Editorial: Creating state trust fund now could offer stability for future

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Proposals to use a portion of mineral taxes for creating a long-term trust fund in West Virginia haven't gained a lot of traction in the state capital, but it's an idea worth refining and pursuing.

Building up such a fund over a period of years and using the interest earned off that money could provide a solid foundation for fulfilling important needs in the years ahead. The key would be to find a balance between taking care of more immediate-term priorities while keeping possible longer-term needs in mind.

Several other states have such funds in place, and West Virginia Senate President Jeff Kessler has once again introduced legislation that has a similar goal.

Just this week, the West Virginia Center on Budget and Policy tried to focus attention on the idea. The center, a progressive think tank, has proposed that the state place an additional 1 percent severance tax on coal and natural gas in order to raise an estimated $5.8 billion over the next quarter century. The purpose of this fund should be to pay for initiatives that would help diversify the state's economy, the center says.

To help make its case, the center had former Wyoming governor Michael J. Sullivan in Charleston to talk about Wyoming's Permanent Mineral Trust Fund. Voters there approved a constitutional amendment in 1974 establishing the mineral trust, which now has a market value of $5.4 billion, and has provided the state an average annual investment return of 7.5 percent.

Sullivan said funds like the one in Wyoming can help mineral-producing states cope with what he called the "resource curse" that hinders diversification in their economies. The mineral trust money in Wyoming is spent as part of the state's general government budget. Other states with similar programs use them for a variety of purposes, including general state spending and long-term economic, education and infrastructure improvements, according to a report prepared by the West Virginia Center on Budget and Policy.

Neither West Virginia Gov. Earl Ray Tomblin nor Kessler support the plans. Tomblin has said he is opposed to any tax increases this year, and Kessler has his own ideas about establishing a similar kind of long-term funding mechanism.

Kessler's legislation, Senate Bill 182, is designed to take advantage of the expected economic gains from Marcellus Shale drilling in West Virginia. His bill would take 25 percent of revenue the state collects as a result of Marcellus Shale drilling and place it in what he calls a "future fund." The bill says the Legislature would not encumber or use dollars from the fund for at least 20 years. The measure doesn't detail a specific use for the money, other than steering it toward future needs of the state.

The general concept of packing away a portion of state revenues from taxes on mineral and gas extraction has merit. A sizable part of the state's current revenues stem from coal, for example, but over time, as coal reserves are depleted, that income will shrink. Now would be a perfect time to plan and develop a stable financial base or supplement for the future before longstanding revenue streams start to fade and new ones have yet to be fully realized.

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