

West Virginia budget: Strained social services and prison expansions

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Last month West Virginia's Democratic Governor Earl Ray Tomblin submitted a \$4.6 billion base budget proposal for FY 2013 beginning July 1. This is about \$63 million more than the current budget, representing a 1.4 percent increase.

The governor's balanced budget includes no tax increases while maintaining about \$80 million in tax cuts approved last year, including \$50 million expected from the reduction of the state's sales tax on food. Moreover, there will be no raises for state workers or for public school teachers.

According to the West Virginia Center on Budget and Policy (WVCBP), there are no major changes in the governor's proposal over last year's budget. The single biggest increase in appropriations at \$21.8 million will go toward social services.

While revenue projections show a one to two percent increase in the next fiscal year, it is not enough to cover the expected rise in costs. The state also faces sharp declines in lottery revenue due to increased competition with neighboring states, in particular Ohio which recently changed its gambling laws.

The WVCBP singles out the state's Medicaid program, which provides health care to 415,000 poor, elderly, and disabled West Virginians, as an area likely to feel the "strain" of the reduction to the state's corporate net income tax over the past several years. Medicaid spending accounts for 18.6 percent of the state's FY 2013 base budget, up from 16.6 percent in FY 2006. While state spending on the Medicaid program has grown 48 percent over the same period, the center notes that "its growth over the past few years

is comparable to several other parts of the state budget."

Significant is the second largest increase in appropriations for FY 2013, the additional \$15.3 million which will be given to the Division of Corrections. According to the WVCBP, between FY 2000 and FY 2013, spending for the state's 13 correctional facilities will have grown from \$69.9 million to an estimated \$181.3 million—an increase of some 160 percent. During the same time, corrections spending has grown as a share of general revenue spending from 2.65 percent to the 4.37 percent in the governor's proposed budget.

The growth in state expenditures for corrections has mirrored the growth in the state's inmate population. Between 1990 and 2009, the number of inmates has nearly tripled from 1,575 to 6,240 while according the U.S. Census Bureau the state's population has only grown approximately 3.3 percent over the same period.

The state's inmate population is expected to break 10,000 by 2016, in a state with only 1.8 million residents. According to Corrections Commissioner Jim Rubenstein, it costs the state about \$66 a day, or \$25,000 a year, to house an inmate in one of the state's correctional facilities.

Some state lawmakers are calling for the construction of a new \$200 million state prison to house the burgeoning inmate population and ease current overcrowding. However, this funding was not provided for in the governor's budget.

Tomblin's budget also continues the state's

disinvestment in higher education, even as enrollment at state public universities and community and technical colleges has increased by 26 percent from FY 2002 to FY 2011. State appropriations to higher education have decline in real terms from \$578 million to \$516 million over the same period. Meanwhile, after adjusting for inflation, the average undergraduate in-state tuition cost increased more than 45 percent from \$2,816 to \$5,147.

The burden for higher education has been shifted more and more onto the backs of students. The state spent only \$6,224 per student in FY 2011, compared to the \$8,779 per student spent in FY 2002—a decrease of more than 29 percent even after being adjusted for inflation. Not surprisingly, the average student loan debt has risen, growing by 24 percent between 2003 and 2010 from \$22,610 to \$28,148.

According to Higher Education Policy Commission Interim Chancellor Paul Hill, West Virginia's low education level poses problems for economic development. At just 17.1 percent, West Virginia currently ranks last in the nation for percentage of residents over 25 who have a four-year college degree. The HEPC found that only 17 out of every 100 ninth graders in the state will go on to become college graduates. Less than half of all entering college freshmen will earn a diploma within six years.

Those feeling the burden of the new budget include West Virginia Public Broadcasting which recently announced it is being forced to cutback on programming as a result of falling revenue. According to WVPB Executive Director Dennis Adkins, state funding to public broadcasting has been slashed by 9 percent over the past two budget years while corporate underwriting has fallen by 17 percent in the past year alone.

Governor Tomblin has meanwhile ruled out dipping into either of the state's Rainy Day Funds which hold nearly \$820 million. Since 2005, these funds have siphoned off a growing share of the general fund, increasing from about 10.2 percent of the general fund that year to nearly 22 percent in 2011. According to the National Association of Budget Officers, West Virginia

had the third largest Rainy Day Fund as a percentage of state expenditures in the country in 2011.

The state consistently underestimates its revenue projections in order to end each year with a surplus. The WVCBP reports that since FY 2005, revenue has been underestimated by an average of \$200 million each year. Halfway through FY 2012, state revenue is \$56 million over what had been projected.

This fact did not stop state budget director Mike McKown from warning, "I would say we will be in downsize mode for all (agencies) because revenues will not keep pace with expenditures."



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