



The Senate Committee on Finance

Fiscal Year 2019

Budget Bulletin

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April 4, 2019

2020 Budget Overview

Budget Totals	
General Revenue	\$4,630,515,842
Road Fund	\$1,384,161,478
Special Revenue	\$1,525,022,363
Lottery	\$127,808,000
Excess Lottery	\$290,257,000
Federal	\$5,189,043,394
Federal Block Grant	\$550,281,331
Surplus (Includes Lottery and Excess Lottery)	\$ 55,250,000
Total Appropriated in this bill	\$13,754,791,244

In the following Budget Bulletin, we will give an overview of the Fiscal Year 2020 Budget, which became law when the Governor signed House Bill 2020 on March 14, 2019. Future Budget Bulletins will provide more detail about specific parts of the budget, general explanations of the budget process, monthly revenue collection updates and highlight bills that have a significant impact on the budget.

As shown above, the total amount of money appropriated in the budget is \$13,754,791,244. This number includes all monies appropriated in each fund category, including claims against the state.

Unappropriated Revenue

Unappropriated revenue is simply money that has not been appropriated (dedicated to specific purpose in the budget). Total unappropriated revenue can be calculated by taking the difference between the Governor's official revenue estimates for the upcoming fiscal year (Fiscal Year 2020) and the money appropriated in the current budget.

General Revenue Estimate: \$4,675,820,000

General Revenue Budgeted: \$4,630,515,842

Total Unappropriated: \$45,304,158

Half of the money that remains unappropriated at the end of Fiscal Year 2020 will be transferred into the Rainy Day Fund. The remaining balance will be considered surplus.

Spending Increases

The budget included several major increases in spending to fund priorities of both the governor and legislature. The most significant spending increases are as follows:

+\$104.5 M

Pay Raises – The biggest piece of new spending in the budget is dedicated to raises for state employees. Included in the \$104.5 million is \$67 million for teacher pay raises. According to West Virginia Statute, the legislature must pass legislation for the pay raises to be distributed to teachers. The legislature did not pass such legislation in the 2019 Regular Session but will have the opportunity to do so in the upcoming 2019 First Extraordinary Session. The \$67 million for pay raises, as well as another \$13 million for the teacher retirement and pension systems, has been set aside in anticipation of the passage of a teacher pay raise bill. Should the legislature not pass legislation authorizing teacher raises, the \$80 million left in the budget would be considered surplus.

+\$20 M

JIM'S Dream – The Governor has proposed a multi-tiered plan for addressing drug abuse in the state. \$5 million is going to the State Department of Education for a Childhood Drug Prevention Program. \$6 million is going to the State Vocational Division for job training. Finally, \$9 million is going to the Department of Health and Human Resources for treatment programs.

+\$500 K

Rural Broadband Services – The state has made great strides in recent years to expand high-speed internet access to every area of the state in order to improve economic development, education and healthcare. The extra \$500,000 included in the budget furthers this mission by increasing broadband into remote areas of the state.

+\$500 K

Child Advocacy Centers – The West Virginia Child Advocacy Network provides guidance, protection, and help to children and families affected by abuse. The 21 local Child Advocacy Centers across the state help these families by connecting them with the local professionals charged with investigating, prosecuting and treating child abuse.

+\$18.2 M

Higher Education – The 2020 Budget Bill increased funding for all state institutions of higher education. These funding increases were made based on the guidance of the Blue Ribbon Commission on Higher Education.

College or University	Increase
West Virginia University	\$1,000,000
Potomac State University	\$500,000
Marshall University	\$1,000,000
Bluefield State College	\$553,000
Concord University	\$1,625,000
Fairmont State University	\$3,000,000
Glenville State College	\$247,000
Shepherd University	\$2,700,000
West Liberty University	\$1,015,000
West Virginia State University	\$1,160,000

Community Technical College	Increase
Mountwest CTC	\$800,000
New River CTC	\$150,000
Peirpont CTC	\$300,000
Blue Ridge CTC	\$2,500,000
WVU – Parkersburg	\$400,000
WV Northern CTC	\$150,000
Eastern WV CTC	\$300,000
Bridge Valley CTC	\$400,000

+\$10 M

Increasing Access to Career Education – Senate Bill 1 established an Advanced Career Education (ACE) program and created the WV Invests Grant Program, both of which are for the purpose of increasing access to career education and workforce training. The ACE Program provides more opportunities for secondary students to earn post-secondary college credits, certifications, and associate degrees. The WV Invests Grant Program provides “last dollar in” funding to pay remaining tuition costs (after other state and federal aid) for West Virginians who choose to enroll in certain post-secondary education programs.

Changes to Revenue

Because the West Virginia Constitution requires the government to pass a balanced budget each year, the amount of money appropriated must approximate the amount of revenue the government expects to collect. Several bills this legislative session are expected to alter revenue collections for Fiscal Year 2020:

Bill Name	Expected Effect on Revenue
HB 2001: Social Security Tax Exemption*	\$48,000,000
HB 3142: Coal Severance Tax Cut	-\$21,000,000
SB 30: Eliminating Tax on Annuity Considerations	-\$4,560,000
SB 502: Exempting Sales of Investment Metal Bullion and Coins	-\$50,000
SB 36: Allowing Adjustment of Gross Income for Certain Retirees	-\$400,000
Total	\$21,990,000

***Social Security Tax Exemption** – The Governor’s proposed budget assumed that a Social Security Tax Exemption bill would pass the legislature, reducing revenue by \$50 million. The bill passed by the legislature phased the exemption in over a longer timeframe than that proposed by the Governor and included a provision capping eligibility for claiming the exemption. Because of these changes, the Fiscal Year 2020 revenues were only reduced by \$2 million, leaving \$48 million more in revenue than originally expected. The legislature, however, can only appropriate money based on original revenue estimates, which means the \$48 million dollars will be considered surplus at the end of Fiscal Year 2020.

Surplus Appropriations

The surplus section of the budget lists out items that will receive funding if a revenue surplus is realized at the end of the fiscal year. These items are listed in order of priority, meaning that the first item on the list will be the first funded with excess revenue.

Item	Amount
Agriculture Department Food Bank Improvement	\$300,000
Safe Schools Fund	\$3,500,000
Higher Education Improvements	\$2,500,000
New Born Screening and Testing	\$200,000
Sexual Assault Intervention and Prevention	\$125,000
WV Tourism Office	\$7,000,000
Jim’s Dream	\$5,000,000
Medicaid	\$53,000,000

Fiscal Year 2019 General Revenue Supplementals

There have been several questions that have come to the attention of the Finance Committee staff regarding supplemental bills that passed during the 2019 Regular Session of the Legislature. Many of these questions were concerning the \$53 million dollar supplemental in House Bill 3148, and how and where this money could be spent because of the veto by the Governor.

To start, a quick review and definition of what a supplemental appropriation is and does. Supplemental appropriations are adjustments to the current Budget Act, in this case the fiscal year 2019 budget, that become part of the current operating budget. In other words, these bills supplement the current budget by amending appropriations of General Revenue from the balance of funds remaining as an unappropriated surplus balance in the State Fund, General Revenue for the Fiscal year ending June 30, 2020.

The 2019 Regular Session began with there being a \$200,111,116 unappropriated balance to the Fiscal Year 2019 budget. This unappropriated balance was calculated by taking the Governor's official Fiscal Year 2019 Revenue Estimate and subtracting the appropriations from SB 152 (the fiscal year 2019 Budget Bill), then adding to it the amount of the Governor's General Revenue revision which was revised on January 9, 2019.

FY 2019 Revenue Estimate	\$4,439,920,000
SB 152 Appropriations	- <u>\$4,381,808,884</u>
Unappropriated Balance	\$ 58,111,116
January 9 Revenue Revision	+ <u>\$ 142,000,000</u>
	\$ 200,111,116

On March 6, 2019 during the Regular Session the Governor once again raised the official revenue estimate by \$25,913,000, thus giving the state a total unappropriated balance for fiscal year 2019 of \$226,024,116. The revised official revenue for FY 2019 is included on the last page of this document.

During the 2019 Regular Session several General Revenue Supplemental Bills completed Legislative Action:

S. B. 424 - Civil Contingent Fund.	\$ 10,000,000
S. B. 435 - State Department of Education and Vocational Division.	\$ 12,700,000
S. B. 677 - Division of Health and Division of Human Services.	\$ 24,848,902
S. B. 679 - Division of Finance.	\$ 298,000
S. B. 680 - Various divisions in DMAPS.	\$ 766,461
H. B. 2665 - PEIA Rainy Day Fee.	\$ 105,000,000
H. B. 2666 - Department of Veterans' Assistance.	\$ 6,200,000
H. B. 2667 - Department of Military Affairs and Public Safety, Division of Corrections.	\$ 20,609,836
H. B. 2668 - Department of Administration, Public Defender Services.	\$ 15,300,000
H. B. 3148 - Division of Human Services (Medicaid).	<u>\$ 53,000,000</u>
Total appropriated	\$ 248,723,199
HB 3148 veto	- <u>\$ 53,000,000</u>
Net Total appropriated	\$ 195, 723,199

On March 14, 2019 the Governor signed all these supplementals, except for HB 3148 which was vetoed.

To figure out the new total of unappropriated funds, take the net total appropriated through supplementals for Fiscal year 2019 and subtract that from the total unappropriated funds for fiscal year 2019 and that would leave \$30,300,917.

Total unappropriated funds		\$226,024,116
Total appropriated through supplementals	-	<u>\$195,723,199</u>
New total of unappropriated funds		\$ 30,300,917

So, what happens to this money that is left over? There are several things that can happen. First, this money can be used to further supplement the Fiscal Year 2019 budget. For this to happen a special session must be called for further legislation to pass and be signed by the Governor. If the Governor would amend the call for the current special session, supplemental legislation for FY 2019 could be passed. Second, if no further legislation is passed to appropriate this money by June 30, 2020 half will go to the Rainy Day Fund (approximately \$15.15 million) the other half would then be applied to any items that are found in Section 9 of the Budget Bill - Appropriations from General Revenue Surplus Accrued, which for Fiscal Year 2019 totals \$13,765,000 (see items below). Any money left over after this would become surplus available to supplement the fiscal year 2020 budget.

Appropriations to General Revenue Surplus Accrued

<i>Division of Health –</i>			
<i>Central Office</i>			
(WV Code Chapter 16)			
Fund <u>0407</u> FY <u>2019</u> Org <u>0506</u>			
Office of Drug Control Policy - Surplus	#####	\$	5,000,000
 <i>Division of Homeland Security and</i>			
<i>Emergency Management</i>			
(WV Code Chapter 15)			
Fund <u>0443</u> FY <u>2019</u> Org <u>0606</u>			
West Virginia Water Gaging Council - Surplus	#####	\$	765,000
 <i>West Virginia Tourism Office</i>			
(WV Code Chapter 5B)			
Fund <u>0246</u> FY <u>2019</u> Org <u>0304</u>			
Tourism – Marketing – Surplus	#####	\$	2,500,000

West Virginia Development Office
(WV Code Chapter 5B)
Fund 0256 FY 2019 Org 0307

Sales and Marketing Enhancement - Surplus..... ##### \$ 2,500,000

Auditor's Office: General Administration
(WV Code Chapter 12)
Fund 0116 FY 2019 Org 1200

VFD Workers' Compensation Subsidy – Surplus..... ##### \$ 2,000,000

Public Port Authority
(WV Code Chapter 17)
Fund 0581 FY 2019 Org 0806

Port Authority – Surplus..... 44399 \$ 1,000,000

The above appropriation to Port Authority - Surplus (fund 0581, appropriation 44399) shall serve as reimbursement for expenses incurred by the State Road Fund related construction and operation of the Heartland Intermodal Gateway in Wayne County.

Total TITLE II, Section 9 – General Revenue Surplus Accrued..... \$ 13,765,000

State of West Virginia
 General Revenue Fund
 Revised Monthly Revenue Estimates
 Fiscal Year 2019
 By Source and by Month
 (in thousands)

Source: Department of Revenue
 Dave Hardy, Cabinet Secretary
 Prepared by the State Budget Office
 March 2019

Source of Revenues	First Quarter			Second Quarter			Third Quarter			Total		
	July	August	September	October	November	December	January	February	March		April	May
Business and Occupation Tax Accumulated	\$9,100	\$8,900	\$6,400	\$11,400	\$8,800	\$7,300	\$9,200	\$12,700	\$6,900	\$15,500	\$10,200	\$11,100
Consumer Sales & Service Tax and Use Tax Accumulated	87,055	119,005	121,170	99,960	121,197	124,154	124,722	101,937	102,300	98,000	116,200	142,300
Personal Income Tax Accumulated	145,494	139,180	217,637	427,190	548,387	672,541	797,263	899,200	1,001,500	1,099,500	1,215,700	1,358,000
Liquor Profit Transfers Accumulated	1,500	1,500	1,800	1,500	1,500	1,500	1,189,500	1,281,100	1,417,400	1,725,300	1,855,700	2,054,000
Beer Tax and Licenses Accumulated	690	650	675	555	520	465	10,800	12,300	13,800	15,800	18,000	20,800
Tobacco Products Tax Accumulated	15,900	15,300	14,000	14,800	15,200	15,900	14,600	14,400	14,600	13,900	15,600	15,500
Business Franchise Fees Accumulated	50	64	50	53	48	48	105,700	120,100	134,700	148,600	164,200	179,700
Property Transfer Tax Accumulated	1,000	960	1,210	1,200	1,200	1,300	378	435	499	553	621	670
Property Tax Accumulated	100	360	2,200	1,000	400	200	150	125	1,300	680	300	85
Insurance Tax Accumulated	27,600	28,300	28,600	29,100	29,100	(100)	57,700	72,600	92,000	122,400	123,200	123,500
Departmental Collections Accumulated	1,100	1,300	3,600	1,500	1,300	1,200	8,700	17,900	19,400	20,800	22,200	23,600
Corporation Net Income Tax Accumulated	4,800	2,000	29,900	5,500	1,000	42,413	87,613	88,113	92,313	122,513	125,213	155,713
Miscellaneous Transfers Accumulated	50	400	50	60	50	50	60	50	50	60	60	1,000
Interest Income Accumulated	1,200	1,400	1,500	1,600	1,700	1,800	2,000	2,100	2,200	2,500	2,500	2,500
Severance Tax Accumulated	12,627	50,131	33,788	24,823	42,440	45,265	30,465	41,061	32,300	35,300	37,200	38,600
Miscellaneous Receipts Accumulated	150	200	1,850	200	250	1,900	300	200	200	350	300	2,500
HB 102 - Lottery Transfers Accumulated	0	4,600	4,100	5,300	4,500	4,500	4,850	5,050	7,550	7,900	8,200	10,700
Special Revenue Transfers Accumulated	5,300	5,300	5,300	10,600	10,600	10,600	12,000	12,600	13,250	13,250	13,250	13,250
Senior Citizen Tax Credit Reimbursement Accumulated	0	300	300	300	300	300	0	2,500	3,000	3,200	700	0
Total General Revenue Accumulated	\$313,716	\$346,950	\$438,230	\$359,837	\$335,860	\$415,763	\$428,432	\$293,815	\$336,794	\$551,069	\$334,513	\$452,854
		660,666	1,098,896	1,458,733	1,794,593	2,210,356	2,638,788	2,932,603	3,269,397	3,820,466	4,154,979	4,607,833

The Governor's official Revenue estimates for Fiscal Year 2019 were revised upward by \$142 million on January 9, 2019. The changes include an increase of \$35 million in the Consumer Sales Tax estimate, \$50 million in the Personal Income Tax estimate, and \$57 million in the Severance Tax estimate. These revisions are reflected in the estimates for the first six months of the fiscal year.

The Governor's official Revenue estimates for Fiscal Year 2019 were revised upward by \$25,913 million on March 6, 2019. The changes include an increase of \$7 million in the Consumer Sales Tax estimate, \$13.613 million in the Corporation net Income Tax, and \$5.3 million in the Severance Tax estimate. Monthly estimates were revised for the December - February period.