In January, Governor Wise presented his annual proposal for West Virginia’s budget for fiscal year 2003.

West Virginia’s funding structure is unique among Fourth District states because more of its budget dollars come from federal funds than from the general fund. Use of money from the state road fund and special revenue fund (which combined are about 40% of all state revenues) is completely restricted, while use of the dollars in the state’s general fund, which are derived from income and sales taxes on individuals and businesses, is completely discretionary. Although most federal funds are restricted, some of the federal funds for social welfare improvements are not associated with specific programs and can be allocated by the state legislature.

A balanced budget is required under West Virginia’s constitution, so the general fund’s appropriations must equal its revenues. General fund appropriations offer a glimpse into the executive branch’s priorities. The governor’s effort to improve education in West Virginia is obvious in the allocation of the general fund: More than 65% of the total fund appropriations are related to education. In addition, 14% of federal funds are directed toward the state’s education programs. The focus of federal spending in West Virginia, however, is on quality-of-life improvements: Almost 60% of the funds transferred from the federal government to West Virginia are dedicated to social welfare programs.

Like most states, West Virginia maintains rainy day fund (called the revenue shortfall reserve fund). Unlike most states, however, its 2003 budget did not propose drawing on that fund, despite the recession. The fund currently has $63 million, roughly 2% of the general fund.