

**Economic Development Subsidies in Maine:  
Modest Job Gains at High Cost**

*Marc Breslow, Ph.D.  
December 15, 1999*

COMMONWEALTH INSTITUTE  
CAMBRIDGE, MASSACHUSETTS

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**By Marc Breslow, Ph.D.**

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# ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST

## EXECUTIVE SUMMARY

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In 1998, corporations in Maine received close to \$40 million in public assistance under the state's six major state economic development programs. Due to new reporting requirements, detailed information on each company and program is now available. This report analyzes the 1998 information on subsidy amounts and employment changes. While further study is needed to develop a complete analysis, the initial findings reveal some troubling trends. The report finds that two tax subsidy programs dominate the spending, but that these programs are associated with few new jobs, at a very high cost per job.

### Study Results at a Glance

- **Maine taxpayers spent \$40 million on corporate subsidies in 1998.**
- **167 companies filed reports accounting for \$33 million of that money.**
- **Subsidized firms added 941 full-time jobs, but lagged behind state growth rates.**
- **The largest tax credits cost taxpayers \$269,000 per job added in 1998, almost seven times the federal government's \$35,000 limit on what economic development programs should cost.**
- **The major tax credits were more than 100 times more expensive than job training programs, which cost only \$2,300 per job added.**
- **There was no relationship between the size of subsidies received and the amount of job gain or loss – as subsidies rose, job gains did not.**
- **Programs with standards performed much better than those without standards.**

**High and growing cost of subsidies.** Close to \$40 million of taxpayer funds went into six state economic development subsidy programs in 1998. The Business Equipment Tax Reimbursement (BETR) program dominates spending. It has grown rapidly from \$4.8 million in Fiscal 97 to \$26.9 million in 1999, and is projected to reach \$68.5 million in 2003.

**Mixed job creation results.** Subsidized firms added a total of 941 full-time jobs in 1998. However, of the companies reporting, 43 percent either lost jobs or had no change in employment, despite receiving a total of \$13.7 million in subsidies in 1998. Approximately 58 subsidized companies lost full-time jobs during 1998, 13 had no change, and 96 companies showed gains. The net result was an average cost of \$36,000 per job created in 1998, slightly higher than the generally accepted cost standard for the lifetime of a subsidy.

**Job growth at subsidized firms 22% lower than the state average.** While overall employment (full and part time) in Maine rose 2.7% in 1998, employment at subsidized firms rose only 2.1%. Although subsidized firms had 14% of all employees in Maine,<sup>1</sup> their job growth accounted for less than 10% of the state's 15,000 person overall increase during 1998.

**Tax credits yield few jobs at exceptionally high cost per job.** The larger tax break programs, BETR and Tax Increment Financing (TIF), which accounted for three-quarters of total costs to taxpayers, were associated with a net gain of only 95 new full-time jobs, at the enormous cost of \$269,000 per job in 1998 – 7.7 times the federal government’s \$35,000 limit on what job creation should cost over the lifetime of a subsidy. As Maine’s tax credits are an annual cost that continues for many years,<sup>2</sup> their lifetime cost per job may be far higher.

**Job Training programs yield low cost per job.** Two training programs – the Governor’s Training Initiative (GTI) and the Maine Quality Centers (MQC) – account for less than 5% of the dollar value of subsidies reported, or \$1.5 million, but yielded substantial employment gains. The 26 companies receiving 90% or more of their funding from GTI, MQC, or a combination of the two, showed full-time employment gains of 644 jobs, for a cost of \$2,300 per job in 1998 – less than 1% of the cost of jobs created by the major tax credit programs.

<b>Dominant funding source</b>	<b>Total subsidies</b>	<b>Full-time job gain</b>	<b>Subsidy cost per job gained</b>
Major tax credits (BETR, TIF)	\$25.6 million	95	\$269,000
Job training (GTI, MQC)	\$ 1.5 million	644	\$ 2,300

*Note: Each line includes those companies which received more than 90% of their subsidies from the programs listed. See the full report for details.*

**Expensive deals.** The 1998 data shows an enormous variation in costs per job created among subsidized firms. Several large companies lost jobs in 1998 despite receiving more than \$1 million in subsidies, and last year’s cost per job at National Semiconductor exceeded \$135,000.

**No relation between subsidy size and job creation.** A statistical analysis shows that there was no relationship between the size of the public subsidy received by a company and the number of jobs that it gained or lost.

**Programs with standards do better.** The programs most closely associated with employment gains are those which are already required under state law to create or retain jobs – job training programs and one small tax credit program, the Jobs and Investment Tax Credit (JITC).

**Policy implications.** These results strongly suggest the need for additional review and reform of Maine’s economic development programs. The larger tax credits – BETR and TIF – appear to provide an inadequate rate of return for the state’s taxpayers as measured by job growth. State policy makers should consider adopting policy reforms that improve program effectiveness by conditioning assistance on attainment of specific job creation targets, and by setting reasonable per-job cost limits.

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## I. Introduction

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Maine's government, like that in many other states, has taken an active role in trying to expand employment in the state. One way it has done so is through a variety of programs designed to subsidize the costs of operation for businesses in the state, either through tax breaks or through government-sponsored job training programs. Over the years, these programs, especially the tax breaks, have grown significantly in number and cost.

The largest of these tax programs – Business Equipment Property Tax Reimbursement (BETR) – provided \$23.7 million in assistance to Maine corporations in 1998. This was a dramatic rise of 493% from its level just two years earlier of \$4.8 million. The program is projected to keep growing rapidly and reach \$68.5 million by 2003. Another program, Municipal Tax Increment Financing, has also expanded greatly in recent years. While the program has existed since 1985, the number of TIF districts has soared from 37 in 1993 to 118 in 1998.

With this rapid increase in spending, it seems essential to evaluate the effectiveness of the programs and determine what benefits are accruing to workers and taxpayers from this public investment. While often “invisible” to state citizens, the loss of revenue that results from tax credits and other subsidies drains needed tax dollars away from other vital government services, such as education. For example, the \$40 million that went to seven programs covered by the reporting law in 1998 could have paid the salaries of about 1,100 new teachers.

Until recently, surprisingly little information has been available about these subsidy programs. Basic information, such as how much public money is being spent on economic development assistance, which companies are receiving assistance, and changes in employment at the companies were not available to legislators or the public. Moreover, little information has been available to the public concerning the quality of any jobs that are being created with subsidies – whether they are permanent or temporary, what the wages are, and what fringe benefits are provided to workers.

To address this problem, the state legislature passed a disclosure bill in 1998, entitled “An Act to Encourage Accountability and Return on Investment for Maine Taxpayers from Economic Development Incentives.” It requires state agencies and companies receiving assistance from the state's seven major economic development programs to provide detailed information on expenditures, job growth, wages, and benefits. The requirements include:

- 1. Agency Reports:** By May 1, 1999 four state agencies – Department of Economic and Community Development (DECD), Maine Department of Labor (MDOL), Maine Revenue Services (MRS), and the Maine Technical College System (MTCS) – were required to provide a list of *all* subsidy recipients and the amount of money provided to each recipient for the programs under the agency's jurisdiction.
- 2. Company Reports:** In addition, companies which receive more than \$10,000 per year in state subsidies are required to file reports which detail the types and amounts of subsidies received, actual changes in employment, the number of jobs retained and created due to the subsidies, and detailed information on wages paid and benefits provided to employees.

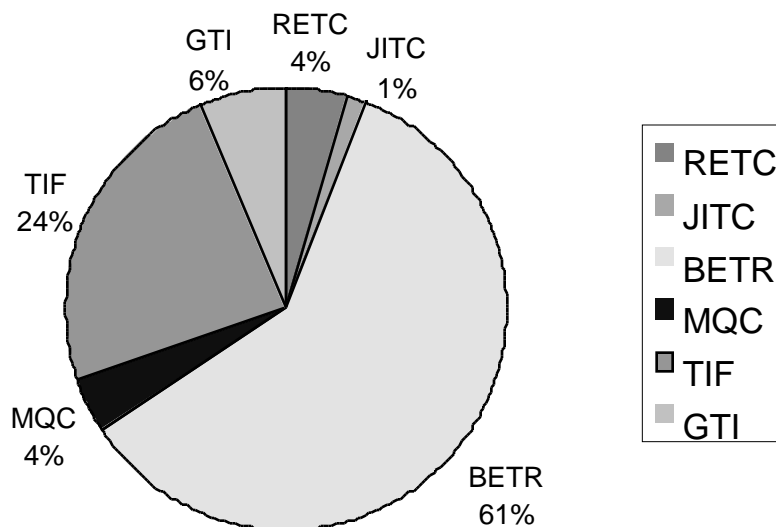
## II. Total Program Costs

According to agency reports, \$39.6 million was spent under six covered programs in 1998 (a seventh program, Employment Tax Increment Financing, was not utilized by any company during the year). Three-fifths of the total money came from the Business Equipment Tax Reimbursement (BETR), with another quarter coming from the other major tax break, Municipal Tax Increment Financing (TIF). Four other programs contributed 6% or less each to the total. Two of these are also tax breaks, the Jobs and Investment Tax Credit (JITC) and the Research Expense Tax Credit (RETC), with two others being job training programs, the Governor's Training Initiative (GTI) and the Maine Quality Centers (MQC). The seven tax break and subsidy programs, their administering agencies, and spending in 1998 are given in the table below. Brief descriptions of the programs, including the conditions for eligibility, are contained in Appendix B.

**Table 1: Programs covered by reporting law, administering agencies, spending in 1998**

Program	Administering Agency	Spending (\$ millions)
<b>Tax Breaks</b>		
Business Equipment Property Tax Reimbursement (BETR)	MRS	\$23.7
Municipal Tax Increment Financing (TIF)	DECD	\$9.5
Jobs and Investment Tax Credit (JITC)	MRS	\$1.7
Research Expense Tax Credit (RETC)	MRS	\$0.6
Employment Tax Increment Financing (ETIF)	DECD	<u>\$0.0</u>
	<b>Subtotal</b>	<b>\$35.5</b>
<b>Job Training</b>		
Governor's Training Initiative (GTI)	MDOL, DECD	\$2.5
Maine Quality Centers (MQC)	MTCS	<u>\$1.6</u>
	<b>Subtotal</b>	<b>\$4.1</b>
<b>Overall total (tax breaks and job training) \$39.6</b>		

**Figure 1: Economic Development Subsidies 1998**



### III. Reporting by Companies

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By November 15, 1999, approximately 187 companies had filed reports with DECD, but 20 of these contained no or inadequate employment data, leaving 167 firms that provided full employment information. We estimate that about 117 companies failed to file reports, so that 55% of the total number of companies (304) filed reports containing sufficient employment data to include them in our analysis. Companies that reported fully accounted for \$33 million in public subsidies, while non-reporters accounted for \$6.5 million. Thus, about 84% of total spending is accounted for in the reports filed. So, while the rate of reporting by subsidized companies remains inadequate, the vast majority of state funds are covered by the reports.<sup>3</sup>

**Table 2: Percent of Companies and Dollars Reported, by Program**

Program	Number of recipient firms	Number of firms reporting	% of firms reporting	Total subsidies (\$millions)	Subsidies reported	% of subsidies reported
BETR	170	136	80%	\$23.7	\$20.3	86%
TIF	45	38	84%	\$ 9.5	\$ 9.0	96%
JITC	12	2	17%	\$ 1.7	\$ 0.5	30%
RETC	10	3	30%	\$ 0.6	\$ 1.1	N/A
GTI	68	38	56%	\$ 2.5	\$ 2.2	89%
MQC	46	17	37%	\$ 1.6	\$ 0.8	51%

*Notes: The sum of companies under individual programs exceeds the total, due to overlap, as many companies received multiple subsidies. Agency reports from MRS for the JITC and RETC were for 1996, so the numbers are not up to date. That may explain why the total funds spent for RETC are lower than those reported by the companies, and is why the “% of subsidies reported” column has been left blank in this case.*



## IV. Overall Employment Impacts and Cost Per Job

### A. Subsidized companies report modest employment gains

Taken as a whole, the 167 companies that fully reported their employment levels and changes under the seven state programs showed only a modest gain in jobs. Altogether, the companies indicated that their number of full-time employees rose by approximately 941 during 1998, while total employment, including part-timers, rose by 1,431.<sup>4</sup> Approximately 58 companies lost full-time jobs from the beginning to the end of 1998, 13 companies had no change in employment, and 96 companies had gains in employment – meaning that 43% of subsidized companies either had job losses or no gain (see Appendix E for data on individual companies).

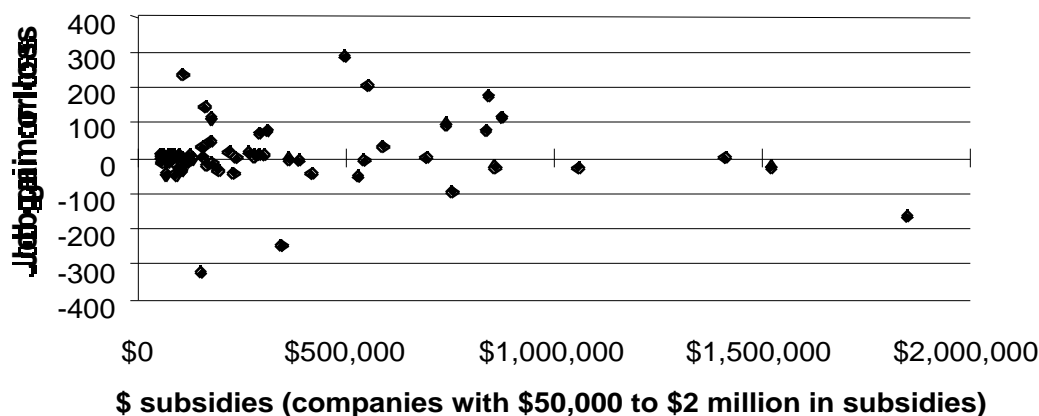
Employment changes for all programs		Companies gaining and losing jobs	
total:	1,431	job losers:	58 (35% of total)
full-time:	941	no change:	13 (8%)
part-time:	490	job gainers:	96 (57%)

Among the largest job losers were SCI Technology, at which full-time employment fell by 326 despite its receipt of \$153,000 in subsidies, and S.D. Warren, which fell by 249 during 1998 while receiving \$346,000 in taxpayer assistance.

### B. No relation between size of subsidy and employment gains

If the subsidy programs were effective in expanding employment, one would expect to see a positive relationship between the dollar value of subsidies received by a company and its job gain. However, a statistical analysis shows that during 1998 there was no relationship between the size of the public subsidy received by a company and the number of jobs that it gained or lost (see Figure 2). In other words, there is no significant upward trend in job expansion as the size of subsidy rises.<sup>5</sup> We have also conducted similar analyses for each of the major subsidy programs considered separately. None of the major programs (BETR, TIF, GTI, and BETR and TIF in combination) showed a relationship between size of subsidy and employment gains, except for Maine Quality Centers, for which there was a significant positive relationship (for JITC and RETC there were too few recipients to plot a meaningful graph).<sup>6</sup>

Figure 2: No Relation between Subsidy Size and Job Change



Note: to improve visual clarity, the graph has been restricted to companies receiving between \$50,000 and \$2 million in total subsidies. The same results hold for all companies that reported.

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### C. Job gains at subsidized companies were smaller than those for non-subsidized companies

Subsidized companies showed a gain in total employment of about 2.1% during 1998, having begun the year at around 68,000 employees, a 22% lower rate of job growth than for the state as a whole. In comparison, overall employment in Maine rose 2.7% during 1998.<sup>7</sup> Since the economic development incentives are supposed to assist companies in creating more jobs, it is rather striking that companies in Maine which did not take advantage of the incentives had substantially higher job gains than those which did receive public subsidies. Although subsidized firms had 14.3% of all employees in Maine, their job growth was only 9.5% of the 15,000 person overall employment rise in the state from 1997 to 1998.<sup>8</sup>

<b>Percentage employment gains in 1998 at subsidized companies versus Maine as a whole</b>	
Subsidized companies	2.1%
All Maine employers	2.7%

### D. Overall cost per job exceeds federal standards

The cost per full-time job gained was about \$36,000 in 1998 alone, in excess of national standards. Two federal agencies, the Department of Housing and Urban Development and the Small Business Administration, have a limit of \$35,000 per job for the life of the subsidy, averaged over the economic development programs run by a particular city or agency. That federal standard is reflected in one Maine program, the Jobs and Investment Tax Credit (JITC), which limits total tax credits under the program to \$3.5 million per firm, and requires recipient firms to create at least 100 jobs.

Here and in all tables below, we refer to full-time employment figures. This is done because the company reporting forms did not provide space for putting in the number of hours worked per week at part-time jobs. Without this information, we are unable to estimate the average number of hours worked by part-timers, and so do not know what “weight” to give these jobs in relation to full-time employment. However, we note that while the total increase in part-time employment was substantial, 490 for fully reporting companies, virtually all of these jobs were at companies involved in the relatively small MQC job training program. MQC companies showed a gain of 606 part-time jobs, while the BETR and TIF programs showed a loss of 87 part-time jobs between them.

The data shows an enormous variation in costs per job created among subsidized firms. Several large companies, including Fairchild Semiconductor, Fraser Papers, International Paper, and GE Power Systems lost jobs in 1998 despite receiving more than \$1 million in subsidies. In 1998 National Semiconductor received almost \$10 million in subsidies from Maine’s taxpayers – \$9,864,000 to be exact – according to their own report. Employment at its facility, however, only rose by 73 full-time jobs. These figures yield a cost per actual full-time job gained of \$135,000 – far higher than any other company receiving subsidies, and almost four times the federal government’s limit on what economic development programs should cost per job created (\$35,000 on average).

### E. Lifetime cost of tax credit programs far higher than annual cost

The \$35,000 federal guideline refers to a lifetime cost to create a job, not an annual cost. In the case of the job training programs, GTI and MQC, the program costs are one-time costs (covering two years in the case of GTI). But in the case of the five tax credit programs, the costs cited above are annual ones, which will total to far higher numbers when cumulated over time. BETR, for example, is permitted to reduce a company’s tax liabilities for up to 12 years after a purchase of business equipment is made, while TIF districts can provide companies with property tax breaks for 20 years.

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To precisely estimate the lifetime costs for the companies in our sample under the BETR program, we would need to know how many years each company is taking to depreciate its equipment, and where within its depreciation cycle each company is at present for each piece of equipment on which it is claiming a BETR reimbursement.

We do not have this information, and so cannot estimate the cost over time of BETR subsidies. But we can make a reasoned guess. Suppose first, that equipment which is eligible for BETR is depreciated on a straight-line basis over 10 years. We don't know where the current group of companies receiving BETR are within their depreciation cycle. But since the data reported by Maine Revenue Services (MRS) were for only the third year of BETR's existence (Fiscal 1999), the companies must be within the first three years of depreciation. Suppose that on average they are in the second year. Then the total credit over time will be about six times the credits being claimed this year (see endnote for details on the calculation).<sup>9</sup>

<b>Average BETR subsidy per company: 1998 versus lifetime costs (Rough estimate, for companies receiving 90% or more of their total subsidies from BETR)</b>	
1998 subsidy	\$ 88,000
Over a ten-year lifetime	\$ 528,000

Employment gains over the lifetime of a BETR subsidy are also likely to be greater than those reported in the single year 1998. As a result, we do not know what the actual cost per job will be when averaged out over a number of years, but it seems quite possible that it will be substantially higher than shown by the one-year figures drawn from the 1998 reports.

In the case of Municipal Tax Increment Financing (TIFs), there is also a concern regarding the total cost to the public sector exceeding the amounts shown on the reporting forms. The subsidy dollars reported here include only direct payments made to companies to reimburse them for their property taxes. But in many cases, municipalities are also spending TIF funds to make infrastructure improvements for the benefit of TIF recipients, such as water and sewer lines or other utility upgrading. These costs should also be included when calculating the cost per job for the TIF program.

## **V. Analysis of Individual Programs**

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It is also important to examine the differences among the seven programs which fall under the 1998 disclosure law. The evidence is strong that the job training programs have some beneficial effect on job creation, at a reasonable cost. In contrast, the major tax credit programs are associated with relatively small employment gains, at a cost per job far above federal standards; and in the case of TIF the program is associated with job *losses* at recipient firms.

One way to look at the individual programs is to examine the results for *all* companies that received any funds from a given program. However, since many companies received funds from more than one program, figures calculated in this way contain substantial overlapping between programs. In addition, even though a company received some funds from one program, most of its funds may have come from a different program, yielding a misleading view of the relationship between state subsidies and job expansion. This is particularly true for the job training programs. The 37 companies that were funded through the Governor's Training Initiative (GTI) received 70% of their total subsidies from the BETR and TIF programs. For the 18 reporting companies funded by Maine Quality Centers (MQC), 87% of their total economic development incentives came from BETR and TIF. Thus, we do not consider the cost per job numbers derived to be meaningful. For completeness, we have included a table showing these figures in Appendix B.

Because of the problem with overlapping between programs, we have found it more useful to categorize companies by the primary source of their subsidy funds, and then to look at the employment changes and cost per job gained within these categories. As it turns out, the subsidized firms divide well on this basis. For 131 out of the 167 reporting companies, or more than three-quarters of them, each company received 90% or more of its total subsidies from one program. Only 36 companies received a mixture of funds, with more than 10% of the funds coming from each of two or more different sources.

For purposes of a summary analysis, we have excluded most of the companies with mixed funding.<sup>10</sup> However, the 14 companies receiving a combination of BETR and TIF monies constituted about 44% of the total subsidy funds for all reporting companies, and so we have included them in Table 3 below. In addition, one company had a mixture of GTI and MQC funds, and we have included them in Table 3.

### **A. Tax credit recipients add few jobs at very high cost; job training programs appear to be far more cost-effective**

Table 3 below groups the results by two major categories: companies that received more than 90% of their total funds from the two major tax credit programs, BETR and TIF, or a combination of the two; and companies that received almost all of their funds from GTI, MQC or a combination of both (Tables 4 and 5 below, and Appendix A provide more details by individual program or mixes of programs).

The 120 BETR/TIF companies, which represented more than two-thirds of all subsidized firms that reported and about three-quarters of the total subsidy funds (\$25.6 million), fared poorly from the standpoint of job expansion, yielding full-time employment gains of only 95 people, for an enormous average annual cost of \$269,000 per new full-time job.

Two-thirds of the job gains, 644 full-time workers, came from the 26 companies that benefited primarily from the two job training programs. Their cost per job was only \$2,300 – a small fraction of the costs for the larger tax credit programs. MQC was associated with 394 of these jobs and GTI 108 jobs, while the one company with a mix of the two programs gained 142 jobs.

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**Table 3: Program results grouped: major tax credits versus job training programs**

Dominant funding source (more than 90% of all subsidies to each company)	Number of companies	Total subsidies (\$millions)	Full-time job change	Subsidy cost per job gained
Major tax credits (BETR, TIF)	120	\$25.6	95	\$269,000
Job training (GTI, MQC)	26	\$ 1.5	644	\$ 2,300

Note: “Major tax credits” includes 14 companies that received a combination of BETR and TIF funding, while “job training” includes one company which received a combination of GTI and MQC funds.

Table 4 below provides results for each of the major subsidy programs individually, and for the BETR/TIF combination.

**Table 4: Results for major programs or combination of programs**

Dominant funding source (90% or more of total for each company)	Number of companies	Total subsidies (\$millions)	Full-time job change	Subsidy cost per job gained
<b>All Programs</b>	<b>167</b>	<b>\$33.9</b>	<b>941</b>	<b>\$ 36,000</b>
BETR	93	\$ 8.2	64	\$128,000
TIF	13	\$ 2.6	-78	N/A
BETR & TIF	14	\$14.8	109	\$135,000
GTI	14	\$ 0.9	108	\$ 8,000
MQC	11	\$ 0.4	394	\$ 1,000
GTI & MQC	1	\$ 0.2	142	\$ 1,000

Note: The individual program lines do not sum to the “all programs” line because smaller programs and combinations of programs are omitted here. See Appendix A for further details on the JITC, RETC and other combinations of programs.

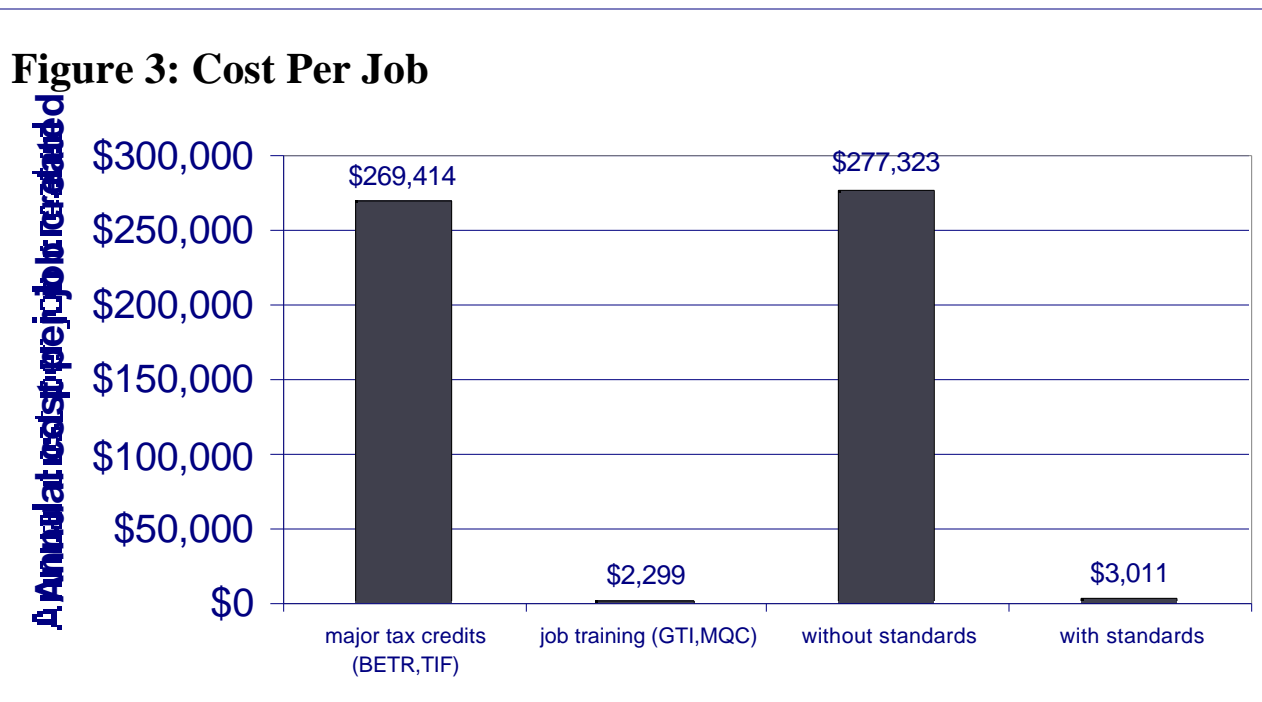
## **B. Programs with standards have better results than those without standards**

One other way of dividing up the programs is by those with and without employment performance standards. Table 5 below shows that the three programs with standards (GTI, MQC, and JITC) had much better results in terms of employment and cost per job than the three programs without standards (BETR, TIF, and RETC). The two job training programs and one tax credit program, the Jobs and Investment Tax Credit (JITC), require that in order to receive funds a company must be hiring new workers, or show that training is needed in order to retain workers. Significantly, GTI, which has the weakest standard of the three, requiring only that training costs be needed for expansion, retention, or upgrading, appears to be have higher costs per new job added, as shown in Table 4.

**Table 5: Programs with job standards versus those without standards**

Dominant funding source (90% or more of total for each company)	Number of companies	Total subsidies (\$millions)	Full-time job gain	Subsidy cost per job gained
Programs with standards (GTI, MQC, JITC)	27	\$2.2	738	\$ 3,000
Programs without standards (BETR, TIF, RETC)	122	\$28.3	119	\$277,000

*Note: companies that received a combination of funds from programs with and without standards are not included above.*



**C. Further evidence needed concerning possible job retention**

The Department of Economic and Community Development (DECD) has calculated the cost per job in a very different manner than in this report. DECD has divided the cost of the state’s programs by the total number of jobs in existence at all recipient companies, obtaining a very low cost per job. This is an inappropriate calculation to use, as the economic development subsidies are clearly not responsible for the continued existence of all the companies, nor of their being able to maintain their employment levels, and the federal government does not use DECD’s method.

In fact, only about 66 companies, or 36% of those reporting, claimed that they retained jobs as a result of the subsidies. This result indicates that almost two-thirds of the companies, by their own reports, did not think that the subsidies were necessary to maintain their levels of employment. In total, the 66 companies stated that a total of 8,200 full-time jobs, or about 14% of all full-time jobs at reporting companies, were retained due to the subsidies.

However, it is not possible from the existing economic development incentive reports to tell what degree of job retention is actually taking place as a result of the BETR, TIF, and smaller tax incentive and job training programs. Unlike the actual employment levels as of the end of 1997 and 1998, from which we

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can calculate changes in employment, the figures on jobs retained are subjective. Without further information, we cannot verify the companies' claims. And, in fact, it is likely that most of the personnel filling out the reporting forms cannot be sure what their firms would have done in the absence of the program subsidies.

The uncertainty about job retention claims suggests the need for expanded reporting requirements, in order for the Economic Development Incentives Commission, the legislature, and the public to be able to evaluate such arguments. This might mean, for example, that companies be asked to demonstrate with hard data that without a public subsidy they would not be able to continue employing the number of workers that are currently on their payroll. In Minnesota, legislation passed in 1999 states that in order to claim that jobs are being retained a company must show that, without a subsidy, job losses are "imminent and demonstrable."<sup>11</sup>

## VI. Policy Directions

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The above analysis of the 1998 data on taxpayer incentives for business, as reported by state agencies and subsidized companies, raises serious questions about the cost-effectiveness of several programs and strongly suggests the need for further review and possible reform of those programs.

Most significantly, the major tax credits, BETR and TIF, do not appear to provide an adequate return on investment for the state's taxpayers when measured in terms of job creation. By itself, TIF actually seems to be associated with a loss of jobs. This is of particular concern since the TIF program has been expanding rapidly – from 37 districts in 1993 to about 120 in 1999 – and its annual cost is expected to rise to \$15 million by 2001.<sup>12</sup>

The results for the BETR program are perhaps even more worrisome. It is currently the largest program in terms of overall funding, has been growing rapidly since its inception, and is projected to continue to do so. In its first year, Fiscal 1997, BETR cost state taxpayers \$4.8 million. By Fiscal 1999 it had grown to \$26.9 million, and it is projected to grow to \$68.5 million by Fiscal 2003.<sup>13</sup>

Unfortunately, the scope of this study is necessarily limited by the lack of long-term employment data for subsidized companies. The state did not require disclosure of corporate subsidies, job creation, job retention and wages at subsidized firms until 1998. By the same token, it is impossible to determine when or if tax breaks actually create new jobs, as opposed to subsidizing jobs that would have been created without taxpayer assistance. Nonetheless, the information provided in the 1998 business reports does give us a valuable “snapshot” of Maine's corporate subsidy programs, and in so doing sheds valuable light on their cost-effectiveness.

Thus it is apparent that investment-based tax credit programs have a dramatically higher cost per job than job training programs; that there are very large variations in the cost per job between subsidized firms; and that programs with job standards appear to perform much better than programs without standards.

In reviewing these findings, legislators, the public and administrators may want to consider policy options that have been adopted by other governmental bodies to increase assurances that economic development programs will result in a fair rate of return for taxpayers. Those options include:

- **Cost-per-job caps.** The federal government has established \$35,000 as the maximum per-job cost over the lifetime of a subsidy. That same standard is incorporated into Maine's Jobs and Investment Tax Credit program, which requires creation of at least 100 new jobs and limits benefits to \$3.5 million over seven years.
- **Job goals.** As of 1998, Maine law requires corporations receiving assistance from MQC, GTI, TIF, JITC, and ETIF to set goals for the number, type and wage levels of jobs to be created or retained as a result of the economic development incentive received. A similar requirement could be adopted for BETR, particularly in light of the program's high cost-per-job ratio in 1998.
- **Job creation requirements.** Minnesota recently passed legislation requiring employers receiving state or local assistance to create a net increase in jobs within two years, and to demonstrate that the subsidy meets "a public purpose other than expanding the tax base."



- **Recapture provisions.** Several states, including Arizona, Iowa, Maryland, Virginia, and Minnesota, require companies to pay back taxpayer subsidies if they fail to meet the job creation and wage goals, or if they move jobs out of the state. None of the seven programs studied here have this type of protection for taxpayers.
- **Needs testing.** Tax incentive programs could require a showing of financial need before subsidies are made available, especially if job retention, not job creation, is the stated goal of the recipient. For example, Minnesota only permits subsidies for job retention \_in cases where job loss is imminent and demonstrable.<sup>14</sup> Illinois law says that, if a hearing determines that jobs would have been created or retained without subsidies, public funds must be returned with interest, and the recipient is ineligible for all state development programs for ten years. Language on this subject already exists in Maine’s ETIF program, which requires a firm to demonstrate that a project would not proceed without ETIF funding.
- **Cost-benefit standard.** Economic development programs are often justified in part on the basis that the new economic activity generated will bring in enough tax revenue to offset the original cost of the subsidy. But given the high costs per job for Maine’s tax credit programs, it is doubtful that this is the case. A standard could be set requiring that subsidies only be allowed when a forecast shows that new tax revenues (including a multiplier effect) will equal or exceed the program costs. Such a standard exists, for example, in Oklahoma’s Quality Jobs Program, which requires that new tax revenues must outweigh the costs to the state.

## Appendix A: Detailed Results by Program

The table below presents results for each of the six economic development programs under which benefits were received in 1998. Among the smaller categories that were not included in Table 4 above, the one company which used a combination of BETR and JITC funds gained 94 full-time jobs; the one which got a mix of BETR and RETC gained 174 jobs, and one which combined BETR, TIF, and RETC lost 167 jobs. Meanwhile, those companies which used a combination of tax credits and job training monies gained 101 jobs. The remaining program, ETIF was not used by any company in 1998.

**Table 6: Detailed results by program or combination of programs**

<b>Dominant funding source (90% or more of total for each company)</b>	<b>Number of companies</b>	<b>Total subsidies (\$millions)</b>	<b>Full-time job change</b>	<b>Subsidy cost per job gained</b>
BETR	93	\$ 8.2	64	\$ 128,000
TIF	13	\$ 2.6	-78	N/A
BETR & TIF	14	\$14.8	109	\$ 135,000
BETR & JITC	1	\$ 0.7	94	\$ 8,000
BETR & RETC	1	\$ 0.8	174	\$ 5,000
BETR, TIF, & RETC	1	\$ 1.8	-167	N/A
GTI	14	\$ 0.9	108	\$ 8,000
MQC	11	\$ 0.4	394	\$ 1,000
GTI & MQC	1	\$ 0.2	142	\$ 1,000
Mixed tax credits and job training	18	\$ 3.4	101	\$ 34,000
<b>All programs</b>	<b>167</b>	<b>\$33.9</b>	<b>941</b>	<b>\$ 36,000</b>

## Appendix B. Cost per Job Gained Based on All Companies Receiving Any Funds From a Particular Program

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**Table 7: Companies receiving any funds from a particular subsidy program (only companies fully reporting employment changes)**

<b>Program</b>	<b>Number of companies</b>	<b>Total subsidies (\$millions)</b>	<b>Full-time job change</b>	<b>Subsidy cost per job gained</b>
BETR	128	\$30.0	450	\$ 67,000
TIF	39	\$22.4	-33	N/A
GTI	37	\$ 8.5	86	\$ 99,000
MQC	18	\$11.8	743	\$ 16,000
JITC	1	\$ 0.7	94	\$ 8,000
RETC	1	\$12.6	80	\$157,000

## **Appendix C: Description of the Subsidy Programs**

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### **Business Equipment Tax Reimbursement (BETR)**

Available to almost all Maine businesses that pay local property taxes on machinery and other equipment (excluding office furniture and fixtures) for up to 12 years after equipment is purchased. The state, through Maine Revenue Services, will reimburse a business for all property taxes paid. Companies must file for reimbursement within 60 days from paying their taxes.

### **Employment Tax Increment Financing (ETIF)**

Available to any business that hires a minimum of 15 net new employees within a two year period, if those workers: 1) receive a wage that exceeds the average per capita income in the county of employment; 2) get health insurance; and 3) get a retirement plan. The company must also show that its expansion project would not proceed without ETIF funds. The business will be reimbursed for 30%, 50%, or 75% of its income tax withholdings from the new qualified employees, depending on unemployment levels in the county. It can be reimbursed for up to ten years, with the unemployment rate evaluated initially and at the end of five years. Administered by DECD.

### **Governor's Training Initiative (GTI)**

Available to any Maine business for partial reimbursement of training costs related to expansion, retention of its business, or upgrading. The employees involved must be paid a wage at least equal to 85% of the average wage for that occupation in the given labor market, and the company must pay at least 50% of health insurance premiums (except for businesses with fewer than 25 employees and in business for less than three years). Administered by the Bureau of Employment Services in the Department of Labor.

### **Jobs and Investment Tax Credit (JITC)**

Eligible businesses must invest at least \$5 million in business property and create at least 100 new jobs over the following two years. The jobs must pay wages higher than the average per capita income in the labor market area where the jobs are located, and be covered by retirement and health insurance plans. The JITC provides a credit against state income taxes of 10% of the investment, to a maximum of \$500,000 per year for up to seven years, or \$3.5 million total. Cannot be used simultaneously with an ETIF. Administered by Maine Revenue Services.

### **Maine Quality Centers (MQC)**

Education and training, done by the state's Technical Colleges, at no cost to the employer. Eligible firms must be new or expanding, creating at least eight new full-time jobs with benefits in the state.

### **Municipal Tax Increment Financing (TIF)**

A municipality may use all, or a portion, of the new property taxes resulting from a business investment project to subsidize the project. The municipality may either issue bonds to finance the investment or pay the money directly to the company undertaking the investment. TIF districts may be authorized for up to 30 years, and bonds may be issued for up to 20 years. Designation of a TIF district requires a public hearing and a majority vote by the local legislative body. DECD administers the program.

### **Research Expense Tax Credit (RETC)**

Covers research expenses that meet the definition in Section 41 of the Internal Revenue Code. Eligible expenses are those exceeding the average research expenses by the company during the prior three years. Companies can get a tax credit equal to 5% of the increased expenses, plus 7.5% of research payments to educational institutions and certain qualified research organizations. 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. Administered by Maine Revenue Services.

## **Appendix D: Differences between DECD and Commonwealth Institute Statistics**

There are a number of differences between the employment figures provided by the Department of Economic and Community Development in its latest summary of all reporting companies, titled “EIR Incentive, Investment & Jobs Summary - 1998,” as released at the October 19 meeting of the Economic Development Incentives Commission, and the figures presented in the present report. As a result of the differences, DECD shows a total job gain of 1,546, while we show 1,431. In addition, three companies that filed since November 15 have not been included in our analysis, and they are likely to be in any more recent summary put out by DECD.

There are several reasons for the differences between the numbers here and DECD’s October 19 numbers:

1. **A dozen companies that filed late reports are included in this report, but not in DECD’s October 19 figures.** They are: Abbott Labs, Ahern, AVX Tantalum, Care and Comfort, CMC, DOC Data, Friendly’s, Kent, Lemforder, Lincoln Pulp & Paper, Pay Power Limited, and Philips Lighting. This added approximately 208 total jobs to our figures, in comparison to DECD’s.
2. **Geiger Brothers provided no information on the breakdown of their employment by full-time and part-time employees.** We have excluded them from our analysis, but they are included in DECD’s figures, adding 51 jobs.
3. **Three companies are in DECD’s listings, but we have not received the company reports, so they are not included in our analysis.** They are: Jackson Lab, Seltzer & Rydholm, and Tech Knowledge, with 54 total new jobs.
4. **For many companies, there were inconsistencies, ambiguities, and omissions in their job reporting.** Where possible, we have contacted the companies and attempted to clarify their reports, and in a few cases we have used data in one section of a company’s report to amend information in another section. It is possible that errors remain present for a few companies. About 20 companies that submitted reports provided no or only very partial employment data that was insufficient to include in the analysis. These companies are listed separately at the end of the individual company table in Appendix E. For those companies where we have made adjustments, the total job gain figure is now approximately 260 lower than the figure used by DECD. The specific corrections are:
  - **Nichols Portland:** The numbers in sections (E) and (F) of their report were conflicting. As the result of a phone discussion, the company clarified the figures, which changed from a gain of 60 total jobs to a loss of 2 total jobs (loss of 3 full-time jobs, gain of 1 part-time job). The total full-time and part-time figures are less than the total figures because the totals include temporary workers.
  - **Sugarloaf:** Full- and part-time numbers in section (F) did not agree with total job numbers. Phone discussion led to correction of figures by company: gain of 52 total jobs (DECD shows 77), 73 full-time jobs, and a loss of 21 part-time jobs.
  - **Creative Apparel:** Figures in sections (E) and (F) were inconsistent. Discussions with the company led to a correction. It had counted everyone who was employed at any time during the year, 383, rather than actual employment at the end of 1998, which was 253, all full-time. So the total job gain was 70, rather than the 171 shown by DECD.
  - **Champion International** filed two reports, one each for plants at Bucksport and Costigan, but showed the same figures in section (E) for both. Clarified by phone that these were their state-wide total current employment figures.
  - **Adventure Amusements** shows a gain of 3 total jobs and 3 full-time jobs, but 42 part-time jobs. There is a footnote saying that the part-time jobs were seasonal, and so the company did not include them in the totals.

- **New England 800 Company** had a conflict between the total and the sum of full-time and part-time numbers in section F. We corrected the totals, which changed the total job gain from 21 to 31.
- **Edwards Systems** listed a total job gain of 49, and this is in DECD's listing, but the figures for the end of 1997 and the end of 1998 show a drop of 49 jobs, and this is what we have used in our calculations.
- **Genest Concrete:** DECD shows this company gaining 4 total jobs, although this column was blank on its form. But a note on their form says that the full- and part-time columns were filled in as "seasonal low" and "seasonal high" employment. We averaged the two columns, which yielded no job change, and assumed, based on figures in section (E), that they were all full-time jobs.
- **Macy's** put down a positive 3 in the total job change column, and this is in the DECD report, but their figures for 1997 and 1998, along with the full-time and part-time figures make it clear that there was actually a drop of 3 total jobs, and this is what we have used.
- **The Dingley Press:** We did not receive the second page of their report, and have assumed that DECD's reported gain of 45 total jobs is correct. Lacking further information, our data base currently shows them as having zero jobs as of the end of 1997, and 45 at the end of 1998.

## Appendix E: Companies filing disclosure reports by Nov. 15, 1999

### Job Losers (sorted by number of jobs lost)

Employer	Total subsidies received	full-time employment change	Subsidy per full-time job gained (in dollars)
SCI TECHNOLOGY	153,217	-326	N/A
EASTLAND SHOE MFG.	11,891	-321	N/A
S.D. WARREN COMPANY	346,026	-249	N/A
FAIRCHILD SEMICONDUCTOR	1,850,000	-167	N/A
MEAD CORPORATION	757,545	-95	N/A
IRVING TANNING COMPANY	42,801	-91	N/A
CHAMPION INT'L (BUCKSPORT)	530,324	-54	N/A
SHAPE GLOBAL TECHNOLOGY	42,335	-52	N/A
EDWARDS SYSTEMS TECHNOLOGIES	90,268	-49	N/A
AVX TANTALUM CORPORATION	68,856	-49	N/A
GNP, INC.	417,904	-48	N/A
TALK AMERICA	230,586	-42	N/A
PITTSFIELD WOOLEN YARNS CO., INC.	15,277	-39	N/A
FALCON SHOE	17,000	-39	N/A
PHILIPS LIGHTING CO.	107,726	-37	N/A
GATES FORMED-FIBRE PRODUCTS, INC.	193,176	-35	N/A
MILLROCK, INC.	18,813	-32	N/A
FRASER PAPERS INC.	1,060,000	-27	N/A
INTERNATIONAL PAPER	1,522,826	-26	N/A
GEORGIA-PACIFIC CORP	859,082	-26	N/A
NATURALLY POTATOES	96,308	-25	N/A
CROWE ROPE INDUSTRIES	165,525	-22	N/A
AVIAN FARMS, INC.	15,000	-20	N/A
HARDING LAWSON ASSOC.	12,492	-19	N/A
DUNLAP AGENCY	16,209	-17	N/A
WAUSAU MOSINEE PAPER CORP.	179,047	-17	N/A
ENEFCO INTERNATIONAL	18,625	-17	N/A
INTERNATIONAL WOOLEN CO., INC.	12,344	-16	N/A
DELORME PUBLISHING	118,171	-15	N/A
LINCOLN PULP & PAPER	58,579	-14	N/A
SHER WOVEN LABEL CO.	25,562	-14	N/A
MACY'S EAST, INC.	13,929	-12	N/A
LEWISTON DAILY SUN	12,217	-12	N/A
NEW ENGLAND TOOL	46,771	-11	N/A
SACO DEFENSE	75,209	-11	N/A
PAY POWER LIMITED	13,657	-9	N/A
PRATT & WHITNEY	545,207	-9	N/A
FORT JAMES CORPORATION	387,835	-9	N/A
BRIDGECORP	10,025	-8	N/A
D & G MACHINE PRODUCTS	74,579	-7	N/A
C.F. HATHAWAY & CO.	124,157	-7	N/A
PRIDE MANAGEMENT CO	30,198	-6	N/A
SHIPYARD BREWING CO	65,373	-5	N/A
MEGA INDUSTRIES	12,000	-5	N/A
MAINE MUTUAL FIRE INS.	102,009	-4	N/A
VAN BAALEEN PACIFIC	364,171	-4	N/A
NRF DISTRIBUTIORS	13,353	-3	N/A
SMITH & WESSON	47,594	-3	N/A
U.F. STAINRITE, INC.	56,404	-3	N/A
INDUSTRIAL METAL RECYCLING	15,187	-3	N/A
NORTHLAND FROZEN FOODS	10,508	-3	N/A

### ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST



Employer	Total subsidies received	full-time employment change	Subsidy per full-time job gained (in dollars)
NICHOLS PORTLAND	130,700	-3	N/A
BREWER AUTOMOTIVE COMPONENTS	237,317	-2	N/A
GARDINER SAVINGS INSTITUTION, FSB	31,921	-2	N/A
GE POWER SYSTEMS	1,413,170	-2	N/A
INTERFACE INTERIOR FABRICS, INC.	693,892	-1	N/A
LOGISTICS MANAGEMENT SYSTEMS	10,815	-1	N/A
WINDEROSA GASKET	109,266	-1	N/A

### No Change in Jobs

Employer	Total subsidies received	full-time employment change	Subsidy per full-time job gained (in dollars)
CAPITAL PIZZA HUTS, INC.	12,516	0	N/A
CAVENDISH FARMS	14,060	0	N/A
COLD BROOK ENERGY	11,516	0	N/A
GATEWAY MASTER	11,220	0	N/A
MAINE TRAILER LEASING	31,148	0	N/A
RICHARD CARRIER TRUCKING	21,986	0	N/A
TENNFORD WEAVING CO	12,781	0	N/A
AUBURN MFG.	22,156	0	N/A
GENEST CONCRETE WORKS	25,500	0	N/A
LUZENAC AMERICA	23,015	0	N/A
GILBERT MANUFACTURING	30,000	0	N/A
AHERN APPAREL INC.	13,688	0	N/A
CHAMPION INT'L (COSTIGAN)	18,486	0	N/A

### Job Gainers (sorted by cost per job gained)

Employer	Total subsidies received	full-time employment change	Subsidy per full-time job gained (in dollars)
NATIONAL SEMICONDUCTOR	9,864,000	73	135,123
C.M. ALMY & SON, INC.	281,226	3	93,742
FMC CORPORAITON	156,660	2	78,330
MADISON PAPER INC.	302,722	6	50,454
SPECIALTY MINERALS	291,478	11	26,498
PORTLAND MACHINE TOOL SERVICES	124,300	5	24,860
MAINE POLY INC.	64,213	3	21,404
SAFE CENTRAL INC.	61,389	3	20,463
PAINE MACHINE PROD. CO	39,000	2	19,500
SOUTHERN CONTAINER	267,000	14	19,071
CASCADES - AUBURN FIBER INC.	590,000	31	19,032
FIBER EXTRUSION, INC.	62,371	4	15,593
MID-STATE MACHINE PRODUCTS	29,117	2	14,559
FORSTER, INC.	99,116	7	14,159
ICT GROUP INC.	84,547	6	14,091
CYRO INDUSTRIES	218,792	17	12,870
HOLTRACHEM MFG. LLC	25,687	2	12,844
COMPUTER SYSTEMS & SOLUTIONS	12,720	1	12,720
PRIME TANNING CO., INC	49,594	4	12,399

### ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST

Employer	Total subsidies received	full-time employment change	Subsidy per full-time job gained (in dollars)
BLUE ROCK INDUSTRIES	36,365	3	12,122
US FELT MFG. CO.	34,854	3	11,618
JAMES SEWALL CO	10,924	1	10,924
OSCAR & REUBEN LUMBRA INC	21,824	2	10,912
L.L. BEAN, INC.	838,067	78	10,744
ROBBINS LUMBER INC.	29,264	3	9,755
ELECTRONIC MANUF SYSTEMS	19,228	2	9,614
BRUNSWICK TECHNOLOGY, INC.	74,981	9	8,331
PEOPLES HERITAGE BANK	741,463	94	7,888
TAMBRANDS, INC.	876,000	113	7,752
ACADIA INSURANCE	77,515	11	7,047
PIERCE ATWOOD	27,548	4	6,887
ADVENTURE AMUSEMENTS	20,200	3	6,733
WASCO PRODUCTS, INC.	37,915	6	6,319
BANKBOSTON, N.A.	35,538	6	5,923
PORTLAND VALVE INC.	10,825	2	5,413
CONTROL DEVICES, INC.	155,837	29	5,374
J. PAUL LEVESQUE & SONS, INC.	54,100	11	4,918
CMC & MAINTENANCE INC.	9,769	2	4,885
BATH IRON WORKS	842,599	174	4,843
GAS SUPPLY RESOURCES	32,900	7	4,700
CAMPBELL CONSTRUCTION	31,514	7	4,502
POLAND SPRING WATER CO.	311,190	75	4,149
LEMFORDER CORPORATION	293,261	71	4,130
LANCO ASSEMBLY SYSTEMS	20,635	5	4,127
ATLANTIC PRECISION PRODUCTS	40,400	10	4,040
THE DINGLEY PRESS	175,315	45	3,896
DEAD RIVER COMPANY	26,101	7	3,729
BJ'S WHOLESALE CLUB	18,000	5	3,600
OLAMON INDUSTRIES	30,000	9	3,333
SPECTRUM PRINTING GRAPHICS, INC.	16,398	5	3,280
PH CHADBOURNE & CO	15,335	5	3,067
KINGFIELD SAVINGS BANK	17,441	6	2,907
HANNAFORD BROS. CO.	552,602	202	2,736
ABBOTT LABORATORIES, INC.	13,044	5	2,609
CARE & COMFORT	18,102	7	2,586
FAR SIDE COMPANY	30,291	12	2,524
MAINE BANK & TRUST COMPANY	10,031	4	2,508
CONIFER IND. INC.	16,400	7	2,343
PETERSON COOPER-WEYMOUTH	35,501	16	2,219
BELL MANUFACTURING CO.,	12,848	6	2,141
SHAW BROTHERS	37,855	18	2,103
MAINE CARDIOLOGY ASSOC.	18,445	9	2,049
FRANKLIN SAVINGS BANK	14,031	7	2,004
NORTHEAST PAPER SERVICES	20,000	10	2,000
CIANBRO CORPORATION	49,807	26	1,916
AAA NORTHERN NEW ENGLAND	14,863	8	1,858
UNUM LIFE INSURANCE COMPANY OF AMERICA	498,131	285	1,748
OAKES & PARKHURST GLASS	11,500	7	1,643
HIGHLAND LUMBER	177,000	110	1,609
ASSISTANCE PLUS	32,000	20	1,600
KENT, INC.	21,540	14	1,539
FRIENDLY ICE CREAM CORP.	12,041	8	1,505
SYSCO FOOD SERVICES	24,115	19	1,269

**ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST**

Employer	Total subsidies received	full-time employment change	Subsidy per full-time job gained (in dollars)
CYBER TOURS/NORTH COAST INTERNET	43,306	37	1,170
NEW BALANCE ATHLETIC SHOE	161,413	142	1,137
MAINE TIRE, INC.	23,983	22	1,090
DOC DATA NEW ENGLAND	19,467	18	1,082
ENVISION NET	32,400	40	810
FORUM FINANCIAL	41,290	52	794
CENTRAL CITY SHEET	10,832	14	774
WEST POINT STEVENS	21,550	28	770
H.E. SARGENT, INC.	25,366	35	725
BAKER NEWMAN & NOYES	17,273	24	720
CREATIVE APPAREL	47,772	70	682
ATX FORMS	10,000	19	526
NEW ENGLAND 800 COMPANY	18,400	35	526
THE HINCKLEM CO.	25,776	51	505
SITEL CORPORATION	108,000	237	456
C.N. BROWN CO.	13,186	29	455
WRIGHT EXPRESS CORP.	25,566	58	441
SKOWHEGAN SAVINGS BANK	13,034	34	383
HANCOCK LUMBER CO.	19,308	55	351
V.I.P., INC.	25,271	74	342
AFFILIATED LAB. INC.	21,444	80	268
SUGARLOAF MTN CORP.	17,813	73	244
WILLIAM ARTHUR	11,325	51	222

### No full-time/part-time split shown

Employer	Total subsidies received	full-time employment change	Subsidy per full-time job gained (in dollars)
GEIGER BROS.	11,808	0	N/A

### No employment changes shown

Employer	Total subsidies received	full-time employment change	Subsidy per full-time job gained (in dollars)
MAGNETIC RESONANCE TECHNOLOGIES OF MAINE, L.P.	20,427	0	N/A
PRECISION SCREW MACHINE PRODUCTS, INC., dba PSMP,	205,574	0	N/A
FARM CREDIT LEASING	30,669	0	N/A
ZAYRE CENTRAL CORP.	15,180	0	N/A
M-36 ASSOCIATES, L.L.C.	43,293	0	N/A
MBNA NEW ENGLAND	383,697	0	N/A
AMPLICON, INC.	10,885	0	N/A
CAPITAL AUGUSTA PROPERTIES	285,000	0	N/A
DEERE CREDIT INC.	15,973	0	N/A
KEY CORPORATE	0	0	N/A
WILLIAM ARTHUR	11,325	0	N/A
10-16-63 CORPORATION	59,000	0	N/A
THE PILLSBURY CO	18,076	0	N/A
WINTHROP RESOURCES CORP	10,980	0	N/A
XEROX CORPORATION	196,335	0	N/A
NORTHWEST FINANCIAL LEASING, INC.	34,464	0	N/A
TOYOTA MOTOR MFG. CANADA, INC.	21,802	0	N/A

### ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST



## Appendix F: Reporting Companies (listed alphabetically)

Employer	Total subsidies received	Full-time employment change	Subsidy per full-time job gained (in dollars)	Each program as % of total subsidy:					
				BETR (B1)	GTI (B3)	JITC (B4)	MQC (B5)	RETC (B6)	TIF (B7)
AAA NORTHERN NEW ENGLAND	14,863	8	1,858	100%	0%	0%	0%	0%	0%
ABBOTT LABORATORIES, INC.	13,044	5	2,609	100%	0%	0%	0%	0%	0%
ACADIA INSURANCE	77,515	11	7,047	14%	0%	0%	0%	0%	86%
ADVENTURE AMUSEMENTS	20,200	3	6,733	100%	0%	0%	0%	0%	0%
AFFILIATED LAB. INC.	21,444	80	268	100%	0%	0%	0%	0%	0%
AHERN APPAREL INC.	13,688	0	N/A	0%	100%	0%	0%	0%	0%
ASSISTANCE PLUS	32,000	20	1,600	0%	0%	0%	100%	0%	0%
ATLANTIC PRECISION PRODUCTS	40,400	10	4,040	0%	0%	0%	0%	0%	100%
ATX FORMS	10,000	19	526	0%	0%	0%	100%	0%	0%
AUBURN MFG.	22,156	0	N/A	46%	54%	0%	0%	0%	0%
AVIAN FARMS, INC.	15,000	-20	N/A	100%	0%	0%	0%	0%	0%
AVX TANTALUM CORPORATION	68,856	-49	N/A	100%	0%	0%	0%	0%	0%
BAKER NEWMAN & NOYES	17,273	24	720	100%	0%	0%	0%	0%	0%
BANKBOSTON, N.A.	35,538	6	5,923	32%	0%	0%	0%	0%	68%
BATH IRON WORKS	842,599	174	4,843	57%	0%		0%		0%
BELL MANUFACTURING CO.,	12,848	6	2,141	100%	0%	0%	0%	0%	0%
BJ'S WHOLESALE CLUB	18,000	5	3,600	100%	0%	0%	0%	0%	0%
BLUE ROCK INDUSTRIES	36,365	3	12,122	100%	0%	0%	0%	0%	0%
BREWER AUTOMOTIVE COMPONENTS	237,317	-2	N/A	47%	0%	0%	0%	0%	53%
BRIDGECORP	10,025	-8	N/A	100%	0%	0%	0%	0%	0%
BRUNSWICK TECHNOLOGY, INC.	74,981	9	8,331	52%	0%	0%	48%	0%	0%
C.F. HATHAWAY & CO.	124,157	-7	N/A	9%	91%	0%	0%	0%	0%
C.M. ALMY & SON, INC.	281,226	3	93,742	2%	98%	0%	0%	0%	0%
C.N. BROWN CO.	13,186	29	455	100%	0%	0%	0%	0%	0%
CAMPBELL CONSTRUCTION	31,514	7	4,502	100%	0%	0%	0%	0%	0%
CAPITAL PIZZA HUTS, INC.	12,516	0	N/A	100%	0%	0%	0%	0%	0%
CARE & COMFORT	18,102	7	2,586	0%	0%		100%		0%
CASCADES - AUBURN FIBER INC.	590,000	31	19,032	100%	0%	0%	0%	0%	0%
CAVENDISH FARMS	14,060	0	N/A	100%	0%	0%	0%	0%	0%
CENTRAL CITY SHEET	10,832	14	774	0%	0%	0%	0%	0%	100%
CHAMPION INT'L (BUCKSPORT)	530,324	-54	N/A	95%	0%	0%	0%	0%	5%
CHAMPION INT'L (COSTIGAN)	18,486	0	N/A	100%	0%	0%	0%	0%	0%

### ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST

Employer	Total subsidies received	Full-time employment change	Subsidy per full-time job gained (in dollars)	Each program as % of total subsidy:					
				BETR (B1)	GTI (B3)	JITC (B4)	MQC (B5)	RETC (B6)	TIF (B7)
CIANBRO CORPORATION	49,807	26	1,916	100%	0%	0%	0%	0%	0%
CMC & MAINTENANCE INC.	9,769	2	4,885	0%	100%	0%	0%	0%	0%
COLD BROOK ENERGY	11,516	0	N/A	100%	0%	0%	0%	0%	0%
COMPUTER SYSTEMS & SOLUTIONS	12,720	1	12,720	0%	100%	0%	0%	0%	0%
CONIFER IND. INC.	16,400	7	2,343	100%	0%	0%	0%	0%	0%
CONTROL DEVICES, INC.	155,837	29	5,374	20%	80%	0%	0%	0%	0%
CREATIVE APPAREL	47,772	70	682	0%	100%	0%	0%	0%	0%
CROWE ROPE INDUSTRIES	165,525	-22	N/A	29%	0%	0%	11%	0%	60%
CYBER TOURS/NORTH COAST INTERNET	43,306	37	1,170	0%	0%	0%	100%	0%	0%
CYRO INDUSTRIES	218,792	17	12,870	100%	0%	0%	0%	0%	0%
D & G MACHINE PRODUCTS	74,579	-7	N/A	28%	43%	0%	0%	0%	28%
DEAD RIVER COMPANY	26,101	7	3,729	100%	0%	0%	0%	0%	0%
DELORME PUBLISHING	118,171	-15	N/A	0%	0%	0%	0%	0%	100%
DOC DATA NEW ENGLAND	19,467	18	1,082	100%	0%	0%	0%	0%	0%
DUNLAP AGENCY	16,209	-17	N/A	100%	0%	0%	0%	0%	0%
EASTLAND SHOE MFG.	11,891	-321	N/A	100%	0%	0%	0%	0%	0%
EDWARDS SYSTEMS TECHNOLOGIES	90,268	-49	N/A	0%	0%	0%	0%	0%	100%
ELECTRONIC MANUF SYSTEMS	19,228	2	9,614	0%	0%	0%	100%	0%	0%
ENEFCO INTERNATIONAL	18,625	-17	N/A	100%	0%	0%	0%	0%	0%
ENVISION NET	32,400	40	810	6%	0%	0%	94%	0%	0%
FAIRCHILD SEMICONDUCTOR	1,850,000	-167	N/A	49%	8%	0%	0%	17%	26%
FALCON SHOE	17,000	-39	N/A	0%	100%	0%	0%	0%	0%
FAR SIDE COMPANY	30,291	12	2,524	0%	100%	0%	0%	0%	0%
FIBER EXTRUSION, INC.	62,371	4	15,593	44%	56%	0%	0%	0%	0%
FMC CORPORAITON	156,660	2	78,330	45%	55%	0%	0%	0%	0%
FORSTER, INC.	99,116	7	14,159	23%	0%	0%	0%	0%	77%
FORT JAMES CORPORATION	387,835	-9	N/A	100%	0%	0%	0%	0%	0%
FORUM FINANCIAL	41,290	52	794	100%	0%	0%	0%	0%	0%
FRANKLIN SAVINGS BANK	14,031	7	2,004	100%	0%	0%	0%	0%	0%
FRASER PAPERS INC.	1,060,000	-27	N/A	85%	15%	0%	0%	0%	0%
FRIENDLY ICE CREAM CORP.	12,041	8	1,505	100%	0%	0%	0%	0%	0%
GARDINER SAVINGS INSTITUTION, FSB	31,921	-2	N/A	100%	0%	0%	0%	0%	0%

**ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST**

Employer	Total subsidies received	Full-time employment change	Subsidy per full-time job gained (in dollars)	Each program as % of total subsidy:					
				BETR (B1)	GTI (B3)	JITC (B4)	MQC (B5)	RETC (B6)	TIF (B7)
GAS SUPPLY RESOURCES	32,900	7	4,700	100%	0%	0%	0%	0%	0%
GATES FORMED-FIBRE PRODUCTS, INC.	193,176	-35	N/A	93%	7%	0%	0%	0%	0%
GATEWAY MASTER???	11,220	0	N/A	100%	0%	0%	0%	0%	0%
GE POWER SYSTEMS	1,413,170	-2	N/A	47%	6%	0%	0%	0%	47%
GENEST CONCRETE WORKS	25,500	0	N/A	100%	0%	0%	0%	0%	0%
GEORGIA-PACIFIC CORP	859,082	-26	N/A	84%	0%	0%	0%	0%	16%
GILBERT MANUFACTURING	30,000	0	N/A	100%	0%	0%	0%	0%	0%
GNP, INC.	417,904	-48	N/A	90%	10%	0%	0%	0%	0%
H.E. SARGENT, INC.	25,366	35	725	100%	0%	0%	0%	0%	0%
HANCOCK LUMBER CO.	19,308	55	351	100%	0%	0%	0%	0%	0%
HANNAFORD BROS. CO.	552,602	202	2,736	100%	0%	0%	0%	0%	0%
HARDING LAWSON ASSOC.	12,492	-19	N/A	100%	0%	0%	0%	0%	0%
HIGHLAND LUMBER	177,000	110	1,609	100%	0%	0%	0%	0%	0%
HOLTRACHEM MFG. LLC	25,687	2	12,844	100%	0%	0%	0%	0%	0%
ICT GROUP INC.	84,547	6	14,091	0%	0%	0%	100%	0%	0%
INDUSTRIAL METAL RECYCLING	15,187	-3	N/A	100%	0%	0%	0%	0%	0%
INTERFACE INTERIOR FABRICS, INC.	693,892	-1	N/A	55%	0%	0%	0%	0%	45%
INTERNATIONAL PAPER	1,522,826	-26	N/A	0%	0%	0%	0%	0%	100%
INTERNATIONAL WOOLEN CO., INC.	12,344	-16	N/A	100%	0%	0%	0%	0%	0%
IRVING TANNING COMPANY	42,801	-91	N/A	100%	0%	0%	0%	0%	0%
J. PAUL LEVESQUE & SONS, INC.	54,100	11	4,918	100%	0%	0%	0%	0%	0%
JAMES SEWALL CO	10,924	1	10,924	100%	0%	0%	0%	0%	0%
KENT, INC.	21,540	14	1,539	0%	100%	0%	0%	0%	0%
KINGFIELD SAVINGS BANK	17,441	6	2,907	100%	0%	0%	0%	0%	0%
L.L. BEAN, INC.	838,067	78	10,744	97%	0%	0%	0%	0%	3%
LANCO ASSEMBLY SYSTEMS	20,635	5	4,127	0%	0%	0%	0%	0%	100%
LEMFORDER CORPORATION	293,261	71	4,130	72%	0%	0%	0%	0%	28%
LEWISTON DAILY SUN	12,217	-12	N/A	100%	0%	0%	0%	0%	0%
LINCOLN PULP & PAPER	58,579	-14	N/A	100%	0%	0%	0%	0%	0%
LOGISTICS MANAGEMENT SYSTEMS	10,815	-1	N/A	100%	0%	0%	0%	0%	0%
LUZENAC AMERICA	23,015	0	N/A	100%	0%	0%	0%	0%	0%
MACY's EAST, INC.	13,929	-12	N/A	100%	0%	0%	0%	0%	0%

**ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST**

Employer	Total subsidies received	Full-time employment change	Subsidy per full-time job gained (in dollars)	Each program as % of total subsidy:					
				BETR (B1)	GTI (B3)	JITC (B4)	MQC (B5)	RETC (B6)	TIF (B7)
MADISON PAPER INC.	302,722	6	50,454	51%	0%	0%	0%	0%	49%
MAINE BANK & TRUST COMPANY	10,031	4	2,508	100%	0%	0%	0%	0%	0%
MAINE CARDIOLOGY ASSOC.	18,445	9	2,049	100%	0%	0%	0%	0%	0%
MAINE MUTUAL FIRE INS.	102,009	-4	N/A	100%	0%	0%	0%	0%	0%
MAINE POLY INC.	64,213	3	21,404	44%	56%	0%	0%	0%	0%
MAINE TIRE, INC.	23,983	22	1,090	100%	0%	0%	0%	0%	0%
MAINE TRAILER LEASING	31,148	0	N/A	100%	0%	0%	0%	0%	0%
MEAD CORPORATION	757,545	-95	N/A	100%	0%	0%	0%	0%	0%
MEGA INDUSTRIES	12,000	-5	N/A	0%	0%	0%	0%	0%	100%
MID-STATE MACHINE PRODUCTS	29,117	2	14,559	100%	0%	0%	0%	0%	0%
MILLROCK, INC.	18,813	-32	N/A	0%	24%	0%	0%	0%	76%
NATIONAL SEMICONDUCTOR	9,864,000	73	135,123	59%	0%	0%	2%	5%	34%
NATURALLY POTATOES	96,308	-25	N/A	100%	0%	0%	0%	0%	0%
NEW BALANCE ATHLETIC SHOE	161,413	142	1,137	0%	56%	0%	44%	0%	0%
NEW ENGLAND 800 COMPANY	18,400	35	526	0%	100%	0%	0%	0%	0%
NEW ENGLAND TOOL	46,771	-11	N/A	16%	48%	0%	35%	0%	0%
NICHOLS PORTLAND	130,700	-3	N/A	0%	38%	0%	0%	0%	62%
NORTHEAST PAPER SERVICES	20,000	10	2,000	0%	0%	0%	100%	0%	0%
NORTHLAND FROZEN FOODS	10,508	-3	N/A	100%	0%	0%	0%	0%	0%
NRF DISTRIBUTIORS	13,353	-3	N/A	100%	0%	0%	0%	0%	0%
OAKES & PARKHURST GLASS	11,500	7	1,643	0%	0%	0%	100%	0%	0%
OLAMON INDUSTRIES	30,000	9	3,333	0%	0%	0%	100%	0%	0%
OSCAR & REUBEN LUMBRA INC	21,824	2	10,912	100%	0%	0%	0%	0%	0%
PAINE MACHINE PROD. CO	39,000	2	19,500	0%	100%	0%	0%	0%	0%
PAY POWER LIMITED	13,657	-9	N/A	100%	0%	0%	0%	0%	0%
PEOPLES HERITAGE BANK	741,463	94	7,888	33%	0%	67%	0%	0%	0%
PETERSON COOPER-WEYMOUTH	35,501	16	2,219	0%	0%	0%	0%	0%	100%
PH CHADBOURNE & CO	15,335	5	3,067	100%	0%	0%	0%	0%	0%
PHILIPS LIGHTING CO.	107,726	-37	N/A	98%	2%	0%	0%	0%	0%
PIERCE ATWOOD	27,548	4	6,887	100%	0%	0%	0%	0%	0%
PITTSFIELD WOOLEN YARNS CO., INC.	15,277	-39	N/A	17%	0%	0%	0%	0%	83%
POLAND SPRING WATER CO.	311,190	75	4,149	100%	0%	0%	0%	0%	0%
PORTLAND MACHINE TOOL SERVICES	124,300	5	24,860	0%	21%	0%	0%	0%	79%

**ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST**



Employer	Total subsidies received	Full-time employment change	Subsidy per full-time job gained (in dollars)	Each program as % of total subsidy:					
				BETR (B1)	GTI (B3)	JITC (B4)	MQC (B5)	RETC (B6)	TIF (B7)
PORTLAND VALVE INC.	10,825	2	5,413	100%	0%	0%	0%	0%	0%
PRATT & WHITNEY	545,207	-9	N/A	37%	0%	0%	0%	0%	63%
PRIDE MANAGEMENT CO	30,198	-6	N/A	100%	0%	0%	0%	0%	0%
PRIME TANNING CO., INC	49,594	4	12,399	100%	0%	0%	0%	0%	0%
RICHARD CARRIER TRUCKING	21,986	0	N/A	100%	0%	0%	0%	0%	0%
ROBBINS LUMBER INC.	29,264	3	9,755	100%	0%	0%	0%	0%	0%
S.D. WARREN COMPANY	346,026	-249	N/A	100%	0%	0%	0%	0%	0%
SACO DEFENSE	75,209	-11	N/A	100%	0%	0%	0%	0%	0%
SAFE CENTRAL INC.	61,389	3	20,463	100%	0%	0%	0%	0%	0%
SCI TECHNOLOGY	153,217	-326	N/A	100%	0%	0%	0%	0%	0%
SHAPE GLOBAL TECHNOLOGY	42,335	-52	N/A	0%	0%	0%	0%	0%	100%
SHAW BROTHERS	37,855	18	2,103	100%	0%	0%	0%	0%	0%
SHER WOVEN LABEL CO.	25,562	-14	N/A	100%	0%	0%	0%	0%	0%
SHIPYARD BREWING CO	65,373	-5	N/A	0%	0%	0%	0%	0%	100%
SITEL CORPORATION	108,000	237	456	0%	0%	0%	100%	0%	0%
SKOWHEGAN SAVINGS BANK	13,034	34	383	100%	0%	0%	0%	0%	0%
SMITH & WESSON	47,594	-3	N/A	0%	29%	0%	0%	0%	71%
SOUTHERN CONTAINER	267,000	14	19,071	0%	0%	0%	0%	0%	100%
SPECIALTY MINERALS	291,478	11	26,498	84%	6%	0%	0%	0%	10%
SPECTRUM PRINTING GRAPHICS, INC.	16,398	5	3,280	100%	0%	0%	0%	0%	0%
SUGARLOAF MTN CORP.	17,813	73	244	100%	0%	0%	0%	0%	0%
SYSCO FOOD SERVICES	24,115	19	1,269	0%	0%	0%	0%	0%	100%
TALK AMERICA	230,586	-42	N/A	0%	100%	0%	0%	0%	0%
TAMBRANDS, INC.	876,000	113	7,752	65%	8%	0%	9%	0%	18%
TENNFORD WEAVING CO	12,781	0	N/A	100%	0%	0%	0%	0%	0%
THE DINGLEY PRESS	175,315	45	3,896	56%	3%	0%	18%	0%	23%
THE HINCKLEM CO.	25,776	51	505	0%	100%	0%	0%	0%	0%
U.F. STAINRITE, INC.	56,404	-3	N/A	18%	82%	0%	0%	0%	0%
UNUM LIFE INSURANCE COMPANY OF AMERICA	498,131	285	1,748	100%	0%	0%	0%	0%	0%
US FELT MFG. CO.	34,854	3	11,618	33%	0%	0%	0%	0%	67%
V.I.P., INC.	25,271	74	342	100%	0%	0%	0%	0%	0%
VAN BAALEN PACIFIC	364,171	-4	N/A	0%	0%	0%	0%	0%	100%
WASCO PRODUCTS, INC.	37,915	6	6,319	8%	92%	0%	0%	0%	0%
WAUSAU MOSINEE PAPER CORP.	179,047	-17	N/A	92%	0%	0%	0%	0%	8%

**ECONOMIC DEVELOPMENT SUBSIDIES: MODEST JOB GAINS AT HIGH COST**

Employer	Total subsidies received	Full-time employment change	Subsidy per full-time job gained (in dollars)	Each program as % of total subsidy:					
				BETR (B1)	GTI (B3)	JITC (B4)	MQC (B5)	RETC (B6)	TIF (B7)
WEST POINT STEVENS	21,550	28	770	100%	0%	0%	0%	0%	0%
WILLIAM ARTHUR	11,325	51	222	100%	0%	0%	0%	0%	0%
WINDEROSA GASKET	109,266	-1	N/A	84%	16%	0%	0%	0%	0%
WRIGHT EXPRESS CORP.	25,566	58	441	100%	0%	0%	0%	0%	0%
<b>NO FT/PT split shown:</b>									
GEIGER BROS.	11,808	0	-----	100%	0%		0%		0%
<b>No employment changes shown:</b>									
MAGNETIC RESONANCE TECHNOLOGIES OF MAINE, L.P.	20,427	0	-----	100%	0%		0%		0%
PRECISION SCREW MACHINE PRODUCTS, INC., dba PSMP	205,574	0	-----	0%	98%		0%		0%
FARM CREDIT LEASING	30,669	0	-----	100%	0%		0%		0%
ZAYRE CENTRAL CORP.	15,180	0	-----	100%	0%		0%		0%
M-36 ASSOCIATES, L.L.C.	43,293	0	-----	0%	0%		0%		100%
MBNA NEW ENGLAND	383,697	0	-----	100%	0%		0%		0%
AMPLICON, INC.	10,885	0	-----	100%	0%		0%		0%
CAPITAL AUGUSTA PROPERTIES	285,000	0	-----	0%	0%		0%		100%
DEERE CREDIT INC.	15,973	0	-----	100%	0%		0%		0%
KEY CORPORATE	0	0	-----	N/A	N/A		N/A		N/A
WILLIAM ARTHUR	11,325	0	-----	100%	0%		0%		0%
10-16-63 CORPORATION	59,000	0	-----	0%	0%		0%		100%
THE PILLSBURY CO	18,076	0	-----	100%	0%		0%		0%
WINTHROP RESOURCES CORP	10,980	0	-----	100%	0%		0%		0%
XEROX CORPORATION	196,335	0	-----	100%	0%		0%		0%
NORTHWEST FINANCIAL LEASING, INC.	34,464	0	-----	100%	0%		0%		0%
TOYOTA MOTOR MFG. CANADA, INC.	21,802	0	-----	100%	0%		0%		0%
THE PILLSBURY CO.	18,076	0	-----	100%	0%		0%		0%

## Endnotes

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1. U.S. Bureau of Labor Statistics, State and Area Employment, Hours, and Earnings, extracted from web site, 12/9/99.
2. The HUD limit is \$50,000 per individual project, \$35,000 for the average of a city's loan projects. The SBA limit applies to a Certified Development Corporation's overall portfolio.
3. About 20 companies either provided current employment levels without giving figures for the previous year, or filed reports that provided no information on employment. They included several large subsidy recipients, such as MBNA New England, Capital Augusta Properties, and Xerox Corporation. Thus, only about 167 companies, or 55% of the total, filed reports with complete employment information (and some of these provided no data, or inadequate data, on wages, which we will discuss in a future report).

However, about 84% of total subsidy dollars were covered by the company reports. This allows us to have confidence that our analysis of the data from companies that did file would not be altered significantly by the small fraction of subsidy dollars that have not been reported on. This is true both overall – for all of the programs – and for most of the individual programs, including those receiving the most funds. Exceptions to this conclusion are two relatively small programs, the JITC and MQC, for which reports have been submitted covering half or less of the total dollars spent.
4. A number of the companies had errors and ambiguities in their reports. As a result, we have excluded some from the analysis. In other cases, we have made adjustments to the figures, based on either: a) using one section of the report, usually section (E), to resolve an inconsistency in section (F); or b) phone discussions with the company's contact. See Appendix D for further details.
5. In the graph of subsidy size versus number of jobs gained or lost, the companies were restricted to those receiving subsidies between \$50,000 and \$2 million in order to improve the visual clarity of the graph. The entire set of fully reporting companies shows the same lack of an upward trend.
6. Correlations were run for the groups of companies which received more than 90% of their total subsidy funds from a particular program. The size of the subsidy failed to explain a significant portion of the variation in full-time employment change for the BETR, TIF, GTI, and combination of BETR and TIF programs (R-squared's of 11% or less in each case). For MQC, the size of the subsidy explained more than half of the variation in the full-time job change (R-squared of 56%). For the JITC and RETC programs there were not enough recipients to generate a meaningful graph.
7. Bureau of Labor Statistics, extracted from its web page, 12/9/99. Data is for December of 1997 and 1998, not seasonally adjusted. Total employment in Maine was 562,300. Chosen for comparability to the employment figures given on the economic development incentive reports.
8. Maine Department of Labor, Labor Market Information, "Annual Employment and Wage Summary for 1998 Maine, All Type Coverages in Statewide Sequence," 8/4/99. 67,578 employees at subsidized firms were 14.3% of total statewide employment of 474,203.
9. Suppose first, that equipment which is eligible for BETR is depreciated on a straight-line basis over 10 years. Then the lifetime cost to taxpayers will be about 5.5 times the cost in the first year that each company takes a BETR credit. For a 12-year depreciation cycle, the lifetime cost will be 6.5 times the first year cost.

We don't know where the current group of companies receiving BETR are within their depreciation cycle. But since the data reported by Maine Revenue Services (MRS) were for only the third year of BETR's existence (Fiscal 1999), the companies must be within the first three years of depreciation. Suppose that on average they are in the second year, and are depreciating over 10 years. Then they have depreciated 10% of

the equipment's value, and so are claiming a credit on 90% of its first-year value. Since, over ten years, the total credit will be 5.5 times the first-year credit, then the total credit over time will be about six times the credits being claimed this year (5.5 divided by 0.9).

10. Eighteen of the companies excluded from Table 3 received money under a combination of tax credits and job training funds, and three received a combination of tax credits that included the JITC and RETC programs. See Appendix A for a detailed breakdown of results.

11. Minnesota statutes, Article 12, Section 1, Subdivision 4 (page 229).

12. See "Funding Economic Development in Maine," Maine Choices 1997, Charles G. Roundy, Maine Center for Economic Policy, Nov. 1996; Tax Increment Financing Districts, Department of Economic and Community Development, 9/28/98.

13. Summary of General Fund Appropriations, Office of Fiscal and Policy Review, State of Maine, updated October 7, 1999.

14. Minnesota Statutes, Article 12 Business Subsidies, Section 2, Subdivision 1.