

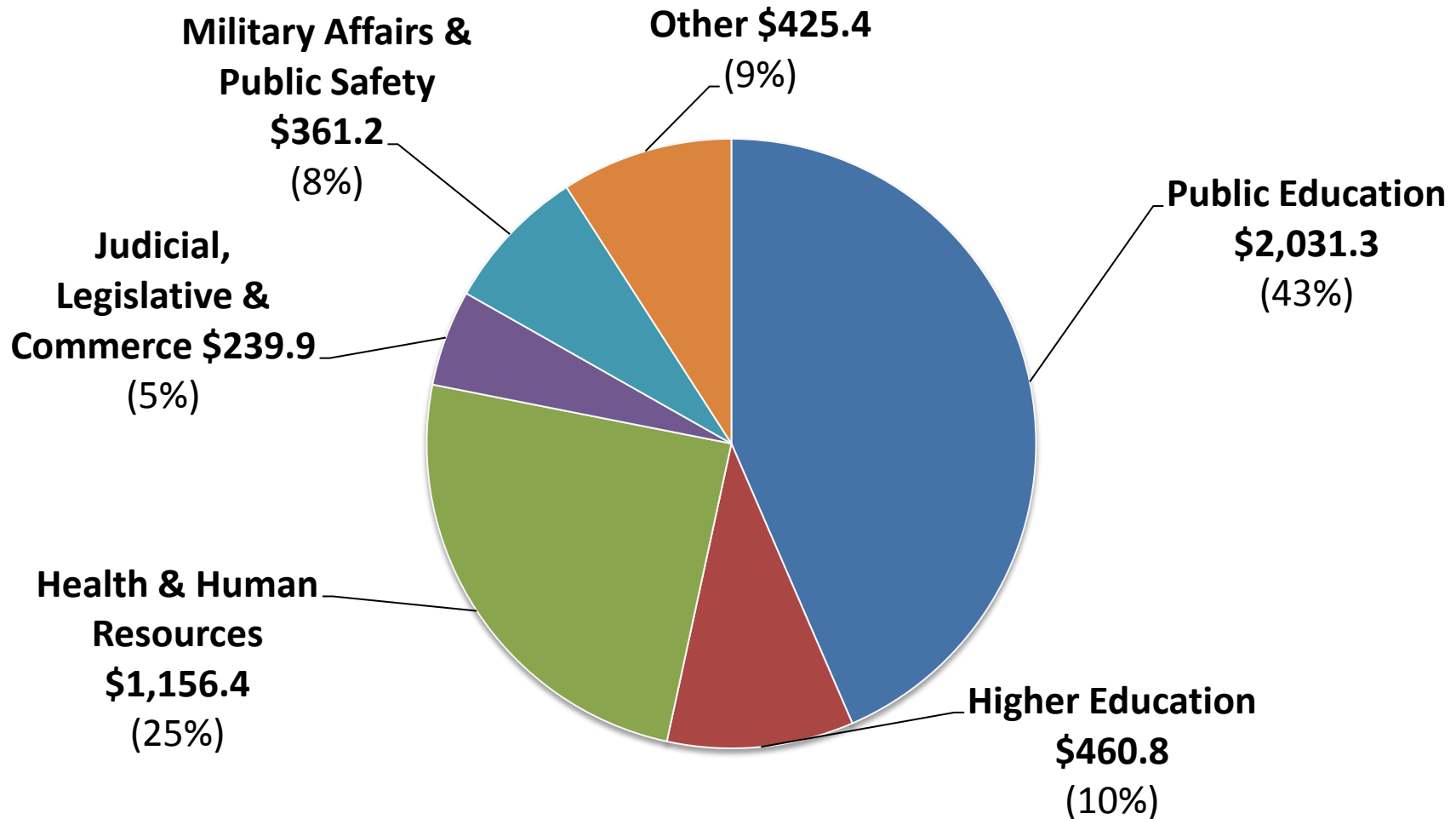


2015 LEGISLATIVE RECAP

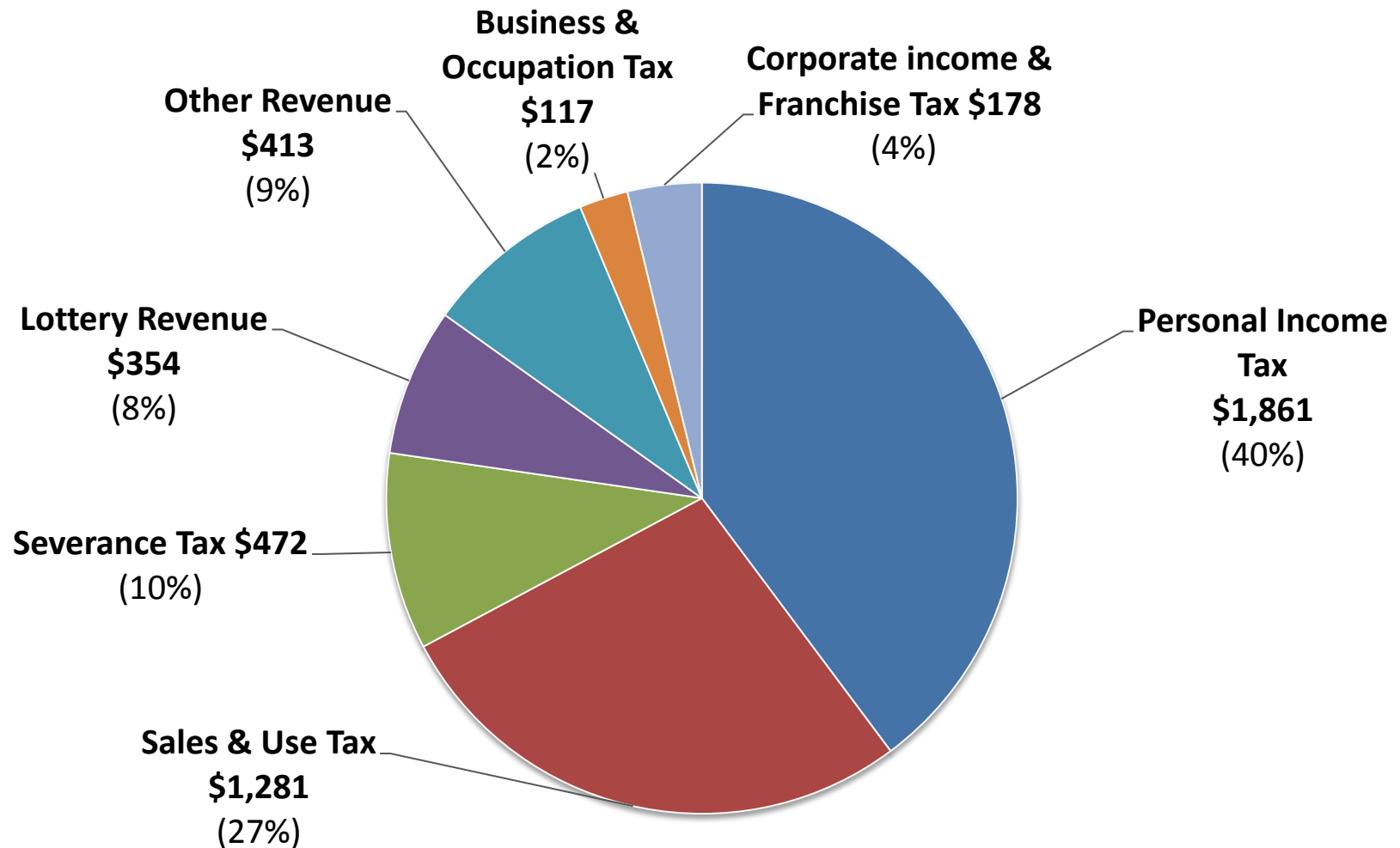
NASW WV Spring Conference

Sean O'Leary, Policy Analyst
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FY 2016 Base Budget Appropriations: \$4.675 Billion



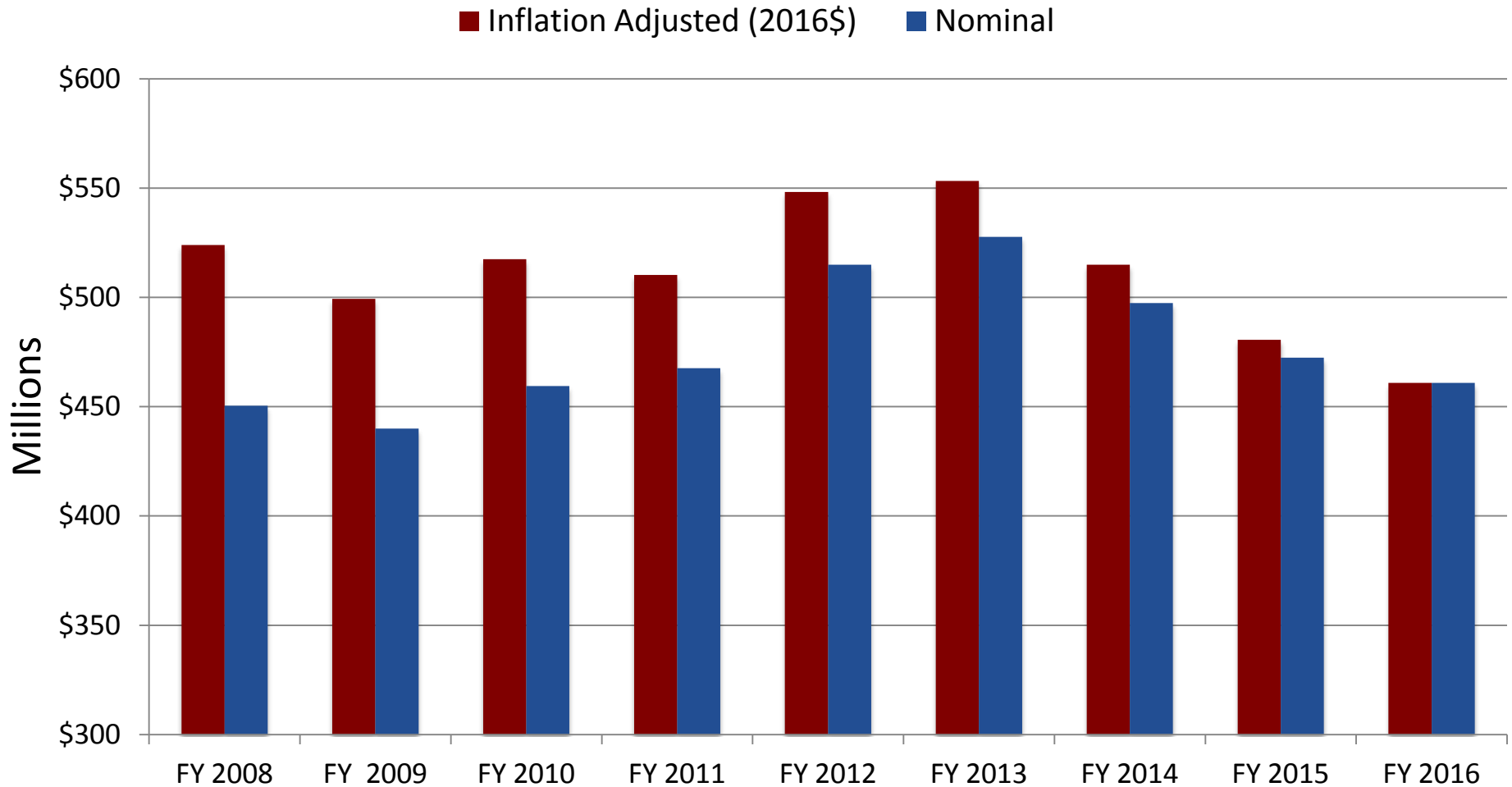
FY 2016 Base Budget Revenue: \$4.675 Billion



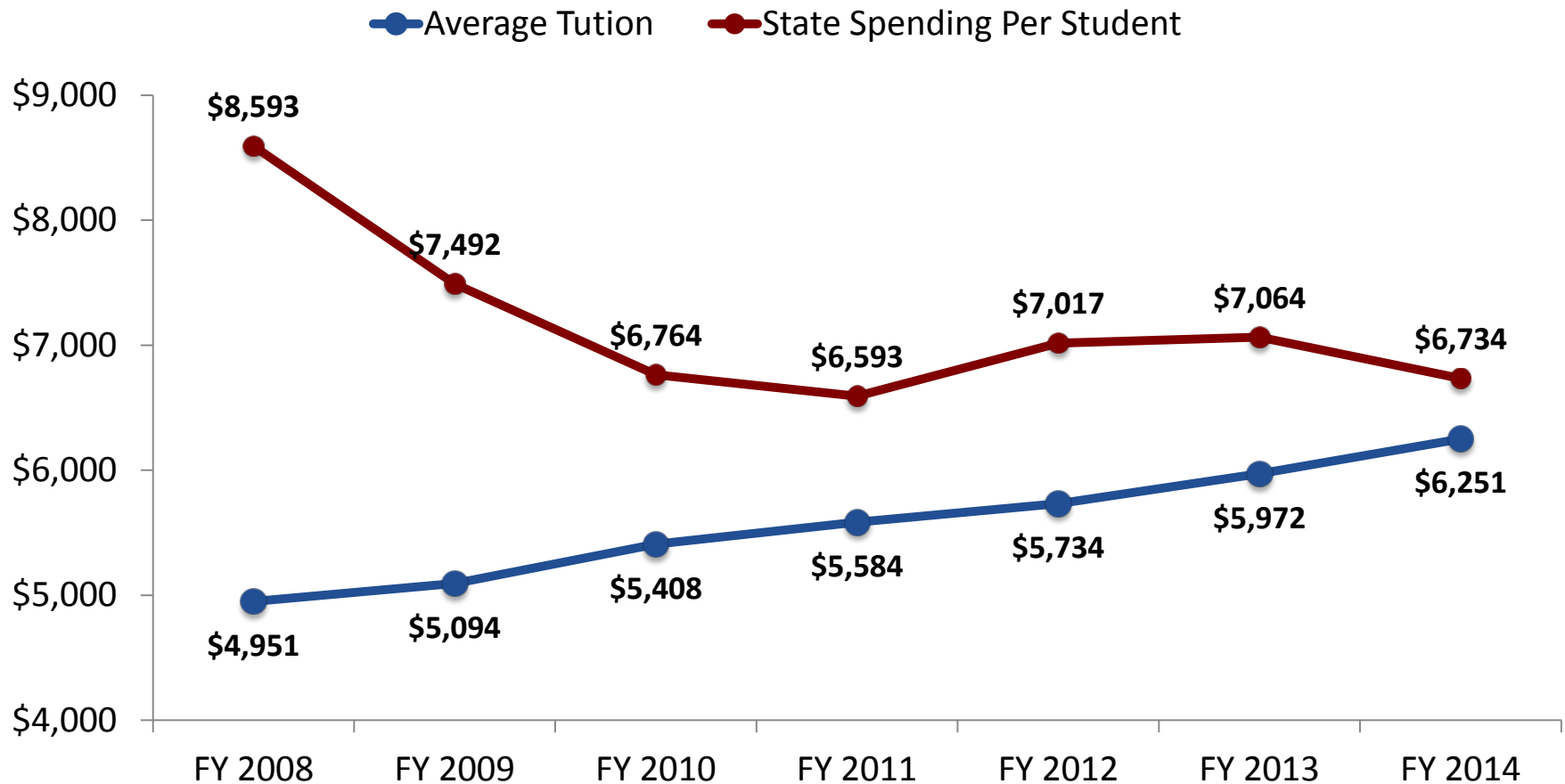
Important Base Budget Cuts Were Reversed

- Health Right Free Clinics: \$1.9 million to \$3 million
- Children's Trust Fund: \$220,000 to \$300,000
- FRNs/Starting Points FRCs: \$1.6 million to \$1.7 million
- Domestic Violence Programs: \$2.1 million to \$2.5 million
- Child Advocacy Centers: \$1.5 million to \$1.7 million

Higher Education Cuts Continue: \$67 million less than 2013

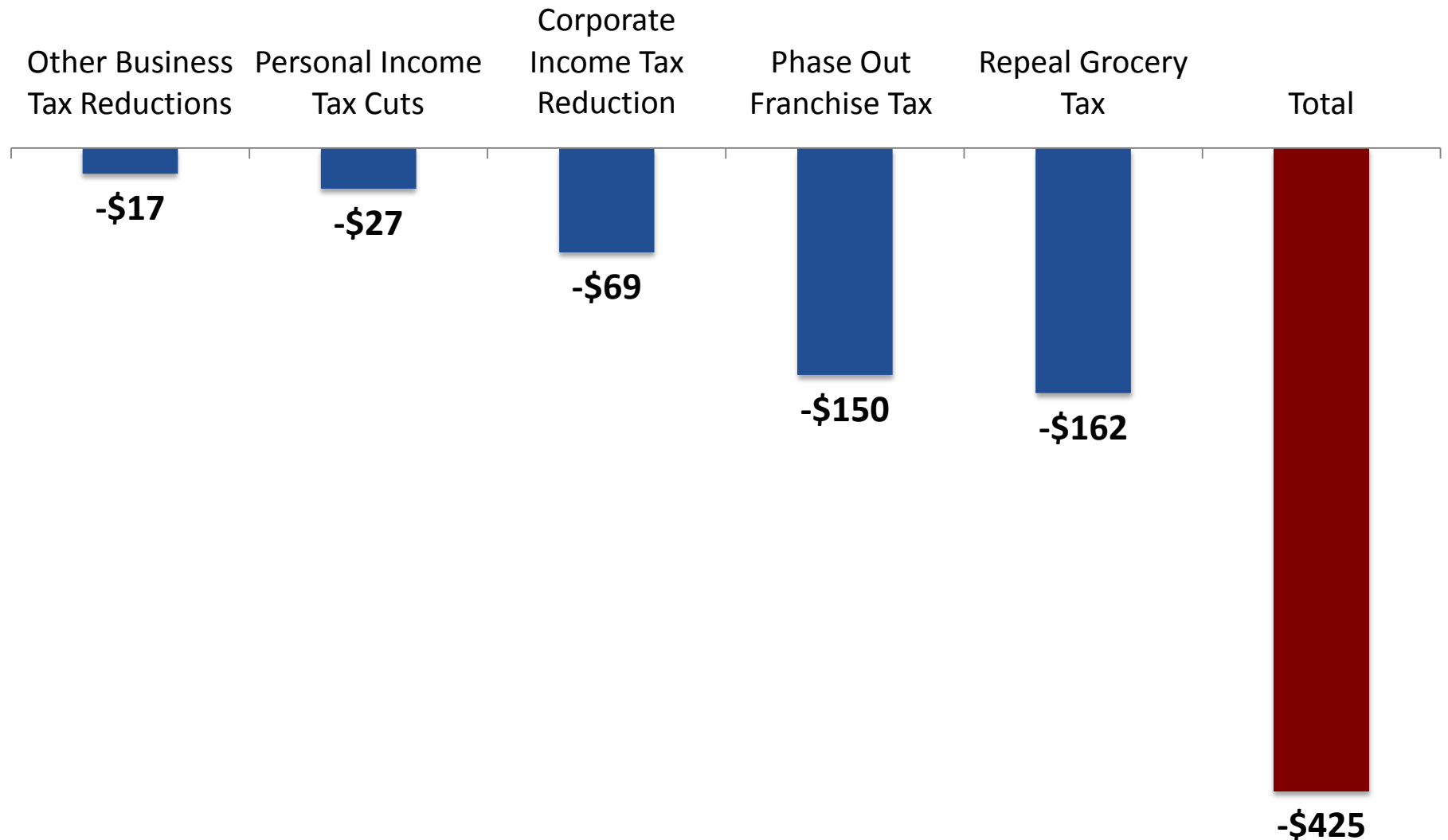


WV Higher Education Funding Down, Tuition Up!



Major Tax Cuts Hurting Budget

\$425 Million

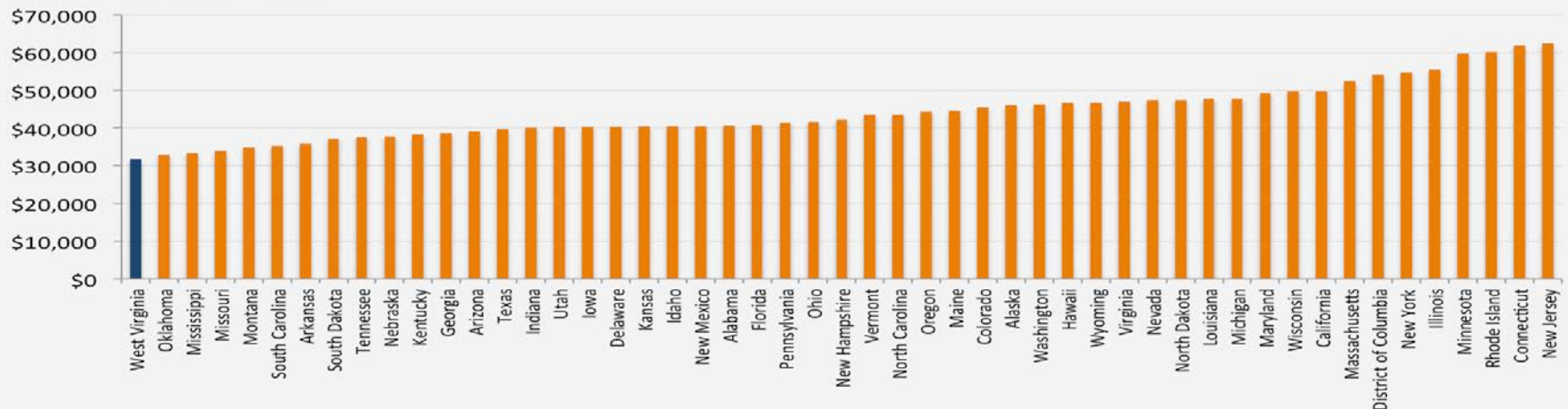


Social Policy

What Did and Didn't Pass.

- **SB 559** - Aimed at addressing retention problems, removes licensing requirements for DHHR social workers. Compromise passed requiring professional continuing education and passage of national standardized exam.

Annual Salary of Child, Family, and School Social Workers, 2013
West Virginia Ranks Dead Last



Source: U.S Bureau of Labor Statistics, Occupational Employment Statistics, May 2013

Social Policy

What Did and Didn't Pass.

- **SB 393** - Juvenile Justice Reform - expected to reduce the number of youth in residential placements by at least 16 percent, saving the state at least \$20 million over the next five years.
- Places truancy diversion specialists in all 55 counties
- Expands community-based alternatives prior to filing a juvenile petition for a status offense or misdemeanor
- Expands youth reporting centers
- Introduces services and pilot programs to support restorative justice, substance abuse recovery, mental health programs, and family therapies

Social Policy

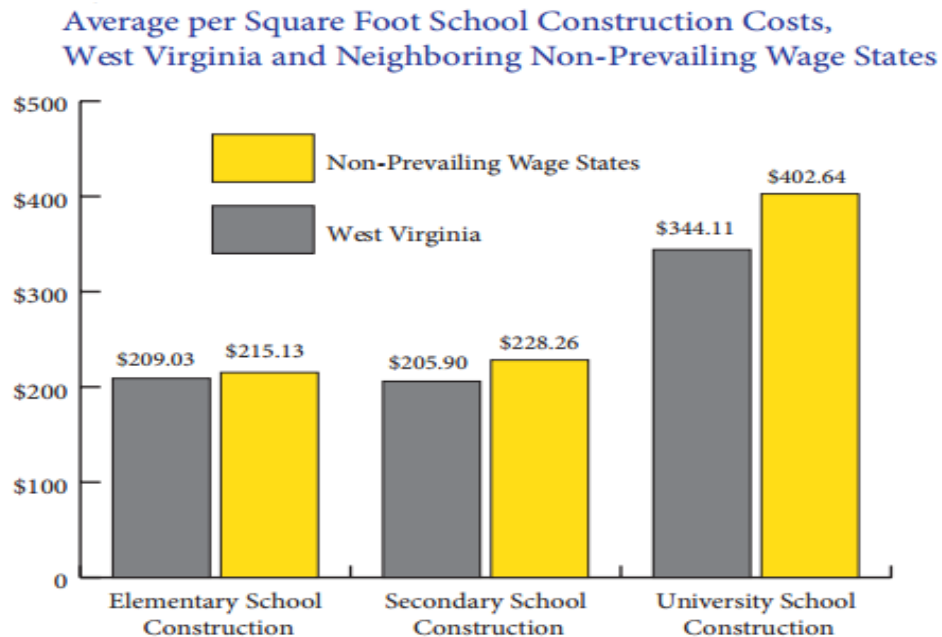
What Did and Didn't Pass.

- **HB 2021** - Drug testing of cash assistance (TANF) recipients. Several versions, HB 2021 made it to 2nd reading in House, then tabled.
 - In the first six months of [Indiana's drug testing program](#) for its workforce training program, only **13 of 1,240** failed the test, or **1.0%** of applicants.
 - In two years, [Arizona's drug testing program](#) identified "reasonable suspicion" for only **16 out of 64,000** applicants, or **0.25%**. After three years, only **1 applicant had failed a drug test**.
 - Before it was stopped, [Florida's drug testing program](#) had only **108 out of 4,086** applicants fail its drug test, or **2.6%**.
 - In [Missouri](#), only **636 out of 32,000 applicants** were suspected of drug use, and only **20 failed a drug test**, **0.0625%** of all applicants.
 - In [Utah](#), **394 out of 4,425** applicants were suspected of drug use, and only **9 tested positive**, **0.2%** of all applicants.
 - In [Oklahoma](#), **340 out of 1,300** applicants were screened for drug testing, with only **29 testing positive**, **2.2%** of all applicants.
 - In [Tennessee](#), only **37 of 16,017** applicants for cash assistance tested positive, or **0.23%** of all applicants.

Economic Policy

What Did and Didn't Pass.

- **SB 361**- Repealing prevailing wage requirements for public construction. Compromise requires Workforce WV to develop new methodology for determining wage rates by July 1.



Source: Michael P. Kelsay, "The Adverse Economic Impact from the Repeal of the Prevailing Wage Law in West Virginia."
Note: Non-prevailing wage states include North Carolina, Ohio, and Virginia for elementary and secondary school construction, and include North Carolina and Virginia for university school construction.

Other Bills That Passed

- **HB 2001** - Repealing portions of the Alternative and Renewable Energy Portfolio Act
- **SB 357** - Creating Coal Jobs and Safety Act of 2015
- **SB 393** - Reforming juvenile justice system
- **SB 423** - Amending Aboveground Storage Tank Act
- **HB 2658** - The Pain-Capable Unborn Child Protection Act

Gone but not forgotten

Bills that didn't pass but we'll likely see again

- **HB 2643** - Establishing the West Virginia Right to Work Law
- **HB 2021** - Implementing drug testing for recipients of federal-state and state assistance.
- **SB 340** - Requiring voter provide photo ID
- **SCR 13** - Urging Congress propose balanced budget amendment

On the agenda

Tax Reform

Senate President Bill Cole cites ALEC's "Rich States, Poor States" report, gives us an idea of where we are headed.

ALEC-Laffer Economic Outlook Ranking: The 15 Policy Components	
1. Top personal income tax rate (lower is better)	8. Recent change in total taxes per \$1,000 of personal income (cuts are better)
2. Top corporate income tax rate (lower is better)	9. Tax or expenditure limits (the more limits the better)
3. Personal income tax progressivity (flat rate is best)	10. State debt interest as a share of total revenue (lower is better)
4. Property taxes per \$1,000 of personal income (lower is better)	11. Public employees per 10,000 residents (fewer is better)
5. Sales taxes per \$1,000 of personal income (lower is better)	12. State minimum wage (none is best)
6. All other taxes per \$1,000 of personal income (lower is better)	13. Status as a "right-to-work" state (yes is best)
7. Estate or inheritance tax (neither is best)	14. Workers' compensation costs (lower is better)
	15. Chamber of Commerce rating of state tort liability laws

On the agenda

Tax Reform

ALEC's rankings have completely failed to predict job growth, GDP growth, income growth, and revenue growth

FIGURE 1. PERCENT CHANGE IN STATE GDP, 2007-2011

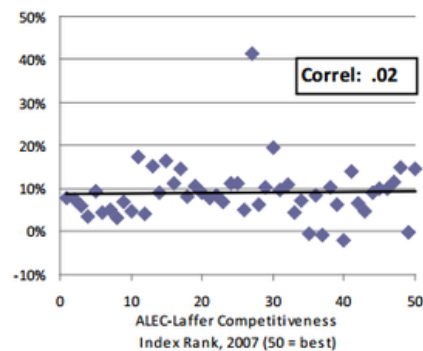


FIGURE 3. PERCENT CHANGE IN PER CAPITA INCOME, 2007-2011

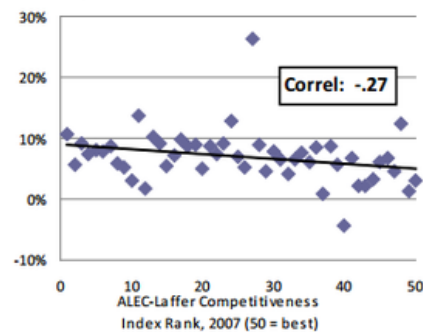


FIGURE 2. PERCENT CHANGE IN NON-FARM EMPLOYMENT, 2007-2011

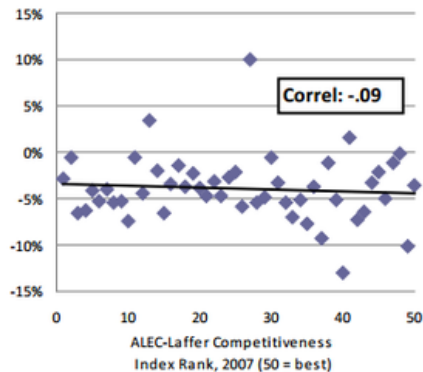
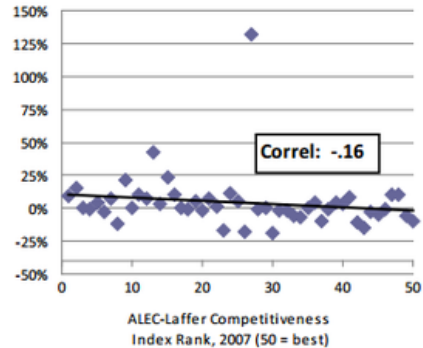


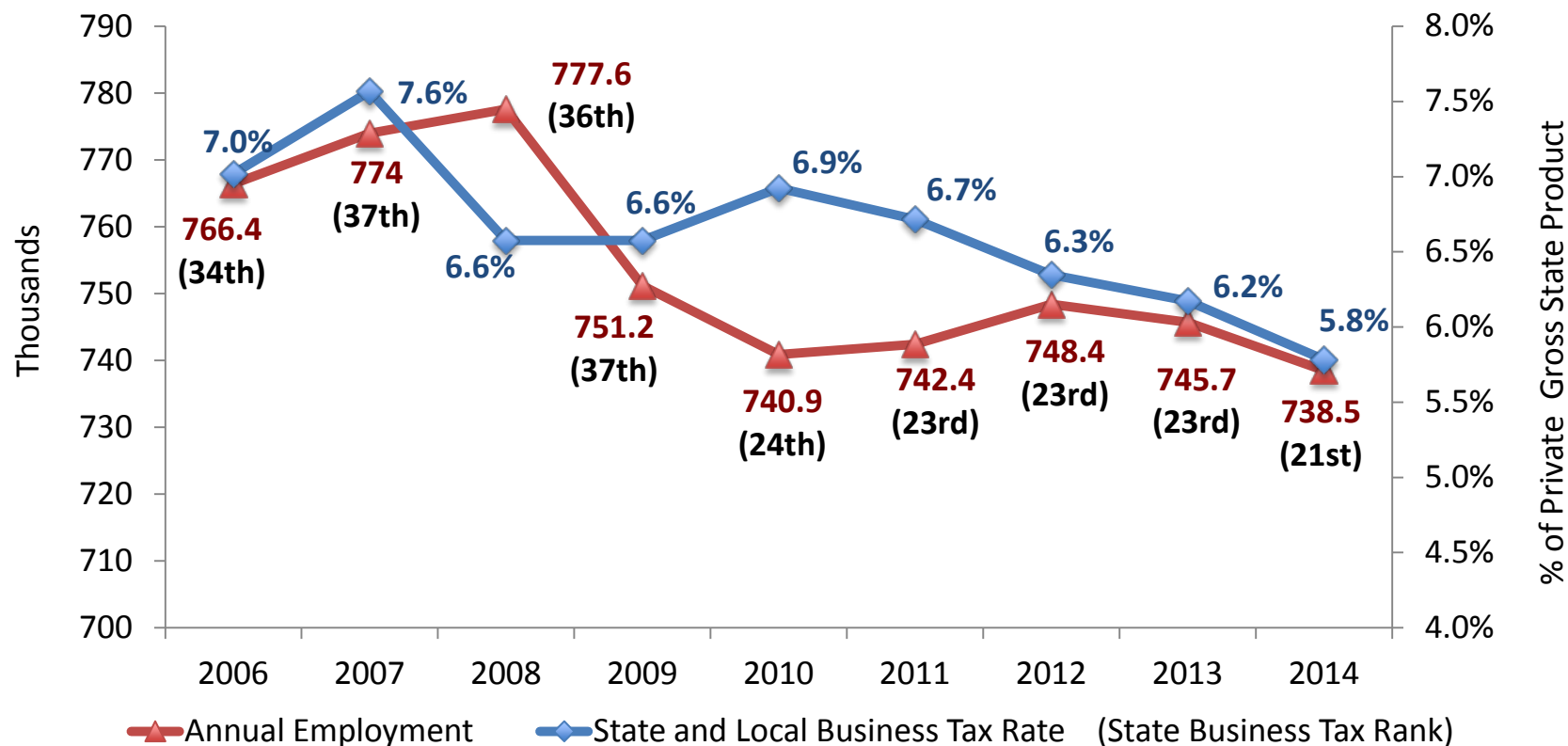
FIGURE 4. PERCENT CHANGE IN STATE & LOCAL GOVERNMENT REVENUE, 2007-2011



On the agenda

Tax Reform

West Virginia's previous tax reform reduced business tax burden and improved our "business climate," but completely failed to create jobs.

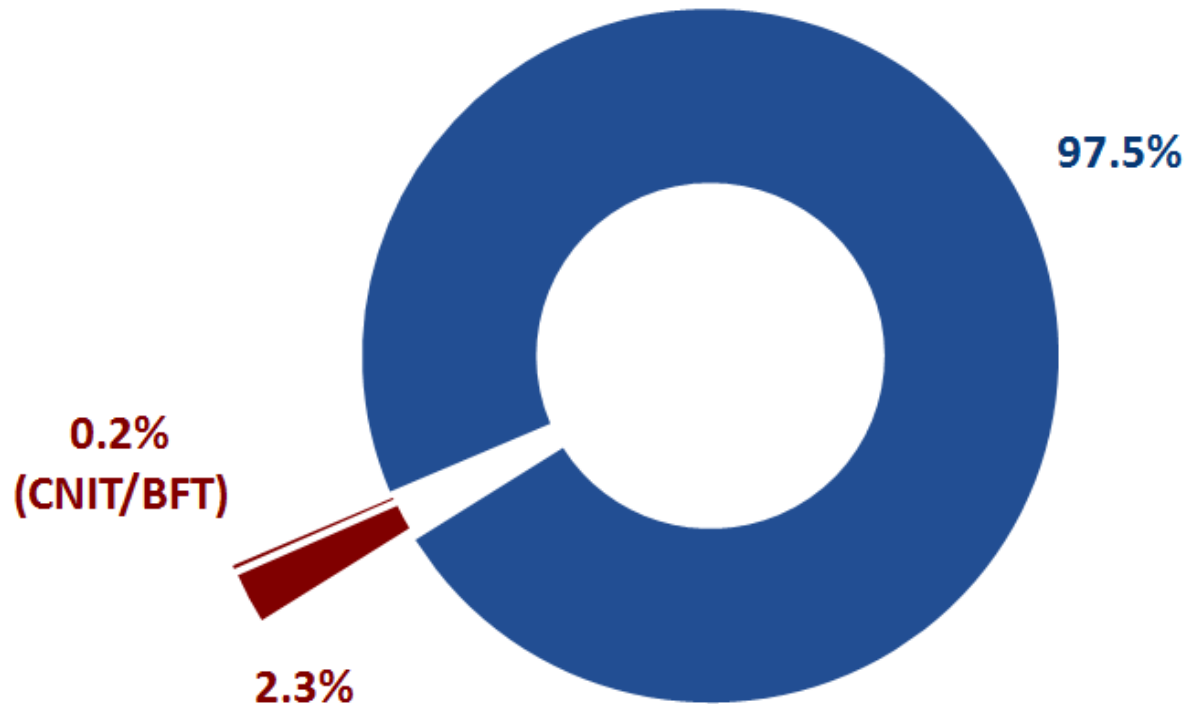


On the agenda

Tax Reform

Why Don't Business Tax Cuts Work?

West Virginia Business Taxes Are A Small
Share of the Cost of Doing Business



What Makes the **ECONOMY** Grow?

Stronger Middle = Stronger Economy

- A strong middle class promotes the development of human capital and a well-educated population.
- A strong middle class creates a stable source of demand for goods and services.
- A strong middle class incubates the next generation of entrepreneurs.
- A strong middle class supports inclusive political and economic institutions, which underpin economic growth.

Policies to Grow Our Economy

Create Opportunity

- **Invest in Early Childhood Programs (e.g. Home Visiting, Child Care, Birth to Three) :** “The long-term economic benefit of high-quality early childhood programs in WV is estimated at \$5.20 for each dollar invested.” – WV Early Childhood Planning Taskforce
- **Enact a Refundable State Earned Income Tax Credit (EITC):** Evidence shows it increases labor force participation and helps children by improving their health, college attendance, school achievement, and increases their earnings when they reach adulthood.
- **Provide Free In-State Tuition:** For less than the cost of the business tax cuts, West Virginia could provide free in-state tuition at 4-year and 2-year colleges.
- **Invest in Workforce Training:** Customized job training that assists people with the basic skills sought by local employers have been shown to produce substantial payoff.

Revenue Options For Investment

- **Increase the Tobacco Tax:** \$135 Million
- **Expand Sales Tax to More Services:**
 - **Personal Services:** \$26 million
 - **Internet Downloads:** \$1-3 million
- **Update Personal Income Tax:**
 - **Scale back itemized deductions:** \$7.5 million
 - **New Bracket on Top 1% (6.5% to 7.5%):** \$26 million
- **Keep Workers' Comp Debt Tax on Coal & Natural Gas:** \$65-100 million
- **Increase Severance on Natural Gas Liquids (Condensate):** \$?
- **Reinstate Estate Tax:** \$10-20 million
- **Scrutinize Off-Budget Expenditures:** Ensure that business tax subsidies include claw back provisions, sunsets, cost caps, and proper evaluations.
- **School Aid Formula:** Utilize the decline in local share to fund early childhood programs (e.g. Pre-K for 3 year olds)
- **Gradually Restore Regular Education Levy Rates:** The tax rates are nearly 15.5% lower than the tax rates in place prior to 1992.