

January 31, 2012

0

[Recommend](#)

3

[Tweet](#)

1

## W.Va. urged to create extractive resources trust fund

By [Ken Ward Jr.](#)[Read the report](#)

CHARLESTON, W.Va. -- West Virginia should begin setting aside a portion of coal and natural gas severance taxes to create a trust fund that could help pay for long-term programs for economic development, education and infrastructure improvement, a progressive policy research group said in a report released Tuesday.

The West Virginia Center on Budget and Policy urged lawmakers to impose an additional 1 percent severance tax for the project, which could raise \$5.8 billion in revenue over the next quarter-century.

Report co-author Ted Boettner, executive director of the center, said the proposed "Economic Diversification Trust Fund" would be an investment in protecting the state from volatile energy markets and preparing for the day when West Virginia's mineral resources are played out.

"The only feasible way to ensure that we will always benefit from our rich natural resources is to create a permanent trust fund," Boettner said. "A permanent trust fund should also be used to diversify our economy through strategic investing in early childhood development, workforce training, infrastructure and research and development."

The center's 41-page report outlines existing extractive industry trust funds in other states, including Alaska's well-known "permanent fund" and similar programs in Montana, New Mexico, North Dakota, Utah and Wyoming.

"While each is managed and invested in its own unique way, the concept is the same — to provide a source of sustainable funding for state budgets that will be available even after the taxable resource is depleted," the center said in a press release. "A permanent trust fund sets aside severance tax revenue so that it does not go into a state's general revenue fund and can be saved and invested for the future."

If West Virginia had created such a program in 1980, it could have provided the state with \$43 million each year and still had a balance of nearly \$2 billion at the end of 2010, the center said.

Report authors said state leaders could use the trust fund money to help address many of West Virginia's long-standing socioeconomic challenges, including the lack of economic diversity, the low labor-force participation rate and deteriorating infrastructure.

"West Virginia's economy is one of the weakest and least diversified in the nation, with the second lowest output and personal income per capita, and an employment mix that lacks diversity," the center said. "The state's labor market is very weak, and has the nation's lowest number of educated workers and workers participating in the labor force."

"West Virginia ranks at the bottom on many economic welfare indicators, including poverty, median income, health outcomes, and overall well-being," the report said. "The state's infrastructure is also deteriorating, with more than \$8 billion in unmet needs."

"Without a large-scale investment in the workforce and infrastructure, West Virginia could remain uncompetitive."

Currently, the base severance tax rate for coal and gas in West Virginia is 5 percent. More and more of the state's coal production, though, qualifies for lower rates for being mined from thin seams. And once various credits are applied, the "effective rate" for coal is 3.2 percent, the center said in a previous report.

"With coal production declining in West Virginia, we see that local and state economies cannot rely indefinitely on finite natural resources for jobs and tax revenues," said report co-author Rory McIlmoil, a project manager with the Morgantown consulting group Downstream Strategies.

"With a permanent trust fund, we can ensure that sufficient revenues are available to sustain economic development investments in the future without being concerned as much with booms and busts."

Reach Ken Ward Jr. at [kw...@wvgazette.com](mailto:kw...@wvgazette.com) or 304-348-1702.

2 Comments

Post a Comment

Posted By: jkotch

 Report Abuse

We should also get rid of the lower severance tax rate for "thin-seam" mining. This merely provides an incentive for mountaintop removal, and out-of-state mining firms are laughing all the way to the bank.

Posted at: February 01, 2012 3:04:54 am

Posted By: annhar70

 Report Abuse

I would like to know jkotch. What is wrong with lower taxes, We the people work buy property but if we do not pay Government taxes on it, we loose it so in other words it only belongs to us if we pay a bounty like the old timers who went around and made the business's pay them protection, if they didn't pay they shot up their establishment, the only differece the Government takes it away and sells it to someone else so they can keep on making money off our hard earned money. Ruth Harvey Sissonville

Posted at: February 01, 2012 8:53:44 am