February 3, 2020
2020 Legislative Session

• Begins January 8, 2020
• Ends March 7, 2020
• Earliest Session can ever start
Current West Virginia Fiscal Picture

- Economy: Growth Slowing in 2019-20 following Strong Growth Since Late 2016
  - Major pipeline investment on “temporary” hold
  - Governor’s Roads to Prosperity Program in full gear
  - General Revenues growth: 3.7% in FY2018; 12.2% in FY2019; -1.3% in FY2020 [-1.4% YTD]
  - Natural gas prices down 20% to 50% from last year
  - Regional coal-fired electric power generation down 16%
  - 12-month trailing trend value of foreign exports peaked in January 2019
  - Coal production declining with lower sales in recent months & lower pricing
  - Employment growth of 0.1% (November 2019 compared with November 2018)

- Construction and Health Care Sectors leading areas of job growth

- High Volatility in General Revenue Fund collection patterns

- Local Government revenue growth continues to exceed State revenue growth
  - Counties and schools benefit from $30 million gain in property tax revenues from pipelines
  - Growing disparity in revenue generation capacity among local governments
2018-2022: U.S. Employment Projected to Rise by 4.0%

Estimates by IHS-Markit - U.S. Economic Baseline Forecast November 2019

Nonfarm Payroll Employment

Millions

134.04 138.00 130.35 134.17 138.94 144.35 146.61 155.05
2018-2022: WV Employment Projected to Rise by 1.5%

Estimates by HIS-Markit - U.S. Regional Service December 2018 Long Term

Nonfarm Payroll Employment

Thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
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<tbody>
<tr>
<td>2005</td>
<td>714.83</td>
</tr>
<tr>
<td>2007</td>
<td>731.14</td>
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<tr>
<td>2009</td>
<td>714.65</td>
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<td>2011</td>
<td>734.05</td>
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<tr>
<td>2013</td>
<td>726.12</td>
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<tr>
<td>2015</td>
<td>715.44</td>
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<tr>
<td>2017</td>
<td>735.37</td>
</tr>
<tr>
<td>2019</td>
<td>736.68</td>
</tr>
<tr>
<td>2021</td>
<td>736.68</td>
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</table>
West Virginia Electric Power Generation:
Down 8.5% in 2018; 5.4% YTD in 2019 & > 30% Below 2007

Source: U.S. DOE, Energy Information Administration
<table>
<thead>
<tr>
<th>Tax Source</th>
<th>FY2020</th>
<th>FY2021</th>
<th>Change</th>
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<tbody>
<tr>
<td>Personal Income:</td>
<td>$2,154.880</td>
<td>2,156.150</td>
<td>1.270</td>
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<tr>
<td>Sales &amp; Use:</td>
<td>1,390.260</td>
<td>1,422.100</td>
<td>31.840</td>
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<tr>
<td>Severance:</td>
<td>360.240</td>
<td>253.800</td>
<td>(106.440)</td>
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<tr>
<td>Corp Income:</td>
<td>136.980</td>
<td>144.500</td>
<td>7.520</td>
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<td>B&amp;O:</td>
<td>123.000</td>
<td>126.900</td>
<td>3.900</td>
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<td>Tobacco Excise:</td>
<td>177.000</td>
<td>155.400</td>
<td>(21.600)</td>
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<tr>
<td>Insurance Premium:</td>
<td>131.800</td>
<td>131.300</td>
<td>(0.500)</td>
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<td>Lottery-GRF:</td>
<td>65.000</td>
<td>65.000</td>
<td>0</td>
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<tr>
<td>All Other:</td>
<td>154.480</td>
<td>129.850</td>
<td>(24.630)</td>
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<tr>
<td><strong>Total General</strong></td>
<td><strong>$4,693.640</strong></td>
<td><strong>$4,585.000</strong></td>
<td><strong>($108.640)</strong></td>
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Fiscal Outlook Summary

- National economy continues to grow more slowly with no Recession in near term
- Tax revenues on track to decline in FY2020 after 12.2% increase in FY2019
- Revenue patterns likely to remain tepid in FY2021 with some additional decline
- Natural gas energy production rises more slowly & low prices continue
- Coal production eases back by 10 million or more tons
- Stimulus from roads to prosperity a positive factor
- Major pipeline investment hopefully resumes soon
- Significant Risk/Concern Areas: Foreign Trade; Construction Industry Volatility; Labor Force Growth; Energy Industry Transitions
Report sees meager years ahead in W. Va.

10 Jan 2020 Phil Kabler, Staff writer

• Justice’s proposal is a $4.58 billion spending plan that requires $108.64 million in one-time funding to make up for a drop in tax collection.

• According to the report’s six-year financial plan, 2020-21 will be the first of five straight years where state spending will exceed revenue collection from taxes and Lottery profits.

• Likewise, the report finds that the cost of maintaining nearly 39,000 miles of public roads is putting stress on the budget.

• It notes that the Division of Highways needs $414 million a year to repave roads on a 12-year cycle. Currently, the total state Highways budget for maintenance is $489.9 million.
Report sees meager years ahead in W. Va., cont.

• The report also says West Virginia needs to budget about $3 billion for the cost of replacing bridges that are more than 60 years old, and notes, “Highway slips and slides totaling tens of millions of dollars have been identified.”

• It also notes that $16 billion in new highway construction projects has been shelved, for lack of funding.

• Deputy Revenue Secretary Mark Muchow told Senate Finance Committee members that, after peaking in 2019, a combination of plunging natural gas prices and coal exports, as well as the loss of natural gas pipeline construction jobs, has caused a downturn in the state economy. That, he said, is reflected in state severance tax collection, which has fallen from a peak of $462.5 million in 2018 to $360 million in 2019 to a projected $253.8 million for 2020.
Legislative Issues

- Mountaineer Impact Fund
- Solar generation
- Foster care
- Intermediate court of appeals
- Requiring Runoff in Supreme Court races
- Authorizing counties to impose a 1% sales tax
- Prohibiting cities from using minor boundary adjustment for annexation
There is a concerted effort in the House to review, revise and eliminate licensing requirements of various boards and occupations.

No less than 20 bills have been introduced in the house on this subject. Most of them deal with construction and construction worker qualifications.

The chairman of the House Gov Org Committee is looking at all boards under Chapter 30 of the code which governs most all occupations — barbers, beauticians, tattoo parlors, architects and engineers, medical professions — and splitting them into three separate categories.

He wants the Contractors Licensing Board to come out of WV Division of Labor and into Chapter 30 with all other boards. CAWV doesn’t necessarily oppose but questions if another bureaucracy will be created if CLB has to hire an executive director, staff, inspectors, pay salaries plus all fringes, buy vehicles, etc.
We question if there will be additional inspectors on each job site rather than one inspector if contractors licensing is separate entity. Right now, a license is $90. Will that be increased under new board?

A number of years ago, labor was successful in getting training requirements for occupational trades, such as plumbers, electricians, crane operators and sprinkler pipe fitters. The required hours needed to work in these fields range up to 10,000 hours.

Lawmakers have introduced legislation to roll back the requirements or eliminate them in their entirety. They cite open competition as the reason for reopening the legislation. The bills are on the agenda of a number of committees in the House and delegates seem poised to amend the current requirements in some form or fashion.
Now that the CAWV was successful in getting highway funding bills passed in 2017, legislators want their roads fixed — and fixed immediately.

A number of bills have been introduced to require the WVDOH to fund specific projects and direct how DOH will perform maintenance projects. The bills, however, do not give the DOH any more money to carry out these directives.

A few bills propose there to be more transparency in how the DOH spends its funds and a bill requires all DOH payments to contractors and vendors to be on the Auditor’s website.

The CAWV has historically opposed all bills that gives the legislature the ability to dictate engineering or means and method for contractors.
CAWV and Legislative Issues

GENERAL BUSINESS ISSUES

There are bills dealing with the following:

• Dictating a contractor’s general liability insurance requirements.

• Various purchasing and procurement requirements for public works construction projects, including procuring work associated with a declared State of Emergency by the Governor.

• Requiring contractors to use the federal E-Verify to determine an employee’s legal status.

• Funding for infrastructure projects such as schools, water and sewer projects, parks and forest projects, and other IF projects.  

• For WV Division of Natural Resources projects, the DNR wants to eliminate the quality-based selection process for a price-based selection process for procurement of architectural and engineering services.
POSSIBLE CONSTITUTIONAL AMENDMENTS

• Repeal tangible personal property tax on industrial equipment and inventory – for manufacturers.

• Subject Board of Education Rules to Legislative Review
“I want to grow West Virginia's economy by amending the State’s Constitution to eliminate a hurdle to economic growth in the Mountain State with NO NEW TAXES.”

Governor Justice
On the Amendment

JUST CUT TAXES AND WIN AMENDMENT TO ARTICLE X
• The taxes at issue generate $100 million plus dollars per year.

• Key stakeholders such as counties, public education, municipalities, and other levying bodies must be made whole.
The West Virginia Senate Leadership’s S.J.R. 1- The Constitutional amendment’s new section, the MGA, contains the following subsections:

• Reduces the assessment rate from the current 60% on manufacturing inventory, machinery & equipment personal property over a three-year period;

• Makes municipalities, counties and schools (stakeholders) more than whole by requiring in the Constitution the Governor & Legislature shall replace revenue lost from the elimination of the tax;
• Replaces revenue by appropriating:
  • $25 million for the fiscal year beginning on July 1, 2022 and ending June 30, 2023;
  • $50 million for the fiscal year beginning on July 1, 2023 and ending June 30, 2024;
  • $75 million for the fiscal year beginning on July 1, 2024 and ending June 30, 2025;
  • $100 million for the fiscal year beginning on July 1, 2025 and every fiscal year thereafter; and

• Requires replacement revenue be appropriated every fiscal year into perpetuity.
2020 Elections in West Virginia
2020

The Most Important Supreme Court Election In West Virginia’s History
West Virginia Supreme Court of Appeals:

• A majority of the Court on the ballot for the first time in history

• Seat can be won with a simple plurality

• Election on May 12th
West Virginia Supreme Court – 3 Seats Up

Chief Justice
Tim Armstead
12 Year Term

Justice
John Hutchison
4 Year Term

Justice
Margaret Workman
12 Year Term
*May not Run*
West Virginia Supreme Court – Seats Not Up

Justice Beth Walker
Term Expires 2028

Justice Evan Jenkins
Term Expires 2024
• Candidates Filed or Expedited to File for State Races as of January 22, 2020

• Deadline January 25, 2020
U.S. President

Republican
Roque “Rocky” De La Fuente
Donald J. Trump

Democrat
Joseph R. Biden
Michael R. Bloomberg
Pete Buttigieg
John K. Delaney
David Lee Rice
Bernie Sanders
Tom Steyer
Elizabeth Warren
U.S. Senate

Republican
Shelley Moore Capito
Allen Whitt

Democrat
Richard N. Ojeda, II
Paula Jean Swearengin
U.S. House of Representatives – Congressional District 1

**Republican**
David McKinley

**Democrat**
Natalie Cline
U.S. House of Representatives – Congressional District 2

Republican
Alex X. Mooney

Democrat
Cathy Kunkel
U.S. House of Representatives – Congressional District 3

Republican
Russell Siegel
Carol Miller

Democrat
Paul E. Lewis
Jeff Lewis
Hilary Turner
Governor

**Republican**
Shelby Jean Fitzhugh
Michael “Mike” Folk
Jim Justice
Doug Six
Woody Thrasher

**Democrat**
Judy Murphy
Ben Salango
Stephen Smith
Ron Stollings
Secretary of State

**Republican**
Mac Warner

**Democrat**
Natalie Tennant
Auditor

Republican
J.B. McCusky

Democrat
Mary Ann Roebuck Claytor
State Treasurer

Republican
Riley Moore

Democrat
John D. Perdue
Commissioner of Agriculture

Republican
Kent Leonhardt

Democrat
Bob Beach
Dave Miller
Attorney General

Republican
Patrick Morrisey

Democrat
Sam Brown Petsonk
Isaac Sponaugle
Justice of the Supreme Court of Appeals – Division 1

Tim Armstead
Richard Neely
Justice of the Supreme Court of Appeals – Division 2

Joanna I. Tabit
Justice of the Supreme Court of Appeals – Division 3 Unexpired Term

Jim Douglas
Lora A. Dyer
John A. Hutchison
West Virginia Senate

- Republicans hold a 20-14 majority
- 17 Senators up for election
- Key races
1st Senate District – Ryan Weld

2016 Spending

Candidates
Ryan Weld (R): $75,803
Jack Yost (D): $113,332

Independent Expenditures
Pro-Weld / Anti-Yost: $45,504
Pro-Yost / Anti-Weld: $279,038
Total: $513,677

Won in 2016 by 888 votes
51% - 49%
4th Senate District – Mitch Carmichael

2016 Spending

Candidates
Mitch Carmichael (R): $145,103
Brian Prim (D): $33,865

Independent Expenditures
Pro-Carmichael / Anti-Prim: $107,109
Pro-Prim / Anti-Carmichael: $468,873

Total: $754,950

Won in 2016 by 909 votes
51% - 49%
16th Senate District – Patricia Rucker

2016 Spending

Candidates

Patricia Rucker (R): $100,595
Stephen Skinner (D): $214,599

Independent Expenditures

Pro-Rucker / Anti-Skinner: $36,724
Pro-Skinner / Anti-Rucker: $260,594

Total: $612,512

Won in 2016 by 2,377 votes
53% - 47%
7th Senate District – Open Seat

Fmr. Del. Rupie Phillips Is Running

2016 Spending

Candidates
Jordan Ray Bridges (R): $3,934
Richard Ojeda (D): $24,710

Independent Expenditures
Pro-Bridges / Anti-Ojeda: $0
Pro-Ojeda / Anti-Bridges: $0

Total: $326,182

Ojeda Won in 2016 by 5,991 votes
59% - 41%
17th Senate District – Open Seat

2016 Spending

Candidates

Chris Stansbury (R): $93,238
Corey Palumbo (D): $230,503

Independent Expenditures

Pro-Stansbury / Anti-Palumbo: $2,441
Pro-Palumbo / Anti-Stansbury: $0

Total: $326,182

Del. Eric Nelson Is Running

Palumbo Won in 2016 by 4,436 votes
55% - 45%
12th Senate District – Pickup Opportunity

2016 Spending

Candidates
Franklin Cornette (R): $813
Doug Facemire (D): $16,310

Independent Expenditures
Pro-Cornette / Anti-Facemire: $0
Pro-Facemire / Anti-Cornette: $0

Total: $17,123

Facemire Won in 2016 by 107 votes
50.1% - 49.9%

Del. Patrick Martin (R)
Sen. Doug Facemire (D) *Incumbent
HOUSE OF DELEGATES

Republicans 58
Democrats 41
Independent 1

- All 100 seats up for reelection.
- Little change is expected.
National Election

Running
12 Democrats
3 Republicans

Bennet  Biden  Bloomberg  Buttigieg  Delaney  Gabbard  Klobuchar
Patrick  Sanders  Steyer  Warren  Yang

Trump  Walsh  Weld
National Election

Dropped Out
16 Democrats
1 Republican

Booker  Bullock  Castro  de Blasio  Gillibrand
Harris  Hickenlooper

Inslee  Messam  Moulton  Ojeda  O’Rourke
Ryan  Sestak

Swalwell  Williamson

Sanford
National Election

Not Running
11 Democrats
1 Republican

Abrams  Brown  Casey
Clinton  Garcetti  Holder
McAuliffe

Merkley  Murphy  Schultz  Winfrey

Hogan
Republican
Electoral College

• 270 Votes Needed to Win
2020 Presidential Election Forecasts

A consensus outlook for the 2020 presidential election based on the current ratings of Sabato's Crystal Ball, The Cook Political Report and Inside Elections*. Additional forecasts will go into this consensus as they become available. For purposes of this map, only states rated safe by all of these forecasters are shown in the darkest shade. Use this map as a starting point to create and share your own 2020 electoral map forecast.

* Not included in ME/NE district consensus as their forecast does not rate these separately from the state.
Electoral College
269 – 269 Tie

• Newly elected House of Delegates vote
• Each state gets one vote
• West Virginias vote equals to Californias vote
Citizens United

• Ten years ago the United States Supreme Court decided Citizens United.

• I said at that time that this would be a very significant decision.

• Corporations are people too – therefore corporations can spend in elections.

• 11 people gave $1 billion – 1/5 of all contributions to super PACs, from 2011 to 2018.

• President Obama said that it “will open the floodgates for special interest” Alito said “not true”.

• But in 2018 midterms, act blue parent democrat Internet (fundraiser) raised $1.6 billion for Democrats – average $34 contribution. Double the super PAC spending.
3 Takeaways for 2020 Elections

• More people will vote than ever before in history

• Election spending - $10 Billion

• Difficult to predict presidential race
QUESTIONS?