



West Virginia DEPARTMENT OF
EDUCATION

WV Budget & Financial Outlook

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*Tuesday May 11, 2021
11:00 a.m. – 12:00 p.m.*

United States Economy 2020 (pre-pandemic)

(source: WVU's economic outlook 2021-2025)

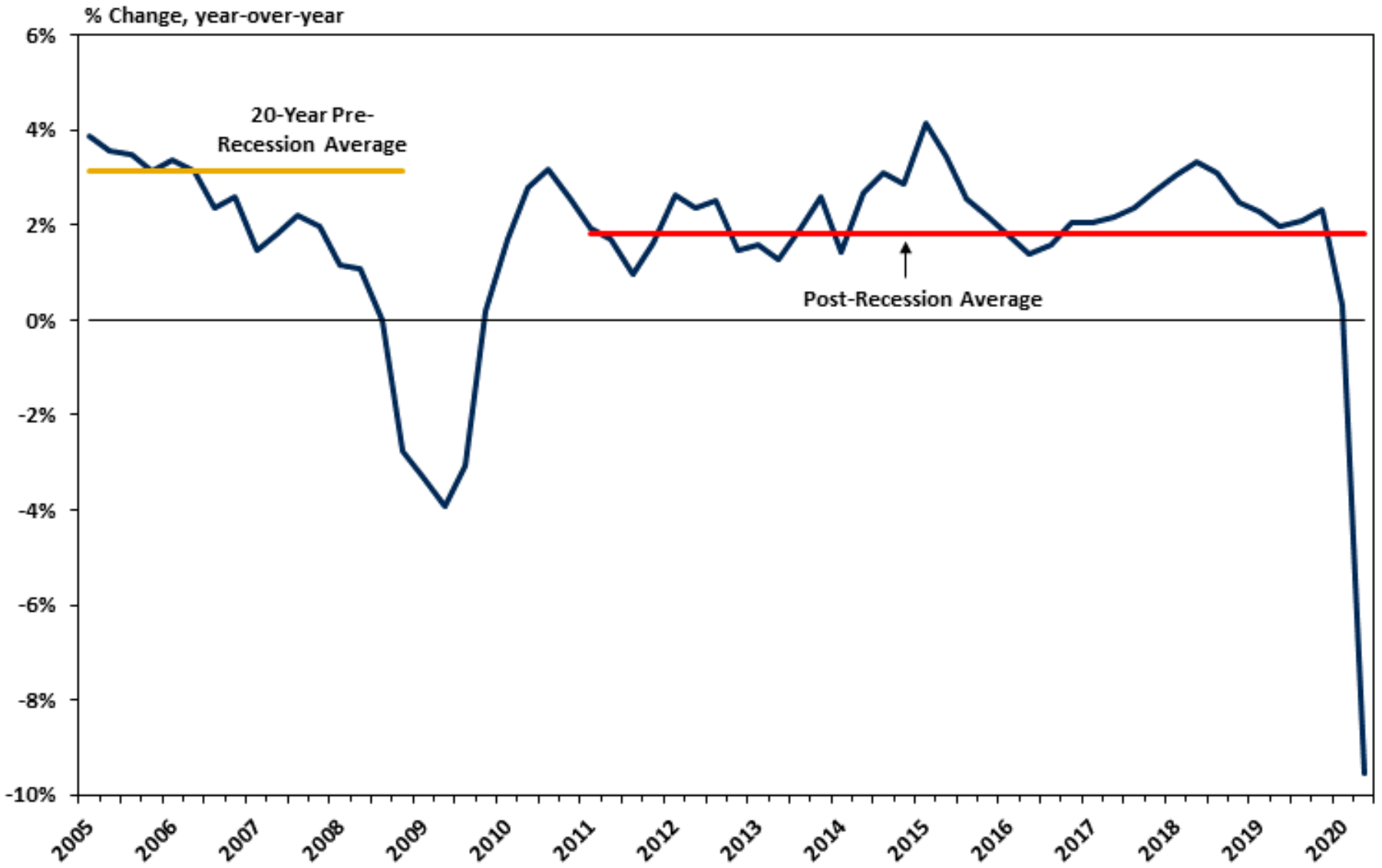
- Continuing a period of long economic expansion
- GDP: ~ + 2% average annual rate
- Employment: between 155 – 160 million workers
- Unemployment rate: < 4%
- Unemployment insurance claims: 230,000/week
- Consumer confidence: indexed value of ~ 100
- Inflation: has been between 1% - 3% for the past two decades

United States Economy 2020 (post-pandemic)

(source: WVU's economic outlook 2021-2025)

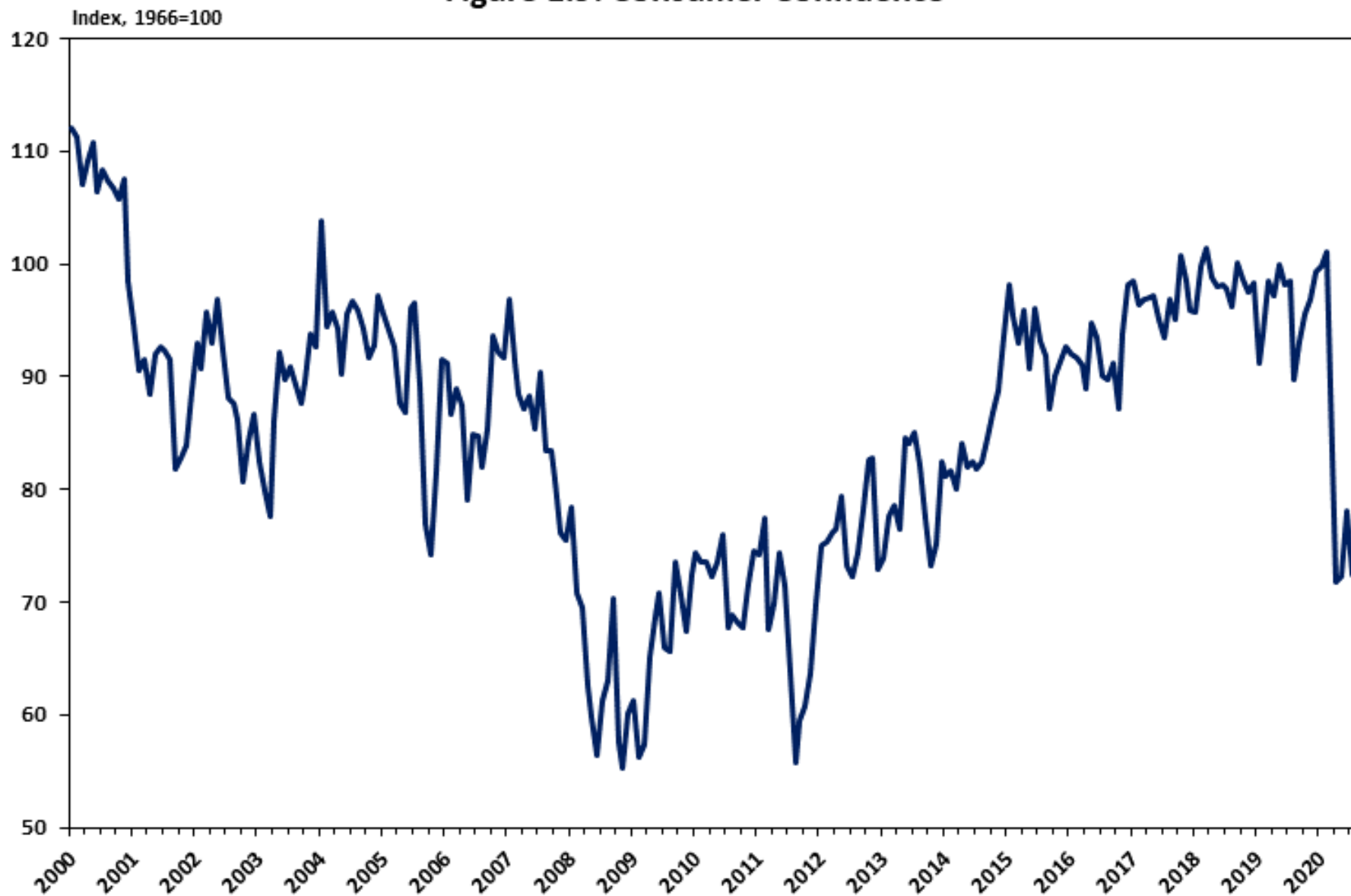
- GDP: almost a -10% year over year drop (-30% annualized rate)
- Employment: lost 25 million jobs in two months
- Unemployment rate: as high as a 15% rate (ended the year 10%)
- Unemployment insurance claims: increased to 6M through March/April
- Consumer confidence: fell to an indexed value of ~ 70 ; has yet to fully recover
- Inflation: only now are we beginning to see this effect

Figure 1.1: United States Real GDP Growth



Source: US Bureau of Economic Analysis; IHS Markit.

Figure 1.9: Consumer Confidence



Source: Thomson Reuters and University of Michigan Surveys of Consumers.

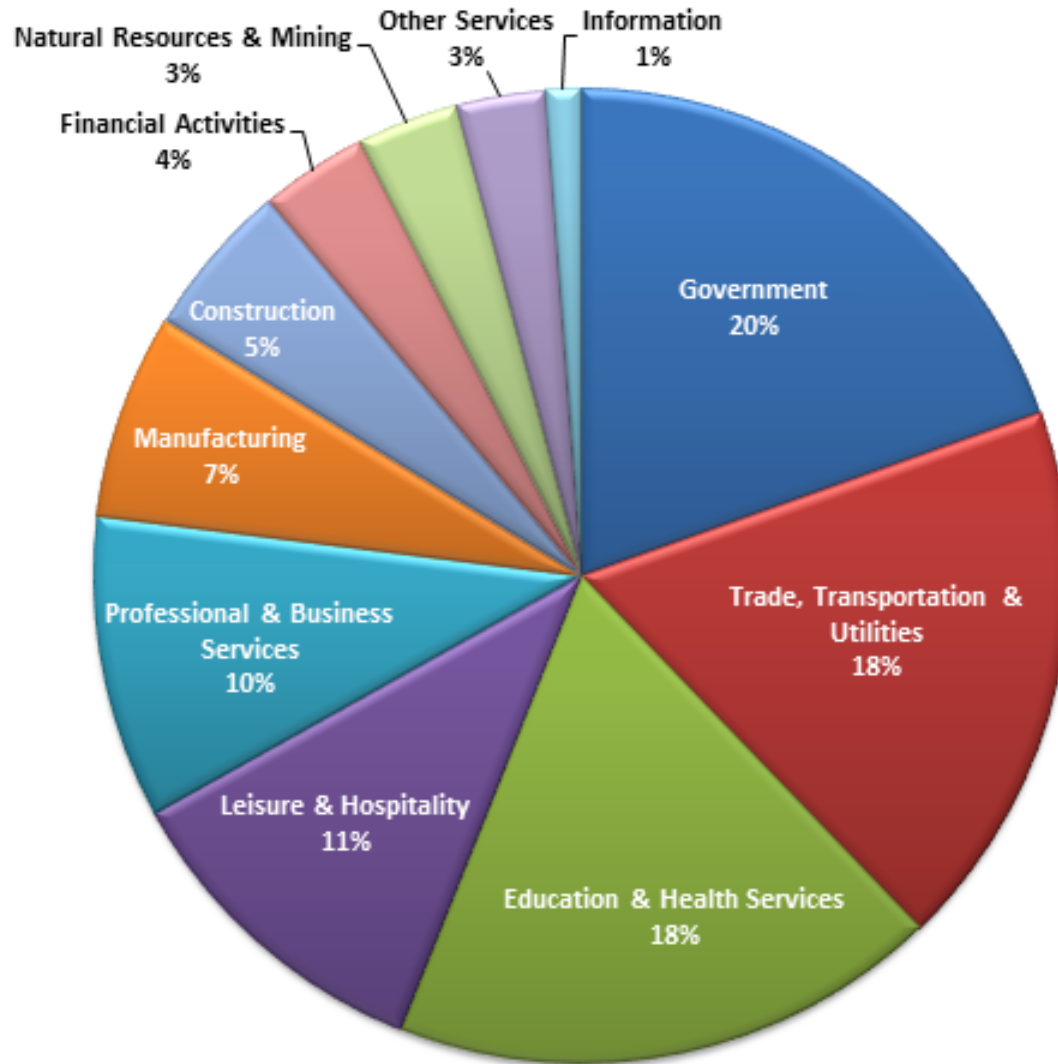
Note: Monthly data.

West Virginia Economy 2020

(source: WVU's economic outlook 2021-2025)

- Employment: has recovered more than half of the 94,000 jobs lost
- Unemployment rate: as high as a ~16% rate (ended the year < 9%)
- Unemployment insurance claims: initial claims was 47,000; EOY 2,000
- Economic sectors:
 - Energy – continues to show great fluctuations; losses in coal are offset by gains in natural gas
 - Service – declines in leisure, hospitality and healthcare; in process of recovering
 - Construction – had been on a boom; but projects' ending have led to an anticipated decline
 - Manufacturing – small increases offset by declines in part to Mylan and pandemic
 - Government – had been on a rebound from the 2013-16 shrinkage of energy market

Figure 2.5: West Virginia Employment Distribution by Sector (2019)



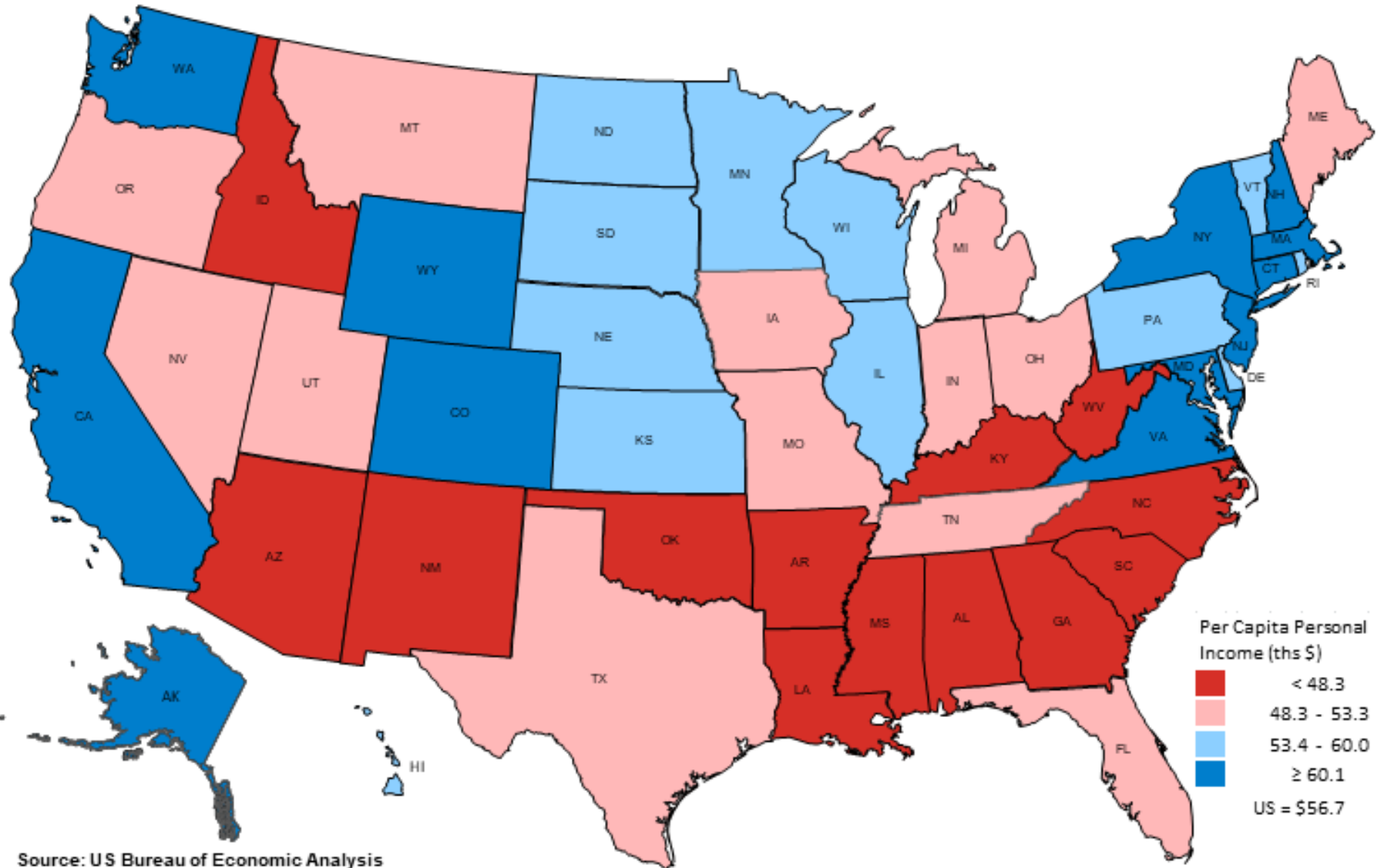
Source: US Bureau of Labor Statistics

West Virginia's Personal Income

(source: WVU's economic outlook 2021-2025)

- 2018: income growth ranked 5th nationally with a 5.9% increase
- 2019: \$42,300 (+3.5% increase over 2018); ranked 41st nationally
- Remains at about 75% of the national per capita income
- 2020: Modest gains were mostly attributable to the various federal COVID relief payments

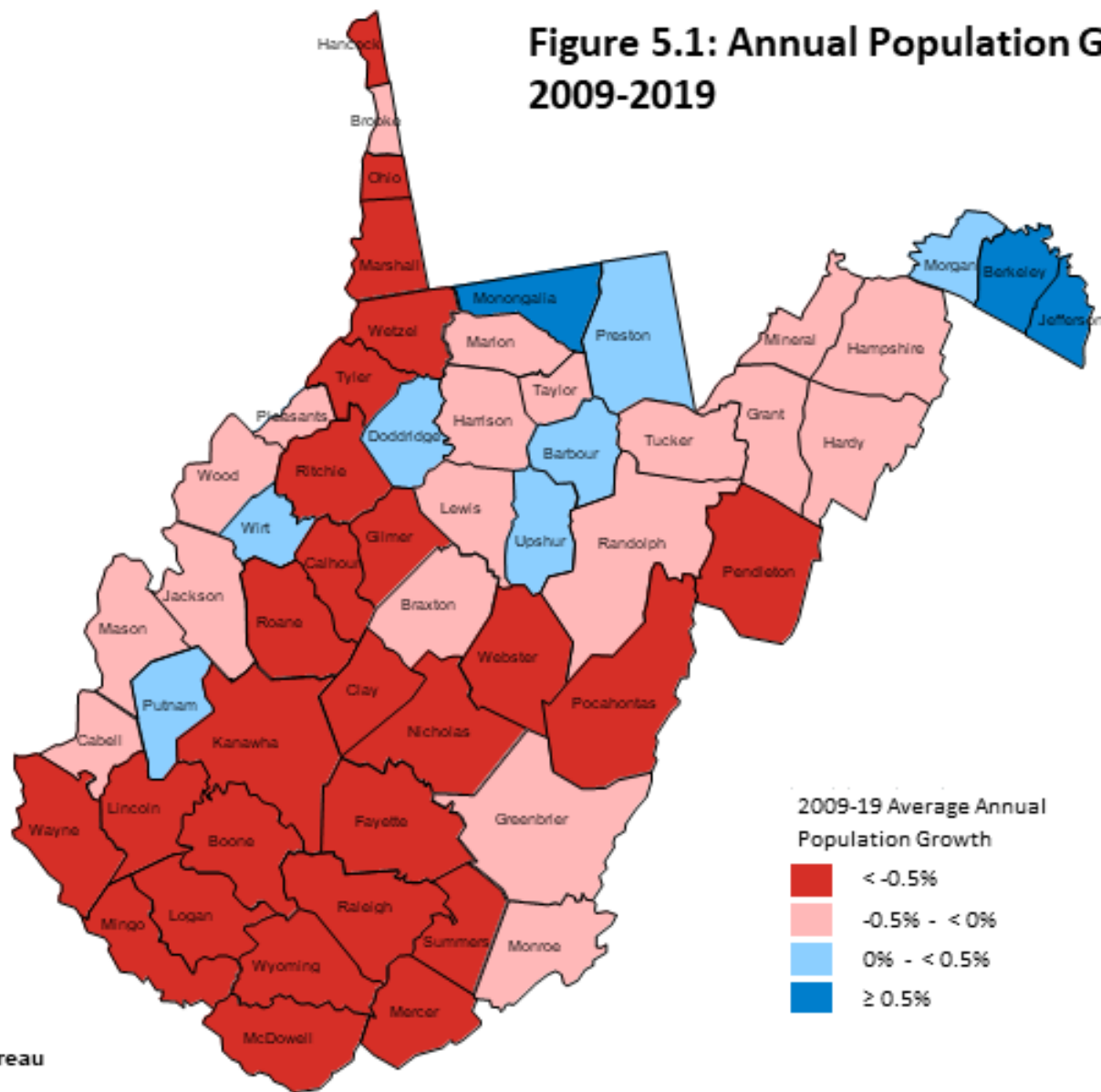
Figure 2.9: Per Capita Personal Income (2019)



2020 United States Census

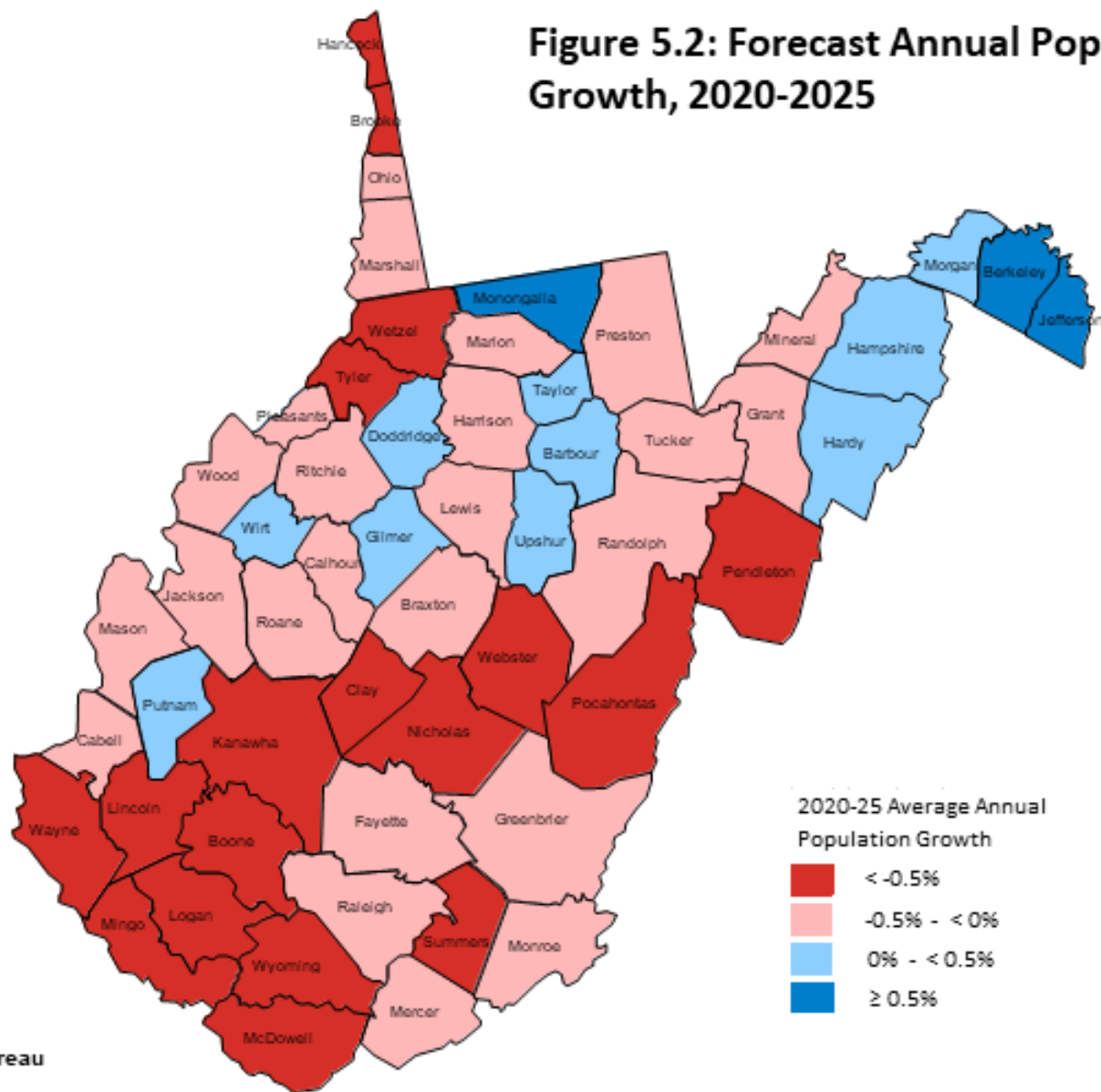
- WV resident population as of 4/1/2020: 1,793,716
 - Decrease of 59,278 residents (-3.2%) from the 2010 census
- 2020 Census apportionment (House of Representatives):
 - 7 seats lost (1 each): CA, IL, MI, NY, OH, PA, WV
 - 7 seats gained: TX (2), CO, FL, MT, NC, OR

Figure 5.1: Annual Population Growth, 2009-2019



Source: US Census Bureau

Figure 5.2: Forecast Annual Population Growth, 2020-2025



Source: US Census Bureau

Figure 2.14: Summary Population Profiles

	West Virginia	United States
Total Population (2019)	1,792,147	328,239,523
% Population Under 18 (2019)	20.1%	22.3%
% Population 65 Years + (2019)	20.5%	16.5%
Population with Less than High School Diploma (2018, % of pop. 25 yrs. +)	12.2%	11.7%
Population with High School Diploma, No College (2018, % of pop. 25 yrs. +)	39.7%	26.9%
Population with Some College (2018, % of pop. 25 yrs. +)	26.7%	28.9%
Population with <u>Bachelor's Degree</u> or Higher (2018, % of pop. 25 yrs.+)	21.3%	32.6%
Median Age (2019)	42.9	38.4
Average Household Income (2018)	\$61,707	\$87,864
Average Household Size (2018)	2.51	2.73
Labor Force Participation Rate (2019)	55.1%	63.1%

Source: US Census Bureau; Bureau of Labor Statistics



Effects of COVID-19 on the State of West Virginia

(source: State of West Virginia CAFR, 6/30/2020)

- Increased Unemployment expenditures of \$1.2B
- Workforce WV assets decreased \$187.5M from 2019
- Personal Income Tax revenue decrease of \$68M
- Business Tax Collections decreased by \$242M
- WV Lottery lost revenues of \$198M

- Overall the State's net position decreased \$162M from 2019

Herald the Good News! (SFY 2020)



(from the WV News, Clarksburg – 8/5/2020)

- Ended the 2020 state fiscal year with a \$28 million dollar surplus
- Resulted mostly from the interaction between CARES act funding and its effect on the Medicaid Reserve Fund
- Started 2021 with a cash surplus of \$243.9 million dollars
- Due to a timing difference as a result of the deferral of the filing of 2019 income taxes from April until June last year
- Although this is good news, this situation is not typical and analysts caution remaining prudent and diligent in light of the uncertainty of the times
- COVID effects on the long-term recovery of WV's economy are unknown
- Federal stimulus payments and unemployment benefits have also buoyed the economy as non-permanent, outside infusions of cash

Rainy Day Funds

- Revenue Shortfall Reserve Fund (Rainy Day Fund) requires that 50% of the surplus for the fiscal year just ended be set aside
 - \$14 million was deposited to the fund at the conclusion of SFY 2020
 - Balance as of 6/30/20 was \$373.04M; 4/30/21 \$388.41M
 - Deposits required until the fund exceeds 13% of GF appropriations; as of 8/20, it was 7.8% of SFY 2020 appropriations
-
- Revenue Shortfall Reserve Fund (Rainy Day Fund – Part B) was established in 2006 resulting from the WV Tobacco Settlement Medical Trust Fund
 - Balance as of 6/30/2020 was \$482.98M; 4/30/21 \$538.62M
 - May not be used until Rainy Day Fund exhausted; generally reserved for certain expenditures of healthcare related costs of operations

State of West Virginia FY 2020 Revenue Shortfall Reserve Funds (Rainy Day Funds)

Fund Balance¹ as of:	Revenue Shortfall Reserve Fund	Revenue Shortfall Reserve Fund - Part B	Total Balance
July 31, 2019²	\$269,999,486.66	465,188,635.47	\$735,188,122.13
August 31, 2019²	\$289,244,341.13	466,506,360.68	\$755,750,701.81
September 30, 2019	\$362,846,237.39	468,608,299.59	\$831,454,536.98
October 31, 2019	\$361,927,335.22	470,937,691.40	\$832,865,026.62
November 30, 2019	\$363,061,994.45	476,353,427.56	\$839,415,422.01
December 31, 2019	\$363,399,252.36	479,341,903.42	\$842,741,155.78
January 31, 2020	\$364,694,222.88	485,638,612.53	\$850,332,835.41
February 29, 2020	\$368,895,607.59	489,403,400.58	\$858,299,008.17
March 31, 2020	\$371,405,344.34	483,426,924.24	\$854,832,268.58
April 30, 2020	\$362,377,444.61	453,172,293.67	\$815,549,738.28
May 31, 2020	\$369,868,741.10	472,894,751.84	\$842,763,492.94
June 30, 2020 	\$373,041,673.22	482,975,560.82	\$856,017,234.04 

Additional information about the Rainy Day Funds is available in the Executive Budget, Volume I (Budget Report), Major Reserve/Stabilization Accounts and the W.Va. Code §11B.

¹ Balances as reported in the wvOASIS Financial System.

Current fiscal year collections – YTD

Only December has been under budget for total collections thus far this year

Unlike last year income tax extension shouldn't shift revenues into a new fiscal year

State of West Virginia General Revenue Collections SFY 2021

	Estimated Collections	Actual Collections	Percent Collected
July	439,476	483,965	110.12%
August	295,551	331,402	112.13%
September	413,589	423,620	102.43%
October	334,507	355,794	106.36%
November	322,442	342,495	106.22%
December	386,763	382,202	98.82%
January	398,054	444,677	111.71%
February	287,444	321,668	111.91%
March	348,250	375,681	107.88%
April	537,879	539,765	100.35%
May estimated	405,280	400,127	98.73%
June estimated	405,280	400,127	98.73%
Annual Totals	4,574,514	4,801,523	104.96%

Explanation of calculation methodologies

May and June estimated monthly collections were simply 50% (each month) of the remaining balance

May and June actual collections were calculated as the average of the cumulative year-to-date collections

STATE OF WEST VIRGINIA
REVENUE COLLECTIONS
FISCAL YEAR 2021
APRIL 2021
(IN THOUSANDS)



GENERAL REVENUE FUND

SOURCE	Estimated Collections FY 2021	Estimated Collections April 2021	Actual Collections April 2021	Estimated Collections 10 Months July 20-Apr 21	Actual Collections 10 Months July 20-Apr 21	To Date - Increase (Decrease) Over Estimate	To Date - Percent Collected
Business and Occupation Tax	\$ 126,900	\$ 11,900	\$ 14,110	\$ 103,800	\$ 109,918	\$ 6,118	106%
Consumer Sales Tax/Use Tax	1,421,800	103,800	126,086	1,148,500	1,211,657	63,157	105%
Personal Income Tax	2,155,650	322,200	241,007	1,811,450	1,828,565	17,115	101%
Liquor Profit Transfers	23,000	2,010	2,080	17,790	20,463	2,673	115%
Racing Fees	0	0	0	0	0	0	0%
Beer Tax and Licenses	7,550	530	623	5,550	5,912	362	107%
Tobacco Products Tax	155,400	12,300	16,070	129,300	142,363	13,063	110%
Estate Tax	0	0	0	0	0	0	0%
Business Franchise Fees	700	50	80	587	650	63	111%
Charter Tax	0	0	0	0	10	10	0%
Property Transfer Tax	12,300	1,000	1,442	9,900	13,131	3,231	133%
Property Tax	7,600	665	752	7,110	7,476	366	105%
Insurance Tax	131,300	30,800	28,652	130,800	116,832	(13,968)	89%
Departmental Collections	24,200	1,400	1,604	21,400	21,109	(291)	99%
Corporation Net Income Tax	144,500	22,500	63,345	121,500	247,175	125,675	203%
Miscellaneous Receipts	11,000	150	386	8,450	8,022	(428)	95%
Miscellaneous Transfers	2,000	70	0	1,820	730	(1,090)	40%
Interest Income	14,664	1,200	146	12,000	8,181	(3,819)	68%
Severance Tax	250,950	14,900	29,063	175,100	194,501	19,401	111%
Telecommunications Tax	0	0	0	0	0	0	0%
Special Revenue Transfer	0	0	0	0	0	0	0%
HB 102 - Lottery Transfers	65,000	10,202	10,969	40,990	55,026	14,036	134%
Video Lottery Transfers	0	0	113	0	225	225	0%
Liquor License Renewal	10,000	102	101	9,908	695	(9,213)	7%
Senior Citizen Tax Credit Reimbursement	10,000	2,100	3,136	8,000	8,632	632	108%
Tax Amnesty	0	0	0	0	0	0	0%
TOTAL	\$ 4,574,514	\$ 537,879	\$ 539,765	\$ 3,763,955	\$ 4,001,273	\$ 237,318	
Increase or Decrease Over Estimate			\$ 1,886		\$ 237,318		
Percent Collected			100%		106%		



Source: wvOASIS
State Auditor's Office, John B. McCuskey, State Auditor
Department of Revenue, Dave Hardy, Cabinet Secretary
Prepared by the State Budget Office
May 3, 2021

2022 State of West Virginia Budget

- State Agencies were instructed to submit a flat budget request, generally holding SFY 2022 appropriation requests at the same level as 2021 request
- There was some political jockeying around during the budgeting process but the current budget (HB2022) was passed with only two exceptions that deviated, materially, from prior year funding levels
- Of course, the first would have to be the single largest item on our budget: State Aid
- The decline in student population which resulted from the pandemic, caused a larger than expected contraction in the PSSP formula amounts
- The other was the elimination of the \$3.1M program Jobs & Hope

**PUBLIC SCHOOL SUPPORT PROGRAM FUNDING
FY 2021 and 2022 BUDGET COMPARISON**

		(1)	(2)	(3)
	Appro. Code	FY 2021 SB 150	FY 2022 HB 2022	FY 2021 vs FY 2022 Variance
0317 State Aid to Schools				
Step 1 - Professional Educators	15100	897,576,715	869,082,617	(28,494,098)
Step 2 - Service Personnel	15200	301,789,240	291,835,429	(9,953,811)
Step 3 - Fixed Charges	15300	106,219,537	101,669,823	(4,549,714)
Step 4 -Transportation	15400	78,177,730	69,037,827	(9,139,903)
Step 5 - Professional Student Support Personnel	65500	62,148,699	59,608,039	(2,540,660)
Step 6 - Other Current Expenses	02200	170,216,073	161,739,678	(8,476,395)
Step 7a - Improved Instructional Programs	15600	51,956,792	51,974,496	17,704
Step 7b - 21st Century Strategic Technology Learning	93600	26,408,349	26,443,757	35,408
Step 7c - Advanced Placement	05300	734,729	670,151	(64,578)
Step 7d - Teacher & Leader Induction	93601	5,443,468	5,478,876	35,408
Basic Foundation Allowance		1,700,671,332	1,637,540,693	(63,130,639)
Less Local Share		(476,083,702)	(476,260,743)	(177,041)
<i>Adjustments - Taxes Not Collected</i>		364,619	-	(364,619)
<i>Adjustments - Payments in Lieu of Taxes</i>		(3,081,445)	(3,254,844)	(173,399)
<i>Total Adjustments</i>		(2,716,826)	(3,254,844)	(538,018)
Total Basic State Aid		1,221,870,804	1,158,025,106	(63,845,698)
Public Employees' Insurance Agency	01200	222,461,499	206,938,256	(15,523,243)
Teachers' Retirement System	01900	66,511,000	60,784,000	(5,727,000)
School Building Authority	45300	24,000,000	24,000,000	-
Retirement Systems - Unfunded Liability	77500	304,728,000	302,844,000	(1,884,000)
Total		1,839,571,303	1,752,591,362	(86,979,941)
		100%	95.27%	-4.73%

New funding sources . . .

- Certain provisions to assist for students who return:
 - Increased enrollment code sections
- White elephant in the room: Federal assistance
 - CARES (\$1.25B at the discretion of the Governor)
 - ESSERF (\$77.98M direct to LEAs; \$8.66M indirect)
 - ESSERF2 (\$305.12M direct to LEAs; \$33.90M indirect)
 - ARP – ESSERF (\$761.42M estimated)

Pandemic funding considerations

- It is a **LOT** of money?
 - Will it cause some to push the boundaries?
 - Does it cause too much of a paradigm shift?
- Are there sufficient resources available to complete the transactions?
- Will there be delays in receipt of goods/services?
- Is there sufficient material to purchase?



West Virginia DEPARTMENT OF
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Questions?

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