. For #12, please note if you have re-located to your current address during 1998. If “yes,” for #13, please provide the permanent street or rural route address, not P.O. Box number, of your previous location. For #14, please note the name and state (or country) of your parent company (if applicable).

B. **Type and Amount of Assistance.** Please check the box of any incentive program that provided you more than $10,000 in 1998. Then check the box of any other program that provided you funds in 1998. Next, rank order (1 through 7) the program that was of greatest benefit to your company in 1998 (1=greatest). Then fill in the dollar amount of assistance you received from each respective program (round to whole dollars). Finally, circle (all that apply) the use of the funds e.g. real estate purchase (RE), machinery & equipment acquisition (ME), training costs (TR), debt service payments (DS), or other (OT). For #9, please enter the **total** capital investment you made in Maine facilities in 1998 (add your private investment to your state incentive). For #10, please enter the **total** training investment you made in Maine employees in 1998 (again, add your private investment to your state incentive).

C. **Jobs Created (Attributable to Receipt of Incentive).** Please list the number, type and wage level of jobs created as a result of the economic development incentive(s). NOTE: For this report, “full-time” employment means 30 hours or more; “part-time” employment means less than 30 hours. “Wage level” means the average annual wage paid for jobs created within an occupational cluster, e.g. either their annual salary, or their hourly wage times their annual hours. Also, “type” means “occupational cluster” which refers to the 12 categories defined below. Please include the number of your employees (both full-time and part-time) working within the category that most closely reflects their job duties.

D. **Jobs Retained (Attributable to Receipt of Incentive).** Please list the number, type and wage level of jobs retained as a result of the economic development incentive(s). Part D should be completed using all definitions in Part C.

E. **Current Employment (Not Just Incentive-Related, But All Maine Employees).** Please provide information on all your employees working in Maine on December 31, 1998 (either combine multiple locations on this sheet,
or submit separate location sheets, depending on your record-keeping). Use the definitions in paragraph C above for occupational cluster, full-time, part-time, and wage level. In addition, please circle the appropriate letter(s) for all benefits provided, as follows: cafeteria plan (C), i.e., a range of options; or, dental insurance (D); health insurance (H); and retirement program (R). Then list the total employer-paid benefit package as a percentage of the annual wage in the “average percentage” column.

F. Employment Changes. Please list the total, full-time and part-time Maine employment levels in your company on December 31, 1998, and December 31, 1997. Subtract the 1997 figures from the 1998 figures to determine the change in employment level.

G. Public Purpose Assessment (if Applicable) & Employer Feedback. Please answer question 1 only if you applied for an incentive after July 16, 1998. Use question 2 to provide information regarding your company’s status had incentives not been available. In addition, feel free to elaborate on the rankings you provided in part B by explaining why programs were beneficial. Finally, please describe ways that incentives could be improved.

H. Certifications. Please have your company official authorized to do so, sign and date the certifications section, attesting to the accuracy of information provided.

OCCUPATIONAL CLUSTERS
(for use in completing Parts C, D & E)

1. Executive, administrative and managerial. Workers in executive, administrative and managerial occupations establish policies, make plans, determine staffing requirements, and direct the activities of businesses and other organizations. Workers in management support occupations, such as accountant and auditor or underwriter, provide technical assistance to managers.

2. Professional specialty. This group includes engineers; architects and surveyors; computer, mathematical, and operations research occupations; life, physical, and social scientists; lawyers and judges; social, recreational, and religious workers; teachers, librarians, and counselors; health diagnosing, assessment, and treating occupations; and communications, visual arts, and performing arts occupations.
3. **Technicians and related support.** This group includes health technologists and technicians, engineering and science technicians, computer programmers, tool programmers, aircraft pilots, air traffic controllers, paralegals, broadcast technicians, and library technicians.

4. **Marketing and sales.** Workers in this group sell goods and services, purchase commodities and property for resale, and stimulate consumer interest.

5. **Administrative support, including clerical.** Workers in this group prepare and record memos, letters, and reports; collect accounts; gather and distribute information; operate office machines; and handle other administrative tasks.

6. **Service.** This group includes a wide range of workers in protective, food and beverage preparation, health, personal, private household, and cleaning and building services.

7. **Agriculture, forestry and fishing.** Workers in these occupations cultivate plants, breed and raise animals, and catch fish.

8. **Mechanics, installers, and repairers.** Workers in this group adjust, maintain, and repair automobiles, industrial equipment, computers, and many other types of machinery.

9. **Construction trades and extractive.** Workers in this group construct, alter, and maintain buildings and other structures or operate drilling and mining equipment.

10. **Production.** These workers set up, adjust, operate, and tend machinery and/or use handtools and hand-held power tools to make goods and assemble products.

11. **Transportation and material moving.** Workers in this group operate the equipment used to move people and materials.

12. **Handlers, equipment cleaners, helpers, and laborers.** Workers in these occupations assist skilled workers and perform routine tasks.