

Dayton Daily News

Kasich approves more than \$240M packages to retain jobs

State's recent incentive deals raise questions about effectiveness, transparency, conflicts.

By [Laura A. Bischoff](#), Columbus Bureau
10:00 PM Saturday, October 8, 2011

COLUMBUS – As promised, Gov. John Kasich is pursuing job creation at every turn, but his biggest successes have involved offering packages of more than \$240 million in grants, loans and tax breaks to convince a handful of Ohio companies to sit tight or move just a few miles rather than pack up and leave the state.

The Kasich administration is in talks now with more companies that are threatening to leave Ohio: Cincinnati-based Chiquita Brands International and its 350 jobs are being courted by Charlotte, N.C., and Eastman Kodak is considering moving 500 jobs from Kettering's Miami Valley Research Park to either Indiana or New York.

In March, American Greetings landed a state incentive package worth \$93.5 million to abandon any notion of moving 2,000 jobs to Chicago and instead move its headquarters less than 15 miles, from Brooklyn to Westlake near Cleveland.

That same month, Kasich announced a \$17.4 million package for Bob Evans Restaurants to move its headquarters from the south side of Columbus to New Albany, an upscale suburb 18 miles away. The restaurant chain could have moved 150 jobs to Texas where it already owns property, the governor said. Instead, the headquarters will add 360 jobs and stay in Ohio, where founder Evans started making sausage for a 12-stool diner in Gallipolis in the 1940s.

And the Kasich administration gave a \$56 million package to Canton-based Diebold Corp. in April to convince the company's leaders to keep 1,900 workers in the Akron-Canton area. The ATM-maker was reportedly eyeing a move to North Carolina or Virginia.

Three deals alone – American Greetings, Diebold and Bob Evans – added up to \$166.9 million in incentive money to retain and create 4,410 jobs. It works out to be \$37,845 per job.

“We know that in (the Diebold) case in particular, they were within days of making a decision to move,” said JobsOhio Director Mark Kvamme, Kasich’s point man on jobs. “If we did not have the job retention tax credit that we put together for them, they would have moved, just like NCR. ... We could never risk Diebold leaving. We cannot afford another NCR.”

Efforts defended

The governor defends the incentive packages as judicious and necessary.

“First of all, with Diebold, they were leaving Ohio. We should be pleased that they’re staying. The same is true with American Greetings. We had the whole Legislature involved in that. First of all, you want to retain jobs. But we should also focus on the fact that Omnicare has just moved from Kentucky into Ohio. We will have another announcement of another company moving in,” Kasich said without naming the company.

Last month, Kasich announced an \$8 million package to move Omnicare and its 500 jobs from northern Kentucky to downtown Cincinnati; the jobs will be new to the state but not new to the region. (Omnicare used to be located in Cincinnati.)

Zach Schiller of Policy Matters Ohio, a left-leaning think tank based in Cleveland that studies economic development and job issues, said poaching companies from other states isn’t a good strategy.

“What it is likely to lead to is a race to the bottom because everybody will do it,” he said. Kasich said on Fox News that he is willing to poach.

“I was accused on the front page of the Cincinnati Enquirer by people in Kentucky about wanting to steal all their jobs. And guess what: they’re right,” Kasich told host Sean Hannity on Sept. 13. “I’m going to go everywhere I can in America to make Ohio work better.” The governor also said the state must pay attention to the jobs it already has.

Kasich said, “We have to make a determination as to what industries are critical to Ohio’s future. We think this investment (in Wilmington) is smart. Diebold, which is software and hardware, and keeps us from blowing a hole in the city of Canton, is really critical — after we lost NCR down in Dayton. And if anybody should understand the loss of a business, it’s Dayton. But, I have to tell you, we’re not going to get into a bidding war. If we think that there are other states that are plotting, and you’ve got somebody in between who’s driving up the price, at some point, we say no. And I’ve had to say no to a couple of people about things they wanted that we weren’t willing to give.”

Investment return

Kvamme said all but a handful of the 156 deals executed in the last eight months have “Return On Investment-positive” in the first year. That means the state will receive more money in taxes paid by the company than it is handing out in tax credits, loans, grants and other support.

But the public has to take Kvamme’s word for it that the deals are in the state taxpayers’ best interest, because documents detailing the taxes that companies pay are secret.

The Ohio Department of Development declined a public records request from the Dayton Daily News seeking copies of the ROI-analysis on half a dozen high-profile deals. The state considers those calculations proprietary.

This contradicts what Kasich told the Dayton Daily News in Wilmington on Tuesday during another job announcement:

“They’re not trade secrets. We release all the numbers. We’ll do that for you today. ... You’ll be able to tell exactly what the payrolls are going to be, exactly what the gains for the communities are, and exactly what we provided as an incentive. Frankly, this is the first time, I’m told, in the history of the state that people actually have ever looked at a return on investment. So we’re very pleased with where we are.”

And Ohio does not require companies threatening to move to show that they have concrete offers in hand from other states.

Greg LeRoy, executive director of the nonprofit Good Jobs First and author of a book critiquing economic incentive practices, said jurisdictions rarely nose around to get details of what other areas are offering for fear of being blacklisted by the site selection consultants that work for corporations.

“Typically we don’t come out and ask for an opposing letter from another state because quite frankly we don’t want to chase them off and find a better deal,” said Kristi Tanner, of JobsOhio. She added that once Ohio strikes a deal for tax credits or other incentives, “... they do have to attest to, they have to provide in writing, all the documentation, what other locations they’re looking at and why they’re attractive to them.”

Even the incentive offer from the state of Ohio isn’t publicly disclosed until all the details are

finalized.

Although the Diebold deal was announced in April, state officials declined to release the final offer to the ATM-maker, saying details were still being worked out.

Schiller said the economic development incentive deals need more transparency, not less. “We should not have to wait nine months to see what Ohio has given to a company. We should be able to see it immediately after so we can have some discussion about it,” Schiller said.

Expanded program

It is difficult to determine whether the pace of the Kasich administration’s tax incentive giving is ahead, behind or comparable to previous administrations because the records only recently became searchable online.

In the first nine months of Kasich’s term, Ohio authorized \$733.9 million in job tax credits for 44,659 jobs, which works out to \$16,433 per job. In the last nine months of Gov. Ted Strickland’s tenure in 2010, the state approved \$682.46 million in job tax credits for 29,304 jobs, which works out to \$23,289 per job.

The state Department of Development offers 44 different tax breaks, loans, grants and assistance programs to businesses.

Schiller, of Policy Matters, noted that the Strickland administration loosened the thresholds for when companies are eligible for the tax credits, and the Kasich administration has expanded the incentive programs available.

A report released in January 2011 by out-going Attorney General Richard Cordray recommended that Ohio do a better job of tracking whether promised jobs really materialize. The report said that hundreds of deals couldn’t be reviewed because of a lack of information, and more than 75 incentive deals showed substantial noncompliance.

Not all companies ask for tax credits, grants, loans or other help when they pledge to create jobs. Honda of America invested \$355 million in four Ohio manufacturing sites and added 100 new jobs, but didn’t receive, or request, any tax incentives.

During the 2010 campaign for governor, Kasich criticized Strickland for losing DHL and NCR and implied that the Ohio Department of Development suffered from a lack of leadership because the Strickland administration had three development directors in five

months in 2009. But now Kasich has had his own turn over in the development director job, with four people holding the post in less than a year.

Kasich is shifting job creation efforts to the new nonprofit, JobsOhio, and in July named a high-powered board of directors that includes chief executives of companies that received state incentive offers just three months earlier: Marathon Petroleum in Findlay and Bob Evans Farms in Columbus.

Janetta King of Innovation Ohio, a liberal think tank based in Columbus, called it “an absolute inherent conflict of interest” that Steven Davis of Bob Evans and Gary Heminger of Marathon are on the JobsOhio board while their companies continue to receive state money.

“We need to maintain the existing transparency. We need to improve it further so Ohioans can feel confident that economic development is being done in a way that is productive and helpful,” Schiller said.

Kvamme and Tanner said they couldn’t think of any big losses that Ohio has sustained since Kasich became governor.

Although the state hasn’t taken any body blows the likes of an NCR Corp. or DHL departure, state records show 48 companies have given public notice of impending layoffs for 7,239 workers through the Worker Adjustment Retraining Notification Act, and the state’s unemployment rate crept up in each of the last three months. About 536,000 Ohioans, or 9.1 percent, are looking currently for work.

Staff writer John Nolan contributed to this report.

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