

West Virginia

Federal Policies Have Cost West Virginia \$1.1 Billion over the Past Four Years

Federal Policies Affect West Virginia Revenue and Spending Levels, 2002-2005

*Cost to
West Virginia*

➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$187 million
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$317 million
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$20 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$572 million
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$94 million
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$125 million)
	TOTAL COST (net of fiscal relief), 2002-2005:	\$1.1 billion

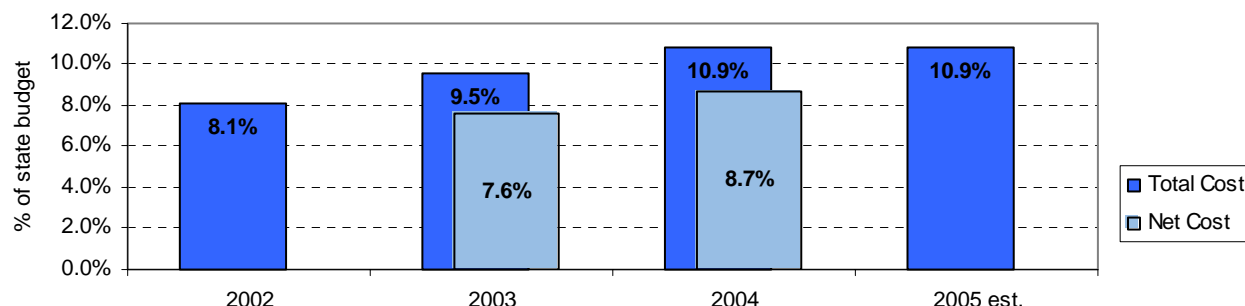
West Virginia Has Been More Affected by Federal Policies than Most States

*Ranking among 50
states plus D.C.*

➤	Total cost as percent of General Fund budget (2002-2005):	9.9%	18th
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	8.9%	17th

West Virginia has been affected heavily by federal policy in part because it is one of the poorest states in the nation. Poor states tend to have greater needs for a variety of government services and less ability to raise their own funds to pay for those services, so they are hit harder by adverse federal policies. West Virginia has also failed to decouple from recent federal tax changes that have reduced state tax revenue significantly.

Net Cost of Federal Policy to West Virginia as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.