



Revitalizing Appalachia

How to Strengthen West Virginia's Industrial Economy

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Since the Great Recession, West Virginia's economy has been slowly recovering due in part to the rapidly growing natural gas industry.¹ However, these benefits have not transferred to the state's long-established coal community. While an increase in growth has benefited the state's overall economy, the coal industry continues to experience a steady decline—it lost 17,000 jobs over the past 30 years.²

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 West Virginia. 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

West Virginia's economy is slowly recovering

- **West Virginia's economy is slowly recovering from the Great Recession.** After a dip in 2012, the West Virginia economy grew 5.1 percent in 2013—the third-highest rate in the nation.⁴
- **West Virginia's economic growth is due in part to the natural gas industry.** The natural gas industry has been propping up growth in the state. Without the burgeoning industry, West Virginia would have experienced negative gross domestic product, or GDP, growth in 2012 and 2013.⁵
- **While the economy is slowly recovering, there is still a huge budget gap.** West Virginia is facing a \$195 million budget gap and the governor is expected to dip into the Rainy Day Fund for a second year in a row to try and cover the budget deficit.⁶

- **In order to fill the budget gap, education and health and human services are expected to be cut.** In addition to dipping into the Rainy Day Fund, the governor has announced plans for the state to make targeted cuts to areas such as public education, higher education, and health and human services.⁷ While not final, these cuts are estimated to total \$72 million.⁸

West Virginia's coal communities are not feeling the economic benefits of recovery

- **West Virginia's positive growth has not translated into job gains.** According to the West Virginia Center on Budget and Policy, the increase in GDP was not due to job creation or higher wages. In fact, total mining wages dropped between 2012 and 2013 and total mining employment decreased by 1,830 jobs over the same period.⁹
- **West Virginia lost 17,000 coal jobs between 1983 and 2012.** The loss of coal mining jobs in Appalachia is not a new development as employment has been declining for decades. From 1983 to 2012, West Virginia lost around 17,000 coal-mining jobs.¹⁰
- **Between 2012 and 2013 alone, almost 9 percent of the state's coal jobs were lost.** West Virginia lost 2,035 coal-mining jobs between 2012 and 2013—the equivalent of almost 9 percent of the state's mining jobs.¹¹
- **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.¹²
- **Idling even a single mine can have a huge impact on the local economy.** Some counties in this region 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.¹³
- **The decline of coal will lead to significant decreases in tax revenue for coal-producing counties.** The coal industry generated enough revenue in 2008 to support 15 percent of the state's budget.¹⁴ A report by the consulting firm Downstream Strategies found that coal's decline in West Virginia would lead to “significant losses in employment and tax revenue” for coal-producing counties.¹⁵

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.¹⁶ 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.¹⁷ 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 West Virginia’s coal communities, the state could potentially:

- **Hire more than 1,500 teachers:** The average starting salary for a teacher in West Virginia is \$32,533. With \$50 million, West Virginia could hire more than 1,500 new teachers.¹⁸
- **Revitalize more than 2,100 miles of bridges:** According to the American Society of Civil Engineers, 13.2 percent, or 944, of West Virginia’s bridges are structurally deficient and 22 percent are considered functionally obsolete.¹⁹ As calculated in the Reason Foundation’s 21st annual highway report, the average cost of reconstructing or improving a bridge in West Virginia is \$23,707 per state-owned mile. With \$50 million, more than 2,100 miles of bridges could be revitalized.²⁰
- **Invest in 150 more small businesses:** The U.S. Small Business Administration’s average loan was \$337,730 in 2012. With \$50 million, West Virginia could invest in almost 150 more small businesses.²¹

Endnotes

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- 2 West Virginia University College of Business and Economics, "West Virginia Economic Outlook 2014" (2013), available at http://www.be.wvu.edu/bber/outlook_pdfs/WV-Economic-Outlook-2014.pdf.
- 3 Gov. Ted Strickland, Greg Dotson, and Matt Lee-Ashley, "Revitalizing Appalachia: How Congress Can Correct Distortions in the Coal Market and Invest in Struggling Coal Communities" (Washington: Center for American Progress, 2015), available at <https://www.americanprogress.org/issues/green/report/2015/01/27/105494>.
- 4 Snyder and others, "Putting Medicaid in the Larger Budget Context."
- 5 Ted Boettner, "Why is West Virginia GDP Up and Employment Down? Fracking?", Evidence Counts: West Virginia Center on Budget and Policy Blog, July 1, 2014, available at <http://www.wvpolicy.org/why-is-west-virginia-gdp-up-and-employment-down-fracking>.
- 6 Jonathan Mattise, "West Virginia governor proposes covering budget gap with \$69m from reserves, \$72m in cuts," Associated Press, January 14, 2015, available at <http://www.dailyjournal.net/view/story/e55e3c362c5e-47c0a2ed57211e7c7046/WV--Governors-Budget/>.
- 7 Ibid.
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- 9 Boettner, "Why is West Virginia GDP Up and Employment Down? Fracking?"
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- 12 Strickland, Dotson, and Lee-Ashley, "Revitalizing Appalachia."
- 13 Ibid.
- 14 Plumer, "Here's why Central Appalachia's coal industry is dying."
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- 16 Headwaters Economics, "An Assessment of U.S. Federal Coal Royalties: Current Royalty Structure, Effective Royalty Rates, and Reform Options" (2015), available at <http://headwaterseconomics.org/wphw/wp-content/uploads/Report-Coal-Royalty-Valuation.pdf>.
- 17 30 U.S.C. § 191, available at <http://www.law.cornell.edu/uscode/text/30/191>.
- 18 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).
- 19 American Society of Civil Engineers, "State Facts: West Virginia," available at <http://www.infrastructurereportcard.org/a/-p/state-facts/west-virginia> (last accessed February 2015).
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