

# FY 2012 Budget Outlook: Challenges and Opportunities

80<sup>th</sup> West Virginia Legislature  
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# The West Virginia Budget is about...



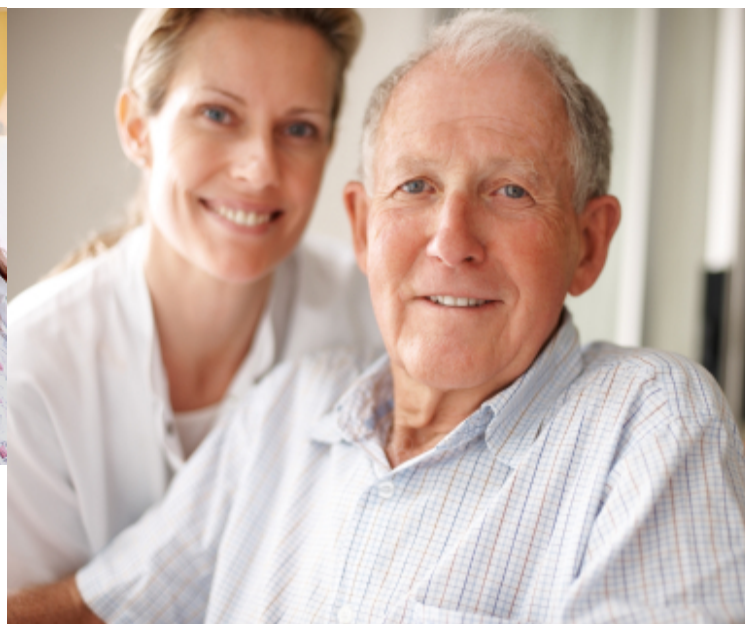
*Schools,  
libraries,  
and  
universities*



# The West Virginia Budget is about...



*Health care and  
human services*



# The West Virginia Budget is about...

**Public safety**





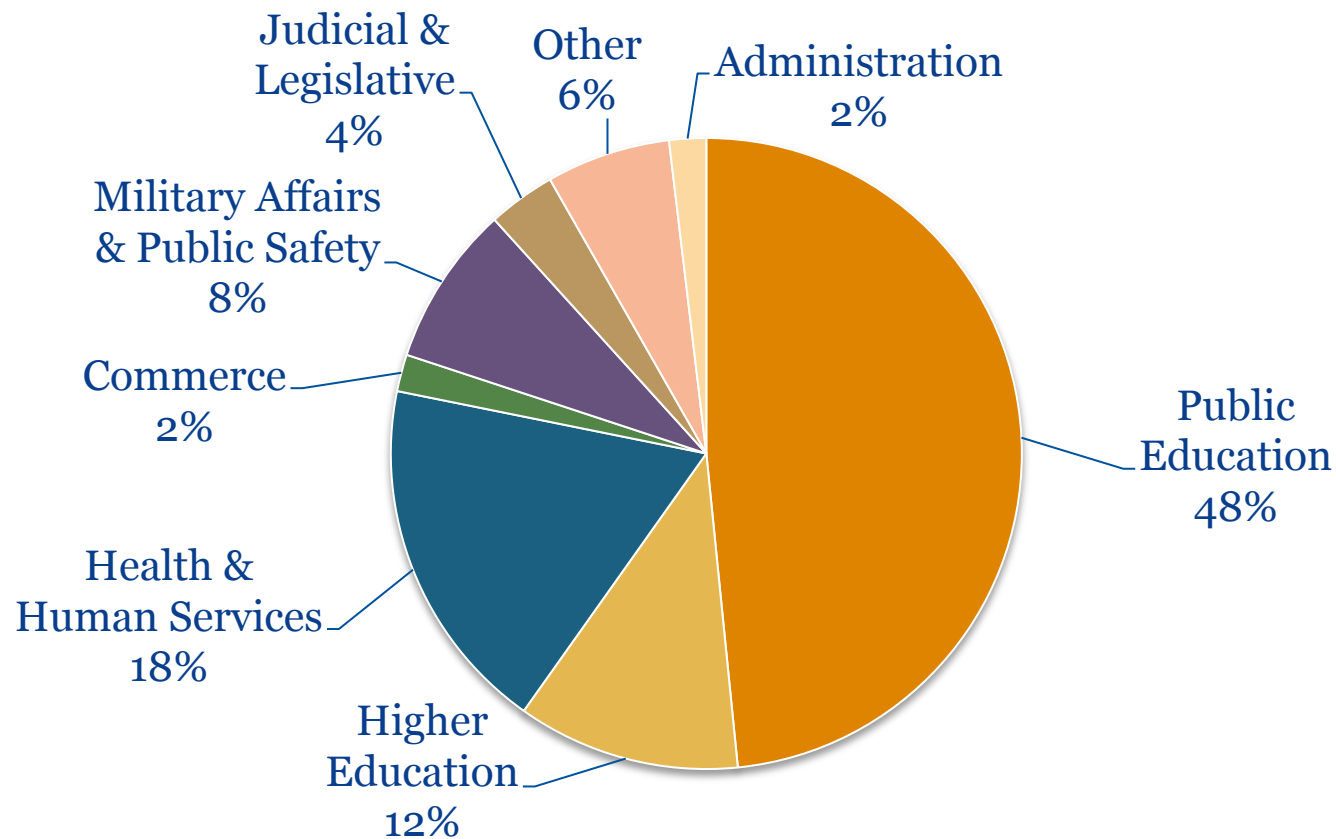
# The West Virginia Budget is about...



*Parks and  
public infrastructure*

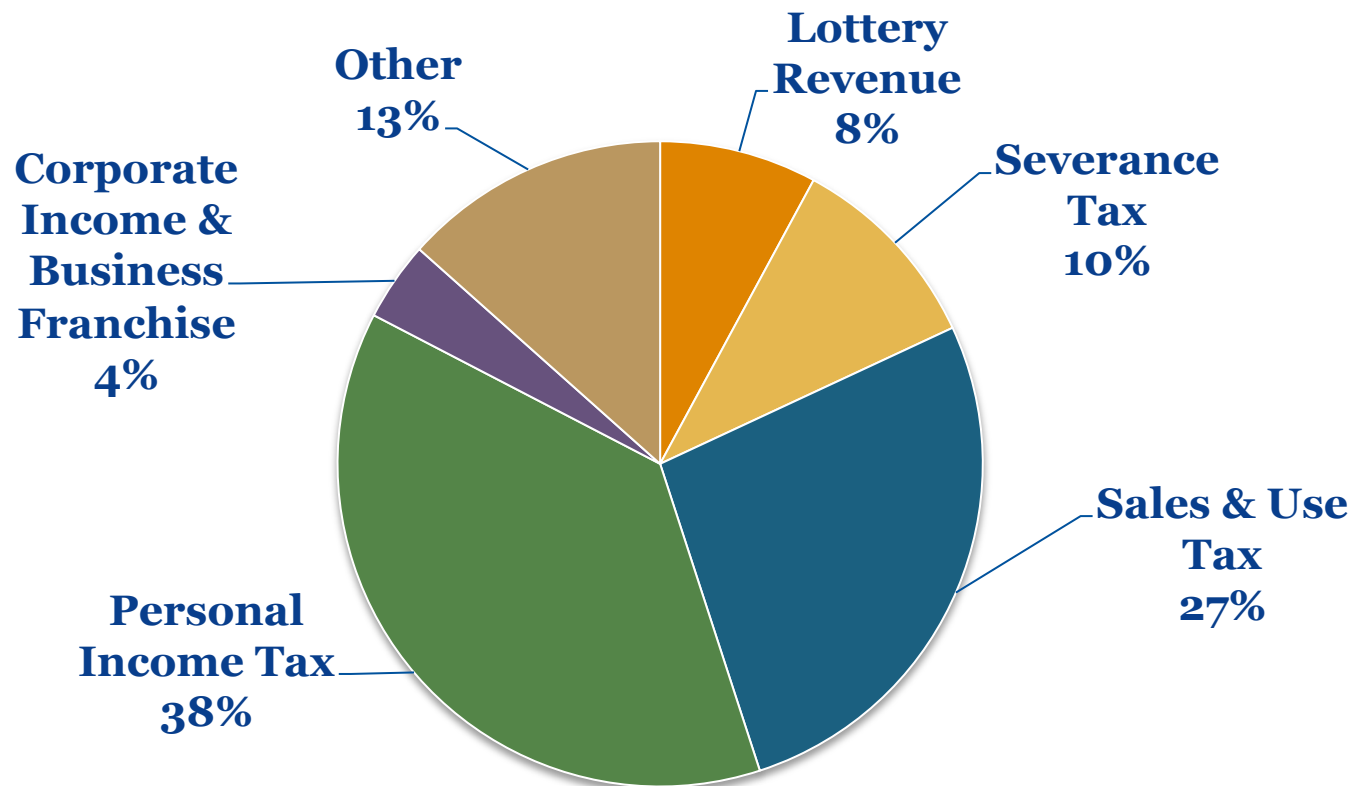
# What is West Virginia's (Base) Budget?

*General & Lottery Fund Appropriations (FY 2012): \$4.37 billion*



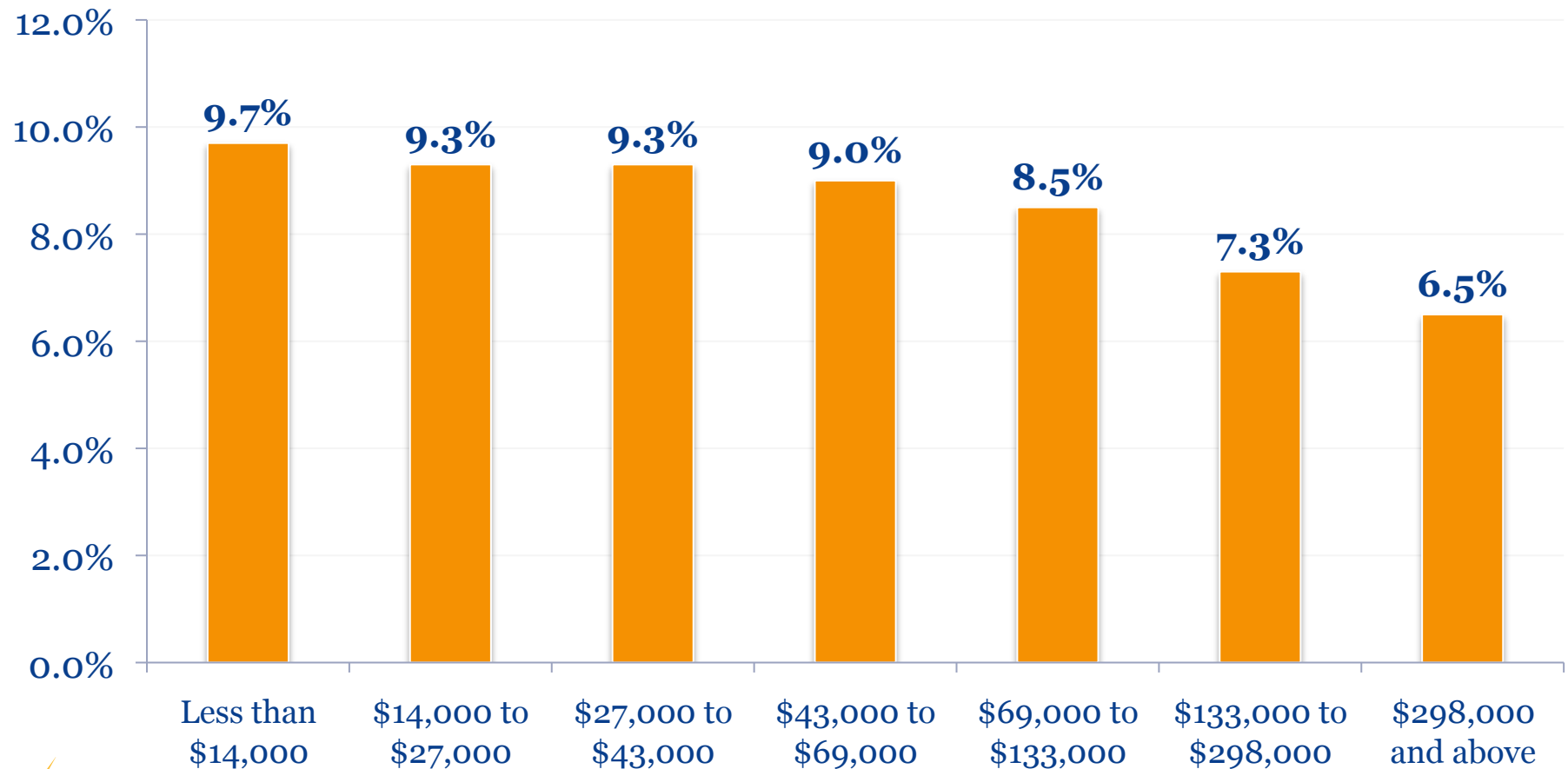
# What is West Virginia's (Base) Budget?

*General & Lottery Fund Revenue Collections (FY 2012): \$4.37 billion*



# *Who Pays?*

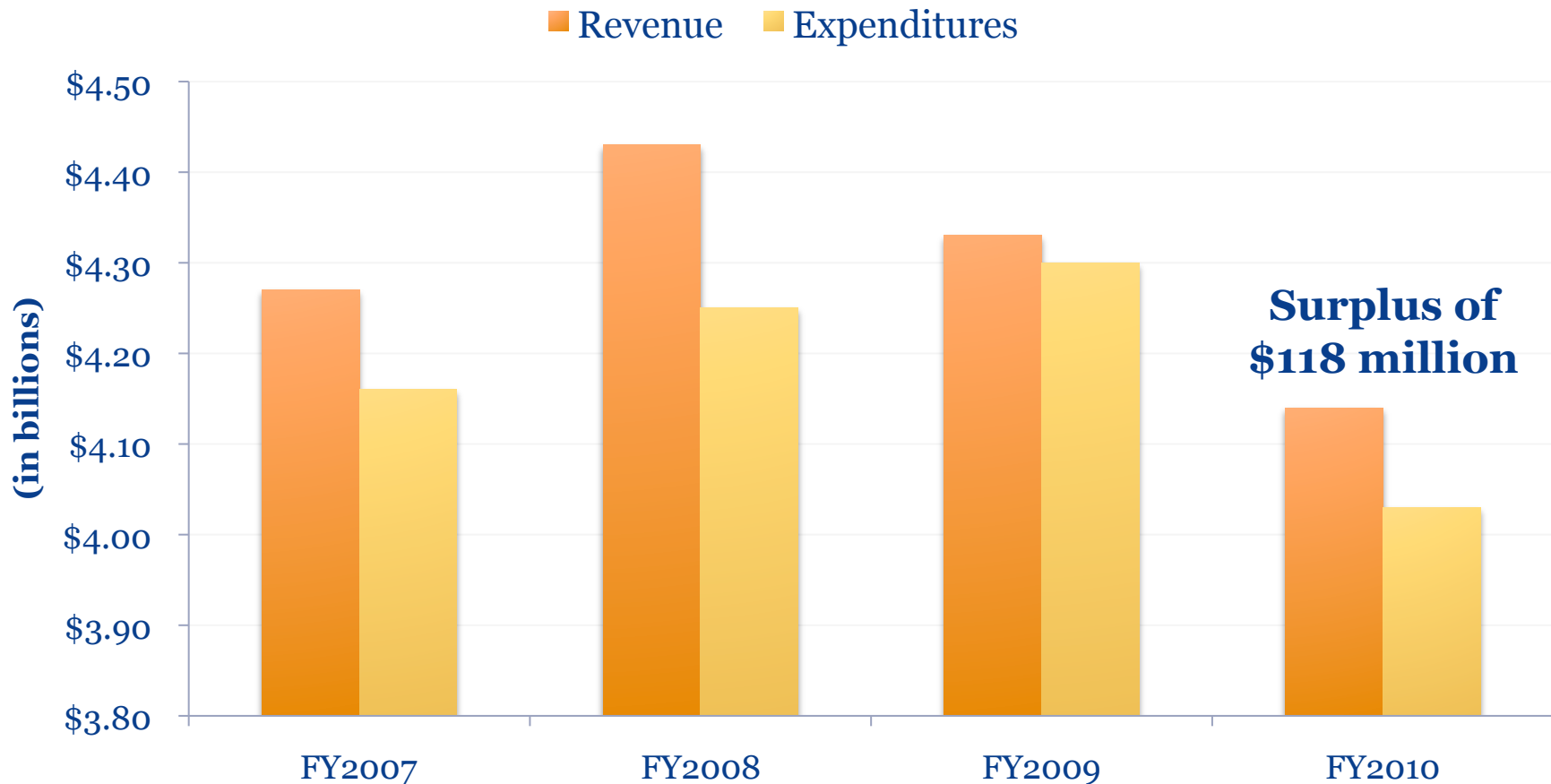
## WV State and Local Taxes as a Percent of Family Income





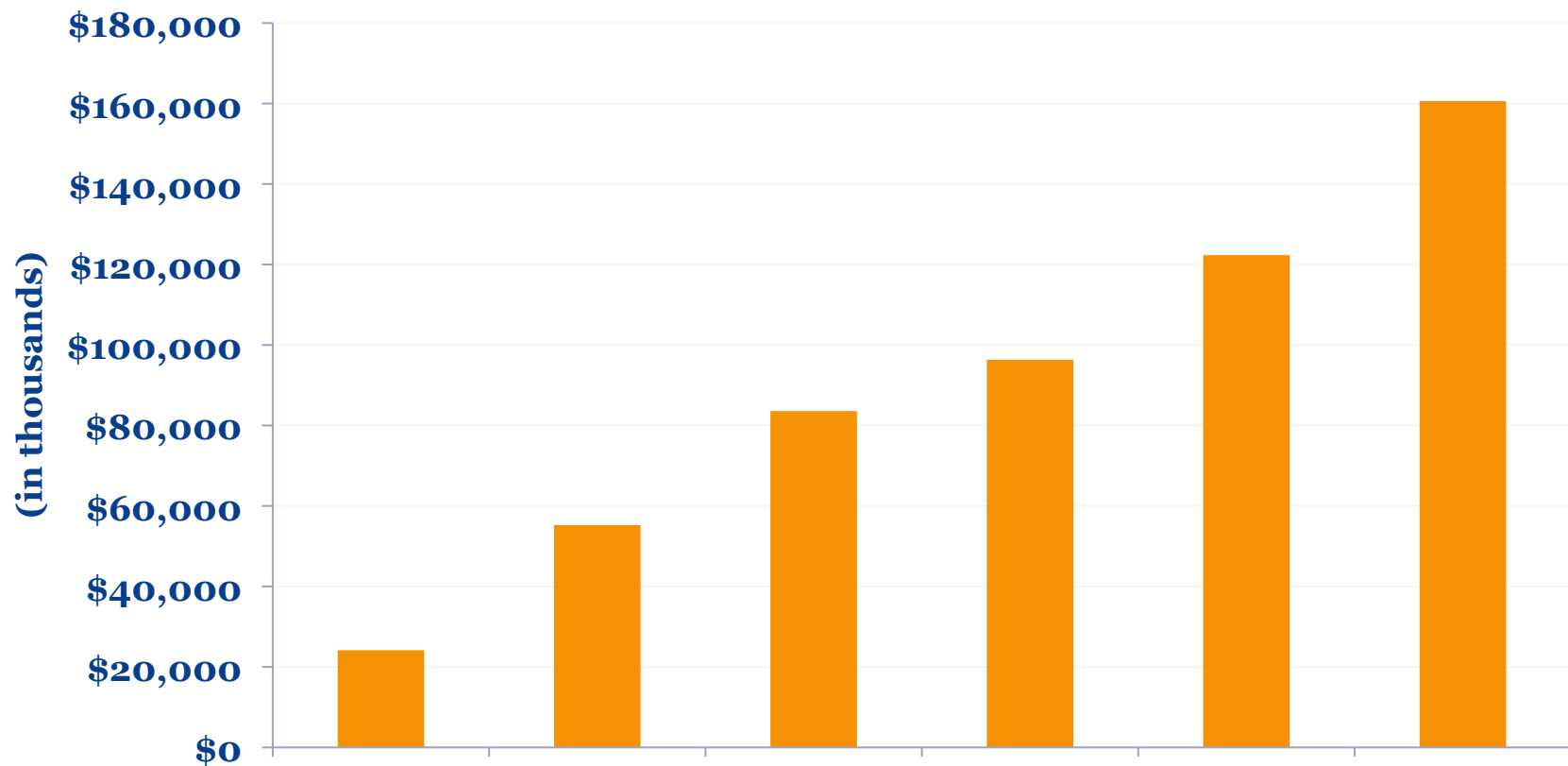
# FY 2010 Budget Surplus of \$118 million

## Base Budget Expenditures vs. Revenues (FY2008-2010)



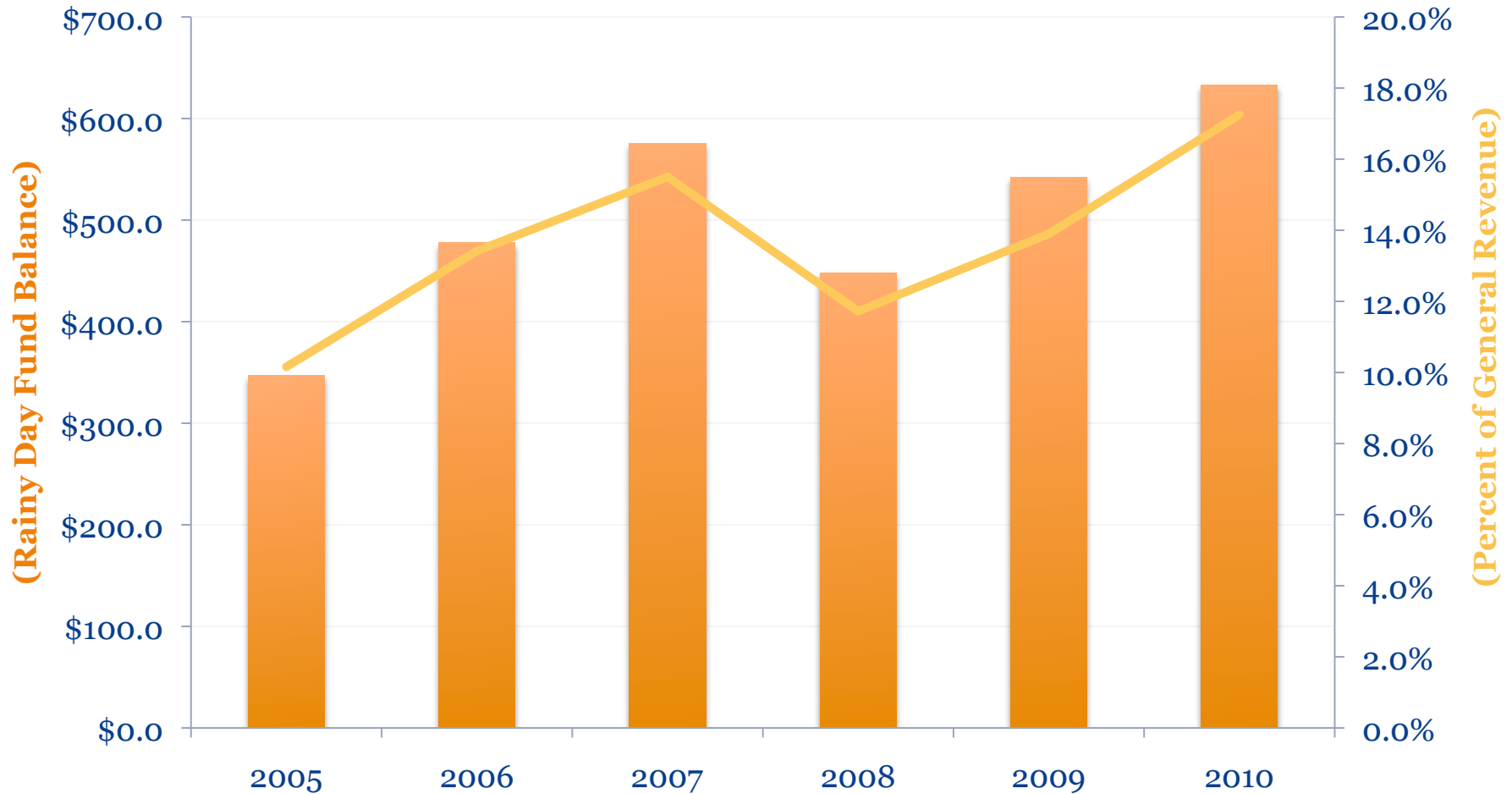
# Current Year (FY2011) Revenue Surplus

*\$160 million ahead of schedule...*



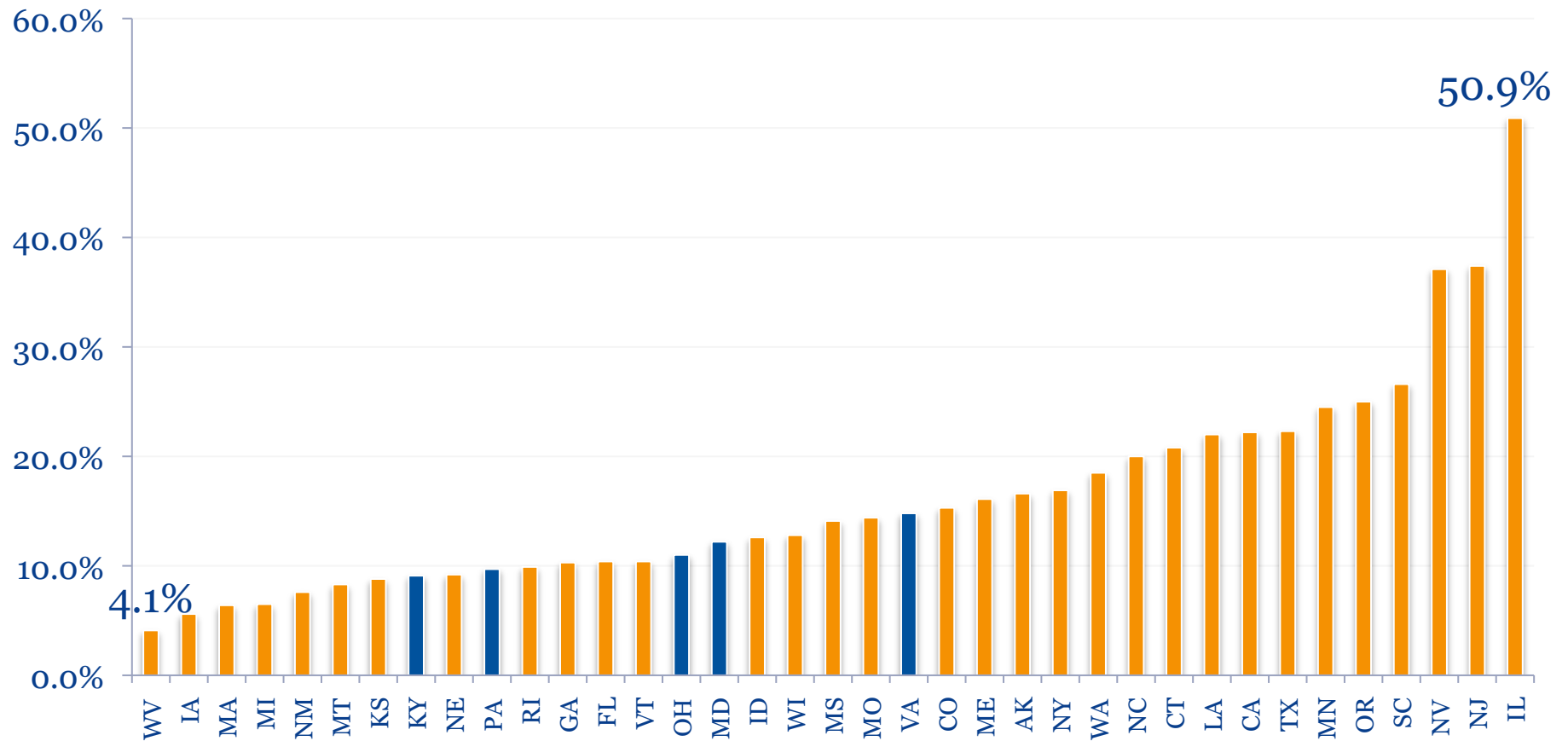
# Bright Spots: Healthy Rainy Day Fund

*\$633 in reserve funds A & B*



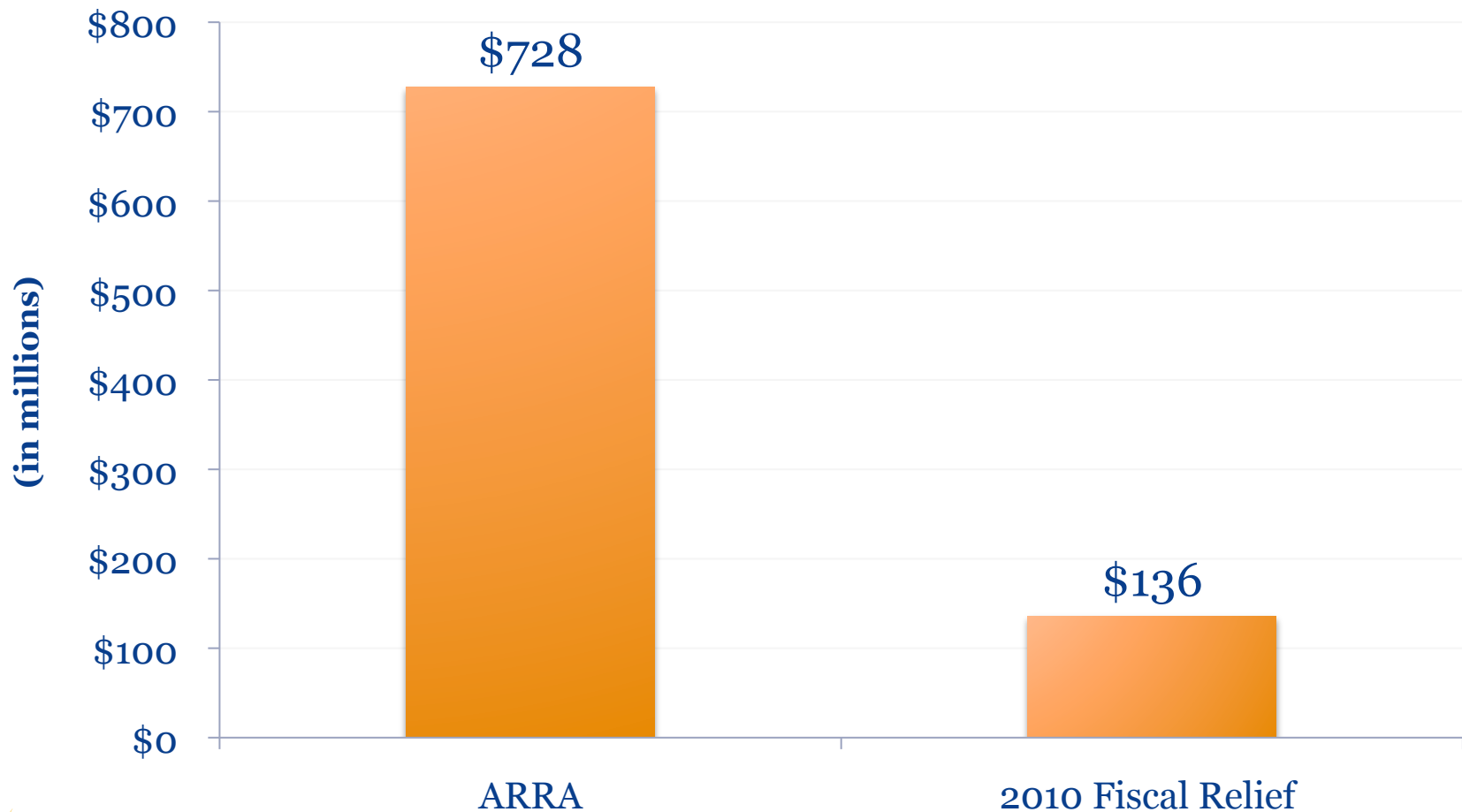
# West Virginia's Budget in Good Shape

## *Projected FY 2012 State Budget Gaps*



# Without Federal Aid, Painful Budget Cuts

## \$864 million in federal “backfill” funds

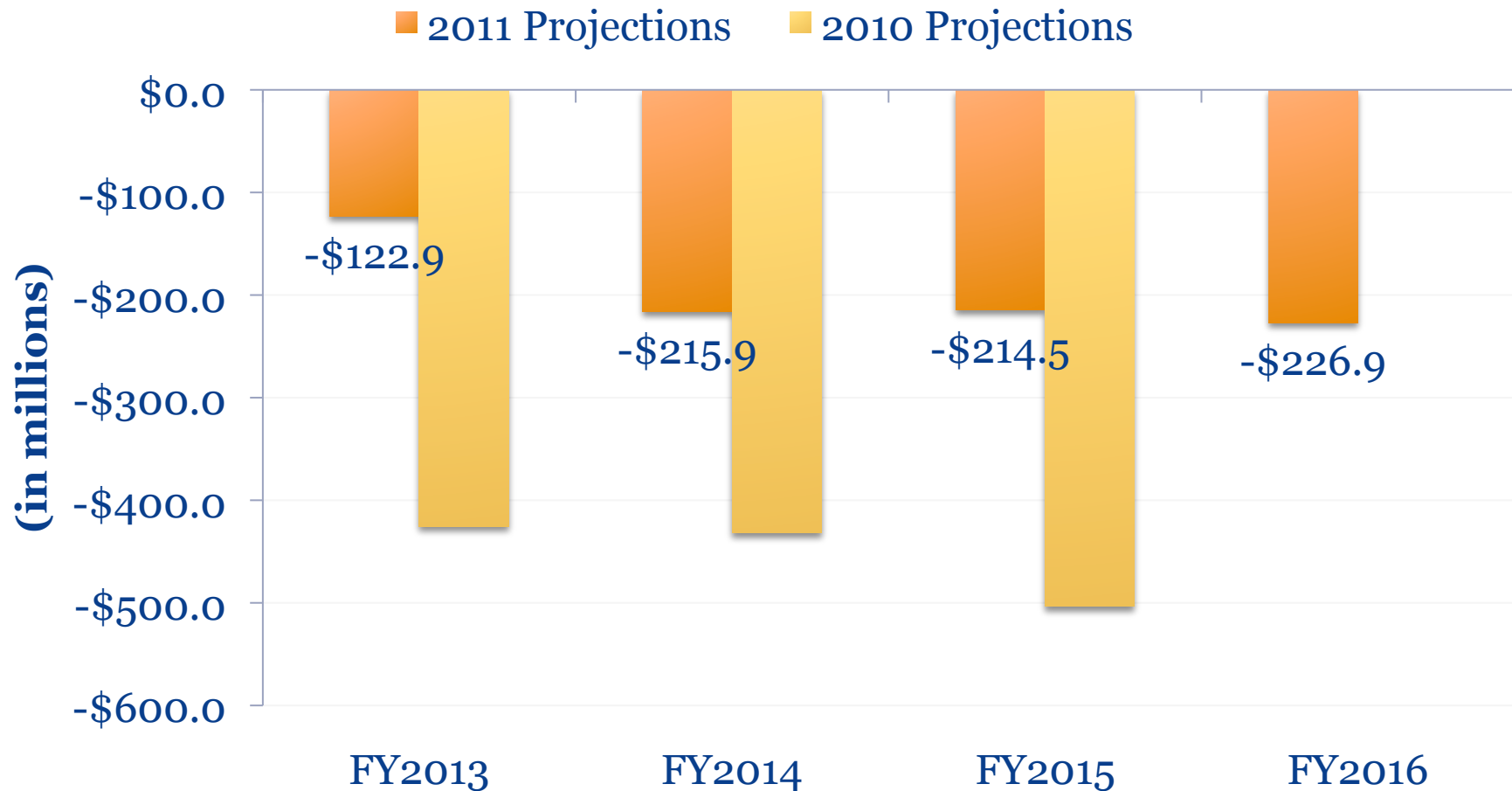




# Taming the Budget: Short and Long-Term Budget Challenges

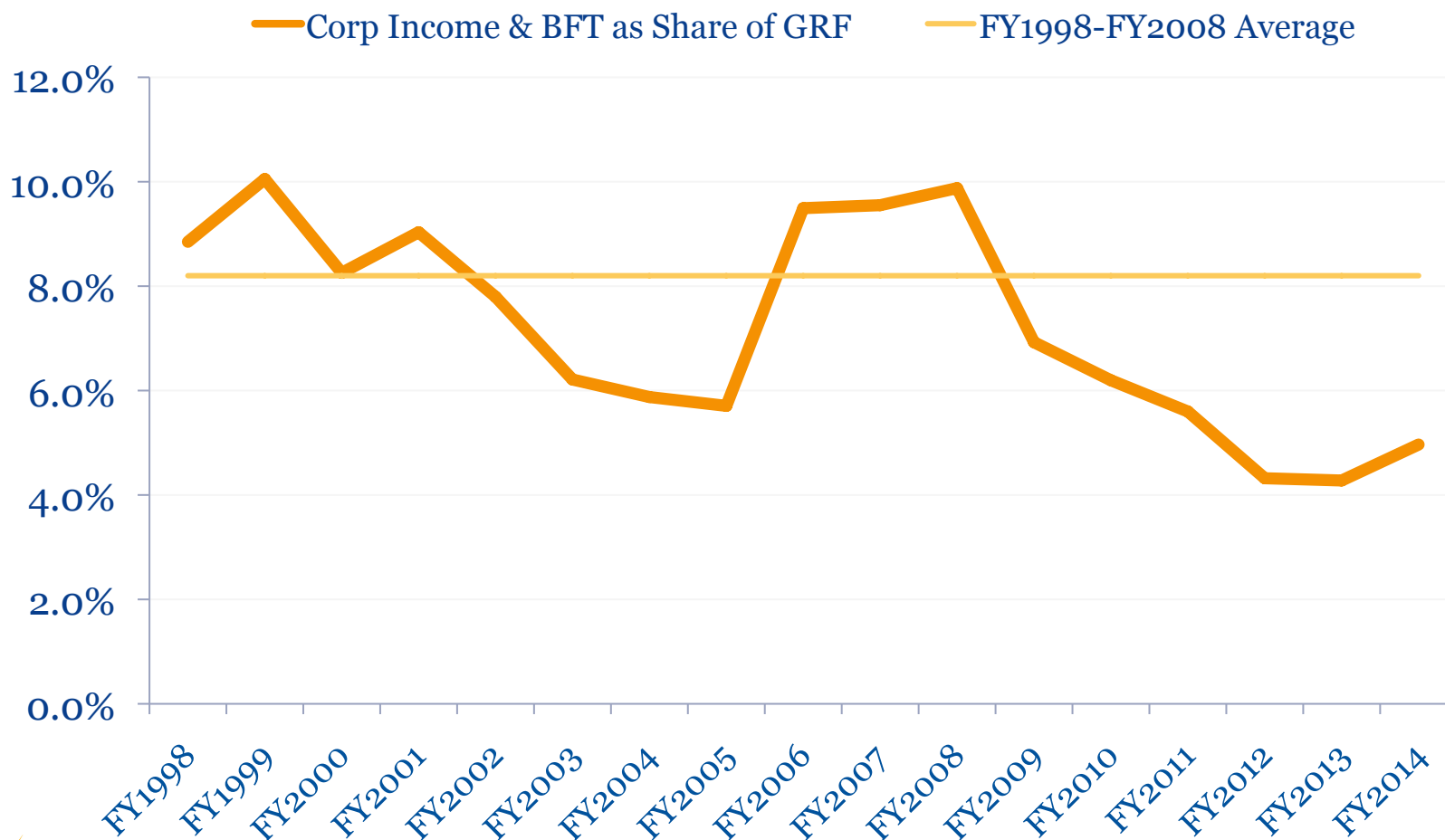


# Significant Budget Gaps FY2013-FY2016



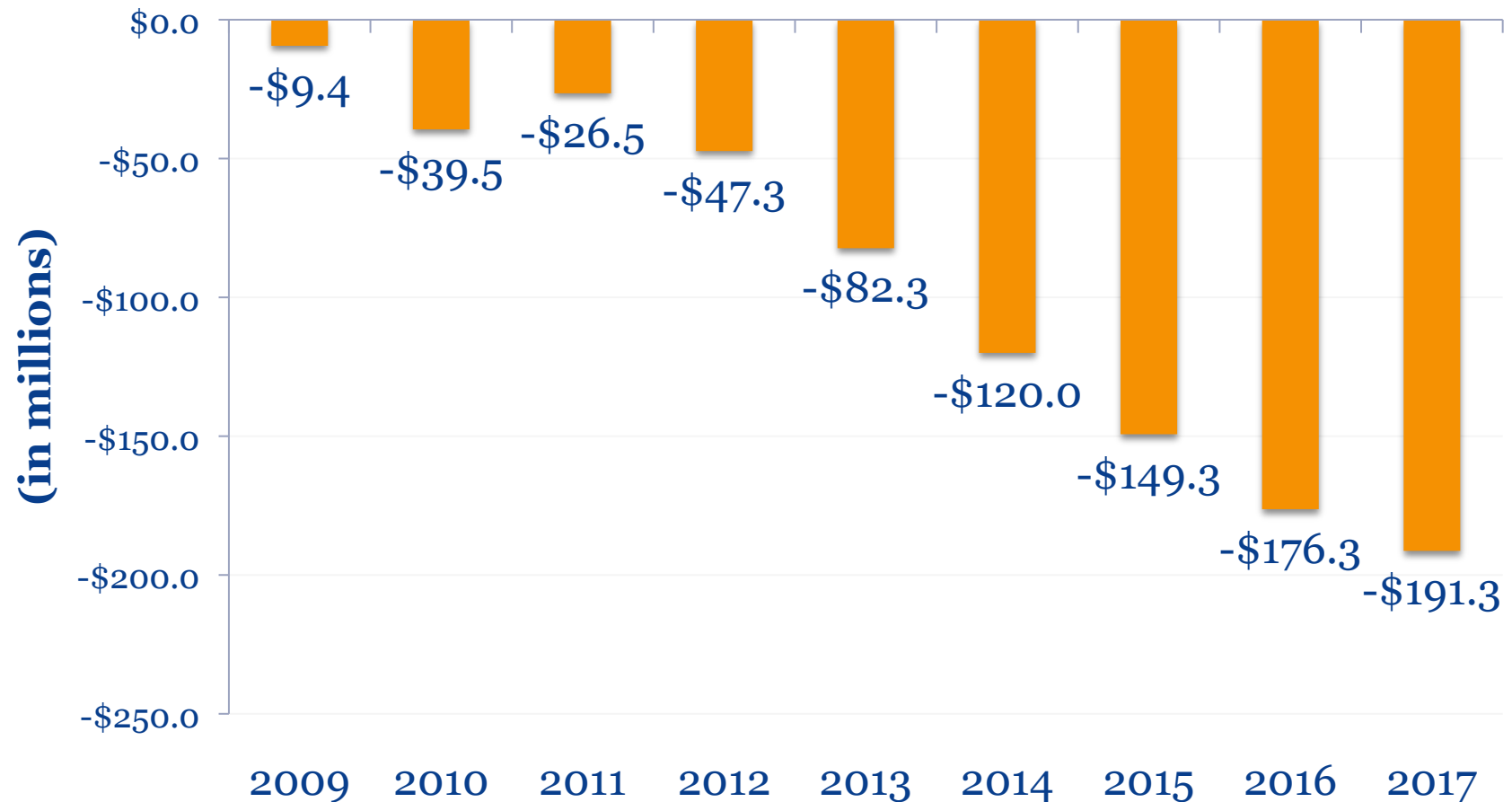
# Major Business Taxes Smaller Share of Budget

*BFT and Corp Income = 4.3% in FY2012*

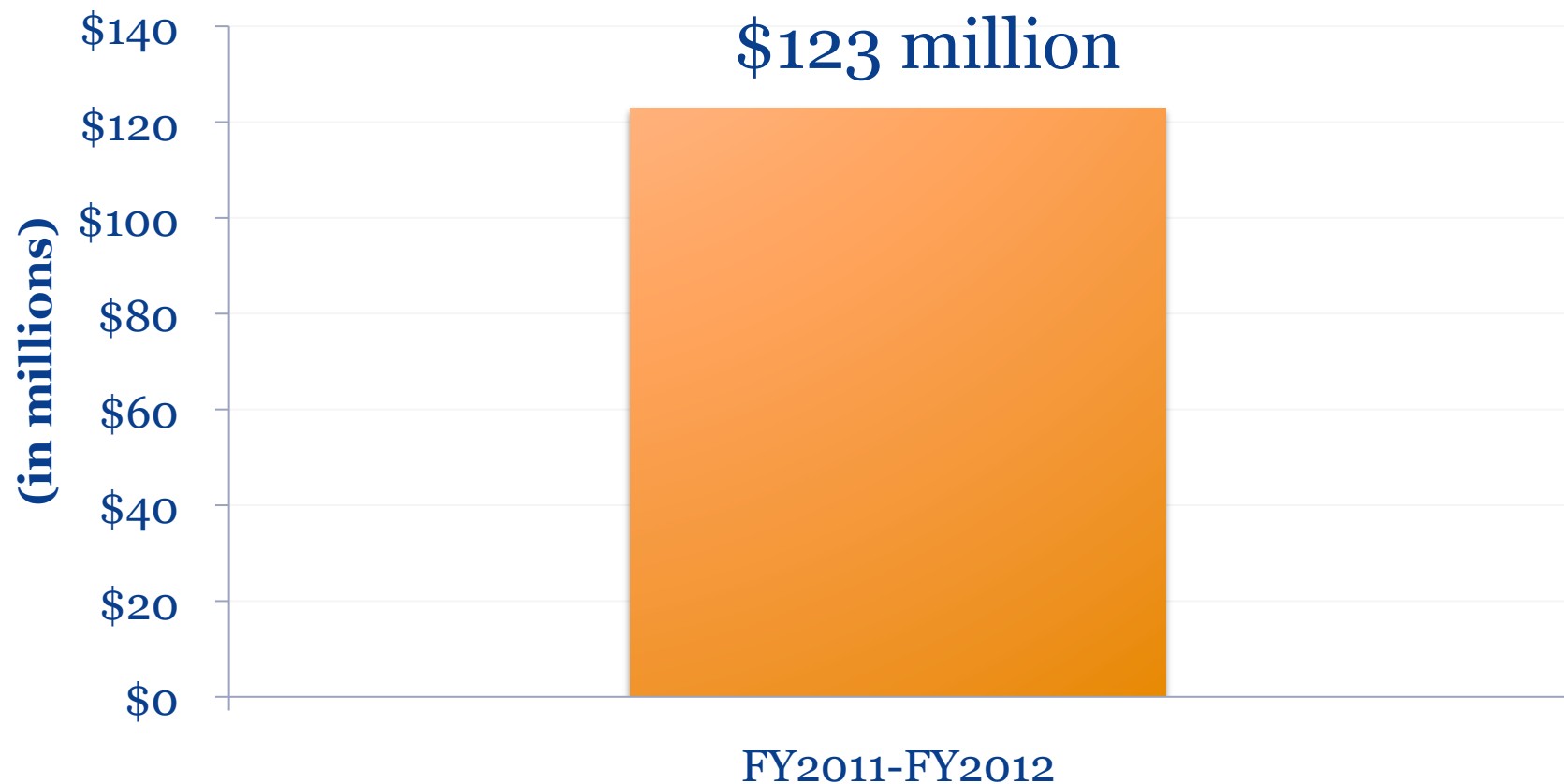


# Major Business Tax Cuts

*Reduce Budget Revenue by \$793 million from 2011 to 2015*



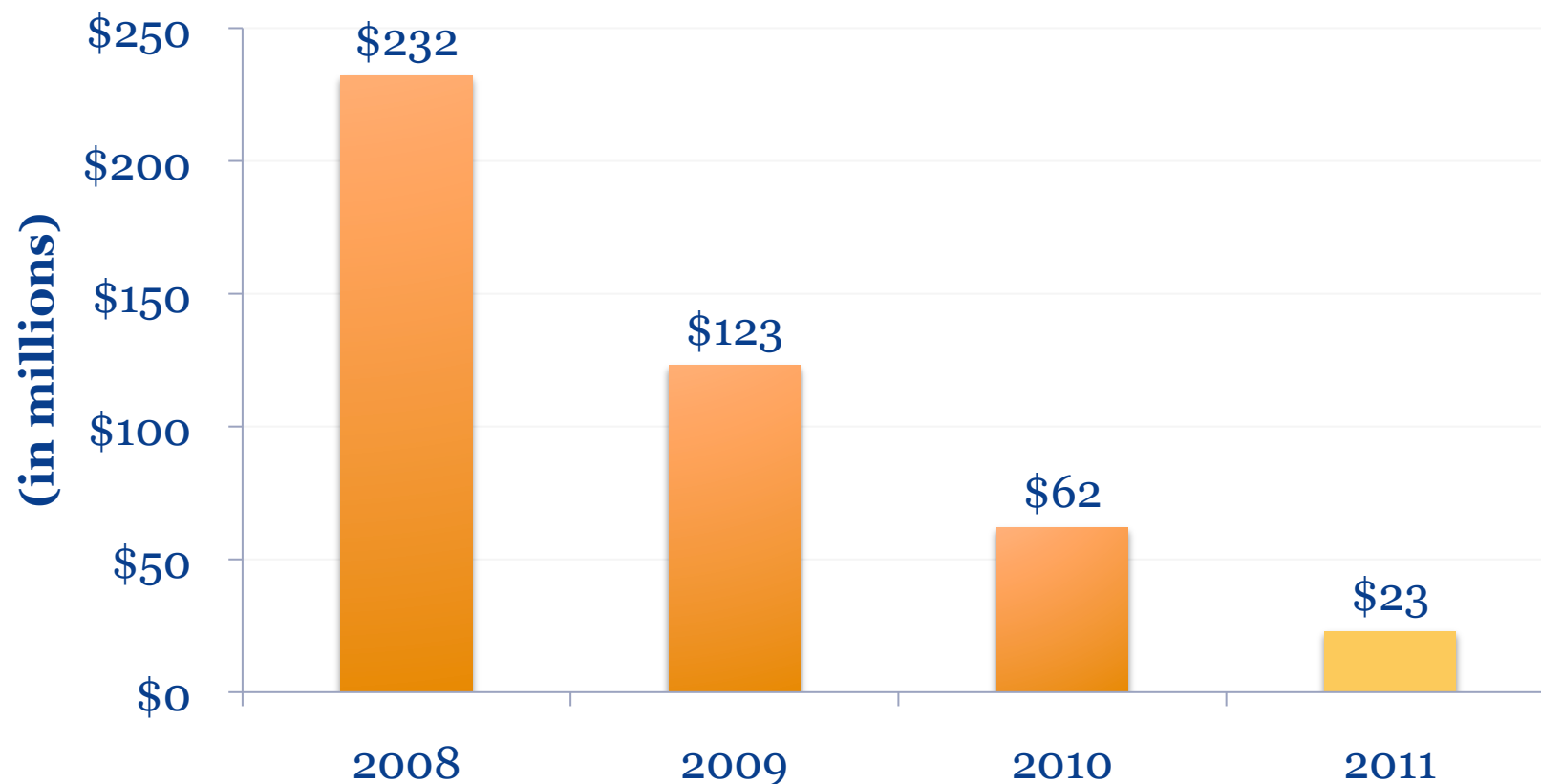
# Obama Tax Deal: Business Expensing Reduces Revenues





# UI Trust Fund Needs To Be Repaired

*Projected December 2011 balance \$23 million*

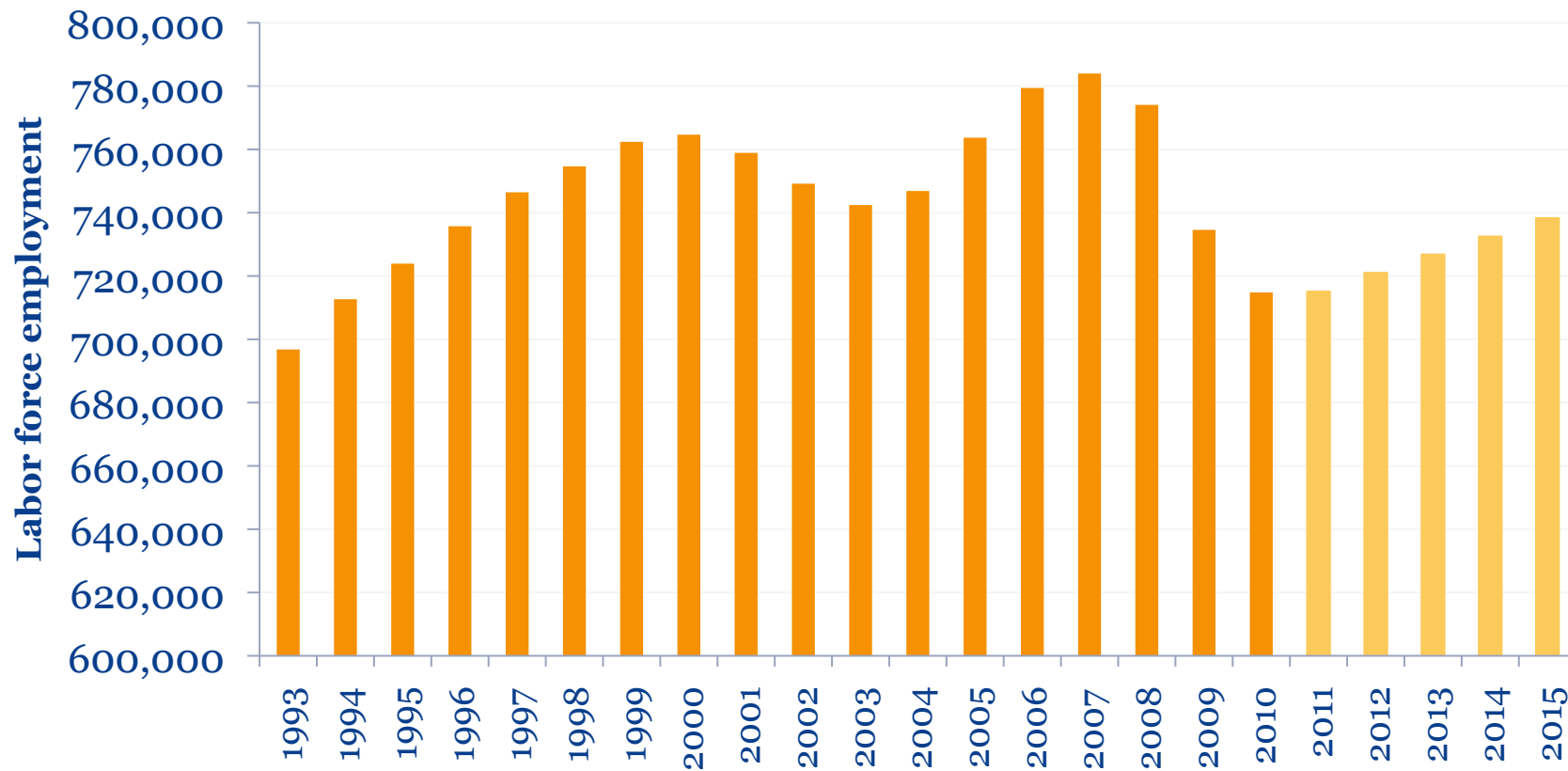


# Long-term Budget Challenges



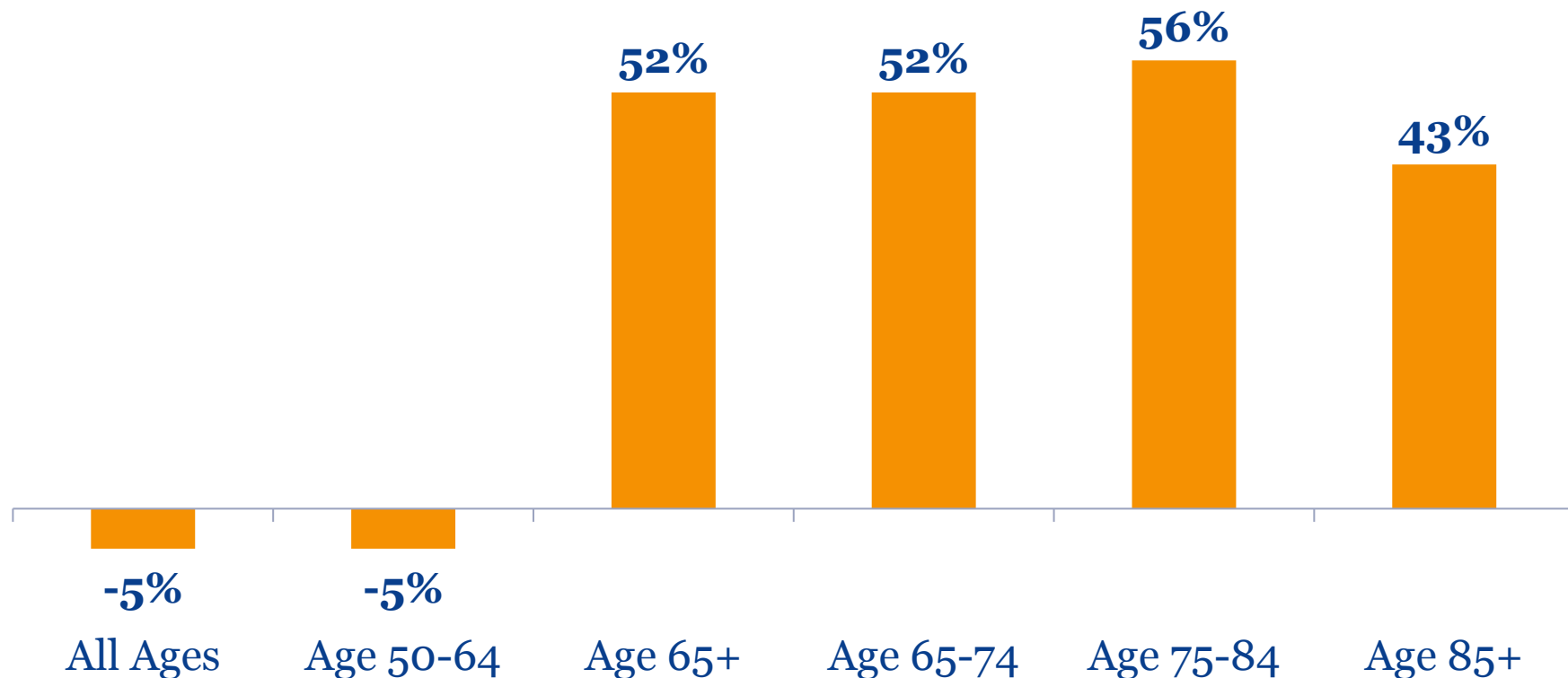
# Legacy of Great Recession

## *Slow Recovery for West Virginia Workers*



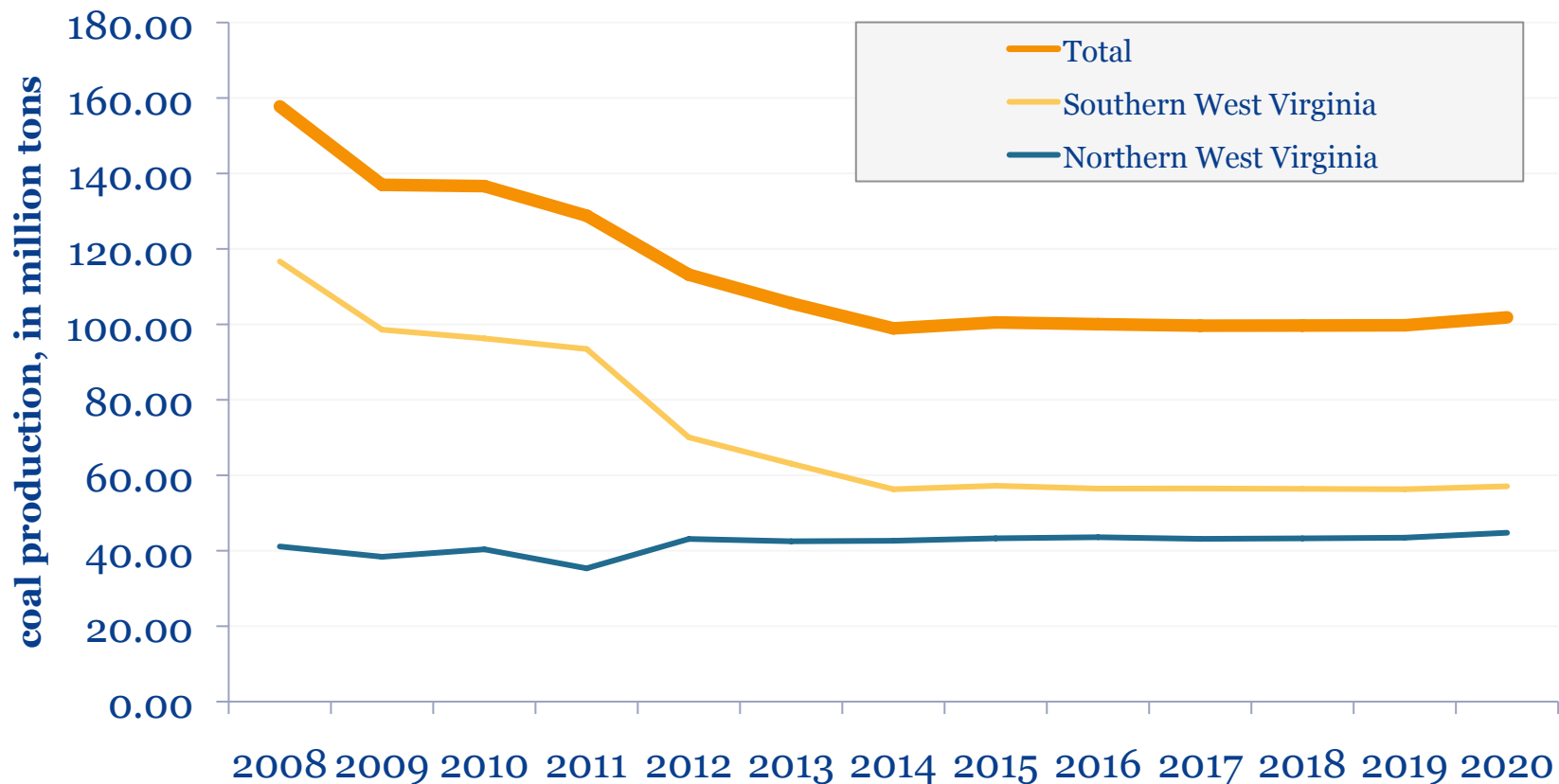
# Graying of Population:

*Working Age Population Shrinks while elderly population increases by 150,000 in 2030*



# *Decline in WV Coal Production (2008-2020)*

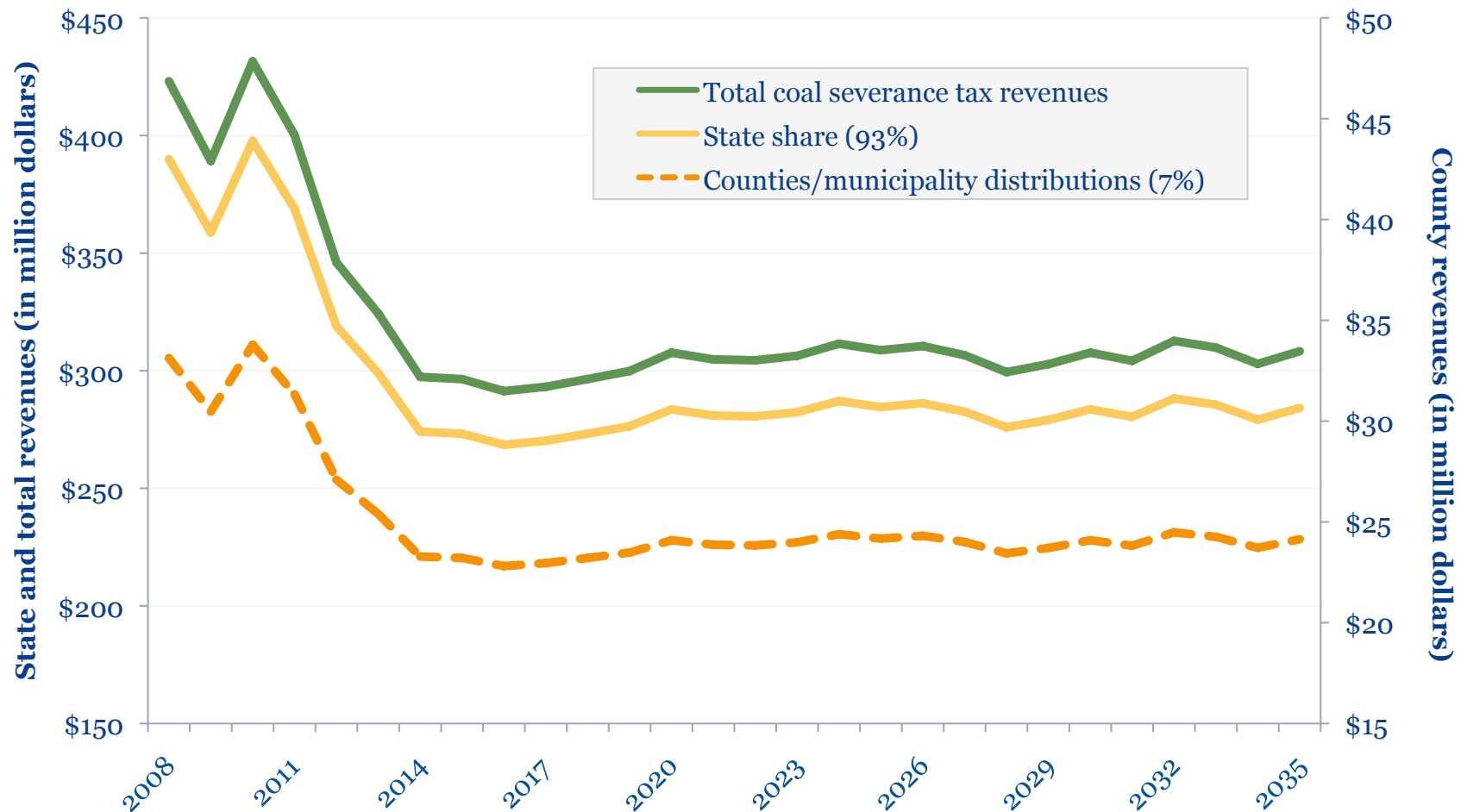
*Total production declines 54%, Southern WV 101%*





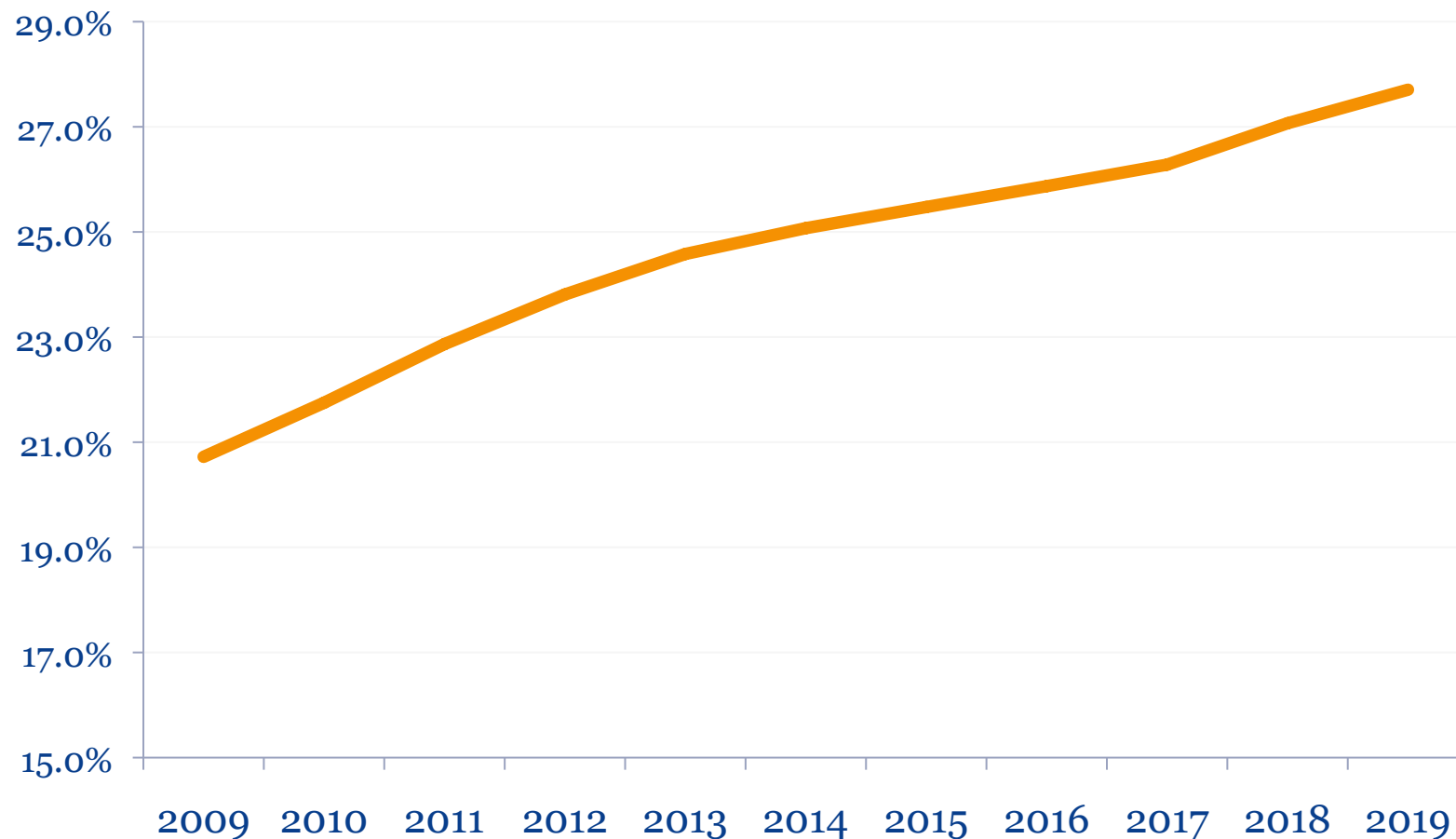
# Projected Coal Severance Tax Revenues( 2008-2035)

*Counties and State would see 37% decline*



# Health Care Costs Rising

*Projected WV Health Care Insurance Spending As a Share of GSP*



# Building a Stronger Budget



# Policies for 2011 Legislative Session

- **UI Modernization:**

Last chance to receive \$22 million from Recovery Act (August 2011).

- **Decouple from Businesses Expensing:**

West Virginia can decouple from business expensing provision of Obama's tax deal and save budget an estimated \$123 million.

- **Implement Health Care Reform:**

From 2010 to 2019, state and local governments could save \$107 billion.

- **Don't Overreact to OPEB:**

Find balance between addressing liability and investing in state.

# Policies for 2011 Legislative Session

- **Adequate Tobacco Taxation:**  
West Virginia has one of the lowest tobacco taxes in the nation. A \$1.00 increase will yield an estimated \$117 million in revenue.
- **Scrutinize Tax Expenditures:**  
Make tax expenditures part of the budget process. Evaluate the effectiveness of tax credits (e.g. thin-seam coal tax credit - \$68m in 2008).
- **Create a Permanent Severance Tax Trust Fund:**  
Several states, including New Mexico and Wyoming, convert depleting natural resources into a source of sustainable wealth.
- **Invest in Workforce:**  
Investments in workforce training are 10 times more efficient than tax cuts.



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