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## Organizations Warn Against State Budget Cuts

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**A coalition of community organizations are urging state leaders to be wary of any proposed budget cuts as the state faces a potential revenue shortfall.**

Story by Walt Williams

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CHARLESTON -- A coalition of community organizations are urging state leaders to be wary of any proposed budget cuts as the state faces a potential revenue shortfall.

The West Virginia Legislature is scheduled to meet in late May to craft a budget to get state government through the next fiscal year. However, economic troubles have taken their toll and the state could face a budget shortfall of \$200 million or more.

Representatives from several organizations gathered at the Capitol May 11 to argue that spending cuts could deepen the recession in West Virginia. They said state spending is capable of boosting the economic activity by injecting money back into people's pockets.

Still, they acknowledged that putting together a state budget was no easy task.

"We've gone from a 1,000-piece puzzle to a 5,000-piece puzzle," said Jim McKay of Prevent Child Abuse West Virginia.

Gov. Joe Manchin began the year proposing a \$4.27 billion state budget, once lottery and excess lottery revenues were thrown in. At the time the state appeared to be facing a small budget surplus, although that surplus shrunk and turned into a potential deficit thanks largely to shrinking severance tax collections.

Compounding the state's budget woes is the fact the state's investment portfolio has seen a huge drop in value due to stock market troubles. Given the portfolio provides money for state's retirement systems' funds, those funds will need large injections of cash this year, and probably next year, to remain solvent.

Manchin has said he would ask state agencies to trim spending 4 to 5 percent through measures such as not filling jobs vacancies.

Those cuts could do more harm than good, according to the coalition.

"At present there are certain organizations that have long been impacted by reductions in services," said Kenny Hale, president of West Virginia NAACP.

Hale noted a minority community development project on Charleston's West Side that recently received a boost through legislative appropriations.

Coalition representatives said it is not just direct aid that so beneficial.

They noted figures by Mark Zandi, chief economist for Moody's Economy.com, who estimated every \$1 of state spending generates \$1.36 in economic activity. State spending supports many jobs in both the private and public sector, they said.

The coalition urged state leaders to minimize what they said would be the harm that would come through budget cuts and instead take advantage of federal economic stimulus funds and seek other ways of enhancing funding.

West Virginia will get \$1.8 billion in stimulus funds for infrastructure, Medicaid and other programs.

As far as funding, Ted Boettner of the West Virginia Center on Budget and Policy said the state has a regressive tax policy that falls hardest on lower-income people.

West Virginia could, for example, adopt an inheritance tax to generate more revenue, he said. The state's tobacco tax also is below the national average, and he and other coalition representatives said raising the tax

would not only generate much-needed revenue, but also save lives by encouraging more people to quit smoking.

Boettner also mentioned the state could tap into its Rainy Day fund to fill budget holes. A few state lawmakers, particularly Republicans, toyed with the idea of tapping the fund during the legislative session but the governor resisted the idea, saying the money was needed for budget emergencies.

Among the organizations represented at the event were the American Heart Association, the Direct Action Welfare Group, the Mountain State Education and Research Foundation and the West Virginia chapter of the National Organization of Women.

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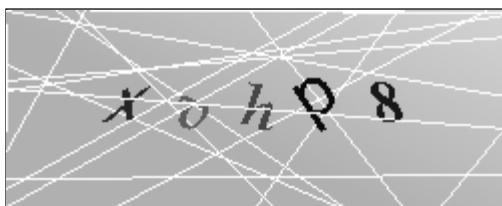
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