

# BUDGET ADVISORY COMMITTEE

December 16, 2009

<input type="checkbox"/> Robert Parker	<input type="checkbox"/> Lawrence Smith	
<input type="checkbox"/> Mark Addesa	<input type="checkbox"/> Booker, Mildred	<input type="checkbox"/> Paula Beasley
<input type="checkbox"/> Brunetta Dillard	<input type="checkbox"/> Ronald Duerring	<input type="checkbox"/> Shafer, Patricia
<input type="checkbox"/> Robert Huston	<input type="checkbox"/> Islam, Mahmoodal	<input type="checkbox"/> Judd, Phil
<input type="checkbox"/> Tom Guetzloff	<input type="checkbox"/> Michael Lewis	<input type="checkbox"/> Magan, Jack
<input type="checkbox"/> Jamie McKay	<input type="checkbox"/> Parrish, Carmen	<input type="checkbox"/> Porterfield, William
<input type="checkbox"/> Brett Mannon	<input type="checkbox"/> Ulises Toledo	<input type="checkbox"/> Tersina Neely
<input type="checkbox"/> Brittany Jackson	<input type="checkbox"/> Greg Epps	

## Agenda

1. Call to Order
2. Approval of Agenda
3. Reports:
  - a. Finance Summit
  - b. HEPC Memorandums
4. New Business
5. Meeting Schedule (Third Thursday)
6. Adjournment

January 21, 2010

12:30 P.M.

HEPC Finance Summit November 19, 2009

Comments during HEPC Finance Summit in Morgantown on November 20, 2009

***“We have 16 months to plan for the economic downturn in West Virginia that we can not avoid”***

Dr. Brian Noland

Chancellor West Virginia Higher Education Policy Commission

***“The way we have always done things are no longer sustainable”***

Dr. Ellen-Earle Chaffee

Association of Governing Boards of Universities and Colleges

***“Its coming - medicaid expenditures at the state level are uncontrollable”***

Dennis P. Jones

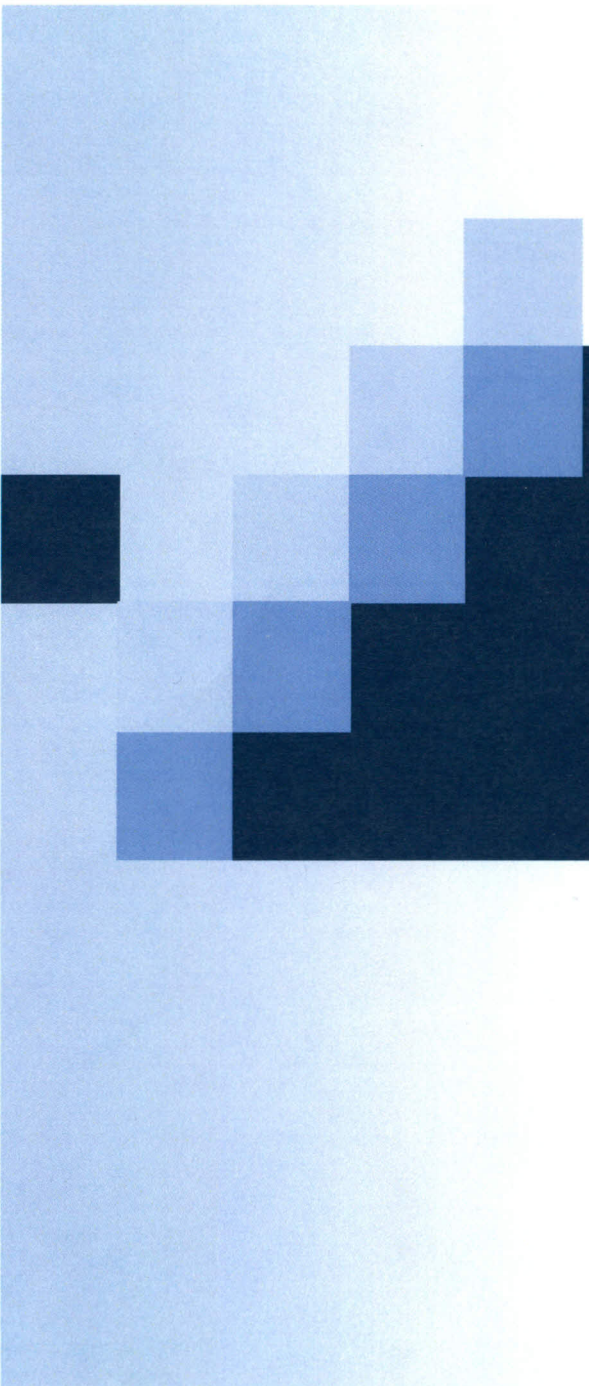
President National Center for Higher Education Management systems

***“We need to reduce costs and increase productivity”***

***“We need to develop different habits in the future, a cultural change”***

Jane V. Wellman

Executive Director of Delta Project on Postsecondary Costs, Productivity, and Accountability



# West Virginia - State Government Budget Forecast

Presented by:

Mike McKown, Director  
State Budget Office  
November 2009





## ■ Current National Notes

- The National Debt has soared past \$10 Trillion.
- Federal funds replace sales taxes as the largest source of money for states.
- National household income is projected to fall almost 9% over 2008 & 2009.
- States' revenue growth the next 5-10 years – 1/2 the average of the past 30 years.
- In fiscal 2009, states reduced General Fund by 4.8%. 42 states made mid-year cuts.
- In fiscal 2010, states reduced General Fund by 4.0%. 35 states below FY 2009 level.
- FY2009 & FY2010 - First time that state spending has declined in back to back years.
- Worst budget years for states are the 2 years after the national recession is over.



# State Of West Virginia Major Funding Challenges

## Workers' Compensation

Brickstreet - assumed all liabilities after 7/1/05  
State retained all liabilities prior to 7/1/05  
Unfunded liability - \$2.061B @ 6/30/06, \$1.96B @ 6/30/07, \$1.51B @ 6/30/08  
7/1/08 - Workers' compensation insurance market was opened to competition

## Medicaid

Provides insurance coverage for 386,000 West Virginians  
For every \$1 the State invests, the Federal government matches \$3 (\$4 stimulus)  
State funding has increased from \$334 million in 1995 to \$713 million in 2010  
Federal funding has increased from \$1 billion in 1995 to about \$2.1 billion in 2010  
Without program changes, costs estimated to increase 4.5% per year  
Costs cannot be controlled with budget restrictions or caps  
Operates as an entitlement program - eligible if you meet the established criteria

## PEIA

Premium cost sharing - 80% employer, 20% employee.  
General Revenue funding (at current benefits level)  
- requires additional funding the next 4 years of \$486 million.

## OPEB

Other Post Employment Benefits  
Retiree health care liability  
Costs should be associated with the periods in which the exchange occurs  
Currently funded on a "pay-as-you-go" basis  
FY 08 budget appropriated \$40 million, FY 09 budget appropriated \$77 million, FY10 \$0  
Unfunded liability at 6/30/08 was \$6.1 billion (estimated to be \$6.7 billion at 6/30/09)  
Unfunded liability - additional funding in FY11 of \$703 million would be required to fully fund



## State of West Virginia Major Funding Needs

<b>State Capitol Complex:</b>	
Buildings 5,6,7 renovations	\$85,300,000
 <b>Infrastructure - Drinking Water &amp; Wastewater:</b>	
21% of WV population is not connected to public water supply; Current needs to assure reliable supply of safe drinking water.	\$724,000,000
45% of WV population is not connected to public wastewater system; Current needs for sewer infrastructure.	1,800,000,000
Sewer Overflow abatement	1,100,000,000
Total Infrastructure needs	<u>\$3,624,000,000</u>
 <b>Agencies' Projected Major Capital Outlay Needs for FY 10</b>	
Additional Needs above FY 09 Funded Amounts	\$310,000,000
 <b>New State Accounting System</b>	\$60,000,000
 <b>Corrections (Prison Overcrowding Recommendations)</b>	\$250,000,000
 <b>Major Highway Construction Needs</b>	\$25,000,000,000
Bridge Replacement (over 60 yrs old)	\$2,500,000,000
 <b>K-12 School Buildings (10 year plans)</b>	\$1,700,000,000
 <b>Old Workers' Comp (@ 6/30/08)</b>	\$1,507,000,000
<b>Unfunded Liabilities in Retirement Systems (@ 6/30/08)</b>	\$4,968,707,000
<b>OPEB (@ 6/30/08)</b>	\$6,107,823,000
 <b>Total State Needs</b>	<u>\$46,112,830,000</u>

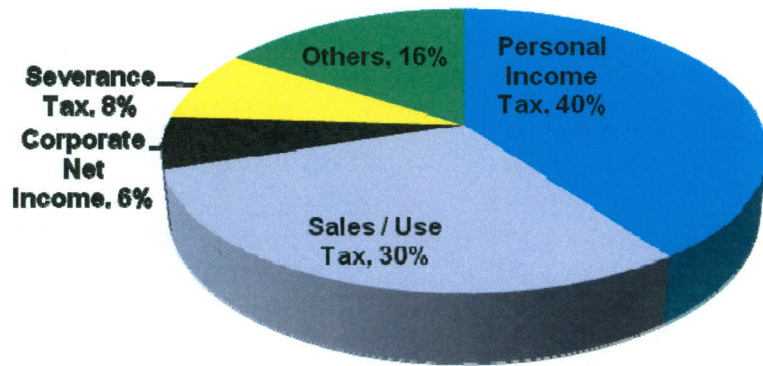


**State Of West Virginia  
General & Lottery Revenues  
(in Thousands \$)**

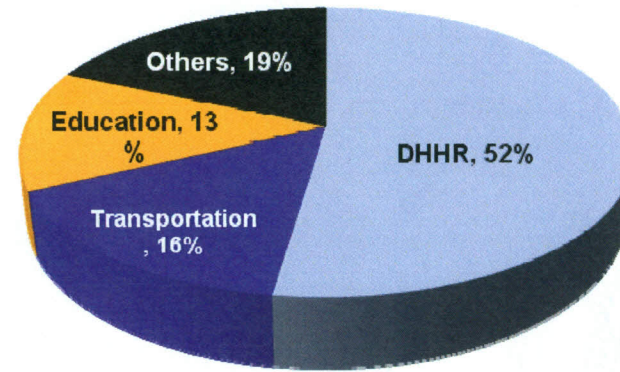
	FY 06	FY 07	FY 08	FY 09	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
General	Actual	Actual	Actual	Estimate	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Personal Income Tax	1,297,700	1,360,511	1,518,746	1,489,900	1,557,403	1,414,000	1,504,500	1,599,000	1,695,000	1,911,000
Sales / Use Tax	1,125,815	1,129,531	1,109,822	1,180,983	1,110,017	1,105,000	1,141,000	1,190,000	1,238,000	1,283,000
Corporate Net Income	347,570	358,388	388,017	301,100	270,237	235,000	209,500	241,800	225,000	190,000
Severance Tax	314,727	312,246	338,177	335,000	359,578	330,000	305,000	339,500	349,200	340,000
Video Lottery Transfers	77,900	77,900	77,900	127,900	127,900	127,900	127,900	127,900	127,900	127,900
All Others	497,690	514,146	495,626	467,850	476,417	455,300	451,600	473,730	485,210	489,920
total	3,661,402	3,752,722	3,928,288	3,902,733	3,901,552	3,667,200	3,739,500	3,971,930	4,120,310	4,341,820
% change		2.5%	4.7%	-0.7%	-0.7%	-6.0%	2.0%	6.2%	3.7%	5.4%
<b>Lottery</b>										
Racetrack Video	351,145	357,988	335,889	325,179	310,446	287,269	280,293	272,660	272,660	272,660
Limited Video	170,154	179,623	202,365	165,612	205,718	185,143	190,866	222,717	195,717	195,717
Traditional Games	43,260	55,191	40,836	40,800	40,558	36,518	37,513	38,322	38,322	38,322
Table Games	0	0	8,652	13,717	17,850	18,763	31,584	36,974	36,974	38,627
total	564,559	592,802	587,742	545,308	574,572	527,693	540,256	570,673	543,673	545,326
% change		5.00%	-0.85%	-7.22%	-2.24%	-8.16%	2.38%	5.63%	-4.73%	0.30%

# State of West Virginia – Revenue Sources

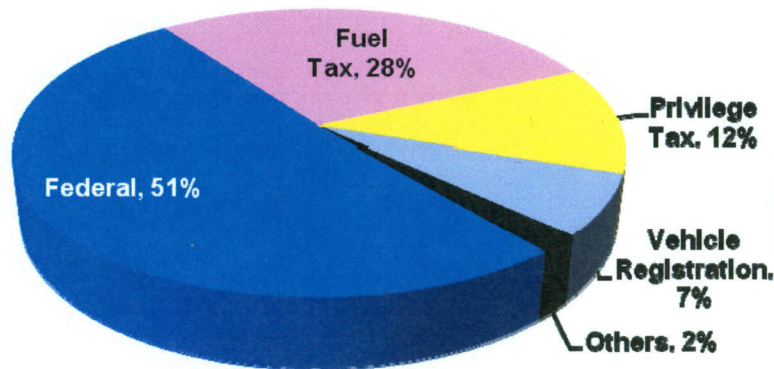
## General Revenue FY 2010



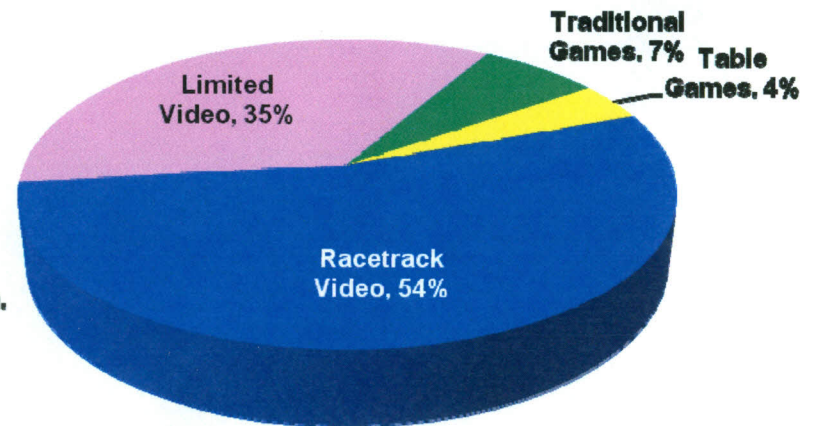
## Federal Funds FY 2010



## State Road Fund FY 2010



## Lottery FY 2010





**State Of West Virginia  
General Revenue Appropriations  
(in Thousands \$)**

		<u>K-12</u>	<u>% of</u>	<u>Higher</u>	<u>% of</u>	<u>DHHR</u>	<u>% of</u>	<u>MAPS</u>	<u>% of</u>	<u>All Others</u>	<u>% of</u>	<u>Total</u>
		<u>Education</u>	<u>total</u>	<u>Education</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>
FY 05	actual	\$1,622,955	47.4%	\$257,983	7.5%	\$603,629	17.6%	\$253,920	7.4%	\$685,460	20.0%	\$3,423,947
FY 06	actual	1,680,615	48.2%	252,501	7.2%	693,680	19.9%	280,028	8.0%	583,017	16.7%	3,489,841
FY 07	actual	1,714,434	46.9%	288,966	7.9%	806,886	22.1%	279,173	7.6%	567,169	15.5%	3,656,628
FY 08	actual	1,799,421	46.0%	351,893	9.0%	846,492	21.6%	305,374	7.8%	609,658	15.6%	3,912,838
FY 09	actual	1,836,775	47.1%	419,987	10.8%	860,191	22.1%	318,733	8.2%	463,310	11.9%	3,898,996
FY 10	actual	1,826,079	48.2%	407,493	10.8%	816,264	21.6%	330,685	8.7%	405,456	10.7%	3,785,977
FY 11	Estimate	1,903,874	49.3%	398,067	10.3%	772,593	20.0%	330,283	8.6%	457,223	11.8%	3,862,040
FY 12	Estimate	1,925,000	48.5%	395,000	9.9%	845,000	21.3%	350,000	8.8%	456,930	11.5%	3,971,930
FY 13	Estimate	1,925,000	46.7%	395,000	9.6%	1,000,000	24.3%	360,000	8.7%	440,310	10.7%	4,120,310
FY 14	Estimate	1,980,000	45.6%	400,000	9.2%	1,120,000	25.8%	370,000	8.5%	471,820	10.9%	4,341,820

**Six Year Financial Plan  
Through FY 2014  
General & Lottery Revenues**  
(In Thousands)

FOR DISCUSSION ONLY	Actual 2008	Actual 2009	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014
<b>Estimated Revenue</b>							
General Revenue	\$3,928,288	\$3,901,552	\$3,667,200	\$3,739,500	\$3,971,930	\$4,120,310	\$4,341,820
General Revenue - Surplus from previous fy	38,761	41,830	0	0	0	0	0
Lottery	182,947	171,997	166,012	167,007	167,816	167,816	167,816
Excess Lottery	431,094	278,998	184,218	182,965	207,183	180,183	180,183
<b>Total Available</b>	<b>\$4,581,090</b>	<b>\$4,394,377</b>	<b>\$4,017,430</b>	<b>\$4,089,472</b>	<b>\$4,346,929</b>	<b>\$4,468,309</b>	<b>\$4,689,819</b>
<b>Estimated Expenditures</b>							
Base Budget		\$4,066,413	\$4,197,891	\$4,191,683	\$4,295,918	\$4,431,367	\$4,747,248
<b>Expenditure Growth: *</b>							
Retirement Systems		(9,648)	55,192	146,431	3,000	3,000	3,000
Medicaid		0	(46,037)	(36,964)	0	182,423	103,823
PEIA		0	15,654	12,374	48,507	53,842	59,765
OPEB **		(8,944)	(30,730)	0	0	0	0
Salary Enhancements		90,861	3,770	834	57,945	55,439	50,792
Other		59,209	(4,058)	(18,440)	25,997	21,177	14,016
<b>Total Ongoing Base Budget</b>	<b>\$4,066,413</b>	<b>\$4,197,891</b>	<b>\$4,191,683</b>	<b>\$4,295,918</b>	<b>\$4,431,367</b>	<b>\$4,747,248</b>	<b>\$4,978,644</b>
One Time Expenditures & Adjustments	414,248	128,773	(55,478)	(96,792)	5,000	5,000	5,000
<b>Estimated Balance (Gaps)</b>	<b>\$100,429</b>	<b>\$67,713</b>	<b>(118,775)</b>	<b>(109,654)</b>	<b>(89,438)</b>	<b>(283,939)</b>	<b>(293,825)</b>

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

\* FY 2009 - 2014 Expenditure Growth is the additional amount required annually to fund existing programs.


\*\* Includes no funding of OPEB Unfunded Liability in the "out years".

## Budget Advisory State Finance Comments

### Fiscal Year 2010

1. The General Revenue Budget for West Virginia State University was reduced by about 3 ½% (\$345,000).
2. Federal ARRA funds will be made available to cover the general revenue reduction for FY 2010.
3. General revenue reduction will not be restored.

### Fiscal Year 2011

- 
1. The General Revenue Budget for West Virginia State University will be reduced by about 5% (\$519,000).
  2. Federal ARRA funds will be made available to cover the general revenue reduction for FY 2011.
  3. General revenue reduction will not be restored.

### Fiscal Year 2012

- 14% total
1. The General Revenue Budget for West Virginia State University will likely be reduced by about 5% (\$500,000).
  2. There will be no Federal ARRA funds made available to cover the general revenue reduction for FY 2012.
  3. General revenue reduction will not be restored.