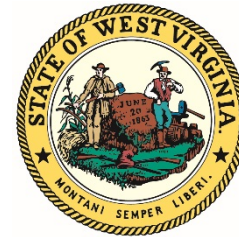


W E S T V I R G I N I A



DEPARTMENT OF REVENUE

Fiscal Forecast – FY 2017

DEPUTY REVENUE SECRETARY MARK B. MUCHOW

Budget Briefing

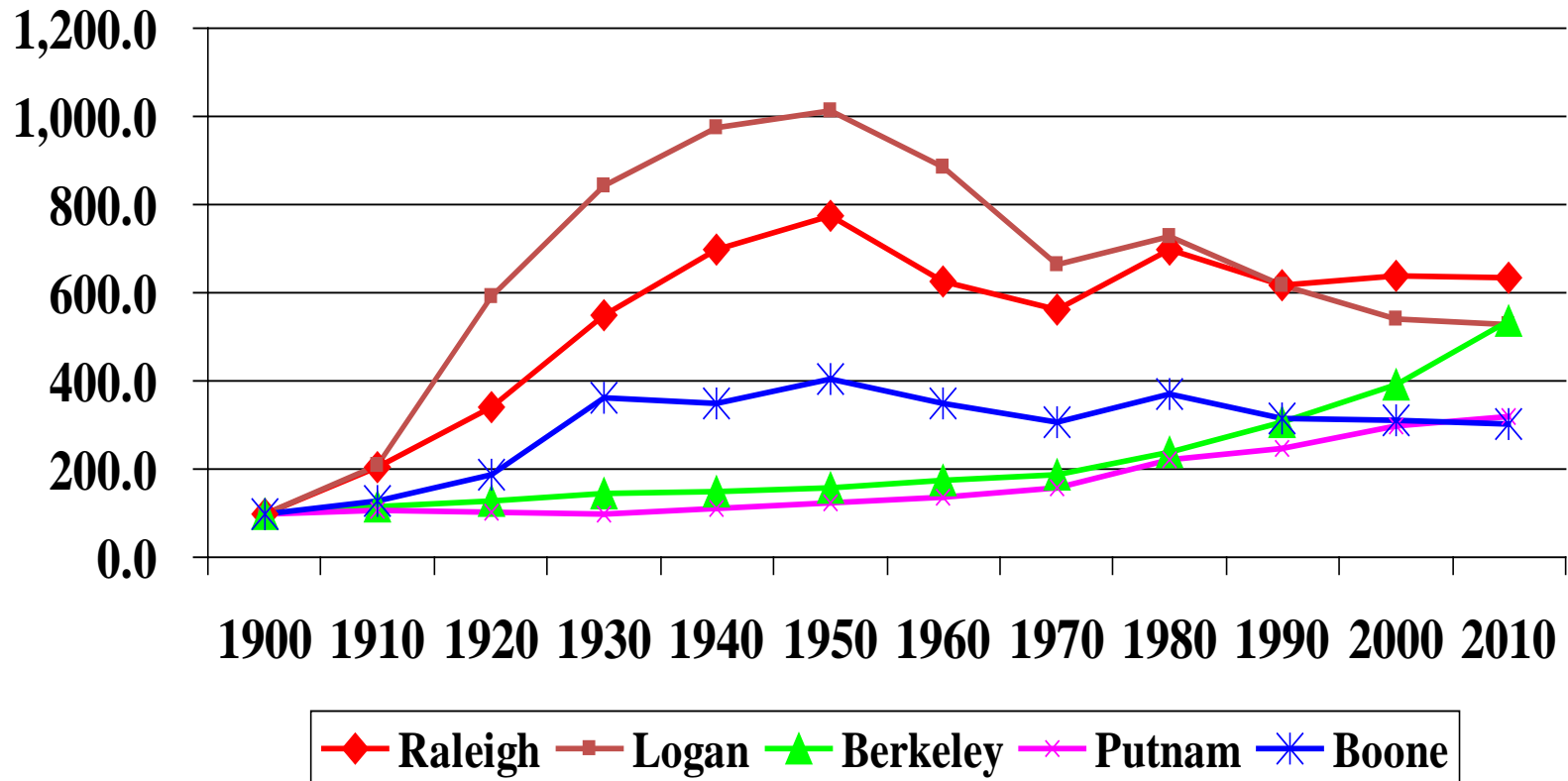
January 13, 2016

2016-2017 Fiscal Outlook Summary

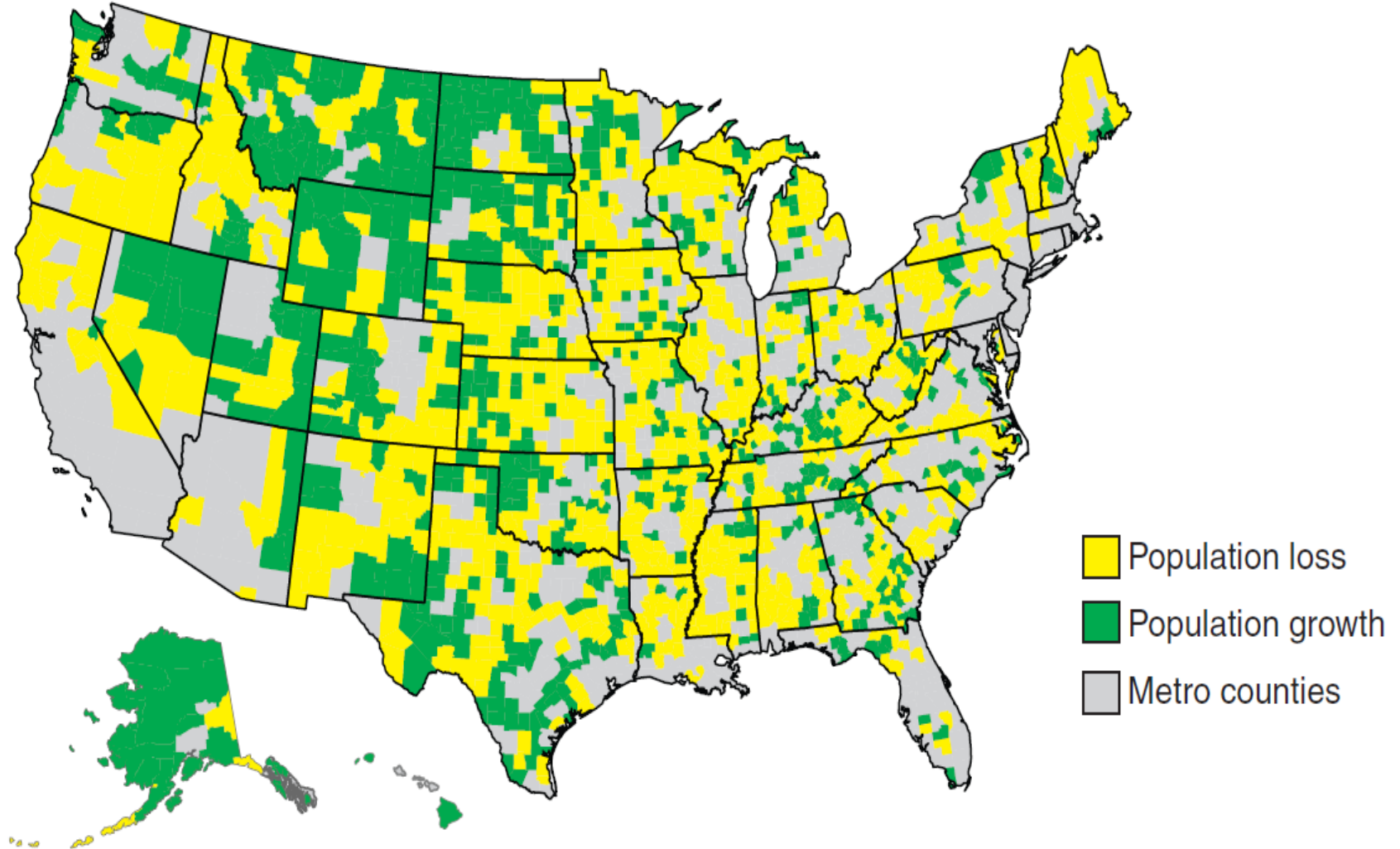
- Lower energy prices reduce severance tax and income tax collections
- Lower employment and sluggish wage growth result in lack of significant income tax and sales tax revenue growth
- General Revenue Fund collections will fall below prior year receipts creating sizeable budget gaps in both FY2016 and FY2017
- Lottery revenues will fall below prior year receipts, but still exceed estimate
- State Road Fund collections will fall below prior year receipts
- Multi-year reconciliation of government service demand with taxpayer willingness to pay is underway

Population Growth 1900-2010

Indexed To 1900



Nonmetro population change, 2010-13



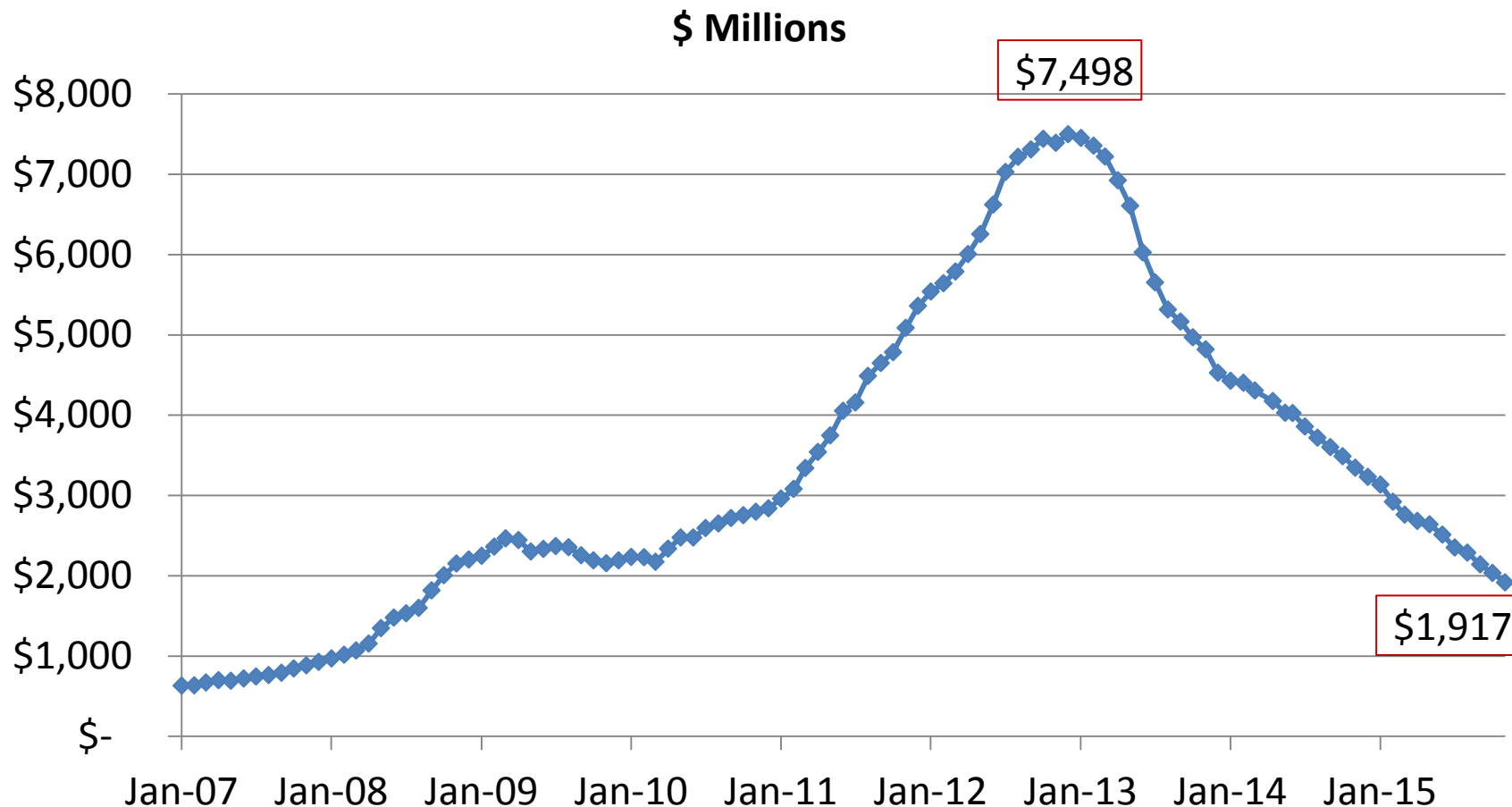
Source: USDA, Economic Research Service using data from U.S. Census Bureau.

West Virginia Non-Manufacturing Good Exports

Down 74% Since 2012

Trailing 12 Month Trend: November 2015

Source: U.S. Census Bureau

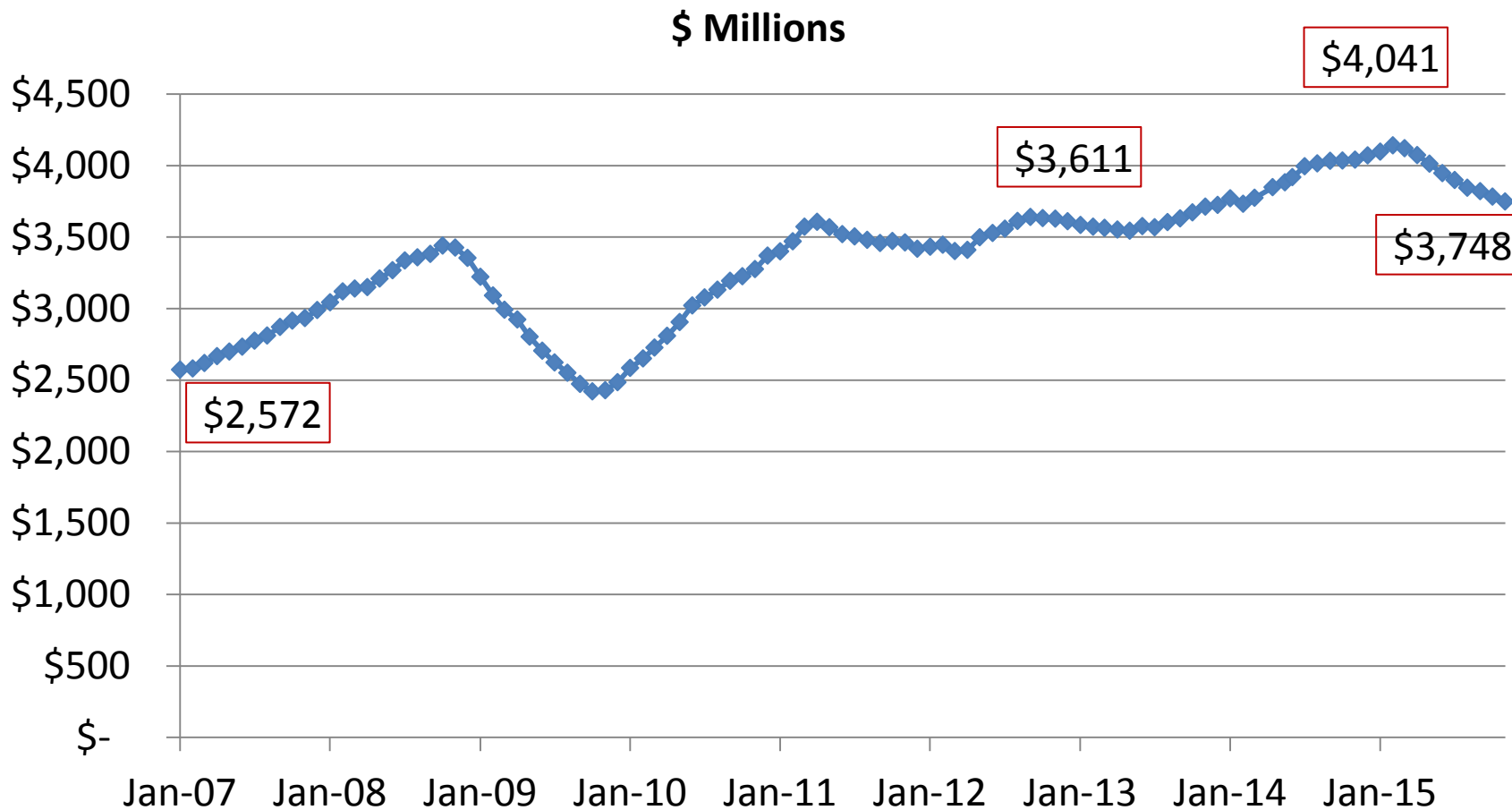


West Virginia Manufacturing Good Exports

Up 4% Since 2012; Down 7% Last Year

Trailing 12 Month Trend: November 2015

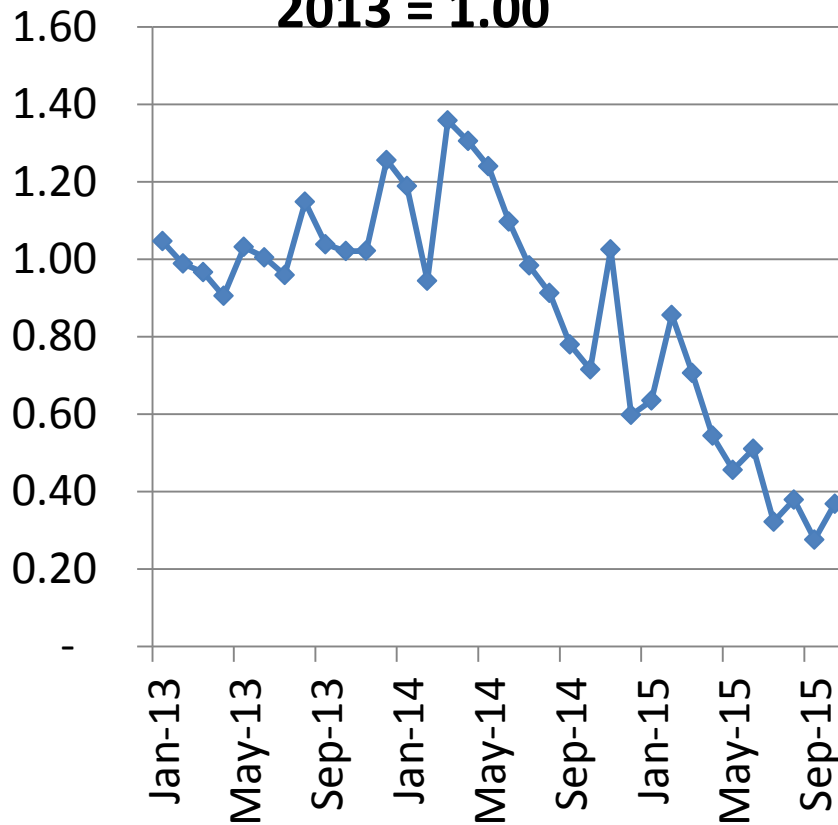
Source: U.S. Census Bureau



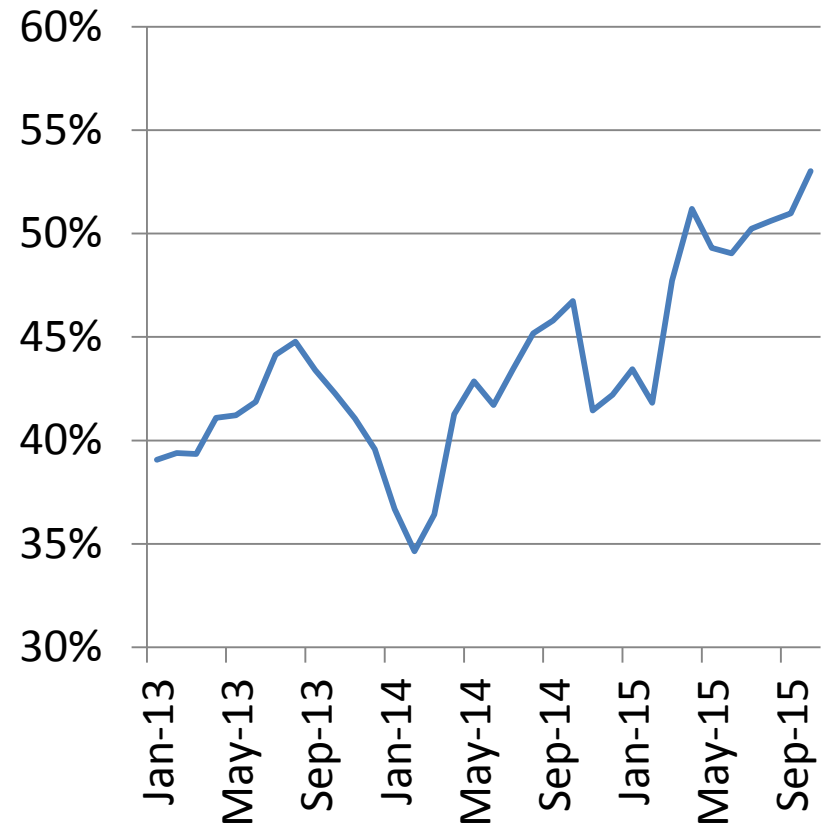
Natural Gas Share of Electric Power Generation Rises at Expense of Coal as Natural Gas Prices Plummet

Sources: U.S. DOE Energy Information Administration & WV Tax Return Data

Gas Price Index 2013 = 1.00



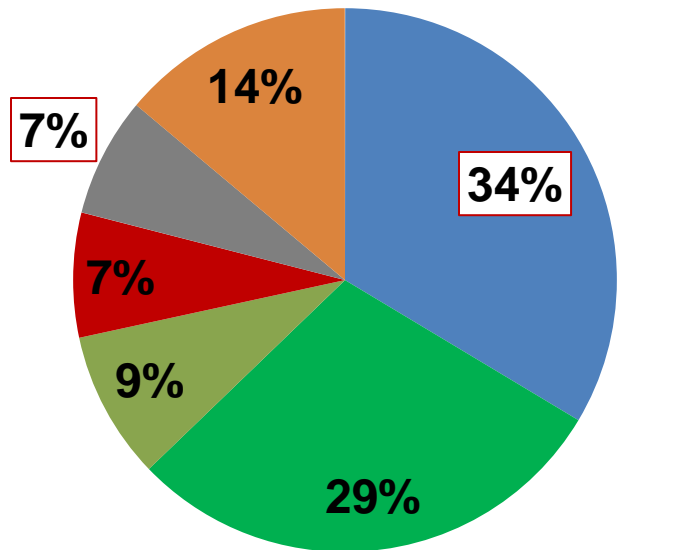
— U.S. Natural Gas Share v Coal



State and Local Government Expenditures 2013

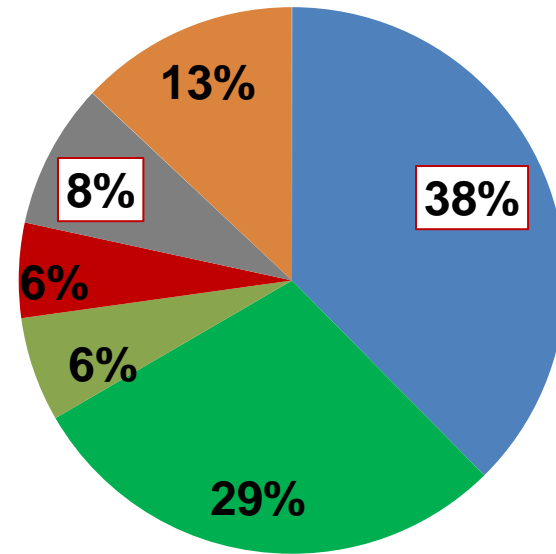
Source: U.S. Census Bureau

All State Total: \$2.6 Trillion



- Education
- Public Safety
- Transportation
- Social Services/Welfare
- Environment/Housing
- Other

West Virginia: \$14.7 Billion



- Education
- Public Safety
- Transportation
- Social Services/Welfare
- Environment/Housing
- Other

Examples of Exported Tax Revenues

Out-of-State Tourists (Racetrack Video Lottery, Ski Industry, Whitewater)

Coal Industry exports to other states and countries

Natural Gas exports to other states and countries

Electric Power Generation exports to other states

Cigarette Sales to Out-of-State Residents

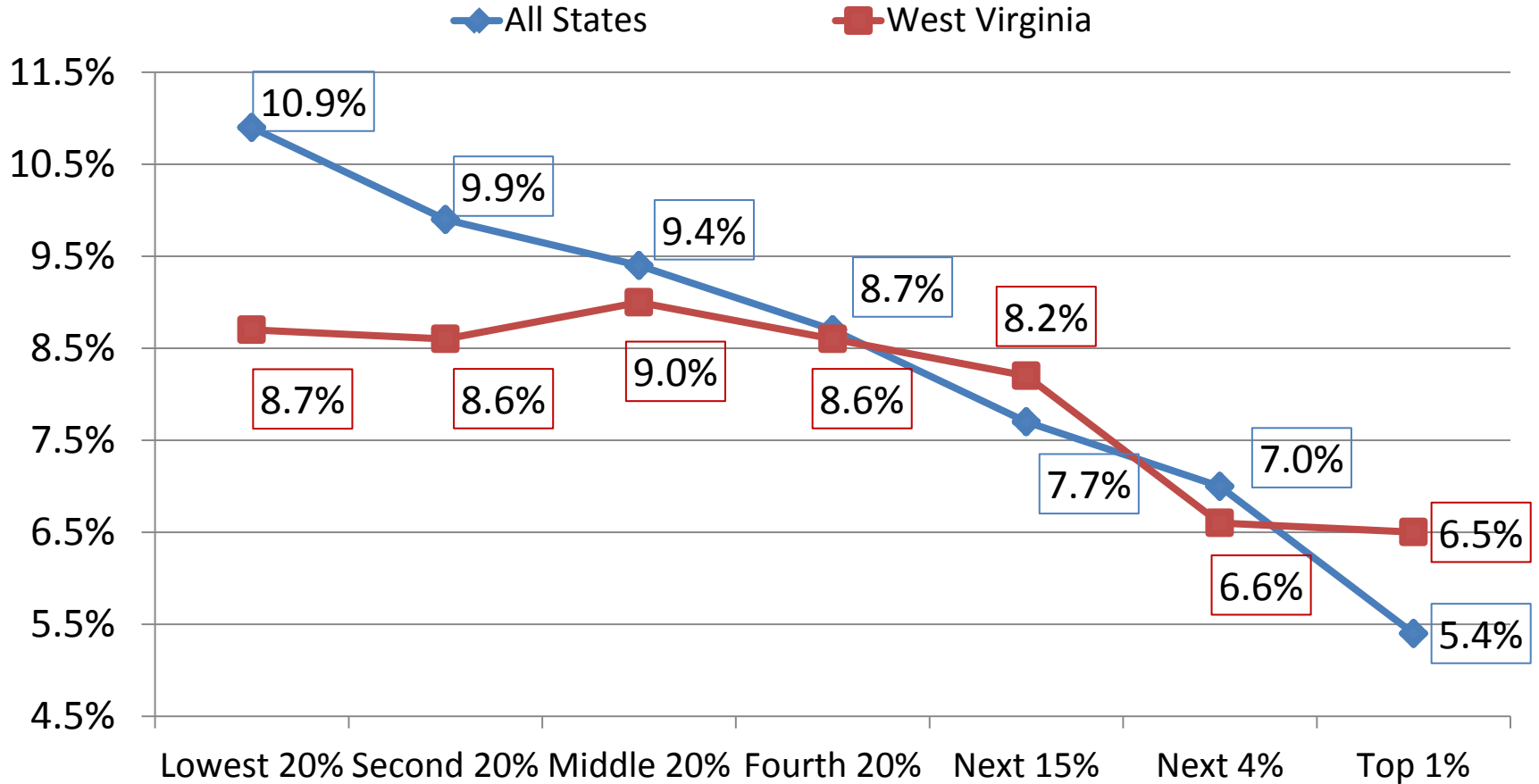
THE ROLE OF EXPORTED TAXES IN GOVERNMENT FINANCE

Exported Taxes: A Contributing Factor Toward Lower Than Average Individual Tax Burden In West Virginia

Estimated Tax Burdens By Income Level: Non-Elderly

Source: Institute on Taxation & Economic Policy: *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States* January 2015

Effective Tax Rate

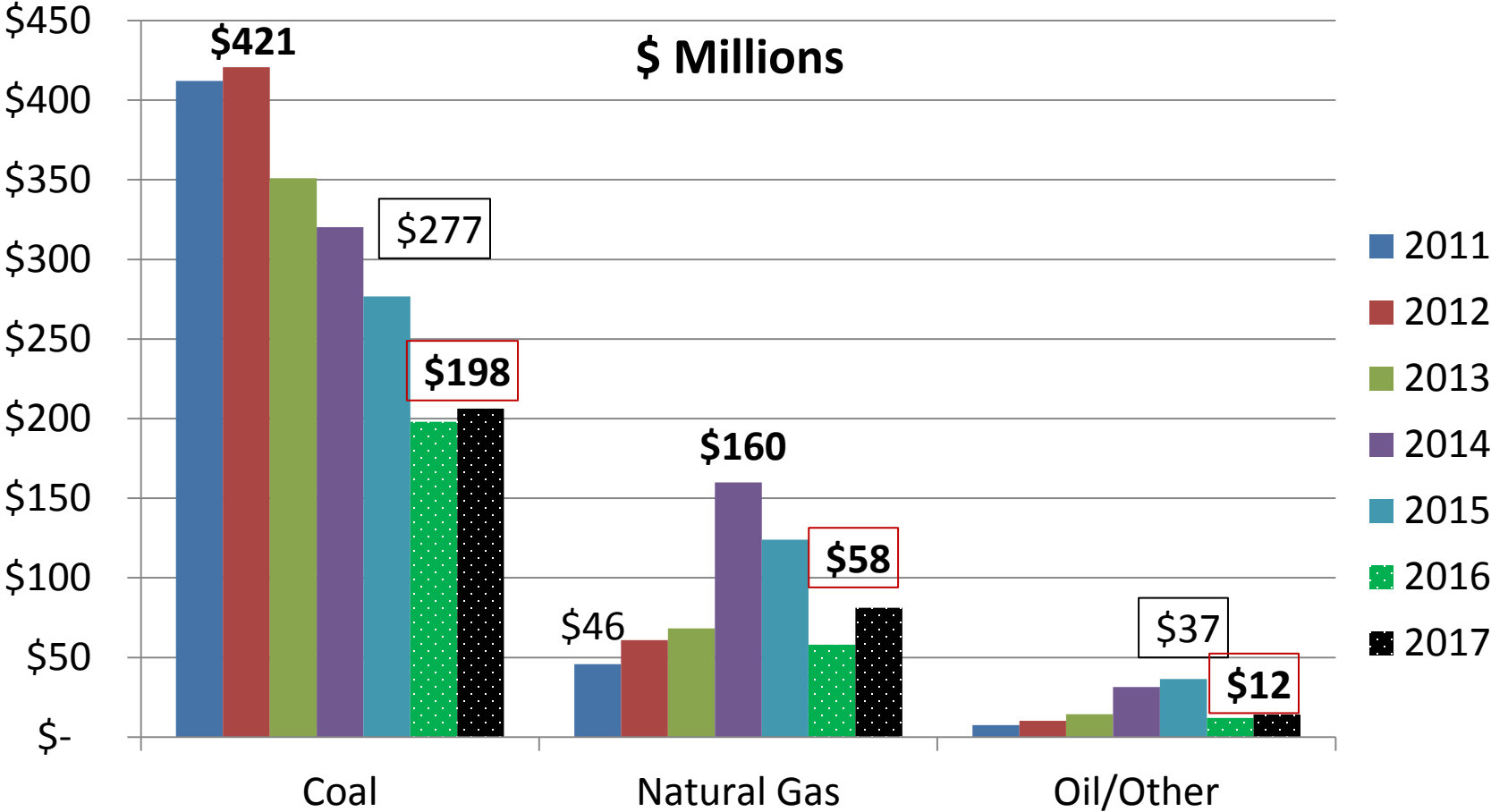


Comparative State Revenues as of January 8

	\$ Millions	\$ Millions		
	January 8 2016	January 8 2015		
<u>GENERAL REVENUE</u>	<u>Cumulative Funds</u>	<u>Cumulative Funds</u>	<u>CHANGE</u>	<u>% CHANGE</u>
SALES & USE	\$ 601.241	\$ 607.345	\$ (6.104)	-1.0%
PERSONAL INCOME	\$ 872.315	\$ 878.680	\$ (6.365)	-0.7%
B&O	\$ 54.419	\$ 52.651	\$ 1.767	3.4%
SEVERANCE*	\$ 138.047	\$ 228.953	\$ (90.906)	-39.7%
CORPORATE INCOME**	\$ 85.031	\$ 114.319	\$ (29.288)	-25.6%
INSURANCE	\$ 56.007	\$ 54.801	\$ 1.206	2.2%
TOBACCO PRODUCTS	\$ 53.999	\$ 56.551	\$ (2.552)	-4.5%
INTEREST	\$ (0.190)	\$ 1.097	\$ (1.286)	-117.3%
OTHER GENERAL	\$ 70.658	\$ 73.049	\$ (2.390)	-3.3%
GRAND TOTAL	\$ 1,906.876	\$ 2,042.294	\$ (135.418)	-6.6%
<u>STATE ROAD FUND</u>				
LICENSE/REGISTRATION	\$ 37.849	\$ 45.484	\$ (7.635)	-16.8%
MOTOR VEHICLE SALES	\$ 109.971	\$ 107.007	\$ 2.965	2.8%
MOTOR FUEL TAX	\$ 221.094	\$ 233.579	\$ (12.485)	-5.3%
LITTER CONTROL	\$ 1.007	\$ 0.695	\$ 0.313	45.0%
TOTAL ROAD FUND	\$ 369.922	\$ 386.764	\$ (16.842)	-4.4%
FY2016 Estimate	\$ 721.059	\$ 742.998	\$ (21.939)	-3.0%

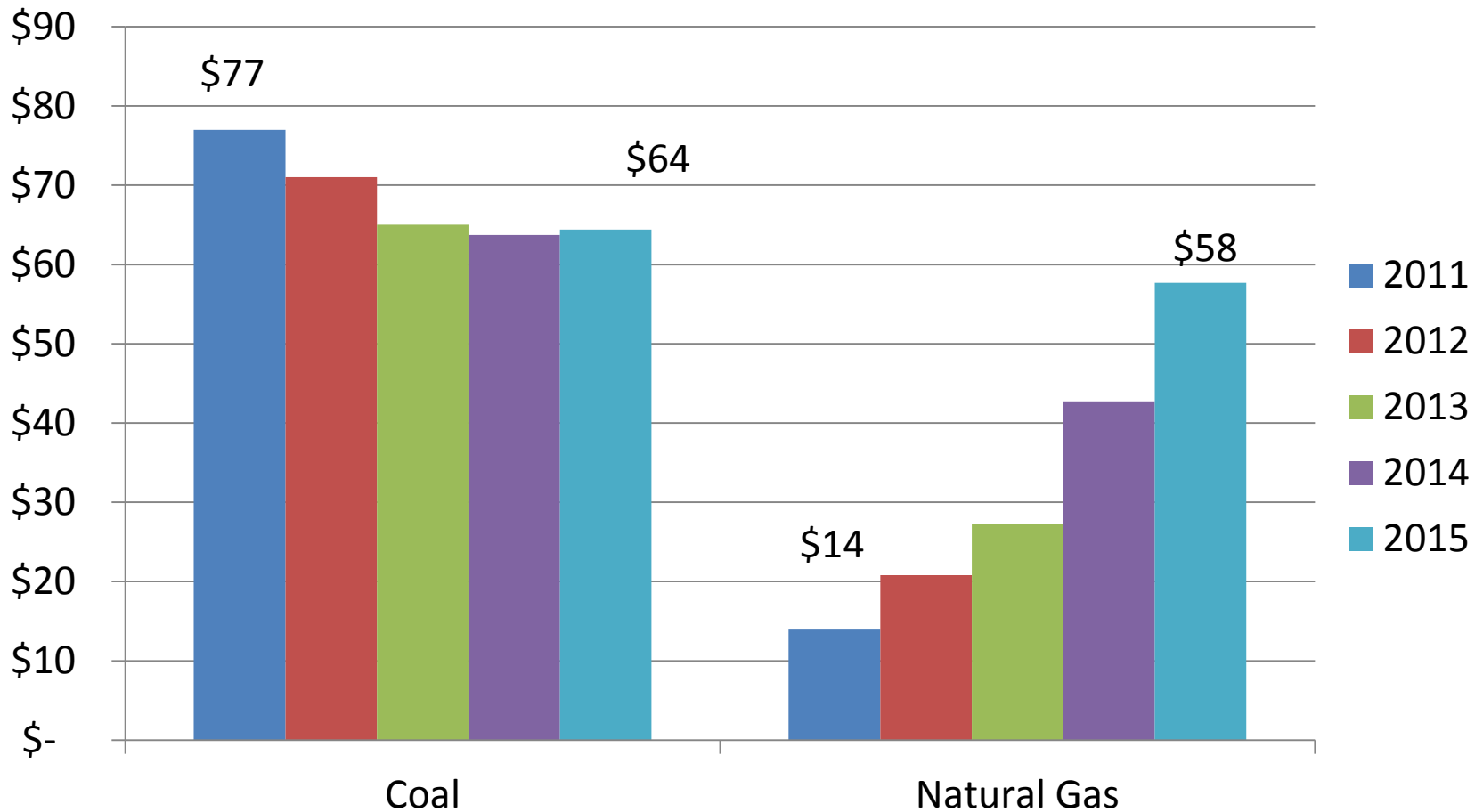
State Severance Tax Collection Trends

Regular Tax on Gross Receipts Net of Local Tax Distributions



Unit Severance Tax Collection Trends

Coal 56 cents per ton; Natural Gas 4.7 cents per Mcf



FY2017 Forecast Versus Official FY2016 Estimates
\$ Millions

<u>Tax Source</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Change</u>
Personal Income:	\$1,860.500	1,934.700	\$ 74.200
Sales & Use:	1,269.800	1,378.800	109.000
Severance:	471.700	280.144	(191.556)
Corp Income:	173.200	166.000	(7.200)
B&O:	117.000	115.500	(1.500)
Tobacco Excise:	100.400	175.800	75.400
Insurance Premium:	120.200	119.400	(0.800)
Lottery-GRF:	83.355	65.000	(18.355)
All Other:	109.621	92.450	17.070
<i>Total General</i>	<i>\$4,305.776</i>	<i>\$4,327.794</i>	<i>\$ 22.018</i>

Contact Information/Questions

Mark B. Muchow
Deputy Secretary of Revenue
304-558-8730
Mark.B.Muchow@wv.gov