West Virginia Engages Private Solutions to Public Problems

On Monday, Dollar Energy Fund agreed to assist in the creation of the West Virginia Utility Assistance Program (WVUAP), designed to aid those individuals having trouble paying energy bills in a time of rising energy costs. Typically, a program called the "West Virginia Utility Assistance Program" would involve a welfare-reducing intrusion into our citizen's property and liberty under the guise of providing assistance to a small segment of the West Virginia population. However, as announced, the program stands as a shining example of privately driven solutions to public problems here in West Virginia.

At the core of the WVUAP is Dollar Energy Fund (DEF), a non-profit fuel fund started in Pennsylvania in 1983. DEF's money comes exclusively from private donations and agreements with individual power companies; oftentimes, these power companies will match dollar-for-dollar the contributions given by DEF to help low income individuals cover their energy bills.

Consider the nature of this entirely private agreement. Dollar Energy Fund, a non-profit organization, exists completely through private choice, as do all non-profits and companies. Not one penny in the DEF coffers is taken coercively from any private citizen or organization; every cent is acquired via voluntary donations. Not one agreement between DEF and any of the energy companies with which they deal is non-voluntary, either; all parties involved are choosing to work together to rectify a situation they feel needs to be addressed. Nobody outside of DEF, the utility companies, and the individuals who receive help are subject to the assistance transaction; no one's toes are stepped upon in any manner whatsoever.

Now consider, by comparison, the nature of possible public solutions to the situation of low income individuals in a time of rising energy prices.

1) The West Virginia Legislature could impose regulations upon power companies within the state to provide relief to lower income individuals. Initially, this forces the power company to conduct business in a manner which it does not freely choose—in other words, the state government would be coercing the company into action it would wish not to take. Let's assume the regulation is that power companies must slash rates for their low income customers. As a secondary response to this coercion, power companies may chose to further alter their operations to as not to be subject to the new regulation. Prices could be raised to higher income customers in order to cover the amount of relief given to lower income customers, or energy providers could choose not to provide service to low income customers altogether. If the regulation were serious enough, the company could choose to cease operations within our borders. In all cases, the energy provider is necessarily worse off. Should the company continue to operate within West Virginia, the higher income customers are charged higher rates in order to compensate for lower income customers. In the extreme case of the company closing its doors, all three

parties—the company, and both high and low income customers—lose out due to regulation designed to help the low income customers.

2) The West Virginia Legislature could also choose to provide a cash subsidy directly to low income individuals in order to assist with their rising energy costs. Income for subsidies does not conjure itself from the mountain air; tax revenue is needed for the redistribution scheme, and this comes right from the West Virginians themselves. (A gentle reminder for those in favor of taxing companies here in West Virginia: All taxes, corporate or otherwise, are ultimately paid by individuals, not companies.) Depending on the specifics of the tax, individuals are discouraged from partaking in the taxed activity; an income tax creates the incentive to earn less income, a sales tax discourages purchases, etc. In addition, the existence of such a subsidy would create a large incentive for those immediately above the cutoff line to position themselves immediately *below* the cutoff line, thereby qualifying for the state-sponsored redistribution plan and, at the same time, expanding the program beyond its initially estimated scope. West Virginians, already burdened by an oppressive tax structure, would have been coerced out of even more money should the legislature have chosen such a “solution.”

The lesson learned from Dollar Energy Fund is that private entities can overcome many public issues commonly assumed to be handled only by the public sector—and do a far better job of solving them. After all, if Dollar Energy Fund does a poor job in achieving its objectives, donors will not continue to give money to a lost cause. Unfortunately, West Virginians don’t have any choice in whether or not to give money to our state government. Education and the provision of roads are two goods commonly believed to be provided ably only through public means, but both were supplied quite well by private means when our country established itself in the late 1700s. I would love nothing more than the Dollar Energy Funds of the world to better provide these services here in West Virginia. An increase in private activity—companies and charities alike—is exactly what West Virginia needs to push itself up from its economic doldrums. Kudos to Dollar Energy Fund for leading the way.

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