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**Contact:** Ted Boettner or Sean O’Leary, 304-720-8682, [tboettner@wvpolicy.org](mailto:tboettner@wvpolicy.org) or [soleary@wvpolicy.org](mailto:soleary@wvpolicy.org)

## Confronting West Virginia’s Budget Gaps Time for State to Invest in its Future

(Charleston, WV) – Governor Earl Ray Tomblin’s final budget faces a familiar challenge of overcoming a deepening budget gap, while tackling a remaining shortfall from last year, by relying on the state’s Rainy Day Fund and another round of harmful spending cuts. “Confronting the Fiscal Gap,” released today by the West Virginia Center on Budget and Policy, explains how years of tax cuts, coupled with a struggling energy sector, have created a \$466 million budget gap for the upcoming fiscal year.

In order to balance the state’s budget, Governor Tomblin has proposed a mix of spending cuts, Rainy Day Fund transfers and a modest increase in the state’s tobacco tax and telecommunications services.

“While the governor has taken a good first step by proposing new revenues to get our fiscal house in order, it won’t be enough to tackle the state’s ongoing revenue problem that is leading to harmful cuts in higher education and other important investments that build a strong economy,” stated Ted Boettner, Executive Director with the West Virginia Center on Budget and Policy, and one of the report’s authors.

Another round of budget cuts, however, will again impact the state’s K-12 schools and its colleges and universities which have already faced \$120 million in cuts since 2008 (after adjusting for inflation).

“Fiscal Year 2017 marks the fourth year in a row that West Virginia is facing large budget cuts,” explained Sean O’Leary, Senior Policy Analyst with the West Virginia Center on Budget and Policy and coauthor of the report. “Instead of looking for more ways to cut state investments, lawmakers should be looking for new ways to use the state budget as tool to ensure future prosperity.”

Among the report’s recommendations:

- **Increase cigarette tax to at least \$1.55 per pack.** By increasing the cigarette tax to \$1.55 per pack and increasing the wholesale price on other tobacco products from seven percent to 50 percent, the state could collect an additional \$61 million beyond Governor Tomblin’s tobacco tax increase proposal of 45 cents per pack and 12 percent wholesale tobacco products tax.
- **Modernize sales tax on services.** West Virginia’s sales and use tax continues to have holes in it because it excludes many personal services (e.g., barber shops, nail salons, etc.) and digital downloads (software, music, games, etc.). Closing these tax expenditures could increase revenue by \$9.5 million annually.
- **Scale back or eliminate greyhound breeding subsidies.** A recent audit found that the **\$29 million** in annual lottery revenue that is used to subsidize greyhound racing in the state only yielded \$30 million in sales.