Center for American Progress

Revitalizing Appalachia

How to Strengthen Ohio's Industrial Economy

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Since the Great Recession, Ohio's economic recovery has been inconsistent—the most recent estimates show the state's economic growth underperforming the national average by 20 percent.[1] The country's energy system is rapidly transforming—with more electric utilities choosing natural gas as the go-to fuel for power generation—which will bring benefits for the economy and public health.[2] However, communities that depend on coal for their livelihoods may feel the negative effects of the country's energy transformation, and policymakers have a responsibility to manage this transition.

While some have argued that the barriers facing this community are driven by federal regulations to clean the air, a government policy that artificially props up coal production on federal lands has long undermined coal production in Ohio. By ensuring that coal companies mining on federal lands pay their fair share, the federal government could generate millions of dollars in new revenue that could be directed toward revitalizing Appalachian communities.[3]

Ohio's economy is still recovering from the Great Recession

- **Ohio's economic growth rate has been inconsistent over the past decade.** An analysis of economic growth data from the U.S. Bureau of Economic Analysis found that Ohio's economic growth rate has lagged behind the national rate for six of the past nine years. The most recent data available show that the state's economic growth rate from 2012 to 2013 was 20 percent lower than the average economic growth rate of the 50 states and the District of Columbia.[4]

- **Ohio's education budget has suffered massive cuts.** Under the leadership of Gov. John Kasich (R), the state legislature cut $515 million in direct state payments to public schools. For fiscal year 2015, the state's education funding made up the smallest portion of the state's budget since 1997.[5]

- **Ohio's proposed budget for 2016-17 would cut aid to more than half of Ohio's school districts.** Funding will be cut for more than half of Ohio's school districts if Gov. Kasich's latest budget proposal is passed.[6] In addition, the current formula is more likely to benefit districts where property values are higher.[7]

Appalachian coal communities face unique barriers

- **Appalachian coal is facing a steady decline.** The richest, easiest-to-mine seams have been developed, making it more affordable to extract coal from other U.S. basins, especially those in the West.[8]

- **Appalachian coal communities have faced decades of job losses.** In Appalachia, the number of coal-mining jobs fell from 122,000 in 1985 to 58,750 in 2008 and less than 58,000 in 2012.[9]

- **The country is transitioning away from coal.** Since 2010, around 150 coal plants have either retired or announced they will retire soon.[10] The price of natural gas has been decreasing for years while demand for electricity has lowered due to recovery from the Great Recession.[11]

- **Between 2012 and 2013, Ohio's natural gas production increased 97 percent.** As the United States transitions away from coal, the Buckeye State's natural gas production is hitting historic highs. In fact, production of natural gas increased 97 percent between 2012 and 2013.[12]

- **Between 2012 and 2013, eight Ohio coal mines closed.** According to the U.S. Energy Information Administration's 2013 Annual Coal Report, 8 coal mines in Ohio closed between 2012 and 2013 alone—20 percent of all coal mines in the state.[13]

- **Idling even a single mine can have a huge impact on the local economy.** Some counties in Appalachia are overwhelmingly dependent on the coal industry for jobs and tax revenue. As a result, closing or idling even a single mine in one of these communities can have a ripple effect that is felt across the local economy.[14]

A new opportunity to help Appalachian coal communities

Federal policy currently subsidizes coal extracted from public lands by allowing mining companies to pay royalties on a below-market coal price. If, over the past five years, coal companies had been required to pay royalties on the true market price of coal, the federal government could have collected up to $1 billion more in royalty revenue each year.[15] Roughly half of this money would have gone to the states where the coal was mined, while the other half—or an estimated $500 million—would have gone to the federal government.[16] Congress should fix the coal royalty system and invest this new federal revenue in struggling Appalachian coal communities. If just $50 million was directed toward Ohio's coal communities, the state could potentially:

- **Hire more than 1,500 teachers:** The average starting salary for a teacher in Ohio is $33,609. With $50 million, Ohio could hire more than 1,510 new teachers.[17]

- **Revitalize more than 475 miles of bridges:** According to the American Society of Civil Engineers, 8.3 percent, or 2,242, of Ohio's bridges are structurally deficient and 16.3 percent are considered functionally obsolete.[18] As calculated in the Reason Foundation's 21st annual highway report, the average cost of reconstructing or improving a bridge in Ohio is $105,229 per state-owned mile.[19] With $50 million, more than 475 miles of bridges could be revitalized.

- **Invest in 150 more small businesses:** The U.S. Small Business Administration's average loan was $337,730 in 2012. With $50 million, Ohio could invest in almost 150 more small businesses.[20]

Endnotes

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9 Ibid.

10 Joyce, "Natural Gas Dethrones King Coal As Power Companies Look To Future."

11 Ibid.

12 Laura Arenschield, "Fracking has nearly doubled natural-gas production in Ohio, official says," *The Columbus Dispatch*, July 3, 2014, available at http://www.dispatch.com/content/stories/local/2014/07/02/State-to-discuss-Utica-play.html.

13 Energy Information Administration, *Annual Coal Report 2013* (U.S. Department of Energy, 2015), available at http://www.eia.gov/coal/annual/pdf/acr.pdf.

14 Ibid.

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16 30 U.S.C. § 191, available at http://www.law.cornell.edu/uscode/text/30/191.

17 National Education Association, "2012–2013 Average Starting Teacher Salaries by State," available at http://www.nea.org/home/2012-2013-average-starting-teacher-salary.html (last accessed February 2015).

18 American Society of Civil Engineers, "State Facts: Ohio," available at http://www.infrastructurereportcard.org/a/#p/state-facts/ohio (last accessed February 2015).

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20 Small Business Administration, "General Small Business Loans: 7(a)," available at https://www.sba.gov/content/7a-loan-amounts-fees-interest-rates (last accessed February 2015).