

Grading the Legislature

Senate Bill 512 – Enlarging the Management and Preservation Board

House Bill 4339 – Enlarging the West Virginia Racing Commission

House Bill 4342 – Creation of State Trail Authority

Grade: F

This trio of bills introduced at the end of last week reflects a disturbing desire of the Legislature: that of increasing the size, scope and influence of the public sector even more. It is not the particulars of the bills—while you may hear about the Racing Commission throughout the year, you probably aren't as likely to hear about the other two—but the mindset that a larger government improves the quality of life.

The larger public sector presented through these bills creates a number of problems. Most evident is the need for more revenue to fuel the larger government. Whether financed through higher taxes or borrowing (and thus higher taxes later), West Virginia citizens at some point will see a larger portion of their income taken from them. Further, additional political actors generate more political dealings, fostering a climate of gaining through the political process. Politicians and constituencies usually end up benefiting at the expense of others instead of through the process of voluntary, market-based trade that betters everyone involved.

Additionally, a larger public sector with more regulatory boards and commissions creates a tangle of bureaucracy. Not only could rivaling groups grapple for more power and control, but confusion arises about the proper scope of influence of each group as well. Even if you believe that those in government are acting for, and only for, the highest welfare possible for its citizens, creating more agencies cuts against the ability of government to achieve this end.

Minor increases to the size of the public sector are more detrimental than at first glance due to the difficulty that government has in reducing its size. This is known as the ratchet effect; small, even temporary increases to the size of government are not met with corresponding reductions in the future. As a result, we see a steady increase in the size of the public sector. Care should be taken at every single juncture; we should not dismiss small expansions of government as allowable due to their size. Over time, continual minor expansion of any state's government puts that state in the horrid position West Virginia finds itself in today.

The last thing this state needs is a larger public sector. In fact, it was (and is) confidence in the public sector that has placed West Virginia solidly at the bottom of income per capita lists for the last sixty years. It would be wise for the Legislature to move away from this trend and eliminate these bills.

House Bill 4345 – Reducing Fuel Tax

Grade: A-/B+

Along the same lines as the three bills listed above, it is not the actual impact of the bill but the signal provided by passing such legislation. Though the magnitude of the measure is small—reducing the variable portion of taxes on certain heating and off-road fuels from 5% to 4.85%—the idea of reducing taxes is something the West Virginia Legislature cannot visit enough, particularly relating to hydrocarbon fuels.

In the most recent survey of gasoline taxes by the American Petroleum Institute, West Virginia ranks in the highest quarter of states in terms of tax imposed per gallon of gasoline. As of July 2007, West Virginia residents paid nearly 50 cents in taxes per gallon of gasoline—and nearly 56 cents per gallon of diesel fuel. Both the federal government and the individual states tax gasoline, but with our state's lawmakers imposing a 31.5 cent tax on both types of fuels, over half of the taxes paid on each can be drawn back to your representatives in Charleston.

While complaining about high gas prices is commonplace, it is important to realize that about 10% of the price that you will pay the next time you fill up your car is because your state government wants to tax you. With an average sized gas tank, this translates to an additional \$5 on your final tab that goes to the state of West Virginia—keep this in mind the next time you complain to your neighbor about the cost at the pump.

One argument for a robust interstate system throughout West Virginia is that it will bring shippers through the state, and even though their destinations may not be here they will nonetheless have a positive economic impact on the state. Perhaps, but it is important to note that compared to our neighboring states, West Virginia tends to have higher taxes on diesel fuel. Compared to Ohio, 3.5 cents per gallon (cpg) more; Maryland, 7.2 cpg more; Virginia, 11.9 cpg more; Kentucky, 16.0 cpg more. Given the cheaper options of stopping for gasoline in our neighboring states, how much of a real impact will trucking through West Virginia have on our economy?

Lowering the taxes on the certain fuels outlined in HB 4345 is certainly a step in the right direction, but to have a widespread and tangible impact on West Virginians' bank accounts gasoline taxes need to be driven down.

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