



West Virginia Budget at a Glance

West Virginia State Budget

The state budget for fiscal year 2017 is \$12.7 billion, which includes revenue from Federal Funds, Special Revenue, the State Road Fund, Lottery Funds and General Revenue. The General Revenue Fund, Lottery and Excess Lottery Funds are referred to as the Base Budget. The \$4.5 billion Base Budget contains most of the state's taxes, supports most government operations, and includes the largest share of money used for discretionary purposes. This is why the Base Budget receives the most scrutiny from lawmakers.

Over two-thirds of the Base Budget supports education and health and human services. Roughly 277,000 children are enrolled in the state's K-12 public school system, while 88,000 students are enrolled in West Virginia's public higher-education institutions. Approximately 620,000 West Virginians receive health care coverage with the Medicaid and CHIP programs through the Department of Health and Human Services.

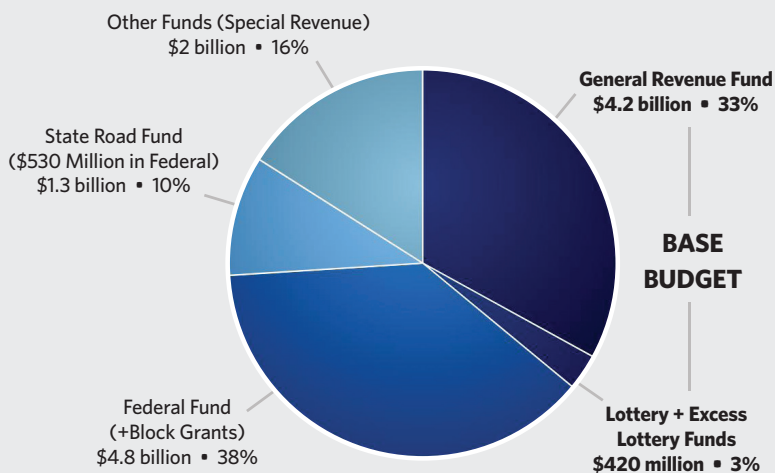
Over one-third of the state budget comes from the federal government, which largely consists of programs that are jointly funded by the federal government and the state such as Medicaid. Federal funding can also be found in the State Road Fund, which is also funded by the state's gasoline taxes, a sales tax on vehicles,

and vehicle registration fees. Through the Road Fund, the WV Department of Highways oversees 36,000 miles of roads in the state. Finally, the Special Revenue Fund consists of individual accounts created for specific purposes, and is mostly supported by permits, licenses, fees, and special taxes, such as the Health Care Provider Tax to help fund Medicaid.

While the state must pass a balanced budget each year, it also has spending commitments that will not come due for years, like pensions and retiree health care, or bonds issued to pay for infrastructure projects. In recent years that the state has faced a revenue shortfall, the budget has been balanced by using money from the state's Rainy Day Fund.

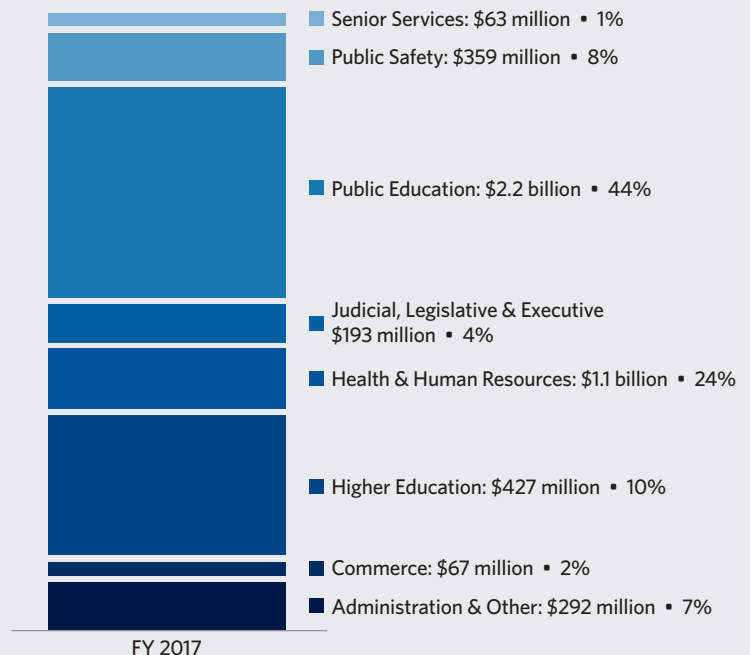
West Virginia ranks 32nd highest in combined state and local spending per capita.¹ Over half of local spending in West Virginia goes to K-12 education.

FY 2017 Budget



Source: WV State Budget Office.

Total Base Budget \$4.5 billion



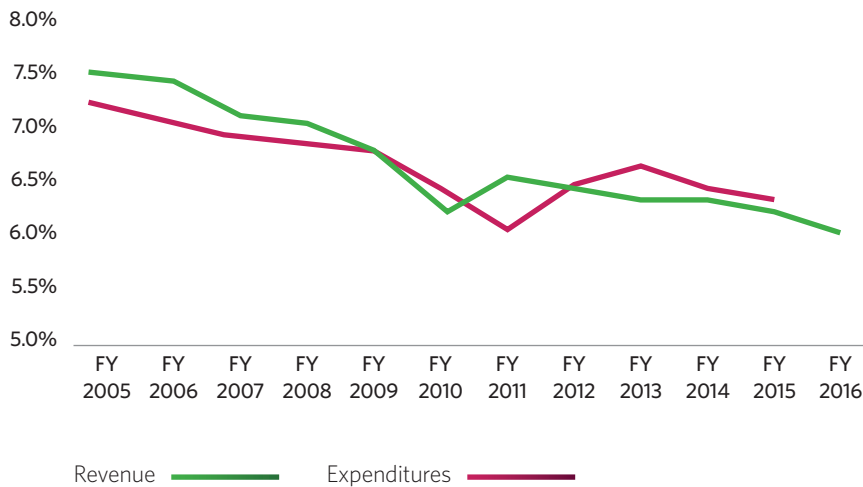
FY 2017

Off-Budget Spending

- In addition to what is appropriated in the budget, West Virginia spends hundreds of millions of dollars through the tax code.
- Tax expenditures are forgone revenue from tax credits, special exemptions, deductions, rebates, and rate reductions. Like spending in the state budget, tax expenditures work to achieve a policy goal.

- Tax expenditures have the same effect on the budget as spending, but are not included in the appropriation process.
- For FY 2017, the cost of the state's major tax expenditures was approximately \$368 million.²

General Revenue as a Share of State Personal Income

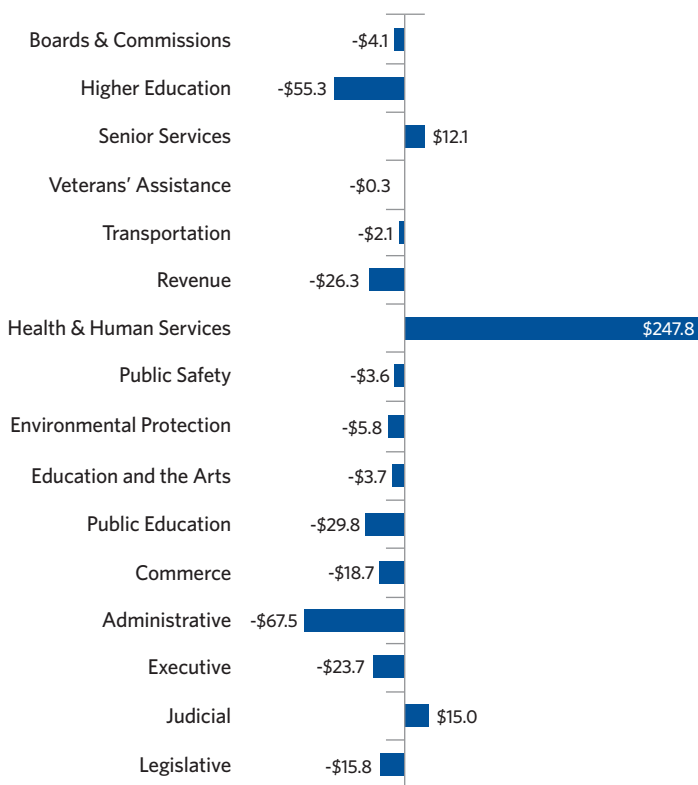


Source: WV State Budget Office and Bureau of Economic Analysis.

General Revenue Decline

- The General Revenue Fund is primarily made up of tax revenue, including the income, sales, and severance taxes.
- The General Revenue Fund pays for important programs including public education, correction and public safety, health care, social services, and higher education.
- Tax cuts and the declining coal industry have eroded the General Revenue Fund in recent years, shrinking it as a share of the state's economy.

Almost Every Part of Budget Cut Between 2012 - 2017 (in Millions)



Source: West Virginia State Budget Office (Note: Senior Services was not funded through the General Revenue Fund in FY 2012).

State Spending Down Across the Board

- Declining revenue has led to persistent budget gaps for West Virginia since 2014, which have largely been closed with spending cuts and transfers from the Rainy Day Fund.
- With the exception of Medicaid and the Supreme Court, General Revenue spending has fallen in every major budget area from FY 2012 to FY 2017.
- In particular, funding for Higher Education has fallen sharply. Adjusting for inflation, state funding for Higher Education has dropped by \$131 million, or 22 percent, since FY 2008.

Long-Term Fiscal Health

- West Virginia must pass a balanced budget each year, but also has spending commitments that will not come due for years, like pensions, and can also borrow for infrastructure projects.
- West Virginia's per capita long-term debt obligation is \$1,742, below the national average of \$2,461.³
- West Virginia has not fully funded its pension promises for retirees. The state's assets for funding its pension account for 67.1 percent of its pension liabilities. The national pension funding ratio average is 71.8 percent.⁴
- West Virginia compares favorably to most states when it comes to reserve funds. The state's Rainy Day Funds have a total balance of \$688.5 million as of September 30, 2016, or roughly 16 percent of the General Revenue Fund, although the balance has declined in recent years.⁵ For FY 2015, West Virginia had the fifth-strongest reserve fund balance in the country, with enough reserves to fund state government operations for 111 days, compared to the national median of 29 days.⁶

1) U.S. Census Bureau, 2013 Survey of State and Local Government Finance and Bureau of Economic Analysis.

2) West Virginia State Budget Office, Governor's Proposed FY2017 Executive Budget, Volume 1.

3) The Pew Charitable Trusts, Fiscal 50: State Trends and Analysis, States' Fiscal Health.

4) Ibid.

5) West Virginia State Budget Office, State of West Virginia Revenue Shortfall Reserve Funds Report, August 2016.

6) The Pew Charitable Trusts, Fiscal 50: State Trends and Analysis, States' Fiscal Health.