

State of West Virginia's Budget Forecast

West Virginia Higher Education Board of Governor's Summit

August 2013

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State Budget Office

The West Virginia Fiscal Picture

Little or No Revenue Growth in FY 2014

Coal Mining in decline; Will Gas pick up slack?

Foreign Exports key to growth – Declining in 2013

Baby Boomers now becoming senior citizens

Transfer Payments growing

Teacher Retirement System: Only 20 More Years Funding with 10%+
of Total General Revenue

Workers' Compensation Solvent by CY2016?

Federal Health Care & Medicaid

National Fiscal Concerns

Major U.S. Cities Pension Funds Stressed

Detroit in Bankruptcy, Chicago downgraded due to \$19 Billion unfunded pension debt

Illinois - just 5 years from exhausting its pension fund.

(Unfunded liabilities at \$96 Billion and climbing)

Nationwide Public Retirement Systems – The number of retirees is growing 5 times faster than the number of working members.

Federal Government accumulates over \$1.75 Billion of new debt every day.

Estimated FY13 Federal government expenditures \$3.455 Trillion

Estimated FY13 Federal government receipts \$2.813 Trillion

Estimated FY13 Federal government deficit \$0.642 Trillion

Future deficits are still predicted to be \$630 Billion per year even with current budget adjustments

Medicare, Medicaid & Social Security make up 62% of Federal spending

Federal Government's accumulated debt continues to grow - \$16.7 TRILLION.

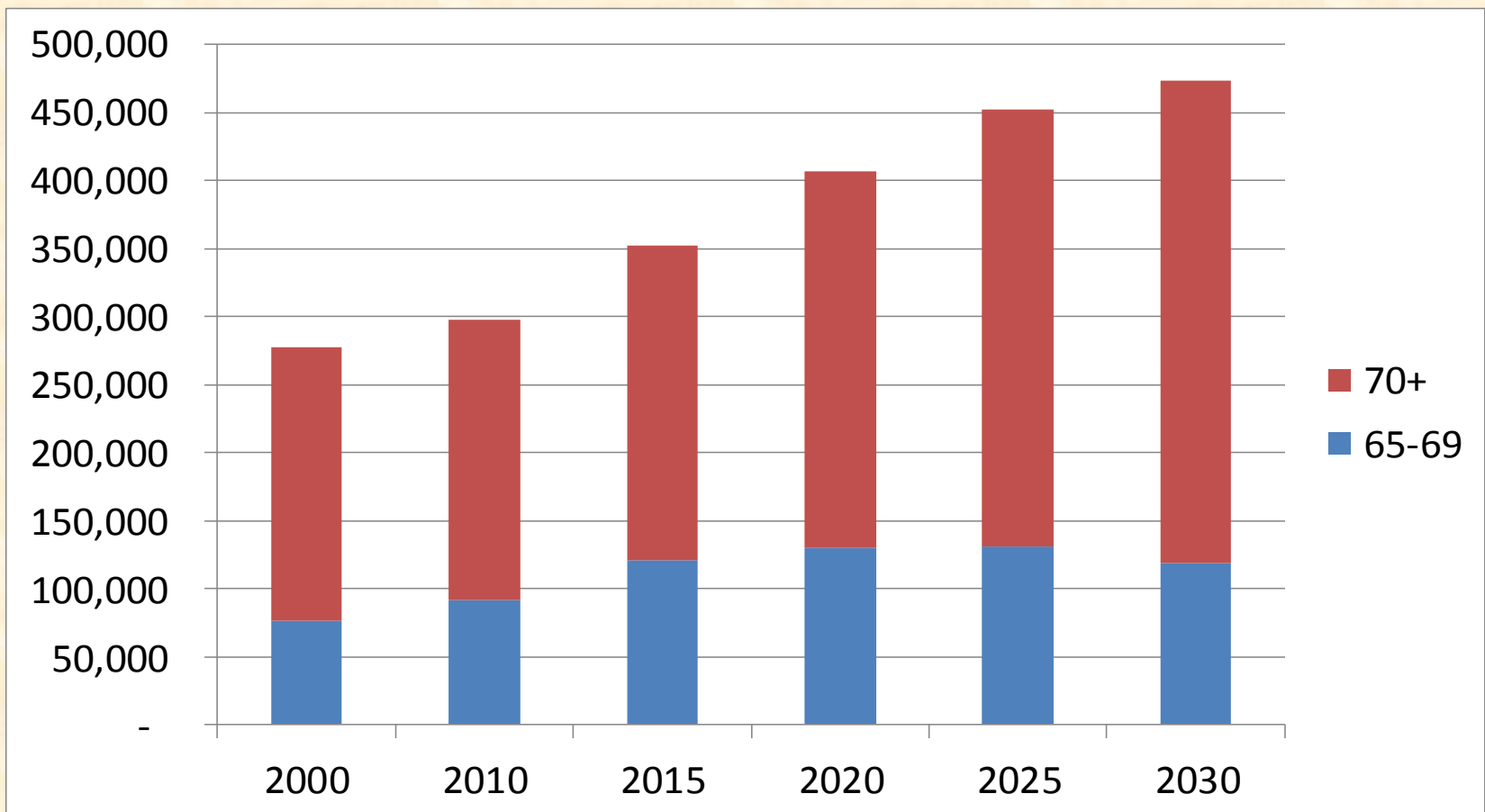
(debt per citizen \$53,000, debt per taxpayer \$148,000)

US Debt Ceiling is \$16.7 Trillion - another budget battle looming this Fall

US GDP as of June 2013 = \$16.5 Trillion

Senior Population to Rise 37% within 10 Years

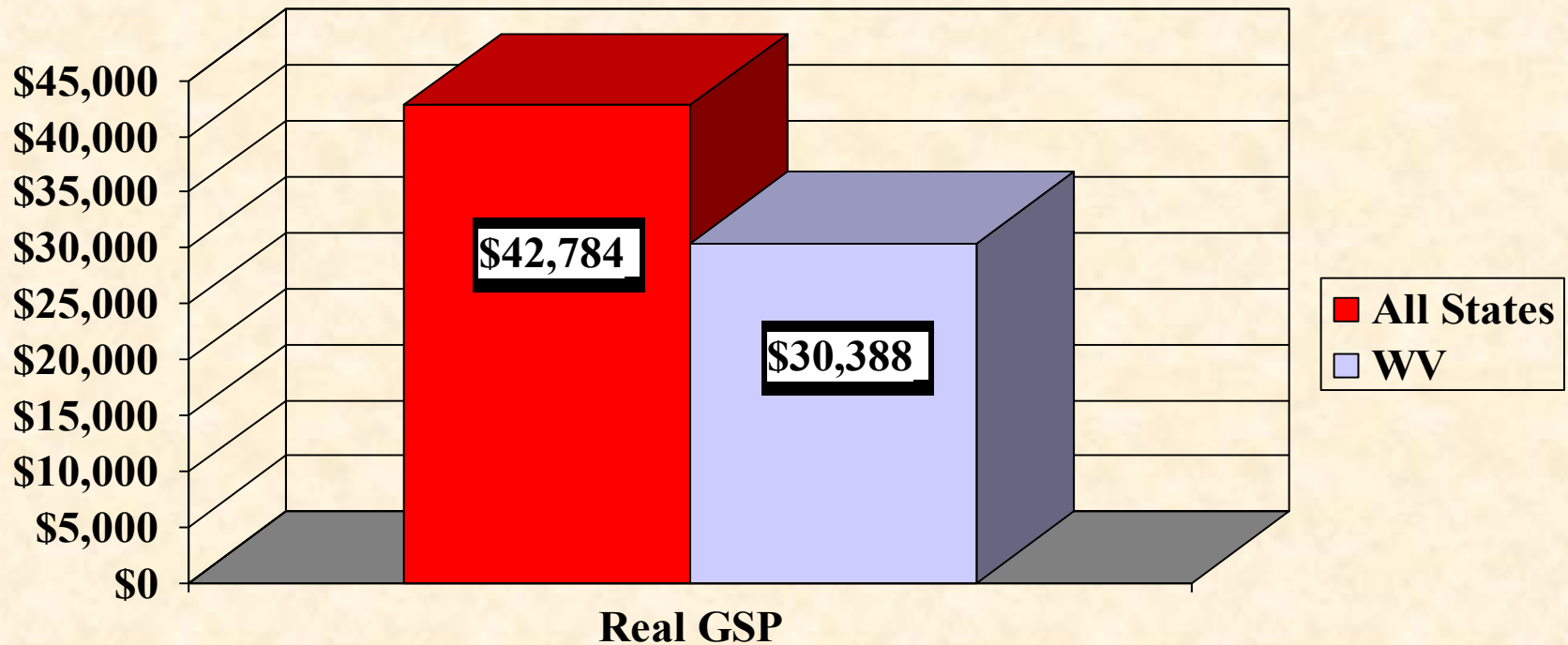
Source: WV University Bureau of Business & Economic Research



Per Capita GSP Much Lower in West Virginia

Lower Than Average Capacity To Raise Revenue

Source: U.S. Bureau of Economic Analysis-2012

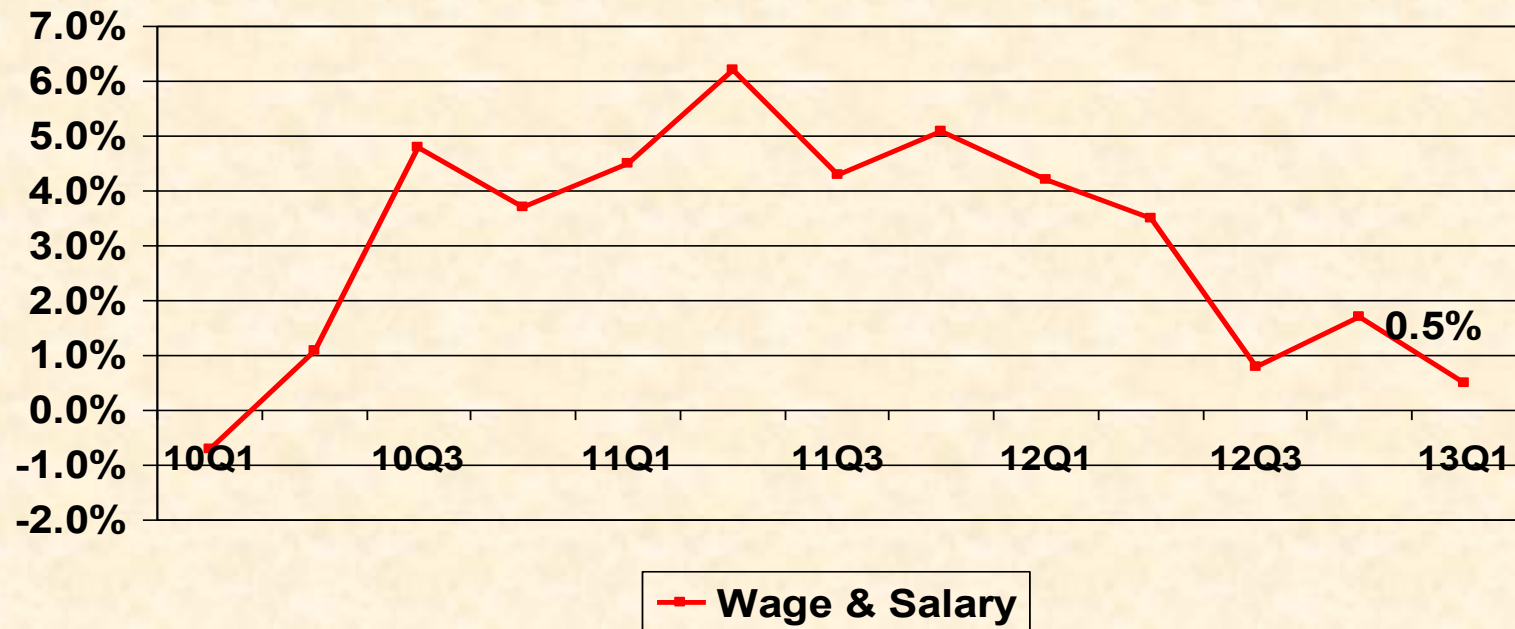


Wage Growth Very Sluggish Over Past Year

Quarterly Wage & Salary Income Growth Trend -West Virginia

Source: U.S. Bureau of Economic Analysis

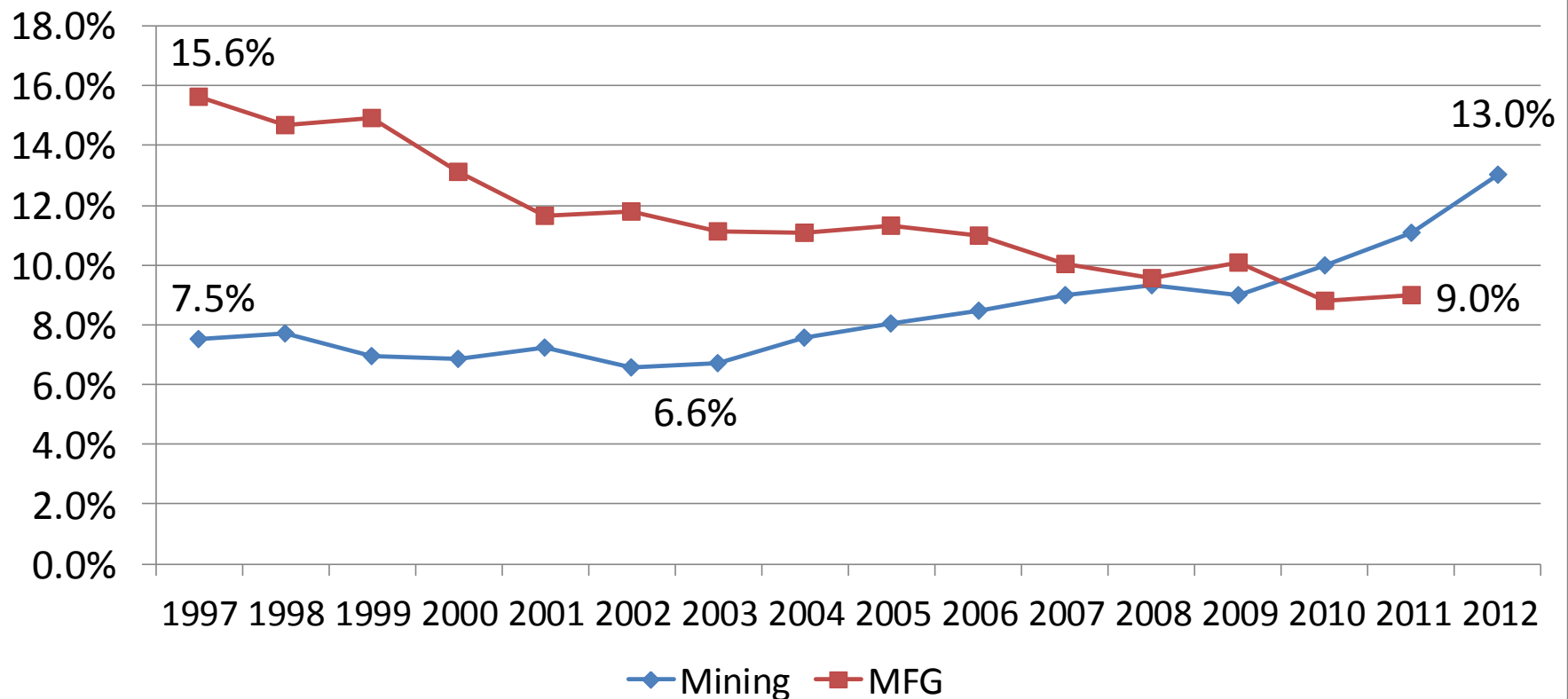
Seasonally Adjusted Annual Rate



Mining Industry Share of Economy Grows 2002-2012

Source: U.S. Bureau of Economic Analysis

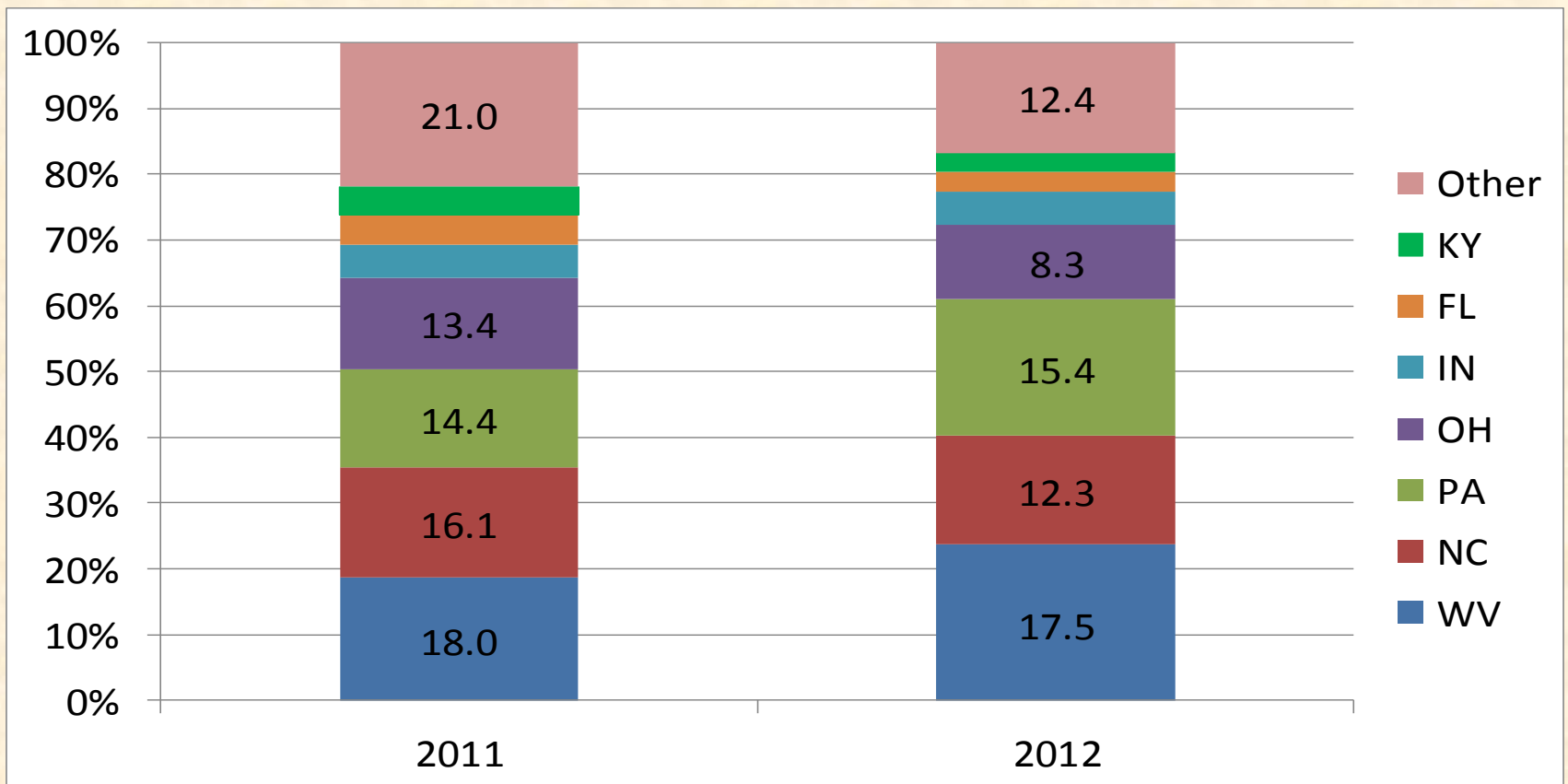
Mining vs Manufacturing Share of Current \$ WV GDP



Domestic Distribution of WV Coal

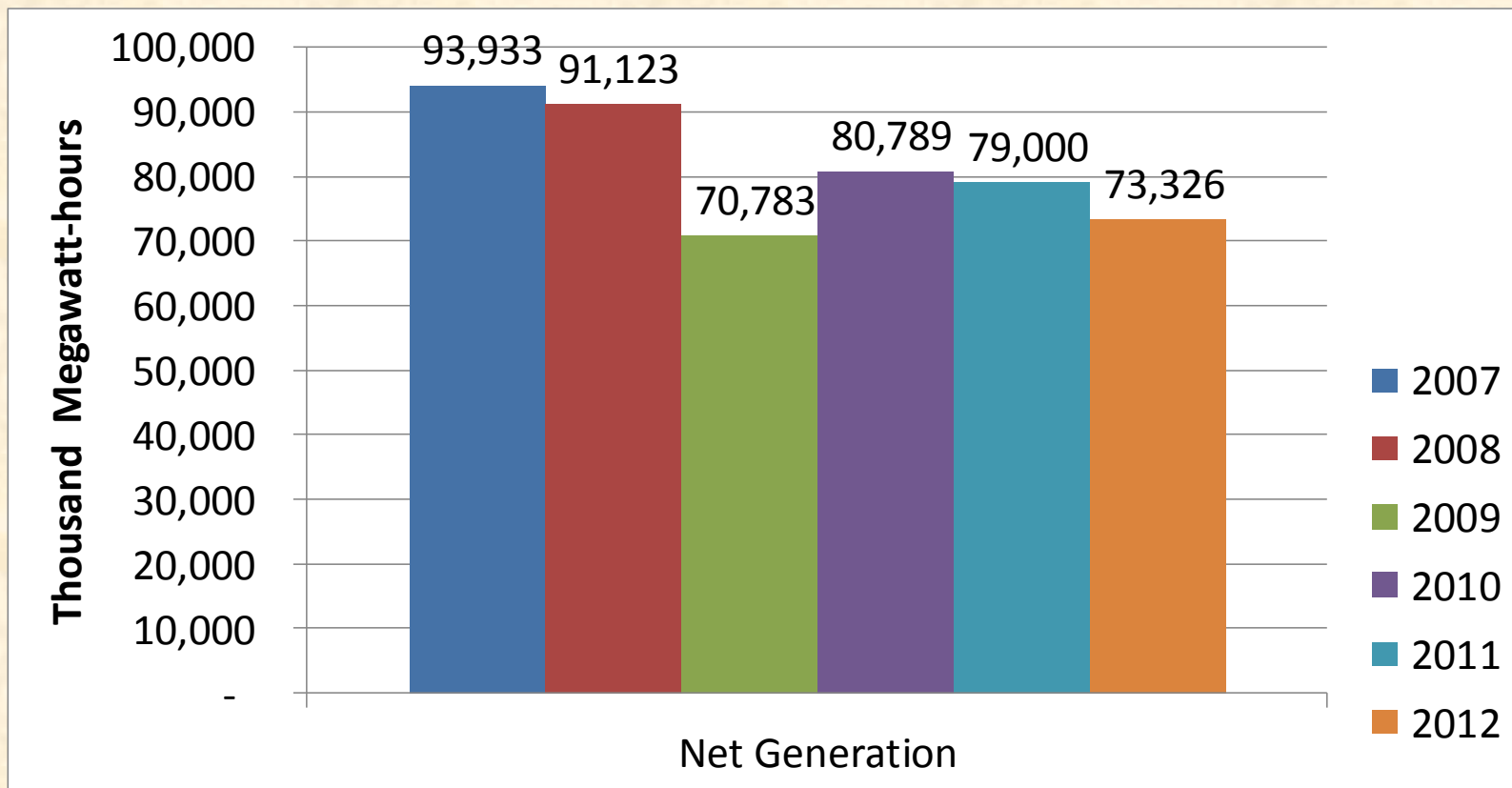
Sales to 24 States-Domestic Distribution Down 23% in 2012

Source: U.S. Department of Energy



West Virginia Electric Power Generation: Down 7.2% in 2012 & 21.9% Below 2008

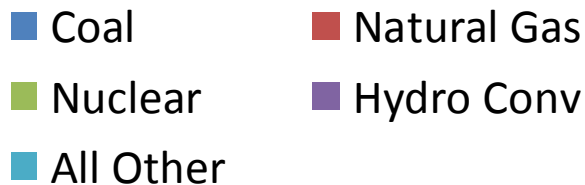
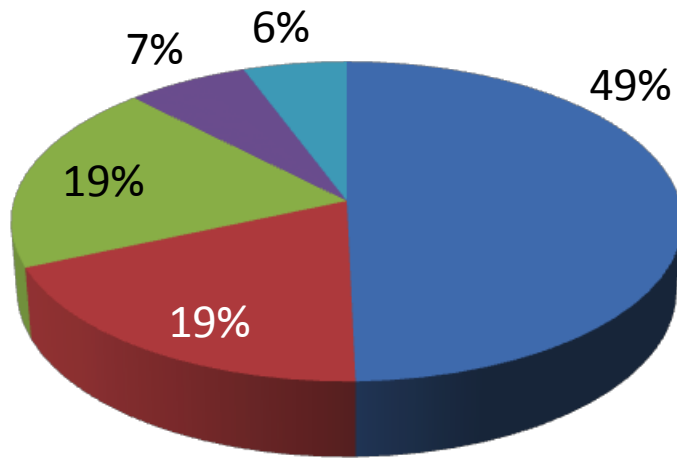
Source: U.S. DOE, Energy Information Administration



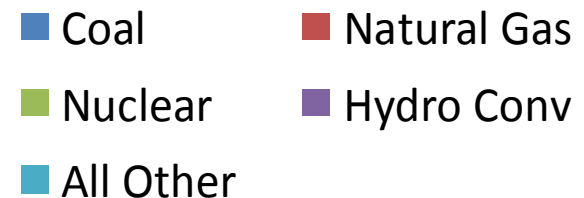
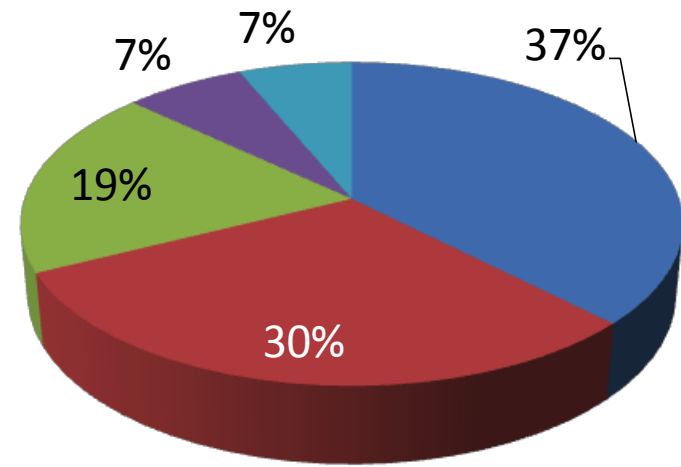
Electric Power: Coal Losing Market Share to Gas

Source: U.S. Energy Information Administration

Net Generation 2005

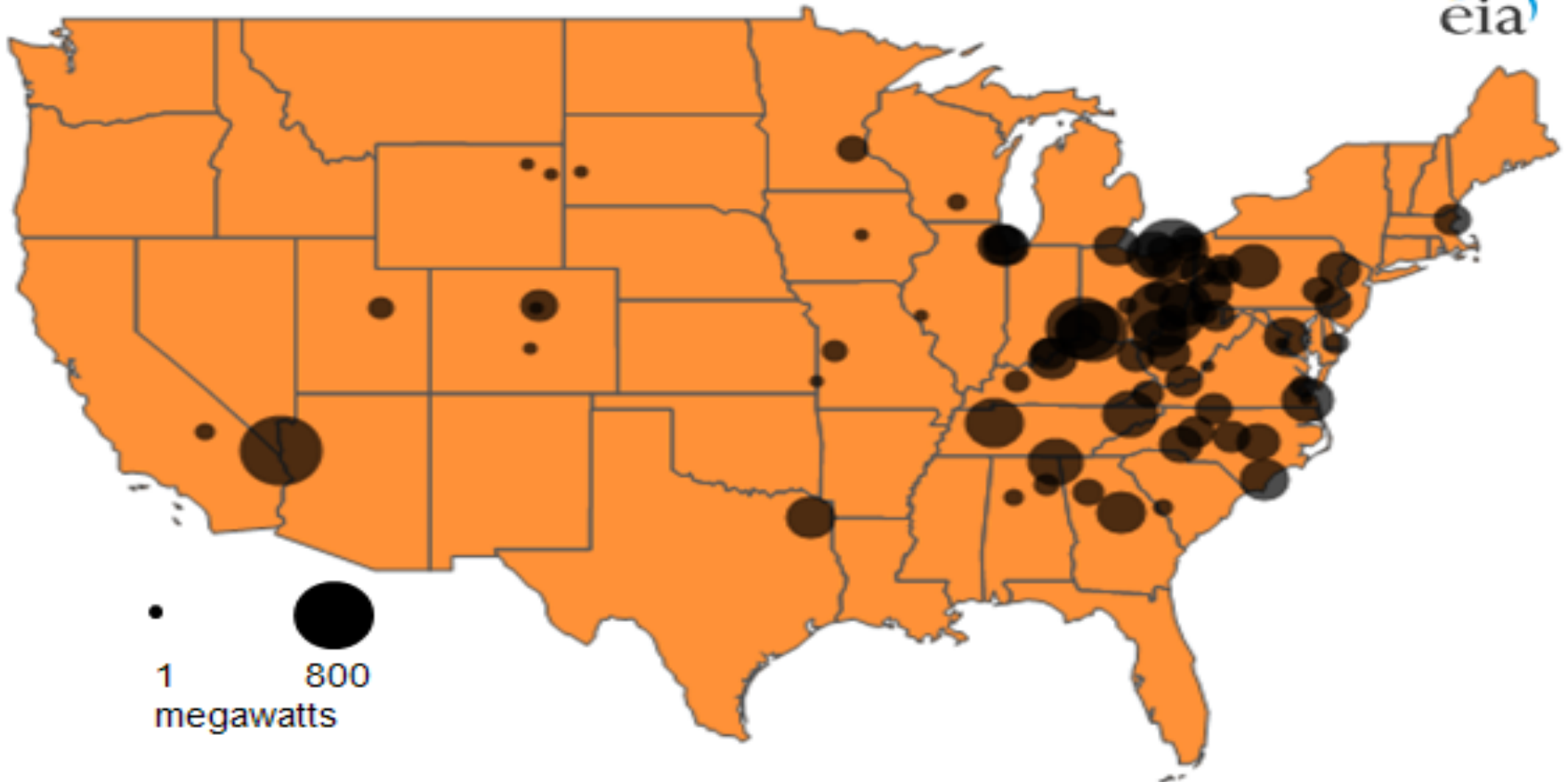


Net Generation 2012



27 Gigawatts (8.5%) of Coal-Fired Capacity To Retire

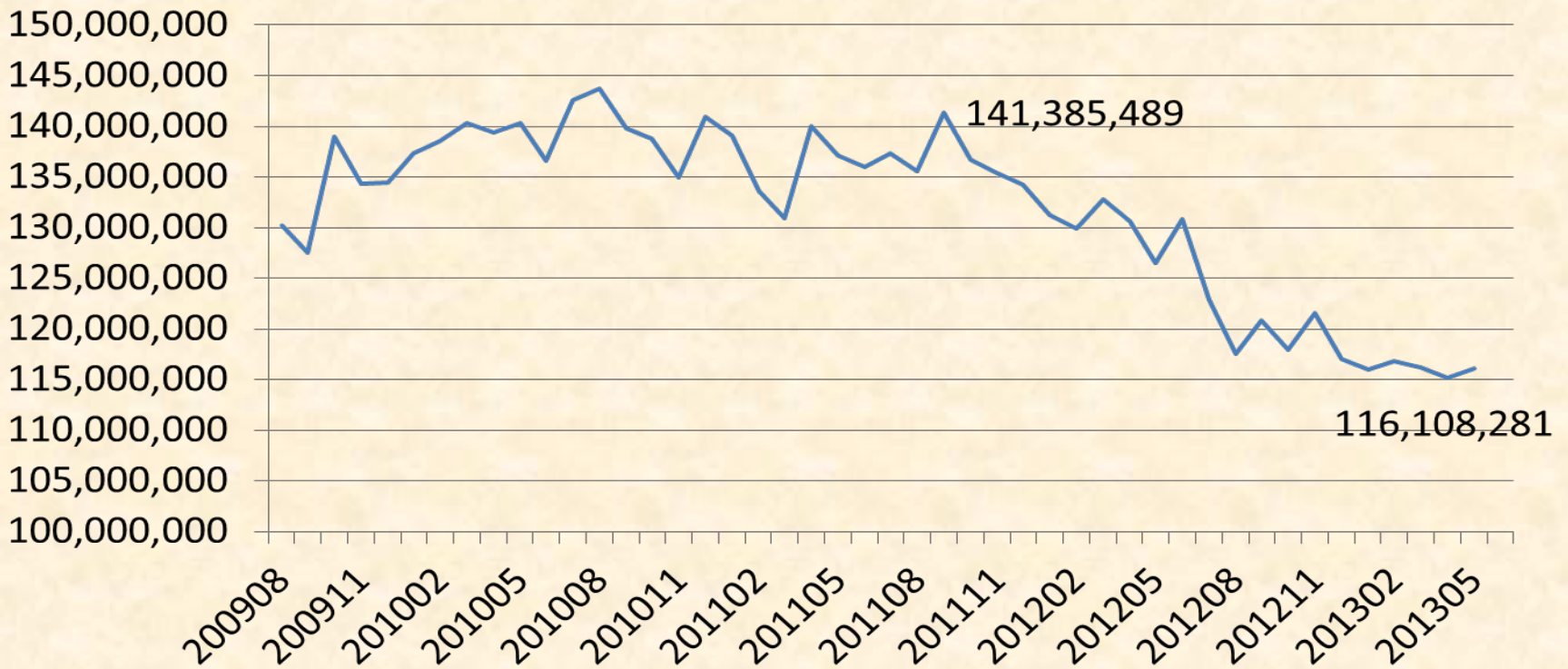
Reported Coal-fired generator retirements, 2012 - 2016



12 Month Trailing Trend - Coal Sales

Workers' Compensation Severance Tax Return Data

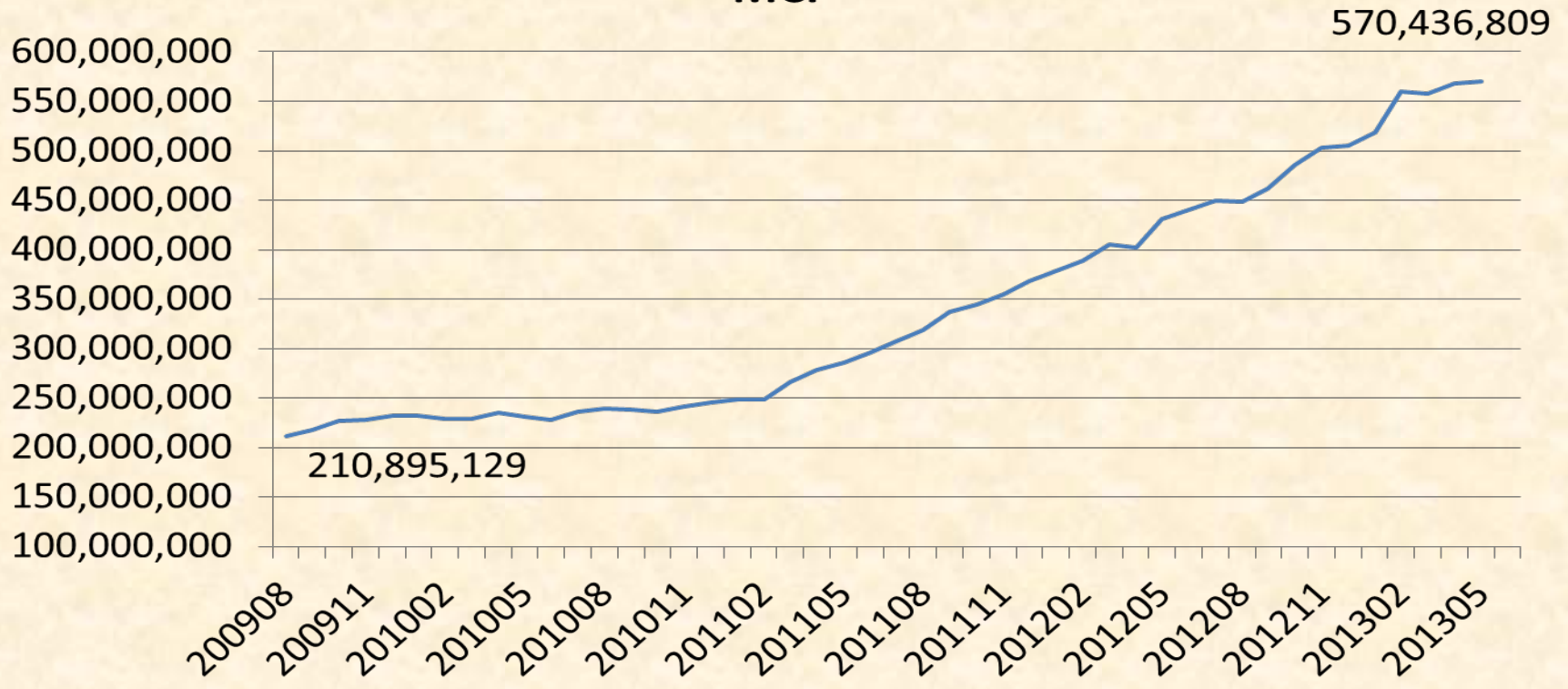
Tons



12 Month Trailing Trend: Taxable Natural Gas Sales

Workers' Compensation Severance Tax Return Data

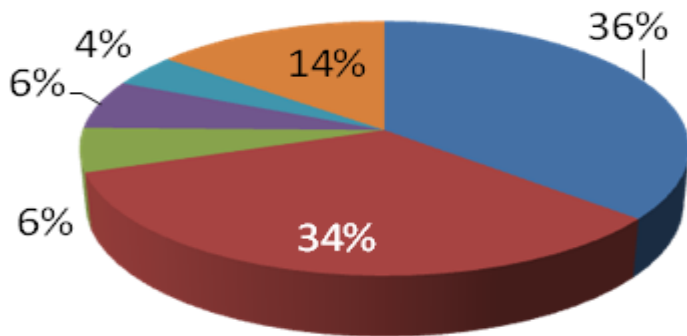
MCF



General Revenue Fund: Sources of Revenue

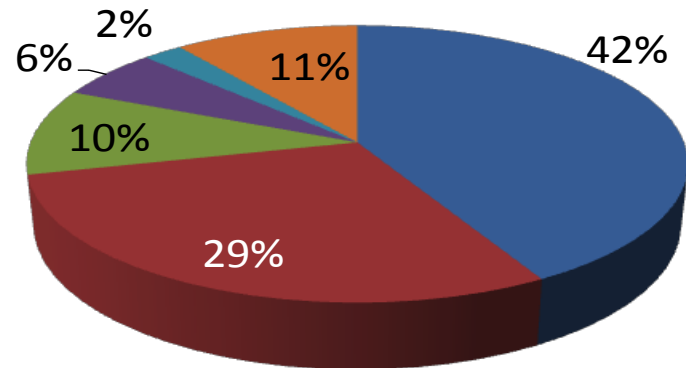
More Reliance on Severance Tax & Income Tax
From 42% to 52%

General Revenue 2003



■ PIT ■ Sales & Use
■ Severance ■ CNIT
■ Lottery ■ All Other

General Revenue 2013



■ PIT ■ Sales & Use
■ Severance ■ CNIT
■ Lottery ■ All Other

State of West Virginia
General & Lottery Appropriations

<u>Department</u>	<u>FY 2009</u>	<u>% of total</u>	<u>FY 2014</u>	<u>% of total</u>
Public Education	1,918,411,298	44.24%	2,075,009,882	46.10%
Health & Human Resources	\$ 862,091,049	19.88%	\$ 982,565,987	21.83%
Higher Education	483,015,423	11.14%	483,031,845	10.73%
All Others	1,073,107,891	24.75%	960,888,869	21.35%
Total	\$ 4,336,625,661		\$ 4,501,496,583	

State Of West Virginia General & Lottery Revenues

(in millions \$)

	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
General	Actual	Actual	Actual	Actual	Actual	Budget	Estimate	Estimate	Estimate	Estimate
Personal Income Tax	1,558	1,447	1,593	1,689	1,746	1,767	1,872	1,980	2,144	2,241
Sales / Use Tax	1,110	1,096	1,148	1,216	1,193	1,204	1,231	1,256	1,304	1,360
Corporate Net Income	270	233	303	188	238	230	218	209	192	183
Severance Tax	360	400	441	468	410	431	454	440	421	409
All Others	604	582	579	542	517	504	495	525	560	561
total	3,902	3,758	4,064	4,103	4,104	4,136	4,270	4,410	4,621	4,754
% change		-3.7%	8.1%	1.0%	0.0%	0.8%	3.2%	3.3%	4.8%	2.9%
Lottery										
Racetrack Video	310	275	258	274	230	174	172	172	172	172
Limited Video	206	199	199	265	204	188	188	188	188	188
Traditional Games	41	40	36	46	38	32	32	32	32	32
Table Games	18	17	32	38	34	32	32	32	32	32
total	575	531	525	623	506	426	424	424	424	424
% change		-7.7%	-1.1%	18.7%	-18.8%	-15.8%	-0.5%	0.0%	0.0%	0.0%

Rainy Day Funds Balances As of June 30

		Rainy Day <u>Part A</u>		Rainy Day <u>Part B</u>		Rainy Day <u>Total</u>	% of Gen Rev <u>Approvs</u>
1995	\$	20,564,051			\$	20,564,051	
1996		54,706,193				54,706,193	
1997		57,370,043				57,370,043	
1998		67,562,784				67,562,784	
1999		64,580,523				64,580,523	
2000		73,218,878				73,218,878	
2001		79,085,244				79,085,244	
2002		56,178,309				56,178,309	
2003		57,750,613				57,750,613	
2004		53,574,931				53,574,931	
2005		79,302,478				79,302,478	2.29%
2006		124,153,400	\$	234,897,672		359,051,072	9.97%
2007		235,075,887		279,869,088		514,944,975	13.75%
2008		289,801,853		291,275,043		581,076,896	14.65%
2009		236,619,573		236,006,003		472,625,575	11.99%
2010		276,949,590		279,073,100		556,022,690	14.65%
2011		342,320,538		316,806,578		659,127,115	17.38%
2012		523,689,609		327,698,977		851,388,585	20.06%
2013		557,992,969		356,472,702		914,465,671	21.09%
Today		552,195,242		348,811,176		901,006,419	21.78%

General & Lottery Funds
FY 2015
Summary of Requested 7.5% Budget Cuts
(in \$s)

Department	Beginning Base Budget	Excluded from 7.5% cut	7.5% cut
Legislative	24,742,872	24,742,872	0
Judicial	121,511,992	121,511,992	0
Executive	44,348,629	0	3,326,147
Administrative	81,580,118	55,524,381	1,954,180
Commerce	76,737,309	18,067,125	4,400,264
Public Education	2,109,458,877	1,995,102,696	8,576,714
Education & The Arts	51,179,440	14,171,778	2,775,575
Environmental Protection	7,739,841	0	580,488
Health & Human Services	1,085,999,074	920,542,399	12,409,251
Military Affairs & Public Safety	365,876,222	217,641,492	11,117,605
Revenue	39,796,939	12,000,000	2,084,770
Transportation	6,717,821	0	503,837
Veterans' Assistance	11,321,694	6,836,188	336,413
Senior Services	63,049,496	40,736,458	1,673,478
Higher Education	482,429,969	49,000,000	32,507,248
Miscellaneous Boards	66,400,000	66,400,000	0
Total	4,638,890,293	3,542,277,381	82,245,968

**Six Year Financial Plan
Through FY 2018
General & Lottery Revenues**
(In Thousands \$) (as of 8/9/2013)

DRAFT

	Actual 2013	Budgeted 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Estimated Revenue						
General Revenue	\$4,104,138	\$4,136,001	\$4,270,201	\$4,410,171	\$4,620,600	\$4,754,050
General Revenue - Surplus from previous FY	214,765	0	0	0	0	0
Lottery	177,308	136,982	127,955	127,956	127,956	127,956
Lottery - Surplus from previous FY	(4,491)	35,481	0	0	0	0
Excess Lottery	202,988	163,922	170,949	170,949	170,949	170,949
Excess Lottery - Surplus from previous FY	(5,023)	96,544	0	0	0	0
Total Available	\$4,689,685	\$4,568,930	\$4,569,105	\$4,709,076	\$4,919,505	\$5,052,955
Estimated Expenditures						
Base Budget		\$4,520,291	\$4,638,891	\$4,852,509	\$4,932,979	\$5,072,373
Expenditure Growth:						
Retirement Systems	538,250	38,923	2,000	2,000	2,000	2,000
Medicaid	426,063	149,695	99,213	36,058	49,686	56,862
PEIA	338,424	(3,647)	21,000	28,000	24,000	17,000
Salary Enhancements	0	6	50,575	0	51,000	0
Public Education	1,412,901	(11,321)	55	512	573	752
Higher Education	486,882	(26,719)	500	0	(3,000)	0
All Other	1,317,771	(28,337)	40,275	13,900	15,135	13,000
Total Ongoing Base Budget	\$4,520,291	\$4,638,891	\$4,852,509	\$4,932,979	\$5,072,373	\$5,161,987
One Time Expenditures & Adjustments	135,516	(48,931)	24,580	35,000	5,000	5,000
Estimated Balance (Gaps)	\$33,878	(\$21,030)	(\$307,984)	(\$258,903)	(\$157,868)	(\$114,032)

Note: This six-year financial plan is a tool for analyzing future budgets and any gaps must be balanced.