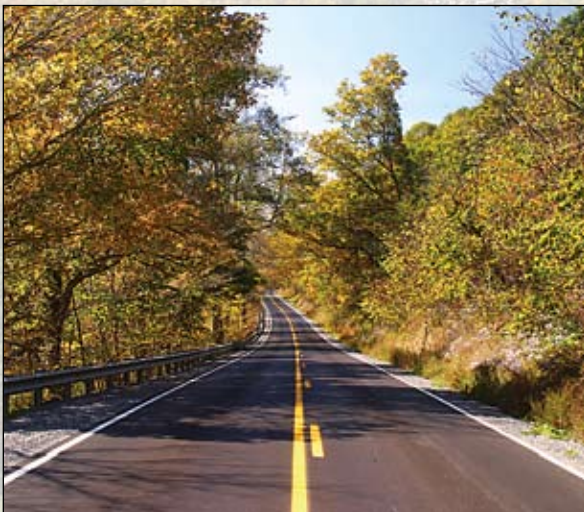


Paying for Priorities: West Virginia's State Budget for FY 2010 and Beyond

Ted Boettner, August 2009



Paying for Priorities:

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By Ted Boettner

Edited by Julie Pratt

Research assistance by Paul Miller and Elizabeth Paulhus

Graphic design by David Love/The Phillips Group



723 Kanawha Blvd., Suite 300
Charleston, WV 25301
Tel 304-720-8682 • Fax 304-720-9696
www.wvpolicy.org

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Table of Contents

Executive Summary	4
Chapter 1 Introduction: The State Budget Process	6
Chapter 2 Weathering the Recession: Economic Downturn Erodes State Revenues	8
The Impact of the National Recession on State Budgets	8
The Federal Response: American Recovery and Reinvestment Act of 2009	8
State and Federal Revenues Included in West Virginia's FY 2010 Budget	9
Chapter 3 Staying the Course: Funding Remains Steady for Most Services	11
FY 2010 Spending Appropriations	11
Changes in the Base Budget	12
How ARRA Funds May Be Used to Fill Budget Gaps	14
Supplemental Appropriations	15
Bills Passed with Fiscal Impact	16
Rainy Day Funds	16
Chapter 4 Conclusion: Navigating Current and Future Budget Challenges	18
Projected State Budget Gaps	18
Why Spending Cuts Should Be the Option of Last Resort	19
Revenue Strategies that Promote Recovery and Equity	19
Appendix Navigating Current and Future Budget Challenges	21
Endnotes	24

Charts and Tables

Table 1: Changes in Appropriated Revenues, FY 2009 to FY 2010	9
Table 2: Changes in Big Ticket Items, FY 2009 to FY 2010	12
Table 3: One-time Cuts in FY 2010 Budget	13
Table 4: Supplemental Appropriations and Transfers in FY 2009	15
Table 5: Enrolled Bills with a Fiscal Impact	17
Appendix Table: Programs Funded in Each Category	22
Chart 1: Unemployment Rates for U.S. and West Virginia, 2008-2009	9
Chart 2: Projected State Budget Shortfalls, FY 2009 – FY 2011	9
Chart 3: Appropriated Revenue by Source for FY 2010	10
Chart 4: State Spending by Category for FY 2010	11
Chart 5: Cuts in State Spending Enacted by the Legislature	12
Chart 6: Cuts Restored Using ARRA Stimulus Funds	13
Chart 7: Rainy Day Fund Balance, 2007-2009	16
Chart 8: Total State Budget Shortfalls in Expected in U.S.	18
Chart 9: Projected Shortfalls in West Virginia's Budget, FY 2011-2013	18
Chart 10: Portion of Incomes Paid by West Virginians in State and Local Taxes	20
Appendix Chart: West Virginia's ARRA Funds, by Category (in millions)	21

Executive Summary

“We are experiencing a global economic transformation - some even call it a financial meltdown,” Governor Joe Manchin said during his 2009 State of the State Address in February. “It is one of the most dramatic economic downturns since the Great Depression and all of us - directly or indirectly - are dealing with its effects.”

The Governor and Legislature began grappling with the effects of the recession during the 2009 Regular Session. West Virginia had fared better than most states during 2008. The state's unemployment rate remained low, and tax revenues were relatively stable throughout last year. Because of this, West Virginia avoided making mid-year cuts in its FY 2009 budget, as many other states were forced to do.

On February 11, 2009, Governor Manchin presented a \$10.7 billion Executive Budget, including state and federal funds. The no-frills budget was less than two percent higher than the current year budget. Five weeks later, signs became clear that the national recession had caught up with the Mountain State. Rising unemployment and declining state revenues prompted the Governor to call upon the Legislature to reduce state-source spending in his proposed budget by almost \$200 million.

The Legislature recessed on April 11 without passing a budget and returned on May 26 for an extended session. On May 31, the Legislature passed an \$11.6 billion budget, which cut \$204.6 million in state spending and added federal stimulus funds. The Governor vetoed another \$7 million in spending from the enrolled budget, of which \$1.6 million was later restored with supplemental appropriations.

Highlights of the FY 2010 Budget

The state budget defines how we plan to use our resources to do things together that cannot be done alone, such as creating good schools, protecting communities and the environment, making car travel possible and a court system that upholds constitutional rights. The items contained in the budget not only reveal the important public structures, services and programs that create our quality of life, but also reflect what our priorities are and how the state's resources will be shared. These decisions affect the lives of every one of the 1.8 million people living in West Virginia.

The state budget defines how we plan
to use our resources to do things together
that cannot be done alone.

Key features of the state's budget for FY 2010 (beginning July 1, 2009) include the following:

- Of the \$11.6 billion in appropriated revenues for FY 2010, about 59 percent are from state sources and 41 percent from the federal government. While overall spending increased by \$1.2 billion from last year's budget, most of this increase came from federal stimulus funds provided under the American Recovery and Reinvestment Act (ARRA).
- More than half (56 percent) of the FY 2010 spending is dedicated to health, human services and public education. The Department of Health and Human Resources budget of \$3.9 billion includes health and long-term care for low-income families and people who are elderly or disabled, social services for vulnerable children and adults, public health programs, and other services. The Department of Education budget of \$2.6 billion includes public schools and services for children in pre-kindergarten through high school.
- The use of federal ARRA funds enabled the Legislature to avoid significant cuts in public services. The \$204.6 million that the Legislature cut from state-source spending included \$36.3 million in ongoing cuts, \$38 million in one-time cuts, \$51.4 million in Other Post-Employment Benefits (OPEB) and \$78.9 million in cuts that were restored using federal ARRA funds. There is

a balance of about \$830 million in the ARRA funds allocated to West Virginia that the state has not yet appropriated.

- New legislation (S.B. 329 and S.B. 410) will cost the state almost \$20 million in lost revenue in FY 2010 by conforming West Virginia's personal and corporate income tax to federal law. Because the state did not decouple from these provisions, it has further compounded its already serious revenue problems. The total net revenue loss from this action is estimated at \$37.3 million over the next six fiscal years.
- The state's Rainy Day Funds retained a healthy balance as the 2010 fiscal year began. The funds held \$472.6 million as of July 7. This is a loss of \$103.1 million since the end of 2007. In general, states aim to have their rainy day funds equal to at least 10 percent of General Revenue. Currently, West Virginia's fund is 12.5 percent of its General Revenue Fund.

Looking to the Future

The national recession will intensify the strain on state budgets as revenues fall while the need for public services rises. At least 33 states already anticipate deficits for FY 2011. In West Virginia, there is a projected shortfall of \$244 million for FY 2011, rising to \$372 in FY 2014.

Unlike the federal government, states must balance their budgets rather than operate with a deficit. Difficult decisions must be made. In the absence of ideal solutions, the preferred options should be those that do the least harm to the economy and to those most affected by the recession. These options fall into two categories:

- *Maximize existing funding.* These options involve taking full advantage of funds that are already available to the state to use in the event of budget shortfalls. One is to fully utilize ARRA funds wherever appropriate to avert cuts in spending and services. Another is to use a modest portion of the state's Rainy Day Funds, which has a balance that is \$75 million higher than the minimum level the state seeks to maintain.

Cutting public spending should be the option of last resort because of its chilling effect on the economy.

- *Increase certain taxes.* These options involve raising certain taxes, primarily on the businesses and individuals most able to pay them. They include delaying recently approved business tax cuts, reinstating the West Virginia estate tax, increasing the tobacco tax, and raising the personal income tax for the state's highest earners.

Sound tax policy is key to addressing the state budget crisis. The current shortfall is not the result of overspending, but rather a drop in revenues. Cutting public spending should be the option of last resort because of its chilling effect on the economy. Economists view state government spending as a strong stimulus, generating \$1.36 in economic activity for every dollar spent.

In addition, policy changes could help make the distribution of taxes more equitable across income levels. West Virginia's lower-income families contribute a larger portion of their incomes toward state and local taxes than do higher-income groups.

No single revenue option will fill future budget gaps, but a combination of these and perhaps other alternatives could balance the state budget without worsening the recession, furthering job loss, or reducing needed services. Addressing the state's short-term and long-term budget challenges proactively will help ensure that West Virginia has a strong and healthy budget that meets the needs of working families and helps build a shared prosperity.

Introduction: The State Budget Process

The state budget is one of West Virginia’s most important policy documents. It defines how we plan to use our resources to do things together that cannot be done alone, such as creating good schools for our children, protecting our communities and the environment, making car travel possible and a court system that upholds our constitutional rights. The items contained in the budget not only reveal the important public structures, services and programs that create our quality of life, but also reflect our priorities and how the state’s resources will be shared among all West Virginians.

Just as a family budget reveals basic choices about how to live, the state budget consists of thousands of decisions about our shared responsibility to maintain and improve our state. These decisions directly affect the lives of every one of the 1.8 million people living in West Virginia. They influence the quality of education that our children receive, the level of infrastructure that businesses need to thrive, who has health insurance, and the sense of security we have in our communities.

The Executive Budget

Each year, the Legislature and administration wrestle with a spending plan for West Virginia. The state operates on a fiscal year that begins on July 1, and preparation of the budget begins a year in advance. The first step in the process is for state agencies to submit their budget requests to the State Budget Office. The budget requests are based on specific guidelines provided by the Secretary of Revenue and the State Budget Office. The requests are due on September 1st. During September and October, state agencies hold private budget hearings with the State Budget Office and the Governor’s Office in order to answer questions, submit additional requests, and discuss any future capital projects.

When the hearings are complete, the Governor develops his/her recommendations. The State Budget Office is responsible for estimating revenues and developing a budget that reflects the Governor’s priorities. The Governor’s recommended budget, called the “Executive Budget,” consists of three important documents:

- The Budget Bill is the legislation that appropriates the expenditures required to operate state government for each fiscal year. It contains line items from each department and broadly outlines how that money will be spent.

State and Federal Dollars at Work

The state budget supports a wide range of essential services, including:

Health Care: 390,000 seniors, people with disabilities, children and families receive health and long-term care through the state’s Medicaid Program, and 38,000 children are covered under the Children’s Health Insurance Program.

Public Schools: 280,000 students attend West Virginia public schools, from pre-kindergarten through high school.

Colleges and Universities: 67,000 students attend state colleges and universities, and 22,000 attend community and technical colleges; 25,000 in-state students receive scholarships.

Public Safety: 650 state troopers police our state, and 6,900 active members serve in the Army and Air National Guard.

Roads: The Department of Highways maintains 38,000 miles of public roads and highways and 6,700 bridges.

Natural Resources: The Division of Natural Resources maintains 34 state parks, 370,000 acres of state forests and wildlife management areas, 1,000,000 acres of national forest land, and 100,000 acres of fishable streams and rivers.

Source: West Virginia state agency websites

- The Budget Report provides estimated revenues and proposed expenditures for the upcoming fiscal year, as well as long-range economic issues, revenue forecasting, and a six-year financial plan for the state. It also includes information on capital projects, a state profile, an overview of the budget process, and an executive message (the state of the state address) on major goals and objectives addressed in the budget.

- The Operating Detail contains narrative and financial information on all the departments, bureaus, divisions, commissions, agencies, and programs of the state. The narrative section details the structure, responsibilities, and activities of each agency, commission and department. The financial section contains expenditure information for the upcoming fiscal year and two years prior.

The Governor presents the Executive Budget on the second Wednesday in January, except in the year following a gubernatorial election when the budget is presented a month later.

Legislative Review and Action

The second step in the budget process is for the Legislature to review the Executive Budget and hold hearings before the House and Senate Finance Committees. At this point, the budget is an appropriation bill that can be amended to change the funding recommendations of the Governor. Each amendment to the budget must contain a fiscal note that describes the revenue impact.

The regular session of the Legislature lasts for sixty days, at the end of which the House and Senate each pass a Budget Bill. The differences between the two bills are worked out in the Budget Conference Committee, which is made up of appointed members of the House and Senate Finance Committees. This usually takes place at the end of each legislative session. The Legislature is constitutionally required to pass a balanced budget, and the Governor is required to sign a balanced budget.

Approval by the Governor

After passage by the Legislature, the third step is for the Governor to either sign the Budget Bill or wait five days, after which the Budget Bill will become law. Before signing the bill the Governor can choose to reduce or eliminate certain expenditures, but may not increase or create line items in the budget. The Legislature can override the Governor's veto of any budget item with a two-thirds vote, although this rarely happens. The Budget Bill adopted by the Legislature and approved by the Governor represents spending authority for the next fiscal year and is referred to as the Budget Act.

The last step in the budget process is for expenditure schedule guidelines to be sent to each state agency that outline in detail how they will spend the appropriated funds. These schedules are then reviewed by the State Budget Office and approved by the Secretary of the Department of Revenue. On July 1, the appropriations contained in the Budget Act are ready for agencies to process and spend.

The FY 2010 State Budget

The process for finalizing the FY 2010 was longer and more complex than in most years. Because the 2009 Regular Session followed an election year, it did not begin until February 11. The impact of the national recession caused further complications, compelling the State Budget Office to reduce its original revenue projections by almost \$200 million. A third factor was the American Recovery and Reinvestment Act, signed into law on February 17, which provided a massive infusion of federal funds to stimulate the economy and shore up beleaguered state budgets.

These circumstances prompted Governor Manchin and the Legislature to extend the regular session in order to complete work on the budget. On Friday, May 22, the Governor gave his revised FY 2010 budget recommendations to the Legislature. Unlike the FY 2010 Executive Budget released in February, this document wasn't accessible to the public during this time. Lawmakers reconvened on Tuesday, May 26, and the House and Senate introduced their budgets and passed them out of the Finance Committee on the same day. After reconciling the three revised budget drafts, the final budget was passed May 31, only six days after it was officially introduced. On June 5, the Governor sent a letter to Secretary of State Natalie Tennant outlining \$7 million in line-item vetoes.

The remainder of this report will detail the revenues and expenditures included in the FY 2010 state budget, as well as fiscal projections for coming years and potential strategies for dealing with expected revenue shortfalls.

Weathering the Recession: Economic Downturn Erodes State Revenues

West Virginia’s revenues have fared better than those of most states since the national recession began. The state’s unemployment rate remained low and tax revenues were relatively stable through 2008. Because of this, West Virginia avoided making mid-year cuts in its FY 2009 budget, as many other states were forced to do. In early 2009, however, the state’s unemployment rate began a sharp ascent and revenue projections fell. The American Recovery and Reinvestment Act, signed into law in February, helped replace much of West Virginia’s revenue shortfall for FY 2010.

The Impact of the National Recession on State Budgets

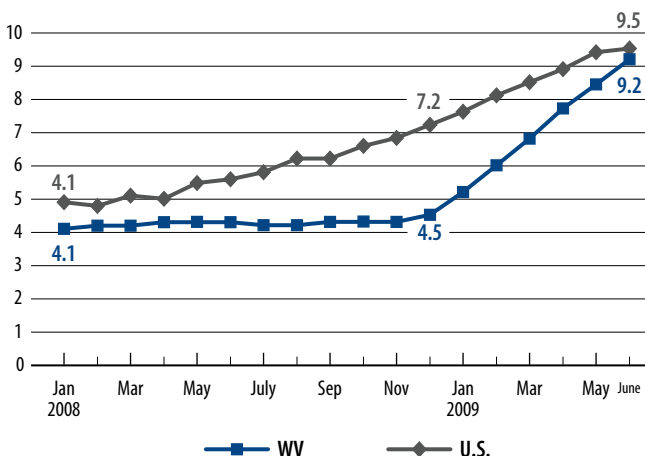
Throughout 2008, West Virginia’s unemployment rate remained under 4.5 percent, while the national rate rose from 4.9 percent at the beginning of the year to 7.2 percent in December. During the past six months, however, West Virginia’s unemployment rate quickly rose to 9.2 percent in June, nearly equal to the national rate of 9.5 percent.¹ (See Chart 1.)

As the recession deepened during FY 2009, 46 states (excluding West Virginia) experienced shortfalls and were forced to reduce their budgets by a combined total of \$110.8 billion, or 15.3 percent on average. The projected

shortfalls grew more severe for FY 2010, totaling \$166 billion, or 24 percent. These shortfalls are expected to persist in FY 2011.² (See Chart 2.)

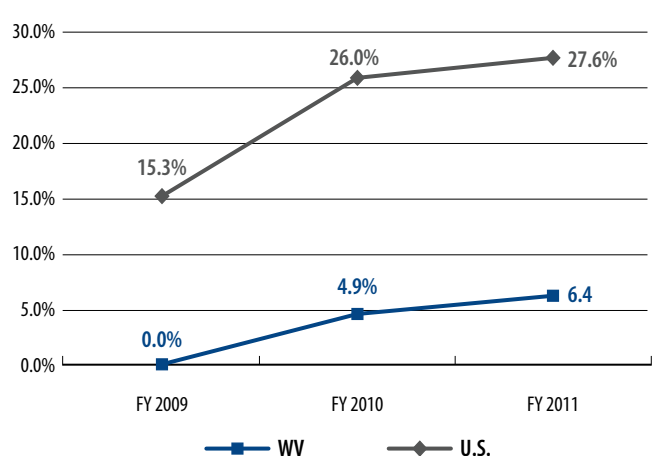
West Virginia’s FY 2010 state budget is among the healthiest in the nation, with a shortfall of only \$198 million, or 4.9 percent (General Revenue and Lottery Funds, combined). The largest source of projected revenue loss, \$126.5 million, is from severance tax collections. This is largely due to a state forecast of significantly lower energy prices and some additional reductions in output.³ Revenue shortfalls are also projected in personal income taxes (\$38 million), Excess Lottery (\$13.7 million), corporate income taxes (\$12.5 million), sales tax (\$11 million), and miscellaneous receipts (\$3.9 million).

CHART 1
Unemployment Rates for U.S. and West Virginia (Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

CHART 2
Projected State General Revenue Shortfalls, FY 2009 – FY 2011



Source: Center on Budget and Policy Priorities and WV State Budget Office

The Federal Response: American Recovery and Reinvestment Act of 2009

Just days after the West Virginia Legislature convened, President Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009 on February 17. The goals of ARRA are to preserve and create jobs, promote economic recovery, invest in technology and infrastructure, and assist those most impacted by the recession.

West Virginia is expected to receive about \$1.8 billion for a wide range of public programs designated by the Act. (For details, see Appendix and www.recovery.wv.gov.) Federal funds for designated programs are being distributed to states via the state agencies that currently manage those programs. The law also increases certain benefits paid to individuals in the form of tax credits, food stamps, and unemployment insurance.

The principle behind the federal stimulus is that a significant, temporary increase in public spending is needed to rapidly increase the demand for goods and services, which in turn fuels the economy, stabilizes businesses, and saves jobs. If the state cuts spending, it removes demand from the economy. This leads to layoffs, canceled contracts with businesses and nonprofits, and less money for workers to spend on goods and services.

State and Federal Revenues Appropriated in West Virginia's FY 2010 Budget

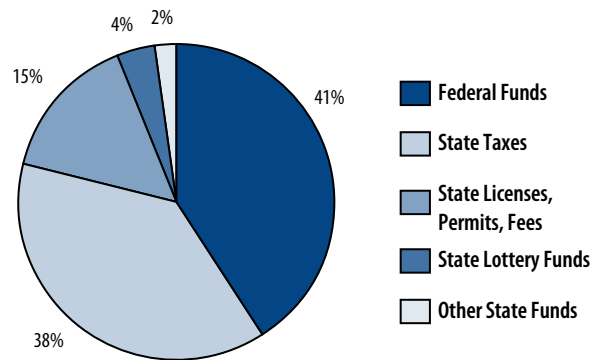
Of the \$11.6 billion in appropriated revenues for FY 2010, about 59 percent are from state sources and 41 percent

from the federal government. (See Chart 3.) While overall spending increased by \$1.2 billion from last year's budget, most of this increase came from federal funds. (See Table 1.) Approximately \$1.03 billion of \$1.86 billion in ARRA funds allocated to West Virginia were appropriated in the FY 2010 budget. Many of the ARRA program allocations span over more than one fiscal year and will be appropriated in next year's budget.

Total state revenues declined from FY 2009 to FY 2010. The General Revenue Fund, which derives its revenue mostly from taxes and pays for many of the key budgetary items, dropped by 2.8 percent. The Lottery Funds, which are supported by the sale of lottery tickets and/or games and limited video lottery, decreased by 5.1 percent overall. Special Revenue Funds, which consist of individual accounts created for a specific purpose (e.g. unfunded liabilities such as Workers' Compensation Debt), rose by 2.7 percent.

CHART 3

Appropriated Revenue by Source for FY 2010



Source: Center on Budget and Policy Priorities

TABLE 1

Changes in Appropriated Revenues, FY 2009 to FY 2010

Fund Source	FY 2009	FY 2010	\$ Change	% Change
General Revenue	\$3,893,006,232	\$3,785,976,953	-\$107,029,279	-2.75%
Lottery	\$167,951,512	\$166,010,000	-\$1,941,512	-1.16%
Lottery Excess	\$330,700,000	\$307,118,000	-\$23,582,000	-7.13%
Special	\$1,385,446,517	\$1,424,170,416	\$38,723,899	2.80%
Road	\$1,191,917,541	\$1,367,137,050	\$175,219,509	14.70%
Federal	\$3,114,682,336	\$4,108,936,130	\$994,253,794	31.92%
Federal Block Grants	\$304,526,316	\$403,321,924	\$98,795,608	32.44%
TOTAL	\$10,388,230,454	\$11,562,670,473	\$1,174,440,019	11.31%

* These estimates include claims against the state and vetoes

The State Road Fund increased by 12.8 percent over last year due to an increase of \$205 million in federal funds. For FY 2010, the State Road Fund is projected to receive 49 percent of its revenue from federal reimbursements and about 47 percent from fees and motor fuel and automobile privilege taxes.

Federal funding and block grants account for \$4.5 billion (excluding federal funds in the Road Fund) of the FY10 budget. This is an increase of about \$1.1 billion, or 22 percent from FY09.

Staying the Course: Funding Remains Steady for Most Services

On February 11, Governor Manchin presented a \$10.7 billion Executive Budget, including state and federal funds. The no-frills budget was less than two percent higher than the current year budget. Five weeks later, signs became clear that the national recession had caught up with the Mountain State. Rising unemployment and declining state revenues prompted the Governor to call upon the Legislature to reduce state-source spending by almost \$200 million.

The Legislature recessed on April 11 without passing a budget and returned on May 26 for an extended session. On May 31, the Legislature passed a FY 2010 budget (HB 2010) of \$11.6 billion. The final budget cut \$204.6 million in state spending, about \$7 million more than the projected revenue loss, and added federal ARRA funds. The Governor vetoed another \$7 million in spending from the enrolled budget, of which \$1.6 million was later restored with supplemental appropriations.

FY 2010 Spending Appropriations

More than half of all spending in the FY 2010 budget is related to health, human services and public education. (See Chart 3.) The Department of Health and Human Resources budget of \$3.9 billion includes health and long-term care for low-income families and people who are elderly or disabled, social services for vulnerable children and adults, public health programs, and other services. The Department of Education budget of \$2.6 billion includes public schools and services for children in pre-kindergarten through high school.

Medicaid is the largest program expenditure in the budget, totaling \$2.9 billion or 25 percent of the budget. This year about 80 percent of Medicaid spending will come from federal matching funds and 20 percent from state funds. The increase in federal Medicaid appropriations and decrease in state Medicaid appropriations is due to the increase in the federal match rate.

State Aid to Schools is the largest state-source spending item in the budget, totaling \$1.7 billion or 15 percent of the overall budget. Over two-thirds of the budget goes toward

the 12 items listed in Table 2. Other big-ticket items include the state's two largest unfunded liabilities – the teachers retirement system and the workers' compensation debt. Together, they amount to about \$850 million or 13.3 percent of state-source spending.

CHART 4
State Spending by Category for FY 2010
(Total = \$11.6 billion)

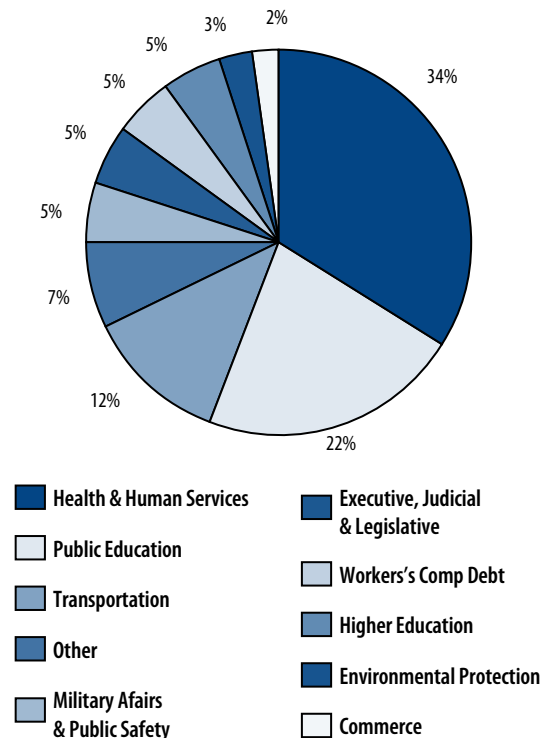


TABLE 2

Changes in Big Ticket Items, FY 2009 to FY 2010

State-Source Spending	FY 2009 Appropriated	Enrolled FY 2010	% + or -	% of Budget
State Aid to Schools	\$1,721,793,398	\$1,717,083,663	-0.3%	14.9%
Medicaid	\$653,832,784	\$604,880,316	-7.5%	5.2%
Highways	\$661,933,541	\$650,915,000	-1.7%	5.6%
Workers' Comp Debt	\$550,000,000	\$550,000,000	0.0%	4.8%
Colleges and Universities	\$293,631,271	\$285,553,838	-2.8%	2.5%
Correctional Facilities	\$155,946,669	\$158,754,185	1.8%	1.4%
Total	\$4,037,137,663	\$3,967,187,002	-1.7%	34.3%

Federal Spending	FY 2009 Appropriated	Enrolled FY 2010	% + or -	% of Budget
Medicaid	\$2,015,921,447	\$2,333,152,069	15.7%	20.2%
Highways	\$529,984,000.00	\$678,232,000	28.0%	5.9%
K-12 Education	\$230,320,468	\$320,000,000	38.9%	2.8%
Environmental Protection	\$139,010,466	\$218,176,907	56.9%	1.9%
TANF	\$130,250,890	\$160,250,890	23.0%	1.4%
School Lunch Program	\$114,028,264	\$115,650,000	1.4%	1.0%
Total	\$3,159,515,535	\$3,825,461,866	21.1%	33.1%

OVERALL TOTAL	\$7,196,653,198	\$7,792,648,868	8.3%	67.4%
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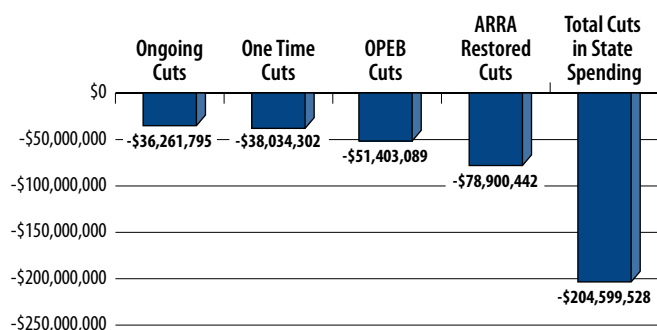
Source: Center on Budget and Policy Priorities

Changes to the Base Budget

The “base budget” includes General Revenue and Lottery Funds. The \$204.6 million the Legislature cut from state-source spending included \$36.3 million in ongoing cuts, \$38 million in one-time cuts, \$51.4 million in Other Post-Employment Benefits (OPEB) and \$78.9 million in cuts to be “backfilled” or restored using federal ARRA funds. (See Chart 4.)

CHART 5

Cuts in State Spending Enacted by the Legislature



Ongoing Cuts

The \$36.3 million in ongoing cuts are reductions that the Legislature and governor plan to continue in FY 2011, when there's another projected revenue shortfall. This includes a two-percent reduction in executive, judicial, and legislative agencies, three-percent reductions in the Department of Commerce and Department of Education and the Arts, a 2.5-percent reduction to Military Affairs and Public Safety, and a one-percent reduction in the Department of Revenue. Also, the ongoing cuts included reductions for insurance (BRIM) premiums within agencies and capital outlays and maintenance. The Legislature restored some of these cuts during the 2nd Special Session in June, as described later.

One-time Cuts

One-time cuts are reductions that do not end programs or projects over the long-term and which the Legislature and governor felt could be made without hurting basic services. (See Table 3.) Of the \$38 million in one-time cuts, the largest was a \$15 million cut to the Legislature's Tax Reduction and Federal Funding Increased Compliance (TRAFFIC) fund. Created in 1995, TRAFFIC is an account maintained to stabilize the budget in the event of sudden tax revenue

TABLE 3

One-time Cuts in FY 2010 Budget

One-time Cuts	Original FY100 Budget	Final FY10 Budget	\$ Change
TRAFFIC	\$15,000,000	0	-\$15,000,000
Enterprise Resource Planning System	\$9,969,127	0	-\$9,969,127
Medicaid Services Transfer	\$5,000,000	0	-\$5,000,000
Governor's Civil Contingency Fund	\$3,900,000	0	-\$3,900,000
Jones Building Treatment Center	\$1,785,175	0	-\$1,785,175
Senior Services Medicaid Transfer	\$10,300,000	\$8,670,000	-\$1,630,000
High Acuity Special Needs	\$1,000,000	\$250,000	-\$750,000
		Total	-\$38,034,302

Source: WV State Budget Office and WVCPB analysis of Enrolled HB 2010

reductions, reductions in federal funding for state programs or to meet unanticipated needs. The balance in the TRAFFIC account was \$75.7 million on December 31, 2009.

A cut of almost \$10 million was made to the Enterprise Resource Planning (ERP) system within the Division of Finance. ERP is a software system for computers that organizes data by integrating it into a single system. The estimated cost of implementing the ERP system is projected to be over \$60 million.

Two one-time cuts involved state Medicaid transfers. The Legislature eliminated a \$5 million transfer of Medicaid Services funds from the General Revenue Fund and a \$1.6 million transfer of Senior Services Medicaid funds from the Lottery Fund. The Governor's Civil Contingency Fund was completely eliminated for FY 2010. This fund is a discretionary reserve fund located in the Governor's Office that is used for emergencies. About \$1.8 million was eliminated from the Jones Building Treatment Center at the WV Industrial Home for the Youth, which houses juvenile offenders in a maximum-security correctional facility. The last one-time cut was \$750,000 in the Department of Education's budget for high acuity special needs children.

Cuts in Other Post-Employment Benefits (OPEB)

The \$51.4 million cut to Other Post-Employment Benefits (OPEB) eliminates a transfer to the WV Retiree Health Benefits Trust Fund. Established in 2006 by the Legislature, the Trust Fund was created to address Other Post-Employment Benefits by requiring greater disclosure of projected future health care cost for public employees.⁴

OPEB was designed to comply with new Governmental Accounting Standards Board rules (GASB 43 and 45) that changed the way the state accounts for the future costs of health care and other non-pension related benefits. The FY 2009 appropriation was intended to be a "base builder" for future Medicaid requirements. The long-term OPEB liability was \$7.8 billion at the end of FY 2006 and has been reduced to \$7 billion for FY 2010 after the state adopted the Medicare Advantage Prescription Drug Plan.

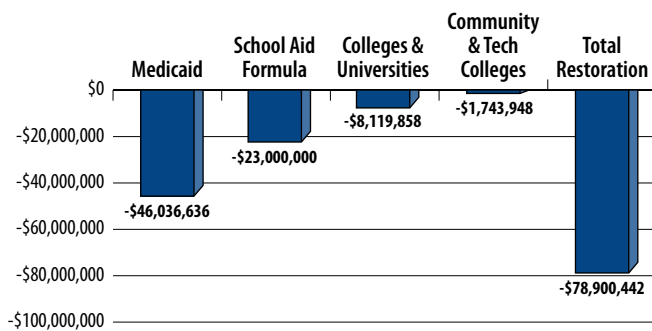
Cuts Restored Using ARRA Stimulus Funds

ARRA provides \$135 billion to \$140 billion for states to maintain current programs and avoid severe budget cuts. The largest portion of this state recovery assistance is \$87 billion in increased Medicaid funding and \$50 billion in the State Fiscal Stabilization Fund. States across the country are using this money to help plug budget shortfalls that would have otherwise resulted in cuts in programs or government services.⁵

The Recovery Act provides about \$1.8 billion of funds for West Virginia. (For details, see Appendix and www.recovery.wv.gov.) This includes about \$266 million in State Fiscal Stabilization Funds and \$452 million in increased federal Medicaid funding. These funds may be used to fund increased demand in services due to the recession and to protect important public programs from being cut. In an application letter to the U.S. Department of Education, Governor Manchin submitted that the state intends to "backfill" approximately \$33.8 million in public education and higher education. A reduction of \$46 million in General Revenue Medicaid spending in the FY 2010 budget is also

intended to be restored with increased federal Medicaid spending. Without this increase in federal Medicaid funding, the state would have had to cut more spending from the budget, use additional Rainy Day Funds, or raise taxes.

CHART 6
Cuts Restored Using ARRA Stimulus Funds



How ARRA Funds May Be Used to Fill Budget Gaps

State Fiscal Stabilization Fund

ARRA's State Fiscal Stabilization Fund provides West Virginia with an estimated \$218 million in education aid (Education Stabilization Fund) and \$48 million in a flexible block grant (Government Services Fund) to fund government services. The FY 2010 budget appropriates all \$266 million to the Governor's Office.

The state plans to use about \$33 million of the \$218 million in education aid to "backfill" the FY 2010 budget. This includes approximately \$23 million in school aid formula funding for public education, \$8.1 million in colleges and universities funding, and \$1.7 million in funding for community and technical colleges.⁶ The Governor has about \$185 million of funds remaining that he can apply toward any proposed cuts made in public and higher education in FY 2011. If any education aid remains after restoring state support for elementary, secondary and public higher education in FY 2011, it must be awarded to local schools districts (LEAs) based on their proportionate share of funding under Title I, Part A of the Education and Secondary Education Act (ESEA).

The Governor did not allocate the \$48 million in ARRA's Government Services Fund for FY 2010. However, the

Governor's Office provided preliminary estimates on how he plans to spend these funds over the next two fiscal years.⁷ Of the \$48 million, he projected to spend 60 percent on "economic development initiatives and assistance for working families," 22 percent on elementary and secondary education, and 17 percent on modernization, renovation, or repair of public school facilities.

Federal Medicaid Matching Funds

ARRA provides an estimated \$451.6 million in additional federal Medicaid funding to West Virginia over 27 months, from October 1, 2008, through December 31, 2010.⁸ This increased funding covers all or parts of three state fiscal years (FY 2008 – FY 2010). The additional aid comes from a temporary increase in the federal Medicaid matching rate (known as the "FMAP"), which will reduce the state's share of Medicaid costs and provide general fiscal relief.

ARRA increases the Medicaid FMAP in three ways:

- (1) an across-the-board 6.2 percentage-point increase;
- (2) a provision that holds harmless a state's current FMAP from decreases due to improvements in the state's economic condition; and
- (3) an additional increase for states where unemployment rises beyond certain levels.

West Virginia's base FMAP is projected to increase from its 2008 rate of 74.25 percent to 83.05 percent by December 2010. This means that for every \$100 spent by the state Medicaid Program, the federal government will reimburse West Virginia \$83.05 in 2010 instead of \$74.25 given the current projections.⁹ Because the state spends about \$650 million a year on Medicaid this small increase results in millions of additional dollars for the state.

Of the estimated \$452 million in increased federal Medicaid funding, the FY 2010 budget appropriated \$46 million. A supplemental appropriation (SB 771) during the 2009 Regular Session included \$116 million for FY 2009 in increased federal Medicaid spending. While the Department of Health and Human Resources (DHHR) isn't projecting a substantial increase in Medicaid expenses in FY 2010, these additional federal funds allowed the state to avoid at least \$46 million in budget cuts in the FY 2010 budget. DHHR is not expecting a shortfall in state Medicaid matching funds until FY 2014, when a state match deficit of \$134.5 million is projected.

Supplemental Appropriations

Throughout the year, the Legislature passes supplemental appropriation bills, which increase spending authority above the levels contained in the Budget Act. This does not necessarily mean that the amount of the supplemental appropriation will be spent that year, but rather that the Legislature has raised the “spending ceiling” on a particular line item. Supplemental appropriations are typically made when something requires immediate funding (e.g. flood relief, new federal money, etc.) and is too urgent to postpone until the enactment of the next year’s budget. Supplemental appropriations passed during special sessions are not considered part of the “base budget” or viewed as an ongoing commitment on the part of state government.¹⁰

Table 4 below lists each of the supplemental appropriations passed in 2009. The largest supplemental appropriation (SB 403) increased the Division of Highways FY 2009

budget by \$124.2 million. Approximately \$40 million of this increase is due to federal ARRA funds.

Because ARRA was enacted during the middle of FY 2009, the state had to pass a supplemental appropriation bill outlining what it could potentially spend prior to the implementation of the FY 2010 budget on July 1, 2009. S.B. 771 included \$293.6 million in new appropriations for a variety of agencies, the biggest of which was \$116 million for increased federal Medicaid spending. A \$26.5 million supplemental appropriation was transferred from the Rainy Day Fund to deal with the effects of the May 2009 flood in southern West Virginia.

During the second special session, the Legislature made a number of supplemental appropriations in S.B. 2003. The governor restored funding to three of the line items he vetoed earlier in the month. These include \$300,000 for

TABLE 4
FY 2009 Supplemental Appropriations and Transfers

Bill	Subject	Department	Fund	Total	Year Implemented
2009 Legislative Session					
S.B. 403	Highways	Transportation	Road	\$1,280,617,000	FY09
S.B. 636	Claims Paid to Hospitals	-	General Revenue/Special	\$102,576	FY09
S.B. 771	Federal Stimulus	Multiple	Federal/Federal Block	\$293,669,992	FY09
S.B. 772	Executive, Transportation, Seniors, Higher Ed.	Multiple	Special	\$1,113,050	FY09 & FY10
S.B. 773	Land Protection Authority	Executive	Federal	\$60,000	FY09
H.B. 2950	Low-income Minority Neighborhoods	Commerce	Other	\$2,400,000	Transfer of Funds
2009 1st Special Session					
S.B. 1014	Recovery Efforts for May 9, 2009 Flood Victims	Executive	General Revenue	\$26,500,000	FY09
S.B. 1015	Public Defender Counsel Fees	Public Defenders Services	Special (Excess Lottery)	\$21,000,000	New Item for FY09
2009 2nd Special Session					
S.B. 2001	Public and Higher Education	Public and Higher Education	Lottery	\$6,845,295	FY09
S.B. 2002	Rental Payment and Debt Service	Administrations	General Revenue	\$0	FY09
S.B. 2003	General Appropriations	Multiple	General Revenue	\$15,330,000	FY09 & FY10
S.B. 2004	Highways	Transportation	Road	\$15,000,000	FY09
S.B. 2005	Rehabilitation Services	Education & Arts	General Revenue	\$644,938	FY10
S.B. 2006	Student Enrichment Program	Education	Excess Lottery	\$5,000,000	FY10

Health Right Free Clinics, \$300,000 for In-Home Family Education, and \$1 million for Domestic Violence Programs. Of the \$7 million vetoed by the governor, \$1.6 million was restored in supplemental appropriations.

Bills Passed with Fiscal Impact

The Legislature passed 227 bills in the 2009 Regular Session and 21 bills during two special sessions in June 2009. Of the 248 bills, approximately 23 contained fiscal notes that denoted a fiscal impact to the state. Fiscal notes are the “price tags” attached to legislative bills that inform legislators and the public of the estimated cost to the state in either expenditure increases or revenue losses. Fiscal notes usually get attached to a bill when taxes or fees are assessed or a new program, service or fund is being created.

The state Unemployment Insurance program contained the largest fiscal note at \$155.4 million for FY 2010. This bill included a trigger that would increase the taxable wage base from \$8,000.00 to \$12,000.00 whenever the Unemployment Trust Fund dropped below \$180 million.

While the Unemployment Trust Fund action did not affect the base budget, several other tax bills did. Combined, S.B. 329 and S.B. 410 cost the state almost \$20 million in lost revenue in FY 2010 by conforming West Virginia’s personal and corporate income tax to federal law. Most of these costs were associated with three key provisions in ARRA, including a new “cancellation of debt income (CODI)” provision and a one-year extension of “bonus depreciation” and equipment “expensing” provisions contained in 2008 federal legislation.¹¹ Because the state did not decouple from these provisions, it has further compounded its already serious revenue problems. Over the next three fiscal years (FY 2010, 2011 and 2012) the state will loss an estimated \$52 million in revenue. While a portion of this revenue loss will be recouped, the total net revenue loss is an estimated \$37.3 million over the next six fiscal years.

The creation of a child care quality rating and improvement system was the largest single expenditure increase in the base budget. The fiscal cost to the state will be an estimated \$11.9 million in FY 2010. The only increase in revenue to the General Revenue Fund includes a change to the Bureau of Medical Services that will net \$2 million. An increase of \$38.9 million in increased lottery revenues hinges on Jefferson County allowing Charles Town Races to offer video lottery and table games.

Rainy Day Funds

The state has two primary long-term reserve funds (Rainy Day Fund and Rainy Day Fund Part-B) that can be tapped when revenues are insufficient to fund services. As discussed earlier, the Legislature recently transferred \$25.6 million from the reserve funds in order to pay for flood relief in southern West Virginia.

The balance in the Rainy Day Fund (RDF) as of July 7, 2009 is \$472.6 million. This is a loss of \$103.1 million since the end of 2007. In general, states aim to have their RDF equal to at least 10 percent of General Revenue. Currently, West Virginia’s RDF is 12.5 percent of its General Revenue Fund.

During the 2008 Regular Session, the Legislature passed a bill reducing the corporate net income tax (CNIT) rate from 8.75 percent to 6.5 over the next five years. However, these rate reductions can only transpire if the balance in the RDF exceeds 10 percent of the General Revenue Fund. For example, on January 1, 2012 the CNIT rate will drop to 7.75 percent. This drop, however, can only happen if the RDF balance as of the proceeding June 30th (June 30, 2011) is above 10 percent of General Revenue Fund.

CHART 7
Rainy Day Fund Balance 2007-2009

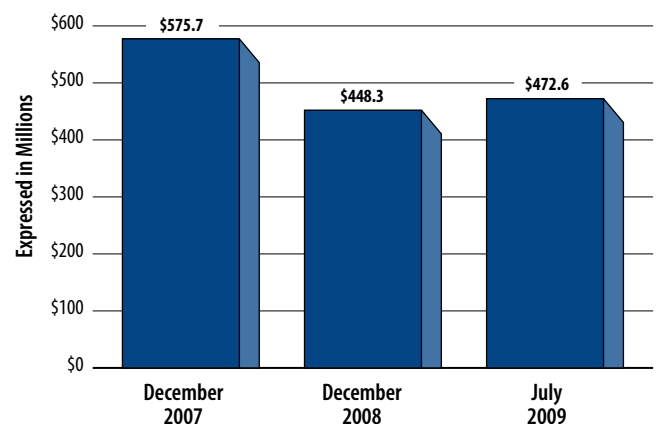


TABLE 5

Enrolled Bills with Fiscal Impact

Bill #	Subject	Fund	FY 2010	FY 2011	FY2012	Full Impact
S.B. 246	Unemployment Trust Fund Assessments	Other	\$155,483,458	-	-	\$155,483,458
S.B. 280	Correctional Industries Act	Special	-	-	-	-
S.B. 306	Increase in Pipeline Companies' Fee	Special	\$11,208	-	-	\$11,208
S.B. 329	Conforming Personal Income Tax to Federal	General Revenue	-\$9,000,000	-\$5,700,000	-\$400,000	-\$11,800,000
S.B. 338	Creating Additional 17th Judicial Circuit Court Judge	General Revenue	-\$386,260	-\$386,260	-\$386,260	-\$1,158,780
S.B. 373	PROMISE Scholarship	General/Special	-\$2,000,000	-\$4,524,821	-\$4,524,821	-\$4,524,821
S.B. 410	Conforming Corporate Income Tax to Federal	General Revenue	-\$10,700,000	-\$24,100,000	-\$2,100,000	-\$25,500,000
S.B. 464	PEIA Charge Fee on Paper Transactions	Special	\$0	\$0	\$0	-\$250,000
S.B. 498	Early Childhood Care Program	General Revenue	-\$11,909,693	-\$51,423,480	-\$51,423,480	-\$51,423,480
S.B. 533	Sales Tax Exemption for Veterinary Drugs	General Revenue	-\$1,000,000	-\$1,000,000	-\$1,000,000	-\$1,000,000
S.B. 540	Decrease Tax Commissioner Costs	General Revenue	\$50,000	\$50,000	\$50,000	\$50,000
S.B. 575	Greenbrier Resort: Table & Lottery Games	Special	\$6,847,520	\$6,847,520	\$6,847,520	\$6,847,520
S.B. 600	Increases Special Reclamation Tax	Special	\$10,700,000	\$10,700,000	\$10,700,000	\$10,700,000
S.B. 632	Bureau of Medical Services	General Revenue	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
H.B. 2567	Electronic Rule Filing	General Revenue	-\$500,000	-\$500,000	-\$500,000	-\$500,000
H.B. 2870	Extending Deadline in TERS	General Revenue	-\$14,000	-\$14,000	-\$14,000	-\$14,000
H.B. 2916	Emergency Medical Services Fund	Special	-\$12,518	\$60,689	\$60,689	\$60,689
H.B. 2931	Timber Severance Tax Decrease	Special	-\$300,000	-\$1,000,000	-\$1,000,000	-\$1,000,000
H.B. 3141	Vote by Mail Pilot Program	General Revenue	-\$3,000	-\$3,000	-\$3,000	-\$3,000
H.B. 3195	State Aid for Local Health Depts.	General Revenue	-\$5,261,972	-\$5,261,972	-\$5,261,972	-\$5,261,972
2009 1st Special Session						
H.B. 102	Racino Revenue Allocation: Charles Town	Special	\$0	\$0	\$38,978,514	\$38,978,514
S.B. 1003	High-Tech Property Tax Subsidy	Local Government	\$0	\$0	\$0	-\$200,000
S.B. 1009	PIT Reduction for Autism	General Revenue	-\$4,200	-\$27,000	-\$27,000	-\$27,000

Tax Bills in BOLD

Conclusion: Navigating Current and Future Budget Challenges

The unemployment rate in West Virginia has more than doubled during the last seven months. Enrollment in social safety net programs such as food stamps has grown by 11 percent over the past year.¹² So far, the national recession is showing very little sign of easing. This will intensify the strain on the state budget as revenues fall while the need for public services rises.

Projected State Budget Gaps

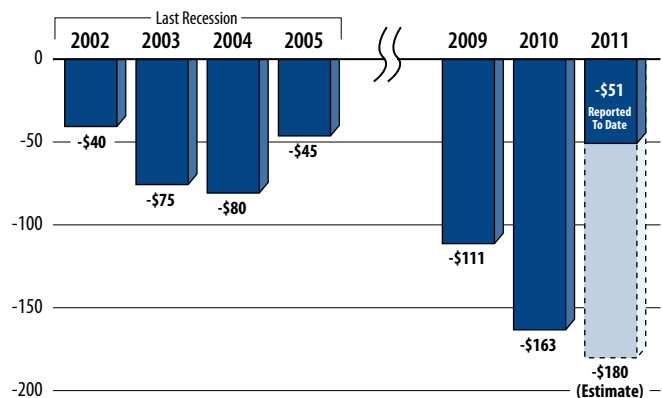
All states, except for Montana and North Dakota, have addressed or still face shortfalls in their budgets for FY 2010. Total shortfalls for the coming year — those already addressed and those still open — total \$163 billion. At least 33 states, including West Virginia, already anticipate deficits for FY 2011, when total shortfalls are likely to equal \$160 to \$180 billion.¹³ (See Chart 8.)

West Virginia currently estimates a FY 2011 budget shortfall of \$244 million. (See Chart 9.) While federal ARRA funds will be part of the gap-closing solution, lawmakers will have to look for alternative sources of revenue over the long term. The projected budget gap of \$369 million in FY 2013 will require structural revenue changes or serious cuts to programs and services. This projected revenue shortfall is due not only to the current economic recession, but also to cuts in corporate taxes that were made in 2008.¹⁴ The Tax Department estimates that corporate income and business franchise taxes will decline by 31 percent (or \$122 million) from FY 2008 to FY 2012.

Other states are employing a variety of strategies to fill their budget gaps,¹⁵ including the following:

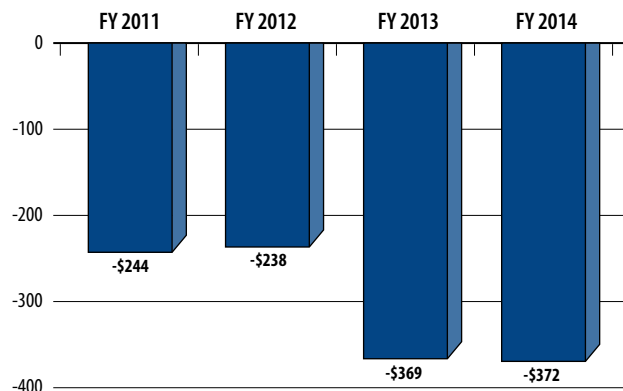
- *The federal aid to states under ARRA* is enough to close, on average, roughly 30-40 percent of state budget shortfalls. These dollars closed 31 percent of New York’s budget gap and 37 percent of Virginia’s. Other states, such as Georgia, Maryland, Utah, Washington, and West Virginia report similar outcomes. States are closing the remaining gaps with a mix of spending cuts, revenue increases, withdrawals from reserve funds, and other measures.

CHART 8
Total State Budget Shortfalls Projected in U.S. (in billions)



Source: Center on Budget and Policy Priorities

CHART 9
Projected Budget Shortfalls in West Virginia (in millions)



Source: State of West Virginia FY 2010 Executive Budget

- *Tax increases* have been enacted in 30 states, and another 12 states are considering similar measures. This response is consistent with past practices. States often reduce taxes during economic expansions and increase them during downturns. In the recession of the early 1990s, some 44 states raised taxes; in the early 2000s, about 30 states did so.
- *Cuts in public services* have been made by at least 39 states. Cutbacks have affected health care (21 states); services for the elderly and disabled (23 states); K-12 schools (24 states); and higher education (32 states). Some 41 states have made cuts to their workforces, through furloughs, layoffs, cuts in benefits or other steps.

In order to balance next year's budget, state policymakers will have to weigh the relative benefits and drawbacks of different options – maximizing existing funds, raising taxes and/or cutting spending.

Why Spending Cuts Should Be the Option of Last Resort

Extracting \$244 million from next year's spending could impede economic recovery, trigger further job loss, and erode public services that support and protect the state's most vulnerable citizens.

- *Spending cuts would impede economic recovery.* A significant, temporary increase in public spending is needed to rapidly increase the demand for goods and services, which in turn fuels the economy, stabilizes businesses, and preserves jobs. Economists view state government spending as having a strong stimulus effect, generating \$1.36 in economic activity for every dollar spent.¹⁶ Applying this multiplier effect to reduced spending would mean that a \$50 million state budget cut would translate into lost economic activity of \$68 million. A \$244 million cut would mean an overall loss of \$332 million.
- *Spending cuts would trigger further job loss.* State spending supports large numbers of jobs in both the public and private sectors. Spending cuts would result in lay-offs not only of public employees, but also of workers in private sector companies that contract with the state to provide a wide range of goods and services. For example, a 2003 study by the WVU Bureau of Business and Economic Research found that a 10-percent

reduction in Medicaid spending would result in the loss of 3,268 jobs statewide.¹⁷

- *Spending cuts would erode public services that support and protect the state's most vulnerable citizens.* Reduced spending would jeopardize essential services, such as public health, law enforcement, and services for children, seniors and people with disabilities. Many of these programs have been operating with little or no increase in recent years and are unable to absorb further cuts without reducing services. Rising unemployment has boosted demand for safety net programs, since only 36 percent of jobless West Virginians receive unemployment insurance.¹⁸

Revenue Strategies that Promote Recovery and Equity

Unlike the federal government, states must balance their budgets rather than operate with a deficit. Difficult decisions must be made. In the absence of ideal solutions, the preferred options should be those that do the least harm to the economy and to those most affected by the recession. These options fall into two categories:

- *Maximize existing funding.* These options involve taking full advantage of funds that are already available to the state to use in the event of budget shortfalls. One is to fully utilize ARRA funds wherever appropriate to avert cuts in spending and services. Another is to use a modest portion of the state's Rainy Day Funds, which has a balance that is \$75 million higher than the minimum level the state seeks to maintain (10 percent of General Revenue).
- *Increase certain taxes.* These options involve raising certain taxes, primarily on the businesses and individuals most able to pay them. They include delaying recently approved business tax cuts, reinstating the West Virginia estate tax, raising the tobacco tax, and increasing the personal income tax for the highest earners.

Sound tax policy is key to addressing the state budget crisis. The current shortfall is not the result of overspending, but rather a drop in revenues. Cutting public spending is the wrong tool for the problem and would have a greater chilling effect on the economy than increasing taxes. According to two highly respected economists – Nobel Prize winner Joseph Stiglitz of Columbia University and

Peter Orszag, director of the federal Office on Budget and Management:

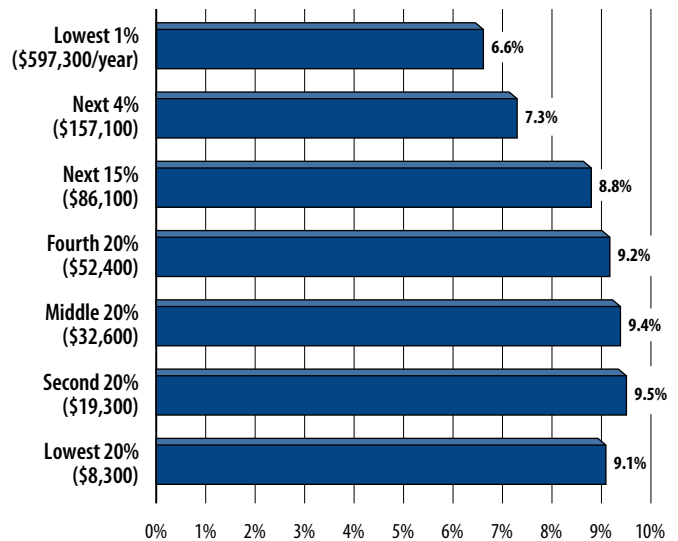
“Economic analysis suggests that tax increases would not in general be more harmful to the economy than spending reductions. Indeed, in the short run (which is the period of concern during a downturn), the adverse impact of a tax increase on the economy may, if anything, be smaller than the adverse impact of a spending reduction, because some of the tax increase would result in reduced saving rather than reduced consumption.”¹⁹

In addition, policy changes could help make the distribution of taxes more equitable across income levels. West Virginia’s lower-income families contribute a larger portion of their incomes toward state and local taxes than do higher-income groups. (See Chart 10.) For example, families of three or four people living at the poverty level²⁰ pay 9.5 percent of their incomes in state and local taxes, while families in the top one percent of income pay only 6.6 percent.²¹

No single revenue option will fill the budget gap, but a combination of these and perhaps other alternatives could balance the state budget without worsening the recession, furthering job loss, or reducing needed services. Addressing the state’s short-term and long-term budget challenges proactively will help ensure that West Virginia has a strong and healthy budget that meets the needs of working families and helps build a shared prosperity.

CHART 10

Portion of Incomes Paid by West Virginians in State and Local Taxes



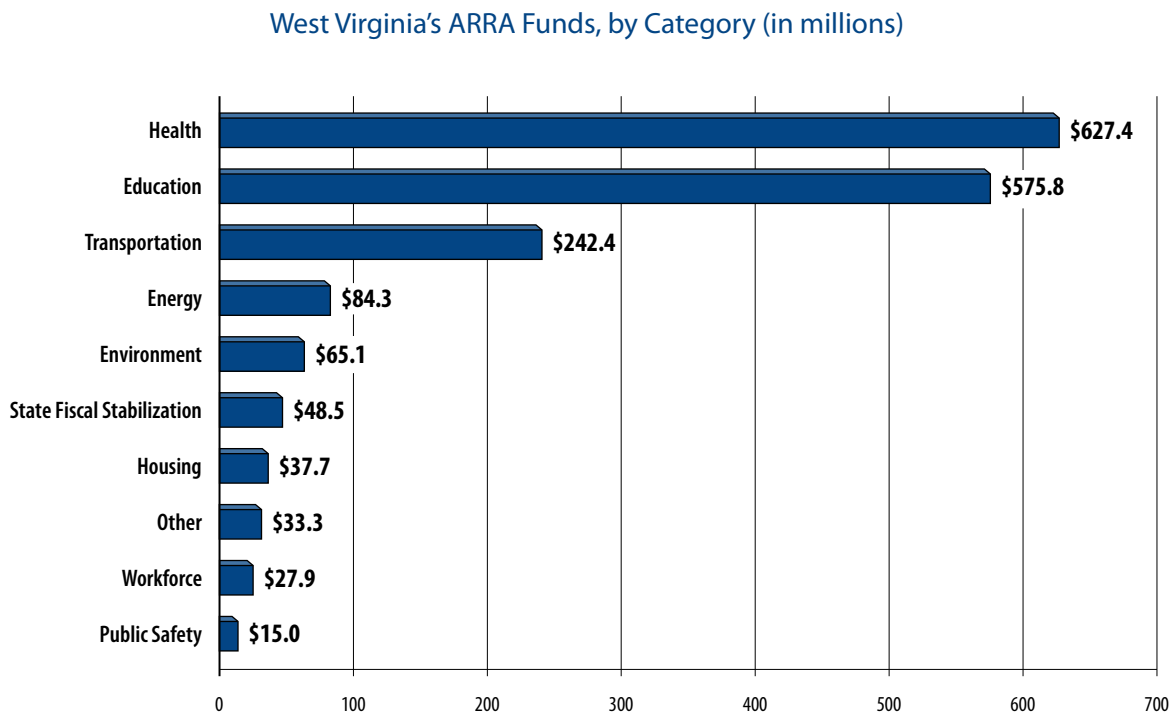
Source: Institute for Taxation and Economic Policy

Notes: Chart 10 reflects 2008 tax laws at 2006 income levels; income amount listed is midpoint in the range for that group.

American Recovery and Reinvestment Act Funding for West Virginia

West Virginia is expected to receive about \$1.76 billion from the American Recovery and Reinvestment Act (ARRA) of 2009. The goals of ARRA are to preserve and create jobs, promote economic recovery, invest in technology and infrastructure, and assist those most impacted by the recession.

The state maintains a website (www.recovery.wv.org) dedicated to tracking how these funds are spent and what outcomes are achieved. The following is a compilation of data available on the website on August 12, 2009, including ARRA allocations by category and line item appropriations within each category.



Programs Funded in Each Category

Category	State Agency	Amount	Program
Health	Agriculture	821,721	Food Assistance Program (Food Banks)
Health	BOSS	455,732	Congregate Nutrition Services
Health	BOSS	224,360	Home-Delivered Nutrition Services
Health	BOSS	267,213	Older Workers Program
Health	DHHR	2,635,000	Adoption
Health	DHHR	13,047,000	Child Care
Health	DHHR	15,400,000	Child Support Enforcement
Health	DHHR	19,500,000	Drinking Water
Health	DHHR	2,140,000	Early Intervention (IDEA - Part C)
Health	DHHR	4,390,000	Foster Care
Health	DHHR	2,116,000	Immunization
Health	DHHR	0 ²²	Medicaid DSH-Hospital Uncomp Money
Health	DHHR	365,523,000 ²³	Medicaid FMAP
Health	DHHR	2,400,000	SNAP (Food Stamps)-Administrative
Health	DHHR	187,000,000	SNAP (Food Stamps)-Benefits
Health	DHHR	0 ²⁴	TANF
Health	Ed & Arts	242,913	Rehab Services: Independent Living
Health	Ed & Arts	252,612	Rehab Services: Ind. Living, Blind
Health	Ed & Arts	4,312,919	Rehab Services: Voc. Rehabilitation
Health	Other	6,672,135	Health Centers

Education	DOEd	650,000	Child Nutrition
Education	DOEd	3,966,000	Education Technology
Education	DOEd	304,000	McKinney-Vento (Ed for homeless)
Education	DOEd	75,951,991	Special Education Part B
Education	DOEd	3,614,631	Special Education Part B Preschool
Education	DOEd	2,140,000	Special Education Part C
Education	DOEd	60,854,109	Title I-Grants to LEA's
Education	DOEd	21,043,000	Title I-School Improvement
Education	Governor	217,970,970	Education Stabilization
Education	Other	5,566,000	Head Start
Education	Other	182,479,000	Pell Grants

Transportation	DOT	210,852,204	Division of Highways: Road & Bridges
Transportation	DOT	8,314,897	Public Transit: Urban
Transportation	DOT	10,051,239	Public Transit: Rural
Transportation	Other	309,000	Rail Modernization
Transportation	Other	12,850,000	Airport Funds

Energy	Commerce	32,746,000	State Energy Program SEP
Energy	Commerce	4,410,300	Energy Efficiency & Conservation, Local
Energy	Commerce	9,593,500	Energy Efficiency & Conservation, State
Energy	OEO	37,580,000	Weatherization

Programs Funded in Each Category (Continued)

Category	State Agency	Amount	Program
Environment	DEP	61,092,100	Clean Water State Revolving Fund
Environment	DEP	1,730,000	Air Quality
Environment	DEP	1,630,000	Leaking Underground Storage Tanks
Environment	DEP	617,100	Water Quality

State Fiscal Stabilization	Governor	48,497,209	State Fiscal Stabilization Fund
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Housing	OEO	7,977,649	Homelessness Prevention
Housing	Other	13,206,000	Public Housing Capital Fund
Housing	Other	16,542,000	HOME

Other	Commerce	0	Broadband Deployment
Other	Commerce	4,500,000	Small Cities Block Grants
Other	DHHR	0	Health Information Technology
Other	Ed & Arts	296,000	Competitive Arts Grants
Other	HEPC	0	Research Funding Opportunities
Other	OEO	11,194,000	Community Services Block Grant
Other	Other	10,067,000	Comm. Dev. Block Grant-Entitlement
Other	Other	4,050,000	Dam Rehabilitation (Potomac)
Other	Other	1,594,000	Harpers Ferry Center
Other	Other	1,083,000	Harpers Ferry Park Upgrades
Other	Other	324,000	New River Gorge National River
Other	WVCNCS	175,376	Comm. for Nat'l & Community Service

Workforce	Commerce	2,434,000	Workforce Investment Act (WIA)-Adult
Workforce	Commerce	3,562,000	WIA-Dislocated Workers
Workforce	Commerce	5,397,000	WIA-Youth
Workforce	Commerce	3,173,000	Employment Service
Workforce	Commerce	2,369,000	Employment Services-UI State Admin.
Workforce	Commerce	11,000,000	Unemployment Compensation Fund

Public Safety	MAPS	485,386	Internet Crimes Against Children
Public Safety	MAPS	8,192,846	Justice Assistance Grant
Public Safety	MAPS	3,300,000	MILCON - Gassaway Armory
Public Safety	MAPS	1,135,000	SRM - Maintenance & Repairs
Public Safety	MAPS	620,000	Victims of Crime
Public Safety	MAPS	1,232,720	Violence Against Women

State Agency Abbreviations:

BOSS: Bureau of Senior Services

DHHR: Department of Health and Human Resources

DOEd: Department of Education

DOT: Department of Transportation

Ed & Arts: Secretary of Education and the Arts

HEPC: Higher Education Policy Commission

MAPS: Department of Military Affairs and Public Safety

OEO: Office of Economic Opportunity

WVCNCS: West Virginia Commission on National and Community Service

Endnotes

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- 2 Lav, Iris J., and Elizabeth McNicol. "New Fiscal Year Brings No Relief From Unprecedented State Budget Problems." Washington, D.C.: Center on Budget and Policy Priorities, July 24, 2009.
- 3 Governor Joe Manchin III (letter), "Executive Message No. 5 2009 Regular Session," Office of the Governor, March 19, 2009.
- 4 http://www.legis.state.wv.us/Bill_Text_HTML/2006_SESSIONS/RS/Bills/hb4654%20intr.htm
- 5 Oliff, Phil, Jon Shure, and Nicholas Johnson. "Federal Fiscal Relief is Working As Intended," *Center on Budget and Policy Priorities*, June 29, 2009.
- 6 See West Virginia State Fiscal Stabilization Fund Application here: [http://www.recovery.wv.gov/Documents/20090626090456689%20\(2\).pdf](http://www.recovery.wv.gov/Documents/20090626090456689%20(2).pdf)
- 7 *Ibid.*, p. 10
- 8 Federal Funds Information for States (FFIS). "Issue Brief: Fourth Quarter Estimates of ARRA Bonus FMAPs." June 23, 2009.
- 9 *Ibid.*
- 10 Joe Manchin III, West Virginia Governor, to Secretary of State Natalie E. Tennent, Charleston, "Veto Letter," June 5, 2009
- 11 For more information on the CODI and NOL provisions and how state can decouple see: Michael Mazerov, "Obscure tax Provision of Federal Recovery Package Could Widen State Budget Gaps," *Center on Budget and Policy Priorities*, May 19, 2009 and Michael Mazerov, "Minority of States Still Granting Net Operating Loss "Carryback" Deductions Should Eliminate Them Now," *Center on Budget and Policy Priorities*, May 11, 2009.
- 12 USDA Food and Nutrition Services and Workforce West Virginia.
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723 Kanawha Blvd., Suite 300
Charleston, WV 25301
Tel 304-720-8682
Fax 304-720-9696
www.wvpolicy.org

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