



Moody : Kiss: State likely to face another budget gap

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Secretary of Revenue Bob Kiss said Monday that the state will face an estimated \$195 million budget gap that is likely to be closed with "targeted reductions and some use of the Rainy Day Fund."

"We are approaching the cuts differently," Kiss said of the 2016 budget.

In the previous two fiscal years, Gov. Earl Ray Tomblin imposed mandatory 7.5 percent budget cuts and a hiring freeze for all state agencies, as well as using \$100 million from the state's Rainy Day Fund last year.

The Rainy Day Fund still has about \$856 million, Kiss said.

Kiss said even in the toughest of those years, the state had a surplus of \$18.3 million, all of which will go to Medicaid. That may not be repeated this fiscal year, which is \$34 million behind estimates, negating the cautious optimism Kiss had in November when revenue numbers pulled ahead of estimates for the month.

Even with some dismal numbers to match Monday's dismal, rainy weather, Kiss had some good news: The state's bond rating is still AA, a designation which Moody's says is due to an "ongoing trend of fiscal management."

Moody's says West Virginia will continue sound financial operations in spite of below-average demographics.

Kiss said that is "recognition of what we've accomplished, but it is also a warning."

Likewise, the Cato Institute ranked West Virginia seventh for responsible financial management, Kiss said.

Also, the state is performing well in comparison with the rest of the country, Kiss said, and is 15th in gross domestic product growth at 1.4 percent. West Virginia is 15th in average annual per capita personal income growth at 3.3 percent.

Some of that is due to natural gas production, where the state ranks second.

That hasn't helped personal income growth, which has been flat, he said.

Lower prices in the energy sector also haven't helped the state's budget woes, nor have weak wage growth, federal payroll tax increases and turmoil in the federal government and health care sector.

If oil and gas prices continue to drop, the budget shortfall for this fiscal year could be as high as \$95 million, Kiss said.

"Stable energy prices result in a smaller shortfall," Kiss said.

State residents aren't as likely to be gambling with their money, as lottery funds are down considerably this year, continuing a downward trend, Kiss said.

The governor's budget, which will be unveiled Wednesday, is anticipated to be somewhat smaller, Kiss said, with targeted cuts and no expectation of revenue increases.

Kiss said he expects that Tomblin will ask for less than \$85 million from the Rainy Day Fund to balance the budget.

"The governor did not come easily to accessing the Rainy Day Fund last year," Kiss said. "If there was any way to avoid (that), he would have done it."