

Emerging Stronger from the Pandemic

A Blueprint for an Equitable Economic Recovery in West Virginia



Emerging Stronger from the Pandemic: A Blueprint for an Equitable Economic Recovery in West Virginia

By Sean O’Leary, Senior Policy Analyst

TABLE OF CONTENTS

I. Foreword by Kelly Allen, Executive Director	4
II. Tax and Budget	5
Lessons Learned	5
Blueprint	5
<i>Reject Failed Tax Cuts and Tax Swaps</i>	5
<i>Explore New, Progressive Sources of Revenue</i>	6
<i>Improve the Budget Process</i>	7
<i>Properly Fund Medicaid</i>	8
III. Family and Economic Security	9
Lessons Learned	9
Blueprint	9
<i>Enact a State Earned Income Tax Credit</i>	9
<i>Remove TANF Restrictions</i>	9
<i>Increase Child Care Assistance</i>	10
<i>Streamline Safety Net Applications</i>	11
IV. Health	12
Lessons Learned	12
Blueprint	12
<i>Expand Health Care Coverage with a Medicaid Buy-in Program</i>	12
<i>Restore Public Health Funding Cuts</i>	12
<i>Make Prescription Drug Prices More Affordable and Transparent</i>	13
<i>Meaningfully Address Infant and Maternal Mortality</i>	14

V. Labor	15
Lessons Learned	15
Blueprint	15
<i>Implement Paid Sick and Paid Family Leave for All West Virginians</i>	15
<i>Increase the Minimum Wage</i>	16
<i>Expand Overtime Protections</i>	17
<i>Enact Fair Scheduling</i>	18
VI. Education	19
Lessons Learned	19
Blueprint	19
<i>Protect Current K-12 Education Funding</i>	19
<i>Fully Fund Public Schools</i>	20
<i>Reverse Cuts to Higher Education</i>	20
<i>Restore the PROMISE Scholarship</i>	21
VII. Conclusion	22



8 Capitol Street, Fourth Floor
 Charleston, WV 25301
 304.720.8682 | Info@wvpolicy.org
 @WVCBP • www.wvpolicy.org

The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide.

The WVCBP's mission is to use research and analysis to advance the well-being of West Virginia communities, and to promote and support the essential role of government in improving the quality of life in the state.

I. Foreword

West Virginia faces a pivotal moment as we begin to emerge and recover from the COVID-19 pandemic and recession. While the pandemic brought many of its own unique challenges that have been addressed by prompt local, state, and government action, an important takeaway that was highlighted during the pandemic was that there are also longstanding, structural challenges to the economic mobility and well-being of our people — challenges that the pandemic did not cause. For that reason, simply returning to the pre-pandemic economy and system is not an option. In order to move our state forward and create a West Virginia that allows all in the state to thrive, we must implement policies that ensure everyone can achieve shared prosperity with the resources needed to balance work, care for family, feel a sense of community, and meet their basic needs.



This recovery agenda is more than just a pathway out of the pandemic recession. It's a vision for a future in West Virginia where health, education, family economic security, and the needs of workers are put first. This report details priorities that the WVCBP has long advocated for, as well as new policy ideas that have emerged from conversations with West Virginians and our partners. The needs of our state are immense and complex. West Virginia was not thriving prior to the pandemic, and if we don't change our priorities, we will fail our people.

In addition to outlining policy ideas, we chart a path forward for growing the revenues necessary to fund the policies needed to advance our state. We must end the austerity mindset that has long driven budget cuts and the underfunding of our state agencies, programs, and public services. Instead of projecting flat budgets and slashing programs to pay for tax cuts for the richest West Virginians and out-of-state corporations, we must grow the pie and be forthright about the investment our communities need and deserve.

We envision a West Virginia that isn't a race to the bottom — where we don't need to beg people to move here by promising they won't have to pay their fair share for the services that make communities thrive and that benefit us all. Instead, we envision a future that invests in the promise of the West Virginians who live here now, by fully funding higher education, ensuring that workers have the supports they need, addressing longstanding racial inequities, and making sure everyone can earn a living wage.

In total, this report does not include every policy that we would like to see enacted, but it does show our vision for a West Virginia where everyone has a meaningful opportunity to thrive by eliminating poverty, advancing equity, and ensuring that the state has the resources to provide basic services to our people.

We hope that you will find the ideas in this report to be worthwhile and inspiring. All can tangibly improve the lives of West Virginians if we have the will to push for and implement them. We want to work with our partners, community members, and all West Virginians to see these — and other important policies — enacted. We urge you to join us in the challenging but fulfilling work that is ahead to achieve a West Virginia that works for everyone.

Warmly,

Kelly Allen

Executive Director, West Virginia Center on Budget and Policy

II. Tax and Budget

Lessons Learned

The state budget directly affects everyone living in West Virginia. It defines how we use our resources and shapes our lives and communities, impacting everything from creating good schools for our children, to protecting the environment, to making our communities safe, to maintaining our roads, to ensuring that our constitutional rights are protected. The items contained in the budget not only reveal the important public structures that improve our quality of life, but also reflect what our priorities are as a state.

As we emerge from the pandemic, the budgetary choices we make will help determine whether or not West Virginia will have a swift and equitable recovery with an economy that works for everyone. Even prior to the pandemic, West Virginia was facing structural revenue challenges and significant budget shortfalls in the years ahead. And experience shows that budget cuts will only impede the state's recovery, hurting families and worsening the recession.

In the past, West Virginia has prioritized expensive and ineffective tax cuts. The failure of these tax cuts to produce their promised growth hampered our ability to make lasting investments in our assets and address emerging challenges. An abundance of federal aid helped protect West Virginia's budget during the pandemic, but that aid won't last forever, and it will soon be necessary to take steps to prevent harmful budget cuts if West Virginia wants to keep money flowing to families and communities, and recover faster.

Blueprint

Reject Failed Tax Cuts and Tax Swaps

This past legislative session saw multiple attempts to drastically cut or eliminate the state's personal income tax and replace it with regressive increases to the sales tax and other taxes. The income tax is the state's largest source of revenue, providing the state with \$1.95 billion in FY 2020, which accounts for 43 percent of the state's general revenue fund.¹

The income tax is also West Virginia's fairest tax. A well-designed income tax can ensure that wealthier taxpayers pay their fair share, allow for lower rates on low- and middle-income families, and provide a counterweight to less equitable taxes. For the most part, West Virginia's income tax meets this standard.

In contrast, sales and other excise taxes are generally regressive, and tend to fall more heavily on lower income families. Eliminating the income tax and replacing it with higher sales taxes results merely in a tax swap, rather than a tax cut. The benefits of eliminating the income tax are almost entirely enjoyed by the wealthy, while any savings for low- and middle-income households are offset by higher sales taxes. Nearly all of the income tax elimination plans introduced in West Virginia during the 2021 legislative session would have resulted in higher taxes for all but the wealthiest households in the state.²

Further, these plans would have devastated the state budget by leading to billions in lost revenue. They would have required dramatic cuts to critical areas of the budget — cuts that West Virginia simply cannot afford.³

Fortunately, these regressive tax plans were all rejected, and West Virginia should continue to reject them. Eliminating the income tax and replacing it with higher sales taxes would be a major step backward for West

1 FY 2021 West Virginia State Budget.

2 Sean O'Leary, "Taxes and the Legislative Session" (West Virginia Center on Budget and Policy, April, 2021).

3 Sean O'Leary, "How Do You Pay for a \$2.1 Billion Tax Cut?" (West Virginia Center on Budget and Policy, January 2021).

Virginia, ignoring both evidence⁴ from other states⁵ and our own past experiences.⁶ For the past 15 years, West Virginia has cut taxes, with little to show for it beyond less investment in education, public health, and infrastructure. As we recover from the pandemic, it is vital that we avoid repeating those mistakes and instead make the investments necessary to help the state recover and build prosperity for all.

Explore New, Progressive Sources of Revenue

To make the investments needed to build a stronger and more sustainable future, it is vital that West Virginia both raise new revenue and make the tax code more progressive. Doing so can help the state create a more reliable budget that centers racial equity, economic justice, and improved health and welfare for all residents.

Options to increase revenue and improve the tax code include:

- **Phasing out personal exemptions for high income earners:** West Virginians are provided a \$2,000 personal exemption from their state income tax for each household member. Unlike the federal government, however, which phases out personal exemptions as income rises, West Virginia does not. If the \$2,000 per person exemption were phased out for joint filers between \$150,000 and \$200,000 and eliminated for those over \$200,000, it would increase revenue by an estimated \$18.7 million and would help make the state's income tax based more on ability to pay.⁷
- **Reinstating the estate tax:** Changes to federal tax law resulted in the de facto repeal of West Virginia's estate tax. The estate tax raises revenue for public services that contribute to a stronger economy, protects against extreme levels of income inequality, and ensures that the most affluent cannot avoid paying taxes on certain forms of wealth. Only the very wealthiest West Virginians paid the estate tax. Reinstating West Virginia's estate tax for estates over \$1 million would raise an estimated \$20.0 million, reduce inequality, and close a loophole that allows unrealized capital gains to go untaxed at the state level.⁸
- **Enacting worldwide combined reporting:** West Virginia currently requires businesses to use combined reporting when determining their taxable income under the corporate net income tax, which prevents businesses from avoiding taxes by shifting their income between states. However, most states, including West Virginia, limit the requirement to the "water's edge" of U.S. borders, or they allow corporations to choose whether to report on a worldwide or water's edge basis. This leaves open the possibility for multinational corporations to shift income to other countries to avoid paying state taxes. Adopting worldwide combined reporting would prevent that tax-avoidance strategy and increase corporate income tax revenue by an estimated \$67.8 million.⁹
- **Legalizing and taxing cannabis:** Over the last two decades, states across the country have modernized their marijuana laws to reflect the growing evidence that doing so will help reduce criminal justice costs, treat certain medical conditions, and boost tax revenues and their state's economy. As West Virginia continues to struggle with an undiversified economy, fading coal industry, and poor health outcomes, modernizing the state's marijuana laws could be a step forward in addressing these problems and could help save the state money in the long run. If marijuana were legalized and taxed in West Virginia at a retail sales tax rate of 37 percent, the same rate used by the state of Washington, West Virginia would collect an estimated \$58.0 million.¹⁰

4 Michael Mazerov, "Kansas Provides Compelling Evidence of Failure of "Supply-Side" Tax Cuts" (Center on Budget and Policy Priorities, January 2018).

5 Sean O'Leary, "States without Personal Income Taxes are Not Seeing Greater Economic Growth than States with Highest Income Tax Rates" (West Virginia Center on Budget and Policy, January 2021).

6 Sean O'Leary, "West Virginia's Business Tax Cuts Failed" (West Virginia Center on Budget and Policy, August 2019).

7 Institute on Taxation and Economic Policy analysis.

8 Ibid.

9 Ibid.

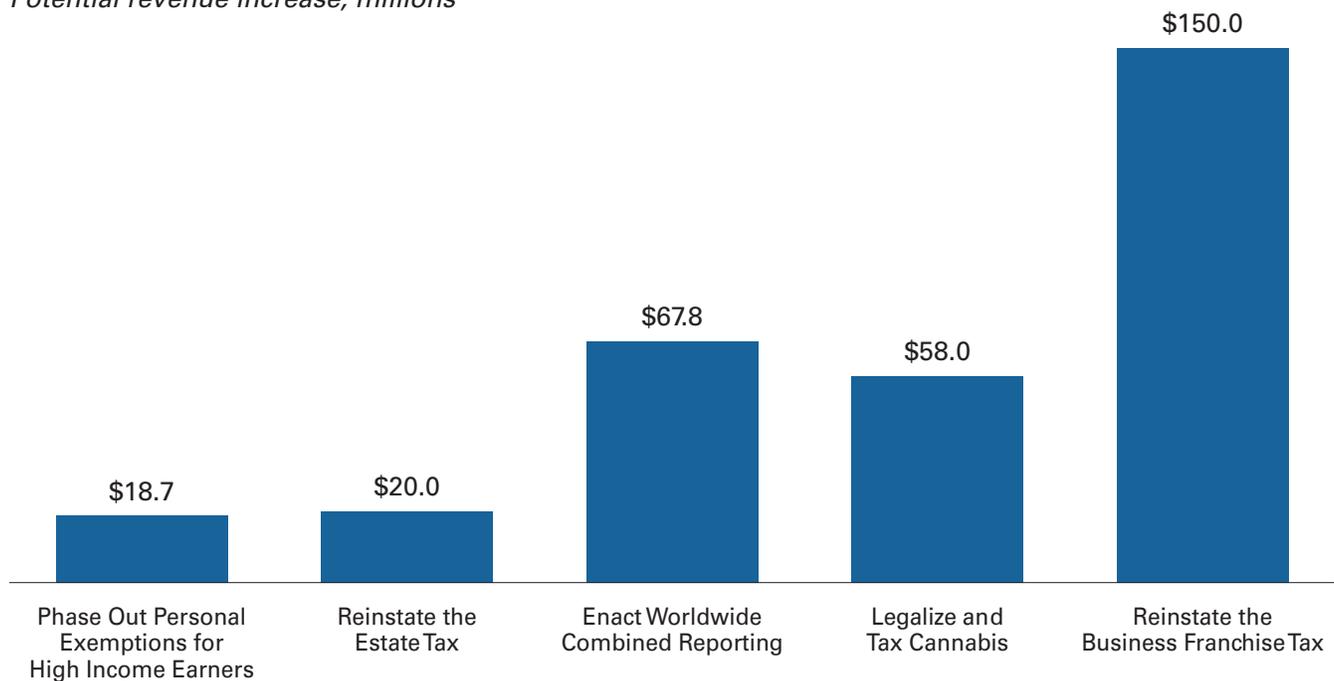
10 Ibid.

- **Reinstating the business franchise tax:** West Virginia’s business franchise tax was phased out between 2007 and 2015, with the promise that doing so would boost the economy and create jobs. And like the corporate net income tax cuts, eliminating the business franchise tax has had no noticeable impact on the state’s economy. Reinstating the tax would increase revenue by an estimated \$150 million.¹¹

Figure 1

Options to Increase Revenue and Improve the Tax Code

Potential revenue increase, millions



Source: WVCPB and ITEP analysis

Improve the Budget Process

Each year, the West Virginia Legislature, state agencies, and the Governor’s Office wrestle with a spending plan for West Virginia. The process is long and often complicated, but it can be improved. Reframing the budget process to be more collaborative and transparent would result in a stronger budget that is better equipped to meet the state’s needs.

Steps to improve the budget process should include:

- **Adopting consensus revenue estimates:** West Virginia’s process for estimating revenues is tilted too far toward the executive branch. Unlike the legislatures of many states, the West Virginia Legislature does not work with the executive branch to produce a consensus forecast. When one branch is excluded from this process, key decisionmakers are more likely to dismiss or dispute revenue estimates. Consensus revenue forecasts could be made by a joint advisory board with representatives from the executive branch, the legislative branch, and a mutually agreed upon third party.

¹¹ West Virginia State Tax Department.

- **Requiring a six-year plan:** West Virginia’s budget typically includes a six-year financial outlook, which outlines spending and revenue plans for future years. This is an essential tool for identifying expected inflation and growth in agency budgets, and it allows the state to plan for potential future shortfalls. However, while a six-year plan is usually included in the budget, it is not required, and was left out of the state’s FY 2022 budget. Without access to complete information from the Governor’s Office regarding future spending needs and revenue projections, lawmakers are unable to make responsible and well-informed financial decisions.
- **Enacting a public comment period:** In most years, the legislature does not take up the governor’s budget proposal until the final days of the legislative session. Further, the legislature is bound to the governor’s revenue estimate and may not increase the governor’s proposal. Requiring a public comment period while the budget is being drafted would increase transparency and accountability and provide an opportunity for citizens to voice how they believe their money should be spent.

Properly Fund Medicaid

At just under \$5 billion in combined state and federal funding, including \$1.08 billion in state funding for FY 2022, Medicaid is the largest program in the state budget.¹² Medicaid provides health care coverage to approximately 580,000 West Virginians, including access to primary care services, prescription drug coverage, community-based care, mental health services, nonemergency medical transportation, dental care, and other benefits that are otherwise inaccessible to the state’s low-income and disabled residents.

Despite its prominence in the state budget and its importance to the people of the state, the Medicaid program lacks a permanent and secure source of funding. In recent years, Medicaid has been funded not by increases to the base budget, but by surpluses from previous years, one-time transfers, and — in the current year — enhanced match rates from federal aid packages.¹³

Without permanent and stable funding, these one-time measures will be quickly exhausted. While the enhanced federal match rates and decreased utilization during the pandemic helped build a surplus to fund the Medicaid program, according to projections from the West Virginia Department of Health and Human Resources, the program will be facing a \$23 million shortfall in FY 2025, and the deficit grows to \$153 million in FY 2026.¹⁴ Without more permanent and dedicated funding sources, the pressure to fund Medicaid will continue to grow and affect other areas of the budget.

12 West Virginia State Budget Office, FY 2022 Budget, Volume I.

13 Sean O’Leary, “Pay More, Get Less: The West Virginia FY 2022 Budget Proposal” (West Virginia Center on Budget and Policy, March 2021).

14 West Virginia Department of Health and Human Resources, “Budget Presentation, 1st Session of the 85th Legislature” (presented to the Senate Finance Committee, February 2021), downloaded from https://www.wvlegislature.gov/legisdocs/misc/budgethearings/2021/DHHR/DHHR-FY22_Budget_Presentation.pdf.

III. Family and Economic Security

Lessons Learned

Even before the pandemic, economic security in West Virginia was fragile, with consistently high levels of poverty and low levels of job and income growth — with the jobs that are available increasingly concentrated in low-wage industries. The pandemic showed just how vulnerable economic security is for thousands of West Virginia families. The interruptions to income, food availability, and social programs magnified the state’s longstanding health and poverty challenges. Food, housing, and economic insecurity all skyrocketed during the pandemic. Only with an unprecedented state and federal government response were thousands of families able to keep food on the table, bills paid, and a roof over head.

As the economy recovers, now is the time to address these longstanding barriers to community well-being and pursue policies that not only help families overcome these barriers, but get out and stay out of poverty.

Blueprint

Enact a State Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a proven tool for addressing poverty and promoting economic security.¹⁵ Twenty-eight states and the District of Columbia have enacted EITCs, boosting incomes for working families, which in turn helps them afford their basic needs and offsets other regressive state and local taxes.¹⁶ The benefits are lasting, such as improving the health outcomes, educational achievement, and future earnings of the children of EITC recipients. A state level EITC in West Virginia would benefit 141,000 low- and middle-income tax filers.¹⁷

A number of states have also enacted a Child Tax Credit (CTC).¹⁸ Like the EITC, a state CTC is a tax credit against state income taxes. However, instead of the credit being based on income, the amount of the credit is based on the number of qualifying children. State CTCs are often based on the federal CTC, just as the EITC is structured. Both the EITC and the CTC make state tax systems less regressive, increase earnings for families, reduce poverty, and improve health and economic outcomes.¹⁹

Remove TANF Restrictions

Cash assistance remains the most direct and impactful way to protect low-income families with children from the harms of deep poverty. West Virginia’s Temporary Assistance for Needy Families (TANF) program, otherwise known as WV WORKS, provides cash assistance for low-income families and helps with child care, skills training, and job searching. In 2017, West Virginia launched a three-year pilot program that screened drug use among recipients of TANF. The pilot program proved expensive and ineffective, costing the state tens of thousands of dollars. And while over 2,000 TANF recipients went through the screening process, only seven tested positive for any substance.

15 Sean O’Leary, “A Tax Cut That Works for Working Families: A West Virginia Earned Income Tax Credit” (West Virginia Center on Budget and Policy, January 2016).

16 Urban Institute, “State Earned Income Tax Credits” (2021), accessed from <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/state-earned-income-tax-credits>.

17 Internal Revenue Service, Statistics for Tax Returns with EITC, downloaded from <https://www.eitc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-tax-returns-with-eitc> on June 1, 2021.

18 Tax Credits for Workers and Their Families, State Tax Credits, accessed from <https://www.taxcreditsforworkersandfamilies.org/state-tax-credits/>.

19 Samantha Waxman, Arloc Sherman, and Kris Cox, “Income Support Associated With Improved Health Outcomes for Children, Many Studies Show,” (Center on Budget and Policy Priorities, May 2021).

Despite its proven ineffectiveness, the West Virginia Legislature voted to expand the pilot project across the state in 2021. Rather than address substance use problems, making public assistance contingent on passing a drug test creates barriers for those who may otherwise seek treatment and stigmatizes individuals with low incomes, all while worsening their material conditions. Rather than punishing TANF recipients by extending the drug screening program, West Virginia must recommit to providing basic assistance to families. Redirecting funds toward these initiatives would better serve low-income families and would help create a healthier West Virginia.

Increase Child Care Assistance

Access to affordable child care is a necessity for the modern workforce. However, the cost of child care is out of reach for many West Virginia families. By expanding access to affordable, quality child care, West Virginia could not only boost workforce participation and improve long-term outcomes for children, but also help more businesses be successful.

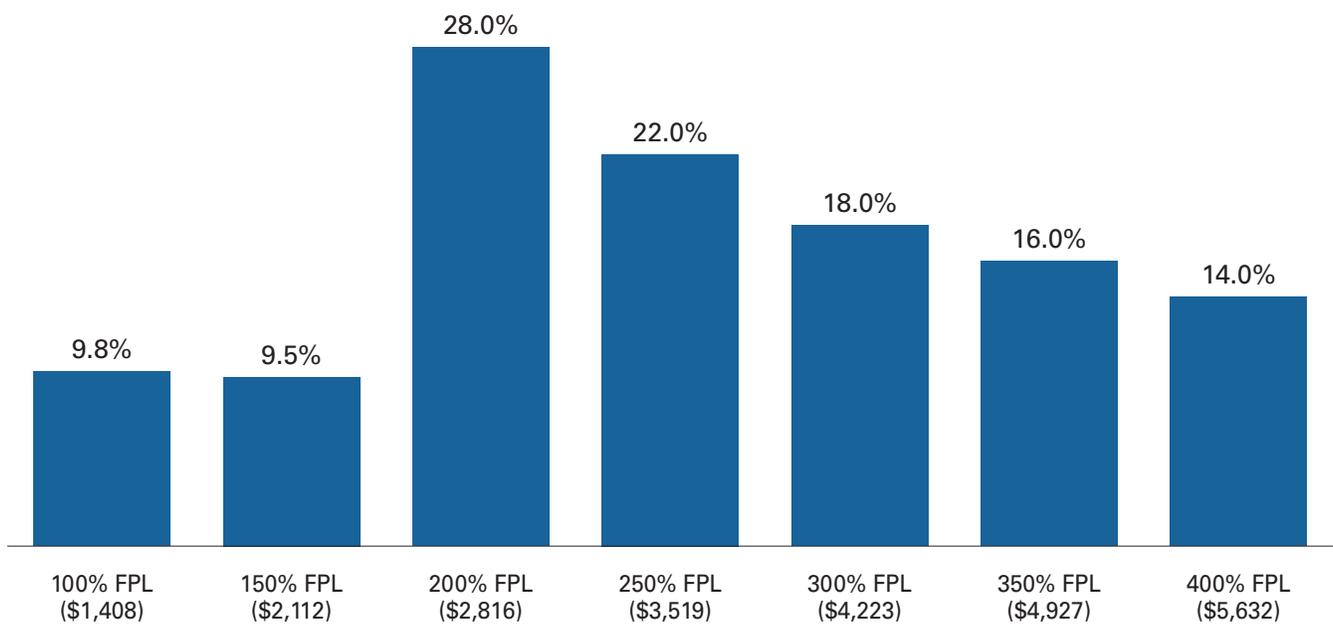
The West Virginia Child Care Program provides child care subsidies to eligible parents (those up to 185 percent of federal poverty level, or FPL) who are working or going to school. But while child poverty has remained high in West Virginia, the number of families receiving child care assistance in West Virginia has declined in recent years.

Because West Virginia’s Child Care Program sharply phases out at 185 percent of the FPL, a sharp cliff effect is created. A single parent at 150 percent of the poverty level with one infant in child care would pay less than 10 percent of their income for child care, while someone at 200 percent of the poverty level would pay nearly 30 percent of their income for child care. Raising the income threshold to at least 200 percent of the poverty threshold would reduce the cliff effect, and make child care much more affordable for working families.

Figure 2

Child Care Costs Increase Dramatically with Loss of Child Care Subsidy

Child care costs as a share of monthly income



Source: WVCBP analysis of WV Department of Health and Human Resources Sliding Scale Fee 2017 and U.S. Census Bureau data

Streamline Safety Net Applications

Safety net programs, like the Supplemental Nutrition Assistance Program (SNAP), TANF, and unemployment insurance are critical to ensuring that families can meet their basic needs if they fall on hard times. Unfortunately, many West Virginians are unable to access these critical programs due to barriers created by difficult and outdated application and enrollment processes.

The Families First Coronavirus Response Act gave the U.S. Department of Agriculture authority to let states temporarily modify procedures to make it easier for families to continue participating in or apply for SNAP. These measures were vital in helping families keep food on the table during the pandemic. In contrast, many state unemployment offices, including West Virginia's, were overwhelmed, as long-neglected state unemployment systems were unable to handle the increased volume of applications, leading to delays and lost benefits for millions of workers.²⁰

These barriers disadvantage low-income families in particular, who often have difficulty acquiring required documents, gaining access to the applications themselves, or finding information about programs. By investing in updated technology, simplifying application and renewal processes, making materials more widely available, and sharing data across programs, West Virginia can both ease the burden on residents seeking assistance and improve the state's capacity to gather and process applications.

West Virginia could remove one significant barrier by repealing HB 4001, which was enacted in 2018. This policy took away the state's ability to obtain waivers from time limits and work reporting requirements for SNAP recipients during economic downturns and in areas of high unemployment. Research has shown that such requirements do little to increase employment and earnings, and instead increase hunger and hardship.²¹

20 Courtenay Brown and Kyle Daly, "Creaky unemployment systems plague jobless Americans" *Axios*, March 1, 2020.

21 Kelly Allen, "New Research Confirms SNAP Time Limits Fail to Spur Employment, Result in Large Benefit Losses," (West Virginia Center on Budget and Policy, June 2021).

IV. Health

Lessons Learned

The pandemic has reinforced the critical importance of ensuring that all West Virginians have access to quality, affordable health care. It has also made clear the urgent and ongoing need for adequate investments in public health. Health outcomes intersect with quality of life, family well-being, and the ability of families to thrive economically. When people don't have access to affordable, quality health care, they are forced to choose between paying for medical services and other necessities like food and housing. As a state, when our public health infrastructure is underfunded, we are unable to properly prepare for and respond to virus and disease outbreaks — not only pandemics like COVID-19, but also epidemics like HIV clusters.

In addition to revealing the need to invest in public health, the pandemic was a reflection of longstanding racial inequities in our health care system. Due to years of Black and brown communities experiencing structural barriers to health care access and trust in the health care system, the COVID-19 pandemic disproportionately impacted these populations in West Virginia. Going forward, our state must specifically address these race-based health inequities.

Blueprint

Expand Health Care Coverage with a Medicaid Buy-in Program

West Virginia saw the largest drop in the uninsured rate in the country after implementation of the Affordable Care Act (ACA) and Medicaid expansion, going from 13.5 percent of the population uninsured in 2013 to just 4.9 percent in 2016.²² However, that progress has stalled in recent years — and has likely worsened during the pandemic — and today too many low- and middle- income West Virginians still lack consistent, affordable health care coverage options.

Rising costs and a lack of choice in the individual insurance market, as well as fluctuating incomes and job losses for residents, create barriers to coverage. A Medicaid buy-in program would address many of these challenges faced by uninsured West Virginians.

A Medicaid buy-in program is a state-initiated health insurance coverage product that allows people whose incomes are above current Medicaid eligibility levels to pay a monthly premium, possibly with state or federal subsidies to help cover the cost of the premiums, to receive health care coverage through Medicaid or a Medicaid-like plan built atop the state's existing Medicaid infrastructure.

A Medicaid buy-in would build upon the success of the ACA and move West Virginia forward on health coverage progress, improving health and well-being across the state. Most importantly, it could address the "cliff effect," where a small increase in household income can make someone ineligible for Medicaid or any other affordable health coverage, whereby their household finances become worse than they were before the income increase.

Restore Public Health Funding Cuts

Over the past decade, state funding cuts have eroded local health departments' ability to serve their respective communities and respond to public health emergencies, such as the COVID-19 pandemic. Between fiscal years 2010 and 2021, public health spending in West Virginia decreased by nearly 30 percent, from 20 million

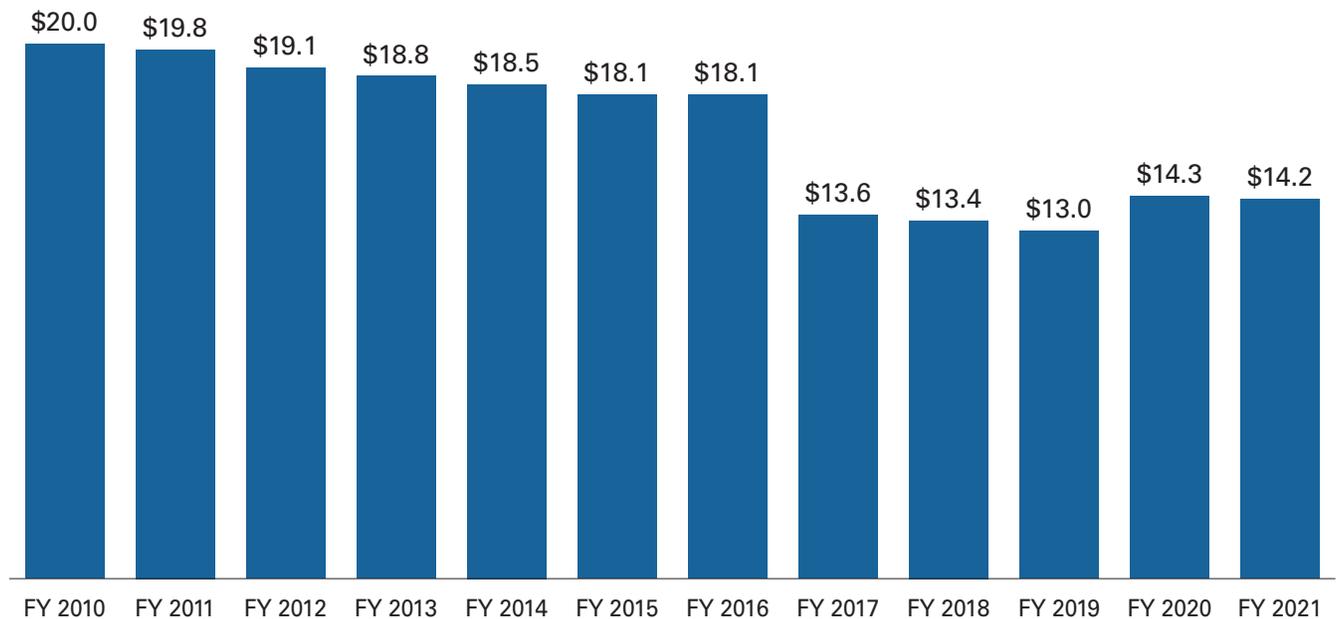
22 Kaiser Family Foundation, Health Insurance Coverage of the Total Population, Data for West Virginia, downloaded from <https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D> on June 10, 2021.

to 14.2 million inflation-adjusted dollars²³. This has had direct impacts on staffing levels in local public health departments, which experienced the loss of over 250 full-time jobs between 2007 and 2019. This has resulted in half of the state’s public health departments lacking the legally-required minimum of four full-time employees. The spending cuts also impact services provided, which in turn impacts health outcomes and the ability to monitor concerning health trends.

Figure 3

Funding for Local Public Health Services Down 30 Percent Before the Pandemic

State aid for basic and local public health services, FY 2010 – FY 2021, millions (inflation-adjusted 2020 dollars)



Source: WVCBP analysis of WV State Budget Office data

As a state with some of the country’s worst health outcomes — including high rates of heart disease²⁴ and opioid overdose²⁵ — there is no justification for the dramatic reductions in public health expenditures experienced over the past decade. The state must restore funding to local public health departments and work to ensure that funding formulas reflect both the needs and the depth of services provided in counties.

Make Prescription Drug Prices More Affordable and Transparent

The cost of prescription drugs is one of the leading health care issues in West Virginia, with spending on prescription drugs growing faster than all other health care spending over the past two decades.²⁶ Prescription drug prices are projected to continue to increase, making it harder for West Virginians to afford their medication. Rising drug prices especially hurt seniors and people with chronic illnesses who need medicine regularly, populations which are both overrepresented in West Virginia.

23 Rhonda Rogombe, “Funding Cuts to Local Health Departments Harmful for Public Health” (West Virginia Center on Budget and Policy, January 2021).

24 Kaiser Family Foundation, Number of Heart Disease Deaths per 100,000 Population, 2019, downloaded from <https://www.kff.org/other/state-indicator/number-of-deaths-due-to-diseases-of-the-heart-per-100000-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D> on June 11, 2021.

25 Kaiser Family Foundation, Opioid Overdose Death Rates and All Drug Overdose Death Rates per 100,000 Population (Age-Adjusted), 2019, downloaded from <https://www.kff.org/other/state-indicator/opioid-overdose-death-rates/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D> on June 11, 2021.

26 WVCBP analysis of Centers for Medicare and Medicaid Services, National Health Expenditure data.

In 2020, West Virginia became one of the latest states to pass a drug price transparency law, which requires drug manufacturers to report prices, research and development costs, and the reasoning for the price increase for prescription drugs with a wholesale acquisition cost of at least \$100 for a 30-day supply that have had a price cost increase of 40 percent or greater over the preceding three calendar years, or 15 percent or greater in the previous calendar year.

West Virginia's recently passed law is a good first step and could be strengthened with the creation of a drug affordability review board to review, approve, or adjust launch prices for all newly approved drugs or drugs with list prices above a certain dollar threshold. With the information from its price transparency law, West Virginia could explore more active roles in constraining prescription drug prices, such as giving discretion to the Attorney General to prosecute drug companies that engage in excessive price increases for essential generic drugs. Understanding how prescription drug prices are set and controlling costs will allow both patients and the state to make more informed decisions about whether prices are excessive, as well as introduce some rationality and evidence into the health care system.

Meaningfully Address Infant and Maternal Mortality

The United States has a higher infant mortality rate than most other developed nations, and after decades of decline, the maternal mortality rate in the U.S. is increasing as well.²⁷ Infant mortality is the death of a child within their first year of life, while maternal mortality is defined as death from pregnancy-related complications, illnesses, or events. In West Virginia, the infant mortality rate is higher than the national average (5.7 deaths per 1,000 births), with 7.0 deaths per 1,000 births.²⁸ What's more, only looking at the average fails to tell the full story. Between 2016 and 2018, Black infants were nearly twice as likely to die in their first year, with an infant mortality rate of 11.4 deaths per 1,000 births compared to 6.9 deaths per 1,000 births for white infants.

Crafting meaningful policies to address maternal and infant mortality requires focusing research and data on Black mothers and babies, as research shows that controlling for education and income does not close the racial gap in infant mortality death rates.²⁹ In addition to enhancing data collection and prioritizing Black communities in that research, increasing funding for home visiting programs, expanding health coverage and Medicaid to cover doula care, and broadening maternal access to mental health services could all help to improve outcomes for moms and babies.

27 Centers for Disease Control Reproductive Health Data.

28 Kaiser Family Foundation, *Infant Mortality Rates by State, 2018*, downloaded from <https://www.kff.org/other/state-indicator/infant-death-rate/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D> on June 11, 2021.

29 Rebecca Carballo, "West Virginia Research Reveals Disparity in Infant Mortality Rates" *100 Days in Appalachia*, December 10, 2018.

V. Labor

Lessons Learned

The phrase “essential worker” entered the popular consciousness during the pandemic, as we learned that the economy simply will not function without the frontline workers that led the pandemic response. They include grocery store clerks, nurses, cleaners, warehouse workers, bus drivers, and child care workers, among others. They were essential before the pandemic, yet also overworked, underpaid, under-protected, and underappreciated.

In fact, long before the pandemic, too many West Virginia workers were underpaid and lacking essential benefits. West Virginia is stronger when all residents earn enough to afford their basic needs, feel safe in their workplace, and receive support when they are unable to work. Economic security starts with good-paying jobs that allow workers and their families to share in the benefits of economic growth. But for years, wages have not kept pace with productivity, leaving too many working families unable to raise their standards of living, despite their best efforts. Further, too many workers are forced to choose between their job and the health of themselves and their families. To truly recover from the pandemic, West Virginia must do more than return to the status quo. We need to pursue the public policies that protect workers and provide them with the stability, support, and dignity that they deserve.

Blueprint

Implement Paid Sick and Paid Family Leave for All West Virginians

Everyone gets sick, but not everyone gets paid time off from work to deal with an illness. Nearly half of West Virginia’s private sector workforce — 254,270 workers, or 46.1 percent — lack paid sick days.³⁰ Women, people of color, lower-income workers, and service-industry workers have even less access to paid sick days at work despite needing it the most. Having access to paid sick days is crucial to reducing the spread of illness, keeping communities healthy, avoiding productivity loss, reducing workplace injuries and turnovers, and supporting parents and caregivers so they can balance work and family.

Numerous states and local governments throughout the country have enacted paid sick day laws that guarantee the right of millions of workers to use paid leave to recover from illness or care for a sick loved one.³¹ Paid sick day laws also help businesses and communities by reducing turnover costs, protecting public health, and putting more money back into the local economy. Experiences in numerous states have shown that adopting a paid sick day law has not hurt profitability, employment, or location decisions and has not discouraged new businesses.³²

In addition to paid sick leave, paid family and medical leave also allows workers to care for personal or family needs without lost income or fear of losing their jobs. Paid family and medical leave, compensated time for workers to care for loved ones or themselves, is not guaranteed in the United States, making it the

30 National Partnership for Women and Families, “Workers’ Access to Paid Sick Days in the States” (Washington, D.C., May 2015). <http://www.nationalpartnership.org/research-library/work-family/psd/workers-access-to-paidsick-days-in-the-states.pdf>.

31 National Partnership for Women and Families, “Paid Sick Days: State and District Statutes” (Washington, D.C., March 2021). <http://www.nationalpartnership.org/research-library/work-family/psd/paid-sick-days-statutes.pdf>.

32 Zoe Ziliak Michel, “The Business Benefits of Paid Sick Time” (Washington, D.C.: Center for Law and Social Policy, June 2016). <https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/BusinessCase-for-HFA-3.pdf>.

only developed country without such a standard.³³ According to the Bureau of Labor Statics, only 16 percent of private sector workers in the U.S. have access to paid family leave.³⁴

Access to paid leave leads to healthier families. When parents have access to paid leave, positive impacts emerge, including higher breastfeeding rates,³⁵ reduced low-birthweight rates,³⁶ improved parent bonding and cognitive development,³⁷ and reduced infant and child mortality rates.³⁸ Paid leave is a vital support for those caring for older adults, as well. Further, businesses benefit from healthier and more productive employees. After enacting the nation's first comprehensive paid leave program, California workers increased their weekly work hours and a survey of employers found that the vast majority report the program has had minimal effect on their business.³⁹

Increase the Minimum Wage

As we learned during the pandemic, low-wage jobs are not confined to teenagers entering the workforce, summer jobs for students, or those who work to supplement other family income. Instead, low-wage workers do some of the most important work in our communities, such as caring for children and the elderly. In many cases, the wages paid by their employers are so low that they rely on public programs simply to make ends meet while continuing to participate in the workforce.

In fact, low-wage jobs are becoming increasingly prevalent. Twenty-three percent of the state's workforce is employed in low-wage jobs, or jobs that pay below 150 percent of the federal poverty level for a family of two (roughly \$11.59 per hour). Nearly one in five households in West Virginia have at least one low-wage worker, while 55 percent of the state's children live in a household with a low-wage worker.⁴⁰

West Virginia's minimum wage is \$8.75 per hour. A minimum-wage worker working full-time year-round earns \$18,200, or just 146 percent of the federal poverty line. If that worker is a single parent of one, then that family lives right above the poverty line. Even in a low cost-of-living state like West Virginia, the minimum wage is insufficient to meet most families' basic needs. According to the Massachusetts Institute of Technology's living wage calculator, there is not a single county in West Virginia where a single adult can meet their basic needs while earning less than \$13 per hour.⁴¹ While there is no one quick fix, raising the minimum wage and adjusting it over time to keep up with inflation can provide the foundation for equitable and adequate pay for West Virginia workers.

33 OECD Social Policy Division, "Key Characteristic of Parental Leave System" (October 2017).
https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf.

34 Bureau of Labor Statistics, "Access to paid and unpaid family leave in 2018" (Washington, D.C., February 2019).
<https://www.bls.gov/opub/ted/2019/access-to-paid-and-unpaid-family-leave-in-2018.htm>.

35 Michael Baker and Kevin Milligan, "Maternal Employment, Breastfeeding, and Health: Evidence from Maternity Leave Mandates," *Journal of Health Economics* 27 (August 2008).

36 Sakiko Tanaka, "Parental Leave and Child Health Across OECD Countries," *Economic Journal* 115, no. 501 (February 2005); and Jenna Stearns, "The Effects of Paid Maternity Leave: Evidence from Temporary Disability Insurance," *Journal of Health Economics* 43 (September 2015).

37 C. S. Tamis-LeMonda et al., "Fathers and Mothers at Play with their 2- and 3-Year-Olds: Contributions to Language and Cognitive Development," *Child Development* 75, no. 6 (December 2004).

38 C. R. Winegarden and Paula M. Bracy, "Demographic Consequences of Maternal-Leave Programs in Industrial Countries: Evidence from Fixed-Effects Models," *Southern Economic Journal* 61, no. 4 (April 1995); and Christopher J. Ruhm, "Parental Leave and Child Health," *Journal of Health Economics* 19, no. 6 (November 2000).

39 Eileen Appelbaum and Ruth Milkman, "Leaves that Pay: Employer and Worker Experiences with Paid Leave in California" (Cambridge, MA: National Bureau of Economic Research, November 2011).
<http://cepr.net/documents/publications/paid-family-leave-1-2011.pdf>.

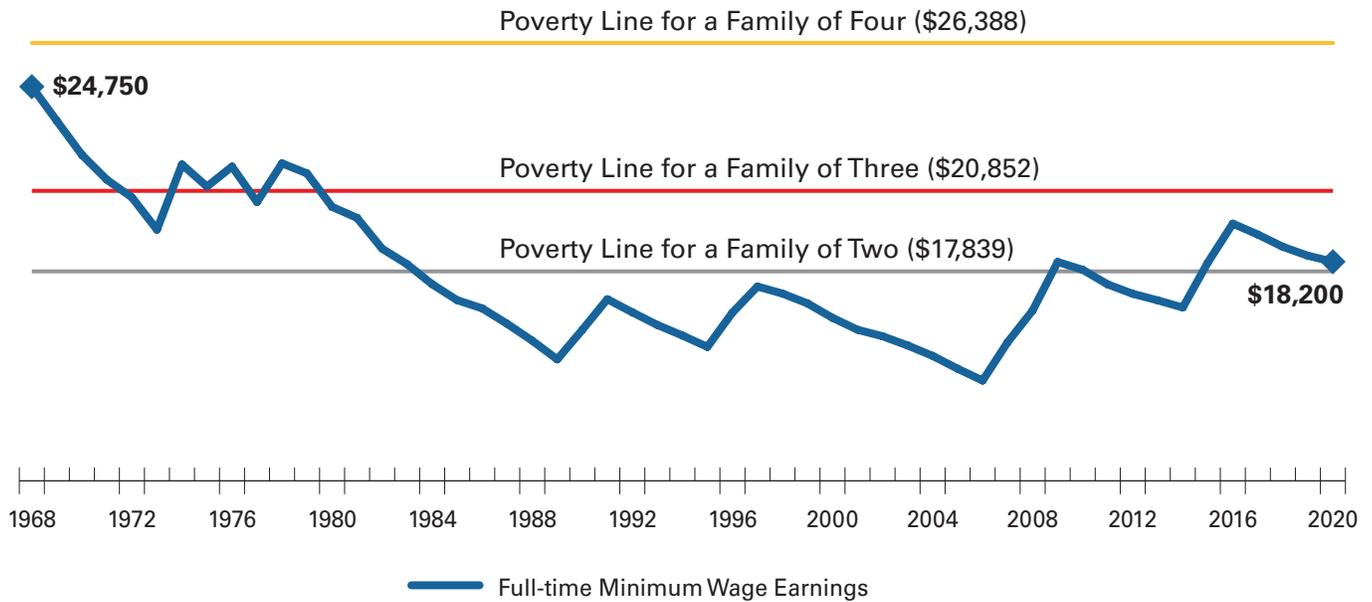
40 Sean O'Leary and Rick Wilson, "State of Working West Virginia: Understanding Low-Wage Work in West Virginia" (Charleston, WV: West Virginia Center on Budget and Policy, September 2017).

41 Massachusetts Institute of Technology, "Living Wage Calculator" accessed July 1, 2021 from
<https://livingwage.mit.edu/>.

Figure 4

Minimum Wage is Not Enough for Workers to Get Out of Poverty

Annual minimum wage earnings and poverty lines for families of two to four, 1968-2020 (2020 dollars)



Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics, and WVCPB

When set at an adequate level, the minimum wage protects workers and guarantees that work is a means to a decent quality of life, while also ensuring that all workers benefit from increasing worker productivity and a growing economy. Raising the minimum wage to \$15 by 2025, as proposed in the Raise the Wage Act of 2021, would lift pay for more than one-third of West Virginia workers, a total of 250,000 people. The vast majority of the beneficiaries would be prime-age, full-time workers, many of whom are the primary breadwinners for their families.⁴²

Expand Overtime Protections

Overtime pay rules are designed to guarantee that most workers who put in more than 40 hours per week get paid 1.5 times their regular pay for the extra hours they work. Overtime pay rules promote a better work-life balance for workers. Almost all hourly workers are automatically eligible for overtime pay, but salaried workers are only eligible for overtime pay if they earn below a certain salary.⁴³

The current salary threshold has not kept pace with inflation or the changing economy. In 1975, the overtime salary threshold covered about 63 percent of all salaried workers, compared to less than seven percent today. Had the threshold kept pace with inflation since 1975, it would be about \$52,000 today.⁴⁴

The current overtime salary threshold of \$23,660 is too low to protect the workers the rule was originally intended to protect. Workers earning as little as \$455 per week can be forced to work 60–70 hours per week for no more pay than if they worked 40 hours. The extra 20–30 hours are completely free to the employer, allowing employers to exploit workers with no consequences.

42 Economic Policy Institute, “The impact of raising the minimum wage to \$15 by 2025, by congressional district,” (January 2021). <https://www.epi.org/publication/minimum-wage-to-15-by-2025-by-congressional-district/>.

43 US Department of Labor, “Fact Sheet: Final Rule to Update Regulations Defining and Delimiting the Exemption for Executive, Administrative, and Professional Employees,” (May 2016). <https://www.dol.gov/whd/overtime/final2016/overtime-factsheet.pdf>.

44 Heidi Shierholz, “More than eight million workers will be left behind by the Trump overtime proposal,” (Economic Policy Institute, April, 2019). <https://www.epi.org/publication/trump-overtime-proposal-april-update/>.

West Virginia does not have to wait on the federal government to strengthen overtime protections. Like with the minimum wage, the federal standard is a floor, and it only applies in the absence of a stronger state law. Enacting legislation to raise its own overtime threshold would improve the work lives of thousands of workers in the state and restore the protections that the overtime rule was originally designed to provide.

Enact Fair Scheduling

Many of West Virginia's essential workers have little control over their work schedules. Low-wage workers often receive their schedules just days before their shift, are required to be "on-call" with no promise of pay, have erratic schedules that change week-to-week, get sent home early without compensation, or receive too few hours.

This unpredictability makes it hard for workers to plan caregiving responsibilities and, when combined with low wages, make ends meet. Conditions for these workers can be improved by regulating scheduling practices to ensure that workers have advance notice of their schedule, fair compensation, flexibility when they need it, and sustainable hours. Fair work schedules restore dignity to hourly work and recognize the needs of working people to manage other responsibilities. These workers are not just young people working for extra money — they are breadwinners, caregivers, and community members. Passing fair workweek legislation would go a long way toward providing the predictability and the financial stability that working people and their families need.

VI. Education

Lessons Learned

Education and public schooling serve as a cornerstone of our economy and society, providing not just the foundation from which the economy stems, but also a safe place for children to learn and grow during their most formative years. However, with one of the highest child poverty rates in the country, West Virginia's children face greater obstacles to achieving high levels of educational attainment than children in most other states. The underlying problems created by poverty are a major factor in educational outcomes. It is no surprise then, that with high levels of poverty, West Virginia also has low levels of educational attainment in its workforce, which is a key factor in economic success. A lack of state support beyond K-12 education means that those students who do go on to pursue higher levels of education are increasingly met with higher tuition and leave saddled with debt. Without adequate support, West Virginia students will continue to struggle, and so will the state's economy.

Blueprint

Protect Current K-12 Education Funding

This past legislative session saw multiple bills that could potentially take millions of dollars out of state and local K-12 education funding. Collectively, they could mean devastating budget cuts for school districts, even as schools struggle with the extra costs of improving remote learning offerings, adopting safety procedures that allow buildings to open for in-person classes, and accommodating students who have faced learning challenges due to the pandemic.

The HOPE Scholarship will divert public education funding to private schools by allowing families to receive the state share of public education funding, about \$4,600 per student in FY 2020, into an account that can be used for private or nonpublic education expenses. As the most expansive program of its type in the country, the HOPE Scholarship is uncapped, and will eventually be open to current private and home school students, not just students switching from public to private schools. This means that the total potential cost of the program could top \$100 million per year.⁴⁵ It also creates a scenario in which public school dollars would be going to children who currently are not in the school aid formula — as they are outside of the public school system — resulting in direct losses of public school funding for the majority of children who remain in public schools.

The legislature also enacted changes to how natural gas property is valued for property tax purposes by directing the Tax Department to develop new rules allowing companies to take more deductions on the property taxes that they owe. This could reduce property tax revenue by \$9 million to \$50 million per year.⁴⁶ Property taxes are the largest source of local funding for public education, and while some of the lost revenue will be made up by the state through the school aid formula, schools would still lose millions in excess and bond levy revenue.

Finally, the legislature proposed a constitutional amendment to give the legislature the authority to exempt business machinery and equipment, business inventory, and personal vehicles from property taxation. This could result in the loss of \$378 million in property tax revenue, with school districts losing \$249 million.⁴⁷

45 Kelly Allen, "Hope Scholarship Would Be Nation's Broadest, Likely Most Costly ESA Program Despite Lack of Evidence of Equitable Education Outcomes" (West Virginia Center on Budget and Policy, February 2021).

46 Sean O'Leary, "Taxes and the Legislative Session" (West Virginia Center on Budget and Policy, April, 2021).

47 Sean O'Leary, "SJR 7 Takes Control Away from Local Governments and Voters, While Setting the Stage for More Ineffective, Expensive Tax Cuts" (West Virginia Center on Budget and Policy, February 2021).

All told, the changes could be devastating to public education, one of the most important services that the government provides to ensure opportunity for all West Virginians. Current education funding must be protected, through actions such as capping the HOPE Scholarship and exempting education property tax revenue from the cuts that would result from changes to natural gas and business property tax laws.

Fully Fund Public Schools

Even if the state were to protect current education funding, the fact remains that K-12 schools in West Virginia are underfunded, particularly for a state with so many children living in poverty.

In 2019, West Virginia ranked 28th nationally in per pupil education spending, nearly \$1,200 less per student than the national average. The only border state that spent less per pupil in 2019 was Kentucky. West Virginia spends less per pupil than the national average in most categories, including instruction salaries (ranked 36th), pupil support (ranked 36th), instructional staff support (ranked 41st), general administration (ranked 37th), and school administration (ranked 33rd).⁴⁸

The research is clear — better funding for schools leads to better long-term outcomes for students. A robust study from researchers from Northwestern University and the University of California, Berkeley found that an increase in per-pupil spending was associated with higher individual earnings in adulthood, greater likelihood of completing high school, more school days per year, higher teacher pay, and smaller student-teacher ratios.⁴⁹

This evidence highlights the importance of investing in schools; by increasing education funding, West Virginia can benefit not just students, but the state's economic prospects.

Reverse Cuts to Higher Education

Even before the pandemic, a decade of budget cuts to higher education have increased the costs for students and worsened inequality in West Virginia. People who already face the greatest socioeconomic barriers to higher education are particularly at risk, with cuts and rising tuition jeopardizing West Virginians' futures and communities.

Overall, state funding for higher education in the FY 2021 budget is down \$76 million, or 14.8 percent (adjusting for inflation), from its most recent peak in FY 2013.⁵⁰

These cuts have contributed to driving up the cost of attending public colleges and universities, imposing the greatest cost burden on families of color and those with low incomes. The average annual tuition and fees at the state's four-year public colleges and universities has increased by 33 percent, or \$1,962 per year (adjusting for inflation), since 2010. Tuition and fees at the state's two-year community and technical colleges have also increased by 29 percent (adjusting for inflation) over that time period.

And while tuition increased, enrollment dropped. Total enrollment in West Virginia's public four-year colleges dropped by 13.3 percent from 2010 to 2020, and its in-state college going rate for high school graduates dropped from 50.3 percent to 45.2 percent from 2010 to 2019.⁵¹

It is largely lower-income students that are no longer enrolling in West Virginia's colleges. The number of low-income students enrolled in a public college or university in West Virginia has fallen from 21,344 in 2010 to 17,808 in 2018, a decline of 16.6 percent.⁵² The college participation rate for students from low-income families in West Virginia is just 23 percent, ranking fifth lowest in the nation.⁵³

48 U.S. Census Bureau, 2019 Public Elementary-Secondary Education Finance Data.

49 C. Kirabo Jackson, Rucker C. Johnson, and Claudia Persico, "The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms," *The Quarterly Journal of Economics*, February 2016.

50 WVCBP analysis of WV State Budget Office data.

51 WVCBP analysis of West Virginia Higher Education Policy Commission data.

52 Ibid.

53 The Pell Institute, "Indicators of Higher Education Equity in the United States" (May 2019).

Those West Virginia students who are going to college are graduating with higher levels of debt. In 2019, West Virginia’s college students graduated with an average of \$29,272 in student loan debt. Sixty-seven percent of West Virginia’s college graduates leave school with student loan debt, the third highest rate in the country.⁵⁴

West Virginia can increase the skills and diversity of its workforce — and dramatically improve the future of its children and communities — by restoring higher education funding and making it more affordable.

Restore the PROMISE Scholarship

Cuts to higher education funding have not only driven up the cost of tuition at West Virginia’s public colleges and universities, but they have also eroded the value of the state’s PROMISE scholarship program, further demonstrating the impact of budget cuts on higher education access and affordability.

When it was first enacted in 2002, the PROMISE scholarship paid full tuition for eligible students at West Virginia’s public colleges and universities. However, as budget cuts to higher education raised costs, the scholarship amount was capped at \$4,750 per year. With tuition at public colleges and universities growing each year, the value of the PROMISE scholarship has declined significantly over time.

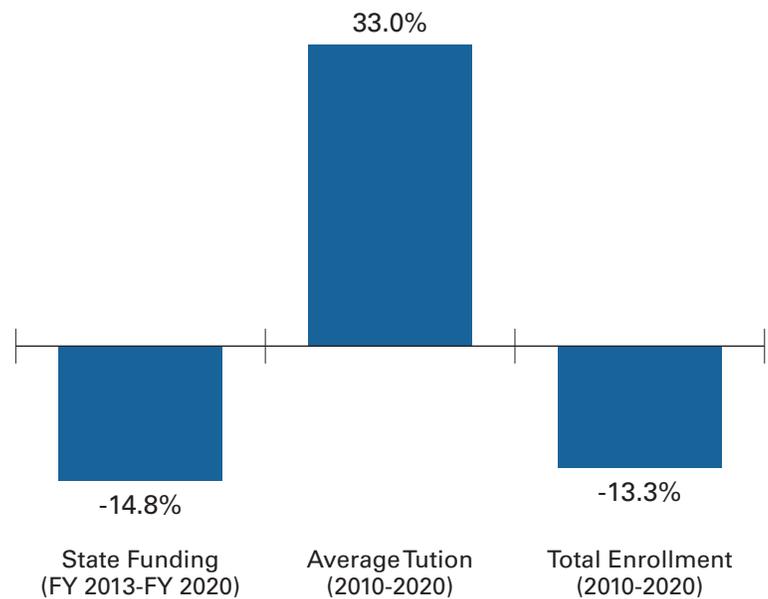
In 2010, the PROMISE scholarship covered nearly 94 percent of the average tuition and fees at the state’s four-year public colleges and universities. In 2020, it covered less than 63 percent. In 2010, a PROMISE scholarship recipient would need just \$306 to make up the difference between the scholarship funding and the average tuition and fees. In 2020, a PROMISE scholarship recipient would need \$2,846 to make up that difference, over seven times the amount from 2010 (after adjusting for inflation).

In 2019, the legislature moved in the right direction regarding college affordability with the enactment of SB 1, which using a “last dollar in” approach, provides free in-state college tuition at the state’s community and technical colleges to qualified applicants. But it is clear that the state is not doing enough and additional action is needed to reverse the current trends. West Virginia can start by restoring the PROMISE scholarship to its original promise of covering full tuition, and then go further and explore making four-year public college tuition free for in-state residents.

Figure 5

State Budget Cuts to Higher Education Led to Increased Tuition and Declining Enrollment

Percent change in inflation-adjusted state higher education funding, average four-year tuition, and total four-year enrollment in West Virginia higher education



Source: WVCBP analysis of WV State Budget Office and WV Higher Education Policy Commission data

54 The Institute for College Access & Success, “Student Debt and the Class of 2019” (October 2020).

VII. Conclusion

As West Virginia emerges from the COVID-19 pandemic, it has a chance to emerge stronger than ever before. But to do so, the state must make bold changes. For too long, West Virginia has taken a path that has benefited only a few by cutting taxes, reducing spending, and weakening labor protections. Instead of delivering promised growth, this approach has led to less investment in education and a stagnant economy that is not creating broadly shared prosperity.

But this does not have to be the case. A strong economy can be built in West Virginia by prioritizing the prosperity of all West Virginians. That means investing in education, ensuring that workers have the supports they need, addressing longstanding racial inequities, improving access to health care, and making sure everyone can earn a living wage. Working together, we can truly make West Virginia a better place to work, live, and support a family.

