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Wise taps fund he chided Underwood for using

Sogefi benefited from contingency repository

By Paul Wilson

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In December 2000, Gov.-elect Bob Wise criticized outgoing Gov. Cecil Underwood, saying Underwood spent about \$16 million from the Governor's Civil Contingent Fund on projects to win votes for re-election.

Wise called for clear boundaries, and said the fund's priorities were "floods, fires [and] paying for National Guard efforts."

About three years later, Wise dipped into the fund when it looked like a \$990,000 state grant wouldn't clear legal hurdles. That grant was for Sogefi, an Italian auto-parts maker with a facility in Wayne County.

Sogefi is one of at least five projects where state officials promised funding before getting approval by state economic development boards. The practice by Wise administration officials has drawn criticism in recent weeks, but Alex Macia, Wise's chief of staff, said the contingency fund was not tapped because of commitments to Sogefi.

"The governor went to Italy to convince Sogefi to come to West Virginia," Macia said. "This was important to him and to his credibility."

Former Gov. Gaston Caperton, like Wise, Underwood and others, tapped the fund for purposes other than disaster relief. Under state law, the only authorization needed is a letter from the governor to the auditor.

"Principally, [the contingency fund] was set up for times of natural disaster," said West Virginia Auditor Glen Gainer III. "What's happened ... is that it's been used more and more to fund special projects.

"Philosophically, I'm opposed to this."

Between Wise's inauguration in mid-January 2001 and the end of this March, the Sogefi project got the second-largest single amount from the contingency fund. The largest was \$5 million to Wheeling-Pittsburgh Steel Corp. in early 2002, according to records from Gainer's office.

During the Underwood flap in 2001, Gainer argued against increasing restrictions on the fund, saying it would limit governors' flexibility. Last week, he said Wise has been more restrained in the use of his fund than previous governors.

"But typically, when we see the largest expenditures, it's during the end of political cycles," he said. "This might be different if Wise were running again."

State code allows governors to tap the fund for anything they "may deem proper," although times of emergency customarily get top priority, Gainer said. The money can be used on "unexpected, one-time occurrences," and Sogefi meets those criteria, Macia said.

"We knew the project would go ahead and should go ahead," he said. "The state made a commitment to Sogefi to entice them to come to the state. We are honoring that commitment."

Wise's commitment dates back to at least the summer of 2002, Macia said. West Virginia officials were competing with a Canadian location and another in the United States to land the project, which eventually would bring 148 jobs to the Prichard Industrial Park.

At that time, state officials promised Sogefi nearly \$1 million in a grant in what Macia called "not even a handshake" agreement. On Nov. 6, Development Office Director David Satterfield signed a "Binding Memorandum of Understanding," promising a grant for \$990,000.

That was the same day Sogefi announced that it would come to West Virginia and manufacture suspension parts for Ford Motor Co. Six days later, the Economic Development Grant Committee certified a grant for \$990,000 for the project.

"If we could land Sogefi, they could tell colleagues and people they deal with that the United States, and most especially West Virginia, is a good place to do business," Macia said.

Sogefi's grant and all the others certified in 2002 were thrown out in a West Virginia Supreme Court case the following spring, but Sogefi got the same amount by a revised grant committee last fall.

Then the Affiliated Construction Trades Foundation sued, arguing that Sogefi was ineligible for the grant because its partner group, the Huntington Area Development Corp., wasn't a public body. ACT criticized the Sogefi project in 2002, saying company leaders conspired with state officials to keep some contractors from bidding on the project.

For a few days last January, it was thought the lawsuit could block the grants in their entirety, further delaying projects such as the Charleston ballpark. Then the state agreed to separate the Sogefi project from the 47 others, worth nearly \$226 million.

At that point, Macia said, Sogefi project leaders agreed to rescind their grant application if they got \$990,000 from another state source. A check from Wise to the Wayne County Economic Development Authority is dated Feb. 17, and Sogefi notified the state it no longer wanted the grant on March 31.

Steve White, executive director of the ACT Foundation, said his organization achieved its goal: prevent the Sogefi project from getting the grant.

"But can we stop the state from giving this company money? Obviously not," White said.

The Legislature put more money into the contingency fund this year, knowing Sogefi needed nearly \$1 million. By law, the grant money that would have gone to Sogefi now goes to a bridge loan account controlled by the Legislature, Macia said.

"The Legislature fronted the money and will get it back at the back end," he said.

In 2002, Wise asked the Legislature for a separate pot of money, \$2.7 million called the Sunny Day Fund, to help close deals and attract companies to West Virginia.

The bill didn't pass, after Sen. John Unger, D-Berkeley, amended it to require regular reports on the fund, and Sen. Vic Sprouse, R-Kanawha, amended it to make the fund subject to the state Freedom of Information Act.

Wise was instead given a budget line item in the contingency fund for \$1.5 million in 2002 and \$1.5 million in 2003. No money was appropriated this year.

“If the governor could have done that with the civil contingency fund, why did he push for the Sunny Day Fund?” Unger said last week. “I’m not saying this type of thing shouldn’t be done, but it’s using this gray area that governors of past and present have been using.”

Wise wanted an official Sunny Day Fund so that business prospects could see a separate pool of money was there to close economic development deals, Macia said. The economic development plan “West Virginia: A Vision Shared” calls for such a fund, which is common in other states, Macia said.

Although the legislation never passed, Satterfield used the line-item money to help with two projects in the past two years.

In April 2002, he promised \$1.5 million for a loan guarantee to FMW Composite Systems, an aerospace manufacturer in Bridgeport. He also promised up to \$1.2 million for a golf tournament at the Pete Dye Golf Club.

Satterfield also promised state money for Cabela’s, an outdoor-retail store and distribution center outside Wheeling. Cabela’s demanded \$34 million be set aside, not just promised. And in a Sept. 30 letter he has called a proposal, Satterfield wrote “...the State of West Virginia hereby commits to provide loan guarantees in the amount of \$3 million to support ... the Western Greenbrier Co-Generation Project.”

The loan was approved Nov. 16.

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