Coal Downturn Hammers Budgets in West Virginia and Wyoming

Steep drop in tax revenue leads to hiring freezes, widespread cuts; ‘Everything here is depressed’

Scott Tiller, a coal miner of 31 years, takes a break while operating a continuous miner machine in a coal mine roughly 40 inches high in Welch, W.Va., this fall. For more than a century, the coal seams that run through Appalachia have made the steel used to build U.S. cities. As technology has improved, it has taken fewer and fewer workers to mine that coal. West Virginia coal employment peaked at around 130,000 miners in 1940 and is now under 20,000. PHOTO: DAVID GOLDMAN/ASSOCIATED PRESS

By KRIS MAHER and DAN FROSCH
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VAN, W.Va.—Chris West has given up on coal.

In the past year, the 42-year-old former miner was laid off by a company that later filed for bankruptcy and another that has gone out of business.

Mr. West lives in a hilly region here where the conveyor belts at massive roadside mining complexes have gone still, prompting local governments to plan cuts to schools, trash collection and other services.

“Everything here is depressed,” said Mr. West, who lost his car after he couldn’t make monthly payments and is struggling to put a daughter through college. After training for three months to be an emergency medical technician, he now makes $15 an hour, 40% less than his mining pay. “I don’t see coal ever coming back as strong as it was.”

The governors of West Virginia and Wyoming, the nation’s top two coal-producing states, are also trying to make ends meet. Amid a steep coal downturn caused by competition with cheap natural gas, lower overseas demand and tougher environmental rules, depressed coal-related tax revenues are helping to throw the finances of the two states into turmoil.

Other big coal-producing states, from Utah to Illinois to Alabama, have lost jobs and revenue, but a heavier dependence on the commodity in West Virginia and Wyoming is linking the fates of two places whose culture and geography are vastly different.

In West Virginia, officials project a $250 million state budget deficit for the current fiscal year, including $190 million from plummeting coal-tax revenue. Coal severance taxes collected by the state are down 40% since July 1, compared with last year, as production and prices fall.

Amid a broader energy slump, sharply lower prices for natural gas and oil are also taking a bite out of revenue. Even though natural-gas production in the state has been up 30% since July 1, year over year, related severance taxes are down 35% due to the price drop. The lower-than-expected severance-tax revenue for coal, natural gas and oil is amounting to a hit of about $1 million a day.

“The state budget is under tremendous pressure right now,” said Gov. Earl Ray Tomblin. He has responded by cutting spending at all state agencies by 4%,
In a Deep Hole

The biggest coal states have seen output plunge in the wake of the financial crisis and the increasing availability of cheap natural gas.

**Coal production**

pct. change from a year earlier

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<th>West Virginia</th>
<th>Wyoming</th>
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Note: 2015 data from Nov. 7. Change from a year earlier is reflected as change from Nov. 7, 2014.

Source: Energy Department

except at the Education Department, which took a 1% cut. Gov. Tomblin, a Democrat, froze hiring and pay, and canceled this year’s holiday parties.

In Wyoming, Gov. Matt Mead, a Republican, said this month that the state is facing a $159 million revenue shortfall for the fiscal year 2016. He announced a hiring freeze for state employees and has proposed $215 million of budget cuts for the state’s coming two-year funding cycle.

According to a revenue forecast by the state in October, Wyoming general-fund monies are expected to fall from $3.48 billion in the current two-year funding cycle to $2.94 billion in 2017 and 2018. About 70% of the state’s general funds are directly linked to energy production.
“It is certainly concerning when so much of your revenue comes from these resources,” Mr. Mead said. “There’s no question we’re going to tighten our belt.”

Wyoming, where immense surface coal mines with relatively few miners dot the prairie, has yet to see widespread layoffs. Through Dec. 12, the state produced 349.1 million tons of coal, or 40.1% of U.S. production, while 94.5 million tons, or 11%, were mined in West Virginia.

In Wyoming, surface coal production has dropped four out of the past six years, falling from record production of more than 462 million tons in 2008 to just over 383 million tons in 2013. The October state report found that coal output will be lower over the next five years than originally anticipated.

“Given that coal is your best horse, that is a major concern,” said Robert Godby, director of the University of Wyoming’s Center for Energy Economics and Public Policy. “In the past 20 years, this is the most economically volatile period we’ve seen in Wyoming, just because of what is going on in oil, gas and coal simultaneously.”

In Gillette, a city of about 32,000 that sits in the heart of Wyoming’s coal country, nerves have been frayed about the future of coal. But there is also an
unbending belief that the region’s mines—which are cheaper to extract coal from than the capital-intensive underground mines in West Virginia—will survive.

Earlier this year, Peabody Energy Corp., the nation’s biggest coal producer, closed its local corporate office in Gillette, laying off about 20 people. But there have yet to be other sizable layoffs.

“I know back East, they are closing down some mines and power plants,” said Mayor Louise Carter-King, whose husband is a coal miner. “But I do feel our coal will be the last standing.”

Back in West Virginia, many officials are bracing for a continuing decline. The state has lost 7,000 coal-mining jobs since 2011, and its unemployment rate, 6.5%, is the second-highest in the nation after New Mexico.

Boone County, where Mr. West lives, has lost 2,700 coal mining jobs since 2011, the most of any county in the U.S. The county took in $5.5 million in coal-severance tax money in 2010. That fell to $2 million last year, and officials expect about $1.5 million this year. The county’s budget this fiscal year totals $13 million.

The county plans to end free trash removal in January and a private contractor will begin charging residents $15 a month. The service had cost the county $1.2 million a year and was entirely funded by coal taxes. Other services have been cut, and three of the county’s 10 elementary schools will close next year due to budget cuts and declining enrollment.

Write to Kris Maher at kris.maher@wsj.com and Dan Frosch at dan.frosch@wsj.com