

Will W.Va. prepare for a post-coal future?

January 31, 2012 by Ken Ward Jr.



Gazette photo by Chip Ellis

We've [written before](#) about the proposal from the good folks at the [West Virginia Center for Budget and Policy](#) for a long-term trust fund to prepare our state for the day the coal and natural gas run out ... well, today, the center has [a new report out](#) that discusses this notion in much more detail. They conclude:

West Virginia would benefit greatly from the creation of a permanent severance tax trust fund. An Economic Diversification Fund would help the state meet many of today's economic challenges, while ensuring that future generations benefit from the mineral wealth of their state. In the past, West Virginia did not gain broadly shared prosperity for its residents, despite the tremendous wealth of natural resources in the state. As the Marcellus Shale gas play begins to boom in West Virginia, the state should take action today to ensure that it truly benefits from the extraction of its valuable natural resources. Without a permanent fund, the economic benefit from the natural resource extraction will decline along with the natural resources themselves.

The center proposes a 1 percent additional severance tax on coal and natural gas that could go into this fund, and be used a bit at a time to help pay for a variety of economic development efforts — everything from early childhood development programs and college grants to workforce training and infrastructure improvements.

Authors Ted Boettner, Jill Kriesky, Rory McIlmoil and Elizabeth Paulhus helpfully provide an overview of similar programs in other states — Alaska, Montana, New Mexico, North Dakota, Utah and Wyoming — that tax the extraction of non-renewable resources to pump money into state development efforts and put funds aside for future use.

According to the report, if West Virginia had created such a program in 1980, the state would now have a trust fund with assets of nearly \$1.9 billion — that's BILLION, with a B. If started now, the fund would have generate revenues of \$5.8 billion by 2035. The report says:

If West Virginia wants future generations to benefit from the extraction of its natural resources, it must set aside a portion of the severance tax revenue from all natural resources to invest in important public structures that will build a stronger, more vibrant future for the state. To accomplish this task, West Virginia could follow the lead of six other energy states by creating a permanent severance tax trust fund (hereafter referred to as a permanent fund) that converts non-renewable natural resources into a source of sustainable wealth that serves the state today and in the future through targeted investing. Even after the state's natural resources are depleted, West Virginia could use income from the fund to diversify the economy, make much-needed investments in infrastructure and human capital, lower future tax burdens, and deal with costs associated with past and future mineral extraction.