Revitalizing Appalachia

How to Strengthen Pennsylvania's Industrial Economy

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Pennsylvania's economic recovery is still struggling to overcome a series of long-standing obstacles. Due to years of neglect and budget shortcuts in Harrisburg, the Keystone State has consistently fallen behind the national economic growth rate and is now burdened with a $1.9 billion deficit.[1]

As the Pennsylvania economy works to get back on its feet, a main concern is the state's industrial economy—in particular, the coal sector. The Appalachian coal community has been facing a steady decline, in part due to the country's increased reliance on natural gas. While some are quick to argue 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 Pennsylvania. By ensuring that coal companies mining on federal lands pay their fair share, the federal government could generate millions in new revenue that could be directed toward revitalizing Appalachian communities.[2]

Pennsylvania's economic recovery is lagging

- **Pennsylvania's economic recovery has lagged behind the national average for the past decade.** An analysis of data from the U.S. Bureau of Economic Analysis found that Pennsylvania's economic growth rate has lagged behind the national rate for the past decade. Notably, the state's growth rate from 2011 to 2012 was 21 percent worse than the average growth rate of all 50 states and the District of Columbia, with the gap growing to 38 percent from 2012 to 2013.[3]

- **Pennsylvania has a $1.9 billion deficit problem.** Due to years of diminishing revenue and increasing costs, Pennsylvania now has a $1.9 billion deficit problem. As the population ages, the deficit is expected to increase to $2.6 billion by 2019.[4]

- **Pennsylvania has a history of extreme budget cuts and one-time maneuvers.** Over the past few years, the state budget has been kept at bay by extreme budget cuts and a series of one-time maneuvers. For example, money was shifted from special accounts into the general fund last year, a temporary fix that attempted to hide the state's serious budget problems.[5]

- **Pennsylvania's education cuts have been severe.** Former Gov. Tom Corbett (R) infamously cut public education by $1 billion to try to decrease the deficit.[6] A report from the Pennsylvania Budget and Policy Center found that in just two years, the state lost 20,000 jobs due to the cuts, including teachers, administrators, and classroom aides—the equivalent of 40 manufacturing plants closing.[7]

- **Pennsylvania's education cuts have disproportionately hurt poor school districts.** A report from the Pennsylvania State Education Association, the state' largest teachers union, found that poor school districts were disproportionately affected by the cuts in terms of state funding and student performance compared with wealthy ones.[8]

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.[9]

- **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.[10]

- **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.[11]

- **Pennsylvania's natural gas supply is driving the industry's success.** A report from the U.S. Energy Information Administration found that Pennsylvania is helping lead the growth of the natural gas industry. In fact, Pennsylvania had a 47 percent increase in natural gas production—the nation's largest increase.[12]

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.[13] 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.[14] 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 Pennsylvania's coal communities, the state could potentially:

- **Hire more than 1,000 teachers:** The average starting salary for a teacher in Pennsylvania is $41,901. With $50 million, Pennsylvania could hire more than 1,000 teachers.[15]
- **Build and maintain more than 30 bridges:** Like many states, Pennsylvania has struggled to maintain its infrastructure in the long term. A recent state project estimated that the average cost per bridge for design, construction, and maintenance is $1.6 million. With $50 million, the state could revitalize 31 bridges.[16]
- **Invest in 150 more small businesses:** The U.S. Small Business Administration's average loan was $337,730 in 2012. With $50 million, Pennsylvania could invest in almost 150 more small businesses.[17]

Endnotes

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9 Strickland, Dotson, and Lee-Ashley, "Revitalizing Appalachia."

10 Ibid.

11 Ibid.

12 Energy Information Administration, *U.S. Crude Oil and Natural Gas Proved Reserves, 2013* (U.S. Department of Energy, 2014), available at http://www.eia.gov/naturalgas/crudeoilreserves/pdf/uscrudeoil.pdf.

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14 30 U.S.C. § 191, available at http://www.law.cornell.edu/uscode/text/30/191.

15 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).

16 Christian Alexandersen, "Hundreds of Pa. bridges to be replaced beginning this summer," *The Harrisburg Patriot-News*, January 12, 2015, available at http://www.pennlive.com/politics/index.ssf/2015/01/bridge_construction.html.

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