

West Virginia Children and Families Funding Study

Update and Report on Nine Year Trends in Public Expenditures FY 1999 through FY 2007

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Supported By:

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Background and Introduction

Beginning in 1998, state agency representatives began discussing some type of analysis of state and federal funding for programs that contribute to the well being of children and families in West Virginia. It was hoped that a cataloguing of federal and state expenditures each year would allow policy makers to better identify available resources and monitor trends in spending over time. An analysis of spending patterns would be useful as both a planning tool and as a tool to monitor changes in public investments from one year to the next. One working assumption of the original interagency group was that many children and families in West Virginia were being under or over served by federal, state, local, and private agencies due to the lack of a coordinated, comprehensive planning process that would provide adequate and appropriate resources where they were most needed. Planners and policy makers often made budget decisions without basic information about how much was currently being spent on what types of services. The investment of federal and state dollars was not monitored in any way that allowed for good planning and policy development and these investments were not compiled in any one place that allowed for a comprehensive view of the numerous programs and services supported by public funds.

In 2000, the Child Welfare and Juvenile Justice Coordinating Council commissioned an initial study. The initial study outlined issues related to state and federal expenditures, catalogued all known programs that support services to children and families in West Virginia, and analyzed spending patterns over a three year period (1999-2001). This ongoing project to monitor the level of expenditures through major funding streams was first conducted in 2001. The initial funding study report was released in April of 2003 and was titled *The Big Picture*. The initial report and subsequent annual updates are available at the WV Prevention Resource Center Funding Study Website <http://www.prevnet.org/fundingstudy>. Each year after the initial study was conducted, the expenditure data has been updated and multi-year trends in spending has been examined.

The initial analysis was designed to compile and monitor public expenditures using a typology based on the purpose or function of the various funding streams. A functional analysis such as this is distinctly different from the way public expenditures are generally administered by state spending units (departments, bureaus, and offices). The functional categories selected allow for analysis of state and federal public investments in the children and families of West Virginia in six major areas without regard to which public agency (or spending unit) is responsible for

administrative oversight. Thus, the funding streams contributing to a particular functional area of support may be found within the budgets of several different departments, bureaus, and offices of state government and, in some cases, these funding streams may be directed to local community programs or to individual recipients directly by the federal government.

Four of the defined functional areas make up what may be considered the major publicly supported service systems. These are:

- Education,
- Health Care,
- Economic Support, and
- Safety & Family Stability.

The other two functional categories address economic and community development and they include:

- Economic Development, and
- Community Capacity Building.

Compiling the public expenditure data in this way, defines a more integrated budget for each of the major human services systems. Investments in each of these service systems are more readily apparent than is the case when looking at single agency or departmental budget.

The *Big Picture Report* provided “funding maps” of the major service systems within West Virginia in addition to analysis of three year trends in spending¹. The “funding maps” are diagrams that show how public funds flow from federal to state to local levels. This information available in the 2003 report and the information contained in each of the annual updates published since 2003 will not be repeated here. This report focuses on the most recent available information and provides an update of the expenditure data available through 2007. Nine year trends in state and federal spending (FY 1999 through FY 2007) are also examined in this sixth follow-up report.

Brief Comments on Methodology

In order to monitor trends over time in federal and state expenditures in a way that allows for comparability across the nine years of the study, changes in funding streams are monitored each year to assure to the degree possible that funds accounted for in one year are included in subsequent years. In cases where relevant funding streams are newly established, eliminated, or combined with others, adjustments in the affected funding streams are made in order to monitor the expenditures within a particular category of services and programs in a consistent manner from one year to the next. This results in a reasonably accurate accounting of public expenditures by functional area and sub categories of spending over several years. Care is taken in each annual trends update to track the level of public expenditures over time in order to draw conclusions about changing policy priorities and funding levels.

Occasionally a new federal or state funding stream is established that falls within one of the six functional categories addressed through the study. In these cases a new funding stream may be added to the analysis. For example, funding streams related to the new federal Department of

Homeland Security are incorporated into the funding study analysis for FY 2004 through FY 2007. These particular funding streams did not exist prior to FY 2004. Within the state budget, funds for Promise Scholarships were made available for the first time during FY 2002; thus, there are no expenditures in this line prior to 2002.

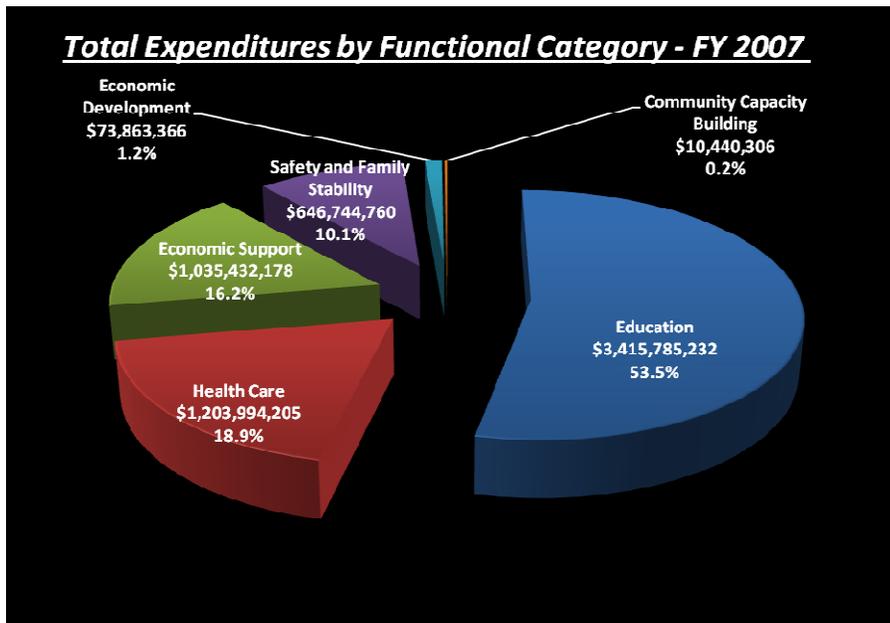
In other cases, a previously available funding stream may be eliminated due to changes in policy at the state or federal level or the expiration of a time limited discretionary grant. When this is the case, the eliminated funding stream may no longer reflect any funding. Also, funds made available through a particular line item in the state budget may occasionally be combined or moved to another line in the budget. An example of this is in FY05 when the primary state funding stream for higher education was broken into two separate funding streams – one for the support of colleges and universities and the other for community and technical colleges.

The reader is urged to review the *Big Picture* report for background and a detailed analysis of each functional service system. If the reader is not familiar with the 2003 report, he or she may find it useful to review that report prior to reading this update in order to get a more detailed description of the various types of federal and state funding included in the analysis as well as more detail about the sources of data and methodology used.²

Some of the expenditures monitored through the funding study must be estimated when accurate data is not available. The most significant issue related to estimated expenditures is within the Medicaid program where accurate expenditure data by functional category has not been available since 2004.³

General Observations – 2007 Expenditures

Chart 1



The four major service systems (Education, Health Care, Economic Support, and Safety and Family Stability) account for nearly all of the FY 2007 expenditures reviewed within the study. Spending within these four human service systems make up 98.7% of all expenditures accounted for in the study. More than half (53.5%) of the total reported expenditures

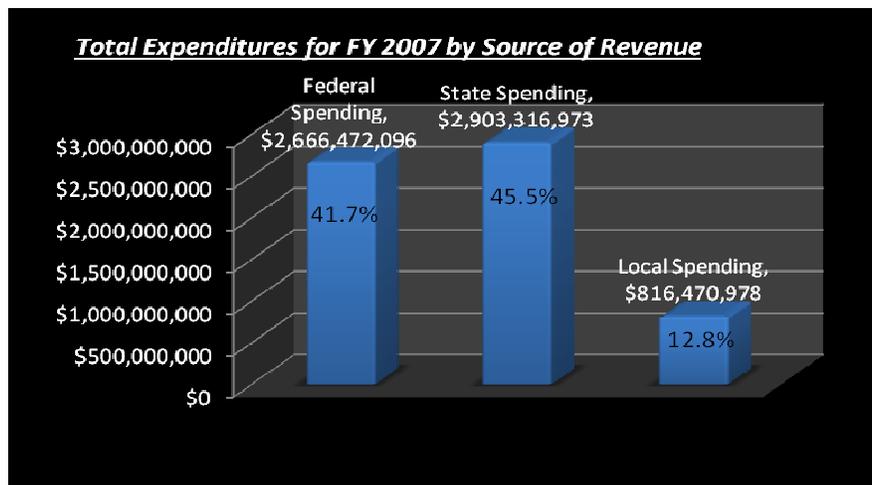
during state fiscal year 2007 were in the Education functional area (including early care and education, public education, and higher education). See Figure 1 for total spending and relative percentage for each functional category.

A sizeable portion of the non-education expenditures examined by the study are federal funds made available through a broad range of federal programs. Federal funds make up 75% of all the remaining non-education related expenditures. The largest federal investment by far is through the Medicaid program. Federal Medicaid funds are made available to the state to provide health related services to children and needy adults. The state must appropriate a certain level of matching funds in order to tap federal Medicaid funding⁴ and some other federal programs require state matching at various levels as well. A large portion of the available state dollars for non-education expenditures is required to match the federal funding available to the state.

Funding streams monitored through this project are from three sources: federal funds, state appropriated funds, and local education funds generated through property taxes. These three categories of expenditures make up the totals tracked in the annual updates and trends analysis.

Chart 2

For FY 2007, federal expenditures accounted for 41.7%, state expenditures reflected in the study made up 45.5% of the total, and local education dollars provided 12.8% of the total.



Comparison of Federal and State Expenditures by Functional Category of Services

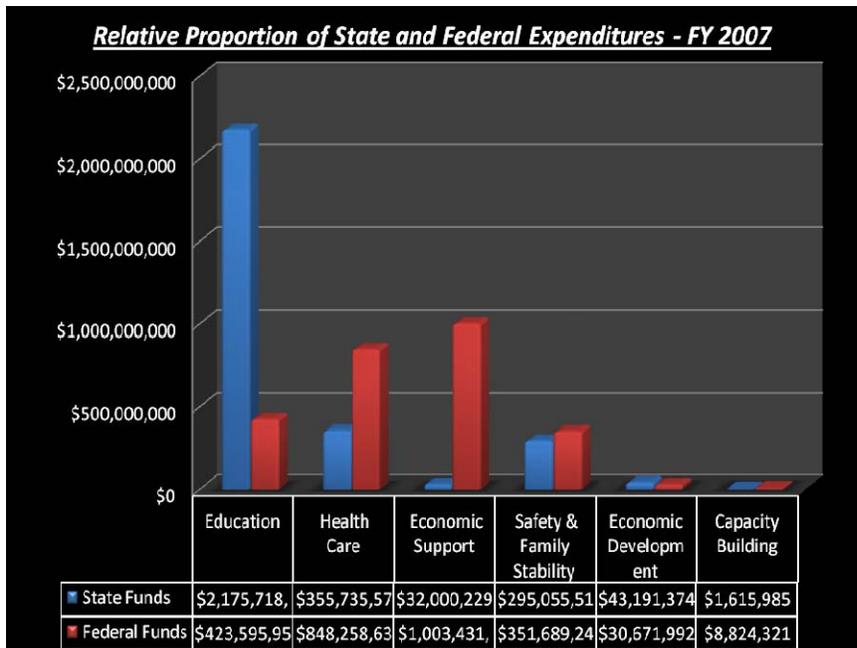
The major functional categories of services monitored through the WV Children and Families Funding Study are all supported by a mix of federal and state funding.

Education expenditures are predominately supported by state generated dollars (83.7% state funded in FY 2007). **Economic Support** programs including the areas of Economic Assistance, Nutrition and Food, Housing, and Employment and Training are almost entirely federally funded (96.3% federal). Investments in **Community Capacity Building** are primarily accounted for through federal expenditures as well (84.5% federal).

The largest portion of expenditures for **Healthcare** programs including Medicaid and the Children’s Health Insurance Program is also from federal funds. 70.5% of the public healthcare

system is supported with federal funds and 29.5% of the expenditures are paid from state appropriated funds.

Chart 3



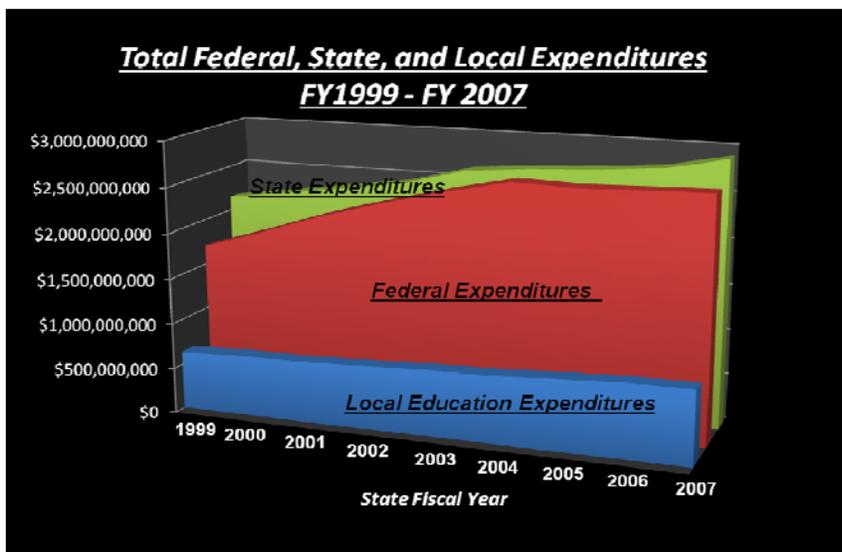
Expenditures monitored through the study within the Safety and Family Stability functional area are shared more equally by the state and federal governments. **Safety and Family Stability** services are supported by 42% state funds and 58% federal funds.

Economic Development programs are also supported by a more balanced mix of state and federal funding (44% federal and 56% state).

Chart 3 shows the relative percentage of federal and state expenditures within each of the major functional categories for FY 2007. These relative percentages remain very much the same from one year to the next. Additional information about the proportions of state and federal spending making up each functional area of the study may be found in *Appendix A*.

Nine Year Trends in Expenditures - 1999 through 2007

Chart 4



The relative percentage of total state, federal, and local expenditures over the entire nine year period (FY99 through FY2007) is graphically depicted in Chart 4.

Generally speaking, federal spending in West Virginia rose significantly during the period 1999 to 2004 and has remained relatively constant since 2004. State spending

has increased consistently over the entire period and local spending on public education has been fairly stable with only slight increases each year.

Total expenditures within publicly funded programs generally increase each year. Some increase in spending in real dollar terms is expected every year to offset rising costs of goods and services.

Total expenditures monitored by the study in “real” dollars increased from FY 2006 to FY 2007 by about \$137 Million. Total state and federal expenditures have increased over the nine year period for which data has been compiled from approximately \$4.50 Billion in FY 1999 to \$6.38 Billion in FY2007.

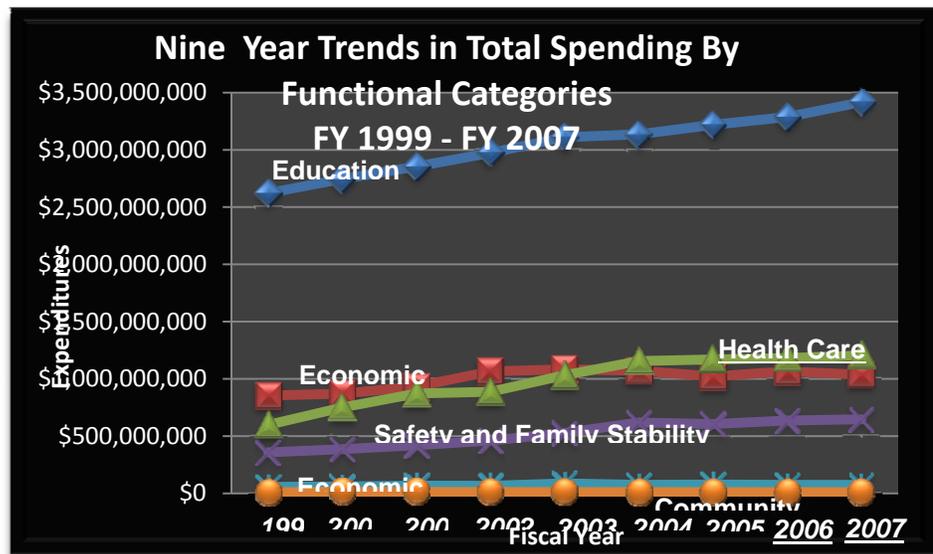
This reflects a forty-two percent increase over the period. When adjusted for inflation (constant 1999 dollars) the percentage increase in total expenditures through all funding streams monitored was about 14% over the nine year period.

Total federal expenditures essentially remained constant from FY 2006 to FY 2007 while state expenditures rose by 4.8%. Total state expenditures have consistently increased each year. Chart 4 graphically depicts the trends in total expenditures over the entire nine year period of the study.

Chart 5

During state fiscal year 2007, the increasing trend noted in previous reports in areas of Education and Healthcare expenditures continued.

Total spending in these two areas (Education and Healthcare) have increased each year over the nine year period of the study.



There has also been a consistent increasing trend in programs that make up the Safety and Family Stability service system and that trend continued in FY 2007. Recent trends in other functional categories of public services reflect essentially stable levels of funding or small declines in funding (real dollars).

See Chart 5 for the trend line of each category of services over the nine year period of the study.

Observations from the 2007 Data and General Trends by Functional Category

Education:

Total education expenditures increased in FY 2007 at rate comparable to prior years. As more children have been enrolled in pre-K programs through the public education system, expenditures for early care and education have increased significantly. There was a notable increase in investments in *Early Care and Education* during FY 2007 as a result of increasing costs of preschool programs and additional expenditures for child care. *K-12* expenditures rose in FY 2007 by about the same percentage as prior years monitored through the study.

Spending for higher education has increased at a less rapid pace than either of the other two sub-categories in this area (public education & early care and education). **Higher Education** funding (total state & federal support) increased in FY 2007 by 11.4% over the FY06 level but this was after a three year trend of declining investments between FY04 and FY06.

Health Care:

Health Care expenditures continued to increase in FY 2007 reflecting the steady upward trend in healthcare costs over the entire nine year period. Total publicly funded health care expenditures captured in the analysis have doubled (101.4% increase) over the years studied in real dollars and health care expenditures have increased by 61.7% in constant 1999 dollars⁵. This rapid and steady increase in health-related public programs is not unique to West Virginia as healthcare inflation is historically higher than the general rate of inflation nationwide. The annual rate of growth in healthcare expenditures has been less in recent years than in the earlier years of the study. After rapid growth in public spending on healthcare from FY99 to FY 2004, the period FY04 to FY07 has seen significantly less dramatic increases.

Economic Support:

Overall spending in *Economic Assistance* programs (primarily the Temporary Assistance to Needy Families program) that support low income families declined again in FY07 after a modest increase in FY06. The decline in spending within the Economic Assistance programs for FY07 is consistent with lower levels of spending observed during the period FY04 to FY06. Spending in this area increased steadily from FY99 to FY02 when it reached a nine year peak. The overall trend in public expenditures in the area of economic assistance was generally downward during the period 2003 through 2007. The federal Earned Income Tax Credit (EITC) is included in this sub-category since the program is intended to supplement earned income within low income families. The dollar amount claimed by West Virginia families under the EITC has generally been increasing over the period of the nine years; however, a small decrease in total claims is noted for FY 2007.

Expenditures for the *Employment and Training* sub-category declined again in FY 2007 following a trend of declining spending in this area each year since peaking in 2003. Spending on employment and training programs has declined by 62% since FY03.

Expenditures for *Food and Nutrition* programs (most notably the federal food stamp program) have steadily risen during the course of the study and they continued to increase in FY07. Expenditures in most other programs contributing to Economic Support increased modestly.

The longer term (over the entire nine year period) is one of increasing public investment in this area (a 21.3% increase over the period of the study). Almost all of the spending in the *Economic Support* area is from federal dollars (96.9%). The relatively minimal state investment in Economic Support programs which is found in the required state maintenance of effort (MOE) for the TANF program. The state expenditures in this area have actually declined in real dollars by 15.6% over the nine year period FY 99 through FY2007.

Safety and Family Stability:

Total expenditures through the programs that make up the Safety and Family Stability service system increased modestly in FY 2007. The most notable increase was in the area of *Behavioral Health* which saw some increase in investment after three years of flat funding. *Child Welfare* expenditures declined modestly after increasing in FY06.

Expenditures for *Youth Development* programs increased slightly in FY07 bringing the total for these programs back to FY99 level. The programs making up the Youth Development sub-category which are mostly federal Department of Justice programs have seen essentially no increase in expenditures over the entire nine year period.

Public Safety spending experienced increased spending in FY07 after seeing a decrease in available funding during FY 2006. Federal investment in Homeland Security was increased in 2007 to approximately the level of support available in 2004. State expenditures for secure juvenile facilities (primarily juvenile detention centers) increased again in FY07 after being relatively stable the prior year.

Overall spending in the *Safety and Family Stability* functional category increased in FY 2007 by less than 2% indicating a possible slowing of the longer term trend of increases in expenditures. Spending within all the funding streams making up this functional area over the entire nine year period has increased by 80.8%.

Economic Development and Community Capacity Building:

Overall 2007 expenditures in the area of *Economic Development* remained at the same level as the previous year. Expenditures in the area of *Community Capacity Building* increased slightly due to a small increase in state funding for the Commission on National and Community Service.

Longer term trends in real dollar investments in these areas show a small increase over the nine years; however, expenditures in the area of *Economic Development* have declined since reaching a nine year high in FY2003. Expenditures in the area of *Community Capacity Building* reached a nine year high early in the study period (FY2000) and the trend since that time has been one of decreasing investment. Although important to the overall well-being of local citizens, total spending in the economic development and community capacity building areas are

extremely small when compared to spending in the four primary functional service systems addressed in the funding study and subsequent trends updates.

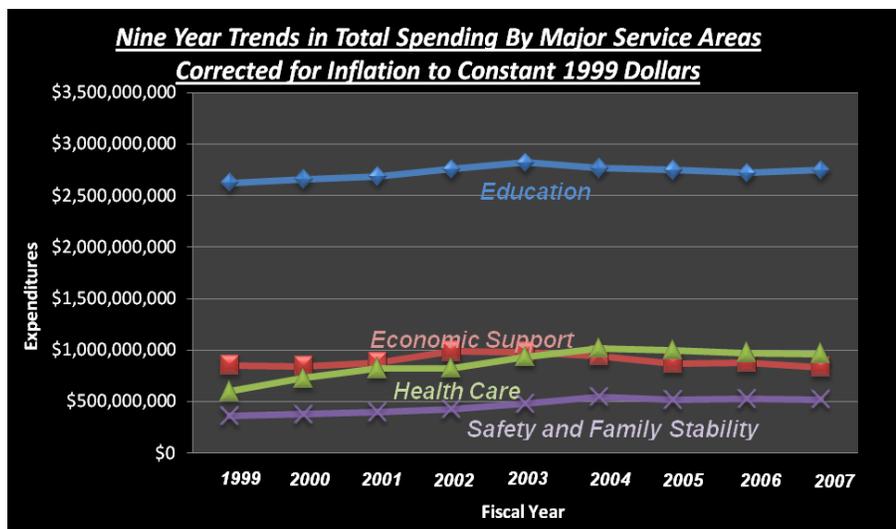
Appendix B at the end of the report lists the total expenditures identified within the six functional areas for each year of the study as well as the totals each year for sub-categories that make up the functional service systems. Figures adjusted for inflation are also found in Appendix B.

Trends in Expenditures Corrected for Inflation

When expenditure levels are corrected for inflation and shown in constant 1999 dollars, the trend in public expenditures captured through the study continues to reflect general increases over the seven year period for most types of services and programs that support children and families in West Virginia. The increases in total expenditures (state and federal) over the entire nine year period are, however, much more modest when considered in constant 1999 dollars. The overall corrected increase in total public expenditures within the funding streams monitored through the study is 14.0% over the entire nine year period of the study.

Chart 6

Chart 6 graphically shows these trends in constant 1999 dollars for the four major human services systems defined by the study. After generally rising levels of expenditures during the first five years (FY1999-2003), the trend in expenditures (inflation adjusted dollars) within each of the four major service systems has been flat or declining over the most recent four years (FY 2004-07).



A small overall increase in excess of that accounted for by inflation is noted for the functional area of **Education** over the nine year period. This amounts to a 4.6% increase. Thus, although expenditures for the education system increase each year in real dollar terms, these expenditures have essentially only kept pace with the rising costs of goods and services within the economy. Larger increases are noted in the areas of Healthcare and Safety & Family Stability. When the expenditure figures are considered in constant 1999 dollars, spending on **Health Care** has increased by 61.7%. Expenditures in the area of **Safety and Family Stability** (inflation corrected) have increased by 45.3% over the nine year period.

When corrected for inflation, expenditures included in the study within the remaining large human services system, *Economic Support*, have declined over the nine year period by 2.6%.

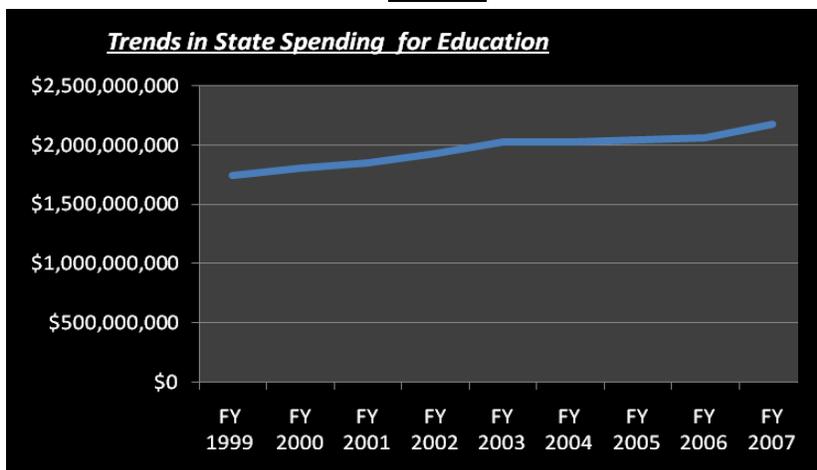
Inflation corrected spending supporting *Community Capacity Building* has also declined over the nine year period - by 11.2%. Finally, expenditures in the area of *Economic Development* (when corrected for inflation) have increased only modestly since 1999 by 5.3%.

Trends in State Expenditures

Total state expenditures included in the study have increased over the nine year period from \$2.148 billion to \$2.903 billion. This is an overall increase of 28.9%.

The nine year trend in state expenditures within the funding streams included in the study reflects an increase in total state investment over the nine year period for each of the functional categories with the exception of Economic Support. State investment in the *Economic Support* service system declined in FY 2006 and FY2007.

Chart 7



Public Education accounts for the vast majority of all state dollars included in the study. In excess of \$2.175 billion in state funds were expended in 2007 for services and programs in the area of education (preschool, primary, secondary, and higher education). An additional \$816.5 million in local revenues was spent to support public education as well.

The expenditure of state dollars to support the Education system has increased each year at a steady rate. The trend line for state investment in the *Education* service system shown in Chart 7 reflects a 24.7% increase in state expenditures from 1999 to 2007.

State expenditures within the other functional categories are at a much lower level than is the case for Education services. Historically, the state has been largely responsible for Education services and the federal government is much more involved in the other service systems. When the state funds supporting education are not included the trends in funding for the other types of services and programs are much more apparent.

Chart 8

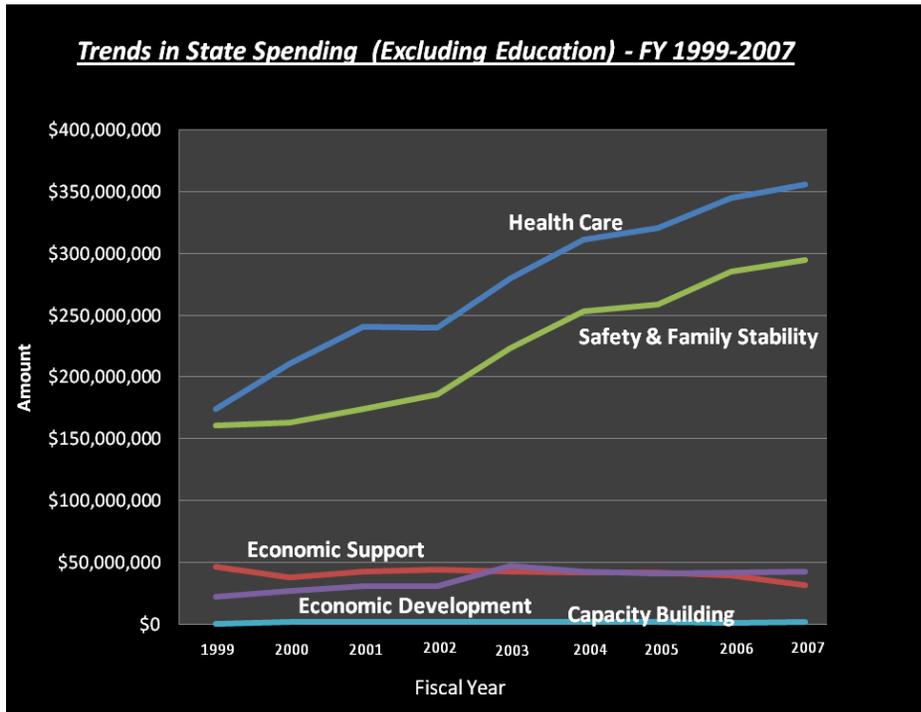


Chart 8 graphically depicts the trends over the eight year period in the expenditure of state funds in functional areas other than education.⁶

All of these functional categories of services have seen increases in state spending over the eight years of the funding study except for the area of Economic Support.

Over the eight year period of the study, state spending on *Economic Support* services has declined by 31.4%.

State spending for the *Health Care* system continues to increase driven primarily by state dollars used as Medicaid matching funds. The overall trend in state spending for publicly supported health care programs is one of ever increasing costs. Over the nine years, state expenditures within the Health Care area have more than doubled (a 103.7% increase in real dollars).⁷

Overall state investments in the *Safety and Family Stability* system have also steadily increased during the period of the study. Total state spending in areas of safety and family stability has increased by 83.4% (real dollars) over the nine year period. Several recent increases in spending within the child welfare, public safety, and behavioral health sub-categories of programs has accounted for this upward trend. State appropriations for child welfare and secure juvenile detention facilities rose significantly over the four most recent years of the study (FY 2004-07). This was largely due to the construction and operations costs related to several new juvenile detention centers and increases in state funding for social services and child protective services in 2006. The federal government does not support the construction or operations of secure facilities - state funds must be used exclusively for these purposes.

During the most recent year of the study (FY 2007) state funding of Behavioral Health programs was increased after remaining essentially flat for the period FY 2004-07. The state does not fund any programs within the **Youth Development** sub-category of services.

Trends in Federal Expenditures

The general trend in federal spending through the funding streams included in the nine year analysis has been one of increasing federal expenditures over the period within the four major service systems of Education, Healthcare, Economic Support, and Safety. Over the course of the funding study, total federal expenditures increased by 56.3% in real dollars and 25.5% in constant 1999 dollars when corrected for inflation. The expenditure of federal funds has increased significantly within three of the four major service systems. Federal spending through the **Healthcare** funding streams included in the study has doubled (100.4% increase over the nine years since 1999) due largely to consistent increases in spending through the Medicaid program and establishment of the Children's Health Insurance program (CHIP).

Federal expenditures in the area of **Safety and Family Stability** have increased over the period by 78.7%. Federal expenditures in the areas of behavioral health and child welfare have increased over the years these funding streams have been monitored. Federal funding for youth development programs was cut by about 25% in 2002 and has remained at this reduced level over the past six years of the study. Although overall federal funding has increased over the nine year period within the functional category of safety and family stability expenditures over the past two years (2006 and 2007) show declines in some areas.

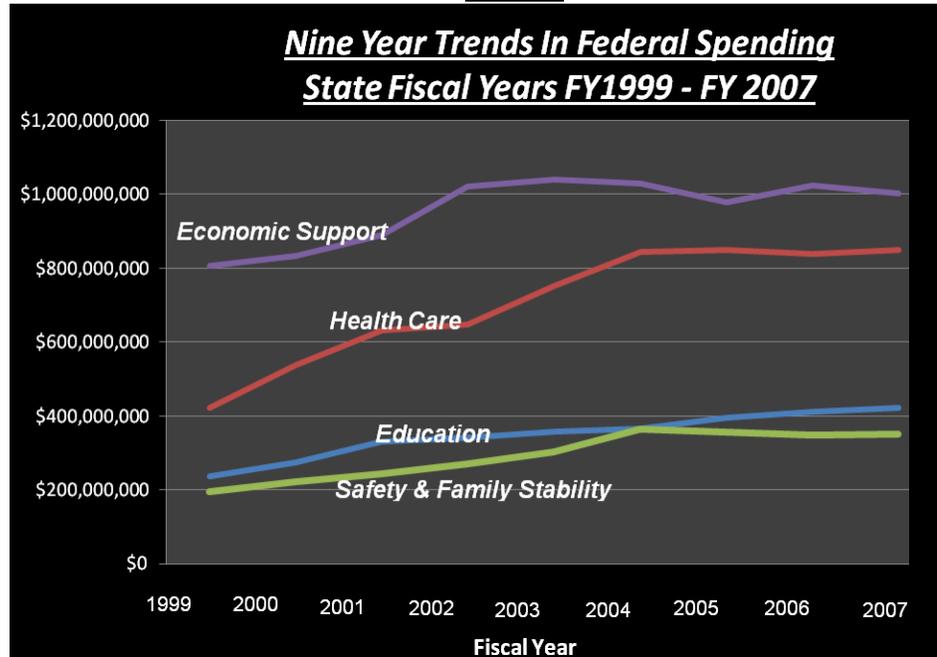
Federal expenditures for **Education** have generally increased each year that the funding streams have been tracked. Total federal expenditures for education related programs have increased by 79.3% over the nine year period. Increases in available federal dollars have been primarily in the area of K-12 public education. There has been little change in the level of federal funding for **Higher Education** during the period covered by the study. Increased expenditures of federal funds through child care funding streams during FY 2007 resulted in an increase in total expenditures for **Early Care and Education** during this most recent year of the study. Federal spending in early care and education reached a nine year high in FY 2007 due to the increased level of child care expenditures.

There was a decline in federal spending within the **Economic Support** functional category of services during FY 2007. This decline was due to a reduction in payments to families for direct assistance (TANF) and a reduced level of expenditures for employment and training programs. Overall, federal expenditures within the Economic Support service system have increased by 24.3% over the nine year period. **Food and Nutrition** programs have seen steady increases in real dollars over the nine years of the study. Federal spending through **Employment and Training** programs increased during the period 1999-2003, followed by steadily decreasing expenditures over the period 2004-2007. Federal investment in employment and training programs has been reduced by half (decline of 50% in real dollars) over the nine year study period.

Over the nine year period covered by the study (FY99-2007), federal expenditures within the **Economic Assistance** area have fluctuated considerably. Since this sub-category includes Unemployment Insurance payments as well as Temporary Assistance to Needy Families (TANF), these expenditures tend to mirror economic conditions.

Federal expenditures within the *Economic Development* functional category have declined over the nine year period by 9.7%. Federal funds used to support local *Community Capacity Building* have also declined slightly over the period by 3.4%.

Chart 9



Over the entire nine year period, trends in federal expenditures reflect overall increases within the four major service systems (Education, Health, Economic Support, and Safety/Family Stability). Over the past four years covered by the study (FY2004 through FY 2007), the increasing trend in the level of federal expenditures has tended to level within all four major service systems.

Summary of Significant Trends in Public Expenditures by Functional Category

Education

Total education related expenditures have steadily increased over the nine year period of the study. Expenditures for *Early Care and Education* and *Public Education* (K-12) have increased each year in real dollar terms. The level of public funds available to *Higher Education* institutions increased for five years (1999-2003) reaching a nine year high in FY 2003. Over the next three years (FY 20004-06) public spending for higher education declined and then increased again in FY 2007.

Increasing enrollment in public preschool programs and increasing investments of public funds in childcare services have driven the increasing trend in expenditures in the area of early care and education for young children (birth to age five). Total public expenditures in the area of early care and education doubled over the nine year period tracked by the study. Expenditures for K-12 education have grown at an average rate of about 3.5% each year over the course of the nine years. When corrected for inflation to constant 1999 dollars, the increase in total expenditures for public education is only 3.1% over the entire nine year period.

Federal and state spending for education services is, by far, the most significant portion of the expenditures included in the multi-year funding study. These expenditures account for more than half of all public expenditures supporting services to children and families in West Virginia.

Health Care

Health Care expenditures through funding streams monitored by the study account for the most significant increases in expenditures noted within public programs for child/families. Overall health care spending within the funding streams monitored has more than doubled during the nine year period studied.⁸ Even when adjusted for inflation to constant 1999 dollars, there has been a 61.7% increase in costs over the 1999 levels. Some portion of the increased spending for health-related services accounted for in the study is a result of an expansion of the number of children with coverage in the state as the Children's Health Insurance Program has been established and expanded over the nine year period covered by this report.

The rate of increase in health care expenditures has significantly declined during the four most recent years of the study. During the first five years of the funding study (1999 to 2004) health care expenditures increased by 93.3%. Over the four most recent years of the study (2004 to 2007), expenditures within the funding streams monitored have been relatively stable rising by only about 4.1%.⁹ Total audited federal Medicaid expenditures (total expenditures for medical assistance payments) actually declined over the four year period (FY2003-07) by 11 million dollars.¹⁰

Economic Support

Expenditures for economic support services are generally tied to economic conditions and tend to increase or decrease as economic conditions change. During the five year period FY 1999 to FY 2003, expenditures within the *Economic Support* category steadily increased. This was followed by four years of a general downward trend in expenditures in this area. Unemployment Compensation payments followed this general trend of increased expenditures through the first five years of the study period and then declining expenditures over the most recent four years. Spending through the Temporary Assistance for Needy Families program (TANF) has been more volatile. Cash assistance to needy families increased each year between FY 1999 and FY 2004 and then declined dramatically in FY 2005, 2006, and 2007. As cash assistance payments declined over the more recent years of the study, TANF expenditures for a range of supportive services have increased.

Spending within *Employment and Training* programs has steadily declined over the five most recent years of the study (2002 through 2007). Expenditures for *Nutrition and Food* have trended consistently upward since 2001 due largely to increases in spending through the federally funded Food Stamp program each year.

The *Earned Income Tax Credit* (a federal refundable tax credit for low income working families) has increased each year of the study as more low income West Virginia families claim the credit. In FY 07, this federal tax credit provided over \$260 million to low income working

families. The eight year trend for credits taken through the EITC is generally one of steadily increasing amounts rising by an average of \$6.25 million each year since 1999.

Safety and Family Stability

There has been a consistent trend of increasing expenditures in the area of Safety and Family Stability during the course of the study. An 80% increase in total expenditures within this functional category has been noted.

Expenditures in the *Public Safety* sub-category have increased by 160% over the nine years driven upward by significant increases in state spending on secure facilities for juvenile offenders and by increased federal spending on homeland security programs after the terrorist attack of September 11, 2001. Public expenditures for preventive youth development programs were reduced somewhat as federal funds were directed to State Domestic Preparedness under the federal Homeland Security Department. Investments in *Youth Development* programs have been essentially stagnant throughout the nine year period in real dollar terms and, when adjusted for inflation, preventive programs in the area of youth development have experienced a decline in funding of 10% over the years of the study.

Funds available for *Child Welfare* services and *Behavioral Health* services increased during the period FY 2006-07. Significant increases in state funding for child protective services and social services were noted for the 2006 fiscal year, and there was an increase in state spending for behavioral health services in FY 2007. Overall, spending in the area of child welfare has increased by over 44% during the period of the study with most of that increase in the last four year period (2003-2006). Expenditures for *Behavioral Health* services appear to have nearly doubled over the nine year period (a 97% increase).

Economic Development

Expenditures within the *Economic Development* area reached a high in FY 2003 of \$86.5 million but spending on development projects has declined by about 17% over the period FY 2004-2007.

Community Capacity Building

Funding for *Community Capacity Building* initiatives has been relatively stable over the nine year period reflected in the study. After an increase in expenditures in FY 2000, support for this category has generally declined. Public investments in building community capacity are extremely small relative to other direct service categories defined within the funding study and, when adjusted for inflation, there has been a net decline of 11.2% in this area during the nine year study period.

Summary Observations from the Nine Year Study of Public Expenditures

Public policy tends to be defined and carried out by how public funds are spent. Changes in policy may also be monitored by examining public expenditures over time. The “West Virginia Children and Families Funding Study” monitors the level of expenditures of public funds during a nine year period - 1999 through 2007. How these public funds are spent is a good indicator of policy priorities during that period. Over the nine year period monitored through the study, three areas - public education, healthcare, and public safety - have received consistently increasing support through federal and state appropriations in West Virginia.

Public Education is historically a state responsibility and support for public education is well documented by the large percentage of available public funds that is directed to the state’s education system. In addition to maintaining the investment in K-12 education, the state significantly increased investment in preschool education and child development services during the study period.

Policy concerns about public safety and security have also been expressed through increased levels of state investment in secure detention facilities for juveniles and the formation of the federal Department of Homeland Security with accompanying increases in federal funding levels for state programs to address security concerns.

Healthcare also appears to have been a public policy priority in West Virginia at least during the first half of the study period. Based on the level of expenditures for health related services, the provision of healthcare to low income children and families appears to be one of the more important public policy issues for the state. The more recent years monitored through the study, however, document a reduced level of public spending on health care programs. During the period FY 2005 through FY 2007 public policy seems to have shifted toward a policy of cost containment within the state’s Medicaid program which accounts for most of the public dollars spent on health related services for low income children and families.

Support for a public policy in West Virginia that promotes prevention programs, assistance for local community capacity building , and local economic development appears to lacking when the level of public expenditures are examined for these types of programs and services. Relative to spending levels supporting the major human service systems, investments in preventive programs and in community building are inconsequential.

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Appendix A
Summary of Federal and State Expenditures

<u>Education</u>	<u>Total Federal</u>	<u>Total State</u>	<u>% Federal</u>	<u>% State</u>
Early Care and Education	\$133,186,474	\$80,065,810	62.5%	37.5%
Public Education	\$273,562,709	\$1,682,991,466	14.0%	86.0%
Higher Education	\$16,846,776	\$412,661,019	3.9%	96.1%
Total Education	\$423,595,959	\$2,175,718,295	16.3%	83.7%
Total Health Care	\$848,258,633	\$355,735,572	70.5%	29.5%
<u>Economic Support</u>				
Economic Assistance	\$558,799,749	\$29,208,774	95.0%	5.0%
Nutrition/Food	\$407,751,617	\$2,791,455	99.3%	0.7%
Housing	\$13,597,644	\$0	100.0%	0.0%
Employment & Training	\$23,282,939	\$0	100.0%	0.0%
Total Economic Support	\$1,003,431,949	\$32,000,229	96.9%	3.1%
<u>Safety & Family Stability</u>				
Behavioral Health	\$241,019,608	\$136,289,132	63.9%	36.1%
Child Welfare	\$77,603,635	\$115,680,235	40.2%	59.8%
Youth Development	\$4,509,237		100.0%	0.0%
Public Safety	\$28,556,762	\$43,086,151	39.9%	60.1%
Total Safety and Family Stability	\$351,689,242	\$295,055,518	54.4%	45.6%
Total Economic Development	\$30,671,992	\$43,191,374	41.5%	58.5%
Total Community Capacity Building	\$8,824,321	\$1,615,985	84.5%	15.5%
<u>Total Expenditures</u>	\$2,666,472,096	\$2,903,316,973	47.9%	52.1%
Total State and Federal	\$5,569,789,069			
Local Education Expenditures	\$816,470,978			
Total Including Local Education	\$6,386,260,047			
% of Total Federal	41.75%			
% of Total State	45.46%			
% of Total Local	12.78%			

Appendix B
Expenditures by Functional Category FY 1999 through FY2007¹¹

<u>Functional Category</u>	<u>FY 99</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
<u>Education</u>									
Early Care and Education	\$121,698,359	\$148,546,723	\$178,868,337	\$197,092,240	\$203,203,281	\$206,600,632	\$212,078,602	\$212,577,281	\$244,230,799
Public Education	\$2,136,371,994	\$2,210,582,309	\$2,276,134,436	\$2,330,721,555	\$2,451,029,575	\$2,507,418,661	\$2,616,320,578	\$2,689,895,740	\$2,742,046,638
Higher Education	\$365,360,105	\$386,671,835	\$399,489,993	\$445,770,324	\$457,017,274	\$421,452,514	\$390,859,008	\$385,023,278	\$429,507,795
Total Education	<u>\$2,623,430,458</u>	<u>\$2,745,800,867</u>	<u>\$2,854,492,766</u>	<u>\$2,973,584,119</u>	<u>\$3,111,250,130</u>	<u>\$3,135,471,807</u>	<u>\$3,219,258,188</u>	<u>\$3,287,496,299</u>	<u>\$3,415,785,232</u>
<i>Adjusted to 1999 dollars</i>	\$2,623,430,458	\$2,655,513,411	\$2,685,317,748	\$2,753,318,629	\$2,818,161,350	\$2,764,966,320	\$2,746,807,328	\$2,716,939,090	\$2,743,602,596
<u>Total Health Care</u>									
	<u>\$597,876,843</u>	<u>\$749,332,034</u>	<u>\$872,018,345</u>	<u>\$887,697,810</u>	<u>\$1,032,027,074</u>	<u>\$1,155,794,523</u>	<u>\$1,169,709,990</u>	<u>\$1,181,985,838</u>	<u>\$1,203,994,205</u>
<i>Adjusted to 1999 dollars</i>	\$597,876,843	\$724,692,489	\$820,337,107	\$821,942,417	\$934,807,132	\$1,019,219,156	\$998,046,067	\$976,847,800	\$967,063,618
<u>Economic Support</u>									
Economic Assistance	\$471,964,404	\$502,791,642	\$579,446,929	\$672,433,396	\$672,275,081	\$645,598,872	\$581,122,797	\$619,165,479	\$588,008,523
Nutrition/Food	\$322,688,236	\$303,444,872	\$293,952,331	\$319,929,201	\$335,388,375	\$362,292,691	\$387,074,303	\$405,206,760	\$410,543,072
Housing	\$12,536,120	\$12,738,799	\$14,443,559	\$14,735,616	\$14,870,051	\$15,132,126	\$14,693,907	\$13,897,489	\$13,597,644
Employment & Training	\$46,532,844	\$52,266,576	\$45,320,146	\$58,573,048	\$61,280,366	\$48,121,030	\$38,043,724	\$27,099,603	\$23,282,939
Total Economic Support	<u>\$853,721,604</u>	<u>\$871,241,889</u>	<u>\$933,162,965</u>	<u>\$1,065,671,261</u>	<u>\$1,083,813,873</u>	<u>\$1,071,144,719</u>	<u>\$1,020,934,731</u>	<u>\$1,065,369,331</u>	<u>\$1,035,432,178</u>
<i>Adjusted to 1999 dollars</i>	\$853,721,604	\$842,593,703	\$877,857,916	\$986,732,649	\$981,715,465	\$944,572,063	\$871,104,719	\$880,470,521	\$831,672,432
<u>Safety & Family Stability</u>									
Behavioral Health	\$191,555,571	\$219,377,576	\$248,281,801	\$273,513,908	\$311,784,195	\$364,013,208	\$363,325,754	\$365,725,427	\$377,308,740
Child Welfare	\$134,073,223	\$127,939,999	\$130,384,612	\$144,639,786	\$169,404,731	\$180,255,328	\$168,584,490	\$201,678,528	\$193,283,870
Youth Development	\$4,461,843	\$4,986,186	\$5,458,621	\$4,447,646	\$4,528,747	\$4,829,165	\$4,475,088	\$4,421,596	\$4,509,237
Public Safety	\$27,538,997	\$33,522,007	\$36,076,588	\$37,640,151	\$42,057,514	\$69,926,465	\$80,208,499	\$63,474,716	\$71,642,913
Total Safety and Family Stability	<u>\$357,629,634</u>	<u>\$385,825,768</u>	<u>\$420,201,622</u>	<u>\$460,241,491</u>	<u>\$527,775,187</u>	<u>\$619,024,166</u>	<u>\$605,573,066</u>	<u>\$635,300,267</u>	<u>\$646,744,760</u>
<i>Adjusted to 1999 dollars</i>	\$357,629,634	\$373,139,041	\$395,297,857	\$426,149,529	\$478,057,235	\$545,876,690	\$516,700,568	\$525,041,543	\$519,473,703
<u>Total Economic Development</u>									
	<u>\$56,315,405</u>	<u>\$60,859,079</u>	<u>\$67,398,972</u>	<u>\$65,569,940</u>	<u>\$86,519,793</u>	<u>\$74,951,085</u>	<u>\$76,754,899</u>	<u>\$73,989,924</u>	<u>\$73,863,366</u>
<i>Adjusted to 1999 dollars</i>	\$56,315,405	\$58,857,910	\$63,404,489	\$60,712,907	\$78,369,378	\$66,094,431	\$65,490,528	\$61,148,698	\$59,328,005
<u>Total Community Capacity Building</u>									
	<u>\$9,441,465</u>	<u>\$12,925,783</u>	<u>\$12,715,082</u>	<u>\$12,496,350</u>	<u>\$11,730,647</u>	<u>\$10,426,183</u>	<u>\$10,812,973</u>	<u>\$9,939,890</u>	<u>\$10,440,306</u>
<i>Adjusted to 1999 dollars</i>	\$9,441,465	\$12,500,757	\$11,961,507	\$11,570,694	\$10,625,586	\$9,194,165	\$9,226,086	\$8,214,785	\$8,385,788
<u>Total Expenditures</u>									
	<u>\$4,498,415,409</u>	<u>\$4,825,985,420</u>	<u>\$5,159,989,752</u>	<u>\$5,465,260,971</u>	<u>\$5,853,116,704</u>	<u>\$6,066,812,483</u>	<u>\$6,114,064,613</u>	<u>\$6,249,197,335</u>	<u>\$6,386,260,047</u>
<i>Adjusted to 1999 dollars</i>	\$4,498,415,409	\$4,667,297,311	\$4,854,176,625	\$5,060,426,825	\$5,301,736,145	\$5,349,922,825	\$5,216,778,680	\$5,164,625,897	\$5,129,526,142

End Notes

¹ For details on the three year trends in expenditures and explanation of the functional service systems see the *WV Children and Families Preliminary Funding Report The Big Picture*, April 2003.

² Primary source documents for expenditures through the funding streams included in the study are the State of West Virginia Single Audit and the State Budget Bill which lists funds appropriated by the state legislature. Some expenditures included in the study are estimated based on the best available data.

³ Eleven of the funding streams monitored through the WV Children and Families Funding Study track expenditures within the joint state-federal Medicaid program. Much of the total Medicaid spending reported is found within the Healthcare functional area; however, Medicaid funds are also found in other functional areas including Early Care and Education, Behavioral Health, Child Welfare, and Community Capacity Building.

In order to calculate the expenditures for these specific funding streams, a methodology was developed in the initial report (2003) based on expenditures by service type and age group reported by the state Medicaid agency. The Medicaid data by age group necessary to calculate the specific level of spending within the eleven funding streams reported upon since 1999 has not been available since 2004. In order to continue to monitor trends in expenditures within the Medicaid funding streams included in the report, these expenditures have been estimated in recent years based on the total expenditures reported by the state Medicaid agency. Previous trends in the data (FY99-2003) are used to make these estimates. Although the Medicaid expenditure data by age group is not available for this update, the methodology outlined above to estimate the relevant expenditures allows for a reasonably accurate analysis of the trends in Medicaid spending during the last four years assuming the proportion of total spending within each functional area has remained consistent.

⁴ The state of West Virginia provided 27.2 cents of each dollar expended through the Medicaid program during FY 2007.

⁵ Public expenditures for health care services include Medicaid, the Children's Health Insurance Program, and several smaller federal health care funding streams. Medicaid expenditures for the elderly (persons over age 65 years) are not included in the study. Expenditures through the Public Employees Health Insurance program are also not included.

⁶ This does not reflect total state spending but only the spending through the funding streams included in the analysis that supports the functional service systems defined in the 2003 Big Picture Report.

⁷ The reader is reminded that health care expenditures included in the study do not include Medicaid costs for those persons over age 65 years or costs associated with the Public Employees Insurance Agency.

⁸ Medicaid expenditures for healthcare were estimated for FY 2004, FY 2005, FY 2006, and FY 2007 based on the data available.

⁹ Medicaid expenditures in recent years are estimated due to the unavailability of cost data by age group. Estimates assume the same proportion of Medicaid dollars were spent within the funding streams included in the study as was the case during the period 1999-2003.

¹⁰ Audited federal expenditures through the Medicaid program for medical assistance were \$1.613 billion in FY 2004 and declined to \$1.602 billion in FY 2007. These figures reflect total expenditures for medical assistance through the Medicaid program. Although accurate data is not available for the specific Medicaid expenditures monitored through the study, it is reasonable to assume that the level of these expenditures that support a broad array of services for children and families included in the study also declined somewhat during the four year period FY 2004-07.

¹¹ FY 2004 through 2007 expenditure totals reflect calculated estimates for those funding streams through the Medicaid program since Medicaid expenditure data is not available by type of service and age group for these years.