May 5, 2021 **Allegheny Institute Op-Ed**

585 words

Most Aquion money still unrecovered

By Colin McNickle

Four years after Pennsylvania said it would try to recover millions of dollars in public subsidies made to bankrupt Westmoreland County saltwater battery maker Aquion, it has little to show for its efforts, concludes an analysis by the Allegheny Institute for Public Policy.

“Rather than trying to pick winners and losers and providing large amounts of money in questionable public subsidies, the commonwealth needs to address its business tax structure, its regulatory environment and generally improve the state as a place to start and run a business,” says Eric Montarti, research director of the Pittsburgh think tank (in *Policy Brief Vol. 21, No. 17*).

It was in 2012 -- in exchange for retaining 70 jobs and creating 341 new jobs at the former Sony facility in East Huntington Township -- that Aquion received an economic development package of $18.6 million in loans and grants.

That included a $2 million Alternative Clean Energy grant; a $5.6 million Opportunity Grant; a $1 million Discovered and Developed in PA grant; a $3 million Alternative Clean Energy loan and a $5 million Machinery and Equipment Fund (MELF) loan.

An additional $2.2 million came from the Pennsylvania Industrial Development Authority (PIDA)-Multi to customize space at the facility.

But despite the public kitty’s help, Aquion filed for Chapter 11 bankruptcy reorganization in March 2017. It cited an inability to “raise the growth capital needed to continue operating.” Computer guru Bill Gates was among the investors. Aquion terminated its lease and moved overseas. Whether it remains an operating concern is unclear.

Which yet again should raise serious questions about what kind of financial due diligence was done five years earlier by the state Department of Community and Economic Development (DCED), which oversaw the subsidies.

That said, DCED pledged to attempt to recover those public disbursements.

"Based on an April 8 response to an open records request, DCED said $1.2 million has been paid back," Montarti says. "In February 2019, a payment of $761,612 was applied to the MELF loan and $463,387 was applied to the Alternative Clean Energy loan."

But that's only 7.4 percent of $16.6 million in grants and loans the company directly received.

Despite the Aquion failure, and a string of past costly-to-taxpayers failures at the site, the DCED has continued to pump millions into the facility – more than $10 million in grants and loans -- state records show.

A series of audits have attempted to hold DCED's feet to the fire. But the agency appears to be the gag gift that keeps falling flat. Since the money is recaptured by DCED, it likely becomes part of the funds it has to distribute.

"But it should be returned to the general fund and used to lower taxes," Montarti says. "Significant growth in returned funds could result in taxpayers and legislators to push for less reliance on government and more reliance on the marketplace to drive business development."

Such recommendations are neither new nor unreasonable.

"But sadly they do face an uphill fight in Pennsylvania," Montarti reminds. "Continuing losses of congressional representation ought to be a clear signal that something is amiss.

"The state's perennially relative slow economic growth and employment gains compared to much better performing states should have long since brought about a rethinking of the role of government in the economy," Montarti concludes.

Colin McNickle is communications and marketing director at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: AlleghenyInsti1