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The Governor's FY 2015 Budget: Doing Less with Less

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Governor Tomblin released his proposed FY 2015 budget last month and, for the second year in a row, made another round of cuts to programs and services instead of dealing with the state's revenue problem. While his FY 2015 budget makes some improvements in public employee and teachers' salaries, it continues to hurt the state's economic future by driving up the cost of higher education and cutting important early childhood education and intervention programs. To balance the budget, the governor is relying on the legislature to pass an array of bills that move money from different accounts, including the State Road Fund and the Rainy Day Fund. A better approach is to permanently secure the funding for these much-needed programs and services while increasing economic opportunity for all.

This brief examines the governor's proposed FY 2015 base budget, which totals \$4.58 billion. **Section 1** looks at the spending side of the budget, including where this year's cuts are going to be made, while **Section 2** shows how future projected deficits have turned into surpluses. **Section 3** focuses on the revenue side of the budget, showing how the state pays for its priorities and the steep price of recent tax cuts. Finally, **Section 4** presents new opportunities for the budget, including recommendations for strengthening the budget and protecting the state's future.

Key Findings:

- The governor closes the FY 2015 base budget (general revenue and lottery funds) gap of \$216 million by cutting agency spending by \$70 million, using \$83.8 million from the Rainy Day Fund, making \$14.5 million in one-time reductions, and making a supplemental appropriation of \$50.4 million to Medicaid.
- The loss in state support for higher education has led to higher tuition, making it increasingly harder to attract good-paying jobs that require a college education. This year and next year higher education funding is expected to decline by \$51.8 million and continue to drop over the coming years.
- Along with higher education, important human services programs like In-Home Family Education, Child Advocacy Centers, and Early Intervention are being drastically cut because of the state's revenue problems. Altogether, base budget cuts to the Department of Health and Human Services in FY 2014 and FY 2015 are \$22 million.
- Future budget gaps have greatly improved in this year's budget due to several factors, including higher severance tax revenue projections, a decline in support for higher education, slower growth in Medicaid, and a drop in local school support from declining student enrollment.

- The base budget for FY 2015 is lower than seven years ago. This decline is primarily associated with major tax cuts enacted in 2006 and 2007 that will lower revenues by an estimated \$425 million in FY 2015.
- Because of the large reduction to its revenue base, the state is investing less than it did before the tax cuts were enacted. General revenue funds as a share of state personal income have declined from above seven percent in 2006 to 6.2 percent in 2013 and will continue to fall in the coming years.
- The only major source of revenue growth from FY 2015 to FY 2018 will be in severance, personal income, and sales and use taxes.
- To grow our economy and build a shared prosperity, the state will have to have the resources necessary to invest in areas like higher education and human services. Options include increasing the tobacco products tax, expanding the sales tax to more services, taxing high-income earners that have more discretionary income, scaling back personal income exemptions and coal tax preferences, and extending the workers' compensation debt taxes on natural resources.

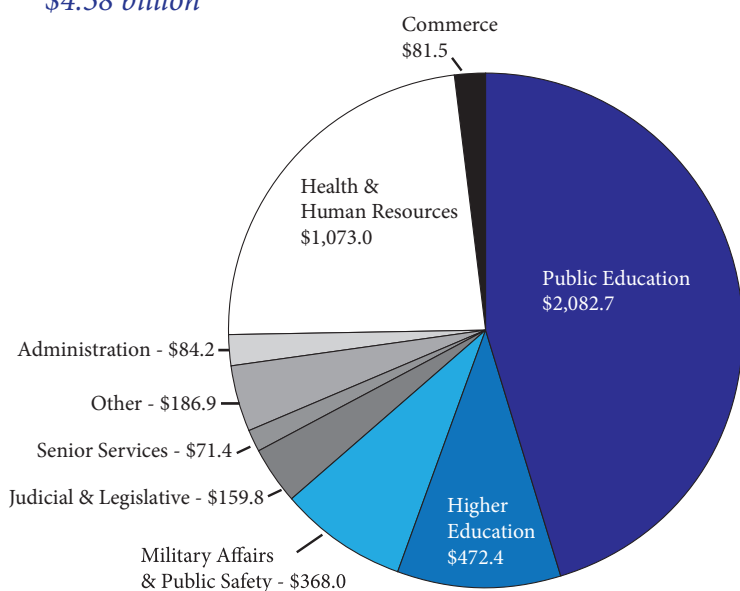
Section One: Our Budget Priorities for FY 2015

This section gives a brief overview of Governor Tomblin's proposed FY 2015 budget appropriations, how he intends to balance the budget, and how his cuts to important programs such as higher education will make it more difficult to grow the state's economy and workforce.

Overview of the Governor's FY 2015 Base Budget Expenditures

Governor Tomblin's FY 2015 budget appropriates \$4.58 billion from the base budget, which includes the General Revenue Fund, the Lottery Fund, and the Excess Lottery Fund. Public education makes up over \$2 billion of the base budget, while over \$1 billion is dedicated for Health and Human Services (**Figure 1**).

Figure 1
Base Budget Appropriations, FY 2015 (in millions)
\$4.58 billion



Source: Governor's FY 2015 Budget Presentation.

The FY 2015 base budget includes funding for a two-percent pay raise for teachers and school service personnel and a \$504 across the board pay raise for state employees. While the salary enhancements add \$41.7 million to the base budget, cuts elsewhere offset any growth in the overall base budget.

Balancing the FY 2015 budget also relies on cutting various subsidies appropriated from the Excess Lottery Fund by 15 percent, and transferring the savings to General Revenue. The subsidies currently support greyhound and thoroughbred racing, as well as county and municipal governments. Legislative action is needed to cut the subsidies, as they are statutorily required. The 15 percent cut will free up \$39.12 million for the General Revenue Fund.

Balancing the FY 2015 Base Budget

Like in FY 2014, West Virginia faced a significant shortfall for FY 2015's base budget. The FY 2014 base budget totaled \$4.64 billion. To maintain that current level, adjusting for growth in the general costs of government services, plus the proposed salary enhancements, the FY 2015 base budget would need to total \$4.80 billion. However, the revenue available to fund the base budget is only \$4.58 billion, creating a \$216 million budget gap (**Table 1**). Overall, the ongoing base budget increased by \$129.5 million from FY 2014.

Table 1
FY 2015 Budget Gap

| Item | Amount (thousands) |
|---------------------------------------|--------------------|
| FY 2014 Base Budget Appropriations | \$4,640,091 |
| FY 2015 Ongoing Base Budget | \$4,796,636 |
| FY 2015 Base Budget Available Revenue | \$4,580,403 |
| FY 2015 Base Budget Gap | -\$216,233 |

Source: Governor's FY 2015 Executive Budget.

The increase in the ongoing base budget is driven by Medicaid, which needs an additional \$87 million, other DHHR social programs, and the salary enhancements. Some of the increase was offset by reductions to State Aid for Schools (school aid formula) driven by property tax revenue increases and falling enrollment, reducing the appropriation by \$29.5 million from FY 2014.

The FY 2015 base budget takes several approaches to closing the \$216 million budget gap. Like in FY 2014, the governor has requested an across-the-board budget cut of 7.5 percent, with a number of exemptions, and a smaller 3.75 percent cut for higher education. In total, these cuts close the gap by \$70 million with \$44.7 million of the cuts in the General Revenue Fund, \$5.3 million from the Lottery Fund, and \$20 million from the Excess Lottery Fund (**Table 2**). The largest cut is out of the Excess Lottery Fund, where \$20 million is cut from the Water Development Authority, accounting for almost 29 percent of the base budget total cuts. Nearly one-fifth, or \$4 million, of the base budget cuts comes from Higher Education.

In addition to the \$70 million in budget cuts, there were a number of one-time reductions used to help close the budget gap. Appropriations for the Volunteer Fire Department's workers' compensation subsidy were reduced by \$2.5 million, teachers' retirement by \$5.1 million, and the Health Institution Facility by \$3.5 million due to available funding from other sources, including special revenue. PEIA was reduced by \$3.4 million in the School Aid Formula due to excess balances for local school boards.

Finally, Medicaid's base budget appropriation was reduced in two ways. \$50.4 million will be funded through FY 2014

supplementals and Medicaid surplus, and the Rainy Day Fund will be tapped to provide \$83.8 million in FY 2015. These one-time reductions add up to \$148.7 million which, when added to the \$70 million in cuts, close the FY 2015 gap (Table 3).

Table 2

Governor's \$70 Million in Budget Cuts

| | General Revenue | Lottery | Excess Lottery | Total | Percent of Total |
|------------------------------------|---------------------|--------------------|---------------------|---------------------|------------------|
| Executive | \$3,024,919 | - | - | \$3,024,919 | 4.3% |
| Administration | \$1,954,180 | - | - | \$1,954,180 | 2.8% |
| Commerce | \$2,432,913 | \$511,623 | - | \$2,944,536 | 4.2% |
| Education | \$7,185,402 | \$1,391,314 | - | \$8,576,716 | 12.3% |
| Education and the Arts | \$1,094,994 | \$1,434,081 | - | \$2,529,075 | 3.6% |
| Environmental Protection | \$580,489 | - | - | \$580,489 | 0.8% |
| Health and Human Resources | \$5,309,393 | - | - | \$5,309,393 | 7.6% |
| Military Affairs and Public Safety | \$6,879,203 | - | - | \$6,879,203 | 9.8% |
| Revenue | \$2,084,771 | - | - | \$2,084,771 | 3.0% |
| Transportation | \$503,837 | - | - | \$503,837 | 0.7% |
| Higher Education | \$13,624,577 | \$284,327 | - | \$13,908,904 | 19.9% |
| Senior Services | - | \$1,673,478 | - | \$1,673,478 | 2.4% |
| Water Development Authority | - | - | \$20,000,000 | \$20,000,000 | 28.6% |
| Total | \$44,674,678 | \$5,294,823 | \$20,000,000 | \$69,969,501 | 100.0% |

Source: Governor's FY 2015 Budget Presentation.

Table 3

Closing the FY 2015 Budget Gap

| Action | Amount |
|---|------------------------|
| Base Budget Cuts | \$70.0 million |
| One-time reductions | \$14.5 million |
| FY 2014 Supplementals (Medicaid) | \$50.4 million |
| Transfer from Rainy Day Fund (Medicaid) | \$83.8 million |
| Total | \$218.7 million |

Source: Governor's FY 2015 Executive Budget.

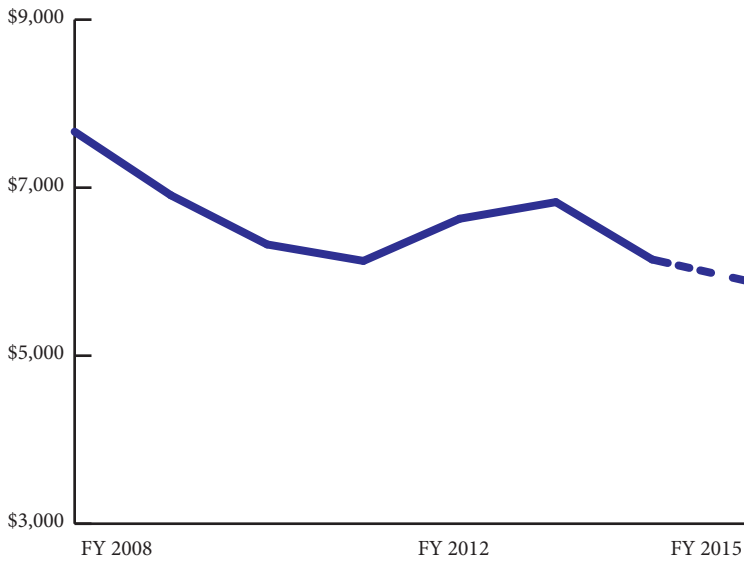
Note: Total of \$218 million includes amount needed to close the \$216 million base budget gap plus \$2 million in one-time expenditures.

Feeling the Pain: Higher Education and Health Service Cuts

The state's higher education system continues to bear the brunt of repeated budget cuts. FY 2015's \$13.9 million cut to higher education comes on top of FY 2014's initial \$34.8 million cut and \$3.1 million mid-year cut, bringing the total cuts to higher education over the past two years to \$51.8 million.

State support for higher education was weakening even before the past two years' cuts. While the number of full-time equivalent students enrolled in a higher education institution in West Virginia grew from 75,043 in 2007 to 80,256 in 2013, the amount the state spends to support higher education grew much slower. As a result, even if enrollment remains flat this year, the state will spend \$1,780 less per student in FY 2015 than it did in FY 2008, adjusting for inflation (Figure 2).

Figure 2
 Support for Higher Education Weakening Before Cuts
State Fiscal Support Per Full-Time Enrollee (2013\$)



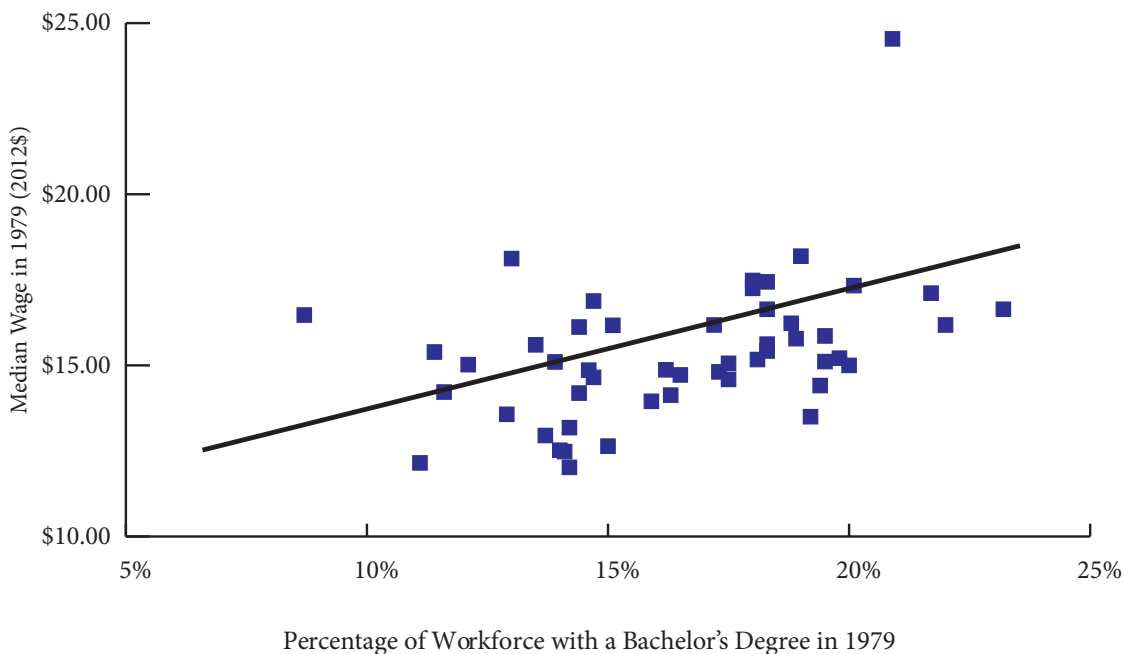
Source: West Virginia Higher Education Policy Commission and Bureau of Economic Analysis, Executive Budget FY 2009-2015.

Note: Assumes no enrollment growth in FY 2014 & FY 2015.

As the state weakens its support for higher education, pushing tuition higher and making college unaffordable for many of its residents, it may also undermine its future. West Virginia already has one of lowest percentages of college graduates in its labor force in the country.¹ And a well-educated workforce is more important than ever to the state's economic health.

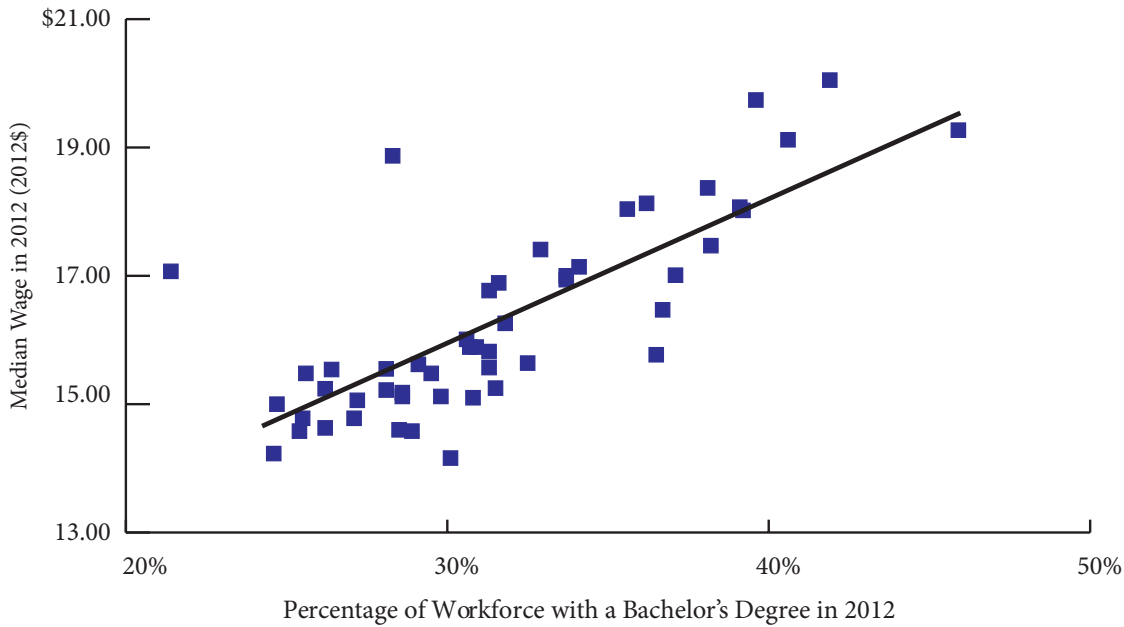
For example, in the late 1970s, there was a relatively weak link between the educational attainment level of a state's workforce and its median wage (**Figure 3**). However, today, that link is much stronger, and a state with a higher share of college graduates in its workforce is much more likely to see higher wages (**Figure 4**).

Figure 3
 Link Between Wages and Education Was Weak in 1979



Source: Economic Policy Institute Analysis of Current Population Survey Data.

Figure 4
Link Between Wages and Education is Strong Today (2012)



Source: Economic Policy Institute Analysis of Current Population Survey Data.

Thirty years ago it was relatively easy to find a high-paying job in manufacturing, even if one only had a high school education. Today, those types of jobs have all but disappeared, and most high-paying jobs tend to require a post-secondary degree, making a highly educated workforce more important than ever. By raising higher education costs through cutting state support, West Virginia makes it that much harder to attract the good-paying jobs that require a college education.

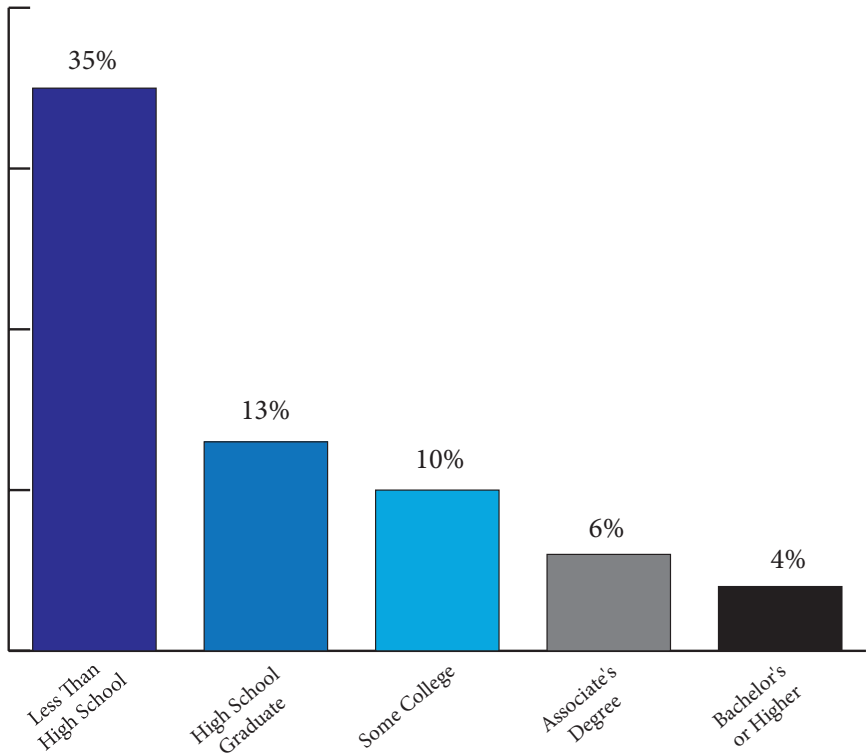
Low levels of education in the adult population can also put additional strains on the state's budget. For example, in West Virginia, an adult with just a high school diploma is three times as likely to receive Medicaid as an adult with a college degree (**Figure 5**). Currently, most West Virginia adults receiving Medicaid are disabled. And, just like for the rest of the population, job opportunities for adults with disabilities are much wider for those with a college education.²

The likelihood of being imprisoned also decreases with educational attainment. In 2010, nearly all of West Virginia's prison population had only a high school degree or less.³ Only 5.2 percent of inmates had an education beyond high school, compared to 42.6 percent of the population statewide.

And while higher education funding was cut in recent years, it looks unlikely that those cuts will be restored. According to projections in the governor's FY 2015 budget, the state will appropriate less for higher education in FY 2019, than it did in FY 2008. Adjusting for inflation, higher education funding will be down by over \$168 million, or 29.4 percent by FY 2019 (**Figure 6**).

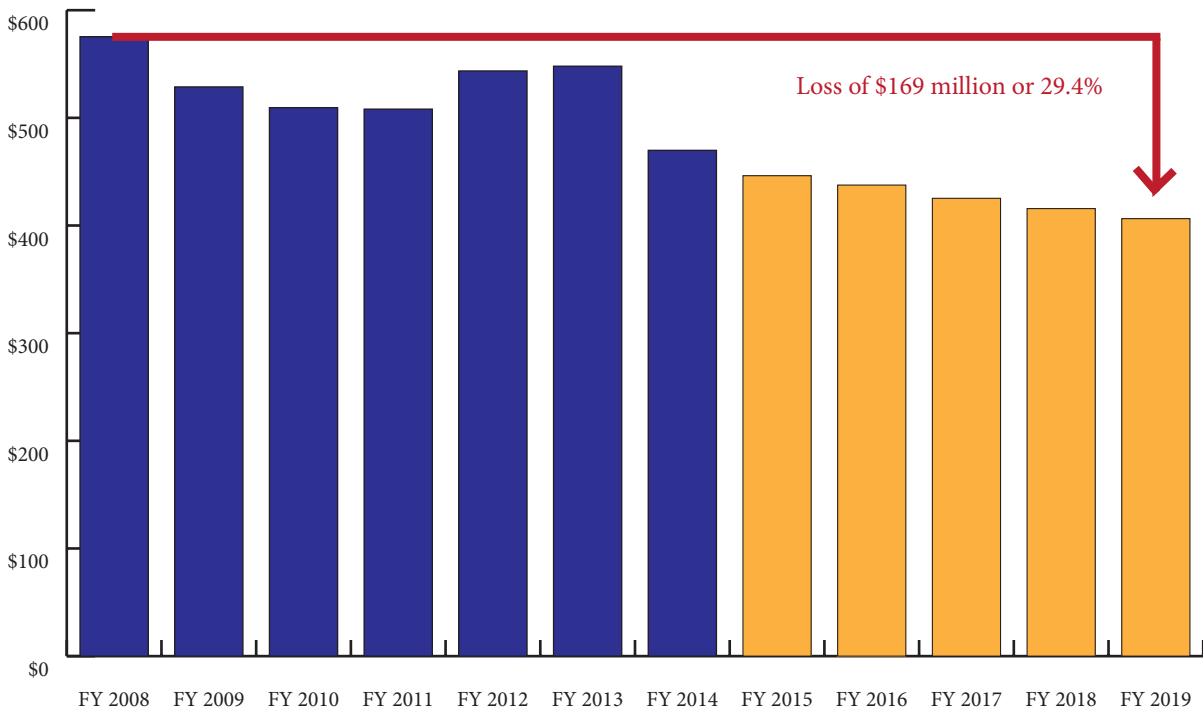
Along with higher education, a number of important health and human services are threatened by weakening budget support. Included in this year's \$70 million budget cut are cuts to In-Home Family Education, Family Resource Networks, Domestic Violence Programs, Child Advocacy Centers, Early Intervention, Pediatric Dental Services, Vaccine for Children, Maternal and Child Health Clinics, and Health Right Free Clinics among others (see Appendix for full list).

Figure 5
Educated Adults Less Likely to Receive Medicaid
Percentage of Working-Age West Virginians Receiving Medicaid (by Education Level)



Source: WVCBP analysis of March 2011, 2012 and 2013 Current Population Supplement and Current Population Survey.

Figure 6
No Restoration for Higher Education Cuts
Base Budget Higher Education Appropriations FY 2008-FY 2019 (millions of 2015\$)



Source: Governor's Executive Budget FY 2011-2015, Bureau of Labor Statistics.
 Note: Actual expenditures FY 2009-FY 2013, Budgeted FY 2014, Recommended FY 2015, Projected FY 2016-FY 2019.
 FY 2015 base budget cuts applied in projected years in the same proportion as in their initial year.

In addition to being cut in the FY 2015 budget, a number of these programs have seen little to no growth in a number of years. **Table 4** compares the FY 2015 appropriation for several health and human services programs to the program's actual expenditure in FY 2013. Not only did the recent cuts put these programs below last year's funding level, the state is also giving less support than it did eight years ago.

Table 4
Cuts Taking Toll on Health and Human Service Programs

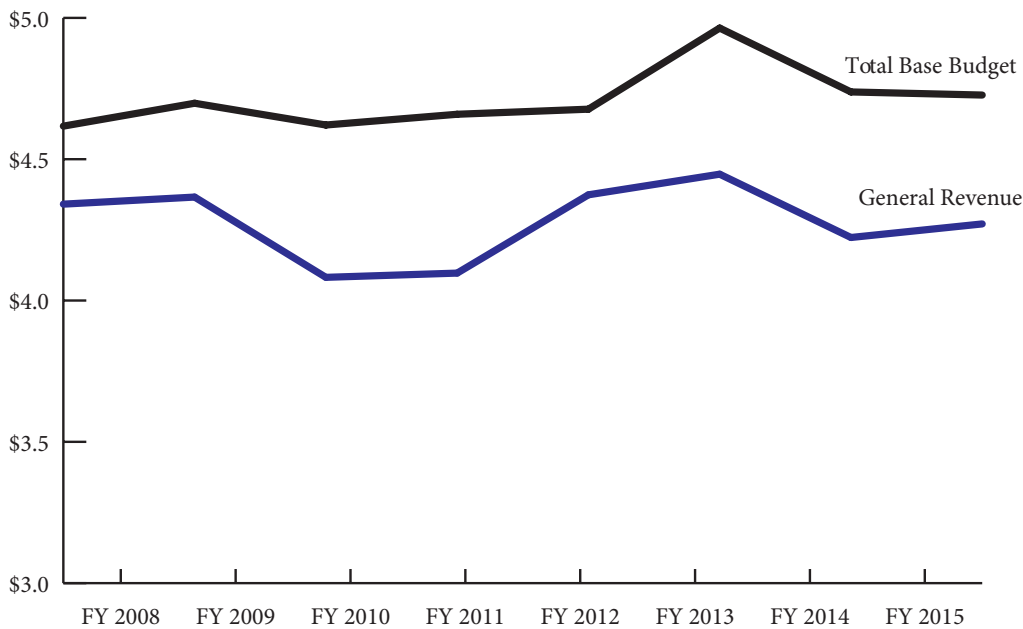
| Program | FY 2013 Actual Expenditure | FY 2015 Proposed Appropriation | Change | Percent Change |
|---------------------------|----------------------------|--------------------------------|--------------|----------------|
| Early Intervention | \$3,307,043 | \$2,844,884 | -\$462,159 | -14% |
| Pediatric Dental Services | \$151,603 | \$51,888 | -\$99,715 | -66% |
| Vaccine for Children | \$446,680 | \$333,815 | -\$112,865 | -25% |
| Family Resource Networks | \$1,905,367 | \$1,565,000 | -\$340,367 | -18% |
| Child and Family Services | \$2,850,000 | \$1,612,000 | -\$1,238,000 | -43% |
| In-Home Family Education | \$900,000 | \$750,000 | -\$150,000 | -17% |
| Child Advocacy Centers | \$1,444,409 | \$1,390,558 | -\$53,851 | -3.7% |

Source: Governor's FY 2015 Executive Budget and All Funds Actual Expenditures Process FY 2013.

Base Budget Growing, but Slowly

The budget cuts of the past two years contributed to a recent trend of slow overall growth in the base budget. Adjusting for inflation, the FY 2015 base budget has only grown by 2.4 percent since FY 2008, and is down 0.2 percent from FY 2014. Spending from the general revenue fund, where most of the cuts occurred, is actually down by \$69.2 million, adjusting for inflation, since FY 2008, a decline of 1.6% (**Figure 7**).

Figure 7
Base Budget Grows Slowly As Cuts Reduce General Revenue (billions of 2015\$)



Source: Governor's Executive Budget FY 2010-2015, Bureau of Labor Statistics and the Congressional Budget Office.

Altogether, the base budget cuts of FY 2014 and FY 2015, as well as FY 2014's mid-year cuts, cut over \$178 million from the base budget, including over \$51 million from higher education, and \$22 million from DHHR (**Table 5**).

Table 5

Total Budget Cuts Top \$178 Million

| Department | FY 2014 Base Cut | FY 2014 Mid-Year Cut | FY 2015 Base Cut | Total |
|------------------------------------|---------------------|----------------------|---------------------|----------------------|
| Executive | \$2,775,000 | - | \$3,024,919 | \$5,799,919 |
| Administration | \$1,719,000 | \$4,180,000 | \$1,954,180 | \$7,853,180 |
| Commerce | \$4,955,000 | - | \$2,944,536 | \$7,899,536 |
| Conservation | - | \$1,600,000 | - | \$1,600,000 |
| Education | \$7,123,000 | - | \$8,576,716 | \$15,699,716 |
| Education and the Arts | \$2,981,000 | - | \$2,529,075 | \$5,510,075 |
| Environmental Protection | \$626,000 | - | \$580,489 | \$1,206,489 |
| Health and Human Resources | \$10,921,000 | \$6,000,000 | \$5,309,393 | \$22,230,393 |
| Military Affairs and Public Safety | \$4,683,000 | \$8,790,000 | \$6,879,203 | \$20,352,203 |
| Revenue | \$2,247,000 | \$1,900,000 | \$2,084,771 | \$6,231,771 |
| Transportation | \$536,000 | - | \$503,837 | \$1,039,837 |
| Higher Education | \$34,796,000 | \$3,100,000 | \$13,908,904 | \$51,804,904 |
| Senior Services | \$1,792,000 | - | \$1,673,478 | \$3,465,478 |
| Water Development Authority | - | - | \$20,000,000 | \$20,000,000 |
| Veterans' Assistance | \$332,000 | - | - | \$332,000 |
| Other | - | \$7,430,000 | - | \$7,430,000 |
| Total | \$75,486,000 | \$33,000,000 | \$69,969,501 | \$178,455,501 |

Source: Governor's FY 2014 and FY 2015 Executive Budgets.

Section Two: Deficit to Surplus

The governor's FY 2015 Executive Budget projects falling budget shortfalls, with the state running a small surplus by FY 2018. That is a major turnaround from last year's projections, which showed an \$82 million shortfall for FY 2018 (**Figure 8**). Overall, the outlook for the FY 2018 budget improved by \$93 million between the FY 2013 and 2014 projections.

The biggest change in the projection for FY 2018 from last year to this year is in revenue. Last year, the FY 2018 base budget revenue was projected to total \$5.057 billion. This year, the projection is \$5.134 billion, an increase of \$76.5 million, with most coming from the projections for general revenue (**Table 6**).

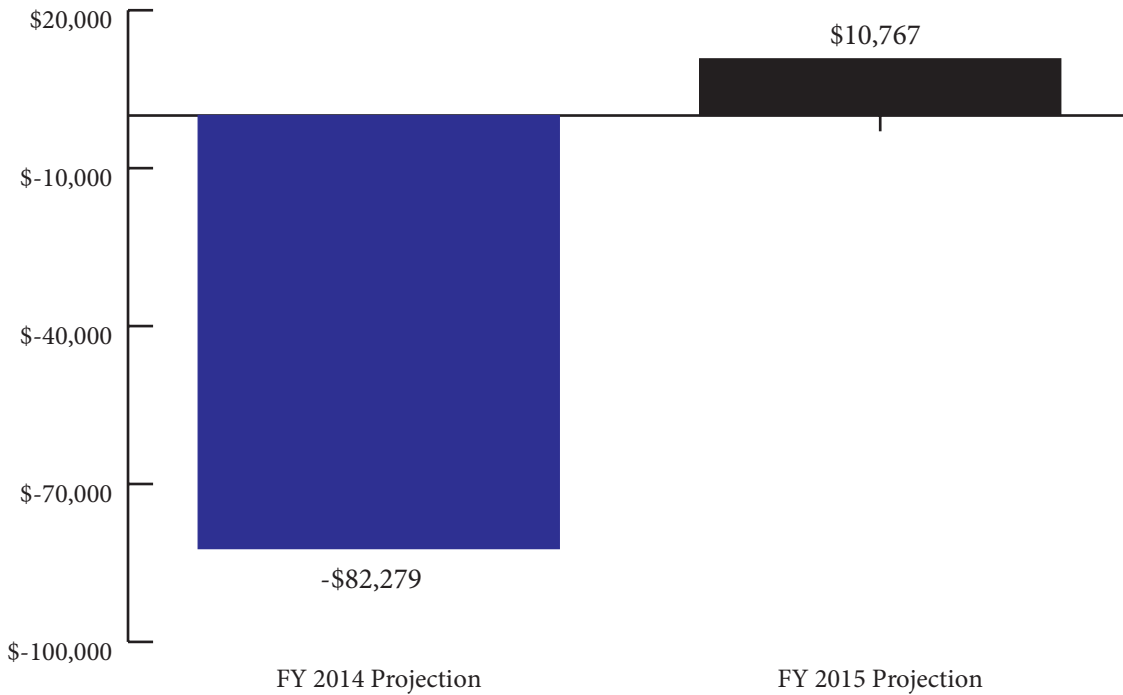
Table 6

FY 2018 Base Budget Revenue Projections (in thousands)

| Fund | 2013 Projection | 2014 Projection | Change |
|-----------------|--------------------|--------------------|-----------------|
| General Revenue | \$4,758,350 | \$4,818,755 | \$60,405 |
| Lottery | \$127,956 | \$140,976 | \$13,020 |
| Excess Lottery | \$170,949 | \$174,039 | \$3,090 |
| Total | \$5,057,255 | \$5,133,770 | \$76,515 |

Source: Governor's Executive Budget, FY 2014 and FY 2015.

Figure 8
 FY Budget Gap/Balance (in thousands)



Source: Governor's Executive Budget FY 2014 and FY 2015.

The improved outlook in the General Revenue Fund is attributed to the severance tax. West Virginia anticipates a major increase in severance tax revenue by FY 2018, much more than projected last year. In 2013, the severance tax was projected to reach \$408.8 million by FY 2018. Now, it is projected to reach \$537.0 million, an increase of \$128 million. Where the state originally planned for flat severance tax revenues between FY 2013 and FY 2018, it now projects a 31 percent increase.

With higher revenue projections accounting for \$76.5 million of the \$93 million difference between this year's and last year's projections for the FY 2018 budget, lower expenditure projections account for the remaining \$16.5 million.

Much of the lower spending projections can be attributed to FY 2015's budget cuts, which reduced the base budget by \$70 million, compared to FY 2014. For example, FY 2015's cut to higher education reduced its base appropriation by \$13.9 million. That base cut lowered its FY 2018 projected appropriation from \$452.0 million to \$443.8 million, a difference of \$8.3 million (Table 7).

Not all of the lower projections, however, can be attributed to FY 2015's budget cuts. Changes to the school aid formula reduced the projection for State Aid to Schools by \$37 million, the state's various retirement plans are projected to be less costly, and Medicaid spending is projected to be lower than projected last year. And not every part of the budget saw its projection decrease. For example, aside from Medicaid, DHHR saw it projected spending increase by \$64.5 million. But overall, projected spending for FY 2018 is down \$16.5 million from last year's projection (Table 7).

Table 7

FY 2018 Base Budget Expenditure Projections

| Expenditure | 2013 Projection | 2014 Projection | Change |
|---|--------------------|--------------------|------------------|
| PERS Employer Contribution | \$61,506 | \$58,306 | -\$3,200 |
| PEIA Premiums | \$406,831 | \$401,439 | -\$5,392 |
| Teachers' Retirement Savings Realized | \$38,855 | \$38,000 | -\$855 |
| Teachers' Retirement System | \$456,744 | \$440,136 | -\$16,608 |
| State Aid to Schools (PEIA and Retirement included above) | \$1,206,456 | \$1,169,240 | -\$37,216 |
| Public Education - All Other | \$191,942 | \$185,338 | -\$6,604 |
| DHHR- Medicaid | \$822,588 | \$805,370 | -\$17,218 |
| DHHR- All Other | \$517,566 | \$582,064 | \$64,498 |
| Higher Education | \$452,086 | \$443,754 | -\$8,332 |
| Salary Enhancements | \$101,482 | \$93,684 | -\$7,798 |
| Unanticipated Expenditures | \$20,000 | \$15,000 | -\$5,000 |
| Public Safety Retirement Plan A / State Police Plan B | \$29,836 | \$27,658 | -\$2,178 |
| All other items | \$828,639 | \$858,014 | \$29,375 |
| Total | \$5,134,531 | \$5,118,004 | -\$16,528 |

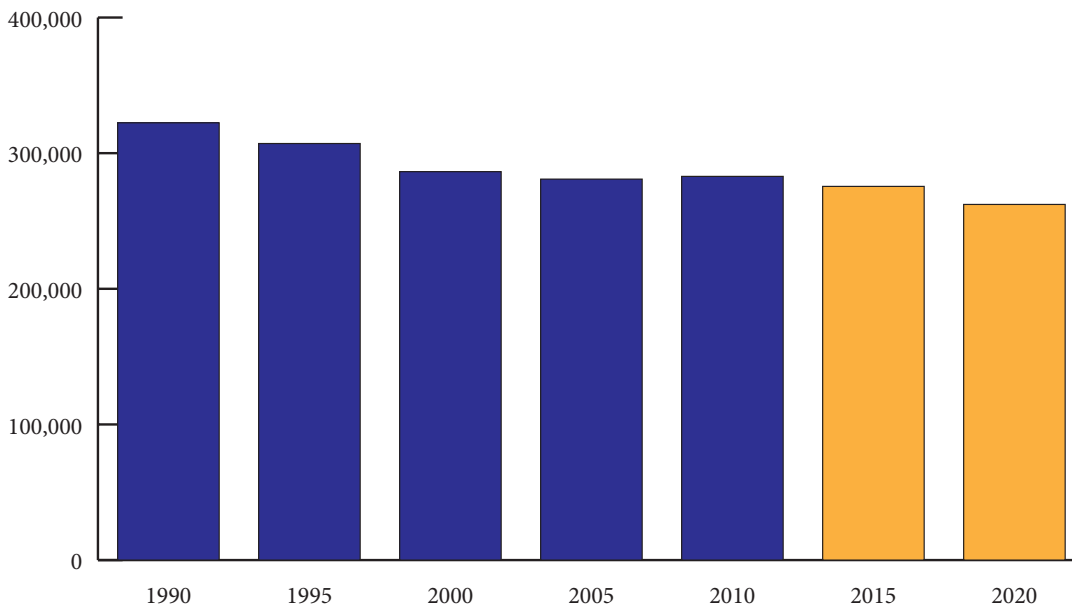
Source: Governor's Executive Budget, FY 2014 and FY 2015.

Note: FY 2014 and FY 2015 base budget cuts were applied in projected years in the same proportion as their initial year.

One reason for lower state-aid to schools spending is the shrinking student population and a decline in student enrollment over the past decade and a half. West Virginia public school enrollment is projected to be 275,500, more than 5,000 fewer than in 2005. Enrollment is projected to continue to decline, with 60,000 fewer students enrolled in 2020 than in 1990 (**Figure 9**).

Figure 9

Falling Enrollment Driving Down School Spending
Enrollment in West Virginia Public Elementary and Secondary Schools



Source: National Center for Education Statistics.

Actual enrollment 1990-2010, projected enrollment 2014-2020

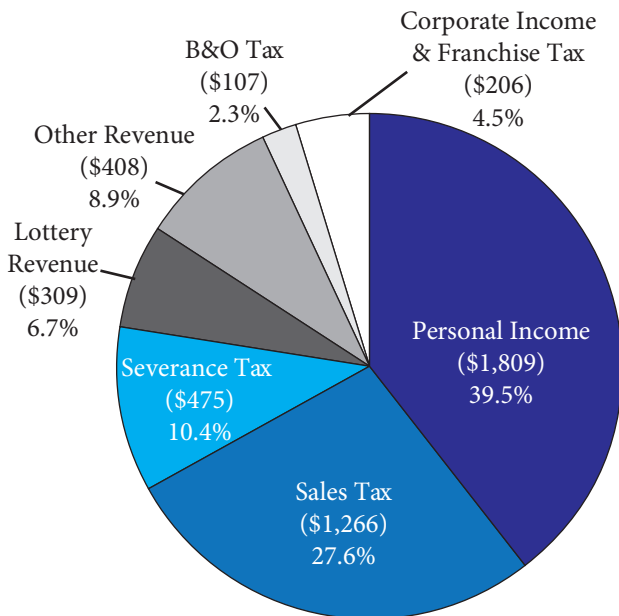
Section Three: Paying for Priorities in FY 2015

This section explores not only how the governor plans to pay for the priorities laid out in his proposed FY 2015 budget, but also how funding for the state's budget has changed over time. It looks at how the state's revenue system will perform in the future, what revenue options could be pursued to help the state meet future base budget shortfalls, and which smart investments in human and physical capital will help create a more thriving economy.

Base Budget Revenues

Revenues for the governor's proposed base budget include \$4.271 billion in general revenue funds and \$309 million in revenues from lottery and excess lottery funds, a total of \$4.580 billion. More than two-thirds of the base budget revenue is from the personal income and sales and use taxes, while the severance tax provides over 10 percent. Other revenue, such as the tobacco products and insurance tax, provides about nine percent of the state's revenues (**Figure 10**).

Figure 10
Base Budget Revenue, FY 2015 (in millions)

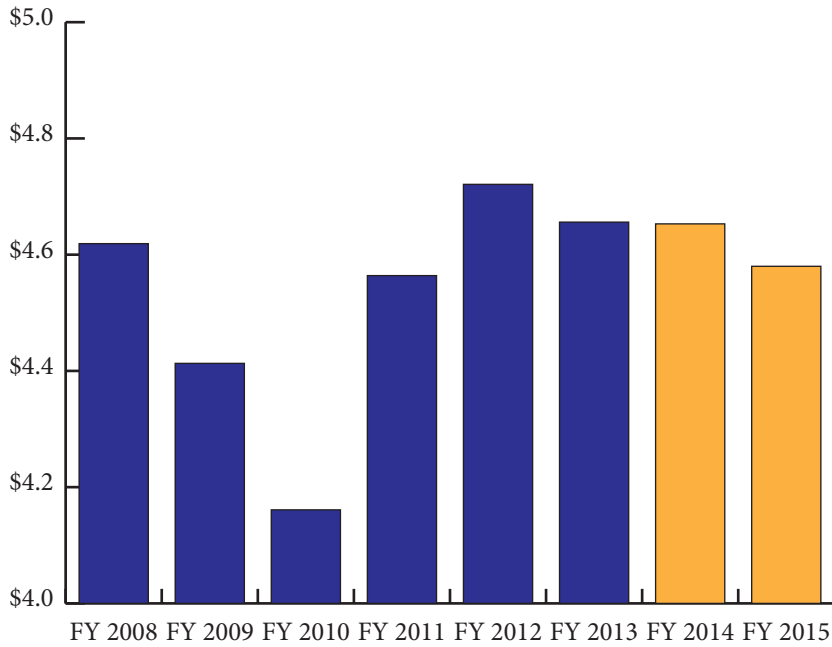


Source: West Virginia State Budget Office, Executive Budget FY 2015, Volume 1 Budget Report.

As discussed, the governor also seeks revenue from statutory changes to help balance the budget. This includes the transfer of \$83.5 million from the Rainy Day Fund (Revenue Shortfall Reserve Fund) for Medicaid, \$13.5 million in sales and use taxes collected from the State Road Fund to the General Revenue Fund, and \$12 million from the Abandoned and Unclaimed Property Account in the State Treasurers' Office to the General Revenue Fund. He also proposes eliminating the Strategic Research and Development Tax Credit to save an estimated \$1 million a year and changing the withholding tax payment due date from July to June for \$30 million in one-time revenue.

In FY 2015, the state expects less base budget revenue than it did seven years ago in FY 2008 (**Figure 11**). This is primarily due to several factors, including slower economic output during the national recession from 2009 to 2012, a sharp drop in coal production and the price of coal that lowered severance tax collections and other taxes, and decline in lottery collections due to competition from neighboring states. However, the single-largest factor contributing to the state's anemic revenue growth is major tax reductions that began in 2006.

Figure 11
Base Budget Revenue, FY 2008-2015 (in billions)



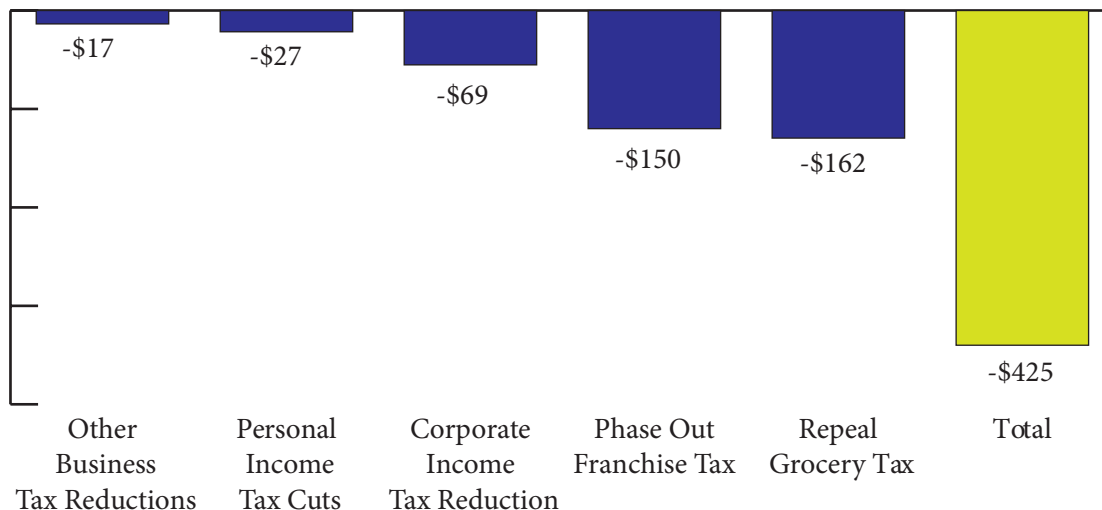
Source: WV Budget Office, Executive Budget, FY 2010-15.

Tax Cuts Hurting State Investment Potential

Since 2006, West Virginia has implemented a number of very large tax cuts (Figure 12). Over half were business tax cuts, including the phase-out of the business franchise tax, a reduction in the corporate net income tax rate from 9% to 6.5%, and several other smaller business tax cuts, which will reduce revenue by an estimated \$236 million in FY 2015. The grocery tax repeal was also a significant factor in the need for state’s budget cuts over the last several years. Altogether, the tax cuts have amounted to \$425 million in forgone revenue.

So far, there is no evidence that these business tax cuts have produced any favorable results. One significant reason is that they are a very small share of the cost of doing business and that most businesses base decisions on much larger factors, including consumer demand, access to markets, raw materials, and the costs of labor, utilities, and occupancy.

Figure 12
Major Tax Cuts Depriving State of Resources (in millions)



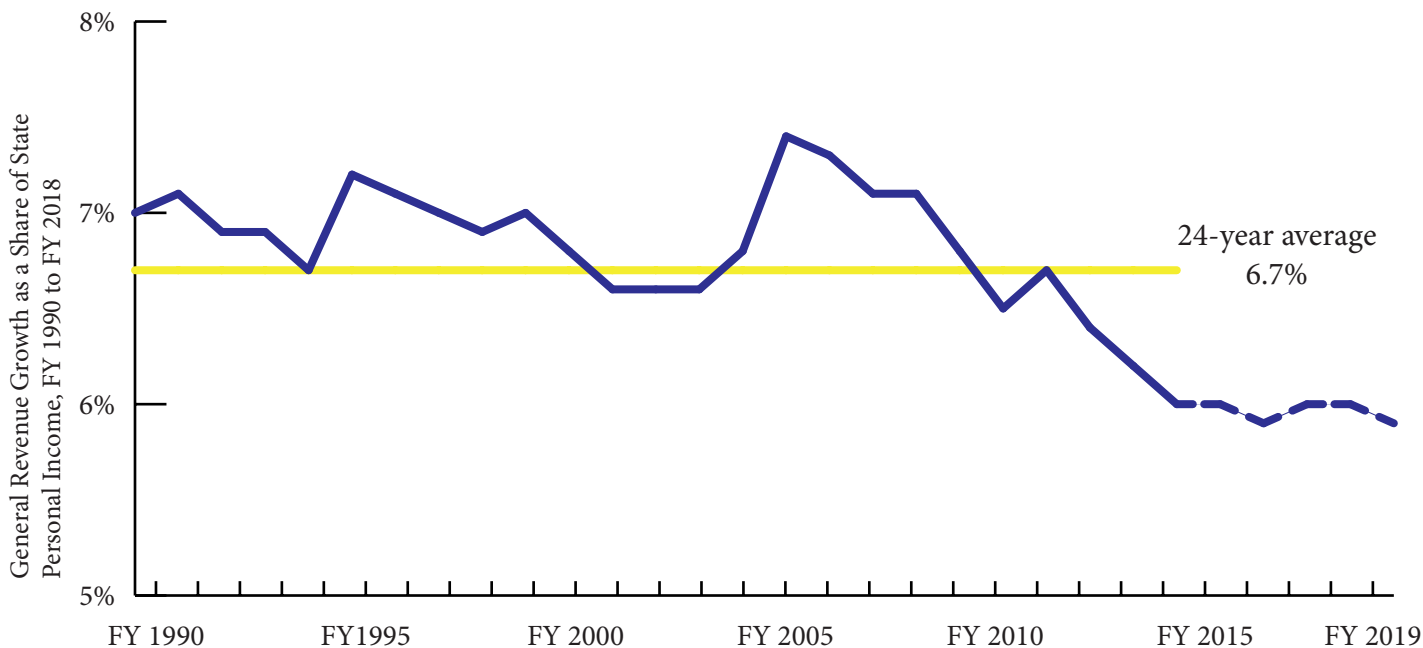
Source: West Virginia Department of Revenue.

Because of the large reductions to its revenue base, the state is investing a much smaller share of its economic output (i.e. state personal income) in important government programs and services (see previous section). Before the major tax reductions were enacted in 2006, the share of revenue from the General Revenue Fund was over seven percent of the state’s personal income (**Figure 13**). This share dropped to about 6.2 percent, however, in FY 2013. From FY 1990 to FY 2013, state General Fund revenues averaged about 6.7 percent of the state’s personal income. Without any new revenue, the decline will continue to less than six percent of state personal income.

Future Revenue Growth Unbalanced

From FY 2015 to FY 2019, the governor’s budget estimates that the only source of major revenue growth will be personal income and sales and use taxes (**Figure 14**). The reliance on personal income tax growth over the coming budget years is driven primarily by the major tax reductions mentioned above that have cut away at the state’s revenue base. For example, the sales and use tax used to grow in tandem with personal income tax collections.^{***} However, since the repeal of the grocery tax, the sales and use tax base has shrunk – providing less revenue over time.

Figure 13
State Investment Declining



Source: West Virginia Budget Office (Executive Budget FY 1988 to FY 2015) and WVCPB analysis of Bureau of Economic Analysis, Quarterly State Personal Income (annualized).
 Note: Quarterly state personal income was used to align it to state fiscal years that begin in July instead of January. Projections of state annual personal income growth between FY 2014 and FY 2019 were derived by assuming that personal income growth would grow at the same rate (4.3%) as it did from 1989 to 2013.

Tobacco Taxes

The tax on tobacco products is expected to account for \$105 million in FY 2015, down from \$115.1 million in FY 2009. By FY 2019, the state is expected to collect \$101.5 million in tobacco taxes. Currently, West Virginia ranks 44th lowest in taxing cigarettes at just 55 cents per pack.⁵

Severance Taxes

Growth in severance taxes is driven exclusively from the state’s natural gas shale development boom. In FY 2014, the state expects to collect \$147.3 million in natural gas severance taxes – the most ever. From FY 2016 to FY 2019, it expects to collect more than \$200 million each year from natural gas severance taxes (**Figure 15**).

Figure 14
Growth of Major Revenue Sources from FY 2015 to FY 2018

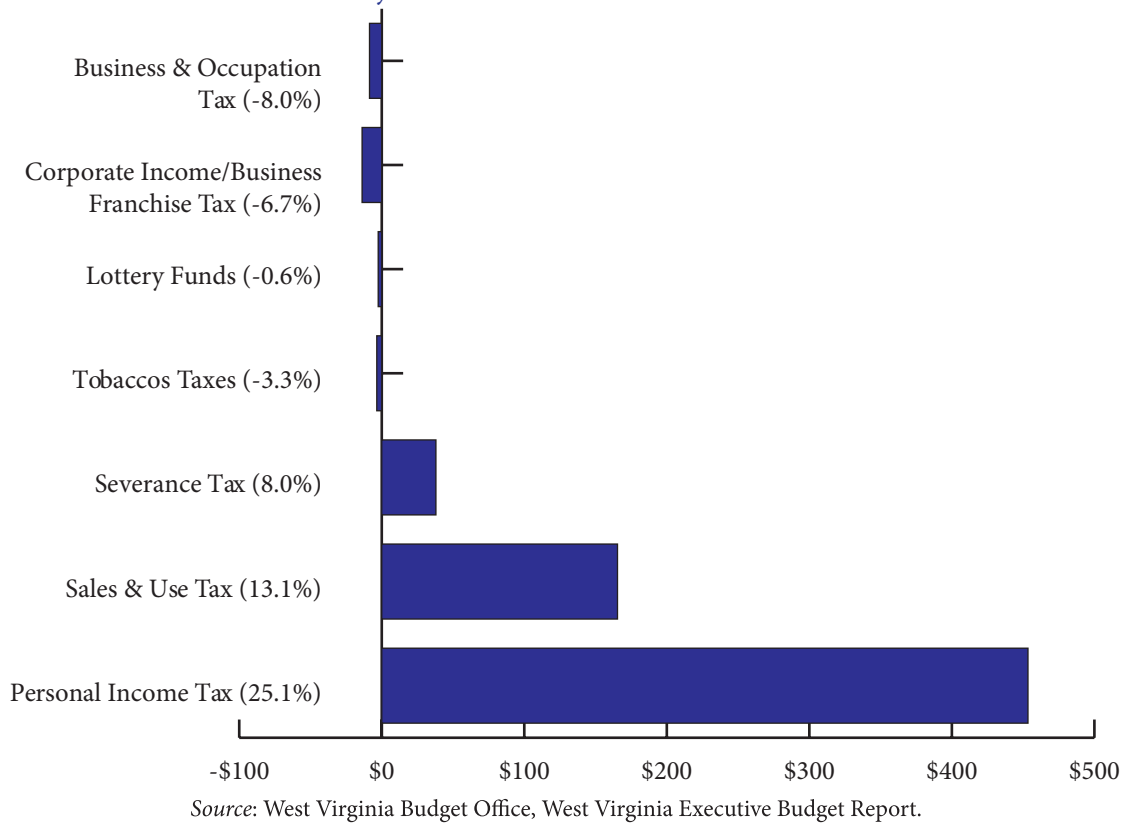
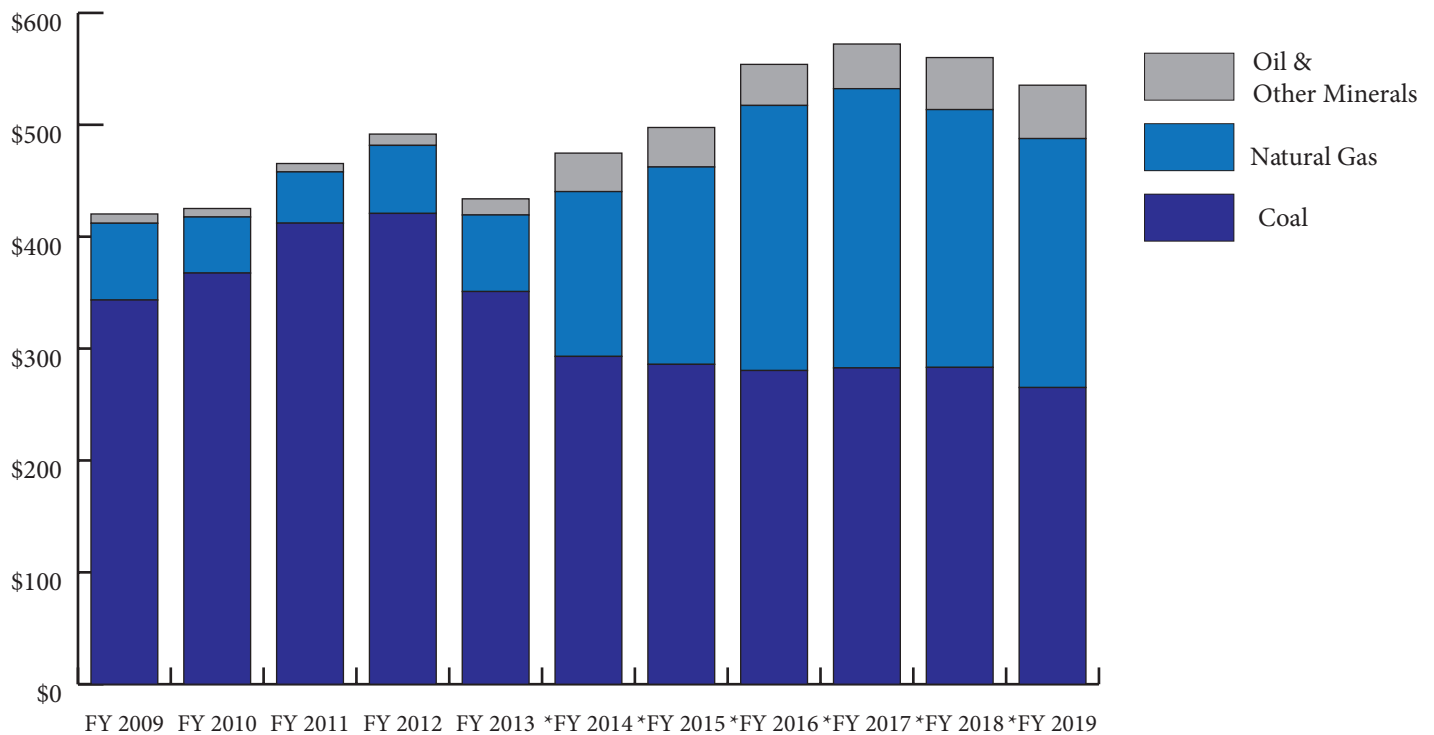


Figure 15
Shale Development Drives Severance Tax Collections

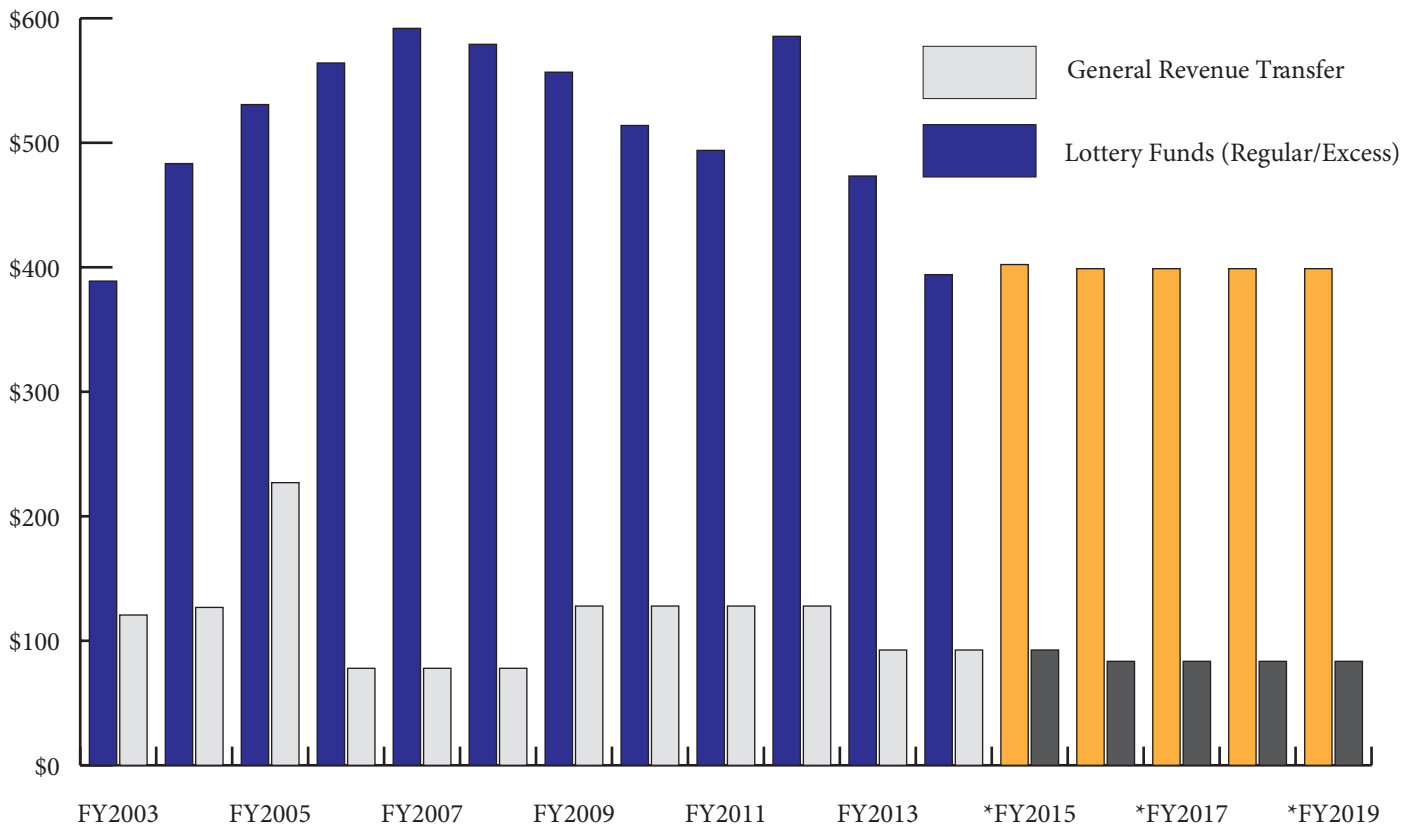


The sharp drop in coal severance tax collections over the next several years is driven by several factors, including a continued decline in coal-mining productivity that has led to growing competition from western coal regions and cheap and abundant natural gas supplies, a projected decline in metallurgical coal sales, and stricter environmental standards.

Lottery Revenues

After peaking in FY 2012 at \$585.5 million, lottery revenues are expected to decline and remain stagnant over the next several years due to growing competition from neighboring states. The share of lottery funds transferred to the state’s general revenue fund is also expected to decline from \$127.9 million in FY 2012 to just \$83.5 million from FY 2016 to FY 2019, making it harder to fund not only lottery-funded programs but also programs and services in the general revenue budget (Figure 16).

Figure 16
Lottery Revenue Declining (in millions)



Source: West Virginia Budget Office, Executive Budget, FY2005-FY 2015.

* Estimates

Corporate Income/Business Franchise Tax

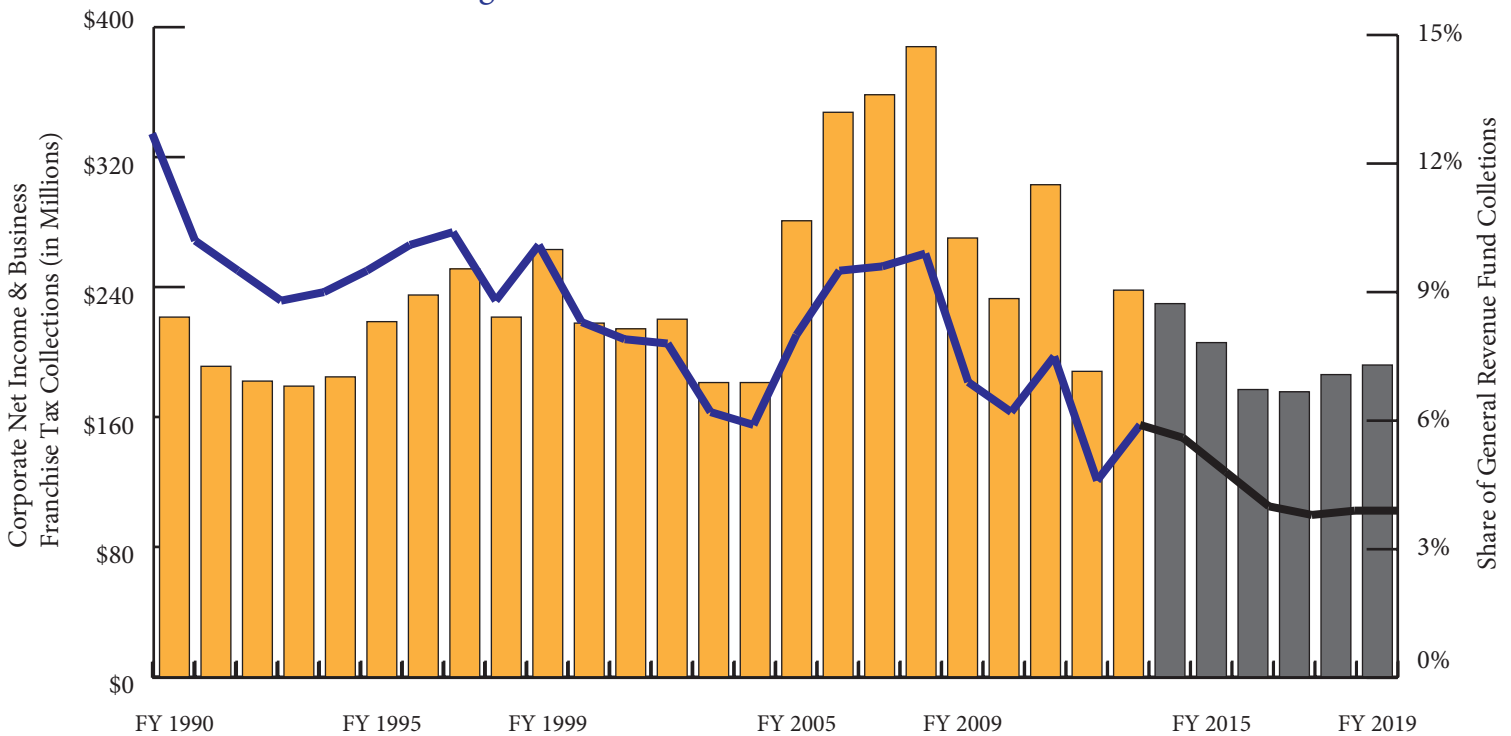
The sharp decline in revenues from the corporate income and business franchise tax is exclusively driven by major reductions in both of these taxes that were put into place in 2007 and 2008. The business franchise tax will be completely eliminated by 2015 and the corporate net income tax rate was reduced from 9.0 percent in 2007 to 6.5 percent this year. Altogether, the estimated revenue loss will be at least \$220 million in 2015.

The state is expected to collect only \$205 million from these two taxes in the upcoming fiscal year (Figure 17). This is \$15 million less than the state collected 24 years ago. Business taxes are also making up a smaller share of general revenue funds. While these two business taxes accounted for almost 13 percent of general revenue collections in FY 1990, in 2015 their share is expected to be less than five percent. This number is expected to drop even further over the coming years, with business taxes expected to be less than 3.9 percent in FY 2019 at \$192 million.

Business & Occupation Tax

The Business & Occupation Tax (B&O Tax) is a tax on units of activity or gross receipts that applies to public utilities, electric power generation and natural gas storage. In FY 2014, the state expects to collect \$106.7 million in B&O taxes, \$75 million less than FY 2006. As a share of general revenue collections, the B&O tax is expected to drop from over 5.2 percent in FY 2006 to 2.5 percent by FY 2015, and even further by FY 2019 due to several factors including installation of fuel gas desulfurization systems at existing power plants subject to a lower tax rate, the retiring of some West Virginia coal-fired power plants, and growth in tax credits against the B&O tax. For example, forgone revenue from the Industrial Expansion and Revitalization Tax Credit against the B&O tax grew from \$23.7 million in 2006 to \$52 million in 2015.

Figure 17
Business Taxes Shrinking as a Share of General Revenue Fund



Source: WV Executive Budget, FY1988-FY 2015.

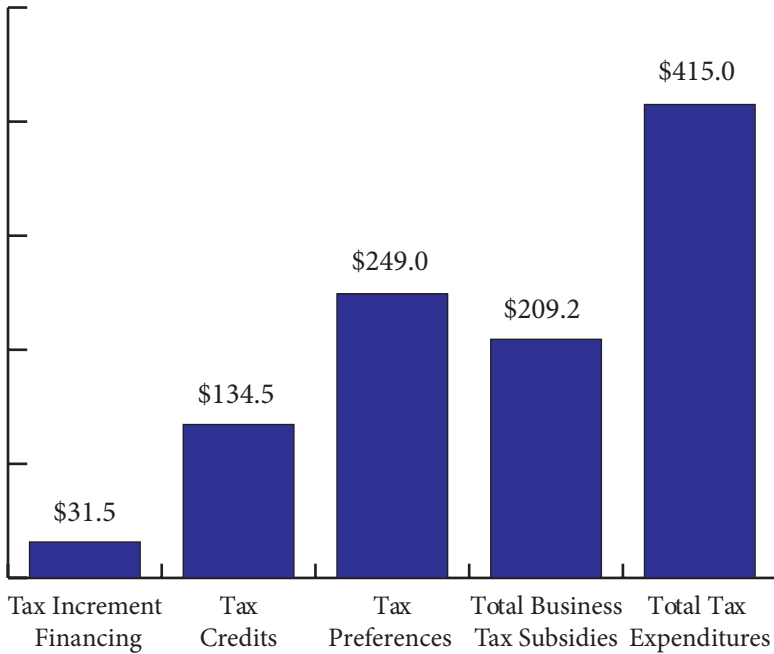
Off-Budget Tax Expenditures

For the first time, the governor’s annual budget report includes the amount of forgone revenue from various tax expenditures. The tax expenditures included in the governor’s budget report include credits, exclusions, and tax increment financing (TIF); each of which aims to encourage a certain type of activity or aid taxpayers in special circumstances.

Tax expenditures cost the state money in much the same way as direct spending, because they result in the loss of revenue that would otherwise be collected. For this reason, tax expenditures are often referred to as “spending simply by another name.” But, unlike annual public spending that is subject to appropriations each year, tax expenditures are not. Thus, they more closely resemble an entitlement program (for example, Medicaid) than discretionary spending programs (for example, higher education) because any person or entity that meets the requirements for them can receive the benefits.

Over half - \$209 million of the total \$415 million- in tax expenditures included in the governor’s FY 2015 budget report is directed toward economic development. Examples of these business tax incentives include the Industrial Expansion and Revitalization Credit for electric power producers at \$52 million and the Thin-Seam Coal Rates Credit at \$77 million. Unfortunately, review and evaluation of the state’s tax expenditures is done sporadically, with little evaluation of their effectiveness (Figure 18).

Figure 18
Off-Budget Tax Expenditures, FY 2015 (in millions)



Source: West Virginia Budget Office, Executive Budget FY 2015.

Section 4: A Budget That Grows Opportunity

Instead of dealing with the state’s long-term structural revenue problem, Governor Tomblin’s FY 2015 budget delays action by asking the legislature to shift money between several accounts and by enacting further cuts to important programs and services that West Virginians rely on every day.

With over \$425 million in tax cuts, the state’s FY 2015 budget deliberately shifts away from investing in important programs and services, like higher education and early intervention programs, toward budget reductions that hamper the creation of opportunity and a healthy economy.

To grow the economy and improve the long-term health of the state’s budget, more people need a chance to reach their full potential and enough economic security to make investments in their future.

Shared prosperity happens when investments are made to move families out of poverty, and in human and physical capital, like roads, education, early childhood programs, health care, and workforce development.

To put West Virginia on a more sustainable course and to build a brighter future, West Virginia is going to need the resources to get there. Below are recommendations to not only improve the state’s long-term fiscal health but also provide the crucial resources it needs for a stronger economy.

Recommendations

- Increase the Tobacco Tax:** The cigarette tax is 55 cents a pack and, for other tobacco products, seven percent of the wholesale price. Last increased over a decade ago (2003), West Virginia’s cigarette tax is the 44th lowest in the nation. Increasing it by \$1.00 while increasing the tax on other tobacco products would provide an estimated \$135 million in

new revenue and put West Virginia near the national average of \$1.48 a pack.⁶ Additionally, it could drastically reduce health care costs and prevent deaths and other chronic health conditions associated with tobacco use.⁷

- **Expand Sales Tax to More Personal Services:** Over the last several decades, West Virginia's economy has shifted from producing goods (e.g. steel) to providing services, but the tax code has not modernized to keep up with these changes. While West Virginia taxes more services than most states, there are many personal services (e.g. haircuts, health clubs, etc.) that are exempt from the sales tax for no discernible reason. Altogether, the state loses \$25.5 million that could be recouped by expanding the sales tax base to other personal services.⁸
- **Tax on Top 1%:** The wealthiest one percent of West Virginians held 20 percent of the state's income in 2007 compared to six percent in 1980 and 10 percent in 1990 and in 2000.⁸ Median hourly wages – the middle of the wage distribution (50th percentile) - in West Virginia declined by almost \$1 from 1979 to 2012, after adjusting for inflation.¹⁰ While the richest one percent pay 6.3 percent of their income in state taxes, middle-class families pay between 8.9 percent and 8.7 percent.¹¹ In 1987, West Virginia's top income tax bracket affected approximately three percent of households. Today (Tax Year 2013), it affects 22 percent.¹² Tax Year 1987's top bracket of \$60,000 is the equivalent to a \$128,000 bracket today (Tax Year 2014).¹³ Raising the top personal income tax rate by one percent (from 6.5 to 7.5%) on taxable income over \$230,000 will increase revenue by an estimated \$25.7 million and improve the state's upside-down tax system.
- **Scale Back Personal Exemptions:** West Virginia taxpayers receive a \$2,000 personal exemption for each household member which reduces revenue by \$136 million.¹⁴ While low- and middle-income families benefit from this exemption, the value of the tax reduction is greater at higher income levels. Unlike the federal government, West Virginia does not phase out its personal exemptions. Phasing it out for joint filers earning between \$150,000 and \$200,000, and eliminating it for those earning over \$200,000, would increase revenue by an estimated \$7.5 million and improve the progressivity of the state's income tax.¹⁵
- **Scale Back Thin-Seam Severance Tax Credit:** The coal severance tax rate is five percent. Thin-seam coal, however, has a reduced rate of 2 and 1 percent. Altogether, this tax preference is expected to reduce revenue by \$77 million in FY 2015, up from just \$20 million in 2005. While the intention of this subsidy was to make smaller underground mines in the southern part of the state economically feasible, the credit is mostly being applied to metallurgical coal that is usually two to three times as valuable as steam coal.¹⁶ Therefore, scaling back or eliminating this credit would be advised since the credit was never meant to apply to metallurgical coal.
- **Extend Workers' Compensation Debt Taxes:** According to the governor's budget report, the old workers' compensation debt fund will be paid off by 2016. It is financed by several sources, including a severance tax on coal (56 cents per ton), natural gas (7.7 cents per MCF), and timber (2.78 percent of gross value) which totals about \$100 million. Because this tax is highly exportable, and since West Virginia undertaxes its mineral wealth compared to many western states, it should remain to help balance the budget and fund public investments and economic diversification.

Endnotes

- 1 Boettner, Wilson, and O’Leary, “2013 State of Working West Virginia: Weirton Steel to Wal-Mart,” West Virginia Center on Budget and Policy, August 2013.
- 2 Kathy Ruffing, “The State of Disability,” Off the Charts Blog, CBPP, March 26, 2013. <http://www.offthechartsblog.org/the-state-of-disability/>
- 3 Elizabeth Paulhus et al., “Stemming the Tide: The Racial and Economic Impacts of West Virginia’s Prison System,” WVCBP, AFCM, and PACC, February 2012. <http://www.wvpolicy.org/stemming-the-tide-the-racial-and-economic-impacts-of-west-virginias-prison-system>
- 4 Sean O’Leary and Ted Boettner, “Analysis of Governor’s FY 2014 Budget Proposal: Declining Revenue Hurting State,” March 14, 2013. P. 14.
- 5 Coalition for a Tobacco-Free West Virginia, www.tobacco-free-wv.com.
- 6 Renate Pore and Elizabeth Paulhus, “Breathe Easy: Tobacco Tax Brings Better Health, New Revenue,” West Virginia Center on Budget and Policy, February 2011. <http://www.wvpolicy.org/policy-brief-breathe-easy-tobacco-tax-brings-better-health-new-revenue>
- 7 Ibid.
- 8 West Virginia State Tax Department, “Tax Expenditure Study 2012,” <http://www.state.wv.us/taxrev/publications/taxExpenditureStudy.2012.pdf>
- 9 IRS data analyzed by Dr. Mark Frank, Sam Houston State University, Retrieved from http://www.shsu.edu/~eco_mwf/inequality.html
- 10 Boettner, Wilson, and O’Leary, “2013 State of Working West Virginia: Weirton Steel to Wal-Mart,” West Virginia Center on Budget and Policy, August 2013.
- 11 Who Pays?, Institute for Taxation & Economic Policy, January 2013, Retrieved from <http://www.itep.org/pdf/wv.pdf>
- 12 ITEP analysis of 1987 West Virginia household data.
- 13 Based on Consumer Price Index for all Urban Customers.
- 14 West Virginia State Tax Department, “Tax Expenditure Study 2013,” <http://www.state.wv.us/taxrev/publications/taxExpenditureStudy.2013.pdf>
- 15 ITEP analysis of West Virginia personal income tax changes.
- 16 FY 2015 Executive Budget Report.

Appendix

FY 2015 Budget Reductions – General Revenue Fund

| Department | Agency/Program | FY 2014 Budgeted | FY 2015 Proposed | Change | Percent Change |
|-----------------------|--|------------------|------------------|------------|----------------|
| Executive | Governor's Office | \$4,969,316 | \$4,623,786 | -\$345,530 | -7.0% |
| Executive | Governor's Office Custodial | \$608,018 | \$588,536 | -\$19,482 | -3.2% |
| Executive | Treasurer's Office | \$3,644,918 | \$3,405,091 | -\$239,827 | -6.6% |
| Executive | Dept of Agriculture | \$11,407,927 | \$10,623,213 | -\$784,714 | -6.9% |
| Executive | WV Conservation Agency | \$9,475,342 | \$8,825,572 | -\$649,770 | -6.9% |
| Executive | Secretary of State | \$1,220,022 | \$1,129,538 | -\$90,484 | -7.4% |
| Executive | State Election Commision | \$9,028 | \$8,342 | -\$686 | -7.6% |
| Administration | Division of Labor | \$3,179,163 | \$2,980,315 | -\$198,848 | -6.3% |
| Administration | Occupational Safety and Health Fund | \$185,275 | \$173,097 | -\$12,178 | -6.6% |
| Administration | Board of Coal Mine Health and Safety | \$461,900 | \$429,711 | -\$32,189 | -7.0% |
| Administration | Workforce WV | \$87,877 | \$81,286 | -\$6,591 | -7.5% |
| Administration | Office of Economic Opportunity | \$117,263 | \$109,695 | -\$7,568 | -6.5% |
| Administration | Division of Energy | \$1,782,864 | \$1,651,604 | -\$131,260 | -7.4% |
| Adminsitration | Geological and Economic Survey | \$3,286,373 | \$3,072,067 | -\$214,306 | -6.5% |
| WV Development Office | ARC-WV Home of Your Own Alliance | \$36,480 | \$33,744 | -\$2,736 | -7.5% |
| WV Development Office | Southern WV Career Center | \$448,476 | \$414,840 | -\$33,636 | -7.5% |
| WV Development Office | Unclassified | \$199,044 | \$157,890 | -\$41,154 | -20.7% |
| WV Development Office | Current Expenses | \$2,202,372 | \$1,574,450 | -\$627,922 | -28.5% |
| WV Development Office | Repairs and Alterations | \$4,000 | \$800 | -\$3,200 | -80.0% |
| WV Development Office | Equipment | \$2,000 | \$500 | -\$1,500 | -75.0% |
| WV Development Office | Infrastructure projects | | \$570,917 | | |
| WV Development Office | Partnership Grants | \$559,764 | \$517,781 | -\$41,983 | -7.5% |
| WV Development Office | Local Economic Development Partnerships | \$1,705,440 | \$1,650,000 | -\$55,440 | -3.3% |
| WV Development Office | Mid-Atlantic Aerospace Complex | \$161,226 | \$149,134 | -\$12,092 | -7.5% |
| WV Development Office | Mingo County Post Mine Land Use Projects | \$250,000 | \$231,250 | -\$18,750 | -7.5% |
| WV Development Office | Robert C. Byrd Institute for Advanced/Flexible Manufacturing | \$474,058 | \$438,504 | -\$35,554 | -7.5% |
| WV Development Office | Advantage Valley | \$64,374 | \$59,546 | -\$4,828 | -7.5% |
| WV Development Office | Chemical Alliance Zone | \$43,350 | \$40,099 | -\$3,251 | -7.5% |
| WV Development Office | WV High Tech Consortium | \$215,034 | \$198,906 | -\$16,128 | -7.5% |
| WV Development Office | Regional Contracting Assistance Center | \$225,000 | \$208,215 | -\$16,785 | -7.5% |
| WV Development Office | Highway Authorities | \$791,436 | \$732,078 | -\$59,358 | -7.5% |
| WV Development Office | Charleston Farmers Market | \$91,200 | \$84,360 | -\$6,840 | -7.5% |
| WV Development Office | Small Business Development | \$200,000 | | -\$200,000 | -100.0% |

| | | | | | |
|--------------------------|--|-------------|-------------|--------------|---------|
| WV Development Office | WV Manufacturing Extension Partnership | \$131,328 | \$121,478 | -\$9,850 | -7.5% |
| WV Development Office | Polymer Alliance | \$104,880 | \$97,014 | -\$7,866 | -7.5% |
| WV Development Office | Regional Councils | \$401,280 | \$371,184 | -\$30,096 | -7.5% |
| WV Development Office | Mainstreet Program | \$186,901 | \$173,701 | -\$13,200 | -7.1% |
| WV Development Office | National Institute of Chemical Studies | \$64,296 | \$59,474 | -\$4,822 | -7.5% |
| WV Development Office | Local Economic Development Assistance | \$2,000,000 | \$1,850,000 | -\$150,000 | -7.5% |
| WV Development Office | I-79 Development Council | \$50,050 | \$46,296 | -\$3,754 | -7.5% |
| WV Development Office | Hatfield McCoy Recreational Trail | \$228,000 | \$210,900 | -\$17,100 | -7.5% |
| WV Development Office | Hardwood Alliance Zone | \$38,851 | \$35,937 | -\$2,914 | -7.5% |
| Education | State FFA-FHA Camp and Conference Center | \$1,055,406 | \$750,000 | -\$305,406 | -28.9% |
| Education | Student Enrichment Program | \$6,200,000 | | -\$6,200,000 | -100.0% |
| Education | 21st Century Learners | \$2,466,026 | \$2,062,598 | -\$403,428 | -16.4% |
| Education | Technology Initiatives | \$800,000 | \$230,000 | -\$570,000 | -71.3% |
| Education and the Arts | Center for Professional Development | \$2,528,967 | \$2,351,357 | -\$177,610 | -7.0% |
| Education and the Arts | Benedum Professional Development Collaborative | \$927,500 | \$805,895 | -\$121,605 | -13.1% |
| Education and the Arts | Division of Culture and History | \$5,355,308 | \$5,149,795 | -\$205,513 | -3.8% |
| Education and the Arts | Library Commission | \$1,831,927 | \$1,738,817 | -\$93,110 | -5.1% |
| Education and the Arts | Educational Broadcasting Authority | \$5,237,378 | \$4,902,437 | -\$334,941 | -6.4% |
| Environmental Protection | Environmental Quality Board | \$134,454 | \$125,188 | -\$9,266 | -6.9% |
| Environmental Protection | Division of Environmental Protection | \$7,510,922 | \$7,017,380 | -\$493,542 | -6.6% |
| Environmental Protection | Air Quality Board | \$94,465 | \$88,258 | -\$6,207 | -6.6% |
| DHHR | DHHR - Office of the Secretary | \$613,094 | \$588,058 | -\$25,036 | -4.1% |
| DHHR | Safe Drinking Water Program | \$486,375 | \$453,570 | -\$32,805 | -6.7% |
| DHHR | Early Intervention | \$3,075,550 | \$2,844,884 | -\$230,666 | -7.5% |
| DHHR | Black Lung Clinics | \$184,741 | \$170,885 | -\$13,856 | -7.5% |
| DHHR | Center for End of Life | \$466,886 | \$420,198 | -\$46,688 | -10.0% |
| DHHR | Pediatric Dental Services | \$151,603 | \$51,888 | -\$99,715 | -65.8% |
| DHHR | Vaccine for Children | \$416,127 | \$333,815 | -\$82,312 | -19.8% |
| DHHR | Maternal & Child Health Clinics, Clinicians and Medical Contracts & Fees | \$6,778,740 | \$6,281,162 | -\$497,578 | -7.3% |
| DHHR | Epidemiology Support | \$1,632,157 | \$1,504,806 | -\$127,351 | -7.8% |
| DHHR | Health Right Free Clinics | \$4,393,750 | \$4,064,219 | -\$329,531 | -7.5% |
| DHHR | Capital Outlay and Maintenance | \$400,000 | \$100,000 | -\$300,000 | -75.0% |
| DHHR | Healthy Lifestyles | \$157,435 | \$146,282 | -\$11,153 | -7.1% |

| | | | | | |
|------------------|---|---------------|---------------|--------------|--------|
| DHHR | Emergency Response Entities - Special Projects | \$344,470 | \$100,000 | -\$244,470 | -71.0% |
| DHHR | Maternal Mortality Review | \$50,000 | \$47,068 | -\$2,932 | -5.9% |
| DHHR | Osteoporosis and Arthritis Prevention | \$170,035 | \$158,918 | -\$11,117 | -6.5% |
| DHHR | Diabetes Education and Prevention | \$105,000 | \$97,125 | -\$7,875 | -7.5% |
| DHHR | Tobacco Education Program | \$5,260,488 | \$4,871,887 | -\$388,601 | -7.4% |
| DHHR | State Trauma and Emergency Care System | \$2,025,233 | \$1,848,077 | -\$177,156 | -8.7% |
| DHHR | Family Support Act | \$985,078 | \$251,226 | -\$733,852 | -74.5% |
| DHHR | Institutional Facilities Operations | \$105,742,128 | \$103,596,607 | -\$2,145,521 | -2.0% |
| DHHR | Renaissance Program | \$179,450 | \$165,996 | -\$13,454 | -7.5% |
| DHHR | Human Rights Commission | \$1,299,925 | \$1,218,744 | -\$81,181 | -6.2% |
| DHHR | Family Resource Networks | \$1,762,464 | \$1,612,000 | -\$150,464 | -8.5% |
| DHHR | In-Home Family Education | \$1,000,000 | \$750,000 | -\$250,000 | -25.0% |
| DHHR | Grants for Licensed Domestic Violence Programs and Statewide Prevention | \$2,500,000 | \$2,142,100 | -\$357,900 | -14.3% |
| DHHR | Children's Trust Fund - Transfer | \$300,000 | \$220,000 | -\$80,000 | -26.7% |
| MAPS | Adjutant General - State Militia | \$16,710,103 | \$15,524,044 | -\$1,186,059 | -7.1% |
| MAPS | Adjutant General - Military Fund | \$185,000 | \$171,125 | -\$13,875 | -7.5% |
| MAPS | Radiological Emergency Preparedness | \$30,105 | \$27,847 | -\$2,258 | -7.5% |
| MAPS | Federal Funds/Grant Match | \$705,110 | \$660,124 | -\$44,986 | -6.4% |
| MAPS | Mine and Industrial Accident Rapid Response Call Center | \$517,036 | \$482,949 | -\$34,087 | -6.6% |
| MAPS | Early Warning Flood System | \$542,159 | \$507,224 | -\$34,935 | -6.4% |
| MAPS | BRIM Premium | \$20,336 | \$18,811 | -\$1,525 | -7.5% |
| MAPS | WVU Charleston Poison Control Hotline | \$757,626 | \$700,804 | -\$56,822 | -7.5% |
| MAPS | WV State Police | \$108,508,032 | \$105,533,492 | -\$2,974,540 | -2.7% |
| MAPS | Fire Commission | \$75,069 | \$69,439 | -\$5,630 | -7.5% |
| MAPS | Child Advocacy Centers | \$1,502,466 | \$1,390,558 | -\$111,908 | -7.4% |
| MAPS | Division of Juvenile Services | \$35,859,133 | \$33,514,011 | -\$2,345,122 | -6.5% |
| Revenue | dept of revenue | \$27,796,939 | \$26,022,085 | -\$1,774,854 | -6.4% |
| Transportation | dept of transportation | \$6,717,821 | \$6,221,697 | -\$496,124 | -7.4% |
| Higher Education | New River Community and Technical College | \$5,832,608 | \$5,681,907 | -\$150,701 | -2.6% |
| Higher Education | West Virginia Council for Community and Technical Education | \$798,808 | \$773,248 | -\$25,560 | -3.2% |
| Higher Education | Eastern West Virginia Community and Technical College | \$1,942,971 | \$1,895,244 | -\$47,727 | -2.5% |
| Higher Education | Southern West Virginia Community and Technical College | \$8,536,576 | \$8,321,687 | -\$214,889 | -2.5% |
| Higher Education | West Virginia Northern Community and Technical College | \$7,301,620 | \$7,125,451 | -\$176,169 | -2.4% |
| Higher Education | West Virginia University - Parkersburg | \$10,328,724 | \$9,858,752 | -\$469,972 | -4.6% |

| | | | | | |
|------------------|--|---------------|---------------|--------------|-------|
| Higher Education | Mountwest Community and Technical College | \$5,876,134 | \$5,731,087 | -\$145,047 | -2.5% |
| Higher Education | Transit Training Partnership | \$74,000 | \$71,225 | -\$2,775 | -3.8% |
| Higher Education | Community College Workforce Development | \$849,150 | \$817,618 | -\$31,532 | -3.7% |
| Higher Education | Blue Ridge Community and Technical College | \$4,753,034 | \$4,640,378 | -\$112,656 | -2.4% |
| Higher Education | College Transition Program | \$308,488 | \$296,920 | -\$11,568 | -3.7% |
| Higher Education | West Virginia Advance Workforce Development | \$3,370,719 | \$3,245,095 | -\$125,624 | -3.7% |
| Higher Education | Technical Program Development | \$2,091,518 | \$2,013,086 | -\$78,432 | -3.8% |
| Higher Education | Pierpont Community & Technical College | \$7,810,425 | \$7,584,426 | -\$225,999 | -2.9% |
| Higher Education | Tuition Contract Program | \$1,316,697 | \$1,267,399 | -\$49,298 | -3.7% |
| Higher Education | Underwood-Smith Scholarship | \$200,000 | \$192,500 | -\$7,500 | -3.8% |
| Higher Education | Facilities Planning and Admin | \$2,000,000 | \$1,925,000 | -\$75,000 | -3.8% |
| Higher Education | WVNET | \$1,774,201 | \$1,720,914 | -\$53,287 | -3.0% |
| Higher Education | School of Osteopathic Medicine | \$7,264,642 | \$7,058,218 | -\$206,424 | -2.8% |
| Higher Education | Marshall Medical School | \$13,791,761 | \$13,416,420 | -\$375,341 | -2.7% |
| Higher Education | WVU-School of Health Sciences | \$17,574,081 | \$17,447,465 | -\$126,616 | -0.7% |
| Higher Education | WVU School of Health Sciences - Charleston Division | \$2,462,599 | \$2,412,341 | -\$50,258 | -2.0% |
| Higher Education | Rural Health Outreach Program | \$552,018 | \$533,232 | -\$18,786 | -3.4% |
| Higher Education | Bluefield State College | \$6,003,814 | \$5,856,558 | -\$147,256 | -2.5% |
| Higher Education | Concord University | \$9,294,046 | \$9,040,548 | -\$253,498 | -2.7% |
| Higher Education | Fairmont State University | \$16,281,666 | \$15,842,394 | -\$439,272 | -2.7% |
| Higher Education | Glenville State College | \$6,489,479 | \$6,318,177 | -\$171,302 | -2.6% |
| Higher Education | Shepherd University | \$10,224,351 | \$9,941,104 | -\$283,247 | -2.8% |
| Higher Education | West Liberty University | \$8,488,844 | \$8,255,151 | -\$233,693 | -2.8% |
| Higher Education | West Virginia State University | \$10,657,707 | \$10,380,591 | -\$277,116 | -2.6% |
| Higher Education | Marshall University | \$49,488,599 | \$48,150,638 | -\$1,337,961 | -2.7% |
| Higher Education | Marshall University Medical School BRIM Subsidy | \$924,653 | \$889,979 | -\$34,674 | -3.7% |
| Higher Education | West Virginia University | \$106,104,466 | \$102,799,869 | -\$3,304,597 | -3.1% |
| Higher Education | West Virginia University School of Medicine BRIM Subsidy | \$1,274,838 | \$1,227,032 | -\$47,806 | -3.7% |
| Higher Education | Jackson's Mill | \$320,048 | \$308,886 | -\$11,162 | -3.5% |
| Higher Education | West Virginia University Institute for Technology | \$8,620,982 | \$8,400,448 | -\$220,534 | -2.6% |
| Higher Education | VISTA E-Learning | \$273,172 | \$262,928 | -\$10,244 | -3.8% |
| Higher Education | State Priorities - Brownfield Professional Development | \$734,102 | \$706,574 | -\$27,528 | -3.7% |

| | | | | | |
|------------------|---|-------------|-------------|------------|--------|
| Higher Education | Rural Health Initiative - Medical Schools Support | \$437,975 | \$424,662 | -\$13,313 | -3.0% |
| Higher Education | WV Autism Training Center | \$1,922,742 | \$1,873,340 | -\$49,402 | -2.6% |
| Higher Education | West Virginia State University Land Grant Match | \$1,908,000 | \$1,673,390 | -\$234,610 | -12.3% |
| Higher Education | West Virginia University - Potomac State | \$4,270,762 | \$4,177,993 | -\$92,769 | -2.2% |

FY 2015 Budget Reductions – Lottery Revenue Fund

| Department | Agency/Program | FY 2013 Enrolled | FY 2014 Proposed | Reduction | Percent Change |
|------------------------|---|------------------|------------------|--------------|----------------|
| Commerce | West Virginia Development Office - Division of Tourism | \$8,921,634 | \$7,559,842 | -\$1,361,792 | -15.3% |
| Education | Assessment Program | \$3,240,572 | \$3,224,946 | -\$15,626 | -0.5% |
| Education and the Arts | Commission for National and Community Service | \$436,449 | \$406,625 | -\$29,824 | -6.8% |
| Education and the Arts | College Readiness | \$184,883 | \$81,277 | -\$103,606 | -56.0% |
| Education and the Arts | Division of Culture and History - Lottery Education Fund | \$5,227,761 | \$4,701,556 | -\$526,205 | -10.1% |
| Education and the Arts | Library Commission -Lottery Education Fund | \$18,507,637 | \$16,971,348 | -\$1,536,289 | -8.3% |
| Senior Services | Local Programs Service Delivery Costs | \$2,475,250 | \$2,435,250 | -\$40,000 | -1.6% |
| Senior Services | Area Agencies Administration | \$35,783 | \$0 | -\$35,783 | -100.0% |
| Senior Services | Senior Citizen Centers and Programs | \$1,143,132 | \$893,132 | -\$250,000 | -21.9% |
| Senior Services | Transfer to Division of Human Services for Health Care and Title XIX Waiver for Senior Citizens | \$21,935,090 | \$17,608,768 | -\$4,326,322 | -19.7% |
| Senior Services | Regional Aged and Disabled Resource Center | \$864,875 | \$425,000 | -\$439,875 | -50.9% |
| Senior Services | Legislative Initiatives for the Elderly | \$10,000,000 | \$9,671,239 | -\$328,761 | -3.3% |
| Senior Services | West Virginia Help Line | \$100,000 | \$0 | -\$100,000 | -100.0% |
| Senior Services | In-Home Services and Nutrition for Senior Citizens | \$4,500,000 | \$4,020,941 | -\$479,059 | -10.6% |
| Higher Education | Marshall Medical School - RHI Program and Site Support | \$429,115 | \$416,142 | -\$12,973 | -3.0% |
| Higher Education | WVU Health Sciences - RHI Program and Site Support | \$1,179,188 | \$1,141,355 | -\$37,833 | -3.2% |
| Higher Education | RHI Program and Site Support - District Consortia | \$2,015,526 | \$0 | -\$2,015,526 | -100.0% |
| Higher Education | RHI Program and Site Support - RHEP Program Administration | \$154,553 | \$148,758 | -\$5,795 | -3.7% |

| | | | | | |
|--------------------------------------|--|--------------|--------------|---------------|--------|
| Higher Education | RHI Program and Site Support - Grad Med Ed and Fiscal Oversight | \$89,882 | \$87,045 | -\$2,837 | -3.2% |
| Higher Education | Minority Doctoral Fellowship | \$136,586 | \$131,464 | -\$5,122 | -3.8% |
| Higher Education | Underwood-Smith Scholarship Program - Student Awards | \$141,142 | \$135,849 | -\$5,293 | -3.8% |
| Higher Education | Health Sciences Scholarship | \$229,047 | \$220,598 | -\$8,449 | -3.7% |
| Higher Education | Vice Chancellor for Health Sciences - Rural Health Residency Program | \$243,926 | \$235,588 | -\$8,338 | -3.4% |
| Higher Education | MA Public Health Program and Health Science | \$90,250 | \$83,481 | -\$6,769 | -7.5% |
| Higher Education | Marshall University Graduate College Writing Project | \$22,764 | \$21,911 | -\$853 | -3.7% |
| Higher Education | WV Engineering, Science, and Technical Scholarship Program | \$470,473 | \$452,831 | -\$17,642 | -3.7% |
| Higher Education | Health Sciences Career Opportunities Program | \$344,372 | \$333,177 | -\$11,195 | -3.3% |
| Higher Education | HSTA Program | \$1,750,000 | \$1,698,273 | -\$51,727 | -3.0% |
| Higher Education | Center for Excellence in Disabilities | \$318,701 | \$310,196 | -\$8,505 | -2.7% |
| West Virginia Infrastructure Council | Directed Transfer (Water Commission) | \$46,000,000 | \$26,000,000 | -\$20,000,000 | -43.5% |