Amidst mass coal mine layoffs, West Virginia takes blunt ax to budget

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On October 5, just three months into the new fiscal year, West Virginia governor Earl Ray Tomblin announced an across-the-board budget cut of 4 percent.

The Democratic governor enacted the cuts, expected to reduce state expenditures by $100 million, by executive order. In his announcement, Tomblin pointed to collapsing coal severance taxes, which have cut the state revenues by $1 million a day over the past month.

Severance taxes are paid by coal and gas companies for extracting, or "severing," natural resources from the local, county and state governments, and the fund is based on the value of coal by the ton. State Revenue Secretary Bob Kiss said the tax revenue was "in free fall," down by $60 million in the third quarter alone.

The cut comes after several years of deep reductions in state spending. Several vital state agencies have had their budgets reduced by more than 20 percent over the past four years. "It's going to be a close run game in terms of the delivery of services and programs in some of those agencies and also it's going to be a struggle for them to continue to perform their mission," Kiss told reporters. "Some of those agencies are going to have a difficult time with it."

Behind the details of the fiscal crisis is a mounting social catastrophe in West Virginia. Thousands of coal miners have lost their jobs, mine companies have declared bankruptcy and sought to ditch their pension and health care obligations to former workers, and local communities have been left without major employers.

The layoffs have rippled through the economy, impacting service, retail, equipment, hauling, and other sectors. With tax bases shattered, home values plummeting, and an exodus of youth in search of work, local governments have cut deeply into basic services and school districts have shuttered or consolidated schools. The latest round of cuts will reduce state funds for public education by 1 percent, amounting to about $16 million.

West Virginia recorded an unemployment rate of 7.6 percent in August, the worst in the nation and more than 2 percentage points higher than the national average. On October 1, West Virginia University released its annual state Economic Outlook report projecting that the unemployment rate in the state would remain at or above 7 percent for the next five years.

West Virginia's unemployment situation is far worse than the official number suggests, given that it is the only state in the country where fully half of the working-age population is not in the labor force—meaning they are neither employed nor actively seeking work.

Cascading layoffs in coal

Behind the state's immediate crisis is the ongoing stagnation of the American economy and the instability of the global financial markets. Energy prices have declined precipitously over the past year, driven in large part by the slowdown in China's economic growth. Coal prices in Appalachia are highly dependent upon demand by Chinese industry.

Moreover, within the United States, the more intensive extraction process of Appalachian underground mines has put West Virginia at a cost disadvantage to the surface mines of the American West, as well as to natural gas. US power plants in the region have accumulated stockpiles of coal, and demand is low.

According to state data, coal production in West Virginia is down 15 percent over the past year. And although the state's natural gas sales are up by 30 percent in the current fiscal year, gas severance tax is projected to decrease because of lower prices on the national energy market.

Every week brings fresh mine closure and layoff notices. Alpha Natural Resources, which filed for Chapter 11 bankruptcy in August, last week announced the idling of two more coal mines in southern West Virginia at the end of November. Ninety-two workers will lose their jobs. The layoffs come a month after Alpha announced the closure of a southwestern Pennsylvania mine and three other Virginia operations.

Bankrupt Patriot Coal sent permanent layoff warnings to more than 2,000 in Boone, Kanawha, and Marion counties last week. In Kanawha County, 1,056 Patriot miners will be let go, including 483 at Speed Mining LLC, 288 from Wildcat Energy, 161 at Midland Trail Energy, and 118 at Remington LLC.

Some 970 of the job cuts will come down in Boone County, once the largest coal-producing county in the state, where workers enjoyed a high standard of living. Something of a national "ground zero" for mining job losses, Boone County has lost two thirds of its mining employment since the end of 2011.

For more than two decades, industry experts and academic researchers have warned that Boone County's thicker coal seams would be depleted. Yet no economic alternatives or preparations were put in place for the working class population of the area. Companies were given free rein by the Democratic Party-dominated political establishment to exploit the workforce and befoul the environment.

The United Mine Workers (UMW) union, far from pushing back against the corporations, deliberately isolated and victimized miners and their families. After extracting the most profitable resources, companies are now tearing up contracts and denying miners pensions, health care, and compensation for work-related ailments.

The UMW has staged a few poorly attended "rallies" across the region aimed at diverting frustration and anger back behind the very same Democratic Party politicians who enabled this robbery.

UMW president Cecil Roberts has assured Alpha, Patriot, and other coal firms that the union is eager to collaborate on "ways forward that will be of mutual benefit for the company and for our members" regarding concessions. In 2013, Roberts welcomed the creation of a union-administered Voluntary Employees' Benefits Association (VEBA) health care fund in exchange for a drastic reduction in coverage for miners and retirees.

Like the restructuring of the American auto industry in 2009 and the forced bankruptcy of Detroit that followed, the attacks on the working class in Central Appalachia represent much more than a blow to the region's population. They are a precedent for further assaults on the American working class as a whole.

Every eliminated mining job takes with it between 3 and 11 additional jobs. Consequently, the collapse in mining has contributed to a significant drop in the state's payroll tax revenue, estimated at $18.9 million below what was anticipated in the last quarter. Corporate income taxes were down 19 percent from a year ago, and consumer sales and service taxes fell $4 million below estimate.

The numbers only offer a shadow of the impoverishment of the population. Average income in the state is $36,600, 21 percent below the national average, and poverty stands at 17.9 percent.

In a state in which nearly one in six working-age adults receives disability benefits, growth in per capita income is driven almost entirely by non-wage income such as Social Security payments.

In the coal-producing counties, unemployment and poverty are substantially worse. The former coal center of McDowell County, for example, has an official poverty rate of 36.3 percent, and median home values are just over $35,000. Between 2009 and 2013, more than 77 percent of all children lived in poverty.

Layoffs in the coalfields have put a strain on the state's unemployment fund, according to Beth Carenbauer, director of the compensation program WorkForce West Virginia. "We have seen a decrease in the Trust Fund balance and we are watching this extremely closely," she told legislators during a hearing last month. The fund is down $74.6 million from the $112 million it budgeted for in June. The unemployment program budgets for a compensation of $12,000 a year for those out of work, an amount frozen since 2009.