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## **New Report Provides Behind-the-Scenes Look at West Virginia State Budget**

People who wonder where their tax dollars go can find the answers they're looking for in a new report by the West Virginia Center on Budget and Policy. "Paying for Priorities" provides a behind-the-scenes look at how this year's state budget was developed, where the revenues are expected to come from, and how the funds will be allocated among state agencies and programs.

"The annual state budget may be the single most important act adopted by the Legislature," said Ted Boettner, author of the report. "How we allocate public funds is a direct reflection of our priorities as a state. It's putting our money where our values and goals are."

The budget for the current fiscal year, which began on July 1, totals \$11.6 billion dollars. Almost 60 percent of this amount comes from state taxes, fees, lottery proceeds and other revenues. The remaining 40 percent comes from grants and other payments from the federal government. Highlights of this year's budget include the following:

- More than half (56 percent) of the budget 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, social services, mental health centers, 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.
- State revenue projections fell for the coming year, due largely to the impact of the national recession on state businesses and employment. In addition, a new state law will cost almost \$20 million in lost revenue this year by conforming West Virginia's personal and corporate income tax to federal law, rather than "decoupling" from these provisions, as Maryland and some other states have done.

- Funding from the American Recovery and Reinvestment Act (ARRA) enabled the Legislature to avoid a budget shortfall in FY 2009 and sustain most public services at current levels in FY 2010. ARRA was passed by Congress in February to preserve and create jobs, promote economic recovery, boost 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 under ARRA.
- The state ended the 2009 fiscal year on June 30 with a healthy surplus and substantial reserves. Surpluses included about \$22 million in the General Revenue Fund and \$156 million in the Excess Lottery Fund. The balance in the state's Rainy Day Funds was \$473 million.

The continuing recession is expected to increase the strain on the state budget as revenues fall while the need for public services rises. West Virginia's projected budget shortfall is \$244 million for FY 2011, rising to \$372 in FY 2014.

"Sound tax policy is key to addressing the state budget crisis," said Boettner. "The projected shortfalls are due to a drop in revenues and not because of overspending. Cutting public spending should be the option of last resort because of its chilling effect on the economy. Economists estimate that state government spending generates \$1.36 in economic activity for every dollar spent."

Rather than cut spending, the report outlines options for taking full advantage of funds that are already available to the state to use in the event of budget shortfalls. These include fully utilizing ARRA funds wherever appropriate and using a modest portion of the state's Rainy Day Funds. In addition, the state could consider raising certain taxes, primarily on the businesses and individuals most able to pay them.

"There is no silver bullet to solve our future budget woes," said Boettner. "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."

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*The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families. The full report can be viewed and downloaded at [www.wvpolicy.org](http://www.wvpolicy.org).*