



OUR FISCAL CHALLENGES

Early Childhood Care & Education in W.Va.

TED BOETTNER
Executive Director

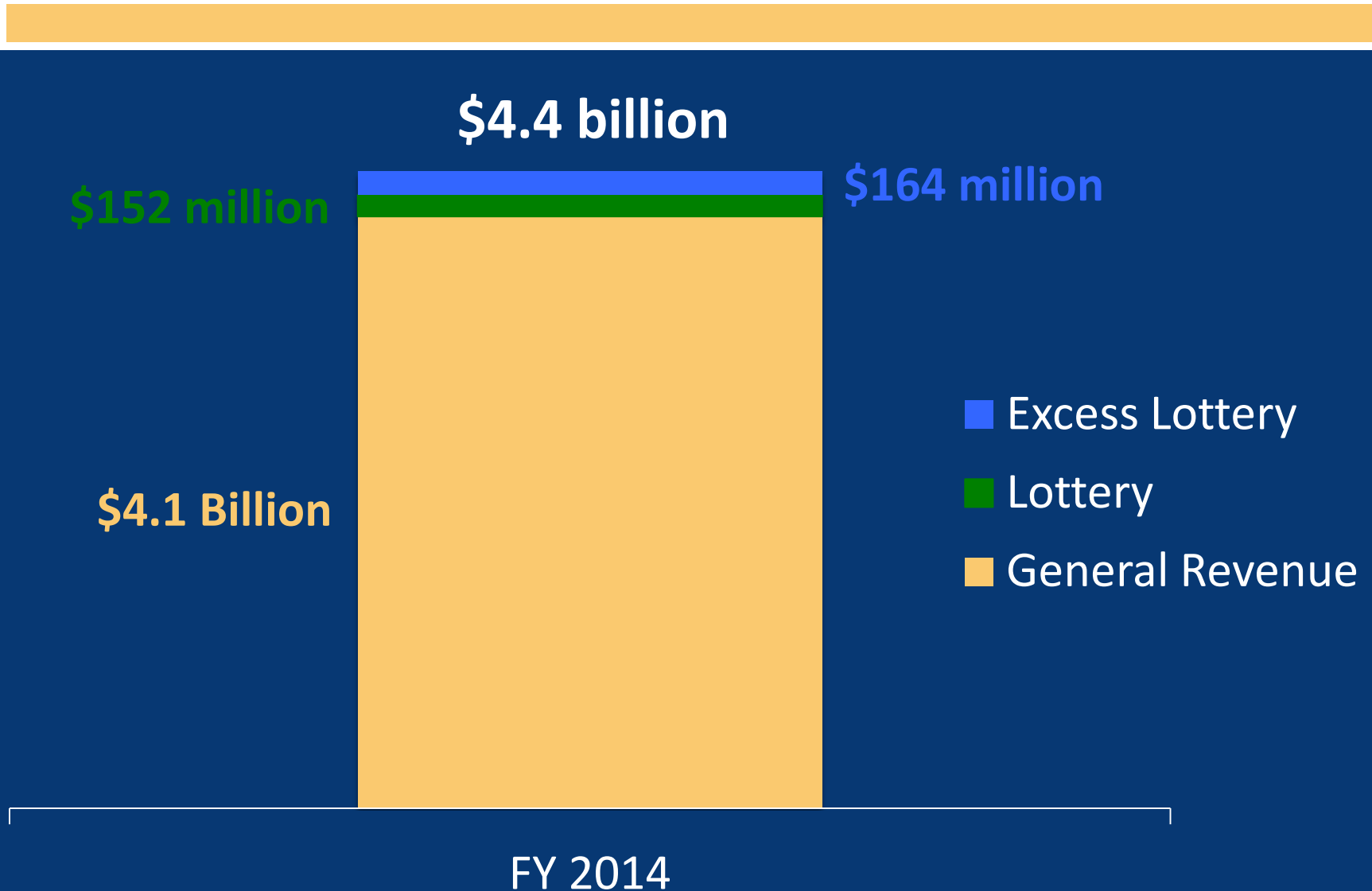
WV Early Childhood Planning Task Force
September 6– Committee Meeting. 11 a.m.-3 p.m.



OVERVIEW

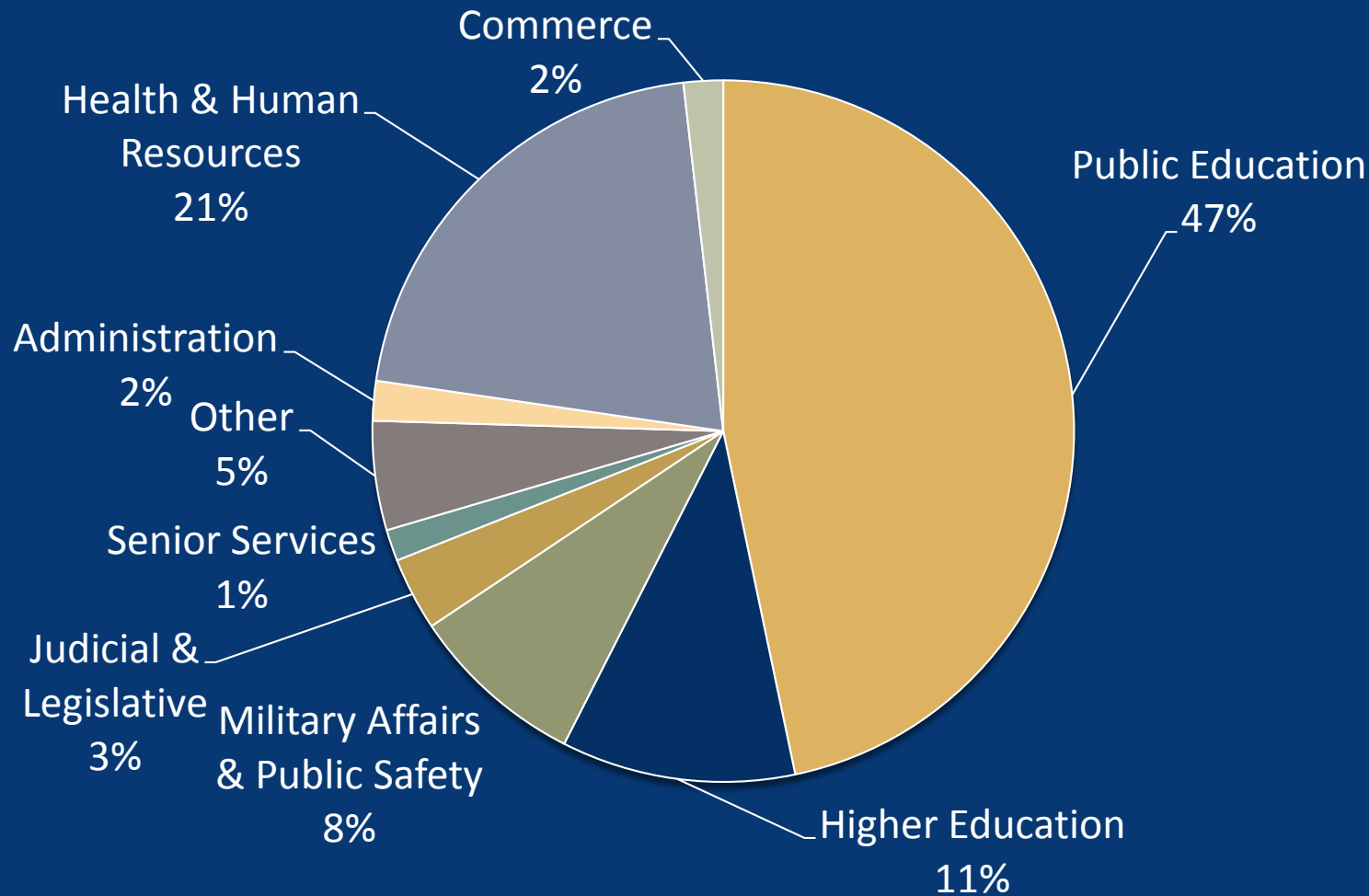
- ◆ West Virginia's Budget Outlook
- ◆ Federal Budget & Sequester
- ◆ WVCBP Analysis of Early Childhood Development Financing and Best Practices
- ◆ Questions

WEST VIRGINIA'S BASE BUDGET REVENUES (FY 14)

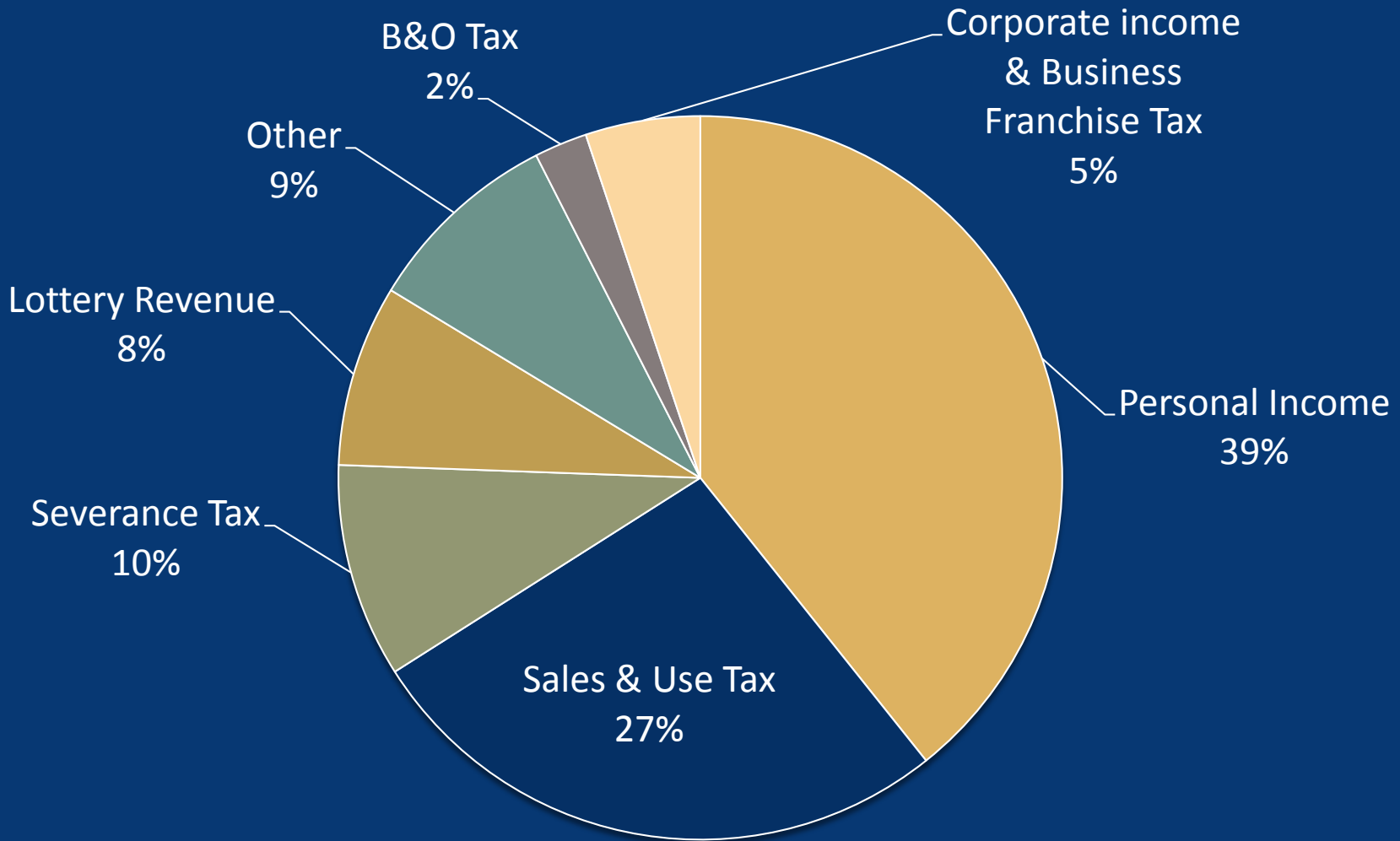


WEST VIRGINIA'S BASE BUDGET (FY 14)

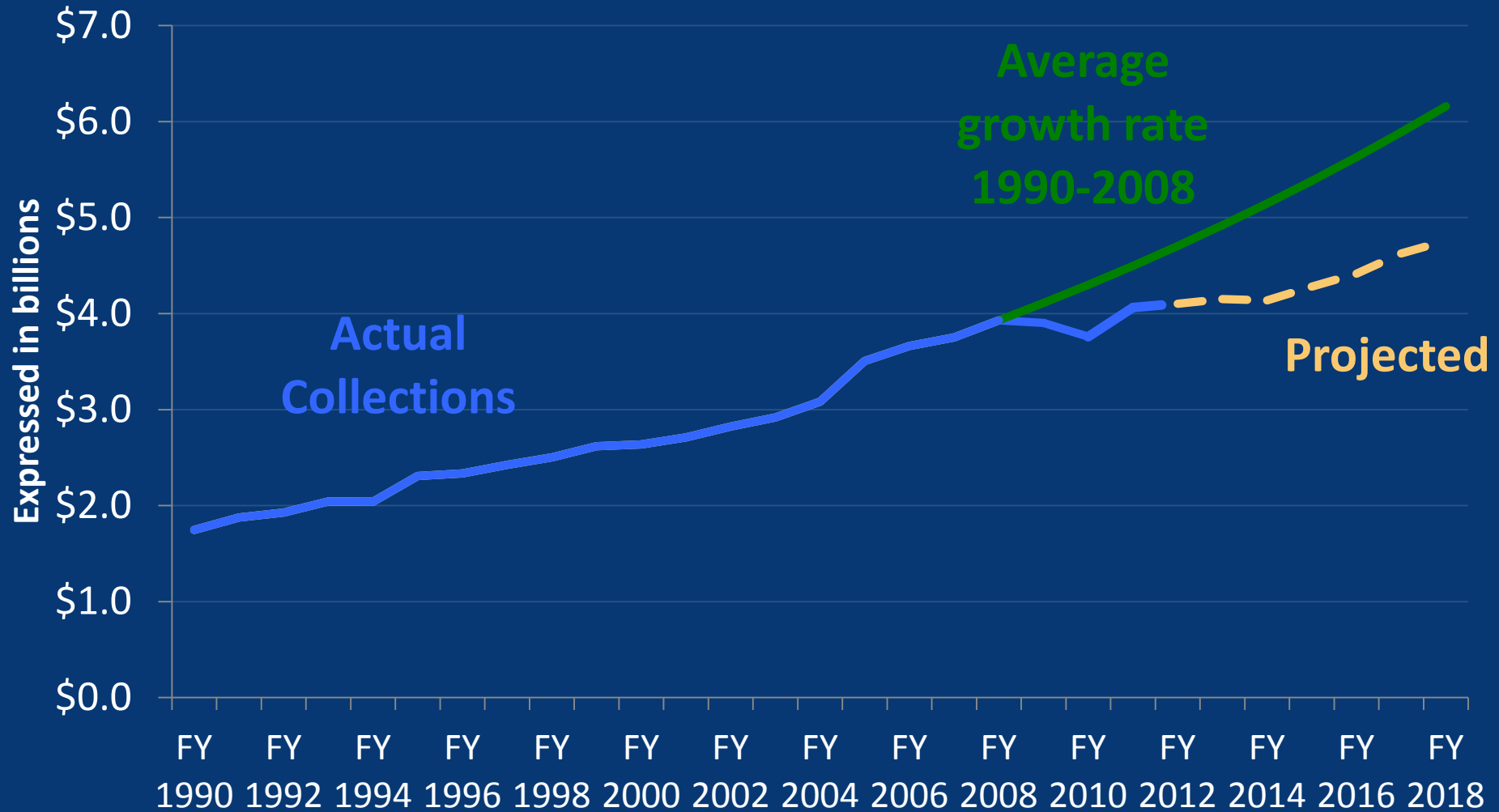
\$4.4 BILLION



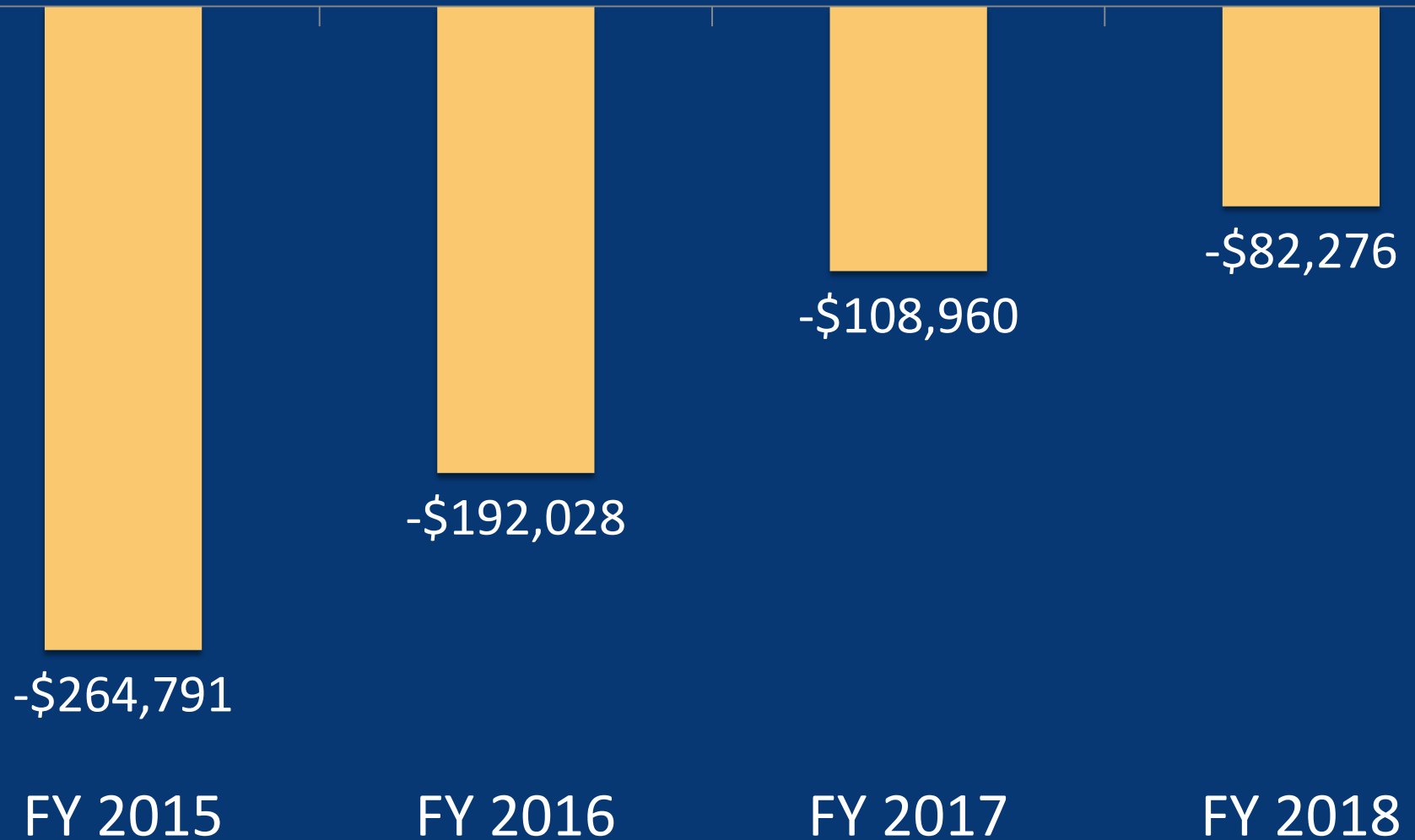
WEST VIRGINIA'S BASE REVENUE BUDGET (FY 14)



GENERAL REVENUE FUND REVENUE GROWTH BELOW HISTORICAL AVERAGE (4.6%)



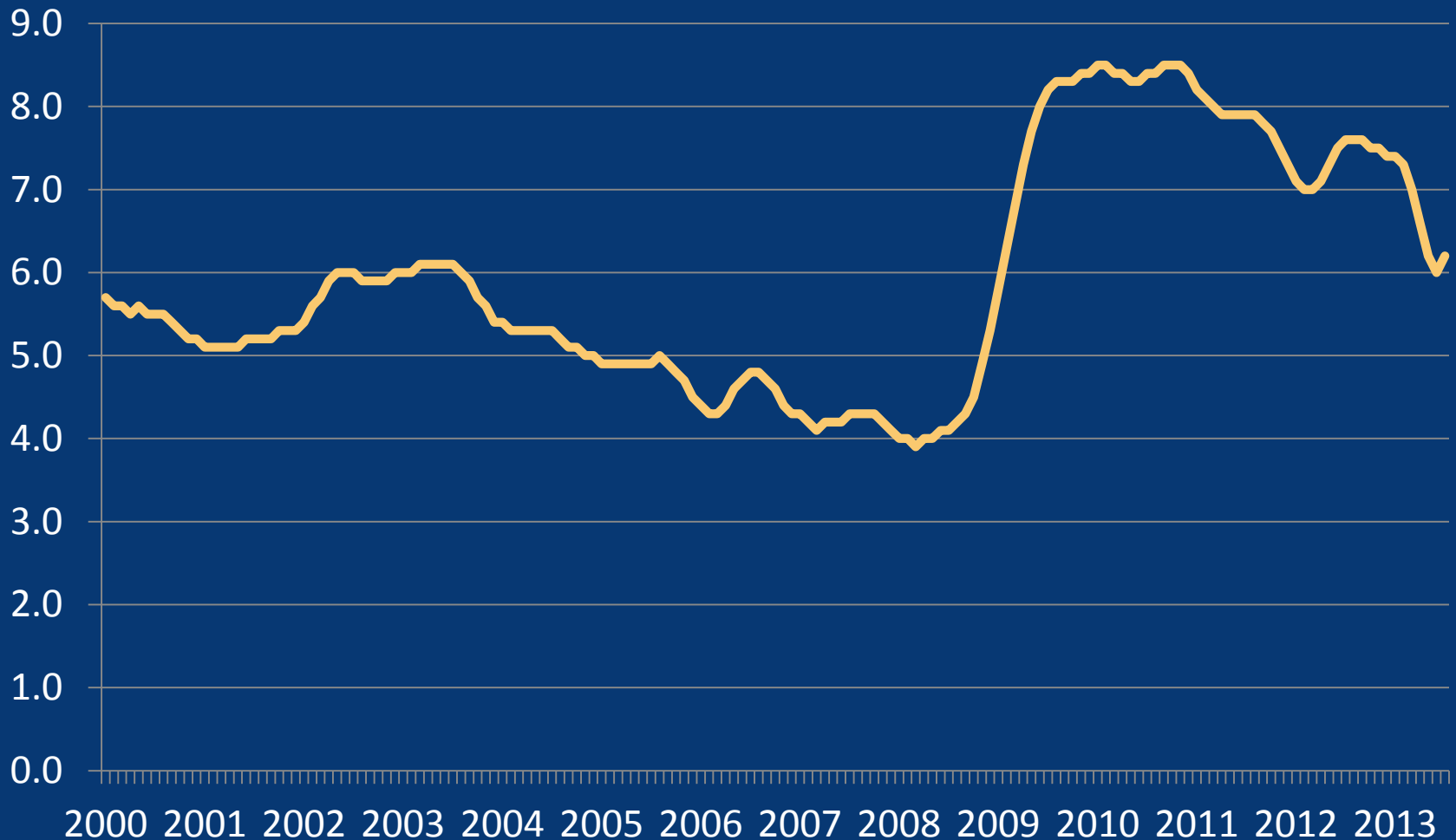
SIGNIFICANT BUDGET GAP AHEAD



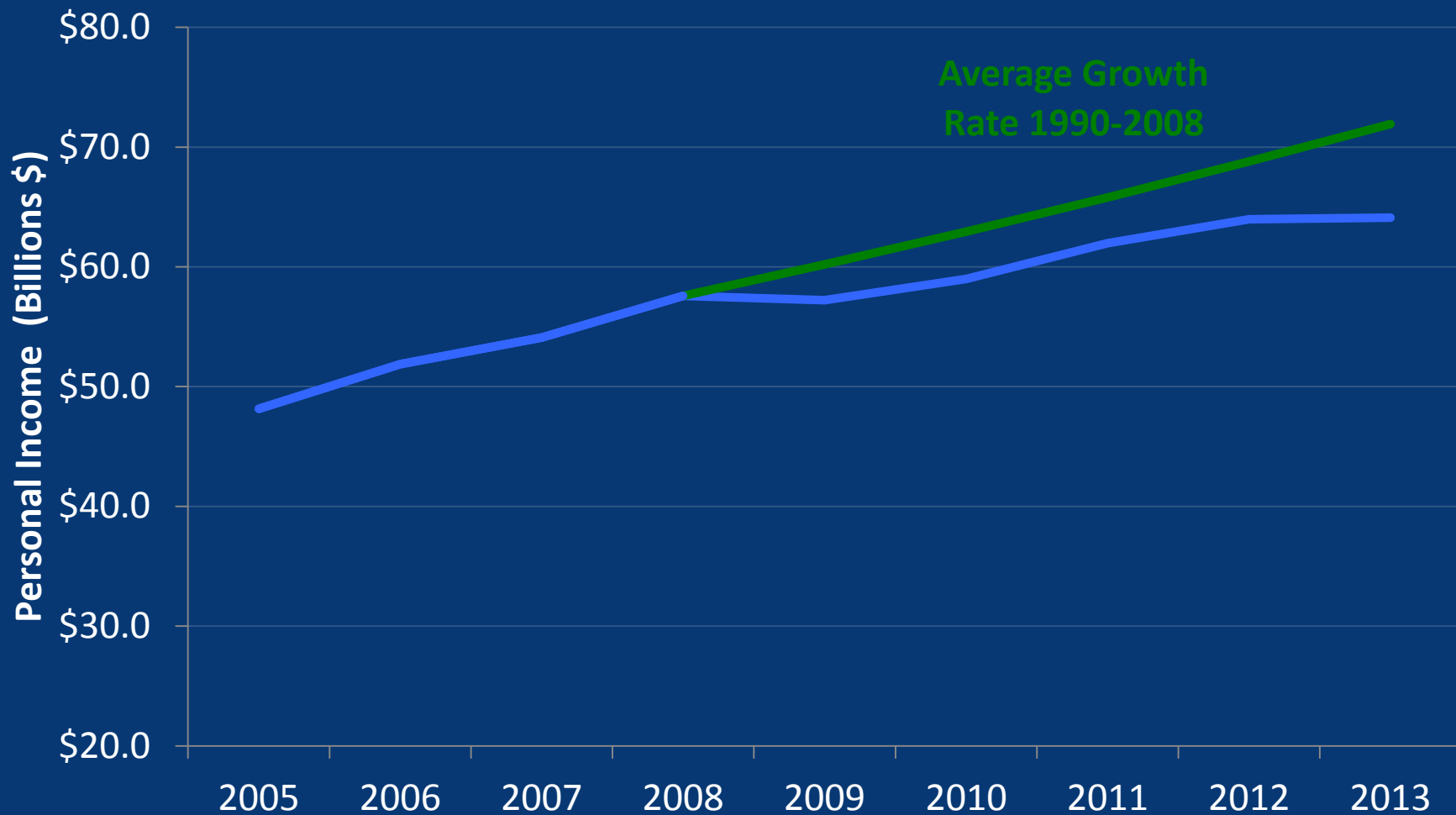
MAJOR BUDGET GAP DRIVERS

- ◆ **Sluggish economic recovery**
- ◆ **Medicaid Growth**
- ◆ **Revenue Problem:**
 - ◆ Reduction in Corporate Net Income Tax and Business Franchise Tax: \$191 million
 - ◆ Food tax elimination: \$174 million
 - ◆ Thin-seam coal tax credit has grown from \$23.5 million in 2006 to \$75 million in 2011.
 - ◆ Estate tax elimination: \$10-20 million per year.
 - ◆ Declining lottery, B&O, and severance tax.

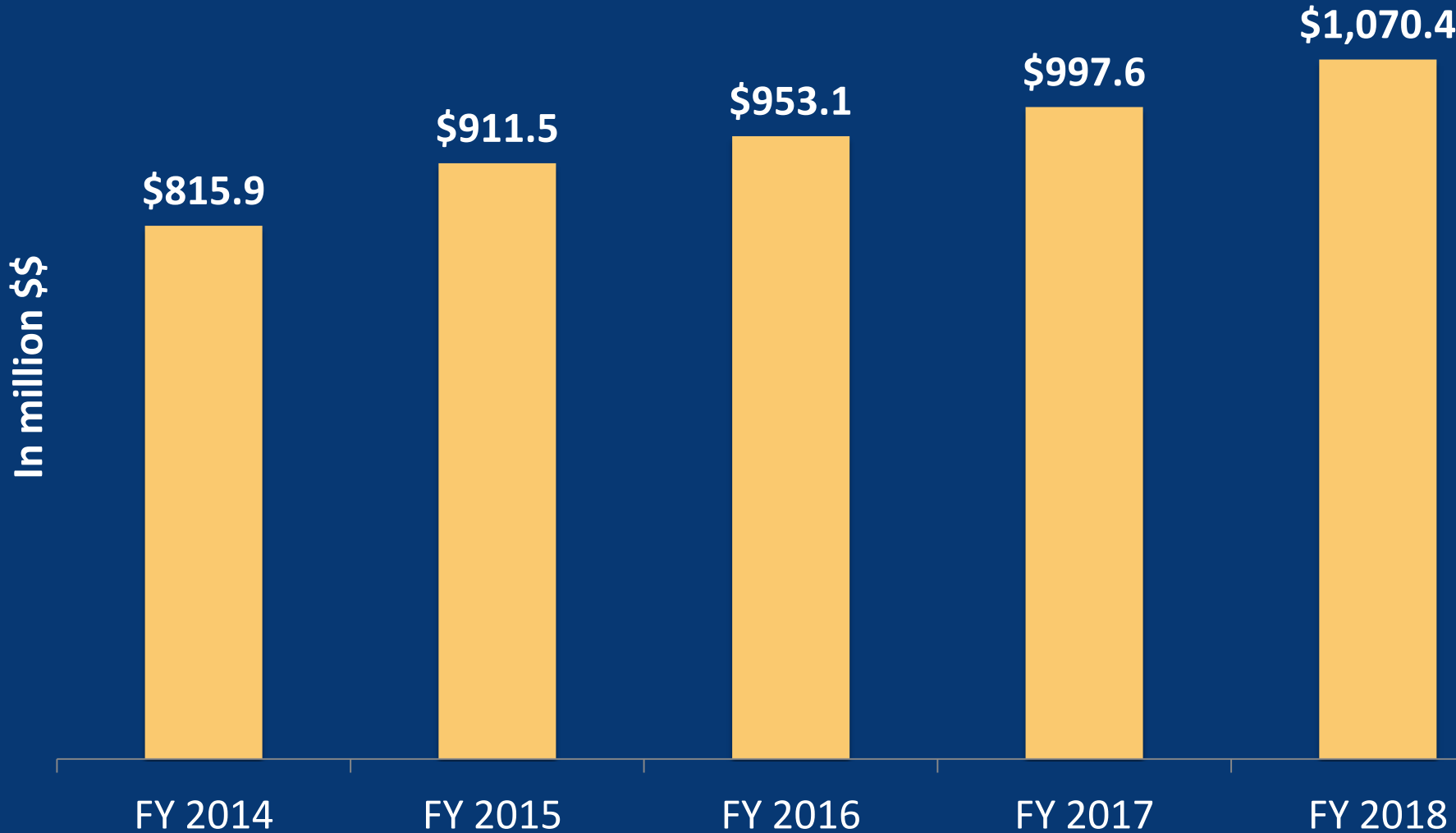
WEST VIRGINIA STILL SUFFERING FROM HIGH UNEMPLOYMENT



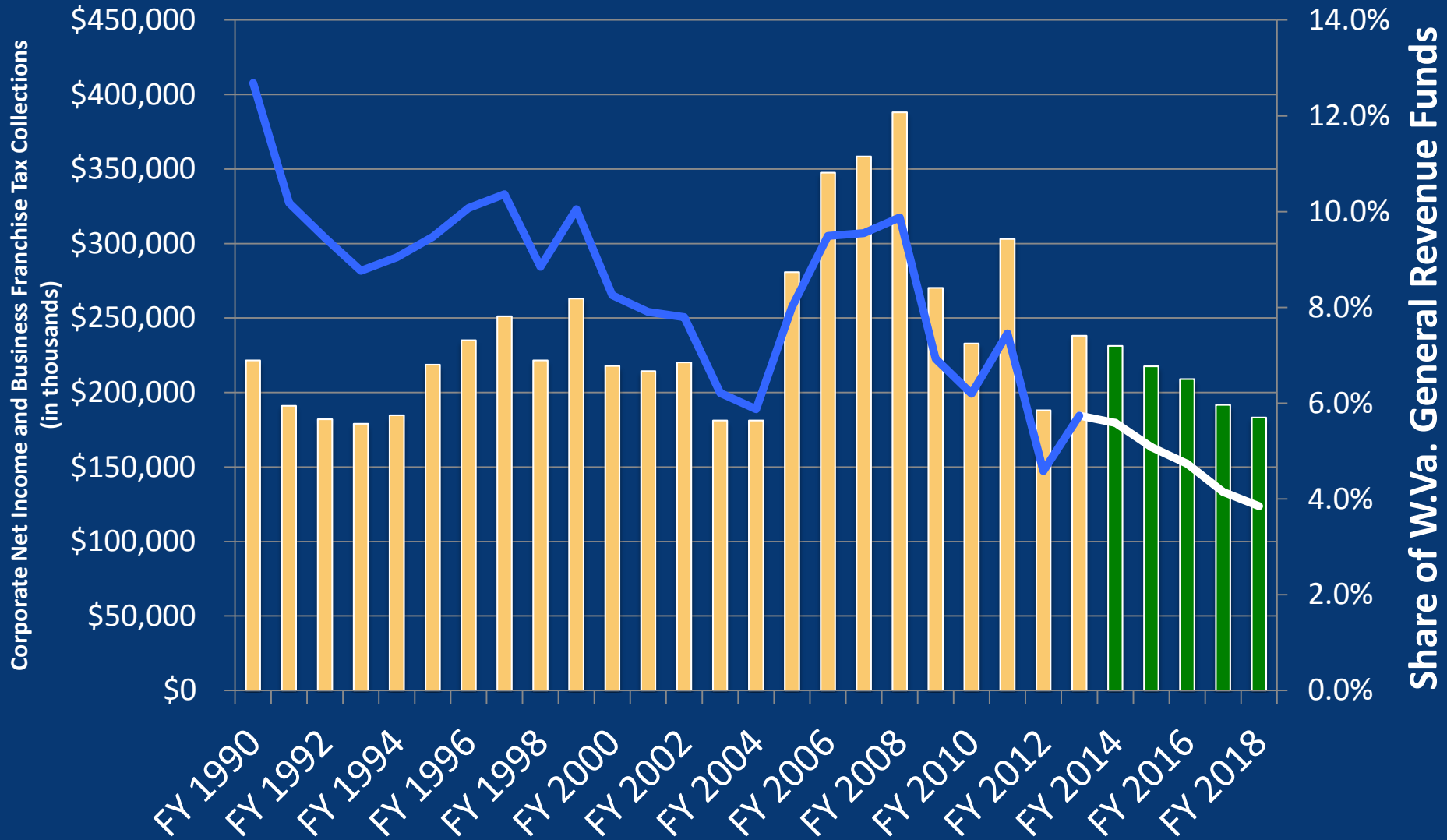
PERSONAL INCOME GROWTH HASN'T CAUGHT UP



MEDICAID GROWING BY 7.6% ANNUALLY



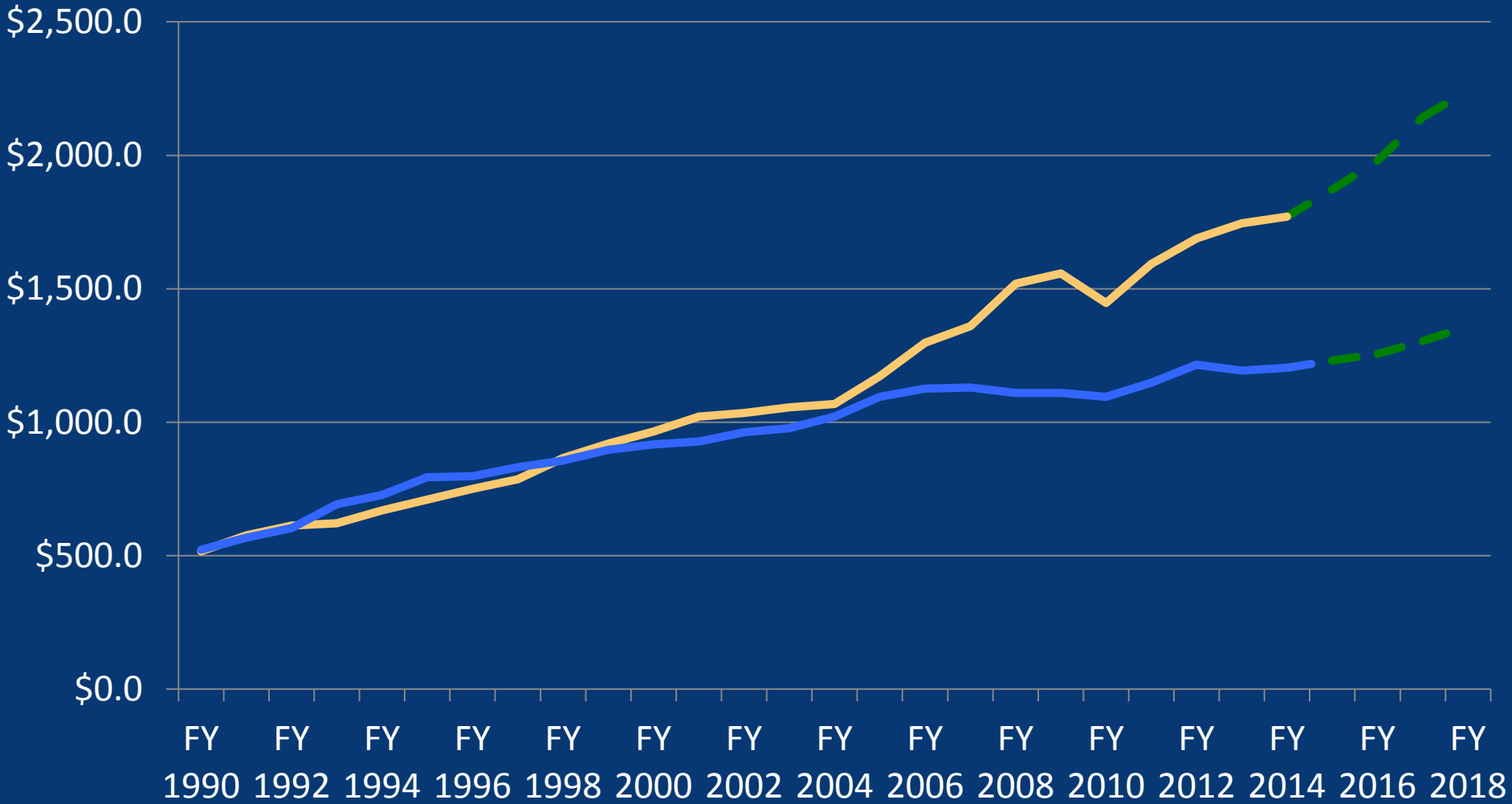
BUSINESS TAXES SHRINKING AS A SHARE OF WV GENERAL REVENUE



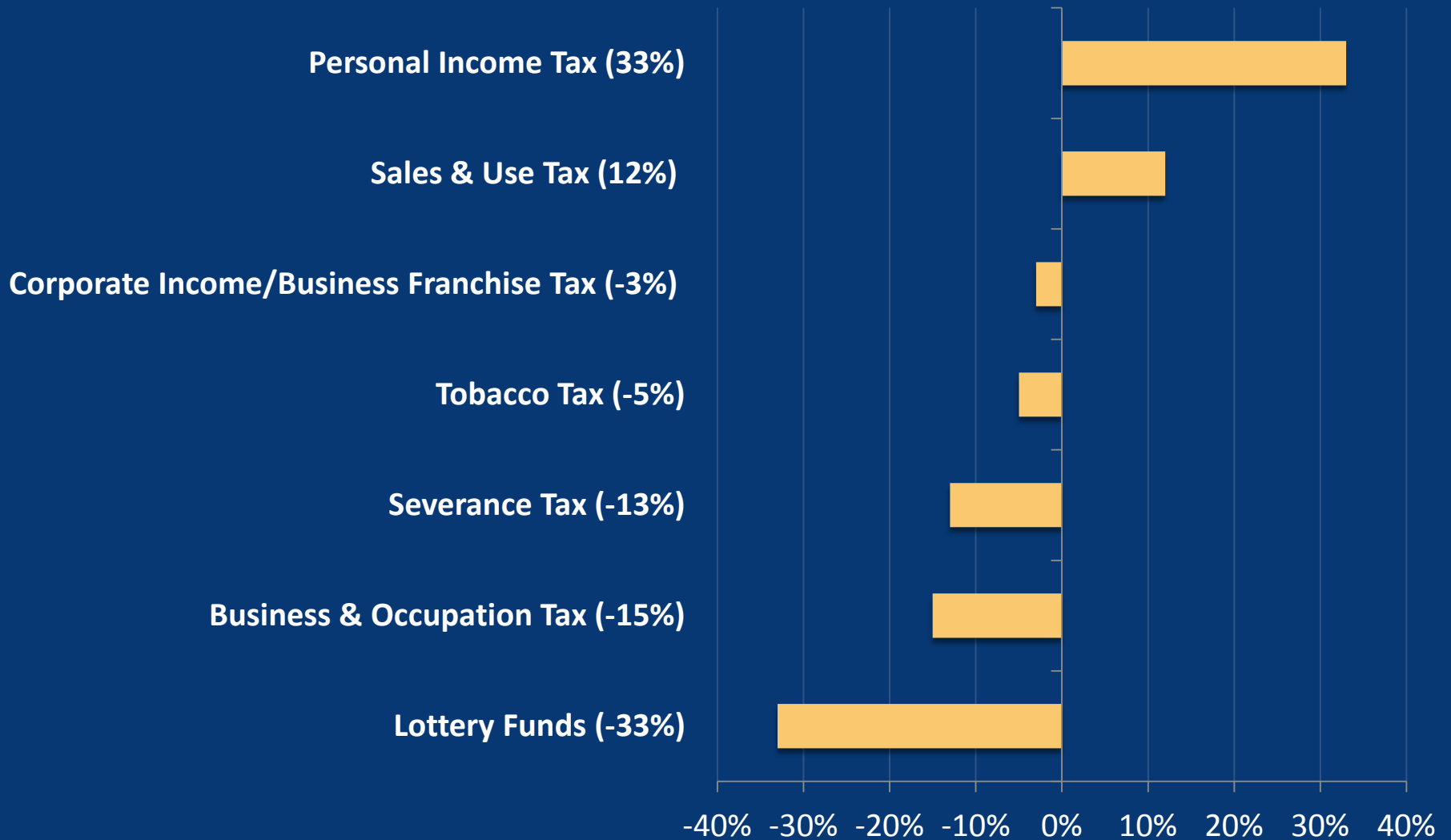
SALES TAX BASE IS SHRINKING PARTLY FROM FOOD TAX ELIMINATION



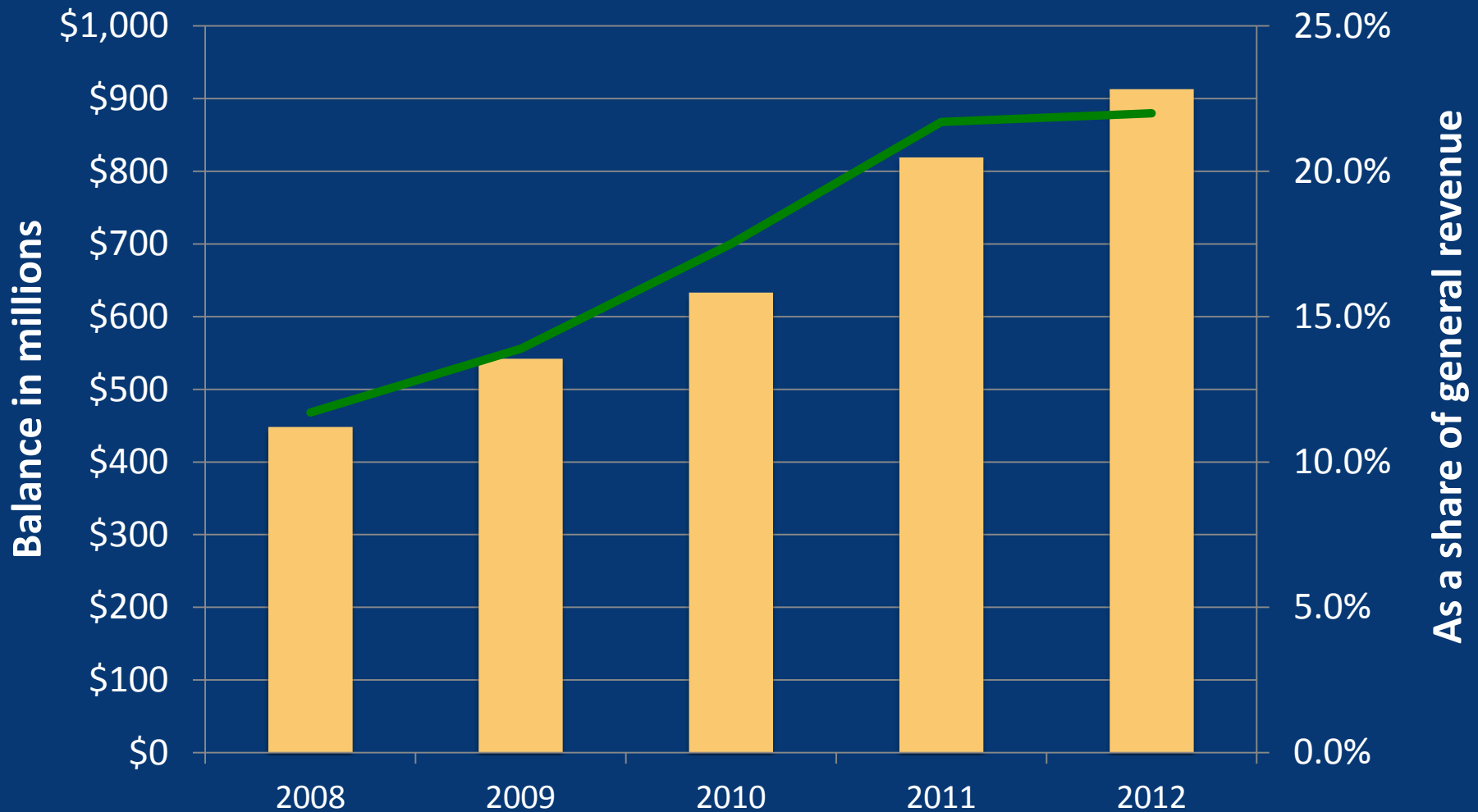
— Personal Income Tax — Consumer Sales and Use Tax



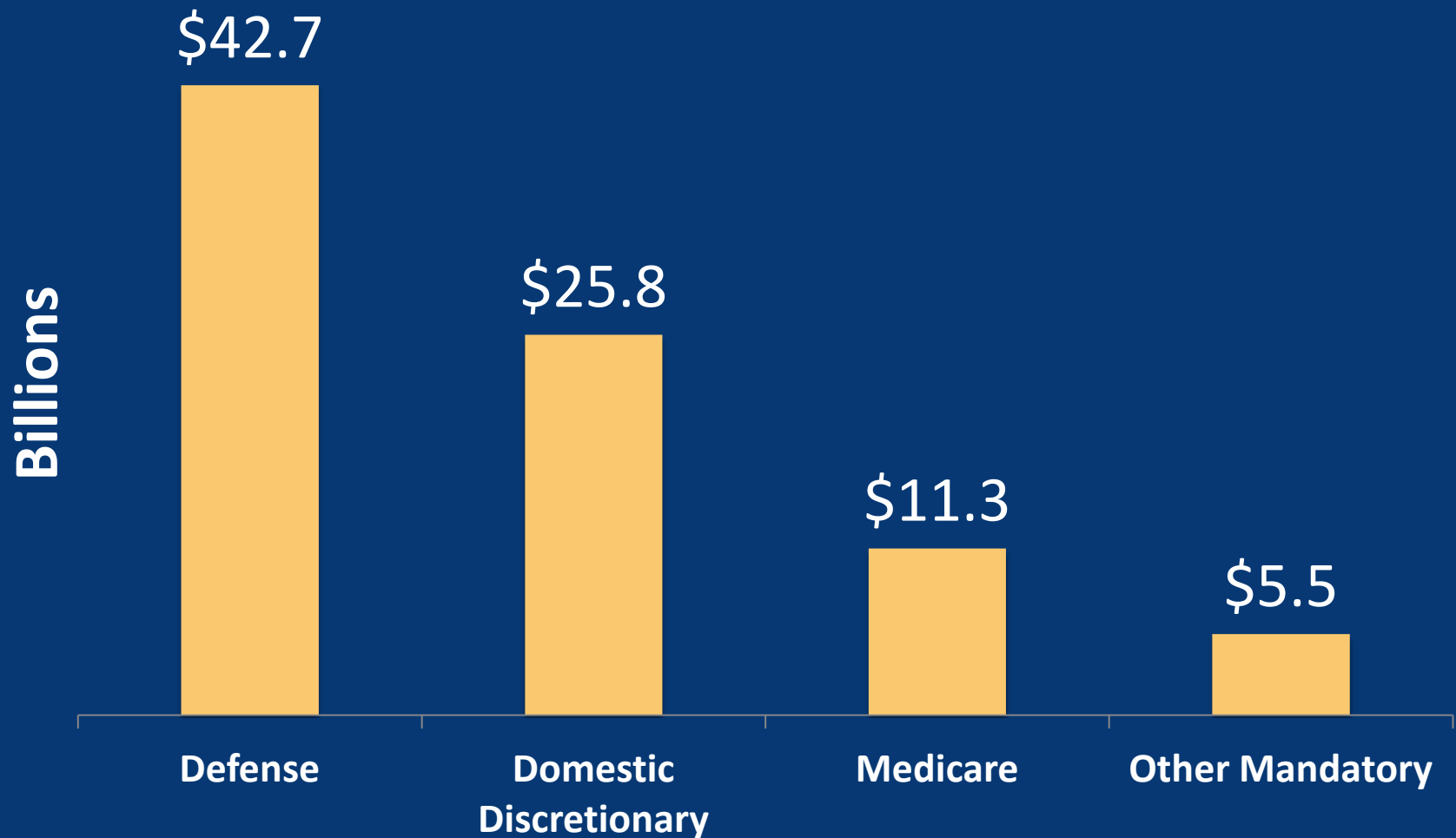
Growth of Major Sources of Revenue FY 2012 to FY 2018 (estimated)



WEST VIRGINIA'S RAINY DAY FUNDS



2013 SEQUESTRATION BREAKDOWN



Impact of Sequester Cuts on West Virginia

- ◆ Job Losses: 982 jobs in defense and 9,065 in non-defense (Stephen Fuller @GMU).
- ◆ \$76 million in cuts in federal grant funding in FY 2013 relative to FY 2012 (EPI).
- ◆ Cuts to ARC funding, child care, Head Start, job training, work study, special education, domestic violence, law enforcement, clean air and water, meals for seniors, vaccines, and army bases.
- ◆ Between 2014 and 2021, sequestration will reduce spending by \$109.3 billion per year.

Sequester Cuts on Head Start in WV

- ◆ \$3 million in Cuts: 400 children in West Virginia slated to lose Head Start and Early Head Start this year and 80 Head Start workers laid off.
- ◆ Options:
 - ◆ Use school-aid formula and Pre-4 program to pick up some of the kids.
 - ◆ Earmark funds to program like other states (MN).
 - ◆ Stave off cutting by cutting other parts of the program.

WVCBP Analysis of Early Childhood Development Financing and Best Practices

- ◆ Comparing WV early childhood program spending with other states. Specially, Birth to Three, Home Visiting, Child Care Assistance, and Pre-K.
- ◆ In-depth analysis of WV's fiscal position, including fiscal capacity,
- ◆ Options for funding early childhood programs.
- ◆ Explore feasibility of social revenue bonds for financing early childhood programs.