



News

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State funds given to firms that later cut jobs

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CHARLESTON, W. Va. -- West Virginia has given taxpayer-funded incentives to private companies that have later cut jobs, according to a report released today by the West Virginia Center on Budget and Policy.

The report, called "Money for Nothing," calls for more accountability and transparency for state tax credits and publicly funded low-interest loans.

"We need results," said policy analyst Paul Miller, who wrote the report. "There are too many unemployed West Virginians and too many people without good-paying jobs."

Miller examined three programs: the Economic Opportunity Tax Credit, the Manufacturing Investment Tax Credit and the West Virginia Economic Development Authority's direct, low-interest loans.

The state spends millions on such programs. In 2007, the WVEDA provided 28 loans totaling \$39.7 million, according to the report.

Between tax years 2003 and 2006, claims under the EOTC were \$4 million. During the same period, claims under the MITC totaled \$3.9 million.

But the Center on Budget and Policy report cites several examples of businesses that participated and later cut jobs.

For instance, between 2003 and 2006, Interstate Hardwoods of Pocahontas County received WVEDA loans of more than \$722,000 and up to \$150,000 in state tax credits. During the time, the company reduced its workforce from 215 to 200 employees.

In Kanawha County, the Charleston Stamping plant received a \$15 million loan from the WVEDA in May 2007, according to the report.

As of January 2009, the company had installed 45 robots on its assembly lines, the report says. Now, only 25 people work there, compared to 1,000 a few years ago.

WVEDA executive director David Warner said he could not comment in detail on the Center on Budget and Policy report because he hadn't seen it.

There have been some cases of companies receiving loans and then cutting jobs, he said, but there are many others that are successful.

"That's not a fair representation of what we do as a whole, in my opinion," Warner said.

Finding information on the outcomes of tax credit and loan programs is difficult, Miller said.

The WVEDA annually publishes a report on the recipients and amounts of its low-interest loans, but the number of jobs created has not been published, according to his report.

The state tax department's Tax Credit Review and Accountability Report is published once every three years.

"The fact that it's not an annual publication is in and of itself a lack of transparency and accountability," Miller said.

State Secretary of Commerce Kelley Goes said officials are trying to publish that report more frequently.

"I think the Tax Department has worked really hard to shorten that time period," she said. "I know that we've talked about that issue, and I know that they're responsive to that issue."

Besides publishing such reports more, the policy center recommends several other ways West Virginia could increase transparency and accountability.

For instance, it could create an online, searchable database - similar to one that Illinois has - of companies that receive state tax credits and loans. The database would include the number of jobs actually created, wages and benefits provided, and demographics of the workers hired.

"The fact is the state has very limited resources," Miller said. "With the recent downturn in the economy, it places a higher premium on the use of those resources."

Goes said the state must always balance a company's need to protect proprietary information with the public's right to know.

"We believe in transparency, but we also know that companies need to have certain things confidential to the state, so we're always balancing," she said.

Tax credits and state loans are vital for economic development in West Virginia, she said. They are not only meant to create jobs, but to retain them by helping companies upgrade and expand so they remain competitive.

"They're absolutely essential for competition, and very conservative if you compare them to other states," she said.

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