

# West Virginia governor orders \$60 million in budget cuts

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West Virginia's Governor Earl Ray Tomblin ordered \$60 million in budget cuts last week, amounting to a two percent across-the-board reduction for most state agencies. Public schools will see an \$11 million cut and there will be a supposed one-time reduction of \$25 million to Medicaid. The cuts will hit a significant portion of the state's most vulnerable residents.

State revenues are some \$87 million behind projections for this period of the year. Some \$35 million of this is attributable to the decline in sales tax revenue. Corporate tax income is down \$14.2 million, personal income tax revenue has dropped by \$29.8 million and coal and timber severance taxes have declined by \$13.5 million. This will be the sixth time since 2009 that the governor's office has ordered a mid-year budget reduction.

The order comes on top of a previous four percent across-the-board budget reduction in the previous fiscal year.

The response of the Republican legislative leadership to the Democratic governor's order was supportive, and reflected a mixture of crocodile tears and indifference with talk of "right-sizing" state government. The Senate president, multi-millionaire Bill Cole, told the *Intelligencer/Wheeling News Register* newspaper, "While this mid-year budget cut is unfortunate it should certainly not come as a surprise. Our state is deeply entrenched in perhaps the worst fiscal crisis in a generation, and these difficult kinds of decisions are necessary to ease some of the burden. I applaud Governor Earl Ray Tomblin for addressing this issue head on, and I am confident that passing a sound, strong budget will be a top priority for next year's legislative leadership."

It remains unclear whose burdens Senator Cole is interested in easing, as the leadership of both parties are

colluding with Governor Tomblin in preparing the way for more cuts in the near future.

The state is projected to have an approximate \$300 million shortfall for the next fiscal year. Democratic Governor-elect Jim Justice, a Democrat, has been vague in addressing the coming shortfalls, instead issuing platitudes that echo those of President-elect Donald Trump, including, "coal is coming back."

Justice, a billionaire coal operator, is notorious for not paying property taxes as well as evading reclamation requirements at a number of his mines. There has been no mention of increasing the corporate income tax or restoring the business franchise tax by either of the big business parties. The Democrats, no less than Republicans, have long touted tax cuts and deregulation to create a "business-friendly environment" in the largely impoverished state.

The road map for these reductions were laid out by then-Governor Joe Manchin, also a Democrat, a decade ago with the ostensible purpose of "job creation." Ten years later, the West Virginia workforce participation rate continues to remain the lowest in the nation and there has been zero net job growth in the state. The West Virginia Center for Budget and Policy has previously estimated that the revenue lost through these tax cuts is approximately equal to the current projected shortfall.

Additionally, while imposing austerity on the state's working class the governor and legislature last year reduced severance taxes on coal and timber companies. These taxes are traditionally charged to industries that extract or sever non-renewable resources from a region.

The free fall in coal severance tax revenues continues to be a contributing factor to revenue losses, as global commodity prices have declined since 2012. This has also resulted in the loss of eleven thousand jobs in the

coal industry during the same period. These losses are related to direct mining and do not count declines and additional job dislocation in the coal supply chain. As freight haulage has declined, rail lines have closed in the southern counties of the state, taking the last of good paying jobs in areas that were economically devastated prior to the current collapse of coal sales.

Boone, Clay, Lincoln, McDowell, Mingo, and Wyoming counties are all considered to be in a technical great depression, according to West Virginia University economist John Deskins.

Cuts in Medicaid will affect children in many of these areas and across the state. The current federal funding formula allows West Virginia to draw down \$3 in federal money for every \$1 spent by the state in the program. Many children have access to medical services only through school-based health clinics, which will also be hit by the cuts.

In Nicholas County, which was devastated by flooding over the summer, the closure of schools and transferring of students to temporary facilities is already leaving some of those students without access to a school nurse or physician.

Additional burdens will be felt by mental health and substance abuse programs in a state already leading in opioid addiction and overdose deaths. School aid reductions will accelerate the trend toward school closure and consolidation, resulting in long bus rides for children often in dangerous mountainous conditions.

These problems will be compounded if the incoming ultra-right Trump administration's proposal to block grant Medicaid becomes law. Cuts will become deeper as the state and the federal officials claim there is no money for these programs while simultaneously pursuing massive reductions in corporate income taxes for the wealthy.

West Virginia, a state with a history of working class struggle, particularly in the coal mining industry, voted overwhelmingly for Trump in the presidential election based on his populist appeals and promises to restore the coal industry. Bernie Sanders won the Democratic presidential primaries but his support for Clinton—who demonstrated nothing but contempt towards the social concerns of the working class—allowed Trump to monopolize social discontent.

While not endorsing Clinton, the United Mine

Workers of America and the West Virginia AFL-CIO remained indifferent to the reactionary policies of Trump, in another act of betrayal to the state's workers. The decades of economic nationalism used by the UMW to conceal its collaboration with the coal bosses left many workers susceptible to Trump's nationalist agitation.

The deepening of the attacks on the working class by Trump—who is assembling a right-wing government based on the lifting whatever restraints on corporate profit-making remain—will soon expose the billionaire demagogue and bring miners and other sections of workers back on the road of struggle.



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