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Would Mineral Trust Fund Work in West Virginia?

February 6, 2012

CHARLESTON, W.Va. - West Virginia lawmakers are debating the idea of taking some tax income from the Marcellus natural gas boom and setting it aside for the state's economic future. A former Wyoming governor who will speak at a meeting in Charleston this week says a similar plan was a lifesaver when he was in office.

Mike Sullivan says that state's permanent mineral trust fund is like a savings account built on a small portion of severance taxes, where investment income goes into the general fund. He says it made a huge difference when he was in office during a serious downturn.

"We had difficulty just balancing the budget. We would have had trouble taking care of the most necessary needs. Probably we could not have balanced our budget without it."

The West Virginia Center On Budget & Policy (WV COB&P) estimates a 1 percent hike in severance taxes on gas and coal would yield \$35 billion over the next 23 years.

Wyoming has no income tax and has lower sales and business taxes than its neighboring states. Sullivan says part of the credit goes to the mineral trust fund. He says since 1975 it has put \$2.8 billion of investment income into the general fund, almost as much as the state spends in two full years.

"It represents currently about 13 percent of the general fund, which would serve to lighten the load some."

Sullivan will be the keynote speaker at the West Virginia Center on Budget & Policy annual meeting. He says one topic he will address is whether increasing taxes and regulation drove some of the oil, coal and gas business out of his state, as some had said it would.

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Six states have mineral trust funds now. Arguments for them are that they help diversify the state's economy and pay for development once the resource runs out. Sullivan says another advantage is they ease the impact on state revenue that comes from the boom-and-bust pattern of the extractive industries.

"We're a resource state, just as you are, and we've seen the peaks and the valleys. I think it clearly smooths out some of the peaks and valleys."

Gov. Earl Ray Tomblin is opposed to raising severance taxes, and senate president Jeff Kessler says a hike is unlikely in an election year.

The WV COB&P annual meeting, "Creating Sustainable Wealth From Non-Renewable Resources," will be held on Tuesday from 7:30 a.m. to 10:30 a.m. at Marriott Town Center in downtown Charleston. Additional information is available at www.wvpolicy.org.

Dan Heyman, Public News Service - WV

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