

Grants create fewer
jobs than expected

George Hohmann

Daily Mail business editor

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Fewer than 1,000 full-time jobs have been created two years after state officials approved \$224.8 million for economic development projects around West Virginia.

And, so far, only \$134.4 million of the money -- 59.7 percent -- has been spent; \$90.5 million sits in a bank account earning interest.

A labor official called that spending percentage "a failing grade."

Back when the 48 projects were approved, then-Gov. Bob Wise called the Economic Development Grant Committee's project funding "the largest economic stimulus package the state has ever seen." He predicted that the grant program would create thousands of jobs.

The program has created 3,035 jobs, according to reports filed by the grantees for the period from July 1, 2004, to June 30, 2005. But only 884 of those jobs, with a total payroll of \$22.3 million, are full-time and permanent.

The grantees reported creating 839 part-time jobs with a total payroll of \$2.8 million.

Labor unions, which supported the grant program, predicted the projects could create more than \$100 million in construction wages. But reports filed by the grantees show a total of 1,312 temporary construction jobs with a total payroll of \$22 million were created during the period.

Of all the projects, the Fort Henry Business and Industrial Center is by far the largest. Cabela's outdoor-supply store, which opened in August 2004, is the anchor tenant. The Ohio County Commission received a \$35 million grant to build the business park.

The project reported creating 467 permanent full-time jobs with a payroll of \$13 million; 222 part-time jobs with a payroll of \$1.5 million, and 686 temporary construction jobs with a payroll of \$4 million.

One local project, the Clay Center for the Arts & Sciences, received a \$3 million grant to help pay down its construction debt. It reported creating 139 permanent full-time jobs and 460 part-time jobs.

"Yes, they used the grant to pay down debt, but it contributed to the overall cost of the project so there's still going to be a result -- employment created," said Caren Wilcher of the Economic Development Authority, which administers the grant program.

"We asked all of the projects to provide us with their complete employment information, regardless of what percentage our funding may represent," she said. "If we hadn't provided funding for construction jobs, the full-time jobs would not be there."

Huntington's Pullman Square, which received a \$10.6 million grant, reported creating no construction jobs, only three permanent full-time jobs and just one part-time job during the period. The first portion of the commercial complex opened in November 2004.

The authority board has been repeatedly assured that all of the grantees will use the money they were awarded. Even so, there are two projects that have not drawn any money:

The state Department of Health and Human Resources, which was awarded a \$1 million grant to build a hospital at Man; and

The Kanawha County Commission, which was awarded a \$133,000 grant to expand the Charleston Area Alliance's small business incubator on Smith Street.

Labor unions were advocates of the grant program because they thought it would put their members to work and because all of the projects must pay prevailing wage rates.

Steve White, director of the Affiliated Construction Trades Foundation, said the fact that many projects haven't been implemented "reflects that they were hastily put together.

"I'm sure there will be a significant number that will never be built, as in any development process," said White, whose foundation represents construction unions. "There are a lot of ideas but only a portion of them make it from the drawing board to bricks and mortar."

White said the grant program did provide a boost for the state's construction workers because several projects, like Charleston's ballpark and Huntington's Pullman Square, were built when there wasn't a lot of construction work.

He regretted, though, that only 59 percent of the money set aside for projects has been spent.

"It did fill that role for our construction workers," White said. "But obviously it could have been better. Fifty-nine percent is a failing grade."

The Affiliated Construction Trades Foundation is the research, lobbying and advertising arm of the West Virginia State Building Trades, which consists of 20,000 union construction workers from West Virginia and surrounding counties.

The committee that doled out the grants was the second organization created for the task. The first was established in early 2002, when Wise chose six of the nine members from a 10-person list submitted by legislative leaders.

The West Virginia Citizen Action Group filed a lawsuit challenging the setup and procedures of the first committee and won.

The Legislature created a new grant committee in a special session and no one challenged it. The committee picked 48 projects in August 2003. Bonds backed by video lottery revenue were sold by the state in January 2004 to raise the money.

Norm Steenstra, the head of the citizen group, said, "I think the fundamental question is, we hear so much about the marketplace, supply and demand, and the ability to make a profit. Is that the role of the government -- to basically subsidize businesses that, under capitalist theory, would come in here on their own and develop projects and make a profit?"

"All of us want to encourage economic development," Steenstra said. "But at what cost? And what kind of projects are picked?"

The grant committee was composed of people who were political appointees, Steenstra said. When it came to deciding which projects would be funded, "to a large degree it was a political decision," he said.

David Warner, executive director of the state Economic Development Authority, said administering the grants has gone smoothly.

"Our initial projections assumed that we would have disbursed more of the funds at this time," he said. "I don't what the exact numbers might have been, should have been, could have been. But I think it's safe to say it's been a little slower.

"But in our experience it's not unusual to have either construction delays or delays in the planning. There are a number of legitimate reasons that have resulted in slower disbursements or slower project completions."

The project reports are sure to be the subject of questions when the authority's board of directors meets Thursday.

At the authority's December meeting, several directors expressed frustration with the slow pace of some projects. Warner promised to have a report on each project this month.

Reports were due on Dec. 1, but as of Tuesday 13 grantees had not filed any.

Warner said those grantees will be contacted again. "They are expected to comply," he said.

The authority has the power to yank grants but has not done so.

"We would do everything possible to avoid such an action if the projects are moving forward," Warner said. "Our staff did not select these projects. In our role administering funds, we are trying to respect the initial decisions the Grant Committee members did make for those projects."

If a grant were yanked, the money would go into a so-called bridge loan fund. The Legislature would determine how to use the money in that fund.

Contact writer George Hohmann at 348-4836.