

Highlights of the Governor's FY 2010 Budget

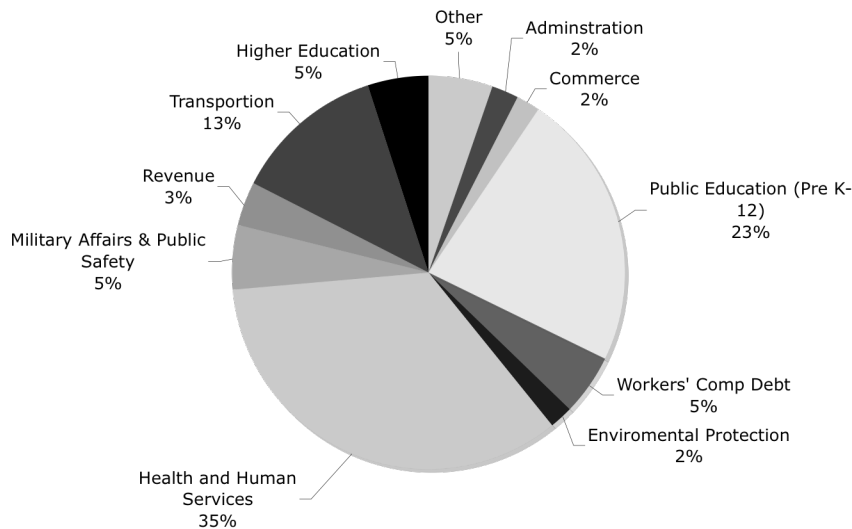
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Budget Overview

The Governor's proposed FY 2010 Budget contains almost \$10.7 billion, an increase of about \$400 million over the current year's budget. Approximately \$6.4 billion comes from state sources and \$4.2 billion from the federal government. More than three-quarters of the total budget goes to public education, higher education, transportation, and health and human services.

The General Revenue Fund pays for about 36 percent of total appropriations in the Governor's Budget. The Fund contains most of the state's tax revenues and is the primary funding source of most of the state's services and programs. Services funded by the General Revenue Fund are projected to increase by 1.8 percent over last year's budget. Expenditures are predicted to continue to increase at modest rates through FY 2014.

Total Federal and State Appropriations in Governor's Proposed FY 2010 Budget
Total FY 2010: \$10.660 Billion*



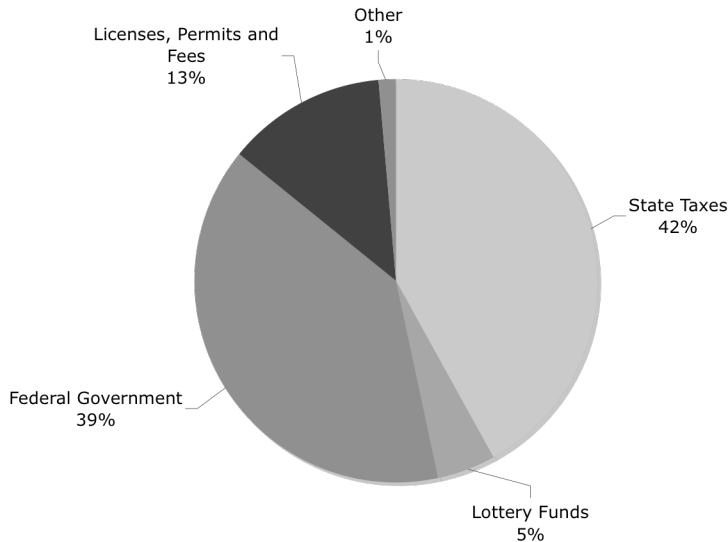
* Does not double count the \$127.9 million transferred from Lottery Funds to General Revenue

Budget Revenue

The state collects revenue through a combination of sources, including taxes, lottery funds, federal payments, licenses, permits, and fees. In FY 2010, the state plans to collect \$10.8 billion from state residents, businesses and the federal government. According to the proposed budget, about 42 cents of each dollar collected will come from state taxes, 39 cents from the federal government, and 19 cents from licenses, permits, fees, lottery funds, and other sources of revenue.

The State Road Fund contains \$204,572,000 in anticipated federal economic stimulus funds. Additional funds expected under the federal stimulus bill are not included in the Governor's proposed budget.

Total FY 2010 Budget Revenues by Source
Total FY 2010: \$10.794 Billion



The largest revenue source is state taxes, projected at \$4.5 billion in FY 2010. The largest of these taxes and their projected revenues are as follows:

Personal Income Tax:	\$1.637 billion
Sales Tax:	\$1.185 billion
Severance Tax:	\$419 million
Corporate Income/ Business Franchise Tax:	\$264 million
Health Care Provider Tax:	\$166 million
Business & Occupation Tax:	\$135 million
Insurance Tax:	\$110 million

Big Ticket Budget Items

Table 1 provides spending breakdowns for the largest state and federal items in the Governor's FY 2010 Budget, as compared to FY 2009 appropriations. These spending categories make up about 70 percent of the proposed budget.

State Aid to Schools, which funds public education (Pre-K through high school), is the biggest item under state-source spending, amounting to \$1.78 billion.

Medicaid is a state and federal partnership, with about 75 percent of the cost paid by the federal government. The program provides insurance coverage to almost 400,000 state residents and is the single largest federal spending item at \$2.1 billion. The state share of Medicaid spending is projected to be \$640 million.

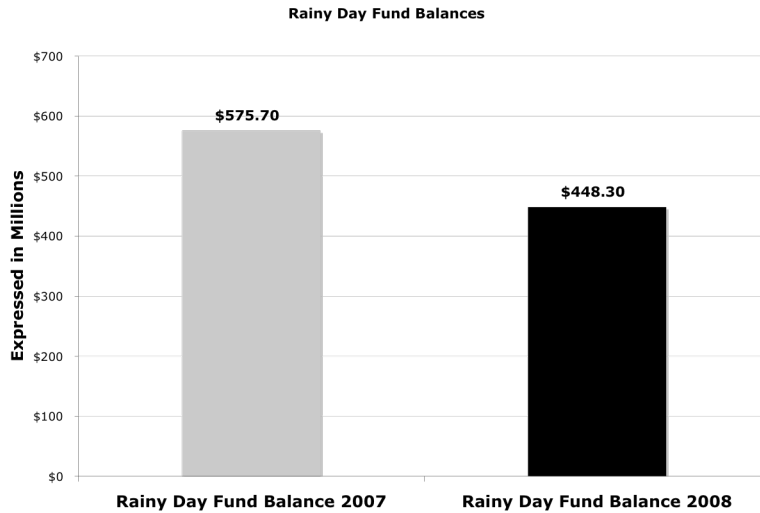
Table 1

State-Source Spending	FY 2009 Appropriated	Gov. FY 2010	Percent Increase/Decrease
State Aid to Schools	\$1,721,793,398	\$1,778,627,391	3.2%
Medicaid	\$653,832,784	\$639,562,803	-2.2%
Highways	\$661,933,541	\$625,076,000	-5.9%
Workers' Comp Debt	\$550,000,000	\$550,000,000	0.0%
Colleges and Universities	\$293,631,271	\$299,102,156	1.8%
Corrections	\$155,946,669	\$164,476,980	5.2%
State Total	\$4,037,137,663	\$4,056,845,330	0.5%

Federal Spending	FY 2009 Appropriated	Gov. FY 2010	Percent Increase/Decrease
Medicaid	\$2,015,921,447	\$2,111,937,167	4.5%
Highways	\$529,984,000	\$638,850,000	17.0%
K-12 Education	\$230,320,468	\$235,000,000	2.0%
Environmental Protection	\$139,010,466	\$153,476,907	9.4%
TANF	\$130,250,890	\$130,250,890	0.0%
School Lunch Program	\$114,028,264	\$115,000,000	0.8%
State Total	\$3,159,515,535	\$3,384,514,964	6.6%

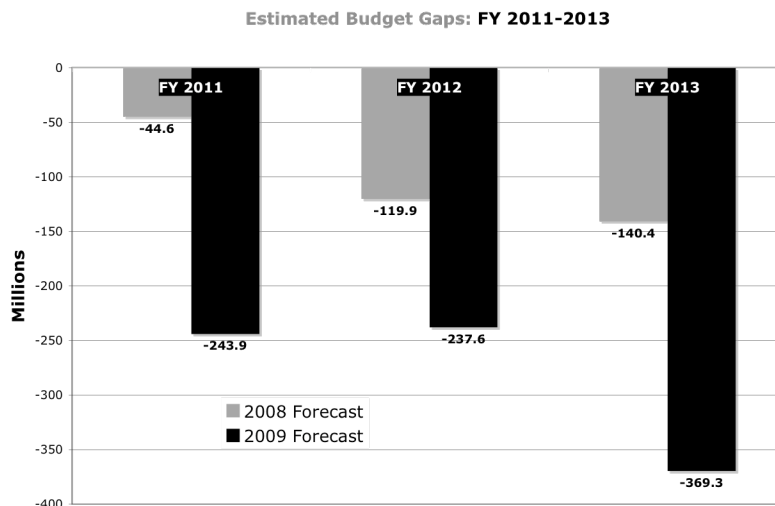
Rainy Day Funds

The state has two primary long-term reserve funds (Rainy Day and Rainy Day Part-B) that can potentially be tapped when revenues are insufficient to fund services. As of December 31, 2008, the balance in the Rainy Day Funds was \$448.3 million, a 22 percent drop from the \$575.7 million fund balance at the end of 2007.



Future Budget Shortfalls

Economic indicators for the state and nation are expected to worsen through the end of calendar year 2009 and begin improving during 2010. The gap between state revenues and expenses is projected to grow to \$244 million in FY 2011 and to \$369 million by FY 2013. The shortfall in FY 2013 will be about 7 percent of General Revenue and Lottery Funds. This projected revenue shortfall is due to a combination of factors, including the current national recession and cuts in corporate taxes that were made in 2008.¹ The FY 2010 Budget estimates that corporate income and business franchise taxes will decline by 31 percent (or \$122 million) between FY 2008 and FY 2012.



¹ Ted Boettner, "High Costs, Dubious Benefits: The Fiscal Impact of Tax Cuts in SB 680 and SB 465," *West Virginia Center on Budget and Policy*, March 4, 2008