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Minerals: Create a nest egg

West Virginia should start an "Economic Diversification Trust Fund," using extra severance taxes from gas, oil and coal. That's a suggestion by the West Virginia Center on Budget and Policy. It recommends a trust fund modeled after those created in mostly Western states in the 1970s.

It would work like this: West Virginia already collects 5 percent severance tax on coal, gas and oil. State and local governments anticipate that revenue each year and use it for police, fire and other local responsibilities. West Virginia should increase the severance rate by 1 percent and dedicate the increase to a trust fund.

Within a few years, the reserve would be large enough to generate interest that could be spent on things to make West Virginians more prosperous. The fund would continue to grow, both from tax collections and interest income. Over time, it would funnel an increasing amount of money to the state.

Alaska, Montana, Wyoming, New Mexico, North Dakota and Utah have had severance tax trust funds since the early 1970s, says Ted Boettner, executive director of the Center on Budget and Policy and one of the authors of the report.

Policymakers in those states realized that their revenue depended on extraction industries and those resources would not last forever. So, they created funds to provide a reliable stream of revenue, even after the minerals are gone.

Funds in those states have grown and function like endowments. Some are worth billions. Each year, they provide millions for education, health, economic development, culture or other priorities.

It is amazing that West Virginia has not created such a fund already.

This state needs more economic development, and has an underdeveloped workforce and an aging population. It also has high rates of disability and disease and a small tax base — the fewest number of taxpayers making more than \$200,000 a year in America.

"Our largest wealth lies under our feet in the hills of West Virginia," Boettner commented this week.

If West Virginia had set up a mineral trust fund tied to coal in 1980, it would have been worth nearly \$2 billion now, the report says.

If the Marcellus gas boom proves to be as great as everyone hopes, then a fraction of that wealth should flow to the people of West Virginia. As West Virginians know from long experience, booms may be followed by busts. How much smarter to learn from the past and devise a method to smooth out the roughest swings in that inevitable cycle.

Former Wyoming Gov. Michael Sullivan is to keynote a morning conference on gaining state prosperity from minerals at 8 a.m. Tuesday at the Charleston Marriott. "How West Virginia can learn from Wyoming's experience with a permanent mineral trust fund" is his topic. We hope

leaders attend and consider this additional method to help the Mountain State.

Gov. Tomblin said Thursday that he won't support adding a penny to severance taxes. Senate President Jeff Kessler, D-Marshall — who previously proposed a similar "Future Fund" -- likewise said "people will scream" at any tax hike.

However, once election-year pressure is gone, far-seeing officials should study this strategy to benefit West Virginia.

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Posted By: jkoton

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Those who fail to see the need for such a trust fund are those who believe that nonrenewable resources will last forever. They apparently have never heard of such a thing as a played out mine. We are squandering our children's inheritance, solely to benefit the out-of-state corporations who find campaign contributions to be a far cheaper way to do business than paying their fair share.

Posted at: February 06, 2012 6:29:18 am

Posted By: dhinkle

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I agree that we need to create sustainable wealth but we also need to stay competitive in the market. WV should consider reducing the severance tax rate by 1% for any natural resource harvested and mandate that the 1% be returned to the county where production took place to create and build an endowed Community Resource Fund. The producer pays less tax and could benefit from charitable tax incentives. Community foundations throughout the state have the experience and ability to manage endowed funds. Counties could utilize the funding where needed most. A resource depleted would be replaced with a permanent resource that would benefit residents and visitors of our great state.

Posted at: February 06, 2012 10:06:45 am

Posted By: freddybrown

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While you're at it lets look at taking say 10% of the Turnpikes revenues now that people are saying the tolls can never come off and how about 10% of the Hotel/Motel taxes that go to the Convention and visitors bureaus? Heck those folks dont need ALL that money and we need to start a nest egg like you say. If you look around there would be lots of places to fund the nest egg. Why not a tax on the lottery too?

Posted at: February 06, 2012 11:52:26 am

Posted By: Grouse

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Severance taxes aren't a tax on state citizens since the vast majority of our extracted resources are shipped out of state. As long as the extractive industries, coal, gas and wood, have our governor in their back pocket there's no way such a progressive looking tax will be passed. That's why we need a true democrat in office and not DINO's like Manchin and now Tomblin.

Posted at: February 06, 2012 12:13:38 pm

Posted By: MU4WVU2

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I really have no problem with an appropriate fund being established.

Specifically to do what with it?

Can it ever be used for other purposes?

How do you grow a fund with politicians scheming of programs to "invest" in?

Will the fund be used to fill "potholes" next winter?

Education can always use more.

Can WV extraction compete in the market with the added cost?

Do we kill the "Goose that lays the Golden Egg"?

Is there a "Cap" on the fund?

Can it ever be co-mingled with other funds?

There are too many questions that need to be answered before establishing such a potentially grab bag fund. The first question for Ken, Ted and jk: How does a fund make more palatable the extraction industry?

Posted at: February 06, 2012 12:57:36 pm