



West Virginia DEPARTMENT OF
EDUCATION

Economic & Budget Outlook

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We've Been Through a Lot

- WV has seen employment decline for much of the last five years.
- Most job losses are due to the downturn in the coal industry and weakness in natural gas.
- Population down >25,000 people since 2012
- Enrollment over the past 25 years down >45,000; >14%
- 13 budget cuts from fy10 through fy17
- FY16 and FY17 included mid-year state aid cuts >\$11m each

FY17 Legislative Session

- June 2, 2016 Legislature passed a budget.
- June 8, 2016 Governor Tomblin vetoed in its entirety.
- June 14 Legislature approved SB1013 (the budget bill).
- June 17 Governor approved SB1013 with seven line item vetoes.
- SB1013 included a 65 cent tobacco tax, \$120 million in cuts and sweeps plus the use of \$70 million from the Rainy Day fund.

FY18 Legislative Session

- Governor vetoed HB2018 on April 13.
- Special session agendas included phase out of personal income tax, raising DMV fees and gas tax and increasing teacher salaries.
- May 15. A second proclamation included increasing tax on vehicles and a furlough bill.
- Legislature passed a budget on June 17.
- June 21 Governor announced he would let SB1013 (the budget bill) to become law without his signature.
- June 26 Legislature adjourned 1st extraordinary session.

FY19 Beginning Legislative Session Issues

- Reduce/Eliminate business inventory taxes
- Free community & technical college tuition
- PEIA changes
- \$20 million for tourism and \$35 million for economic development
- Proposed 1% pay increase for each of five years

About That Pay Raise...

- About that pay raise... One potato, two potato...?
- Initially proposed 1% pay increase for each of five years
- Nine-day work stoppage
- 3% state workers plus additional 2% for teachers?
- Then 5% House but 4% Senate Finance?
- \$58 million short but was found
- 5% it is... sort of

And PEIA...

- Go 365 rise and fall
- Proposed spousal income to determine premium
- A call to end annual premium increases or benefit reductions
- 10 tier to 3 tier to 5 tier premiums
- Proposed 2% premium increases for retirees was eliminated
- PEIA taskforce created

Update Through April 2018

- State officials recently presented to Wall St.
- **Wall St. liked –**
- WV has a balanced budget requirement
- Governor line item veto ability and authority to reduce spending
- No super majority needed to raise taxes
- WV Rainy Day fund is healthy
- Pension liabilities are being funded

Update Through April 2018

- Rainy Day Fund –
- Began in 1994
- Ideally equals 13% of General Fund appropriations
- Currently approx. \$710 million, i.e., 16%
- Was approx. \$919 million in 2013

Update Through April 2018

- **Wall St. disliked** –
- WV needs to diversify its economy
- WV needs a bigger, better educated workforce
- WV needs to increase its population

Update Through April 2018

- Fitch Ratings has announced that they have assigned a AA bond rating for the forthcoming \$800 million general obligation bond sale for the Roads to Prosperity program and has upgraded West Virginia's rating outlook from negative to stable.
- Total Roads bonds \$1.6 billion

Update Through April 2018

- April collections of \$535.3 million were \$23.7 million above estimate and 6.3% ahead of last year. Year-to-date collections of more than \$3.49 billion were equal to nearly 99.9% of the year-to-date estimate and nearly \$146 million higher than last year.
- Personal income tax collections exceeded estimate in April by more than \$13 million due to a 10.4% gain in withholding tax collections. Cumulative collections of more than \$1.6 billion were \$52.3 million above estimate and 6.5% ahead of last year.

Update Through April 2018

- Corporation net income tax collections exceeded the April estimate by \$4.6 million. Year-to-date collections were \$1.8 million above estimate and 0.4% ahead of last year.
- Severance tax collections exceeded estimate by more than \$5 million in April. Year-to-date collections of \$273.7 million were 21.8% ahead of last year.
- Even though consumer sales tax collections fell nearly \$3 million below estimate in April, collections were still 3.6% ahead of last year.
- General Revenue Fund collections remain on target to meet or exceed year end estimates.

Ideas and positive signs-

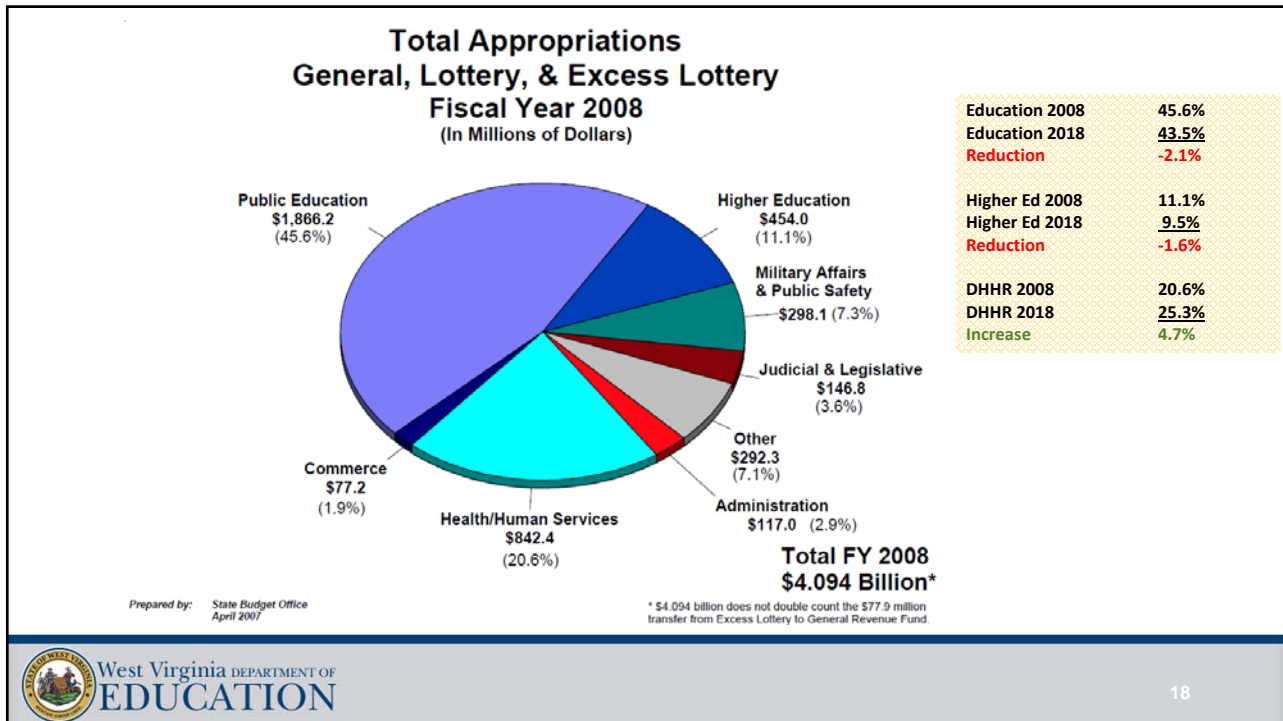
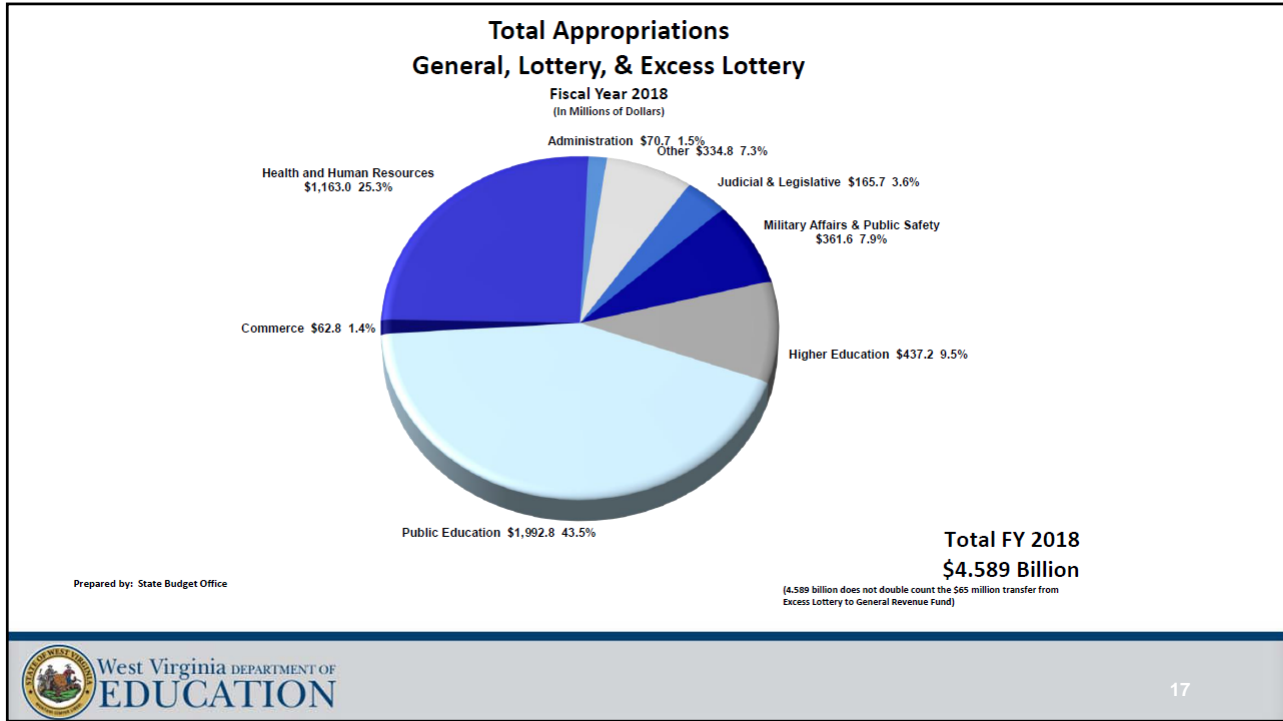
- Facilitate pipeline projects
- Tourism
- Specialty agriculture
- WV had the fastest growing economy in 2017
- Coal exports up 60%. High-grade met coal
- Rainy Day fund will not be used in fy18 nor expected in fy19
- Pension liabilities are being funded

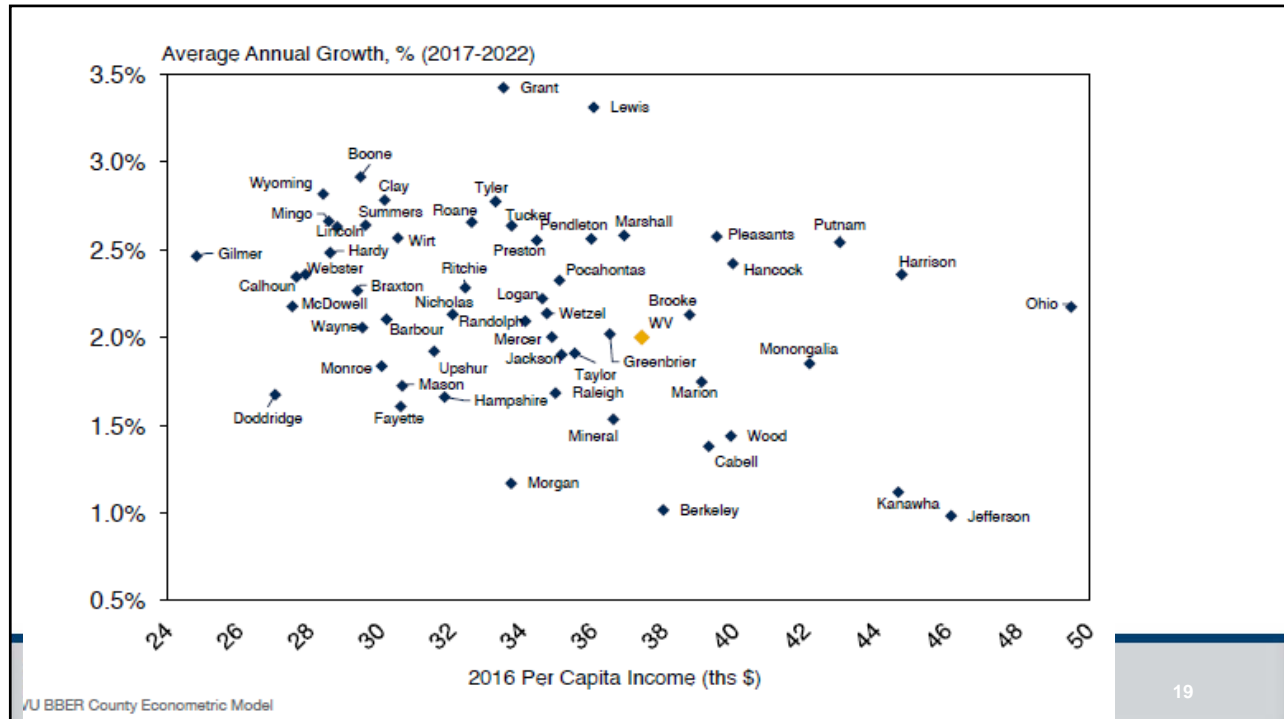
Pension Funding-

- PERS is 91.5% funded; amortizes through June 2035
- TRS is 67.1% funded; amortizes through June 2034
- TRS was 19.1% funded in 1993
- TRS unfunded liability payment is approx. \$350 million per year

Other Debt-

- Workers Comp liability was \$2.2 billion in 2006
- June 2017 \$29 million remained
- WC debt will be paid off end of 2018





- HB4006 Ed and Arts
- A special session in May?
- SB 152 The FY19 Budget Bill
- New items, increases, decreases?

Education's FY2018 Budget...



A Happy Ending...



A Happy Ending...

- Remember late June 2016
- The coal-based economy in southern WV crashed
- Companies declared bankruptcy
- Boone BOE was in a dire circumstance
- State BOE gave a balanced budget ultimatum or takeover
- Boone pay cuts, elimination of free vision and dental, etc.
- Legislature (still in session) agreed to a \$2.174 million supplemental
- Conditions included payback if/when bankruptcy taxes returned

April 2018...

- Boone BOE returned the entire \$2.174 million to the State



Questions?

