



# STATE OF WEST VIRGINIA

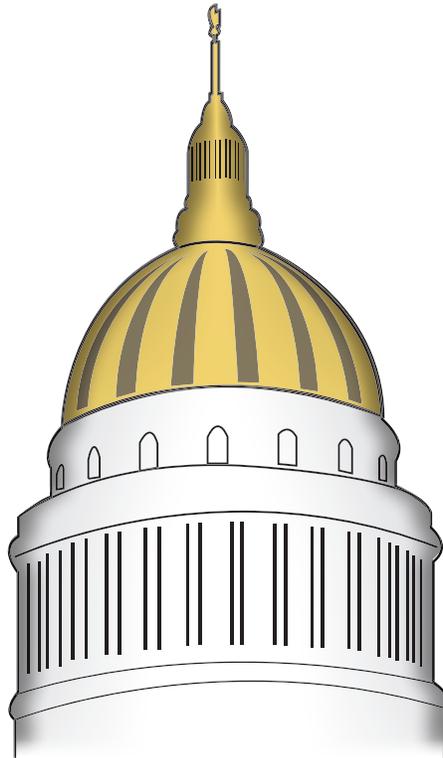
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## EXECUTIVE BUDGET: VOLUME I BUDGET REPORT FISCAL YEAR 2020

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**JIM JUSTICE**  
**GOVERNOR**





*Jim Justice*  
*Governor of West Virginia*

January 9, 2019

To the Members of the 84th Legislature of the State of West Virginia:

In accordance with the Constitution of the State of West Virginia, presented herewith is the Executive Budget document for the fiscal year ending June 30, 2020. It details a complete plan for proposed expenditures and estimated revenues for the fiscal year. The document includes statements of the following:

- 1) Bonded Indebtedness of the State of West Virginia;
- 2) Cash and investment balances of all funds of the State of West Virginia;
- 3) Revenues for all funds of the State of West Virginia; and
- 4) Revenues, expenditures, and changes in fund balances for Fiscal Year 2020.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,675,361,773; for the Lottery Fund of \$127,808,000; for the State Excess Lottery Revenue Fund of \$290,257,000; for the State Road Fund of \$1,384,161,478; for Appropriated Special Revenue funds of \$1,497,019,139; for Appropriated Federal funds of \$5,739,324,725; for Nonappropriated Federal funds of \$214,947,090; and for Nonappropriated Special Revenue funds of \$14,462,211,687, for a grand total of \$28,391,090,892.

I look forward to working with the 84th Legislature of the State of West Virginia to meet the continuing challenges and opportunities so together we can move West Virginia forward in a rapidly changing international economy.

Yours in service,

A handwritten signature in blue ink, reading "Jim Justice".

Jim Justice  
Governor

State Capitol | 1900 Kanawha Blvd., East, Charleston, WV 25305 | (304) 558-2000

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**State of West Virginia**

For the Fiscal Year Beginning

**July 1, 2018**

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the State of West Virginia for its annual budget for the fiscal year beginning July 1, 2018.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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# Reader's Guide to the Executive Budget

## *The Executive Budget*

The Governor is mandated by the West Virginia Constitution to submit the upcoming fiscal year's budget to the Legislature and the citizens of the state. The *Executive Budget* presents a complete plan of estimated revenues and proposed expenditures for the upcoming fiscal year, any recommendations the Governor may desire to make as to the important features of the budget, and any suggestions as to methods for reduction or increase of the state's revenues.

In essence, the budget document is the means by which the Governor presents a continuous and timely flow of accurate information relative to the financial condition of the state. In addition, the document features relevant information concerning the needs and operations of the various agencies and departments of the state through narrative and financial detail.

The budget is presented in four separate documents:

The **Budget Bill** includes the language required to legally enact the budget or appropriations bill. Upon passage by the Legislature, the Budget Bill becomes the Budget Act and appropriates by spending unit the expenditures necessary for the economical and efficient discharge of the duties and responsibilities of the state and its agencies during the upcoming fiscal year.

**Volume I Budget Report** contains:

"Executive Summary"

- \* Governor's Message
- \* "Six Year Financial Plan"

"Financial Statements"—an overview of available revenues, expenditures, bonded indebtedness, and fund balances

"Budget Planning"—items such as:

- \* "Long-Range Issues"—an overview of how the state is addressing major long-range issues and concerns
- \* "Budget Overview"—the budget process, including the budget calendar and financial policies
- \* Schedules of budgeted, full-time equivalent permanent positions

"Revenue Sources"—a detailed explanation of major revenue sources and the distribution of funds

"Debt Summary"—information relating to the general, special, and moral obligations of the state, including a summary of general long-term debt and debt service requirements

"Economic Forecast"—a forecast and analysis of the economy as it relates to West Virginia and to the nation

"Appendices"—a glossary of budgetary terms and a list of the commonly used acronyms

**Volume II Operating Detail** contains narrative and financial information on all appropriated departments, bureaus, commissions, agencies, divisions, and programs of state government. (It also includes major component agencies [e.g., BRIM, CPRB, etc.] that may not normally have appropriated accounts.) *Volume II Operating Detail* also contains:

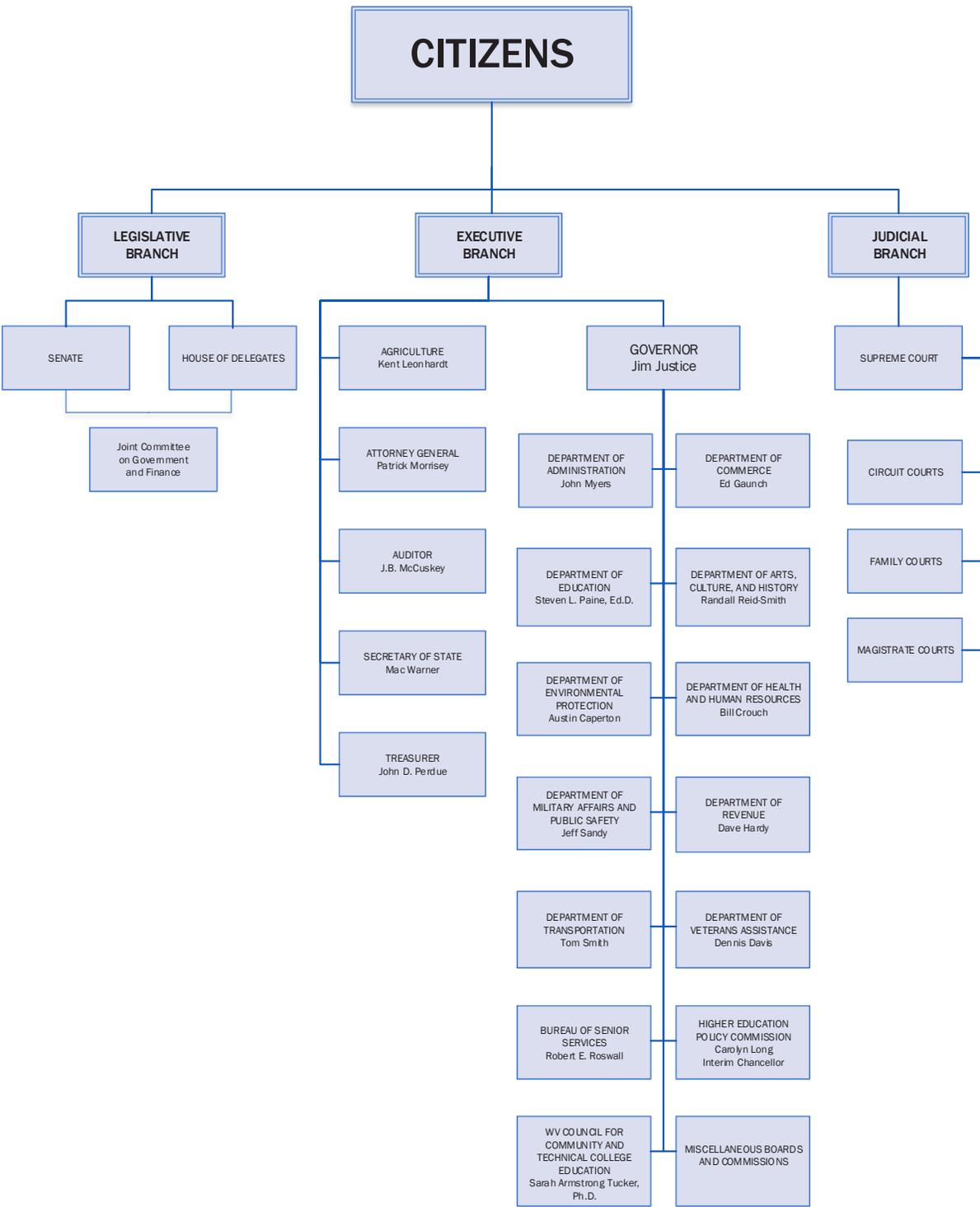
"State Profile"—presents relevant historical, statistical, geographical, demographical, and interesting information about West Virginia

"Capital Projects"—projects/programs currently budgeted in FY 2019, recommended for FY 2020, and projected for FY 2021 through FY 2024

"Appendices"—a glossary of commonly used budgetary terms; a glossary of acronyms

The **Volume III Account Detail** provides the detailed budgetary information for FY 2018 Actual expenditures, FY 2019 Budgeted expenditures, FY 2020 Current-Level Request, and the Governor's FY 2020 Recommendation for all funds.

# State of West Virginia Organizational Chart



# EXECUTIVE SUMMARY





# Governor's Executive Message



**Governor Jim Justice**  
*State of West Virginia*

I am happy to report to the people of West Virginia that the Fiscal Year budget for 2020 and the forecast for the State of West Virginia going forward reflects huge strides and accomplishments that have been made during my tenure in office.

In fact, it could well be described as nothing short of miraculous.

Upon entering office in January 2017, we were faced with a \$217 million hole in the Fiscal 2017 budget and a projected \$497 million shortfall in Fiscal 2018. The projections for 2019, 2020 and 2021 were all in excess of \$600 million.

Simply put, it was the worst budget forecast since the Great Depression.

Today, we are seeing a completely different picture. Our economy is growing and we have restored hope. For the second year in a row, state revenue collections outpaced our budget projections.

We still have plenty of work to do but I remain committed to you, the people of West Virginia, to keep moving our great state forward and continue to achieve greatness for each and every citizen of the Mountain State.

We are claiming our place.

## *Executive Summary*

# Six Year Financial Plan

While we have seen our share of decreasing revenue and difficult budget decisions being made over the last few years in the short term, over the past two decades, we have made and continue to make significant improvements in our underfunded pension systems and other postemployment benefits (OPEB) liabilities of the state for the long term. Forward thinking and conservative budget proposals have placed us on a path to solvency. What was once a huge liability of the state, the Workers' Compensation unfunded liability, is now paid. We again funded 100% of our required retirement contributions.

West Virginia fully intends to continue the fiscally responsible process of disciplined financial management as evidenced in this year's Six Year Financial Plan.

The Six Year Financial Plan contains only the combined funding for the General Revenue Fund, Regular Lottery Fund, and the Excess Lottery Fund.

The General Revenue Fund has maintained a strong cash flow over the past few years. We continue an ongoing fiscally conservative approach to revenue projections and expenditure recommendations. West Virginia's Rainy Day funds (Revenue Shortfall Reserve Fund and Revenue Shortfall Reserve Fund Part B) are among the best in the country. The balance of the funds as of December 31, 2018 was \$718.6 million. West Virginia continues to stay on track with the funding of its financial obligations while at the same time, is able to save money for future needs.

Current FY 2019 General Revenue actual collections are projected to exceed the official revenue estimate by as much as \$140 million. The Lottery Funds' actual revenue collections for FY 2019 are also on pace to exceed their official estimates.

West Virginia's economy continues to improve as we experience a transition period due to changes in the global energy sector. We continue to approach current and future challenges that includes increases to state appropriations for the state's social programs, PEIA, education, continued retirement contributions, and deferred maintenance for state owned property. Keeping an eye toward out-year budgets, which are affected by budget decisions made today, the Governor's FY 2020 budget recommendations continues to address the largest budget drivers on the expenditure side of the ledger—Medicaid, PEIA, social programs, and public employers' retirement contributions.

The ability to deal with these budgetary challenges is the result of many tough decisions made over the last two decades, including maintaining a strong level of budgetary reserves, limiting the growth rate of the major retirement systems, and a commitment to addressing long-term liabilities. The use of long-term budget planning through the state's Six Year Financial Plan highlights the need for continued conservative budget planning. Our budgets generally have used onetime surpluses to fund onetime needs and to assist in short-term revenue requirements. The Governor's FY 2020 budget recommendations continues this fiscally responsible budgeting practice.

The "Six Year Financial Plan" is used as a planning tool for analyzing future budgets, and any future budget year gaps shown that would have to be addressed and balanced in the out years. This year's "Six Year Financial Plan" includes information on anticipated revenues and expenditures through FY 2024. As part of the plan, the basic revenue assumptions and the major expenditure drivers and planning processes are included, along with other smaller, yet consistent items that continue to drive up expenditures over time.

The goal of the "Six Year Financial Plan" is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2020 budget, but also the larger, long-term implications of the decisions made today on the state's future fiscal outlook.

## Executive Summary Six Year Financial Plan

The “Six Year Financial Plan” includes revenue and recommended expenditures from the General Revenue Fund and Lottery Revenue Funds. It does not reflect Special or Federal funds, although the funding and planning processes of these types of funds definitely impact total state revenue and spending. This plan is developed with extensive review of the major financial implications of Special and Federal cash flows. Using this plan, it is easy to see where the projected ongoing base expenditures outpace projected available revenues, and it becomes obvious that any surplus revenues from upcoming fiscal years should not be expended for items that would add new obligations to the “base budget”; but rather should, as in recent fiscal years, be cautiously used mostly for onetime needs or held for use to assist in offsetting possible future requirements.

### Six-Year Financial Plan Through 2024 General and Lottery Revenues (in thousands)

	Actual FY 2018	Budgeted FY 2019	Recommended FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
<b>Estimated Revenue</b>							
General Revenue	\$4,245,258	\$4,439,920	\$4,675,820	\$4,805,600	\$4,926,430	\$5,078,250	\$5,240,580
General Revenue - Estimate Revision		142,000					
General Revenue - (Surplus used / available from previous FYs)	46,935	32,152					
Lottery	148,749	123,308	127,808	127,808	127,808	127,808	127,808
Lottery - (Surplus used / available from previous FYs)	31,689	6,000	16,000	0	0	0	0
Excess Lottery	259,527	225,257	225,257	250,257	225,257	225,257	225,257
Excess Lottery - (Surplus used / available from previous FYs)	55,648	8,000	17,000	0	0	0	0
<b>Total Available</b>	<b>\$4,787,806</b>	<b>\$4,976,637</b>	<b>\$5,061,885</b>	<b>\$5,183,665</b>	<b>\$5,279,495</b>	<b>\$5,431,315</b>	<b>\$5,593,645</b>
<b>Estimated Expenditures</b>							
Previous Years' Base Budget		\$4,716,084	\$4,870,181	\$5,057,608	\$5,118,850	\$5,260,645	\$5,365,948
<b>(Base Budget FY18) and (Base Budget Growth for out-years): *</b>							
Legislature	23,452	(455)	421	0	0	0	0
Supreme Court	141,759	(2,000)	(3,610)	0	0	0	0
Public Defender	31,580	54	2,786	14,300	0	0	0
PERS Employer Contribution	35,120	12,507	0	4,000	0	0	0
PEIA Premiums	327,125	18,605	(8,674)	0	52,000	28,600	31,200
Teachers' Retirement Savings Realized	34,638	362	7,954	2,000	2,000	2,000	2,000
Teachers' Retirement System	416,087	10,272	(21,836)	30,000	15,000	15,000	20,000
State Aid to Schools (PEIA and Retirement included above)	1,124,707	49,133	(25,913)	(9,000)	(9,000)	(10,000)	(11,000)
Public Education - All Other	174,650	4,977	16,173	1,500	1,500	1,500	1,500
DHHR- Medicaid	730,778	0	0	0	0	0	0
DHHR- All Other	577,798	61,098	47,466	21,442	13,295	14,203	15,218
Correctional Facilities	223,079	12,924	37,552	10,000	12,000	2,000	12,000
State Police	74,707	7,600	1,428	0	4,000	0	4,000
Public Safety Retirement Plan A / State Police Plan B	29,240	(8,240)	(3,234)	0	0	0	0
Higher Education	439,202	15,130	3,362	0	0	0	0
All Other Items (net)	332,162	(27,870)	28,445	(18,000)	2,000	2,000	2,000
Salary Enhancements	0	0	105,107	0	44,000	45,000	46,000
Unanticipated Expenditures				5,000	5,000	5,000	5,000
<b>Total Ongoing Base Budget</b>	<b>\$4,716,084</b>	<b>\$4,870,181</b>	<b>\$5,057,608</b>	<b>\$5,118,850</b>	<b>\$5,260,645</b>	<b>\$5,365,948</b>	<b>\$5,493,866</b>
Onetime Expenditures	10,820	26,684	10,228	15,000	5,000	5,000	12,471
Supplementals	89,060	200,110					
Onetime Reductions	(101,166)	(138,726)	(6,409)				
Expirations							
Surplus Transferred to Rainy Day Fund	38,022	18,014					
<b>Estimated Balance (Gaps)</b>	<b>\$34,986</b>	<b>\$374</b>	<b>\$458</b>	<b>\$49,815</b>	<b>\$13,850</b>	<b>\$60,367</b>	<b>\$87,308</b>

**Note:** This six-year financial plan is a tool for analyzing future budgets.

\* "Base Budget Growth for out-years" is the additional amount required annually to fund existing programs as shown in FY2019-FY2024.

## *Executive Summary*

### *Six Year Financial Plan*

#### **Revenue**

Revenue growth was initially attributable to a rebound in energy prices and improvement in non-manufacturing goods exports. Average natural gas well-head prices, as measured at the Dominion South pipeline, rose from less than \$1.30 per million BTU in FY 2016 to roughly \$2.20 per million BTU in FY 2017. After stabilizing at an average price of roughly \$2.00 per million BTU in FY 2018, average prices for the first half of FY 2019 were roughly \$3.00 per million BTU. In addition, ongoing infrastructure improvements contributed to greater stability in local pricing relative to the national Henry Hub benchmark. Local prices were averaging roughly 90% of Henry Hub prices during the first half of this fiscal year as opposed to less than 70% last year. The annualized value of West Virginia non-manufacturing goods exports (mostly coal) nearly quadrupled from a low of \$1.1 billion as of October 2016 to more than \$4.3 billion as of October 2018. Growth in exports were the major factor in a 20% increase in coal production from roughly 81 million tons in CY 2016 to more than 97 million tons in CY 2018.

Major natural gas pipeline infrastructure investments estimated at nearly \$5 billion over a period of roughly two years began during the late Spring of 2018. In addition, the state's economy began benefiting from major highway infrastructure investment estimated at roughly \$2.7 billion over a period of at least five years as propelled by the Governor's Roads to Prosperity Program. Export growth, infrastructure investment, and higher energy prices were all major contributing factors to employment growth and income growth over the past year.

After declining from a peak of roughly 765,000 non-farm payroll jobs in CY 2012 to a trough of roughly 745,000 non-farm payroll jobs in CY 2017, employment grew by nearly 1.0% in CY 2018. Most of the employment decline between 2012 and 2016 was attributable to the construction and mining industry sectors with a collective decrease from roughly 69,000 in CY 2012 to roughly 50,500 in CY 2016. Employment in these sectors subsequently increased by 12% to roughly 56,500 as of CY 2018. Employment in the remaining sectors of the state's economy collectively grew by roughly 0.5% in CY 2018. Employment growth is forecast to continue in CY 2019 and CY 2020, but at a gradually slower pace over time. Personal income growth improved with the recent employment growth from an average of roughly 1.0% per year in both FY 2016 and FY 2017 to annualized growth rate of nearly 4.0% since the beginning of FY 2018. Annual income growth is forecast to average roughly 4.0% over the next two years.

Absent an accounting for onetime revenues, General Revenue Fund collections grew by 3.7% in FY 2018. Revenue growth greatly accelerated to more than 13.0% during the first six months of FY 2019. Growth is expected to gradually taper somewhat during the second half of the year as the recent robust gains in coal exports begin to level off within a global economy that appears to be headed for a slowdown in growth. However, the average annual rate of revenue growth is still expected to exceed 5.4% for the period between FY 2018 and FY 2020, a growth rate that is substantially greater than the long-term average of less than 4.0% per annum. The longer-term revenue growth rate is anticipated to slow to roughly 2.9% per year between FY 2020 and FY 2024, a level that still significantly exceeds the actual average annual growth rate of just 0.8% per year over the prior decade. Lower average growth expectations would be due to an anticipation of a future national recession, the gradual phase-down of current investments in natural gas pipeline infrastructure, and the longer-term impact of ongoing demographic trends associated with population aging.

#### **Expenditures**

The FY 2020 Budget process began in July of last year. Appropriation request instructions were sent to each state agency. Among other instructions included within the letter, agencies were asked to submit their FY 2020 budget requests at the current level budgeted in their FY 2019 budgets, less any onetime appropriations. Once again, all agencies successfully submitted their budgets as requested.

In addition, the Governor recommends increases in appropriations for some of the state's social programs, deferred maintenance, tourism, and substance abuse. The Governor also recommends pay raises (an average raise of 5%) for classroom teachers, service personnel, and other state employees.

The FY 2020 General and Lottery revenue base budget of \$5.058 billion, as recommended by the Governor, is \$188 million higher than the FY 2019 base budget funding level of \$4.870 billion.

## *Executive Summary Six Year Financial Plan*

FY 2020 through FY 2024 projects future budget surpluses in the Six Year Financial Plan. The key to structurally balancing our out-years' budgets lies in minimizing total base budget expenditure increases and maintaining normal growth in ongoing revenues. These measures play a crucial role in aligning our base expenditures with base revenues in the upcoming out-years' budgets.

West Virginia is one of a handful of states that did not make reductions to FY 2008 or FY 2009 budgets. However, a midyear budget reduction was implemented in FY 2010 due to the slowing of revenue collections. FY 2011 finished with a healthy General Revenue surplus of over \$338 million, and West Virginia ended FY 2012 with a \$102 million General Revenue surplus, of which \$28 million was transferred to the Rainy Day Fund and \$65 million appropriated for Medicaid. The FY 2013 budget year required midyear adjustments to General Revenue of \$45 million, but finished the year with over \$11 million in surplus, of which \$5.8 million was transferred to the Rainy Day Fund. Lottery funds ended FY 2013 with cash balances totaling \$160 million, of which \$123 million was used to help balance FY 2014 budgets. The FY 2014 budget year also required midyear adjustments to General Revenue of (\$33 million), but finished the year with a General Revenue Fund surplus of \$18.3 million. Lottery funds ended FY 2014 with cash balances totaling \$36.5 million which were used to fund FY 2015 needs. FY 2015 also required a midyear adjustment to General Revenue of (\$38.9 million), but ended the year with a surplus of \$12.8 million, \$6.4 million of which was transferred to the Rainy Day fund. Lottery funds ended FY 2015 with cash balances totaling \$47.9 million which helped fill the anticipated FY 2016 shortfalls. FY 2016 again required midyear adjustments of (\$140 million), but ended the year with a surplus of \$28.8 million, \$14.4 million of which was transferred to the Rainy Day fund. Lottery funds ended FY 2016 with cash balances totaling \$59.3 million which is being used to help fill the anticipated FY 2017 shortfalls. For FY 2017, a midyear cut was implemented early in the fiscal year of (\$59.721 million), but ended the year with a surplus of \$76 million, with \$38 million being transferred to the Rainy Day fund. Lottery funds ended FY 2017 with cash balance of \$56.7 million, of which \$42.4 million was used to fund FY 2018 Medicaid requirements. There were no budget cuts in FY 2018 and the fiscal year ended with a surplus balance of \$36 million.

FY 2019 General Revenue collections through December 2018 are significantly over estimate by \$185.9 million. This surplus will allow us to fund current year supplemental appropriations totaling \$200.1 million that requires action during the 2019 Regular Legislative session.

Lottery Revenue collections for FY 2018 exceeded their revenue estimates by \$44.8 million. The Legislature recommended that up to \$14 million of any surpluses from the Lottery Funds at the end of FY 2018 be appropriated to help fund the state's portion of base Medicaid costs.

Lottery Revenue collections for FY 2019 are ahead of their revenue estimates. The Governor includes \$33 million of surplus from the Lottery Funds at the end of FY 2019 in the FY 2020 six-year plan.

Each line in the "Six Year Financial Plan" is described below.

### ***Estimated Revenue in the "Six Year Financial Plan"***

#### **General Revenue**

Actual General Revenue collections for FY 2018 totaled \$4.245 billion. FY 2019 estimated collections, as revised, total \$4.582 billion. The General Revenue collection amounts are projected to increase by \$93 million for FY 2020 (over the FY 2019 estimate), then increase by 2.8% for FY 2021.

#### **General Revenue—reallocations and enhancements**

As collections for the FY 2019 continue to exceed the official estimate, the official estimate for the current fiscal year will be increased to be used for supplemental appropriations.

#### **General Revenue—(Surplus used/from reapprops & expirations)**

The amount shown for FY 2018 is the net amount of surplus funds used during the fiscal year. FY 2019 numbers show the General Revenue surplus of \$32.2 million from FY 2018, including \$18 million (half of the FY 2018 general revenue surplus) transferred to the Rainy Day fund.

## *Executive Summary Six Year Financial Plan*

### **Lottery**

The regular Lottery funds are dedicated by statute to be used for senior citizen, education, and tourism programs. Since General Revenue funds are used for the same programs, Lottery funds are included here as part of the total available, and program funding may be shifted between the two revenue sources for the above mentioned programs. Actual Lottery collections totaled \$148.749 million in FY 2018. Lottery revenues are projected to fall about (17%) from FY 2018 to FY 2019, then an increase of (3%) in FY 2020, and then remain flat through FY 2024.

### **Lottery—(Surplus used/available from previous FYs)**

Lottery Surplus available from previous fiscal years show a net of \$19.8 million in FY 2018. FY 2019 shows a net of \$17.8 million, of which \$6 million is already appropriated for Medicaid in FY 2019. The Governor recommends appropriating \$16 million in FY 2019 surplus Lottery funds to Medicaid.

### **Excess Lottery**

The Excess Lottery Fund will continue to be a major source of funding, although increased Lottery sales competition from other states continue to affect collections in FY 2019. Revenues are projected to decrease by about (\$34.2 million) from FY 2018 to FY 2019 and then remain relatively flat through FY 2024, except for FY 2021 where there is a onetime increase of \$25 million due to anticipated rebidding of license fees.

### **Excess Lottery—(Surplus used/available from previous FYs)**

Excess Lottery Surplus available from previous fiscal years show a net of \$55.6 million used or available during FY 2018. An appropriation of \$8 million in surplus that was available at the end of FY 2018 was appropriated in the FY 2019 Budget Bill for Medicaid. The Governor recommends appropriating \$17 million in FY 2019 surplus Excess Lottery funds to Medicaid.

### **Total Available**

This line shows the total revenues available from the General, Regular Lottery, and the Excess Lottery Funds for each respective fiscal year.

## ***Estimated Expenditures in the “Six Year Financial Plan”***

### **Previous Years’ Base Budget**

The previous year’s base budget is the base operating budget for ongoing expenditures for current programs and services provided to the citizens of West Virginia. The base budget does not contain items of a onetime nature. Each fiscal year begins with the base budget as reflected from the previous fiscal year. Each year’s total base budget is the amount required to maintain the current level of services and any additional increases of funding required to continue an ongoing level of services.

### **(Base Budget FY 2018) and (Base Budget Growth for out-years)**

The various items that comprise expenditure growth are the “budget drivers” that have the greatest impact on increases to expenditures, or they may be items of a less significant amount but continue to increase over time. The amounts listed for Base Budget FY 2018 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth for out-years (FY 2019-FY 2024) are the additional amounts necessary on an annual basis to maintain, or enhance, the services to the required level. These amounts are added to the Base Budget amounts in FY 2018 to determine that particular fiscal year’s Total Ongoing Base Budget.

The following is a brief explanation of the expenditure growth and program enhancements by listed category as detailed in the “Six Year Financial Plan.”

## *Executive Summary*

### *Six Year Financial Plan*

**Legislature.** The Constitution and statute require the Governor recommend funding for the Legislature as requested. The Legislature requested their FY 2020 base appropriation be \$421,000 more than their FY 2019 base appropriation. The out-years reflect estimated no increases to base budgets.

**Supreme Court.** The Constitution and statute require the Governor recommend funding for the Supreme Court as requested. The Supreme Court reduced their request for FY 2020 by (\$8.6 million). The Governor recommends an increase of \$5 million for the Intermediate Court of Appeals.

**Public Defender.** The Public Defender Services continues to require increased funding each year. In addition to the FY 2019 appropriation of \$31.633 million, the Governor recommends a supplemental appropriation of \$15.3 million (included in the FY 2019 “Supplementals” line of the “Six Year Financial Plan”), bringing the total FY 2019 appropriation to \$46.933 million. The Governor recommends an increase of \$2.8 million to the FY 2020 base appropriation.

**PERS Employer Contribution.** The employer match contribution will remain at 10% of salary costs in FY 2020. The FY 2021 estimate reflects an increase due to current fiscal year to date investment returns being below the assumed investment rate. FY 2022-FY 2024 estimates assume investment returns of +7.5%, based on the long-term funding plan.

**PEIA Premiums.** Due to a reduction in the number of employees funded in the School Aid Formula (because of a decrease in student enrollment) and changes in school boards of education cash balances on deposit with the PEIA, the base funding to public school systems is decreased by (\$8.674 million) to cover PEIA employers’ premium match for FY 2020. “The Six Year Financial Plan” shows the additional funding increases that would be in line with needs of the program for FY 2022-FY 2024.

**Teachers’ Retirement Savings Realized.** W.Va. Code §18-7A-39 requires any savings realized from the reduction in employer contributions for current retirement benefits—being the difference between the calculated employer contributions that would have been required into the Teachers’ Defined Contribution System and the required employer contribution for normal cost into the State Teachers’ Retirement System—shall be deposited into the Employee Pension and Health Care Benefits Fund. This estimated calculation requires an increase of \$7.954 million of funding in FY 2020, bringing the total funding for FY 2020 to \$42 million.

**Teachers’ Retirement System.** The state has made significant strides toward the long-term funding of the state’s Teachers’ Retirement System. Of the additional surplus revenues available during FY 2005-FY 2010, an additional \$748 million was used to help pay down the unfunded liability in the Teachers’ Retirement System, drastically reducing the unfunded liabilities of that system. During the 2007 Legislative Regular Session, legislation was approved that authorized the sale of Tobacco Settlement Bonds. The bonds were sold in June 2007 and netted over \$807 million in proceeds for the state’s Teachers’ Retirement System. These bond proceeds, along with additional extra retirement contributions (payments above the required amounts) made recently, resulted in total additional deposits of more than \$1.7 billion being placed into the pension system.

The efforts to pay down the state’s massive retirement debt has resulted in the Teachers’ Retirement System’s percentage funded increasing from 22% funded at the end of FY 2004 to an estimated 68.9% funded at the end of FY 2018.

Due to investment returns of about 8.9% during FY 2018, the current amortization schedule for the Teachers’ Retirement System requires less funding in FY 2020 of (\$21.836 million) than the FY 2019 funding level bringing FY 2020’s appropriation to \$424.2 million.

If earnings are more than 7.5% per year, the funding level can be lowered; if earnings are less than 7.5%, the funding level must be raised. FY 2020 assumes investment gains less than 7.5% during the current FY 2019 and the remaining estimated effects of smoothing of assets that occurred in FY 2018. FY 2021 assumes future investment earnings of 7.5% and the remaining estimated effects of smoothing of the assets. FY 2022-FY 2024 assumes investment earnings of 7.5%.

## *Executive Summary*

### *Six Year Financial Plan*

**State Aid to Schools (PEIA and Retirement included above).** The State Aid to Schools Formula for public education (excluding PEIA and retirement costs shown in other lines on the six year plan) and various adjustments that the Governor recommends calls for a net decrease of (\$25.9 million) for FY 2020. Notable changes, required by the School Aid Formula, from the prior year's base budget includes a decrease in the level of Local Share of (\$16 million), decreased funding in the Professional Educators line (mostly due to changes in years of experience and decreased enrollment). The Governor also proposes a pay raise for teachers averaging 5%, or \$2,120, and for service personnel averaging 5%, or \$1,150 (These raises are shown in the "Salary Enhancements" line of the six year plan). Budget projections for FY 2021 include continued decreases in local share of about (2%) and assume that student enrollment continues to fall statewide.

**Public Education - All Other.** The Department of Education and Schools for the Deaf and the Blind's employees are statutorily paid at the same county pay rates as professional educators and service personnel. Employees' salaries increase with additional years of service. Adjustments to other statutory requirements total a net increase in FY 2020 of \$0.394 million and are accounted for here. The Governor recommends \$5 million for childhood drug prevention education and \$10 million for Jim's Dream for rehabilitation and workforce readiness transition programs.

**DHHR - Medicaid.** State Medicaid funding is dependent primarily on four funding sources—General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. Controlling the growth of this program is critical to both the fiscal health of the state and the people who depend on the Medicaid program for vital services. To restrain the future growth of the program, the Department of Health and Human Resources continues to focus on managing Medicaid like other health insurance programs. Medicaid is confronted with a fundamental problem—how to design an appropriate benefit package for the poorest and most disabled citizens of West Virginia and ensure access to Medicaid services, yet still meet cost containment and program integrity goals. Medicaid costs continue to put a burden on state revenues, and program changes are inevitable in order to avoid future funding crises.

Developing changes in this program are exceedingly difficult because Medicaid operates as an entitlement program for all citizens that meet the eligibility criteria, and the cost of the program is determined by the number of eligible individuals, how often they utilize health care services, and the cost of the health care services. Therefore, the state must budget for all program costs incurred by the clients. The program costs cannot be controlled through budget restrictions and appropriation caps without changes to the eligibility criteria, the types of services covered, or the rates paid for services. Reducing program eligibility, eliminating covered services, and reducing payments for services may shift the burden to other social service providers as clients seek other sources of assistance. Since Medicaid revenue has become a significant factor in the health care industry, any reductions will cause cost shifting and other adjustments throughout the state's health care system.

Several other factors also influence the increase in the Medicaid program, including medical inflation and the economy. If the Medicaid Provider Tax, Medical Services Trust Fund, and Lottery sources of the state match remain relatively constant and costs continue to climb, the General Revenue Fund will have to supply the additional funds.

In FY 2020, Medicaid total expenditures (federal and state) are estimated to be approximately \$4.5 billion. Of this total, \$3.3 billion is the federal share, while about \$1.2 billion is the state share. Appropriations in FY 2020 from General Revenue, Lottery, Medical Services Trust Fund, the Provider Tax, and other State Certified Match make up the state share.

Recently updated Medicaid numbers for the fiscal year just ended, (FY 2019) were higher than estimated. Because of the surplus cash balance at the end of FY 2019 in the state's Medicaid matching funds, the Governor recommends no increase for FY 2020 in base funding in the General and Lottery funds for Medicaid, keeping the total of General and Lottery base funding at \$731 million.

## *Executive Summary Six Year Financial Plan*

The out-years assume that the FMAP rate decreases 0.5% each year and that total program costs increase an average of 3% per year.

**DHHR - All Other.** The Governor recommends a net increase of \$47.7 million in the FY 2020 base budget for all other DHHR related items. The major increases include \$21.9 million for the Foster Care Program. The Governor also recommends \$10 million for Jim’s Dream, to be used for substance abuse treatment programs. The out-years reflect additional funding for the growing costs associated with social service programs and possible state replacement funding for CHIP federal funding reductions.

**Correctional Facilities.** For the current fiscal year, (FY 2019) the Governor recommended a salary upgrade of \$2,000, for each of the next 3 years, to all Division of Corrections, Regional Jail, and Juvenile Services employees. Total General Revenue cost of the salary upgrade was \$6.936 million in FY 2019, an additional \$6.7 million in FY 2020, and an extra \$7 million in FY 2021. An additional \$30.9 million is for Regional Jail per diem payments for correctional inmates held in regional jails.

**State Police.** FY 2019 included a \$0.5 million increase in funding for equipment purchases and \$4 million for a new cadet class. The Governor recommends \$1.4 million for continuing costs related to the Automated Fingerprint Identification System (AFIS). Funding of \$4 million for additional cadet classes is also planned in FY 2022 and FY 2024.

**Public Safety Retirement Plan A /State Police Plan B.** The current amortization schedule for the Public Safety Retirement Plan A requires \$1.9 million less funding in FY 2020 due to gains of about 8.9% in investment returns during FY 2018. The employer contribution remains 14% for the State Police Retirement Plan B requiring less funding of (\$1.3 million) in FY 2020. FY 2021 assumes investment gains over 7.5% during the current FY 2019. FY 2021-FY 2024 assumes investment earnings of 7.5%.

**Higher Education.** Higher Education’s FY 2020 base budget is increased by \$3.3 million, to a FY 2020 base level of \$457.6 million. The Governor has included in his FY 2020 budget proposal an additional \$2 million for the West Virginia School of Osteopathic Medicine and \$1.3 million for West Virginia State University - Land Grant Match.

**All Other Items (Net).** These include all other changes to base expenditures not already included in other lines of the “Six Year Financial Plan.” For FY 2020, major items shown here include \$10 million in additional funding for state building deferred maintenance projects, \$14 million for Tourism, \$1 million for Veterans’ Nursing Facility, and a savings of \$2.5 million related to the elimination of the Office of the Secretary of Education and the Arts.

**Salary Enhancements.** FY 2020 includes funding for an average of 5% pay raise for teachers (\$2,120), school service personnel (\$1,150), and state employees (\$2,370) at a base building cost of \$105.1 million. The out-years include funding for possible pay raises of 2% for teachers, service personnel and all other state employees in FY 2022-FY 2024.

Unanticipated Expenditures. The out-years include \$5 million for unexpected funding needs.

### ***Total Ongoing Base Budget***

The total ongoing base budget consists of the previous year’s base budget plus all changes in funding required to continue ongoing level of services. This amount is carried forward to the next fiscal year and becomes its beginning base budget. The Ongoing Base Budget shown in FY 2020 is \$188 million more than FY 2019’s Base Budget.

Onetime Expenditures. In addition to the Total Ongoing Base Budget, onetime expenditures are also included. These expenditures are not included in the Total Ongoing Base Budget because they do not require ongoing funding in future

## *Executive Summary Six Year Financial Plan*

years, but the amount will be expended during the current fiscal year and, therefore, must be reduced from the revenue available in that fiscal year to arrive at the estimated balance. FY 2020 includes onetime expenditures of \$10.2 million.

**Supplementals.** Included in the Governor’s proposal for consideration during the 2019 Regular Legislative session are FY 2019 onetime supplemental appropriations for Public Defender appointed counsel payments of \$15.3 million, \$105 million for PEIA, Division of Corrections and Rehabilitation expenses of \$20.6 million, \$6 million for the Veterans Nursing Home and an additional \$200,000 for van purchases, \$20 million for Jim’s Dream, \$5 million for Communities in Schools and \$28 million for the Civil Contingent Fund.

**Onetime Reductions.** To assist in balancing the FY 2020 budget, the Governor recommends that \$6.409 million of excess cash balances that are on deposit for local school boards and available for their FY 2020 PEIA premiums be backed out of the School Aid Formula’s FY 2020 PEIA appropriation.

**Surplus Transferred to Rainy Day Fund.** Statute requires that half of any General Revenue surplus (up to 13% of the total appropriations from the General Revenue Funds for the fiscal year just ended) be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund) to be used to offset any projected shortfall in the future, used for paying unfunded retirement/benefit liabilities, or used for other expenditures. The General Revenue Fund ended FY 2017 with a surplus of \$76.044 million, and \$38.022 million, one half of the surplus, was transferred to the Rainy Day Fund. The General Revenue Fund ended FY 2018 with a surplus of \$36.4 million, and \$18.014 million, one half of the surplus, was transferred to the Rainy Day Fund.

### ***Six Year Plan Summary***

The “Six Year Financial Plan” includes the best estimate of revenues and expenditures based on currently known facts and are the best assumptions we can make on a future basis. The further into the future we project revenues and expenditures, the greater the chance of deviation from the projections. For example, the end of the next budget year, FY 2020, is 18 months away from the date the projections were completed. The General Revenue Fund estimate is approximately \$4.7 billion for FY 2020. Just a 1% deviation from the estimate will result in a \$47 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$94 plus million (\$47 million under estimate to \$47 million over estimate).

The same may be said regarding expenditures. Although the six year plan includes all known expenditures with the best projections available for future increases, many unknowns obviously exist. What will happen with the national economy? Will the stock market continue its current pace? A large portion of the budget is expended for health care—both Medicaid and public employees’ health insurance expenditures. Small fluctuations in the projected cost of health care can result in large dollar differences in the required expenditures for these services. For example, the Medicaid Program, just a 1% change in the federal match rate can result in a difference in required state funding of approximately \$42 million.

Not included in the projected expenditures is any additional funding for inflationary expenses to cover any rising cost of energy consumption for state-owned buildings and vehicles.

# SUMMARY FINANCIAL STATEMENTS



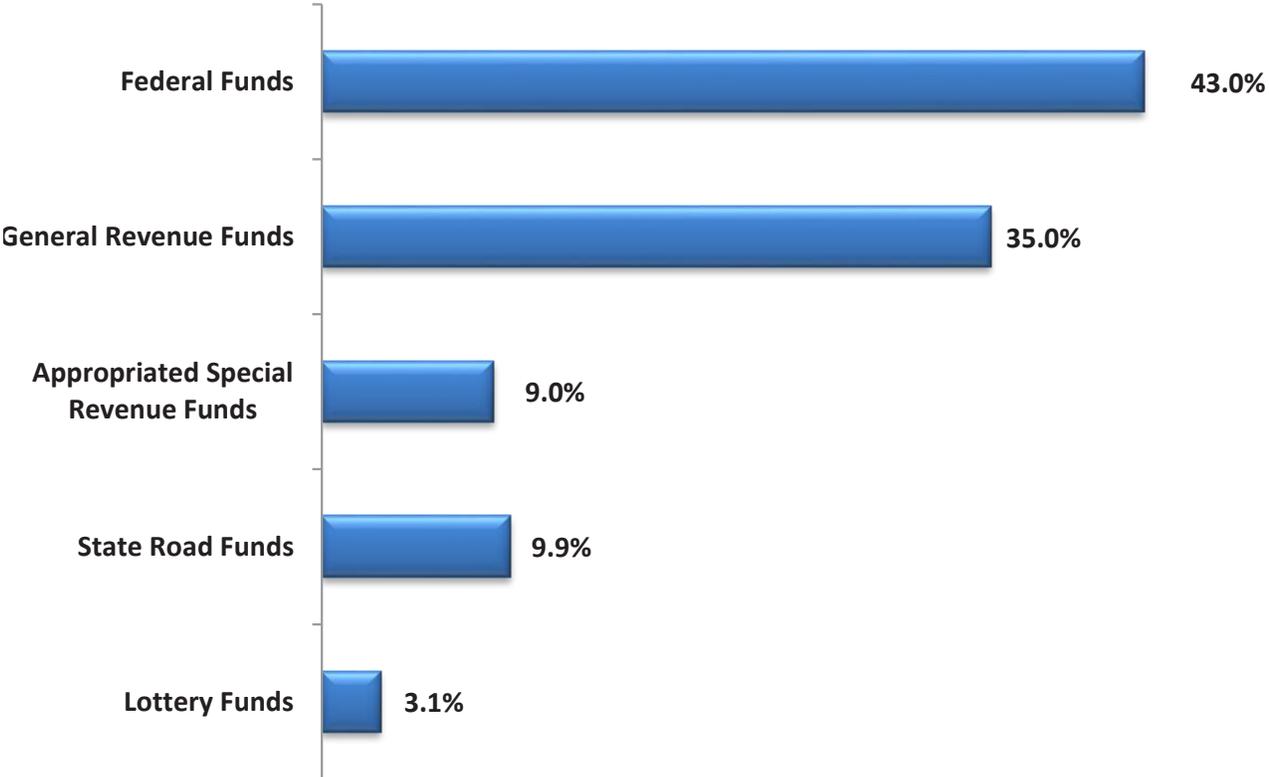


# Financial Statements

The following pages contain financial information and statements related to all funds of the state. Included are:

- Graphics of the Total FY 2020 Budget – (Where the State Dollar Comes From and Where the State Dollar Goes)
- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds (narrative and statement)
- Cash and Investment Balances of All Funds Fiscal Year Ending June 30, 2018
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2018
- General Revenue Fund – Statement of Revenues by Source FY 2016 through FY 2024
- General Revenue Fund – Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund – Overview by Functional Category FY 2018 through FY 2020
- General Revenue Fund – Recommended Supplemental Appropriations FY 2019
- Lottery Fund – Statement of Revenues, Expenditures, and Changes in Cash Balance
- Lottery Fund – Overview by Functional Category FY 2018 through FY 2020
- Excess Lottery Fund – Overview by Functional Category FY 2018 through FY 2020
- Excess Lottery Fund – Statement of Revenues, Expenditures, and Changes in Cash Balance
- State Road Fund – Statement of Revenues by Source FY 2016 through FY 2024
- State Road Fund – Statement of Revenues, Expenditures, and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2018
- Major Reserve/Stabilization Accounts

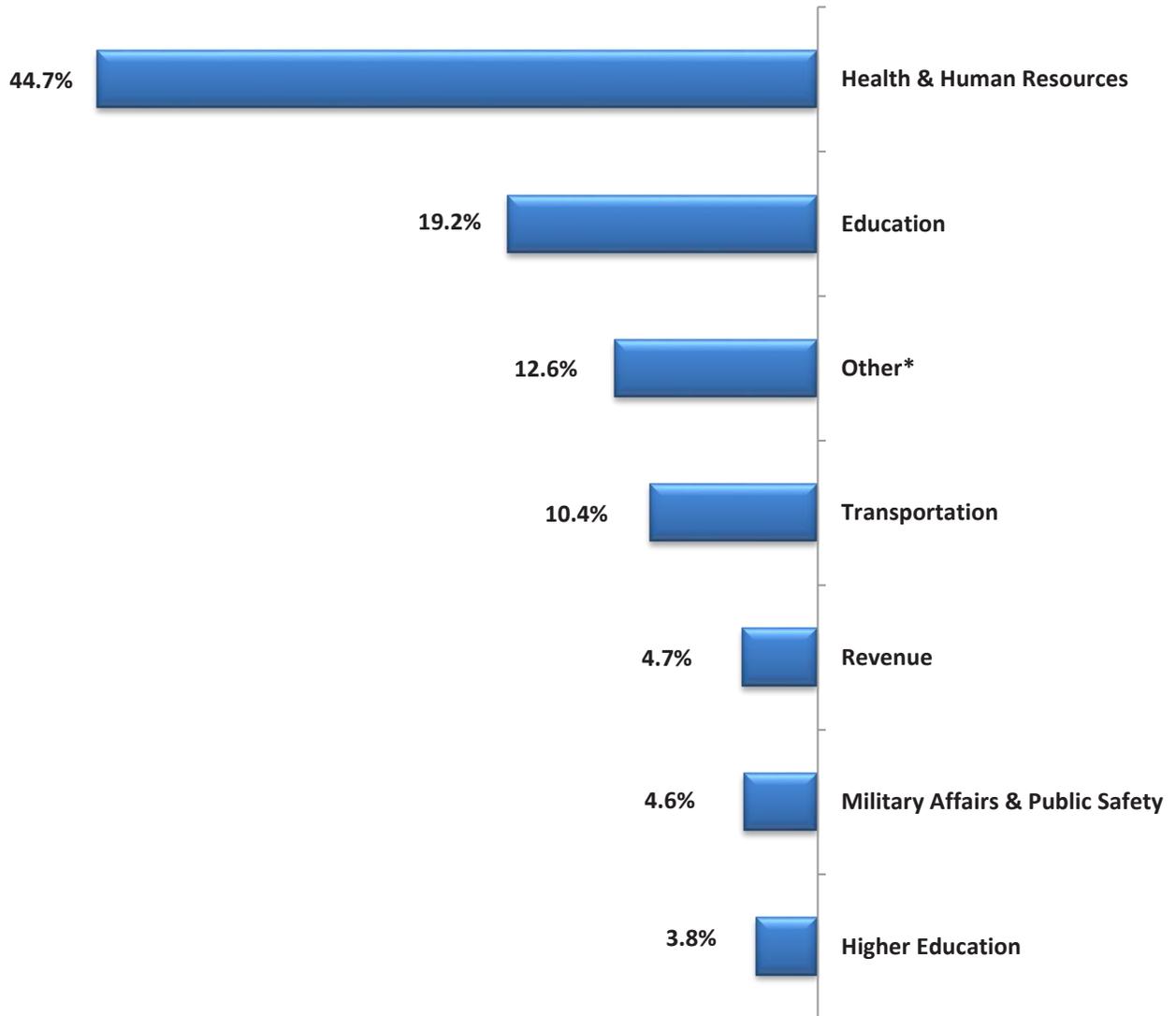
# Where The State Dollar Comes From (FY 2020 Estimate)



**TOTAL REVENUE**  
**\$13.4 Billion**  
(Appropriated Funding Sources)

# Where The State Dollar Goes

(Governor's Recommended FY 2020 Budget)



<b>*Other</b>	<b>12.6%</b>
Legislature	0.2%
Judicial	1.0%
Executive	0.9%
Administration	2.2%
Commerce	4.2%
Arts Culture and History	0.3%
Environment	1.9%
Senior Services	0.7%
Veterans Assistance	0.2%
Misc. Boards & Commissions	1.0%

**TOTAL EXPENDITURES**  
**\$13.7 Billion**  
 (Appropriated Funding Sources)

# Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds

The following Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds reflects actual, budgeted, and recommended revenues and expenditures for FY 2018, FY 2019, and FY 2020, respectively, for all funds. The revenues and the disbursements are listed at the department/bureau level. See the “Revenue Sources” chapter for a more detailed explanation of each source of funds.

All revenues (Actual, Budgeted, and Recommended) reflect the revenues actually collected or estimated to be collected from July 1 to June 30 of each fiscal year. All expenditures (Actual, Budgeted, and Recommended) reflect the disbursements actually made or estimated to be made during the fiscal year. For appropriations that expire at the end of the fiscal year, expenditures would be included through July 31 (13th month/31-day closeout period). For unexpended amounts that are reappropriated to the next fiscal year, expenditures are included through June 30—there is no 13th month/31-day closeout period for reappropriations. Any unexpended amounts remaining in nonexpiring appropriations are carried forward to the next fiscal year as of July 1.

Each fund on the Statement is made up of multiple accounts from approximately 20 individual appropriations for the State Road Fund to hundreds of individual appropriations for the General Revenue Fund.

The General Revenue Fund and the State Road Fund are true financial funds and must maintain positive fund balances in the respective “bottom lines” in order to process payments for obligations when due. State law requires sufficient funds to be available, both in the individual appropriation and the total fund, before payments may be released. Therefore, the total fund “cash flow” is carefully monitored to ensure funds are available, as required, throughout the fiscal year.

The Federal Funds and the Special Revenue Funds are comprised of hundreds of individual, stand-alone, self-supporting, self-balancing accounts. Each account is part of a larger fund for financial reporting purposes only. Each account must have sufficient funds and an appropriation balance available to pay obligations of that specific account when due and may not expend any funds from the “bottom line” of the total fund.

The Lottery and Excess Lottery funds are Special Revenue Funds. Revenue is collected by the Lottery Commission and appropriated by the Legislature to individual self-balancing agency funds. The Beginning Balance for the Lottery and Excess Lottery funds do not include the balances available in the agency funds.

State law requires funds to be available prior to releasing payments; however, none of the funds are required to maintain a minimum balance. All funds and accounts are closely monitored to ensure adequate cash is available to pay obligations when due.

**FY 2018 Actuals** are the total actual revenues and expenditures for all funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

**The FY 2019 Budgeted revenue estimate** the General Revenue Fund and the State Road Fund reflects the Governor’s revised official revenue estimate as submitted to the Legislature on January 9, 2019. The Governor provides the official revenue estimates for the budget, and those estimates do not require legislative approval.

**FY 2019 Budgeted expenditures** reflect the amounts budgeted for FY 2019 prior to the beginning of the 2019 Legislative session and includes a separate line for reappropriations available for expenditure from previous fiscal years.

## *Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds*

**FY 2020 Recommendations** are the amounts that the Governor is proposing on January 9, 2019 to the Legislature for appropriation. The recommendations do not include any amounts that will ultimately be available for expenditure as a reappropriated or surplus expenditure.

### ***Why Budgeted Expenditures Appear Significantly Different from Actual and Recommended Expenditures***

While the Actual FY 2018 amounts include reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended FY 2020 expenditures do not reflect any anticipated reappropriations being available during FY 2020. Although the FY 2019 Budgeted amounts are available to spend during the fiscal year, the likelihood of expending the entire amount is extremely remote. Generally, a significant amount of the authorized expenditures remains unspent at the end of each fiscal year and is reappropriated to the next ensuing fiscal year. The available reappropriated balance is included as a separate line.

For General Revenue funds, the prior year reappropriated amounts are significant. The General Revenue Fund budgeted FY 2019 expenditures include \$297.4 million, Lottery Fund includes \$36.1 million, the Excess Lottery Fund includes \$8.9 million, and the Special Appropriated includes \$5.5 million in reappropriated amounts. Details about the amounts available to each agency can be found in the “Overview by Functional Category” spreadsheets. Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2019 will be less than the total authorized budgeted amounts.

# Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds (Expressed in Thousands)

	General Fund			State Road Fund		
	Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020	Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020
Beginning Fund Balance	\$362,211	\$334,758	\$4,584	\$58,610	\$141,408	\$65,908
Transfer to Rainy Day Fund	(38,022)	(18,014)	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	1,620	-	-	-	-	-
Prior Year Refunds/Redeposits	2,592	415	-	-	-	-
Cash Flow/Contingencies	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	-	-	-	-	-
Recom. Expirations to General Revenue Surplus	-	-	-	-	-	-
<b>Revenues</b>						
Revenue Collections/Estimate	4,245,258	4,581,920	4,675,820	1,237,618	1,303,740	1,319,857
Legislature	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Executive	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Commerce	-	-	-	-	-	-
Education	-	-	-	-	-	-
Education and the Arts*	-	-	-	-	-	-
Environment	-	-	-	-	-	-
Health and Human Resources	-	-	-	-	-	-
Military Affairs & Public Safety	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Veterans Assistance	-	-	-	-	-	-
Senior Services	-	-	-	-	-	-
Higher Education	-	-	-	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
<b>Total Revenues</b>	<b>4,245,258</b>	<b>4,581,920</b>	<b>4,675,820</b>	<b>1,237,618</b>	<b>1,303,740</b>	<b>1,319,857</b>
<b>Expenditures</b>						
Legislature	34,200	24,750	25,172	-	-	-
Judicial	127,235	139,760	136,150	-	-	-
Executive	42,649	37,076	38,331	-	-	-
Administration	71,400	91,898	108,046	-	-	-
Commerce	61,674	76,830	85,474	-	-	-
Education	1,935,790	1,992,630	2,030,489	-	-	-
Arts, Culture and History*	13,907	12,792	10,747	-	-	-
Environment	5,847	6,492	6,688	-	-	-
Health and Human Resources	1,141,448	1,150,929	1,316,482	-	-	-
Military Affairs & Public Safety	363,444	380,102	427,600	-	-	-
Revenue	25,851	34,920	31,154	-	-	-
Transportation	6,001	6,642	5,159	1,154,711	1,354,240	1,384,160
Veterans Assistance	9,810	10,555	12,012	-	-	-
Senior Services	17,284	29,951	29,951	-	-	-
Higher Education	382,676	400,247	411,907	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,239,216</b>	<b>4,395,574</b>	<b>4,675,362</b>	<b>1,154,711</b>	<b>1,354,240</b>	<b>1,384,160</b>
Reappropriations Available	-	297,423	-	-	-	-
Recommended Supplemental	-	200,150	-	-	25,000	-
Recommended Surplus Supplemental	-	-	-	-	-	-
Mid-Year Budget Adjustments	-	-	-	-	-	-
Adjustments**	(315)	1,348	-	109	-	-
<b>Ending Fund Balance</b>	<b>\$334,758</b>	<b>\$4,584</b>	<b>\$5,042</b>	<b>\$141,408</b>	<b>\$65,908</b>	<b>\$1,605</b>

\* FY 20 Actuals reflect former Department of Education and the Arts.

\*\* Includes OASIS accruals, cash not needed for appropriation, and differences in appropriations available and expended.

\*\*\* Some revenue and expenditures are double counted.

Appropriated Special Revenue Funds			Appropriated Lottery Fund			Appropriated Excess Lottery Fund		
Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020	Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020	Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020
\$2,759,465	\$2,841,855	\$2,562,416	\$59,842	\$17,881	\$11,889	\$72,772	\$26,824	\$18,848
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(40,000)	-	-	(36,103)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	148,749	123,308	127,808	324,527	290,257	290,257
3,879	1,295	1,246	-	-	-	-	-	-
1,254	2,400	1,350	-	-	-	-	-	-
37,230	54,550	54,579	-	-	-	-	-	-
144,486	173,986	174,495	-	-	-	-	-	-
29,680	31,604	39,959	-	-	-	-	-	-
2,260	2,268	2,271	-	-	-	-	-	-
390	1,744	1,744	-	-	-	-	-	-
41,318	51,341	76,929	-	-	-	-	-	-
422,837	398,046	417,981	-	-	-	-	-	-
30,636	46,531	40,239	-	-	-	-	-	-
331,923	325,820	264,046	-	-	-	-	-	-
9,949	8,863	5,774	-	-	-	-	-	-
2,557	290	3,150	-	-	-	-	-	-
10,500	10,500	10,500	-	-	-	-	-	-
43,200	44,242	44,240	-	-	-	-	-	-
46,101	61,104	57,733	-	-	-	-	-	-
<b>1,158,200</b>	<b>1,214,584</b>	<b>1,196,236</b>	<b>148,749</b>	<b>123,308</b>	<b>127,808</b>	<b>324,527</b>	<b>290,257</b>	<b>290,257</b>
399	2,997	3,287	-	-	-	-	-	-
865	2,400	1,350	-	-	-	-	-	-
30,510	59,341	60,559	-	-	-	-	-	-
152,678	175,370	184,875	9,988	10,000	10,000	-	-	-
26,539	45,291	45,453	9,851	9,746	10,176	5,883	5,000	1,505
33,746	39,485	39,535	33,293	36,527	36,883	18,995	19,000	19,000
430	1,203	1,218	15,771	15,782	15,629	-	-	-
30,736	69,739	65,747	-	-	-	-	-	-
348,616	433,810	433,726	-	-	-	61,306	36,203	27,303
24,429	43,818	42,606	-	-	-	11	-	-
330,119	481,825	483,778	-	-	-	140,081	127,022	127,022
7,717	9,751	10,121	-	-	-	-	-	-
1,369	3,130	2,414	-	-	-	-	-	-
8,642	10,500	10,509	67,356	45,169	42,856	-	-	-
42,318	49,070	49,580	9,070	12,084	12,264	44,811	44,000	44,000
36,697	60,780	62,261	-	-	-	64,989	67,032	71,427
<b>1,075,810</b>	<b>1,488,510</b>	<b>1,497,019</b>	<b>145,329</b>	<b>129,308</b>	<b>127,808</b>	<b>336,076</b>	<b>298,257</b>	<b>290,257</b>
-	5,513	-	-	36,180	-	-	8,892	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	5,381	(36,188)	-	(1,704)	(8,916)	-
<b>\$2,841,855</b>	<b>\$2,562,416</b>	<b>\$2,261,633</b>	<b>\$17,881</b>	<b>\$11,889</b>	<b>\$11,889</b>	<b>\$26,824</b>	<b>\$18,848</b>	<b>\$18,848</b>

## Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds (Expressed in Thousands)

	Appropriated Federal Funds			Total Appropriated Funds		
	Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020	Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020
Beginning Fund Balance	\$28,619	\$23,862	\$189,361	\$3,341,519	\$3,386,588	\$2,853,006
Transfer to Rainy Day Fund	-	-	-	(38,022)	(18,014)	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	1,620	-	-
Prior Year Refunds/Redeposits	-	-	-	2,592	415	-
Cash Flow/Contingencies	-	-	-	(76,103)	-	-
Recom. Expirations to General Revenue	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	-	-	-	-	-
<b>Revenues</b>						
Revenue Collections/Estimate	-	-	-	5,956,152	6,299,225	6,413,742
Legislature	1,159	2,360	1,024	5,038	3,655	2,270
Judicial	2,752	4,000	4,500	4,006	6,400	5,850
Executive	13,667	22,839	26,180	50,897	77,389	80,759
Administration	-	-	-	144,486	173,986	174,495
Commerce	121,865	424,281	425,645	151,545	455,885	465,604
Education	348,861	500,462	500,462	351,121	502,730	502,733
Education and the Arts*	6,910	10,881	10,815	7,300	12,625	12,559
Environment	100,803	197,556	188,582	142,121	248,897	265,511
Health and Human Resources	3,596,338	4,400,733	4,387,631	4,019,175	4,798,779	4,805,612
Military Affairs & Public Safety	57,191	154,146	159,707	87,827	200,677	199,946
Revenue	1	3,000	3,000	331,924	328,820	267,046
Transportation	21,677	24,520	20,695	31,626	33,383	26,469
Veterans Assistance	6,774	6,262	9,000	9,331	6,552	12,150
Senior Services	11,719	14,536	12,313	22,219	25,036	22,813
Higher Education	-	-	-	43,200	44,242	44,240
Misc. Boards & Commissions	2,563	3,904	3,518	48,664	65,008	61,251
<b>Total Revenues</b>	<b>4,292,280</b>	<b>5,769,480</b>	<b>5,753,072</b>	<b>11,406,632</b>	<b>13,283,289</b>	<b>13,363,050</b>
<b>Expenditures</b>						
Legislature	1,159	2,360	2,000	35,758	30,107	30,459
Judicial	2,752	4,000	4,500	130,852	146,160	142,000
Executive	10,252	30,487	26,988	83,411	126,904	125,878
Administration	-	-	-	234,066	277,268	302,921
Commerce	123,279	434,055	431,013	227,226	570,922	573,621
Education	357,421	505,463	506,396	2,379,245	2,593,105	2,632,303
Arts, Culture and History*	6,768	11,653	10,960	36,876	41,430	38,554
Environment	99,601	206,298	192,358	136,184	282,529	264,793
Health and Human Resources	3,594,870	4,192,925	4,352,515	5,146,240	5,813,867	6,130,026
Military Affairs & Public Safety	54,716	161,091	161,551	442,600	585,011	631,757
Revenue	1	3,000	3,000	496,052	646,767	644,954
Transportation	22,039	24,695	20,739	1,190,468	1,395,328	1,420,179
Veterans Assistance	10,828	10,193	9,401	22,007	23,878	23,827
Senior Services	11,895	14,536	14,582	105,177	100,156	97,898
Higher Education	-	-	-	478,875	505,401	517,751
Misc. Boards & Commissions	1,456	3,225	3,321	103,142	131,037	137,009
<b>Total Expenditures</b>	<b>4,297,037</b>	<b>5,603,981</b>	<b>5,739,324</b>	<b>11,248,179</b>	<b>13,269,870</b>	<b>13,713,930</b>
Reappropriations Available	-	-	-	-	348,008	-
Recommended Supplemental	-	-	-	-	225,150	-
Recommended Surplus Supplemental	-	-	-	-	-	-
Mid-Year Budget Reduction	-	-	-	-	-	-
Adjustments**	-	-	-	3,471	(43,756)	-
<b>Ending Fund Balance</b>	<b>\$23,862</b>	<b>\$189,361</b>	<b>\$203,109</b>	<b>\$3,386,588</b>	<b>\$2,853,006</b>	<b>\$2,502,126</b>

\* FY 18 Actuals reflect former Department of Education and the Arts

\*\* Includes OASIS accruals, cash not needed for appropriation, and differences in appropriations available and expended.

\*\*\* Some revenue and expenditures may be double counted.

Nonappropriated Federal Funds			Nonappropriated Special Revenue Funds			Total All Funds***		
Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020	Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020	Actuals FY 2018	Budgeted FY 2019	Recommended FY 2020
\$67,515	\$90,990	\$97,436	\$17,346,511	\$19,797,667	\$24,213,005	\$20,755,545	\$23,275,245	\$27,163,447
-	-	-	-	-	-	(38,022)	(18,014)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,620	-	-
-	-	-	-	-	-	2,592	415	-
-	-	-	-	-	-	(76,103)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,956,152	6,299,225	6,413,742
-	-	-	-	-	-	5,038	3,655	2,270
-	-	-	(143)	2,410	2,050	3,863	8,810	7,900
-	-	-	695,103	425,371	502,545	746,000	502,760	583,304
-	-	-	3,987,147	8,993,272	4,403,911	4,131,633	9,167,258	4,578,406
22,474	40,000	31,941	78,752	83,153	109,458	252,771	579,038	607,003
-	-	-	19,446	290,799	66,455	370,567	793,529	569,188
-	-	-	7,898	17,831	16,930	15,198	30,456	29,489
24,026	32,439	14,024	139,223	171,144	171,794	305,370	452,480	451,329
-	-	-	4,683,040	5,295,611	5,431,696	8,702,215	10,094,390	10,237,308
27,808	70,083	70,083	125,224	164,417	166,324	240,859	435,177	436,353
-	-	-	739,092	528,904	480,094	1,071,016	857,724	747,140
(63)	-	68,000	1,185,620	1,204,701	76,010	1,217,183	1,238,084	170,479
-	-	-	1,374	45	1,660	10,705	6,597	13,810
-	-	-	1,930	1,900	1,900	24,149	26,936	24,713
33,395	44,891	43,195	1,364,296	2,130,218	2,196,125	1,440,891	2,219,351	2,283,560
-	-	-	156,740	290,942	266,382	205,404	355,950	327,633
<b>107,640</b>	<b>187,413</b>	<b>227,243</b>	<b>13,184,742</b>	<b>19,600,718</b>	<b>13,893,334</b>	<b>24,699,014</b>	<b>33,071,420</b>	<b>27,483,627</b>
-	-	-	128	14	14	35,886	30,121	30,473
-	-	-	1,463	2,515	2,050	132,315	148,675	144,050
-	-	-	646,905	453,504	419,896	730,316	580,408	545,774
-	-	-	2,643,216	4,084,488	3,313,756	2,877,282	4,361,756	3,616,677
22,015	31,887	31,887	66,706	116,823	116,401	315,947	719,632	721,909
-	-	-	27,566	291,420	265,885	2,406,811	2,884,525	2,898,188
-	-	-	8,498	17,680	15,191	45,374	59,110	53,745
456	4,619	4,619	90,917	274,274	239,985	227,557	561,422	509,397
-	-	-	4,639,274	5,167,159	5,454,913	9,785,514	10,981,026	11,584,939
27,851	71,460	68,804	130,480	171,823	161,441	600,931	828,294	862,002
-	-	-	860,992	631,657	506,362	1,357,044	1,278,424	1,151,316
(63)	27,330	68,000	82,658	1,529,217	1,483,885	1,273,063	2,951,875	2,972,064
-	-	-	1,392	1,658	1,658	23,399	25,536	25,485
-	-	-	1,742	1,900	1,900	106,919	102,056	99,798
33,906	45,671	41,637	1,385,367	2,178,524	2,217,523	1,898,148	2,729,596	2,776,911
-	-	-	146,282	262,724	261,352	249,424	393,761	398,361
<b>84,165</b>	<b>180,967</b>	<b>214,947</b>	<b>10,733,586</b>	<b>15,185,380</b>	<b>14,462,212</b>	<b>22,065,930</b>	<b>28,636,217</b>	<b>28,391,089</b>
-	-	-	-	-	-	-	348,008	-
-	-	-	-	-	-	-	225,150	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,471	(43,756)	-
<b>\$90,990</b>	<b>\$97,436</b>	<b>\$109,732</b>	<b>\$19,797,667</b>	<b>\$24,213,005</b>	<b>\$23,644,127</b>	<b>\$23,275,245</b>	<b>\$27,163,447</b>	<b>\$26,255,985</b>

# Cash and Investment Balances of All Funds

## Fiscal Year Ending June 30, 2018

(Nearest Dollar)

	<b>Fund No.</b>	<b>Cash Balance</b>	<b>Investments</b>	<b>Total Balance</b>
General Revenue	01	\$377,650,037		\$377,650,037
State Road Fund	02	31,808,729	118,969,926	\$150,778,655
Natural Resources Fund	03	17,202,975	117,483,961	\$134,686,936
Consolidated Investment Pool	09	(1,445,277,662)	1,668,878,287	\$223,600,625
Consolidated Federal Funds (Special Revenue)	12	60,842,654	1,031,334	\$61,873,988
Special Revenue Department	13	2,147,592,478	7,262,301,247	\$9,409,893,725
Special Revenue Higher Education	14	54,944,588	277,176,846	\$332,121,434
Department of Welfare	16	163,406,019	64,097,117	\$227,503,136
Public Employees' Retirement	17	415,456	6,692,630,269	\$6,693,045,725
Teachers' Retirement Fund	18	5,338,584	7,662,359,070	\$7,667,697,654
WVU Medical School	20	752,596	26,408	\$779,004
<b>Total</b>		<b>\$1,414,676,454</b>	<b>\$23,864,954,465</b>	<b>\$25,279,630,919</b>

# Detailed Investments Fund 13

## Fiscal Year Ending June 30, 2018

(Nearest Dollar)

Attorney General	\$728,311
Auditor's Office	4,950,035
Board of Risk and Insurance Management	193,232,796
Court of Claims	4,138,743
CPRB	1,298,414,234
Culture & History	1,022,329
Secretary of State	2,928,948
Department of Administration	1,036,847,330
Department of Education	2,727,443
Division of Financial Institutions	111,050
Department of Education and the Arts	110,069
Secretary of Revenue	649,673,690
Department of Transportation	1,152,756,070
WV Economic Development Authority	56,831,213
Division of Health & Human Services	28,200,332
Division of Labor	2,354,907
Division of Natural Resources	9,289,985
Department of Environmental Protection	455,518,386
Division of Forestry	1,524,587
Insurance Commission	1,549,011,783
Lottery Commission	135,266,004
Municipal Bond Commission	217,126,695
Municipal Pension Oversight Board	29,644,160
Public Employees Insurance Agency	225,042,853
Regional Jail Authority	16,577,065
State Police	1,686,042
State Rail Authority	6,525,051
Treasurer's Office	152,953,661
Water Development Authority	27,107,475
<b>Total Detail Fund 13</b>	<b>\$7,262,301,247</b>

# General Revenue Fund

## Statement of Revenues by Source

### FY 2016 Through FY 2024

(Expressed in Thousands)

Source of Revenue	FY 2016 Actual Collections	FY 2017 Actual Collections	FY 2018 Actual Collections	Revised FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
Business and Occupation Tax	\$119,174	\$111,885	\$115,003	\$117,500	\$123,000	\$122,000	\$123,000	\$116,000	\$107,000
Consumers Sales and Use Tax	1,231,044	1,222,283	1,247,031	1,351,000	1,384,060	1,414,020	1,461,250	1,508,000	1,557,800
Personal Income Tax <sup>1</sup>	1,803,311	1,813,867	1,919,570	2,054,000	2,105,000	2,180,500	2,251,700	2,336,470	2,423,100
Liquor Profit Transfers	18,313	26,317	21,120	20,800	21,000	21,000	21,000	21,000	21,000
Beer Tax and Licenses	7,996	8,000	7,463	7,500	7,600	7,550	7,500	7,500	7,500
Tobacco Products Tax (Cigarette & Other)	100,274	194,647	177,839	179,700	177,000	174,000	172,600	171,200	169,800
Estate Tax	0	0	0	0	0	0	0	0	0
Business Franchise Fees	676	666	698	670	680	680	680	680	680
Charter Tax	3	16	11	0	0	0	0	0	0
Property Transfer Tax	10,618	11,988	12,036	13,000	12,300	13,000	13,000	13,000	13,000
Property Tax	6,957	7,248	7,315	6,900	7,200	7,300	7,500	7,700	7,700
Insurance Tax	117,359	120,163	124,230	123,500	131,800	135,000	138,500	142,000	145,200
Departmental Collections	19,029	19,134	22,554	23,600	24,000	24,200	24,300	24,500	24,600
Corporate Income/Business Franchise Tax	143,605	116,306	110,068	142,100	136,980	149,350	143,900	144,100	146,000
Miscellaneous Transfers	1,246	1,587	2,513	1,000	1,700	1,700	1,700	1,700	1,700
Interest Income	2,509	6,045	7,846	23,000	30,000	25,000	27,000	30,000	30,000
Severance Tax	276,441	321,031	345,914	418,700	398,500	428,300	446,800	468,400	499,500
Miscellaneous Receipts <sup>2</sup>	20,976	10,071	22,195	10,700	11,000	11,000	11,000	11,000	11,000
HB102 - Lottery Transfers	83,355	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Video Lottery Transfers	809	465	457	0	0	0	0	0	0
Liquor License Renewal <sup>3</sup>	71	0	0	0	29,000	16,000	0	0	0
Senior Citizen Tax Credit Reimbursement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Special Revenue Transfer	128,914	99,793	26,395	13,250	0	0	0	0	0
<b>Total</b>	<b>\$4,102,679</b>	<b>\$4,166,510</b>	<b>\$4,245,258</b>	<b>\$4,581,920</b>	<b>\$4,675,820</b>	<b>\$4,805,600</b>	<b>\$4,926,430</b>	<b>\$5,078,250</b>	<b>\$5,240,580</b>

<sup>1</sup> FY 2020 and thereafter reflects elimination of Personal Income Tax on Social Security Benefits.

<sup>2</sup> Includes \$15 million in transfers from the Abandoned and Unclaimed Property Fund in FY 2016, \$7 million in FY 2017, \$10 million in FY 2018, and \$7 million per year.

<sup>3</sup> Retail liquor license renewal estimates for FY 2020 and FY 2021 based on projected retail license rebidding to be determined.

# General Revenue Fund

## Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Actual Beginning Cash Balance July 1, 2018	\$377,650,037	
Less:	31 Day Disbursements (July 1, 2018 - July 31, 2018)	(42,888,978)	
Plus:	Prior Year Reimbursements (July 1, 2018 - July 31, 2018)	27,203	
Less:	Prior Year Appropriations Forwarded	(297,422,832)	
Less:	Cash Balance - Adjustments and Accruals	<u>(1,337,913)</u>	
	Accumulated Surplus from FY 2018 @ July 31, 2018	\$36,027,517	
Less:	Transfer to Revenue Shortfall Reserve Fund (Statutory)	(18,013,759)	
Less:	FY 2019 Surplus Appropriation (FY 2019 Budget Bill)	(13,765,000)	
Plus:	Prior Year Reimbursements and adjustments (August 1, 2018 - December 31, 2018)	<u>387,552</u>	
	Estimated Unappropriated Surplus Balance @ June 30, 2019		<b>\$4,636,310</b>
Plus:	FY 2019 Revenue Estimate	\$4,439,920,000	
Plus:	FY 2019 Revision to Revenue Estimate (2019 Regular Session)	142,000,000	
Less:	FY 2019 Appropriations (FY 2019 Budget Bill) (2018 Regular Session)	(4,381,808,884)	
Plus:	FY 2019 Appropriations (FY 2019 Budget Bill) veto	0	
Less:	<b>Recommended</b> FY 2019 increases to FY 2019 Appropriations (2019 Regular Session)	<u>(200,109,836)</u>	
	Estimated Unappropriated Balance from FY 2019 Activity @ June 30, 2019		<b>\$1,280</b>
Plus:	FY 2020 Revenue Estimate	\$4,675,820,000	
Less:	<b>Recommended</b> FY 2020 Appropriations (FY 2020 Budget Bill) (2019 Regular Session)	<u>(4,675,361,773)</u>	
	Estimated Unappropriated Balance from FY 2020 Activity @ June 30, 2020		<b><u>\$458,227</u></b>
	Total Estimated Unappropriated Balance @ June 30, 2020		<b><u><u>\$5,095,817</u></u></b>

# General Revenue Fund

## Overview by Functional Category

### FY 2018 through FY 2020

(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2018	Total Appropriations FY 2019*
<b>LEGISLATURE</b>			
Senate	0165	\$18,040,470	\$5,952,206
House of Delegates	0170	7,620,710	8,904,031
Joint Expenses/Claims against State	0175	8,538,870	9,894,197
<b>Subtotal</b>		<b>34,200,050</b>	<b>24,750,434</b>
<b>JUDICIAL</b>			
Supreme Court	0180	<b>127,235,283</b>	<b>139,759,670</b>
<b>EXECUTIVE</b>			
Office of the Governor	0101	4,025,793	4,325,277
Custodial Fund	0102	409,734	552,579
Civil Contingent Fund	0105	11,572,185	0
State Auditor's Office	0116	2,470,711	4,719,697
State Treasurer's Office	0126	3,005,217	3,246,897
Department of Agriculture	0131	9,305,386	9,905,377
WV Conservation Agency	0132	6,951,302	7,833,605
Meat Inspection	0135	709,097	729,788
Agricultural Awards	0136	53,050	54,250
WV Agricultural Land Protection Auth	0607	94,838	97,685
Attorney General's Office	0150	3,077,432	4,645,739
Secretary of State	0155	973,535	957,594
State Election Commission	0160	888	7,508
<b>Subtotal</b>		<b>42,649,168</b>	<b>37,075,996</b>
<b>ADMINISTRATION</b>			
Office of the Secretary	0186	15,676,635	15,724,786
Public Employees Insurance Agency	0200	0	21,000,000
Division of Finance	0203	1,768,641	734,018
General Services Division	0230	5,837,920	17,639,867
Purchasing Division	0210	900,442	1,031,858
Travel Management	0615	1,193,378	1,238,346
Comm on Uniform State Laws	0214	42,122	45,550
Public Employees Grievance Board	0220	1,206,868	1,090,968
Ethics Commission	0223	683,545	701,706
Public Defender Services	0226	43,073,126	31,633,914
Comm Purchase for Handicapped	0233	594	4,055
WV Prosecuting Attorneys Institute	0557	254,325	241,029
Real Estate Division	0610	762,533	811,620
Office of Technology	0611	0	0
<b>Subtotal</b>		<b>71,400,129</b>	<b>91,897,717</b>

*General Revenue Fund  
Overview by Functional Category  
(Continued)*

Plus: Reappropriated FY 2019	Total Available FY 2019	Total Request FY 2020 **	Governor's Recommendation FY 2020	Percentage of Total
\$5,661,223	\$11,613,429	\$5,952,206	\$5,952,206	0.13%
6,855,505	15,759,536	8,904,031	8,904,031	0.19%
4,307,391	14,201,588	9,894,197	10,315,457	0.22%
<b>16,824,119</b>	<b>41,574,553</b>	<b>24,750,434</b>	<b>25,171,694</b>	<b>0.54%</b>
<b>23,098,328</b>	<b>162,857,998</b>	<b>131,150,000</b>	<b>136,150,000</b>	<b>2.91%</b>
231,669	4,556,946	4,387,389	4,466,829	0.10%
262,560	815,139	552,579	569,451	0.01%
56,882,307	56,882,307	0	0	0.00%
78,462	4,798,159	2,719,697	2,823,095	0.06%
126,868	3,373,765	3,246,897	3,325,352	0.07%
414,048	10,319,425	61,365,377	10,292,373	0.22%
2,801,625	10,635,230	9,833,605	10,023,235	0.21%
0	729,788	729,788	757,725	0.02%
0	54,250	54,250	54,250	0.00%
0	97,685	97,685	100,497	0.00%
6,157,239	10,802,978	4,645,739	4,953,457	0.11%
2,894,362	3,851,956	957,594	957,594	0.02%
0	7,508	7,508	7,508	0.00%
<b>69,849,140</b>	<b>106,925,136</b>	<b>88,598,108</b>	<b>38,331,366</b>	<b>0.82%</b>
113,260	15,838,046	15,939,786	15,740,252	0.34%
0	21,000,000	21,000,000	21,000,000	
308,548	1,042,566	734,018	753,000	0.02%
9,572,528	27,212,395	26,439,867	30,769,219	0.66%
0	1,031,858	1,031,858	1,064,477	0.02%
300	1,238,646	1,488,346	1,260,842	0.03%
0	45,550	45,550	45,550	0.00%
0	1,090,968	1,260,968	1,124,712	0.02%
0	701,706	701,706	719,844	0.02%
4,518,633	36,152,547	50,094,564	34,485,646	0.74%
0	4,055	4,055	4,055	0.00%
12,414	253,443	241,029	246,653	0.01%
0	811,620	1,143,912	831,866	0.02%
0	0	4,200,000	0	0.00%
<b>14,525,683</b>	<b>106,423,400</b>	<b>124,325,659</b>	<b>108,046,116</b>	<b>2.31%</b>

*General Revenue Fund  
Overview by Functional Category  
(Continued)*

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2018	Total Appropriations FY 2019*
<b>COMMERCE</b>			
Office of the Secretary	0606	402,783	573,717
Tourism Office	0246	0	2,500,000
Forestry	0250	3,148,862	3,284,870
Geological & Economic Survey	0253	2,458,810	2,833,449
Development Office	0256	12,645,406	16,106,154
Division of Labor	0260	0	1,778,500
Division of Natural Resources	0265	18,560,282	22,399,631
Miners' Health, Safety & Training	0277	9,195,753	11,319,311
Board of Coal Mine Health & Safety	0280	242,039	352,787
Division of Rehabilitation Services	0310	13,964,614	14,380,303
WorkForce West Virginia	0572	59,658	59,363
Division of Energy	0612	995,526	1,241,455
<b>Subtotal</b>		<b>61,673,733</b>	<b>76,829,540</b>
<b>EDUCATION</b>			
School Lunch Program	0303	2,435,234	2,454,359
State Department of Education	0313	76,526,793	79,916,749
Aid for Exceptional Children	0314	28,531,484	30,228,979
State Aid to Schools	0317	1,783,478,797	1,833,009,056
State Board of Ed-Vocational Division	0390	31,463,586	32,748,588
WV Schools for the Deaf & the Blind	0320	13,354,060	14,271,821
<b>Subtotal</b>		<b>1,935,789,954</b>	<b>1,992,629,552</b>
<b>EDUCATION AND THE ARTS</b>			
Office of the Secretary	0294	<b>4,625,234</b>	<b>2,334,925</b>
<b>ARTS, CULTURE, AND HISTORY</b>			
Culture and History	0293	4,130,882	5,111,807
Library Commission	0296	1,530,145	1,587,362
Educational Broadcasting Authority	0300	3,620,570	3,757,579
<b>Subtotal</b>		<b>9,281,597</b>	<b>10,456,748</b>
<b>ENVIRONMENTAL PROTECTION</b>			
Environmental Quality Board	0270	102,518	107,859
Environmental Protection	0273	5,668,440	6,307,994
Air Quality Board	0550	75,660	76,053
<b>Subtotal</b>		<b>5,846,618</b>	<b>6,491,906</b>

*General Revenue Fund  
Overview by Functional Category  
(Continued)*

Plus: Reappropriated FY 2019	Total Available FY 2019	Total Request FY 2020 **	Governor's Recommendation FY 2020	Percentage of Total
0	573,717	573,717	607,461	0.01%
0	2,500,000	0	14,000,000	0.30%
0	3,284,870	3,435,303	3,422,658	0.07%
711,979	3,545,428	2,868,449	2,917,247	0.06%
5,504,826	21,610,980	10,763,181	11,263,525	0.24%
0	1,778,500	1,778,500	1,843,176	0.04%
244,732	22,644,363	22,399,631	23,248,350	0.50%
0	11,319,311	11,319,311	11,625,820	0.25%
0	352,787	352,787	355,599	0.01%
0	14,380,303	14,380,303	14,886,464	0.32%
0	59,363	59,363	59,363	0.00%
0	1,241,455	1,241,455	1,244,267	0.03%
<b>6,461,537</b>	<b>83,291,077</b>	<b>69,172,000</b>	<b>85,473,930</b>	<b>1.83%</b>
0	2,454,359	2,455,659	2,466,907	0.05%
10,334,851	90,251,600	88,114,741	87,973,420	1.88%
2,113,064	32,342,043	31,581,779	32,364,379	0.69%
0	1,833,009,056	1,796,258,466	1,844,146,508	39.44%
702,982	33,451,570	33,592,412	48,859,817	1.05%
834,353	15,106,174	14,271,821	14,677,888	0.31%
<b>13,985,250</b>	<b>2,006,614,802</b>	<b>1,966,274,878</b>	<b>2,030,488,919</b>	<b>43.43%</b>
<b>62,241</b>	<b>2,397,166</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
1,042,363	6,154,170	5,263,217	5,275,381	0.11%
0	1,587,362	1,587,362	1,640,790	0.04%
0	3,757,579	4,575,579	3,830,691	0.08%
<b>1,042,363</b>	<b>11,499,111</b>	<b>11,426,158</b>	<b>10,746,862</b>	<b>0.23%</b>
0	107,859	107,859	113,483	0.00%
0	6,307,994	6,307,994	6,498,479	0.14%
0	76,053	76,053	76,053	0.00%
<b>0</b>	<b>6,491,906</b>	<b>6,491,906</b>	<b>6,688,015</b>	<b>0.14%</b>

*General Revenue Fund  
Overview by Functional Category  
(Continued)*

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2018	Total Appropriations FY 2019*
<b>HEALTH AND HUMAN RESOURCES</b>			
Office of the Secretary	0400	614,132	655,996
Division of Health-Central Office	0407	73,858,796	72,731,507
Consolidated Medical Service Fund	0525	219,753,744	207,953,702
WV Drinking Water Treatment	0561	647,500	647,500
Human Rights Commission	0416	1,262,737	1,374,653
Human Services	0403	845,311,396	867,565,501
<b>Subtotal</b>		<b>1,141,448,305</b>	<b>1,150,928,859</b>
<b>MILITARY AFFAIRS &amp; PUBLIC SAFETY</b>			
Office of the Secretary	0430	1,564,511	1,928,535
Adjutant General - State Militia	0433	13,638,294	15,703,628
Adjutant General - Military Fund	0605	51,148	157,775
Parole Board	0440	1,144,516	1,383,470
Homeland Security Emergency Mgmt	0443	3,615,990	5,140,541
Corrections Central Office	0446	326,227	623,400
Correctional Units	0450	190,102,102	194,626,274
WV State Police	0453	100,263,358	105,726,220
Fire Commission	0436	63,121	64,021
Justice and Community Services	0546	11,580,439	9,926,870
Juvenile Services	0570	38,379,221	41,376,775
Protective Services Division	0585	2,715,403	3,444,728
Administrative Services	0619	0	0
<b>Subtotal</b>		<b>363,444,330</b>	<b>380,102,237</b>
<b>REVENUE</b>			
Office of the Secretary	0465	425,772	600,039
Tax Division	0470	24,249,412	33,070,392
State Budget Office	0595	685,487	673,645
Athletic Commission	0523	36,035	36,811
Office of Tax Appeals	0593	454,746	539,385
<b>Subtotal</b>		<b>25,851,452</b>	<b>34,920,272</b>
<b>TRANSPORTATION</b>			
State Rail Authority	0506	2,451,779	2,112,458
Public Transit	0510	2,584,016	2,262,989
Public Port Authority	0581	0	1,500,000
Aeronautics Commission	0582	964,835	766,681
<b>Subtotal</b>		<b>6,000,630</b>	<b>6,642,128</b>
<b>VETERANS ASSISTANCE</b>			
Veterans Affairs	0456	8,832,668	9,359,165
Veterans Home	0460	977,277	1,195,523
<b>Subtotal</b>		<b>9,809,945</b>	<b>10,554,688</b>
<b>SENIOR SERVICES</b>			
Bureau of Senior Services	0420	17,283,766	29,950,955

*General Revenue Fund  
Overview by Functional Category  
(Continued)*

Plus: Reappropriated FY 2019	Total Available FY 2019	Total Request FY 2020 **	Governor's Recommendation FY 2020	Percentage of Total
101,379	757,375	655,996	667,244	0.01%
21,736,646	94,468,153	75,540,970	78,074,136	1.67%
31,490,375	239,444,077	207,953,702	229,083,154	4.90%
0	647,500	647,500	647,500	0.01%
0	1,374,653	1,513,993	1,419,645	0.03%
14,155	867,579,656	1,038,221,590	1,006,590,583	21.53%
<b>53,342,555</b>	<b>1,204,271,414</b>	<b>1,324,533,751</b>	<b>1,316,482,262</b>	<b>28.16%</b>
2,874,465	4,803,000	1,928,535	1,953,843	0.04%
5,191,640	20,895,268	17,177,847	15,934,268	0.34%
0	157,775	157,775	157,775	0.00%
0	1,383,470	1,621,703	1,386,282	0.03%
444,372	5,584,913	5,615,963	4,332,952	0.09%
0	623,400	539,870	562,366	0.01%
43,856,963	238,483,237	240,153,694	239,385,451	5.12%
2,874,623	108,600,843	104,081,857	104,165,475	2.23%
0	64,021	64,021	64,021	0.00%
5,872,108	15,798,978	12,734,287	9,966,605	0.21%
9,798,164	51,174,939	43,219,143	43,774,795	0.94%
2,148,534	5,593,262	3,609,828	3,579,704	0.08%
0	0	2,336,255	2,336,255	0.05%
<b>73,060,869</b>	<b>453,163,106</b>	<b>433,240,778</b>	<b>427,599,792</b>	<b>9.15%</b>
244,075	844,114	600,039	614,099	0.01%
12,694,639	45,765,031	36,076,392	29,253,291	0.63%
724,123	1,397,768	673,645	696,141	0.01%
0	36,811	36,811	36,811	0.00%
5,239	544,624	539,385	553,445	0.01%
<b>13,668,076</b>	<b>48,588,348</b>	<b>37,926,272</b>	<b>31,153,787</b>	<b>0.67%</b>
404,072	2,516,530	2,112,458	2,120,894	0.05%
2,617,762	4,880,751	2,262,989	2,262,989	0.05%
0	1,500,000	600,000	0	0.00%
1,466,011	2,232,692	766,681	775,117	0.02%
<b>4,487,845</b>	<b>11,129,973</b>	<b>5,742,128</b>	<b>5,159,000</b>	<b>0.11%</b>
1,242,765	10,601,930	13,149,631	10,748,094	0.23%
0	1,195,523	1,195,523	1,263,855	0.03%
<b>1,242,765</b>	<b>11,797,453</b>	<b>14,345,154</b>	<b>12,011,949</b>	<b>0.26%</b>
<b>0</b>	<b>29,950,955</b>	<b>29,950,955</b>	<b>29,950,955</b>	<b>0.64%</b>

*General Revenue Fund  
Overview by Functional Category  
(Continued)*

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2018	Total Appropriations FY 2019*
<b>HIGHER EDUCATION</b>			
HEPC-Administration	0589	69,764,632	72,853,786
WVNET	0551	1,578,941	1,681,744
WVU-School of Medicine	0343	20,051,368	22,520,709
West Virginia University	0344	102,931,727	106,292,930
Marshall University-School of Medicine	0347	12,641,716	13,182,461
Marshall University	0348	45,103,382	46,676,300
WV School of Osteopathic Medicine	0336	7,185,154	7,391,690
Bluefield State College	0354	5,379,199	5,600,993
Concord University	0357	8,278,077	8,552,843
Fairmont State University	0360	14,577,267	15,111,777
Glennville State College	0363	5,622,099	5,885,700
Shepherd University	0366	9,360,954	9,671,542
West Liberty University	0370	7,592,683	7,823,727
West Virginia State University	0373	11,099,907	11,447,580
Council for C&T College Education	0596	6,870,785	8,747,123
Mountwest C&T College	0599	5,314,947	5,505,121
New River C&T College	0600	5,247,765	5,452,807
Pierpont C&T College	0597	6,989,036	7,244,243
Blue Ridge C&T College	0601	4,880,509	5,099,246
WVU at Parkersburg	0351	9,086,528	9,495,037
Southern WV C&T College	0380	7,626,471	7,944,214
WV Northern C&T College	0383	6,583,128	6,833,499
Eastern WV C&T College	0587	1,751,421	1,812,537
BridgeValley C&T College	0618	7,158,055	7,420,648
<b>Subtotal</b>		<b>382,675,751</b>	<b>400,248,257</b>
<b>TOTAL GENERAL REVENUE</b>		<b>\$4,239,215,945</b>	<b>\$4,395,573,884</b>

\* Total Appropriations FY 2019 include surplus appropriations of \$13,765,000.

\*\* Total Request FY 2020 is Current-Level Request plus General Revenue Improvement Requests.

*General Revenue Fund  
Overview by Functional Category  
(Continued)*

Plus: Reappropriated FY 2019	Total Available FY 2019	Total Request FY 2020 **	Governor's Recommendation FY 2020	Percentage of Total
2,788,021	75,641,807	86,353,786	72,918,433	1.56%
0	1,681,744	1,681,744	1,747,826	0.04%
0	22,520,709	22,520,709	20,946,037	0.45%
0	106,292,930	106,292,930	109,242,558	2.34%
382,405	13,564,866	13,182,461	13,648,213	0.29%
564,456	47,240,756	46,676,300	48,232,632	1.03%
8,584	7,400,274	7,391,690	9,596,404	0.21%
0	5,600,993	5,600,993	5,830,221	0.12%
0	8,552,843	8,552,843	8,851,415	0.19%
0	15,111,777	15,111,777	15,600,341	0.33%
0	5,885,700	5,885,700	6,199,942	0.13%
0	9,671,542	9,671,542	9,983,829	0.21%
0	7,823,727	7,823,727	8,087,662	0.17%
0	11,447,580	12,810,026	13,132,704	0.28%
2,028,595	10,775,718	25,747,123	8,758,090	0.19%
0	5,505,121	5,505,121	5,689,307	0.12%
0	5,452,807	5,452,807	5,714,886	0.12%
0	7,244,243	7,244,243	7,520,129	0.16%
0	5,099,246	5,099,246	5,330,842	0.11%
0	9,495,037	9,495,037	9,919,284	0.21%
0	7,944,214	7,944,214	8,241,823	0.18%
0	6,833,499	6,833,499	7,135,825	0.15%
0	1,812,537	1,812,537	1,879,912	0.04%
0	7,420,648	7,420,648	7,698,811	0.16%
<b>5,772,061</b>	<b>406,020,318</b>	<b>432,110,703</b>	<b>411,907,126</b>	<b>8.81%</b>
<b>\$297,422,832</b>	<b>\$4,692,996,716</b>	<b>\$4,700,038,884</b>	<b>\$4,675,361,773</b>	<b>100.00%</b>

# General Revenue Fund

## Recommended Supplemental Appropriations

### FY 2019

(Nearest Dollar)

Public Defender - Appointed Counsel billings are exceeding FY 2019 appropriations	\$15,300,000
PEIA Stability Funding	105,000,000
Education - Jim's Dream	20,000,000
Education - Communities in Schools	5,000,000
Corrections - Regional Jail Payments	20,609,836
Veterans - Nursing Facility Shortfall	6,000,000
Veterans - Van Purcahse	200,000
Governor - Civil Contingent Fund	28,000,000
<b>Recommended General Revenue Supplementals - Increases - FY 2019</b>	<b>\$200,109,836</b>

# Lottery Fund

## Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2017	\$59,841,787
Less:	Reserve for Cash Flow / Contingencies	(40,000,000)
Plus:	FY 2018 Actual Revenue	149,420,559
Less:	Veterans Fund - Actual Transfers	(672,193)
Less:	FY 2018 Appropriations (FY 2018 Budget Bill)	(130,917,133)
Plus:	FY 2018 Appropriations (FY 2018 Budget Bill) vetoes	0
Less:	FY 2018 Surplus Appropriation (FY 2018 Budget Bill)	(15,500,000)
Less:	FY 2018 Surplus Appropriation ( 2018 Regular Session)	(4,300,000)
Plus:	Cash not needed for FY 2018 Appropriations	<u>7,125</u>
	Unappropriated Balance @ July 1, 2019	17,880,145
Plus:	FY 2019 Revenue Estimate	\$123,708,000
Less:	Veterans Fund	<u>(400,000)</u>
	Revenue Available for FY 2019 Appropriations	141,188,145
Less:	FY 2019 Appropriations (FY 2019 Budget Bill)	(123,308,000)
Plus:	FY 2019 Appropriations (FY 2019 Budget Bill) vetoes	0
Less:	FY 2019 Surplus Appropriation (FY 2019 Budget Bill)	(6,000,000)
Plus:	Cash not needed for FY 2019 Appropriations	<u>9,350</u>
	Estimated Unappropriated Balance @ June 30, 2018	\$11,889,495
Plus:	FY 2020 Revenue Estimate	\$128,208,000
Less:	Veterans Fund	<u>(400,000)</u>
	Revenue Available for FY 2020 Appropriations	\$139,697,495
Less:	<b>Recommended</b> FY 2020 Appropriations (FY 2020 Budget Bill)	<u>(127,808,000)</u>
	Estimated Unappropriated Balance @ June 30, 2020	<u><b>\$11,889,495</b></u>

Note: The Governor recommends \$16,000,000 of any surplus balance remaining at the end of FY 2019 be appropriated for Medicaid.

# Lottery Fund

## Overview by Functional Category

### FY 2018 through FY 2020

(Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2018	Total Appropriations FY 2019 *
<b>ADMINISTRATION</b>			
Education, Arts, Sciences, & Tourism Debt Service Fund	2252	<b>\$9,987,906</b>	<b>\$10,000,000</b>
<b>COMMERCE</b>			
Division of Tourism	3067	6,431,515	6,549,756
Division of Natural Resources	3267	3,419,353	3,196,301
<b>Subtotal</b>		<b>9,850,868</b>	<b>9,746,057</b>
<b>EDUCATION</b>			
State Department of Education	3951	15,292,932	18,526,892
School Building Authority	3963	17,999,999	18,000,000
<b>Subtotal</b>		<b>33,292,931</b>	<b>36,526,892</b>
<b>EDUCATION AND THE ARTS</b>			
Office of the Secretary	3508	<b>1,053,380</b>	<b>250,100</b>
<b>EDUCATION AND THE ARTS</b>			
Culture and History	3534	3,296,456	4,077,607
Library Commission	3559	11,422,175	11,454,456
<b>Subtotal</b>		<b>14,718,631</b>	<b>15,532,063</b>
<b>SENIOR SERVICES</b>			
Bureau of Senior Services	5405	<b>67,355,775</b>	<b>45,169,030</b>
<b>HIGHER EDUCATION</b>			
CTC - Capital Improvement Fund	4908	2,136,496	5,000,000
Higher Education Policy Commission	4925	2,971,111	3,014,498
West Virginia University	4185	3,382,125	3,494,374
Marshall-School of Medicine	4896	579,880	574,986
<b>Subtotal</b>		<b>9,069,612</b>	<b>12,083,858</b>
<b>TOTAL LOTTERY</b>		<b>\$145,329,103</b>	<b>\$129,308,000</b>

\* Total Appropriations FY 2019 include surplus appropriations of \$6,000,000.

\*\*Total Request FY 2020 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2019	Total Available FY 2019	Total Request FY 2020 **	Governor's Recommendation FY 2020	Percentage of Total
\$0	\$10,000,000	\$10,000,000	\$10,000,000	7.82%
4,703,159	11,252,915	6,549,756	6,732,425	5.27%
1,458,062	4,654,363	3,196,301	3,443,151	2.69%
<b>6,161,221</b>	<b>15,907,278</b>	<b>9,746,057</b>	<b>10,175,576</b>	<b>7.96%</b>
23,215,824	41,742,716	18,556,692	18,883,375	14.77%
0	18,000,000	18,000,000	18,000,000	14.08%
<b>23,215,824</b>	<b>59,742,716</b>	<b>36,556,692</b>	<b>36,883,375</b>	<b>28.86%</b>
<b>35,188</b>	<b>285,288</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
1,173,425	5,251,032	4,351,607	4,115,157	3.22%
374,233	11,828,689	11,624,456	11,513,700	9.01%
<b>1,547,658</b>	<b>17,079,721</b>	<b>15,976,063</b>	<b>15,628,857</b>	<b>12.23%</b>
<b>708,653</b>	<b>45,877,683</b>	<b>43,719,030</b>	<b>42,856,387</b>	<b>33.53%</b>
1,133,231	6,133,231	5,000,000	5,000,000	3.91%
1,170,074	4,184,572	3,014,498	3,018,744	2.36%
618,823	4,113,197	3,494,374	3,646,625	2.85%
51,739	626,725	574,986	598,436	0.47%
<b>2,973,867</b>	<b>15,057,725</b>	<b>12,083,858</b>	<b>12,263,805</b>	<b>9.60%</b>
<b>\$34,642,411</b>	<b>\$163,950,411</b>	<b>\$128,081,700</b>	<b>\$127,808,000</b>	<b>100.00%</b>

# Excess Lottery Fund

## Overview by Functional Category

### FY 2018 through FY 2020

(Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2018	Total Appropriations FY 2019 *
<b>STATUTORY APPROPRIATIONS:</b>			
<b>DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)</b>			
Economic Development Authority	9065	\$18,988,907	\$19,000,000
Higher Education Improvement Fund	4297	15,000,000	15,000,000
School Building Authority	3514	18,994,833	19,000,000
Division of Natural Resources	3277	5,882,998	5,000,000
Cacapon & Beech Fork Debt Service Fund	9067	0	2,032,000
State Parks Debt Service Fund	9068	0	0
Infrastructure Council	3390	46,000,000	46,000,000
<b>Subtotal</b>		<b>104,866,738</b>	<b>106,032,000</b>
<b>TRANSFERS</b>			
Refundable Credit	7207	10,000,000	10,000,000
General Revenue	7206	65,000,000	65,000,000
PROMISE Scholarship	4295	29,000,000	29,000,000
Racing Commission-Special Breeders Compensation	7308	2,000,000	2,000,000
<b>Subtotal</b>		<b>106,000,000</b>	<b>106,000,000</b>
<b>TOTAL STATUTORY APPROPRIATIONS:</b>		<b>210,866,738</b>	<b>212,032,000</b>
<b>APPROPRIATIONS ABOVE EXCESS LOTTERY STATUTORY REQUIREMENTS:</b>			
Office of the Governor	1046	0	0
Distributions to Statutory Funds and Purposes	7213	63,081,245	50,022,040
WV Development Office	3170	0	0
Division of Corrections-Capital	6283	11,358	0
Human Services-Medical Services	5365	61,306,170	36,202,960
Higher Education-Advanced Technology Centers	4932	811,024	0
<b>TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:</b>		<b>125,209,797</b>	<b>86,225,000</b>
<b>TOTAL EXCESS LOTTERY</b>		<b>\$336,076,535</b>	<b>\$298,257,000</b>

\* Total Appropriations FY 2019 include surplus appropriations of \$8,000,000.

\*\* Total Request FY 2020 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2019	Total Available FY 2019	Total Request FY 2020 **	Governor's Recommendation FY 2020	Percentage of Total
\$0	\$19,000,000	\$19,000,000	\$19,000,000	6.55%
0	15,000,000	15,000,000	15,000,000	5.17%
0	19,000,000	19,000,000	19,000,000	6.55%
7,460,474	12,460,474	1,505,000	1,505,000	0.52%
0	2,032,000	2,032,000	2,032,000	0.70%
0	0	4,395,000	4,395,000	1.51%
0	46,000,000	46,000,000	46,000,000	15.85%
<b>7,460,474</b>	<b>113,492,474</b>	<b>106,932,000</b>	<b>106,932,000</b>	<b>36.84%</b>
0	10,000,000	10,000,000	10,000,000	3.45%
0	65,000,000	65,000,000	65,000,000	22.39%
0	29,000,000	29,000,000	29,000,000	9.99%
0	2,000,000	2,000,000	2,000,000	0.69%
<b>0</b>	<b>106,000,000</b>	<b>106,000,000</b>	<b>106,000,000</b>	<b>36.52%</b>
<b>7,460,474</b>	<b>219,492,474</b>	<b>212,932,000</b>	<b>212,932,000</b>	<b>73.36%</b>
80,626	80,626	0	0	0.00%
0	50,022,040	50,022,040	50,022,040	17.23%
887,548	887,548	0	0	0.00%
210,968	210,968	0	0	0.00%
0	36,202,960	28,202,960	27,302,960	9.41%
252,383	252,383	0	0	0.00%
<b>1,431,525</b>	<b>87,656,525</b>	<b>78,225,000</b>	<b>77,325,000</b>	<b>26.64%</b>
<b>\$8,891,999</b>	<b>\$307,148,999</b>	<b>\$291,157,000</b>	<b>\$290,257,000</b>	<b>100.00%</b>

# Excess Lottery Fund

## Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2017	\$72,771,664
Less:	Reserve for Cash Flow / Contingencies	(6,103,080)
Less:	Catastrophic Event Contingency	(30,000,000)
Plus:	FY 2018 Actual Revenue	324,527,037
Less:	FY 2018 Appropriation (FY 2018 Budget Bill)	(297,587,415)
Plus:	FY 2018 Appropriations (FY 2018 Budget Bill) vetoes	0
Less:	FY 2018 Surplus Appropriation (FY 2018 Budget Bill)	(26,900,000)
Less:	FY 2018 Supplemental Appropriation (SB 379, 2018 Regular Session)	(9,900,000)
Plus:	Cash not needed for FY 2018 Appropriations	16,260
	Unappropriated Balance @ June 30, 2018	\$26,824,466
Plus:	FY 2019 Revenue Estimate	290,257,000
	Available for FY 2019 Appropriations	317,081,466
Less:	FY 2019 Appropriations (FY 2019 Budget Bill)	(290,257,000)
Plus:	FY 2019 Appropriations (FY 2019 Budget Bill) vetoes	0
Less:	FY 2019 Surplus Appropriation (FY 2019 Budget Bill)	(8,000,000)
Plus:	Cash not needed for FY 2019 Appropriations	23,545
	Estimated Unappropriated Balance @ June 30, 2019	\$18,848,011
Plus:	FY 2020 Revenue Estimate	225,257,000
Less:	<b>Recommended</b> FY 2020 Appropriations (FY 2020 Budget Bill)	(225,257,000)
	Estimated Unappropriated Balance @ June 30, 2020	<b>\$18,848,011</b>

Note: The Governor recommends \$17,000,000 of any surplus balance remaining at the end of FY 2019 be appropriated for Medicaid.

# State Road Fund

## Statement of Revenues by Source

### FY 2016 Through FY 2024

(Expressed in Thousands)

Source of Revenue	FY 2016 Actual Collections	FY 2017 Actual Collections	FY 2018 Actual Collections	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
Gasoline and Motor Carrier Road Tax	\$396,397	\$381,304	\$419,645	\$443,900	\$450,000	\$440,000	\$440,000	\$435,000	\$430,000
Registration Fees	86,983	104,354	148,546	142,196	143,682	142,491	142,415	143,259	144,692
Registration Fee: Highway Litter Control	1,853	1,876	1,480	1,719	1,719	1,719	1,719	1,719	1,719
Sales (Privilege) Tax	206,247	204,111	227,418	230,930	231,061	232,250	233,427	234,593	236,939
Less Transfer to Industrial Access Road Fund	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income	23,111	26,208	52,471	16,495	28,995	21,495	23,995	23,995	24,235
Federal Reimbursement:									
Interstate Construction	93,728	70,571	56,706	77,900	77,900	82,000	82,000	82,000	82,000
Other Federal Aid Programs	267,363	293,581	267,061	303,400	307,500	307,500	307,500	307,500	307,500
Appalachian Program	35,335	77,969	67,291	90,200	82,000	90,200	90,200	90,200	90,200
<b>Total</b>	<b>\$1,108,017</b>	<b>\$1,156,974</b>	<b>\$1,237,618</b>	<b>\$1,303,740</b>	<b>\$1,319,857</b>	<b>\$1,314,655</b>	<b>\$1,318,256</b>	<b>\$1,315,266</b>	<b>\$1,344,339</b>

# State Road Fund

## Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Cash and Investment Balance - July 1, 2018	\$141,408,683
Plus:	Revenue Estimate - FY 2019	<u>1,303,740,000</u>
	Total Estimated Receipts and Balance	\$1,445,148,683
Less:	FY 2019 Appropriations (FY 2019 Budget Bill) - Division of Highways	(\$1,308,400,000)
	FY 2019 Appropriations (FY 2019 Budget Bill) - Division of Motor Vehicles	(43,478,729)
	FY 2019 Appropriations (FY 2019 Budget Bill) - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund (FY 2019 Budget Bill)	(408,830)
	<b>Recommended</b> FY 2019 Supplemental Appropriation (2019 Regular Session)	<u>(25,000,000)</u>
	Estimated Balance - June 30, 2019	\$65,909,145
Plus:	Revenue Estimate - FY 2020	\$1,319,857,000
Less:	Recommended FY 2020 Appropriations (FY 2020 Budget Bill) - Division of Highways	(\$1,331,768,229)
	Recommended FY 2020 Appropriations (FY 2020 Budget Bill) - Division of Motor Vehicles	(46,077,719)
	Recommended FY 2020 Appropriations (FY 2020 Budget Bill) - Office of Administrative Hearings	(2,065,530)
	Claims Against the State Road Fund (FY 2020 Budget Bill)	<u>(4,250,000)</u>
	Estimated Unappropriated Balance @ June 30, 2020	<u><u><b>\$1,604,667</b></u></u>

# Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2018

(Expressed in Thousands)

	Actual 6/30/16*	Actual 6/30/17*	Actual 6/30/18*	Estimated 6/30/19*	Estimated 6/30/20*
<b>General Obligation Debt</b>					
Safe Road Bonds	\$166,385	\$151,160	\$135,175	\$118,390	\$100,830
Roads to Prosperity	-	-	800,000	782,305	764,455
Infrastructure Bonds	188,347	171,745	156,966	140,977	123,737
SUBTOTAL	<u>354,732</u>	<u>322,905</u>	<u>1,092,141</u>	<u>1,041,672</u>	<u>989,022</u>
<b>Revenue Bonds</b>					
School Building Authority	109,075	91,040	22,265	0	0
School Building Authority (Lottery)	92,025	110,355	137,875	169,503	154,273
School Building Authority (Excess Lottery)	162,420	94,250	83,490	100,987	91,189
School Building Authority, QSCBs (Excess Lottery)	150,480	150,480	150,480	150,480	150,480
Tobacco Settlement Finance Authority	853,707	850,612	850,238	840,330	816,255
Highways, Commissioner of	0	53,380	219,985	204,675	190,265
2010 EAST Fund (Lottery)	139,230	135,940	141,560	137,765	133,780
Economic Development Authority (Excess Lottery)	144,065	133,415	147,195	134,970	121,655
WV Infrastructure and Jobs Development Council	178,340	168,855	162,795	157,280	151,545
SUBTOTAL	<u>1,829,342</u>	<u>1,788,327</u>	<u>1,915,883</u>	<u>1,895,990</u>	<u>1,809,442</u>
<b>Capital Leases &amp; Notes Payable</b>					
Governmental Funds	225,692	213,761	201,072	185,000	168,500
Internal Service**	58,595	58,050	56,760	55,470	54,180
Notes Payable**	16,783	14,589	18,489	11,000	5,000
SUBTOTAL	<u>301,070</u>	<u>286,400</u>	<u>276,321</u>	<u>251,470</u>	<u>227,680</u>
<b>TOTAL</b>	<u><u>\$2,485,144</u></u>	<u><u>\$2,397,632</u></u>	<u><u>\$3,284,345</u></u>	<u><u>\$3,189,132</u></u>	<u><u>\$3,026,144</u></u>

\*Actual and Estimated balances do not include unamortized discounts/premiums/issuance costs.

\*\*6/30/18 figures are estimated for those items.

# Major Reserve/Stabilization Accounts

## ***Revenue Shortfall Reserve Fund (Rainy Day Fund)***

The state established a Revenue Shortfall Reserve Fund (Rainy Day Fund) that began with surplus funds available at the close of FY 1994. (W.Va. Code §11B-2-20 was passed March 11, 1994 and amended August 5, 2011.) Funds may be used for revenue shortfalls, emergency needs caused by acts of God or natural disasters, or for other fiscal needs.

Current West Virginia Code requires the first 50% of all surplus General Revenue funds accrued during the fiscal year just ended be deposited into the fund until the aggregate amount of the fund is equal to 13% of the total appropriations from the General Revenue Fund for the fiscal year just ended. The first \$100 million in the fund is invested by the West Virginia Board of Treasury Investments and any amounts over \$100 million are invested by the West Virginia Investment Management Board. As of December 31, 2017, the fund contained \$269 million, 6.3% of FY 2018 appropriations.

Since the fund was created in 1994, \$842 million has been deposited into the fund, which includes transfers in and interest; \$225 million has been used for flood (including \$55 million appropriated during the 2016 2nd Legislative Special Session for costs related to the June 2016 flood) and drought victim assistance, infrastructure, snow removal, and other projects. For the first time, in FY 2015, the fund was accessed to help balance the budget, transferring \$100 million to the Medical Services Trust Fund to be used as state matching funds for West Virginia's Medicaid Program. In the FY 2016 Budget Bill, \$14.8 million was appropriated for transfer to the Medical Services Trust Fund. To help close the FY 2016 general revenue shortfall, an additional \$83.8 million was transferred to the General Fund. In the FY 2017 Budget Bill, \$70 million was appropriated for transfer to the Medical Services Trust Fund, \$21.3 million for FY 2017 surplus supplemental appropriations, and \$40.4 million for helping in balancing the FY 2017 budget. The FY 2018 Budget uses no Rainy Day funding. The FY 2019 budget recommended no use of Rainy Day funding, and the Governor recommends no transfer in his FY 2020 budget from the Rainy Day Fund.

The Governor, by executive order, is allowed to borrow funds (prior to October 31st each year) from the Rainy Day Fund when revenues are inadequate to make timely payments of the state's obligations. The amount borrowed may not exceed 1.5% of the General Revenue Fund estimate for the fiscal year in which the funds are borrowed and shall be repaid to the fund within 90 days of its withdrawal.

Because of an expected cash flow shortfall experienced each year in the first quarter of the fiscal year, the Governor is authorized to borrow from the fund at the beginning of each fiscal year, and since August 1996, has done so in order to pay obligations in a timely manner. All loans were repaid within the 90-day limit allowed by law. On December 31, 2018, the balance in the Rainy Day Fund was \$285.9 million.

## ***Revenue Shortfall Reserve Fund - Part B (Rainy Day Fund—Part B)***

The state established a Revenue Shortfall Reserve Fund—Part B (Rainy Day Fund—Part B) that began with the cash balance of the West Virginia Tobacco Settlement Medical Trust Fund on June 9, 2006 (W.Va. Code §11B-2-20 amended August 5, 2011). The fund is invested by the West Virginia Investment Management Board.

Expenditures may not be made from the Rainy Day Fund—Part B unless all money in the Rainy Day Fund have been first expended. After June 30, 2025, interest and other return earned on money in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health program services and agencies; funding for any state-owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On December 31, 2018, the balance in the Rainy Day Fund—Part B was \$432.6 million.

## Major Reserve/Stabilization Accounts

### Income Tax Refund Reserve Fund

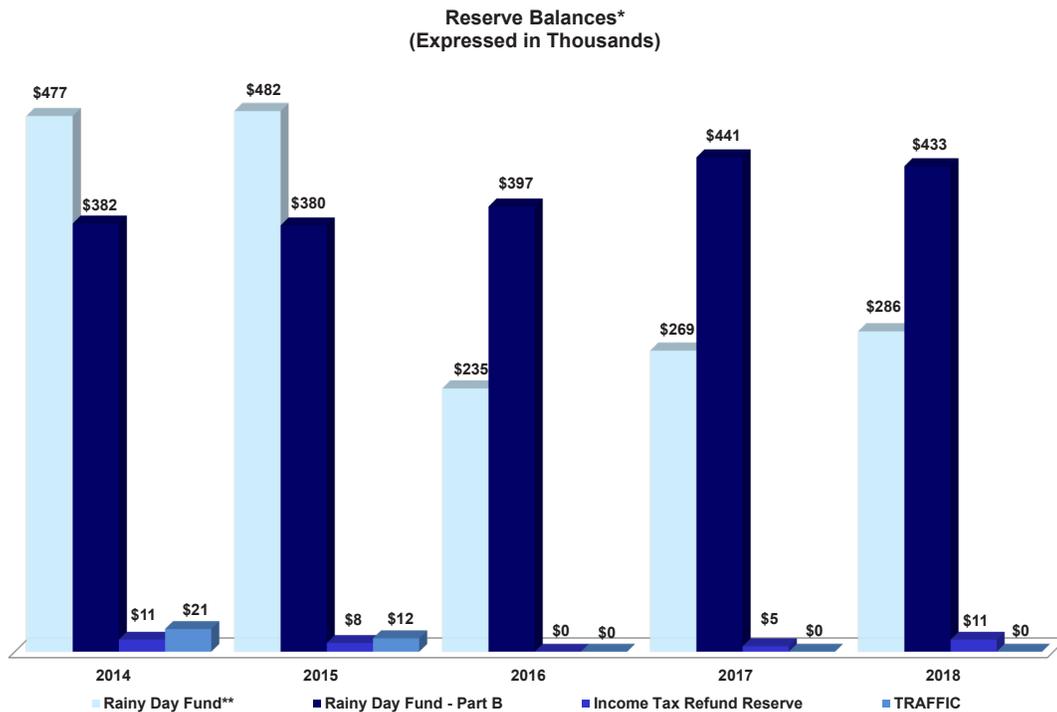
An Income Tax Refund Reserve Fund was established during FY 1990 (W.Va. Code §11-21-93) to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds.

The balance in the Income Tax Refund Reserve Fund at the beginning of FY 2019 was \$5 million. As of December 31, 2018, the balance of the Income Tax Refund Reserve Fund is \$11 million.

### Tax Reduction and Federal Funding Increased Compliance (TRAFFIC)

During the 1995 session of the West Virginia Legislature, the initial appropriation was made to the account titled Tax Reduction and Federal Funding Increased Compliance (TRAFFIC). This appropriation was made to the Joint Expense account of the legislative branch and was intended for possible general state tax reductions to offset any reductions in federal funding for state programs, or to have funds available for other unanticipated needs. It was not intended as an operational appropriation for expenditure by the Legislature.

Since the inception of the TRAFFIC account, \$156.7 million has been deposited into the account and \$81.0 million has been appropriated from the account (mostly for meeting shortfalls in Medicaid match funds, for flood victim assistance, or additional payments to unfunded liabilities in the state retirement systems). In FY 2014, an additional \$55.1 million was expired to the General Revenue Unappropriated and Surplus balances to help fund supplemental appropriations. In FY 2015, \$7.5 million was expired to the General Revenue Unappropriated balance to help in balancing FY 2015's budget. In FY 2016, an additional \$12.2 million was expired to the General Revenue Unappropriated and Surplus balances to help fund supplemental appropriations and in balancing FY 2016's budget. As of December 31, 2017, no funds remain.

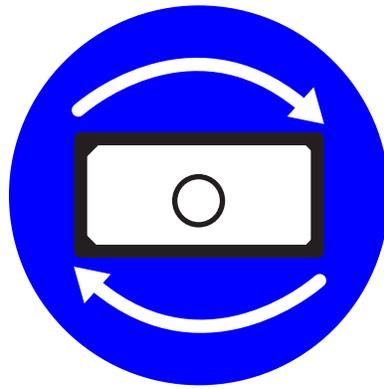


\*Balances of December 31 each year

\*\*2015 balance includes \$60 million on loan to General Revenue fund for cash flow purposes that was repaid in January 2016.  
2016 balance includes \$50 million on loan to the Unemployment Compensation Trust Fund that was repaid in May 2017.



# BUDGET PLANNING





# Long-Range Issues

## **Introduction**

At the beginning of the last decade, the state was faced with several major issues that had immediate and long-term implications. The state has been focused on its highway infrastructure, correctional facilities, water and sewer systems, school facilities, health care cost and access, insurance reform, and unfunded liabilities in retirement systems. These building blocks of West Virginia's economy continue to require attention.

## **Infrastructure Projects/Improvements**

### **Highway Infrastructure**

The Department of Transportation utilizes revenues from the State Road Fund to fund and operate: the Division of Highways, Division of Motor Vehicles, and the Office of Administrative Hearings. The State Road Fund receives its revenue almost entirely from dedicated tax revenues. Those tax revenues increased between FY 2017 and FY 2018 in total \$105.4 million (15.25%). Motor Fuel Excise Tax collections increased during FY 2018 by \$38.3 million (10.06%). Registration Fee collections increased in FY 2018 by \$44.2 million (42.35%) from the previous year. Privilege Tax collections also showed an increase for FY 2018 of \$23.3M (11.42%). Highway Litter Fee collections showed a decrease in FY 2018 of \$0.4 million (-21.15%). With the passage of Senate Bill 1006 (2017), the average wholesale price for motor fuel increased, as well as providing for increased rates of both the Motor Vehicle Sales tax and registration fees. This will enhance future revenue collections in the short term. After FY 2019, neither the Department of Revenue nor the Department of Transportation projects any substantial growth in revenues through FY 2023. The long-term forecast provided by the Department of Revenue predicts a small decline in motor fuel consumption over time related to fuel efficiency gains. Therefore, any increase in fuel prices would be offset in the long run.

With the passage of SB 1006 and the additional revenues, the Division of Highways will be able to complete certain activities which have been deferred due to lack of funding. Past revenues have been inadequate to permit the Division of Highways to satisfactorily achieve its mission of maintaining a safe and efficient highway system. System preservation needs were not being met and, as a result, highways were deteriorating. The cost of replacing all state-maintained bridges that are more than 60 years old is approximately \$1 billion, and highway slips and slides totaling tens of millions of dollars have been identified. The Division's current goal of resurfacing roadways on a 12-year average cycle requires approximately 1,880 miles to be paved annually. Based on an average cost of \$220,000 per mile, nearly \$414 million will need to be committed annually to achieve this goal. Purchases of equipment used by maintenance forces has historically been underfunded each year. Finally, the Division had identified over \$16 billion in new construction that could not be undertaken due to a lack of funds. Since it is more important to maintain existing infrastructure than to build new highways, it appeared most of these projects would never be constructed.

In addition, West Virginia code 17-17A-1 was revised to authorize notes, in an aggregate amount of outstanding notes not to exceed \$500 million, can be issued. These notes are known as GARVEE bonds and are paid for by utilizing anticipated reimbursements from federal apportionment from the Federal Highway Administration. Additionally, on October 7, 2017 the citizens of West Virginia voted to pass a referendum which allows the Division to sell \$1.6 billion dollars in General Obligation bonds. And lastly, the process has begun which will lead to the sale of West Virginia Turnpike revenue bonds. All of these increased revenue sources and financing options are a result of the "Roads to Prosperity" initiative. Not only will these options allow the Division of Highways to carry out its mission to provide safe and efficient roads, but it will allow the Division to address projects and equipment needs which in years past would not have had adequate funding. In addition to the direct increase in funds to the State Road Fund, the "Roads to Prosperity" plan provides for economic growth for the state by creating 48,000 jobs.

On December 4, 2015, the President signed into law the "Fixing America's Surface Transportation Act," or FAST Act, which is a five-year surface transportation program authorizing funding for highway and public transportation investments. The FAST Act is the first long-term transportation legislation to pass Congress in 10 years and provides stability to the Department in planning its transportation investments. The FAST Act provides a gradual increase in funding each year to the states and the following apportioned funds to the Department. In Federal Fiscal Year 2016, the apportionment was \$443.3 million. This amount increases each year until it reaches \$484.0 million by Federal Fiscal Year 2020.

## *Long-Range Issues (Continued)*

The FAST Act continues existing programs but also provides policy changes, including an emphasis on freight movement with the creation of the National Highway Freight Program and the Nationally Significant Freight and Highway Projects Program. It includes provisions to help accelerate the delivery of highway improvements through streamlining the environmental review process. The FAST Act also includes provisions to enhance the transparency of the federal investment to the public. The FAST Act, however, does not fully address the long-term revenue needs of the Highway Trust Fund.

### **Public Transportation**

Public transportation systems that serve all individuals are critical to the state's citizens who are elderly, ill, economically disadvantaged, or for other reasons cannot or choose not to drive a vehicle. More than 5.7 million rides, nearly three times the state's population, were provided on West Virginia public transit systems in FY 2018, making public transit an often used, reliable, and safe alternative transportation option.

As the state's population continues to age and remain active, but is limited in its ability to drive, mobility issues loom as a major concern. The U.S. Census Bureau estimates that by the year 2030, 20% of the U.S. population will be 65 or older. A United States Government Accountability Office report (GAO-04-971) on transportation-disadvantaged seniors indicates that state governments must plan for alternatives to driving as seniors age and must work toward accommodating seniors' varied mobility needs.

The future of public transit and maintenance/addition of service areas in West Virginia are heavily dependent upon the investments made by the state and federal government. Public transit funding is provided under the same federal legislation that funds highways. During the MAP-21 and subsequent FAST Act federal transportation legislation implementation, significant changes have occurred in the federal transit programs with programs repealed, consolidated, and streamlined. Flat or reduced federal transit funding remains a possibility.

These federal transit funds require state or local matching dollars. While the local programs have been creative in reducing costs and securing matching funds, increasing costs make reductions, rather than expansions, of public transit service a continuing possibility. Preserving the state's contribution to this essential service must be a priority.

### **Public Education**

#### **School Building Authority**

The School Building Authority of West Virginia was created in 1989 to provide state funds for the construction and maintenance of primary and secondary school facilities to meet an estimated \$1.2 billion need. Since that time, the amount has grown to over \$3 billion due to the continued rise in construction costs and the deterioration of building and building systems.

To meet the immediate facility needs of county boards of education, the West Virginia Legislature authorized the School Building Authority (SBA) to issue four series of bonds. These four bond series produced approximately \$251 million for school construction, renovation, and repair. The annual debt service requirement for these bonds is approximately \$23.5 million funded from the General Revenue Fund through the fiscal year ending June 30, 2019. When these bonds are retired, the West Virginia Code mandates that \$24 million be dedicated annually to the SBA pay-as-you-go program.

In the fiscal year ended June 30, 1995, the West Virginia Legislature authorized the SBA to issue additional bonds secured by the net profits of the regular lottery fund. This allocation of \$18 million per year has allowed the SBA to issue seven series of bonds and provide \$443 million for school construction, renovation, and repair through June 30, 2018.

Beginning in fiscal year 1996, the West Virginia Legislature initiated a "pay-as-you-go" program to continue funding school construction without continued issuance of debt. The SBA receives annual funding for both new school construction and major improvements to existing facilities. This funding, statutorily dedicated from Consumer Sales

## *Long-Range Issues (Continued)*

Tax revenues, currently provides the SBA with \$32 million per year. These annual allocations allowed the SBA to provide \$661 million for school construction, renovation, and repair through June 30, 2018.

During the 2001 legislative session, additional annual funding was dedicated from the net profits of the Excess Lottery for the SBA's Debt Service Fund, but stipulated that this money be used for the "pay-as-you-go" program until the sale of bonds was authorized by the West Virginia Legislature. During the 2008 legislative session, the SBA was authorized to utilize these funds to sell additional bonds. This allocation of \$19 million per year allowed the SBA to issue six series of bonds and provide \$408 million for school construction, renovation, and repair through June 30, 2018.

During the 2007 legislative session, the School Access Safety Act was passed. This legislation established a School Access Safety Fund into which funding would be placed for school access safety grants by the SBA. The West Virginia Legislature allocated \$10 million per year for fiscal years 2008, 2009, and 2010 and allocated \$5 million in the fiscal year ended June 30, 2011. Thirty-one and a half million of the \$35 million was allocated to each county based on net enrollment. The remaining \$3.5 million was dedicated to tactical surveys of West Virginia schools.

The SBA has adopted a 15-year funding plan that provides for level funding cycles in future years. Due to the declining net profits of the Excess Lottery, this funding scenario will utilize that allocation in the pay-as-you-go program when the bonds secured by this revenue stream are retired.

Since the inception of the SBA, over \$1.9 billion in state dollars and \$1.5 billion in local dollars have been dedicated to West Virginia school facilities.

### **Health Care**

The State of West Virginia faces many challenges and obstacles in health care. Nationally, medical costs are increasing significantly and the prices for prescription drugs are increasing even more. An aging population, new and more-costly medical technologies, and expensive new generation drugs are all contributing factors to rising health care costs.

In addition to these national trends, West Virginia faces other obstacles unique to the Mountain State. According to the most recent report of resident deaths reported to the Centers for Disease Control and Prevention (CDC), National Center for Health Statistics by the West Virginia Health Statistics Center, in 2016 West Virginia had the highest crude mortality rate per 100,000 people of all states including the District of Columbia. West Virginia also had the highest mortality rates in cancer, chronic lower respiratory disease, diabetes, nephritis, nephrotic syndrome, nephrosis, all accidental deaths, and drug overdose deaths (regardless of intent). West Virginia also ranked fourth in mortality from stroke and fifth in heart disease and influenza/pneumonia. Finally, West Virginia ranked tenth in suicides and fourteenth in accidental motor vehicle deaths during 2016. Along with known risk factors, age is a factor in many types of death. West Virginia's population has the fourth oldest median age in the nation and the third highest percentage population aged 65 and older.

West Virginia has an ongoing problem with drug overdose deaths. In 2001, there were 212 drug overdose deaths in West Virginia, climbing steadily to a then record peak of 656 in 2011. There was a drop off in 2012, thought largely due to the closing down of "pill mills." Overdose deaths, first led by heroin and later combined with fentanyl, climbed much higher in 2017, peaking at 1,016 (preliminary figure).

According to the West Virginia Health Statistics Center, which collects data for the Behavioral Risk Factor Surveillance System (BRFSS) in conjunction with CDC, 2017 data indicates that West Virginia ranks high among all states in the adult prevalence of several chronic diseases and risk factors for disease. West Virginia had the highest prevalence in the nation of arthritis (39.2%), cardiovascular disease (14.4%), chronic obstructive pulmonary disease (15.0%), coronary heart disease (7.4%), depression (26.0%), heart attack (7.5%), high cholesterol (39.7%), and obesity (38.1%). West Virginia had the second highest prevalence in the nation of asthma (12.7%), current smoking (26.0%), diabetes (15.2%), fair or poor health (25.9%), hypertension (43.5%), kidney disease (4.2%), and smokeless tobacco use (8.9%). The prevalence of stroke was 4.8% making it the third highest in the nation. The prevalence of cancer was 13.9% and

## *Long-Range Issues (Continued)*

the prevalence of current e-cigarette use was 5.7%, which ranked West Virginia seventh highest in the nation on these indicators. The prevalence of physical inactivity was 31.6%, the tenth highest in the nation. On a positive note, the state's heavy drinking prevalence was 3.6%, the lowest in the nation and the prevalence of binge drinking was 11.5%, the second lowest in the nation.

For 2017, approximately 18.8% of West Virginia adults reported poor physical health for at least 14 days in the past 30 days, and 17.3% reported poor mental health at least 14 days in the past 30 days. Additionally, the prevalence of reporting poor physical health in the past 14 days was significantly higher in West Virginia (18.8%) than the U.S. (12.4%) and was the highest among all 53 BRFSS participants. The prevalence of reporting poor mental health in the past 14 days was significantly higher in West Virginia (17.3%) than the national prevalence (12.4%) and was the highest among all 53 BRFSS participants. West Virginia also had the highest prevalence of hearing impairment (13.7%) and cognitive impairment (18.9%) in the nation as well as the second highest prevalence of mobility impairment (24.2%) and vision impairment (8.6%).

In terms of prevalence of chronic diseases and disabilities, the median age of the population must also be considered. The older a person, the more likely that they will or have developed coronary heart disease, arthritis, another type of chronic disease, or some physical impairment. West Virginia's generally older population contributes to these higher percentages of chronic diseases and impairments, when compared to other states, but it is not the sole factor.

Focusing on two particularly problematic areas in West Virginia's poor population health statistics, smoking rates and obesity significantly impair our citizens' quality of life and cost West Virginians billions of dollars each year. The West Virginia Department of Health and Human Resources, through the leadership of the Bureau for Public Health (BPH) in partnership with a broad array of stakeholders, has set goals to mitigate these problems. If successful West Virginians could save millions of dollars annually.

In 2017, approximately 370,000 West Virginians smoked cigarettes. BPH estimates that our extraordinarily high smoking rates cost West Virginia over \$1.8 billion each year. BPH conservatively estimates that if current smoking prevalence among adults is reduced just 1%, West Virginia could save \$26 million a year in preventable health care costs. This estimate does not factor in lost work productivity due to poor health stemming from cigarettes.

In 2017, West Virginia had the highest rate of obesity (38.1%) or approximately 516,000 adults. Extrapolating from the American Journal of Public Health Research on Obesity in West Virginia, obesity-related health conditions are estimated to have cost \$668 million in 2008, \$1.1 billion in 2013, and projected to be approximately \$2.4 billion in 2018.

A George Washington University School of Public Health and Health Services Department of Health Policy study (Dor, Cost Per Person, 2010), estimates that if obesity in West Virginia is reduced by 1%, the state could save \$52,613,430 (2009 dollars) in direct and indirect expenses annually. BPH's revised 2020 state obesity rate target is 35.5% which would result in a 2.6% decrease from 2017.

### **Medicaid**

The West Virginia Medicaid Program provides insurance coverage to approximately 550,000 West Virginians over the course of a year and approximately 500,000 at any point in time. Children comprise 44% of the Medicaid population, while 15% are categorized as blind and disabled, 36% as adults, and the remaining 5% defined as elderly. Effective January 1, 2014, the West Virginia Medicaid Program expanded coverage under the Affordable Care Act. In FY 2016, there were approximately 202,000 additional members due to expansion (included in the total above). Despite the higher than expected total enrollment in Medicaid expansion, in large part a consequence of the West Virginia economy, the Medicaid program has been able to reduce annual per capita costs by several hundred dollars below what independent actuaries originally projected. The expansion population consists of individuals aged 19 to 64 who earn up to 138% of the Federal Poverty Level (FPL). The expansion population represents the working poor, with over 60% of the expansion households having income. The Federal Medical Assistance Percentages (FMAP) for the expansion population will gradually decrease from 100% to 90% during calendar years 2017 through 2020.

To the state's poorest and most disabled citizens, Medicaid offers a benefit package that includes access to

## *Long-Range Issues (Continued)*

prescription drug coverage, long-term care options including community-based care, mental health services, primary care services, nonemergency medical transportation, as well as other benefits that are not traditionally offered through private insurance plans.

Financial support for this program comes from federal and state revenue. The majority of the Medicaid program is financed at an approximate 26% state and 74% federal match, meaning that every dollar the state invests is matched that with approximately three federal dollars. The non-expansion FMAP readjusts annually based on economic indicators in the state relative to other states.

State Medicaid funding is dependent primarily on four funding sources: General Revenue, Lottery, Medical Services Trust Fund, and the Provider Tax. State Medicaid appropriated funding will be approximately \$918 million in 2019.

The cost of the Medicaid program is determined by the number of eligible individuals, how often they utilize health care services, and the cost of those services; therefore, the state must budget for all program costs that are incurred by the clients. The Medicaid program has been able to operate below national health care inflationary trends and has been able to control cost much more successfully than other payers in West Virginia. DHHR will continue these aggressive cost containment strategies. Program benefits, provider reimbursement, and utilization parameters continue to be judiciously managed for state dollar savings.

It is currently estimated that without any program changes, the cost for the Medicaid program will increase at a rate of approximately 3.3% per year. A few noteworthy long-term budgetary risks to the Medicaid program relate to inflationary health care costs, scenarios where increased utilization of services is unavoidable (pandemic flu), increased prescription drug costs, continued deterioration of the West Virginia economy resulting in more impoverished West Virginians, additional unfunded mandates by the judicial system, and changes in federal regulations that become unfunded mandates. Assuming that the Provider Tax, trust fund, and lottery sources of state match remain relatively constant, the General Revenue fund will have to supply the additional funds to cover future increases in cost. Any future increase or decrease in non-General Revenue funding sources will impact the amount of General Revenue required to cover the total state match cost. DHHR leadership will maintain vigilance to ensure fiscal integrity and optimization of member benefits.

### **West Virginia Children's Health Insurance Program (WVCHIP)**

WVCHIP provides full-range health insurance coverage to children of working families with incomes up to 300% of the FPL. As of September 30, 2018, 22,163 children were enrolled. Average monthly enrollment increased 2.4% in FY 2018 compared to FY 2017. The WVCHIP Premium group that includes children in households with incomes between 211% and 300% FPL has shown the highest increase in enrollment, around 10% and is now 28% of the total enrolled population. The West Virginia Children's Health Insurance Board oversees WVCHIP's benefit plan and finances to ensure that funding is sufficient to support the services covered by the insurance program.

On January 22, 2018, Congress passed a Continuing Resolution (CR) that included the Helping Ensure Access for Little Ones, Toddlers, and Hopeful Youth by Keeping Insurance Delivery Stable (HEALTHY KIDS) Act which funded CHIP for six years through 2023. On February 8, 2018, Congress passed another CR that included the Advancing Chronic Care, Extenders, and Social Services (ACCESS) Act that funded CHIP an additional four years through 2027. The 23% "bump" to FMAP remains in place through Federal Fiscal Year (FFY) 2019 and is reduced to an 11.5% "bump" in FFY 2020. In FFY 2021, the CHIP FMAP returns to its normal enhanced level, around 82%.

WVCHIP estimates it will need \$2.9 million in state matching funds for FY 2020 that it can fund using its reserve balance. The projected state share increases to around \$9 million in FY 2021.

In addition, CHIP funding is used to cover expenses for certain children on Medicaid. State funds for this population is estimated to be \$1.2 million in FY 2020 and \$4.2 million in FY 2021.

## Long-Range Issues (Continued)

### Public Employees Insurance Agency

The Public Employees' Insurance Agency (PEIA) was established by the Legislature in 1971 to provide a program of health, life, and prescription drug insurance for its member agencies. In accordance with W.Va. Code §5-16, PEIA provides coverage for all state employers, including institutions of higher education and county boards of education. In addition, political subdivisions in the state and certain other charitable and public service organizations may request to be covered by PEIA.

In 1991, a Finance Board was created by the Legislature to bring fiscal stability through the development of an annual financial plan designed to meet the agency's estimated total financial requirements. The annual financial plan takes into account all projected revenues and apportions costs equitably among participating employers, active and retired employees, and providers of health care services.

The Finance Board must submit a prospective financial plan encompassing five fiscal years. The finance board must develop annual financial plans that generate revenues sufficient to fund a reserve of at least 10% of projected total plan costs. The financial plan must be submitted to the Governor and the Legislature by January 1 of the preceding year with an effective date for the financial plan of July 1 of each plan year.

PEIA and its Finance Board continue to manage the plan amid the rising costs of health care. Increasing health care costs continue in all aspects of health care, most significantly in the specialty drug classification. However, the most recent trend report indicates positive results warranting a reduction to the prescription and medical drug trend assumptions by a half percent. The current financial plan assumes health care costs to increase annually by the following rates:

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Medical	7.5%	8.0%	8.5%	9.0%	9.5%
Drug	11.5%	12.0%	12.5%	13.0%	13.5%

These trend assumptions, in conjunction with benefit changes, will result in the following increases/(decreases) in claims expenses:

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Medical	\$18 million	\$33 million	\$38 million	\$44 million	\$51 million
Drug	\$11 million	\$17 million	\$20 million	\$24 million	\$79 million

These assumed increases will require the board to raise premiums, modify benefits, or utilize prior year gains to fulfill plan obligations and maintain the required minimum reserves. The current financial plan assumes premium increases, benefit changes or prior year gain utilization to offset these increases, resulting in the following reserve levels that do meet the required levels:

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Reserve	\$210 million	\$233 million	\$293 million	\$366 million	\$447 million

PEIA continues to pursue the development of effective, cost-efficient programs to give its members the most benefits for their premiums. Benefit design, provider reimbursement, wellness, and disease management programs are continuously reviewed and modified in this pursuit. Although health care cost trends persist, PEIA will be vigilant in maintaining an affordable, quality health care insurance.

### Retiree Health Benefits Trust Fund

The Legislature passed House Bill 4654 during the 2006 session. This bill created the West Virginia Retiree Health Benefits Trust Fund (Trust) and charged PEIA with its administration. The fund was created to account for the West Virginia Other Postemployment Benefits (OPEB) and otherwise comply with GASB Statements 74 and 75.

## *Long-Range Issues (Continued)*

Rising drug and health care costs, state budget constraints, plan funding, and the OPEB liability reporting requirement are all issues the PEIA Finance Board must consider in preparing the agency's five-year financial plan.

The retiree plan must be subsidized by the active policy premiums. The current rate of subsidization for the fund is approximately 61%. Continuing the current solution to the West Virginia OPEB Plan's unfunded liability is of utmost importance. The PEIA Finance Board took steps in December 2011 to control the state's share contributed to retiree premium subsidies, allowing increases in subsidies of no more than 3% per year. Additionally, the 2012 regular session of the West Virginia Legislature passed Senate Bill 469 to provide supplemental funding to the OPEB liability. These changes resulted in a reduction in the unfunded liability by approximately \$4 billion.

Not including the annual required contribution to fully fund OPEB, the current financial plan projects positive net assets through FY 2023. The trust completed FY 2018 with total net assets of \$963 million, total claims expense of \$85 million, and capitations of \$124 million. Current claim expense trend assumptions for FY 2019 through FY 2023 go from 7.5% for medical and 11.5% for drugs to 9.5% for medical and 13.5% for drugs. These trend assumptions result in increases of \$83 million in expenses for the trust over the next four fiscal years. Fiscal year results remain positive, however, as the board anticipates interest revenue, benefit changes, and premium increases will offset these increases. The trust is forecast to have an ending reserve of \$1.9 billion by fiscal year end 2023. This represents a 43% funded status of the OPEB Accrued Actuarial Liability (AAL).

### ***Pensions***

#### **State Retirement Systems**

The Consolidated Public Retirement Board (CPRB) was created by legislation passed in 1990 and effective July 1, 1991, to administer all of the state's public retirement plans. In 1992, CPRB completed actuarial studies on the various retirement systems of the state of West Virginia to determine the amount of the systems' unfunded liabilities. At the time, the Public Employees Retirement System (PERS) was found to be well-funded, but the Teachers' Retirement System (TRS), Judges' Retirement System (JRS), and Public Safety Retirement System (Plan A) were found to have unfunded liabilities of \$2.89 billion, \$23.16 million, and \$107.25 million, respectively. As of July 1, 1993, PERS was found to have a relatively small unfunded liability of \$180 million. In 1994, Plan A was closed to new entrants and all new state troopers are members of the State Police Retirement System (Plan B). The State has committed to a plan to increase the funding of the underfunded plans. Contributions to the various retirement plans are made in such a manner as to satisfy the unfunded liabilities as follows:

- Public Employees Retirement System—Instituted a 30-year payment plan to be completed by June 30, 2035. Legislation passed in 2005 prohibited any increases to benefits for active members if the most recent actuarial valuation shows the Actuarial Accrued Liability of the plan to not be at least 85% funded, required any increase in active member benefits to be amortized over no more than 10 years, limited any benefit increases for retirees to be less than 1% of the Actuarial Accrued Liability as of the most recent valuation, and required any increase in retiree benefits to be amortized over no more than 6 years.
- Teachers' Retirement System—Instituted a 40-year payment plan to be completed by June 30, 2034. The payment plan was revised in 1999 to provide that all improvements be funded over seven years from the improvement date. Legislation passed in 2005 further prohibited any increases to benefits for active members, and required any increases for retirees to be less than 1% of the Actuarial Accrued Liability as of the most recent valuation, to be amortized over no more than 6 years. Those restrictions expire on July 1, 2034.
- Judges' Retirement System—Instituted a 30-year payment plan to be completed by June 30, 2018. The 30-year payment plan was completed July 1, 2007, 11 years ahead of schedule. The plan again developed a small unfunded liability as of July 1, 2009, but had again fully funded its actuarial accrued liability on July 1, 2010 and has remained "fully funded" since that date. Legislation passed in 2005 further prohibited any increases to benefits for active members, and required any increases for retirees to be less than 1% of the Actuarial Accrued Liability as of the most recent valuation to be amortized over no more than 6 years. Those restrictions will expire on July 1, 2019.
- Public Safety Retirement System (Plan A)—Instituted a 30-year payment plan to be completed by June 30, 2025. Legislation passed in 2005 further prohibited any increases to benefits for active members, and required any

## Long-Range Issues (Continued)

increases for retirees to be less than 1% of the Actuarial Accrued Liability as of the most recent valuation, and to be amortized over no more than 6 years. Those restrictions will expire on July 1, 2025.

- State Police Retirement System (Plan B)—Instituted a 30-year payment plan to be completed by June 30, 2030. The 30-year payment plan was completed July 1, 2014, 16 years ahead of schedule. The plan again developed an unfunded liability as of July 1, 2016, to be amortized over a period of 10 years. Legislation passed in 2005 acted to prohibit any increases to benefits for active members if the most recent actuarial valuation shows the Actuarial Accrued Liability of the plan to not be at least 85% funded, required any increase in active member benefits to be amortized over no more than 10 years, limited any benefit increases for retirees to be less than 1% of the Actuarial Accrued Liability as of the most recent valuation, and required any increase in retiree benefits to be amortized over no more than six years.

The unfunded actuarial liability for each plan is as follows:

	July 1, 2017, Actuarial Valuation Unfunded Actuarial Liability		July 1, 2018, Actuarial Valuation Unfunded Actuarial Liability (Estimated)	
PERS	\$584,100,000	(91.5% funded) <sup>1</sup>	\$538,344,000	(92.4% funded)
TRS	\$3,534,143,000	(67.14% funded) <sup>1</sup>	\$3,367,154,000	(69.0% funded)
JRS	(\$81,024,000)	(174.4% funded) <sup>1</sup>	(\$87,562,000)	(175.8% funded)
Public Safety—Plan A	\$98,080,000	(86.7% funded) <sup>1</sup>	\$70,854,000	(90.5% funded)
State Police—Plan B	\$3,202,000	(98.1% funded) <sup>1</sup>	(\$1,661,000)	(99.1% funded)

### PERS Settlement with Federal Government

The State of West Virginia settled a lawsuit with the U.S. Department of Health and Human Services in 2011 to resolve a decades old employer contribution issue. The agreement calls for the state to contribute \$20 million per year for nine years (\$180 million total) to the Public Employees Retirement System. As of January 9, 2019, \$150 million has been applied to this settlement. The state's contribution is in addition to the statutorily required employer contributions that the state is otherwise required to make under state law. The state's contributions under this agreement shall be made from general revenue or special revenue and not from any federal funds. Funding of this agreement will be completed no later than July 2020.

### Summary

Over the last two decades, the groundwork has been laid for an infrastructure geared toward economic development:

- Imposed fiscal discipline in funding the state's retirement systems, health care plans, and workers' compensation costs;
- Performed a statewide overhaul of school facilities and established measurable performance standards for all grade levels;
- Addressed water and sewer project needs through bond financing and cost-sharing with federal grant and loan programs;
- Replaced the state's old accounting and payroll systems with a new, integrated financial system.

Continued progress is needed. West Virginia must continue the transition to jobs based on technology and education. Improvements to all facets of the infrastructure (roads, schools, workforce, and health care systems) are the key to accomplishing that transition. The Governor and Legislature share a continued commitment to make these improvements.

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<sup>1</sup> Per plan, funded percentage of actuarial value of plan assets as a percent of actuarial accrued liabilities, including projected salary increases. The actuarial value of assets is equal to market value for all plans except PERS and TRS. PERS adopted an actuarial value of assets with asset smoothing over four years starting prospectively on July 1, 2009. TRS adopted the same asset smoothing method starting prospectively on July 1, 2016.

# Budget Overview

## *The Executive Budget Process Policy*

The budget process begins approximately one year prior to the beginning of the fiscal year for which appropriations are being made. The state fiscal year begins July 1 and ends on June 30 (W.Va. Code §2-2-4).

The Secretary of Revenue, along with the Governor's Office and the State Budget Office, develops guidelines to be used by the various spending units when submitting their appropriation (budget) requests that are due each year (W.Va. Code §11B-2-3) on September 1. These guidelines establish a "current level" or base budget for each department/bureau/commission/division. The FY 2020 budget requests were submitted electronically using the state's accounting system wvOASIS.

For all appropriated accounts, the "current level" is defined as the same amount of funds the department/bureau/commission/division has for the current fiscal year (FY 2019) less any onetime appropriations. For the FY 2020 budget request, the department/bureau/commission/division is permitted to move funds between appropriations, programs, or agencies within the department. However, there can be no increase in the total request over the current year's appropriation with the exception of the legislative and judicial budgets and statutory increases (such as for the Department of Education). The "current level" request allows department/bureau/commission/division heads to redirect their limited resources to the highest priority areas without an increase in their total budget. Consistent with our commitment to provide a balanced budget and long-term fiscal stability, we as a state must take measures to minimize the overall FY 2020 expenditure growth, and position the state to structurally balance budgets in the years that follow. For the FY 2020 budget, the Governor has recommended most agencies be funded at the FY 2019 base funding level, including adjustments for PEIA and an average pay raise of 5%. In addition to these adjustments, some accounts are recommended at higher funding levels to help improve economic development programs, social services, and building maintenance projects.

All appropriation requests that are above the FY 2019 "current level" must be submitted as a separate "improvement package" stating the purpose, benefits, and needs of the additional funding. Each improvement above the "current level" is considered individually. For FY 2020, agencies were asked that any requests for improvements or requests for FY 2019 supplemental appropriations be submitted only after careful review. Due to funding constraints, only in rare cases were improvement requests included in the Governor's FY 2020 budget.

Appropriation requests are reviewed by the Secretary of Revenue, the State Budget Office, and the Governor's Office. Budget hearings are generally held with the departments/bureaus/commissions/divisions to discuss their requests. During these budget hearings, the departments/bureaus/commissions/divisions have the opportunity to provide the Governor's Office and the Department of Revenue with additional information to support their requests, answer questions, and bring to the forefront any specific needs such as legislative and federal mandates or court-ordered funding.

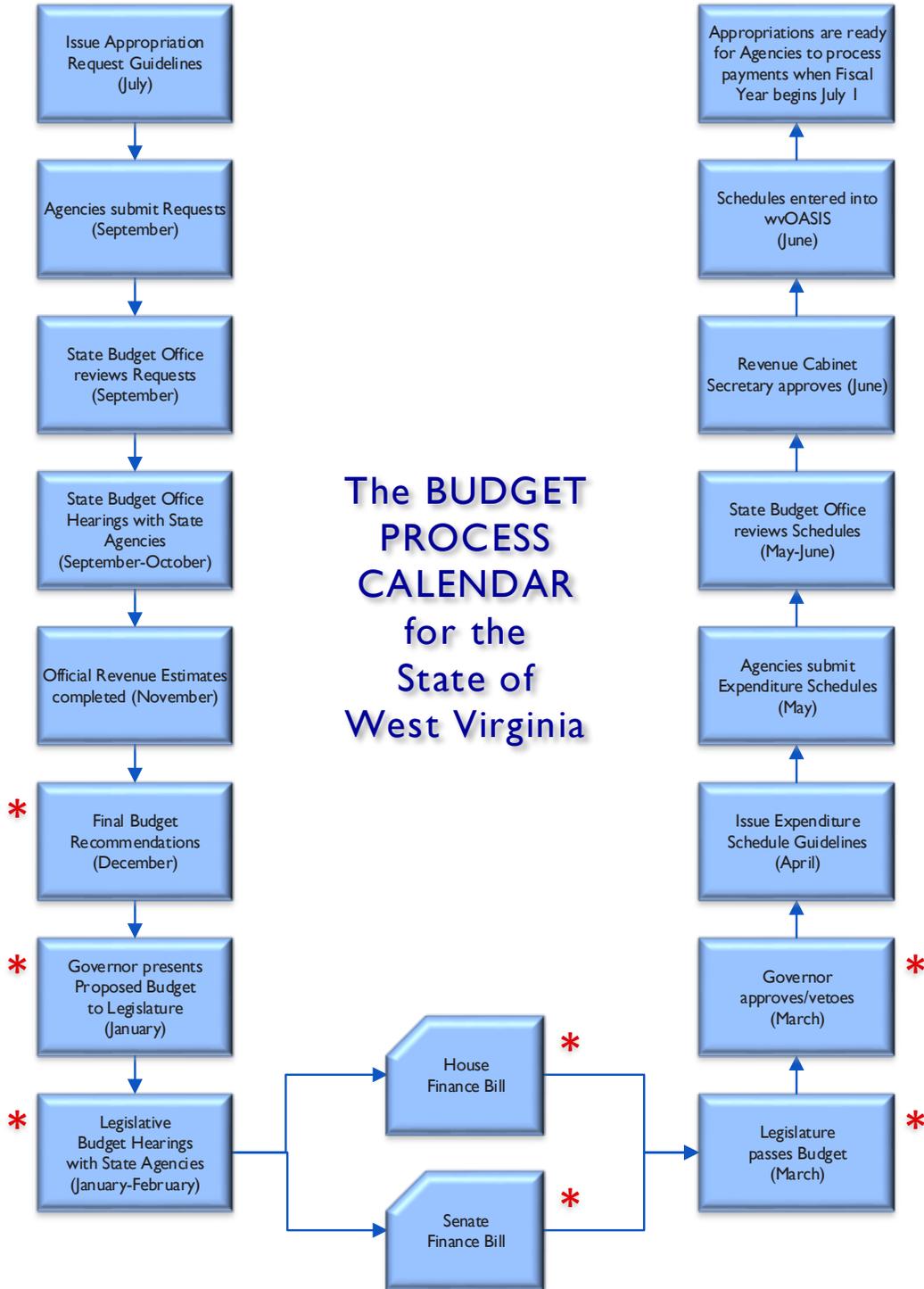
The budget hearings also provide the time to discuss, in general terms, any future capital projects and funding options. All the departments/bureaus/commissions/divisions are required to submit capital expenditure plans with their appropriation requests. These plans summarize projects budgeted for the current fiscal year, requested for the next fiscal year, and estimated for future years. This allows the state to apply sound financial planning for future capital needs.

## **Balanced Budget**

After the budget hearings, the official revenue estimates for the upcoming FY 2020 budget are finalized. The Governor then makes budget recommendations based upon program priorities, requirements, court orders, and the availability of funds. The Governor, under the authority of the Constitution of West Virginia, has the sole responsibility to establish the official revenue estimates of the state. The budget is developed on a cash basis, including only revenues and expenditures expected to be realized during the fiscal year plus any surplus balance from the previous fiscal year available for appropriation. The Governor is not legally required to submit a balanced budget; however, as a matter of practice, the Governor submits a budget that is balanced. A "balanced budget" recommends and appropriates only those revenues recognized in the "official revenue estimates" as provided by the Governor, and may also include any unappropriated surplus balances available from the prior year.

## Budget Overview (Continued)

The Constitution of West Virginia requires the Governor to submit a proposed budget to the Legislature on the second Wednesday of January of each year, except the year following a regular gubernatorial election, at which time the budget is to be submitted on the second Wednesday of February.



\* Following a regular gubernatorial election, these steps in the budget process are delayed by one month.

## ***Budget Overview (Continued)***

The budget is presented in four separate documents. The Budget Report contains the executive message; financial statements that include the official revenue estimates for the state along with available fund balances, actual prior year expenditures, current year budgeted amounts, and the Governor's recommendations for the next fiscal year; an economic forecast; and the budget plan. The Operating Detail contains organizational charts; descriptive narrative information for every department/bureau/commission, division, and program; summarized financial information related to actual expenditures, current budget, and requested appropriations by program and by fund; a profile of the state; and capital projects. The Budget Bill includes the language required to legally enact the budget or appropriations bill. The Account Detail provides the detailed budgetary information for FY 2017 Actual expenditures, FY 2018 Budgeted expenditures, FY 2019 Current-Level Request, and the Governor's FY 2019 Recommendation for all funds.

### ***The Legislative Budget Process Policy***

After the Executive Budget is presented by the Governor to the Legislature, it is referred to the House of Delegates and Senate Finance Committees for review and consideration. Each finance committee holds budget hearings with the departments/bureaus/commissions/divisions to determine their recommended level of funding for the upcoming fiscal year. The House and Senate Finance Committees will each pass a Budget Bill and present it to their respective legislative bodies for full approval. Once the House and Senate have passed their individual bills, they are compared with each other and the differences are noted. The Budget Bills are then referred to the Budget Conference Committee which is made up of members appointed from the House and Senate Finance Committees. The Conference Committee works out any differences, agrees to a single budget and, once again, presents it to their respective legislative bodies for full approval.

The Legislature is legally required to pass a balanced budget, meaning that estimated revenues and unappropriated fund balances must be equal to or greater than the appropriations.

If the budget has not been passed by the Legislature three days before the expiration of its regular 60-day session, the Governor shall issue a proclamation extending the session for such further period as may, in his or her judgment, be necessary for the passage of the Budget Bill. The extended session begins immediately following the expiration of the regular 60-day session. During the extended session, no bills or matters other than the budget may be considered, except a bill to provide for the cost of the extended session.

The Budget Bill must be passed by a majority of the members of each legislative body and presented to the Governor. The Governor may veto the bill or disapprove or reduce items or parts of items. If approved, it becomes law. Items or parts disapproved or reduced by the Governor are returned, stating the objections, to each house of the Legislature.

Any Budget Act items, or parts thereof, that have been vetoed by the Governor may be restored by two-thirds vote of each house of the Legislature. A bill, item, or part thereof, that is not returned by the Governor within five days (Sundays excepted) after the bill has been presented to him shall become a law in like manner as if he had signed the bill, unless the Legislature, by adjournment, prevents such return, in which case it shall be filed in the office of the Secretary of State, within five days after such adjournment, and shall become a law; or it shall be so filed within such five days with the objections of the Governor, in which case it shall become law to the extent not disapproved by the Governor. Should the Governor fail to approve or disapprove it within the allotted five-day period, the Budget Act will become law as if the Governor had signed it.

Upon passage by the Legislature, the Budget Bill becomes the Budget Act and appropriates, by spending unit, the funds required to operate state government for the next fiscal year.

## *Budget Overview (Continued)*

### **Budget Amendment Policy**

#### **Supplemental Appropriation Bills**

The Budget Act may be amended at a later date by the Legislature by the introduction of a supplementary appropriation bill. Each supplementary appropriation bill must be for a single purpose or object and shall provide the source of revenue necessary to pay the appropriation, unless there is sufficient revenue currently available.

A supplementary appropriation bill will generally be introduced in either the House or Senate Finance Committees by a member or members of the committee. The Governor may also request a member of the Legislature to introduce a supplementary appropriation bill "By Request of the Executive." A supplementary appropriation bill may increase or decrease the current appropriation, create a new appropriation, or otherwise amend the Budget Act by changing or correcting language that directs the expenditure of appropriations. A supplementary appropriation bill must follow the same procedures and requirements necessary to adopt the original budget.

#### **Budget Act Specific Transfer Language**

The Budget Act contains specific language allowing:

- Department secretaries the authority to transfer not more than 5% of any General Revenue appropriation between various agencies within the department or bureau.
- Any spending unit to transfer "personal services and employee benefits" to other appropriations (not unclassified) within the same account.
- Any spending unit in any fund to transfer between "current expenses," "repairs and alterations," "buildings," "land," "equipment," and "other assets."
- The Budget Bill also requires the payment for the Board of Risk and Insurance Management (BRIM) premiums and payments for employee benefits to be paid or transferred from various sources should the appropriations be insufficient.

The director of Public Defender Services has specific authority to transfer funds from the Public Defender Corporations to Appointed Counsel Fees.

The commissioner of the Division of Corrections has specific authority to transfer funds between the individual correctional units and from the correctional units to make payments to Federal, County, and/or Regional Jails or for Inmate Medical Expenses.

The director of the Division of Juvenile Services has specific authority to transfer funds between individual juvenile centers and from the individual juvenile centers to make payments for Resident Medical Expenses.

The Adjutant General has specific authority to transfer funds between items of appropriation.

The cabinet secretary of the Department of Health and Human Resources may also transfer up to 5% of funds appropriated to one item to another item(s) within the Division of Human Services, provided, however, that funding for "Personal Services" (salaries) may not be increased.

#### **Legislative and Judicial Amendments**

The Legislative and Judicial branches of government may make budget transfers as adopted in the joint rules of the Legislature and the rules of the Supreme Court.

#### **Governor's Increased Spending Authority Authorization**

Appropriated Special Revenue accounts and Federal Fund accounts may be increased by the Governor as authorized by the West Virginia Code.

## *Budget Overview (Continued)*

### *Special Revenue*

W.Va. Code §11B-2-18 authorizes the Governor to increase the spending authority for accounts that are funded “from collections” (Special Revenue) provided the amount actually collected exceeds the amount authorized for expenditure by the Legislature.

The spending officer must submit a plan of expenditure showing the purpose for which the funds are to be expended and a justification statement showing the reasons why the additional expenditure is necessary and desirable.

If the Governor approves the plan of expenditure and justification statement and is satisfied the expenditure is required to defray the additional cost of the service or activity of the spending unit, the Governor may authorize the use of the additional funds. If the Governor intends to authorize the additional spending, notification of the intent is provided to the President of the Senate, the Speaker of the House, and the Chairmen of the Senate and the House Finance committees, providing them a three-week opportunity for review and concurrence. If there are any questions or issues regarding the need for additional spending authority, all parties work together to reach a mutual agreement on the issue. If the agreement is to proceed with the authorization, notices of such authorization are sent to the State Auditor, the State Treasurer, and the Legislative Auditor.

### *Federal Revenue*

W.Va. Code §4-11-5 authorizes the Governor to increase the spending authority for federal accounts.

If additional Federal Funds become available to the spending unit while the Legislature is not in session and the availability of such funds could not reasonably have been anticipated and included in the budget approved by the Legislature, the Governor may authorize, in writing, the expenditure of such funds in the same manner as Special Revenue funds described above. However, the Governor may not authorize the expenditure of such funds received for the creation of a new program or for a significant alteration of an existing program. A mere new source of funding of federal money for a program that has been approved by legislation is not considered a new program or a significant alteration of an existing program, and the Governor may authorize the expenditure of such funds.

The Governor submits to the Legislative Auditor two copies of a statement describing the proposed expenditure of such funds in the same manner as it would be described in the state budget and explains why the availability of such Federal Funds and the necessity of their expenditure could not have been anticipated in time for such expenditures to have been approved as part of the adopted budget.

## ***Financial Related Policies***

### **Accounting and Auditing Procedures**

The financial activities of the state are accounted for in individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. For financial reporting purposes, the reporting entity is divided into the primary government and the discretely presented component units.

The modified cash basis of accounting is the budgetary basis of accounting followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year end; however, appropriations for buildings, land, and capital outlays remain in effect until three years after the passage of the act by which the appropriations were made. The State Auditor reviews all transactions of all funds to ensure that an appropriation for expenditures has been made, there is a balance in the appropriation sufficient to cover the expenditure, and evidence of services rendered or materials received supports the claim against the state.

## *Budget Overview (Continued)*

The West Virginia Code requires an annual audit by independent certified public accountants. In addition to meeting the requirements set forth in West Virginia Code, the audit is also designed to meet the requirements of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, as amended. Auditors use Generally Accepted Auditing Standards set forth in the General Accounting Office's Governmental Auditing Standards to conduct the engagement.

The Legislative Auditor compiles fiscal information for the Legislature; makes a continuous audit and analysis of the state budget, revenues, and expenditures; makes periodic postaudits of the revenues and expenditures of the spending units of the state government; reports any misapplication of state funds or erroneous, extravagant, or unlawful expenditures by any spending unit; and makes recommendations to the Legislature concerning the postaudit findings, the revenues, and expenditures of the state and the organization and functions of the state and its spending units. A copy of each audit report, when completed and certified by the Legislative Auditor, is filed with the Department of Administration as a public record and with the Attorney General for any action he may deem necessary.

### **Basis for Budgeting All Funds**

The state's annual budget is prepared on a cash basis, a statutory basis of accounting not in conformity with Generally Accepted Accounting Principles (GAAP), modified only at year-end to allow for a 31-day period for the payment of obligations incurred in that fiscal year. The cash basis means that all revenue is recognized when actually received and that expenditures are recognized when paid.

Budgeted general government activities are summarized into the following budgetary funds: General Revenue Fund, State Road Fund, Federal Funds, and Special Revenue Funds. As required by W.Va. Code §11B-2-4, the budget for each department/bureau/commission/division shall show all funds including those from regular and supplementary appropriations, federal funds, private contributions, transfers, allotments from an emergency or contingency fund, and any other expenditure made by or for the spending unit.

Because all funds available to a department/bureau/commission/division are included and presented as part of their total budgets, enterprise funds and other transfers may be "double-counted" in the budgets of several different spending units. Since the budgetary basis differs from GAAP, this causes the budgetary figures to exceed the amounts contained in the state's Comprehensive Annual Financial Report (CAFR).

The Governor's Executive Budget documents do not include quasigovernmental entities (e.g., West Virginia Parkways, Economic Development, and Tourism Authority; West Virginia Investment Management Board; West Virginia Housing Development Fund) along with certain other financial information that would be included in the West Virginia CAFR for reporting purposes but not directly appropriated by the Legislature.

The state's CAFR presents the state's finances in conformity with GAAP for governments. GAAP requires that the state's Proprietary Funds apply GAAP in a similar manner as applied to business activities in the private sector. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental and financial accounting.

### **Cash Management and Investment Procedures**

The State Treasurer's Office is the bank of state government. The office maintains modern and efficient systems for the collection and disbursement of state money. These services include paper and electronic lockboxes, electronic funds transfer, and credit card collections through web-based systems and points-of-sale.

The State Treasurer's Office manages the state's banking relationships including the establishment of approved depositories, ensuring that all bank accounts are properly collateralized, and general safekeeping through the use of a custodian. A reverse positive pay system is used to manage the state's disbursement account and to assist in the establishment of daily liquidity.

## *Budget Overview (Continued)*

The West Virginia Constitution was amended during a special election held on September 27, 1997 to authorize investment of state and public funds in equities. Legislation specifies various restrictions and limitations on the investments and places the authority for long-term investment trusts with the West Virginia Investment Management Board.

The West Virginia Board of Treasury Investments (BTI) is responsible for investing the operating funds (short-term funds) of the state referred to as the Consolidated Fund. The State Treasurer is chairperson of the five-member board. The BTI maintains nine investment pools. Three main pools are utilized for investing excess state cash and local government money. The West Virginia Money Market Pool and the West Virginia Government Money Market Pool are both rated AAAM by Standard and Poor's. The West Virginia Short-Term Bond Pool is a bond mutual fund used for investments that have a perceived longer investment horizon.

The board contracts with professional investment advisors to manage portfolios within the board approved investment policy guidelines. The BTI staff is responsible for investment accounting and reporting as well as estimating the daily amount available to invest. The board also employs an internal auditor and contracts with a custodian and an investment consultant who provide performance reporting, policy guidance, due diligence assistance, and manager searches.

### **Evaluation and Monitoring Procedures**

In addition to the evaluation undertaken as part of the budgetary process, the State Budget Office conducts special analyses of the operations of state agencies. There are also reviews undertaken by the Legislative Auditor, who is appointed by the Legislature, and by internal programs within departments that monitor the achievement of budget objectives.

The budget is predicated on estimates of revenues by sources that are evaluated on a monthly basis. Subsequent to the passage of the Budget Act, the Department of Revenue monitors and forecasts revenues to evaluate their flow and the accuracy of the estimates that have been made. The State Budget Office issues monthly revenue reports that reflect collections compared to the estimate and to the prior fiscal year. Various monitoring techniques, such as daily cash flow review, are used to ensure the revenue collections are sufficient to support the appropriations made by the Legislature. If the Governor believes the revenues may fall short of estimates, he may direct the State Budget Office to reduce all General Revenue appropriations to the degree necessary to prevent a deficit (during FY 2017, the Governor issued Executive Order No. 9-16 to help balance the budget due to an anticipated FY 2017 revenue shortfall), or he may convene the Legislature to request a supplementary appropriation from the Revenue Shortfall Reserve Fund. In addition, the Governor can, by executive action, institute certain other selective spending reduction measures as may be necessary to prevent a deficit.

Upon final approval of the budget, state agencies undertake the process of preparing expenditure schedules that must be filed with the State Budget Office and Legislative Auditor's Office. The expenditure schedules provide a detail of expenditure planning and include a request for quarterly releases of funds to meet such plans. Several large appropriations, such as the State Aid to Schools and Human Services, are controlled on a monthly or daily basis for cash flow and control purposes. After review and approval, the schedules become the basis for expenditures by each agency during the upcoming fiscal year. The State Budget Office is responsible, during the year, for evaluating all proposed payroll changes, encumbering all planned expenditures, and preventing expenditures from exceeding appropriations for each agency. The State Auditor and State Treasurer are prohibited by law from issuing a state check that exceeds the amount appropriated for any particular account. They also maintain accounts of the revenue collected and expenditures made pursuant to appropriation and reconcile their accounts on a monthly basis. Because of these records, the State Budget Office's encumbrance control is extended to cash control by the Auditor and Treasurer.

### **Risk Management**

The State of West Virginia is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to and illnesses of employees; and natural disasters.

## *Budget Overview (Continued)*

### *Workers Compensation*

The state has obtained coverage for job-related injuries of employees by its participation in the private insurance market. In exchange for the payment of premiums, the state has transferred its risk related to job-related injuries for employees. The state retains a specific portion of its worker's compensation risk, as it has a high deductible arrangement with the insurance carrier.

### *Public Employees Health Insurance*

The state has obtained health coverage for its employees through its participation in West Virginia Public Employees Insurance Agency (PEIA) which provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related state and non-state agencies. In exchange for the payment of premiums, the state has transferred its risk-related health coverage for employees.

### *Casualty Insurance*

The state participates in the West Virginia Board of Risk and Insurance Management (BRIM) to obtain casualty insurance coverage for all state agencies. This includes protection from lawsuits and other liability claims resulting from incidents due to automobile accidents, employment practices, property, flood, general liability, and medical professional liability at the respective teaching institutions. Coverage is offered in exchange for an annual premium.

### **Asset Inventory Management**

Agencies are responsible for all property under its jurisdiction, regardless of its state (removable or fixed), origin, or acquisition cost. Agencies are responsible for maintaining equipment from date of purchase to date of retirement, ensuring that equipment is secure, entering asset information into the wVOASIS Fixed Assets Module, conducting physical inventories, submitting annual certification, and retiring assets properly.

Removable property is defined as equipment, machinery, furniture, and fixtures that are not attached to the land, building, or improvements and is capable of being removed. Fixed property is defined as fixtures attached to land, buildings, or improvements in such a way that removal alters the intended use of the facility or site.

Reportable property has been established at a capitalization figure of \$1,000 and useful life of one year or more. Assets such as firearms (any cost) and computers (greater than \$500) also must be entered in the wVOASIS Fixed Assets Module.

All agencies are required to take a physical inventory once every three years, and shall have completed such physical inventory by June 30.

### **Compensated Absences**

Accumulated leave is recorded as an expense and a liability as the benefits accrue to employees. State employees earn sick leave benefits that accumulate, but do not vest. When separated from employment with the state, an employee's sick leave benefits are considered ended, and no reimbursement is provided. At the time of retirement, however, any employee enrolled in the West Virginia Public Employees Retirement System prior to June 30, 2001, may convert any unused or accumulated sick leave to pay a portion of that employee's postemployment health care insurance premiums. If this option is not selected, the leave amount may be applied toward an increase in that employee's retirement benefits, with such sick leave counting as additional credited service in computation of such benefits. Any employee enrolled in the West Virginia Public Employees Retirement System after June 30, 2001 may not apply accumulated sick leave toward the cost of premiums for extended insurance coverage.

### **Performance Measurement in the Budget Process**

State agencies are required to submit division-level performance measures as part of the appropriation request process. Performance measures are a tool used by all levels of management, as well as the public, to determine whether a program is accomplishing its mission efficiently and effectively. Although every effort is made to provide services at the lowest possible unit, it is most important to ensure that an agency provides a measurable benefit to the citizens it is designed to serve.

## *Budget Overview (Continued)*

The focus for the FY 2019 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2015 to FY 2017) and the performance-level objectives the program is trying to achieve in FY 2018 and FY 2019 based on current level funding. For the most recently completed year, both projected and actual performance data is shown to provide information on the success of the agency in meeting their goals.

Although the performance measure data is generally expressed in terms of the state fiscal year (July 1 through June 30), occasionally the data is in either calendar year (January 1 through December 31), school or academic year, federal fiscal year (October 1 through September 30), or federal program year (depending upon the established guidelines for the program). If the performance measurement data is not in the state fiscal year, then only two years of the most recent data is shown rather than three years.

During the appropriation request process, the intent of performance measurement is to encourage cabinet secretaries/ agency heads to internally review their programs and make their recommendations to the State Budget Office and the Governor regarding the best use of limited funds. The performance measurement process is not intended to provide information to a central organization (i.e., the State Budget Office or the Governor's Office) for the purpose of making recommendations on behalf of the agency.

Many grants, federal revenue, and other sources currently require the use of performance measures as a condition to receive grant funds.

### **Legislative Performance Review**

The Legislature's Performance Evaluation and Research Division (PERD), within the Office of the Legislative Auditor, operates under the authority of the West Virginia Performance Review Act, W.Va. Code §4-10-1. PERD also conducts performance reviews under the authority of W.Va. Code §4-2-5, which gives the Legislative Auditor discretionary authority to examine the performance of every spending unit of the state. In addition to performance evaluations of state agencies, PERD also conducts legislative research at the request of the Legislative Auditor or legislative leadership. PERD follows Generally Accepted Government Auditing Standards (GAGAS) in its evaluation of state agencies. PERD's reports are generally reported to the Joint Committee on Government Operations, the Joint Committee on Government Organization, and other appropriate legislative committees during interim sessions of the Legislature.

The schedule of departments to be reviewed by PERD and the year in which they are to be conducted is determined in statute by the Legislature (§4-10-8 and §4-10-10). There are three basic types of reviews under the Performance Review Act: 1) agency reviews, 2) compliance reviews, and 3) regulatory board reviews.

**Agency reviews** are conducted on the agencies or divisions within specific departments. PERD uses discretion and prioritization to determine which agencies within departments will be reviewed. Agency reviews of departments are required by law to be conducted at least once every seven years. PERD may address several areas of performance such as:

- Does the agency effectively and efficiently carry out its statutory duties?
- Does the agency's performance measures reflect good performance?
- Does the agency have adequate internal control?
- Do activities of the agency duplicate or overlap those of other agencies?
- Is there a continued need for the agency?

**Regulatory board reviews** are conducted on regulatory boards established under Chapter 30 of the West Virginia Code that regulates certain professions. A regulatory board must be reviewed at least once every 12 years. PERD's review makes several determinations including the following:

- Does the board comply with general provisions of Chapter 30 of the West Virginia Code and other applicable laws, such as financial self-sufficiency, having proper disciplinary procedures, and requiring continuing education?
- Does the board comply with state purchasing requirements?
- Is there a continued need for the regulatory board?

## *Budget Overview (Continued)*

**Compliance reviews** determine the progress an agency has made in responding to recommendations made in previous reviews. By statute (W.Va. Code §4-10-11), compliance reviews must be requested in writing by the Joint Standing Committee on Government Operations explaining the reasons for the compliance review and its expected completion date.

Upon receiving the evaluation report from PERD, the Joint Committee on Government Operations expects the agency to respond to the findings of the report and indicate what corrective action, if necessary, will be taken. Depending on the findings of a review, the Joint Committee on Government Operations may request a compliance review be conducted.

Departments subject to performance reviews in upcoming years are listed below.

- \* 2019, Department of Health and Human Resources
- \* 2019, Bureau of Senior Services
- \* 2020, Department of Transportation
- \* 2021, Department of Administration
- \* 2022, Department of Education
- \* 2022, Higher Education Policy Commission
- \* 2022, West Virginia Council for Community and Technical College Education
- \* 2023, Department of Veterans' Assistance
- \* 2023, Department of Arts, Culture and History

Regulatory boards subject to review in upcoming years are listed below.

- \* 2019, Board of Acupuncture
- \* 2019, Board of Barbers and Cosmetologists
- \* 2019, Board of Examiners in Counseling
- \* 2020, Board of Hearing Aid Dealers
- \* 2020, Board of Licensed Dietitians
- \* 2020, Nursing Home Administrators Board
- \* 2021, Board of Dental Examiners
- \* 2021, Board of Medicine
- \* 2021, Board of Pharmacy
- \* 2022, Board of Chiropractic Examiners
- \* 2022, Board of Osteopathy
- \* 2022, Board of Physical Therapy
- \* 2023, Board of Occupational Therapy
- \* 2023, Board of Examiners for Speech-Language Pathology and Audiology
- \* 2023, Medical Imaging and Radiation Therapy Board of Examiners

# Human Resources

The Division of Personnel was created in 1989 by the Legislature in West Virginia Code §29-6-1 et seq. to provide leadership in personnel management for state government. The division's services touch all aspects of employment from application and hiring through separation or retirement.

A comprehensive system of personnel management is achieved through the integration of five functional areas. The major responsibilities of each section in the Division of Personnel are summarized below. In addition to these functional responsibilities, the division serves as liaison and coordinator to the State Personnel Board, and directs regular and emergency rule-making processes.

The **Classification and Compensation** section is responsible for the development, maintenance, and revision of the classification and compensation plans for all positions in the classified and classified-exempt services. The classification and compensation plan organizes job classifications into related and meaningful groups to comply with legally required hiring standards and pay relationships.

The **Personnel Transaction Review** section establishes and maintains employee information systems and historical records for all state employees and many county health departments. Staff of the section certify personnel transactions and assure that all transactions, including internal placements, are in compliance with applicable state statutes, regulations, policies, procedures, and compensation plans.

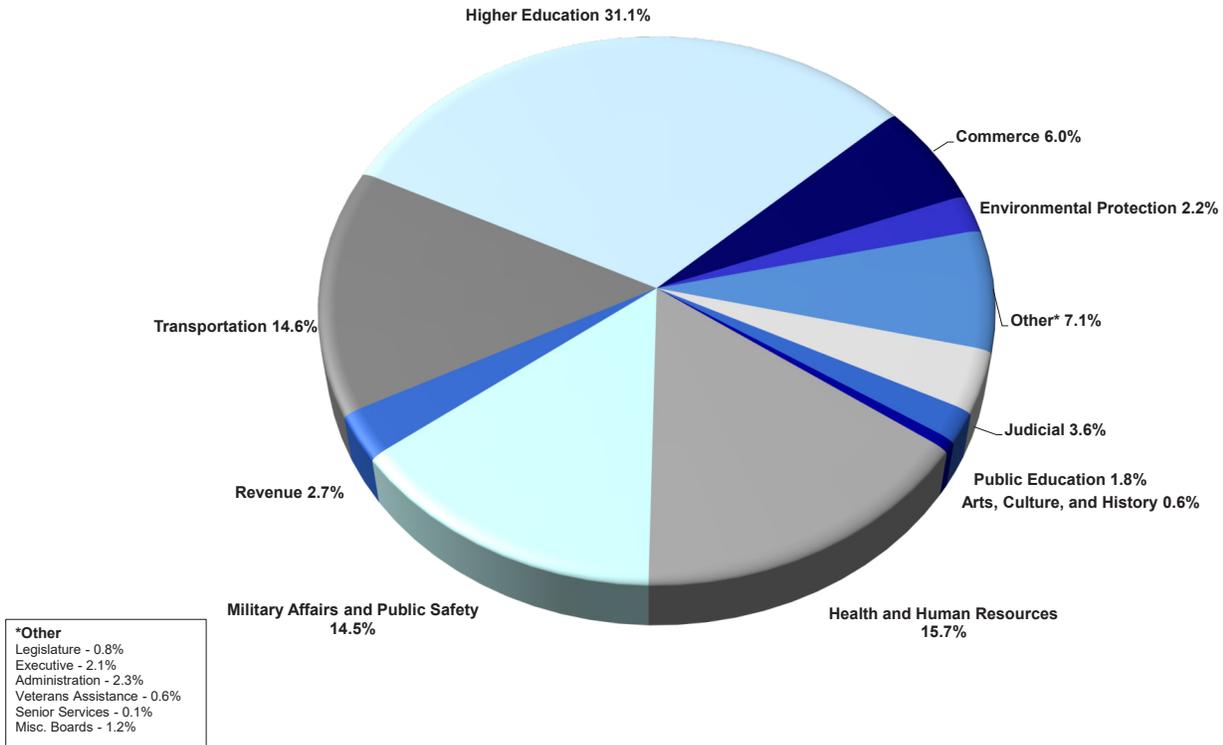
The **Employee Relations** section's purpose is to ensure that merit system principles of personnel administration are upheld through the fair and equitable application of rules, policies, and procedures across the executive branch agencies of state government.

The **Organization and Human Resource Development** section works to increase the effectiveness and efficiency of state government through the development of a skilled workforce. To support this mission, the section provides training programs, development plans and strategies, and consulting services to those working in covered agencies.

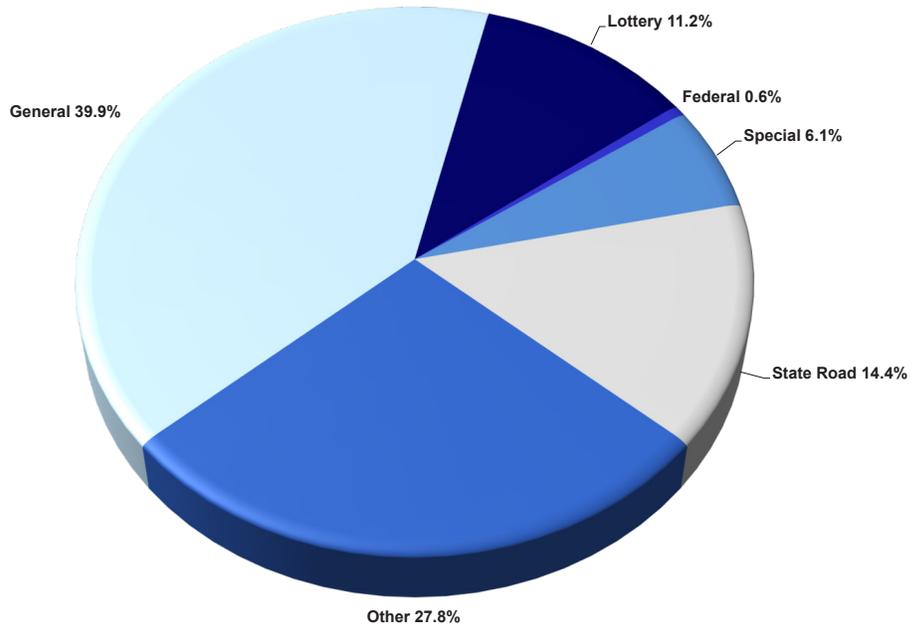
The **Staffing Services** section administers the hiring system for the classified service by establishing valid and reliable selection procedures for recruiting, assessing, and evaluating applicants; creating lists of qualified applicants; and providing the best-qualified applicants to state agencies for appointment consideration. In addition, this section is responsible for research, development, and implementation of job-related employment examination procedures.

As of November 30, 2018, the state had approximately 36,252 filled, permanent, full-time equivalent employees, including approximately 10,816 employed by the Higher Education Policy Commission and approximately 1,205 employed by the Council for Community and Technical College Education. Public school teachers and school service personnel for grades K-12 are not included in these totals, as they are considered county school board employees.

# Schedule of Recommended Budgeted Full-Time Equivalents (FTE) Permanent Positions FY 2020 By Department



## By Fund



# Schedule of Budgeted Full-Time Equivalents All Funds Permanent Positions FY 2018 through FY 2020

Department/Agency	FY 2018 11-30-2017	FY 2019 11-30-2018	FY 2020 Recommended
<b>TOTAL BUDGETED FTE PERMANENT POSITIONS</b>	<b>41,749.94</b>	<b>41,898.11</b>	<b>41,637.46</b>
<b>LEGISLATURE</b>			
Senate	58.68	59.68	92.00
House of Delegates	108.51	107.00	107.00
Joint Expenses	134.49	131.49	134.50
<b>TOTAL - LEGISLATURE</b>	<b>301.68</b>	<b>298.17</b>	<b>333.50</b>
<b>TOTAL - JUDICIAL</b>	<b>1,504.00</b>	<b>1,509.00</b>	<b>1,503.00</b>
<b>EXECUTIVE</b>			
Governor's Office	46.50	43.75	43.75
State Auditor's Office	186.00	181.00	180.00
Treasurer's Office	134.80	133.80	133.80
Agriculture, Department of	356.00	357.00	357.00
Attorney General's Office	191.60	184.60	184.60
Secretary of State	61.00	59.00	61.00
<b>TOTAL - EXECUTIVE</b>	<b>975.90</b>	<b>959.15</b>	<b>960.15</b>
<b>DEPARTMENT OF ADMINISTRATION</b>			
Office of the Secretary	7.50	7.50	7.50
Consolidated Public Retirement Board	100.00	100.00	100.00
Finance, Division of <sup>1</sup>	16.00	21.00	21.00
Information Services & Communications, Division of <sup>1</sup>	346.80	326.50	326.00
General Services, Division of	115.00	116.00	115.00
Purchasing, Division of	43.00	43.00	43.00
Surplus Property	15.00	15.00	15.00
Travel Management <sup>2</sup>	17.00	11.00	11.00
Fleet Management Division <sup>3</sup>	0.00	8.00	7.00
Board of Risk and Insurance Management	28.00	27.00	27.00
Education & State Employees' Grievance Board	12.00	12.00	12.00
Ethics Commission	8.00	8.00	8.00
Public Defender Services <sup>4</sup>	24.00	26.00	30.00
Personnel, Division of	71.00	74.00	74.00
Public Employees Insurance Agency	58.00	57.70	57.70
Prosecuting Attorneys Institute	6.00	6.00	6.00
Office of Technology	4.00	4.00	4.00
Retiree Health Benefits Trust Fund	3.00	3.00	3.00
Real Estate Division	21.00	21.00	21.00
<b>TOTAL - ADMINISTRATION</b>	<b>895.30</b>	<b>886.70</b>	<b>888.20</b>
<sup>1</sup> FY 2019 moved 5 FTEs from the Division of Information Services & Communications to the Division of Finance for the Shared Services Division due to Senate Bill 271. <sup>2</sup> FY 2019 moved 6 FTEs from the Travel Management due to House Bill 4015. <sup>3</sup> FY 2019 moved 6 FTEs to the Fleet Management Division due to House Bill 4015. <sup>4</sup> FY 2020 added 5 FTEs for the Habeus Division.			

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2018 11-30-2017</b>	<b>FY 2019 11-30-2018</b>	<b>FY 2020 Recommended</b>
<b>DEPARTMENT OF COMMERCE</b>			
Office of the Secretary <sup>1</sup>	4.00	20.00	4.00
Tourism, Office of <sup>2</sup>	62.00	50.00	48.00
Forestry, Division of <sup>3</sup>	91.75	92.75	88.95
Geological and Economic Survey <sup>4</sup>	43.26	40.80	40.64
Development Office <sup>5</sup>	124.00	114.00	123.00
Labor, Division of	101.00	101.00	101.00
Natural Resources, Division of	818.00	815.00	817.00
Miners' Health, Safety and Training, Division of	140.00	143.00	155.60
Board of Coal Mine Health and Safety	2.00	2.00	2.00
WorkForce West Virginia <sup>6</sup>	463.30	468.40	459.90
Energy, Office of	6.00	6.00	6.00
Rehabilitation Services, Division of <sup>7</sup>	646.50	638.50	639.50
<b>TOTAL - COMMERCE</b>	<b>2,501.81</b>	<b>2,491.45</b>	<b>2,485.59</b>
<sup>1</sup> FY 2019 10 FTEs transferred from the Development Office and added 6 FTEs for the Communications Hub. <sup>2</sup> FY 2019 reduced FTEs due to reclassification of positions. <sup>3</sup> FY 2019 added 1 FTE by Governor's Office for Office Assistant at new Regional Office. <sup>4</sup> FY 2019 reduced FTEs due to reorganization of positions. <sup>5</sup> FY 2019 10 FTEs transferred to the Office of the Secretary for the Communications Hub. <sup>6</sup> FY 2019 5 FTEs reactivated for business needs. <sup>7</sup> FY 2019 reduced FTEs due to funding.			
<b>DEPARTMENT OF EDUCATION</b>			
Education, State Department of <sup>1</sup>	562.00	578.00	582.00
WV Schools for the Deaf & the Blind <sup>2</sup>	172.61	165.55	166.55
School Building Authority	12.00	11.00	11.00
<b>TOTAL - EDUCATION</b>	<b>746.61</b>	<b>754.55</b>	<b>759.55</b>
<sup>1</sup> FY 2020 added 10 FTEs for Institutional Educators. <sup>2</sup> FY 2019 reduced FTEs to consolidate operations to better achieve mission.			
<b>DEPARTMENT OF ARTS, CULTURE, AND HISTORY</b>			
Office of the Secretary (Eliminated FY 2019) <sup>1</sup>	36.00	0.00	0.00
Culture and History, Division of	113.50	121.00	125.50
Library Commission	46.00	46.00	46.00
Educational Broadcasting Authority	71.00	66.00	68.00
<b>TOTAL - ARTS, CULTURE, AND HISTORY</b>	<b>266.50</b>	<b>233.00</b>	<b>239.50</b>
<sup>1</sup> Due to House Bill 101 passed during 2018 1 <sup>st</sup> Special Session eliminated this department and programs were moved to the Division of Culture and History and the State Department of Education.			

*FTE Schedule of All Funds (Continued)*

Department/Agency	FY 2018 11-30-2017	FY 2019 11-30-2018	FY 2020 Recommended
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			
Environmental Protection, Division of <sup>1</sup>	938.70	912.70	911.70
Environmental Quality Board	2.20	2.20	2.20
Solid Waste Management Board <sup>2</sup>	13.00	11.00	11.00
Oil and Gas Conservation Commission	2.00	2.00	2.00
<b>TOTAL - ENVIRONMENTAL PROTECTION</b>	<b>955.90</b>	<b>927.90</b>	<b>926.90</b>
<sup>1</sup> FY 2019 reduced FTEs in an effort to reduce vacant positions.			
<sup>2</sup> FY 2019 reduced 2 FTEs and reallocated job duties within remaining positions for efficiency in state agency.			
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
Office of the Secretary	6.00	6.00	6.00
Health, Division of <sup>1</sup>	2,751.09	2,742.29	2,788.28
Health Care Authority	28.00	22.00	22.00
Human Rights Commission	30.00	30.00	30.00
Human Services, Division of <sup>2</sup>	3,669.00	3,717.30	3,700.32
<b>TOTAL - HEALTH AND HUMAN RESOURCES</b>	<b>6,484.09</b>	<b>6,517.59</b>	<b>6,546.60</b>
<sup>1</sup> FY 2020 added 9 FTEs for the Office of Drug Control Policy; added 21 FTEs for the Chief Medical Examiner; added 14 FTEs for Medical Cannabis; and added 3 FTEs for the Take Back Our Health Initiative.			
<sup>2</sup> FY 2019 added 4.00 FTEs for the title IV-E resource development program.			
<b>DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY</b>			
Office of the Secretary <sup>1</sup>	25.00	14.00	14.00
Adjutant General	526.00	569.00	554.00
WV Board of Parole	18.00	10.00	10.00
Homeland Security and Emergency Management	66.00	66.00	70.00
Corrections and Rehabilitation, Division of <sup>2</sup>	4,066.50	4,067.00	4,065.50
WV State Police <sup>3</sup>	1,053.50	1,095.50	1,110.50
Fire Commission	59.00	58.00	59.00
Justice and Community Services, Division of	44.00	44.00	48.78
Division of Protective Services	55.00	57.00	55.00
Division of Administrative Services <sup>4</sup>	0.00	0.00	66.00
<b>TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY</b>	<b>5,913.00</b>	<b>5,980.50</b>	<b>6,052.78</b>
<sup>1</sup> FY 2019 transferred 9 FTEs to Homeland Security.			
<sup>2</sup> FY 2019 House Bill 44338 merged Division of Corrections, Regional Jail Authority, and Juvenile Services into the new Division of Corrections and Rehabilitation.			
<sup>3</sup> FY 2019 added 50 FTEs for a State Trooper Class.			
<sup>4</sup> FY 2020 moves 66 FTEs from Division of Corrections and Rehabilitation.			

*FTE Schedule of All Funds (Continued)*

Department/Agency	FY 2018 11-30-2017	FY 2019 11-30-2018	FY 2020 Recommended
<b>DEPARTMENT OF REVENUE</b>			
Office of the Secretary	8.00	9.00	8.00
Tax Division <sup>1</sup>	423.00	452.00	433.00
State Budget Office	10.00	10.00	10.00
Insurance Commissioner	341.00	286.00	287.00
Lottery Commission	207.00	203.00	208.00
Racing Commission	47.41	46.16	46.90
Alcohol Beverage Control Administration	109.20	107.20	107.20
Office of Tax Appeals	6.00	6.00	6.00
Municipal Bond Commission	4.00	4.00	4.00
Financial Institutions, Division of	32.00	32.00	32.00
<b>TOTAL - REVENUE</b>	<b>1,187.61</b>	<b>1,155.36</b>	<b>1,142.10</b>
<sup>1</sup> FY 2019 added 30 FTEs to enhance enforcement efforts.			
<b>DEPARTMENT OF TRANSPORTATION</b>			
Motor Vehicles, Division of	636.00	639.00	634.00
Highways, Division of <sup>1</sup>	5,530.00	5,795.00	5,387.00
State Rail Authority	23.00	20.00	23.00
Public Transit, Division of	11.00	11.00	11.00
Public Port Authority	0.00	2.00	0.00
Aeronautics Commission	3.00	3.00	3.00
Office of Administrative Hearings	30.00	28.00	30.00
<b>TOTAL - TRANSPORTATION</b>	<b>6,233.00</b>	<b>6,498.00</b>	<b>6,088.00</b>
<sup>1</sup> FY 2019 increase in FTEs related to the Roads to Prosperity Program for state transportation infrastructure.			
<b>DEPARTMENT OF VETERANS ASSISTANCE</b>			
Veterans Affairs	230.89	231.89	214.47
Veterans Home	47.00	47.00	47.29
<b>TOTAL - VETERANS ASSISTANCE</b>	<b>277.89</b>	<b>278.89</b>	<b>261.76</b>
<b>TOTAL - BUREAU OF SENIOR SERVICES</b>	<b>37.00</b>	<b>37.00</b>	<b>36.60</b>

*FTE Schedule of All Funds (Continued)*

Department/Agency	FY 2018 11-30-2017	FY 2019 11-30-2018	FY 2020 Recommended
<b>HIGHER EDUCATION POLICY COMMISSION</b>			
HEPC - Administration	78.85	68.80	68.83
West Virginia University	6,772.35	6,728.61	6,811.54
Marshall University	2,034.28	2,097.10	2,037.02
Osteopathic School of Medicine	310.36	310.43	303.96
Bluefield State College	206.66	202.83	204.66
Concord University	319.25	294.75	296.04
Fairmont State University	504.80	475.20	475.80
Glenville State College	203.43	205.43	212.02
Shepherd University	480.85	448.55	470.25
West Liberty University	311.67	321.16	329.16
West Virginia State University	328.06	331.53	326.53
WVNET	55.20	54.50	54.50
<b>TOTAL - HIGHER EDUCATION POLICY COMMISSION <sup>1</sup></b>	<b>11,605.76</b>	<b>11,538.89</b>	<b>11,590.31</b>

<sup>1</sup> Changes in FTEs for institutions related to faculty and staffing levels due to changes in enrollment.

<b>COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION</b>			
Council - Administration	19.00	9.00	9.98
Mountwest Community and Technical College	125.00	127.00	119.47
New River Community and Technical College	131.00	134.00	134.00
Pierpont Community and Technical College	134.00	136.00	131.00
Blue Ridge Community and Technical College	171.95	178.92	176.92
West Virginia University at Parkersburg	201.13	174.00	197.41
Southern West Virginia Community and Technical College	181.00	141.00	183.01
West Virginia Northern Community and Technical College	148.00	37.40	141.00
West Virginia Eastern Community and Technical College	36.40	191.28	38.40
BridgeValley Community and Technical College	191.28	201.41	191.28
<b>TOTAL - COUNCIL FOR C&amp;T COLLEGE EDUCATION <sup>1</sup></b>	<b>1,338.76</b>	<b>1,330.01</b>	<b>1,322.47</b>

<sup>1</sup> Changes in FTEs for institutions related to faculty and staffing levels due to enrollment changes.

<b>MISCELLANEOUS BOARDS AND COMMISSIONS</b>			
Barbers and Cosmetologists, Board of	8.00	8.00	10.00
Board of Medicine	16.00	16.00	16.00
Courthouse Facilities Improvement Authority	1.60	1.60	1.60
Hospital Finance Authority	1.00	1.00	1.00
Licensed Practical Nurses	4.00	5.00	4.00
Public Service Commission	338.47	311.90	310.90
Real Estate Commission	7.00	7.00	7.00
Registered Nurses	15.00	17.00	16.50
Water Development Authority	20.60	21.00	21.00
West Virginia Economic Development Authority	10.00	10.00	10.00
Enterprise Resource Planning Board	42.00	42.00	42.00
Other Boards	61.45	61.45	60.45
<b>TOTAL - MISC. BOARDS AND COMMISSIONS</b>	<b>525.12</b>	<b>501.95</b>	<b>500.45</b>

# Schedule of Budgeted Full-Time Equivalents By Source of Funds Permanent Positions FY 2018 through FY 2020

By Department/Funding Source	FY 2018 11-30-2017	FY 2019 11-30-2018	FY 2020 Recommended
<b>ALL DEPARTMENTS/AGENCIES</b>			
General	16,441.00	16,491.15	16,648.23
Federal	4,731.10	4,694.34	4,680.19
Lottery	243.76	230.72	234.20
Special	2,707.77	2,540.47	2,532.36
State Road Fund	6,118.00	6,384.00	5,978.00
Nonappropriated Special	11,508.32	11,557.43	11,564.48
<b>TOTAL</b>	<b>41,749.94</b>	<b>41,898.11</b>	<b>41,637.46</b>
<b>LEGISLATURE</b>			
General	294.68	293.17	326.50
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	7.00	5.00	7.00
Nonappropriated Special	0.00	0.00	0.00
<b>TOTAL</b>	<b>301.68</b>	<b>298.17</b>	<b>333.50</b>
<b>JUDICIAL</b>			
General	1,504.00	1,509.00	1,503.00
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	0.00	0.00	0.00
<b>TOTAL</b>	<b>1,504.00</b>	<b>1,509.00</b>	<b>1,503.00</b>
<b>EXECUTIVE</b>			
General	486.47	478.74	475.05
Federal	37.67	34.84	39.67
Lottery	0.00	0.00	0.00
Special	273.53	272.82	273.29
Nonappropriated Special	178.23	172.74	172.14
<b>TOTAL</b>	<b>975.90</b>	<b>959.14</b>	<b>960.15</b>
<b>DEPARTMENT OF ADMINISTRATION</b>			
General	141.20	149.85	152.05
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	446.90	431.66	430.16
Nonappropriated Special	307.20	305.19	305.99
<b>TOTAL</b>	<b>895.30</b>	<b>886.70</b>	<b>888.20</b>
<b>DEPARTMENT OF COMMERCE</b>			
General	680.83	870.89	868.33
Federal	601.16	1,041.55	1,034.50
Lottery	117.00	103.00	101.00
Special	288.61	263.34	269.09
Nonappropriated Special	167.71	212.67	212.67
<b>TOTAL</b>	<b>1,855.31</b>	<b>2,491.45</b>	<b>2,485.59</b>

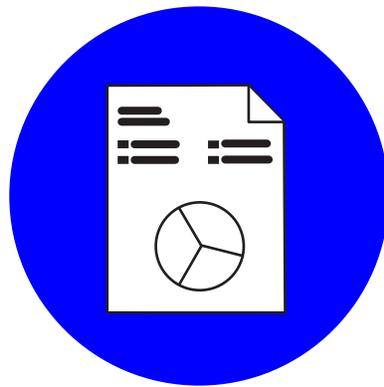
*FTE Schedule by Source of Funds (Continued)*

<b>By Department/Funding Source</b>	<b>FY 2018 11-30-2017</b>	<b>FY 2019 11-30-2018</b>	<b>FY 2020 Recommended</b>
<b>DEPARTMENT OF EDUCATION</b>			
General	544.52	547.13	546.61
Federal	96.05	96.90	100.65
Lottery	65.92	68.17	69.17
Special	12.00	11.00	11.00
Nonappropriated Special	28.12	31.35	32.12
<b>TOTAL</b>	<b>746.61</b>	<b>754.55</b>	<b>759.55</b>
<b>DEPARTMENT OF ARTS, CULTURE, AND HISTORY</b>			
General	355.11	116.86	124.61
Federal	492.96	28.46	24.96
Lottery	19.10	19.35	20.60
Special	4.08	4.08	4.08
Nonappropriated Special	41.75	64.25	65.25
<b>TOTAL</b>	<b>913.00</b>	<b>233.00</b>	<b>239.50</b>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			
General	76.55	77.71	76.71
Federal	358.40	349.75	351.82
Lottery	0.00	0.00	0.00
Special	266.02	256.55	256.83
Nonappropriated Special	254.93	243.89	241.54
<b>TOTAL</b>	<b>955.90</b>	<b>927.90</b>	<b>926.90</b>
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
General	3,814.19	3,857.70	3,867.92
Federal	2,354.95	2,363.91	2,376.55
Lottery	0.00	0.00	0.00
Special	104.83	91.71	91.60
Nonappropriated Special	210.12	204.28	210.53
<b>TOTAL</b>	<b>6,484.09</b>	<b>6,517.60</b>	<b>6,546.60</b>
<b>DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY</b>			
General	4,144.12	4,180.25	4,226.71
Federal	471.35	498.23	485.12
Lottery	0.00	0.00	0.00
Special	140.07	141.30	117.96
Nonappropriated Special	1,157.46	1,160.72	1,222.99
<b>TOTAL</b>	<b>5,913.00</b>	<b>5,980.50</b>	<b>6,052.78</b>
<b>DEPARTMENT OF REVENUE</b>			
General	360.10	391.10	369.50
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	563.46	505.21	509.85
Nonappropriated Special	264.05	259.05	262.75
<b>TOTAL</b>	<b>1,187.61</b>	<b>1,155.36</b>	<b>1,142.10</b>

*FTE Schedule by Source of Funds (Continued)*

By Department/Funding Source	FY 2018 11-30-2017	FY 2019 11-30-2018	FY 2020 Recommended
<b>DEPARTMENT OF TRANSPORTATION</b>			
General	8.00	10.00	8.00
Federal	11.00	11.00	19.00
Lottery	0.00	0.00	0.00
Special	77.00	77.00	64.00
State Road Fund	6,118.00	6,384.00	5,978.00
Nonappropriated Special	19.00	16.00	19.00
<b>TOTAL</b>	<b>6,233.00</b>	<b>6,498.00</b>	<b>6,088.00</b>
<b>DEPARTMENT OF VETERANS ASSISTANCE</b>			
General	197.60	191.58	209.20
Federal	80.29	87.31	52.45
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	0.00	0.00	0.11
<b>TOTAL</b>	<b>277.89</b>	<b>278.89</b>	<b>261.76</b>
<b>BUREAU OF SENIOR SERVICES</b>			
General	0.00		0.00
Federal	11.49	11.49	11.90
Lottery	3.47	3.47	3.40
Special	2.30	2.30	2.50
Nonappropriated Special	19.74	19.74	18.80
<b>TOTAL</b>	<b>37.00</b>	<b>37.00</b>	<b>36.60</b>
<b>HIGHER EDUCATION POLICY COMMISSION</b>			
General	2,999.68	2,954.65	3,030.77
Federal	148.52	124.82	131.89
Lottery	38.27	36.73	40.03
Special	117.50	104.25	121.00
Nonappropriated Special	8,301.79	8,318.43	8,266.62
<b>TOTAL</b>	<b>11,605.76</b>	<b>11,538.88</b>	<b>11,590.31</b>
<b>COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION</b>			
General	833.95	862.52	863.27
Federal	36.90	9.58	16.18
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	467.92	457.92	443.02
<b>TOTAL</b>	<b>1,338.76</b>	<b>1,330.02</b>	<b>1,322.47</b>
<b>MISCELLANEOUS BOARDS AND COMMISSIONS</b>			
Federal	30.35	36.50	35.50
Lottery	0.00	0.00	0.00
Special	404.47	374.25	374.00
Nonappropriated Special	90.30	91.20	90.95
<b>TOTAL</b>	<b>525.12</b>	<b>501.95</b>	<b>500.45</b>

# REVENUE SOURCES





# Revenue Sources

The revenues necessary to finance state government are collected from a variety of sources. All sources are dedicated to a specific fund or account and may only be appropriated or used as prescribed by law. Some of the funds of the State of West Virginia are subject to direct appropriation by the Legislature and are specifically included in the appropriations (budget) bill submitted by the Governor to the Legislature for their consideration and final passage of a budget.

All funds of the State of West Virginia fall into one of five categories and are subject to legislative review and oversight. Other than the exceptions mentioned below, these funds are subject to appropriation by the Legislature:

- General Revenue Fund
- State Road Fund
- Lottery and Excess Lottery Funds
- Federal Funds
- Special Revenue Funds

**The General Revenue Fund** consists of taxes, fees, and licenses that are dedicated to the state fund or are not specifically directed to special or other dedicated purposes.

The General Revenue Fund (or General Fund) consists primarily of the major tax revenue of the state such as Consumer Sales Tax and Use Tax, Personal Income Tax, Business and Occupation Tax, Corporation Net Income Tax, Tobacco Products Tax, and Severance Tax. For FY 2020, these taxes comprise approximately 93.0% of the General Revenue Fund. The remaining 7.5% of the General Revenue Fund is a combination of lesser taxes along with fees such as Liquor Profit Transfers and transfers from lottery revenues.

All General Revenue Fund expenditures, except refunds or overpayments, must be specifically appropriated by the Legislature and may be appropriated for any purpose the Legislature desires. The appropriations from the General Revenue Fund expire at the end of the state's fiscal year on June 30, except as otherwise provided. Bills may be paid through July 31 for obligations that were incurred on or before June 30 of the expiring fiscal year. The Legislature may reappropriate any General Revenue Fund account by adding language in the Budget Act that allows any unexpended balances to be carried forward and expended in the following fiscal year. For capital outlay appropriations, W.Va. Code §12-3-12 states that "appropriations for buildings and land or capital outlay shall remain in effect, and shall not be deemed to have expired until the end of three years . . ."

**The State Road Fund** consists of revenues from gasoline and other motor fuel excise and license taxes, Sales Tax, Motor Vehicle Registration and License tax, and all other revenue derived from motor vehicles or motor fuel that are solely dedicated to this fund. The State Road Fund is appropriated by the Legislature and used solely for construction, reconstruction, repair, and maintenance of public highways, the payment of the interest and principal on all road bonds, and the administrative expenses of the Division of Highways, Office of Administrative Hearings, and the Division of Motor Vehicles.

All federal funds received for road construction, reconstruction, and maintenance are also deposited into and become part of the State Road Fund.

**Lottery funds** consist of revenue derived from the sale of lottery tickets or games, limited video lottery, and table games. House Bill 102 passed in 2001 provided for changes in the Lottery Act and Racetrack Video Lottery Act as well as the creation of the Limited Video Lottery Act. In addition, House Bill 102 created an Excess Lottery Fund and stipulates to which fund lottery profits are to be directed; the Lottery Fund or the Excess Lottery Fund. Also, during the 2007 Regular Legislative Session, HB 2718 was passed which allows for table games at West Virginia racetracks, if approved by local option election.

The Lottery Fund may be used to support the operation of the West Virginia Lottery, including expenses and prizes. The net revenue from the Lottery must be appropriated by the Legislature. Currently, the Lottery Fund may only be expended for education, senior citizens, and tourism.

## *Revenue Sources*

The Excess Lottery Fund may be used for a variety of purposes including but not limited to PROMISE scholarships, senior citizen tax credits, the School Building Debt Service Fund, the West Virginia Infrastructure Fund, the Economic Development Project Fund, the Higher Education Improvement Fund, the State Park Improvement Fund, and the General Purpose Account.

The Table Games Fund may be used to enable the aged and disabled citizens of West Virginia to stay in their homes through the provision of home and community-based services received from annual license fees. Table Game revenues can also be used for the purpose of accelerating the reduction of existing unfunded liabilities and existing bond indebtedness of the state.

**Federal funds** are received directly from the federal government and may only be used for the specific purpose for which they are intended. Federal funds consist of any financial assistance made directly to any state department/bureau/commission/division by the United States government, whether a loan, grant, subsidy, augmentation, reimbursement, or any other form of such assistance, including federal matching funds.

Federal Funds have become a substantial part of the operation of state government, either as part of ongoing programs or structured to institute state action. In all cases, federal funds are a significant feature of state services and the budget process.

With the following exceptions, federal funds must be included in the Budget Act and appropriated by the Legislature (as required by W.Va. Code §4-11-6):

- Federal funds received by state institutions of higher education, by students, or by faculty members of such institutions for instructional or research purposes and federal funds received for student scholarships or grants-in-aid.
- Federal nondiscretionary pass-through funds earmarked in specified amounts or appropriations for transmittal to local political subdivisions or to designated classes of organizations and individuals who do not require state-matching funds and do not permit discretion in their distribution by the receiving state spending unit.
- Federal funds made available to the state for costs and damages resulting from natural disasters, civil disobedience, or an occurrence declared by the Governor as a state of emergency.
- Federal funds received by the West Virginia Division of Highways or the West Virginia Commissioner of Highways.

**Special Revenue funds** consist of individual accounts created for a specific purpose and the revenues may be expended only for that specific purpose unless otherwise directed by the Legislature. These accounts generate revenue derived from permits, licenses, and established rates or fees for services provided either to the public, other state agencies, or non-state governmental entities. These accounts are generally “from collections” and the spending is limited to the amount collected or the amount appropriated by the Legislature, whichever is less. Proprietary funds and trust funds are included in the budget as Special Revenue funds.

Certain Special Revenue funds are specifically appropriated by the Legislature and included in the Budget Act. Other Special Revenue funds, generally referred to as “nonappropriated,” are not specifically appropriated by line item in the Budget Act. These nonappropriated Special Revenue funds derive their authority to expend funds from general law and language contained in the Budget Act for that particular fiscal year.

Special Revenue funds that are specifically appropriated in the Budget Act expire on June 30, and bills may be paid through July 31 in the same manner as General Revenue Funds. Appropriated Special Revenue funds may also be reappropriated into the next fiscal year in the same manner as General Revenue accounts. Nonappropriated Special Revenue funds do not expire but continue forward with the next fiscal year, provided the requirements of general law are met.

### ***Revenue Estimates***

Under the guidance of the Deputy Secretary of the Department of Revenue, the Tax Research Division develops revenue estimates for the state. The estimates are derived from economic forecasts provided by IHS Markit, the West Virginia University Bureau of Business and Economic Research, and the U.S. Department of Energy. Revenue forecast

## *Revenue Sources*

simulations include changes due to economic factors and tax law changes. The forecast incorporates the results of economic modeling, trend analysis, time series modeling, and expert judgment.

The final forecast for an upcoming fiscal year is derived from the November economic forecasts approximately seven months prior to the beginning of a fiscal year. The forecast is adjusted at the conclusion of each regular legislative session to incorporate any fiscal changes associated with tax law modifications. Even though numerous economic events and other changes occur seven to 19 months after the development of the final fiscal year forecast, the official revenue estimates seldom change. However, staff monitor actual revenue collections on a daily and monthly basis. If the revenue estimates ever appear to be too optimistic given tax collection trends and economic conditions, such determinations are immediately forwarded to policymakers. Projected revenue shortfalls do result in midyear budget reductions, as was the case for FY 2010, FY 2013, FY 2014, FY 2015, FY 2016, and FY 2017. Based on results over the past two decades, the probability of a revenue shortfall issue in any given year is less than 40%.

### ***Economic Development Tax Expenditure Budget - FY 2020***

In addition to expenditures authorized by the State Legislature through annual budgetary appropriations, additional expenditures are authorized pursuant to various tax preferences within the State Tax Code. These additional expenditures are commonly called “tax expenditures.” This section includes budgetary information on specific business-related economic development tax expenditures and similarly structured individual tax preferences for FY 2020.

### ***Overview of Tax Expenditures***

Tax expenditures are like regular budgetary appropriations. Instead of a direct government grant to an individual or group, a government benefit may be provided by means of a reduction in tax liability for that individual or group. The reduction in tax liability represents the tax expenditure. Tax expenditures also represent deviations from a normal, non-preferential tax structure.

Although there are gray lines, it is important to distinguish between a normal feature of the Tax Code and tax expenditures. For example, there are various broad-based exemptions from the Consumer Sales and Service Tax for purchases of tangible personal property and services “directly used in specified businesses” and for purchases for resale. There is general agreement that such exemptions are part of a normal retail sales tax structure, intended to impose the tax on the final consumer. Such utilitarian exemptions are not considered special tax expenditures. However, sales tax exemptions for items such as food, clothing, and public utility services provided to end consumers would be tax expenditures.

With the exception of tax credit programs, all Consumer Sales Tax and Personal Income Tax expenditures are excluded from the economic development tax expenditure budget section because such expenditures may be better classified as individual tax preferences.

Notwithstanding the similarity of the ultimate effect on the state’s financial position, there is a profound difference between an appropriation of funds and the equivalent tax expenditure to consider. The biggest difference is the loss of control over the timing and use of a tax expenditure as compared to a direct appropriation. The timing of the tax expenditure largely lies with the individual behavior of the taxpayer and not with the government entity providing such benefit.

The use of the tax expenditure is heavily dependent on the taxpayer’s tax attributes. For example, if the tax expenditure applies against income taxes, its use depends heavily upon the taxable income of the taxpayer, unless the tax expenditure is in the form of a refundable grant.

Some tax expenditures offer carryover provisions in the event that a taxpayer is not able to fully receive the benefit within a single year. A couple tax expenditures include a policy of “transferable tax credits,” where a taxpayer can “sell” excess tax credit for some discounted amount (e.g., 90 cents on the dollar). The taxpayer receives a benefit of 90 cents, but the state incurs a tax expenditure of one full dollar when the credit is ultimately taken by the credit purchaser. The timing lag for transferable programs is even longer than the normal lag associated with many tax expenditures.

## Revenue Sources

Tax expenditure timing is also affected by differences in tax year versus budget year. In most cases, a taxpayer's tax year corresponds with a calendar year as opposed to the state's fiscal year running from July 1st to June 30th.

Finally, the filing of tax returns documenting the actual use of tax expenditures generally occurs long after the expiration of both the fiscal year of the tax expenditure grant and the calendar year of claim for the taxpayer. Both the uncertainty of taxpayer behavior and the timing of tax return filings related to tax expenditure claims pose significant forecasting challenges.

In many cases, the full cost of a tax expenditure program may stretch out over several fiscal years. Therefore, prospective policy changes to eliminate such a program may only gradually decrease the expenditure or gradually increase revenue freed up for other expenditure programs. For example, legislation terminated the Film Tax Credit Program effective January 26, 2018. However, due to credit carryover provisions, the FY 2020 budget still contains an allowance for this program more than a year after its expiration.

For purposes of the FY 2020 budget, economic development tax expenditure programs were grouped in the following four categories:

- Tax Credits (Programs offering a direct deduction from tax liability)
- Tax Increment Financing (Programs allocating revenue increases)
- Miscellaneous Tax Preferences (Tax Exclusions or Tax Rate Preferences)
- Previously Terminated Programs with Carryover Costs

There is no bright line separation of business economic development programs from other programs with similar characteristics. Therefore, other similar tax expenditures are listed below to provide the reader with some perspective of the relative size of various individual tax preferences in relationship with the highlighted business tax preferences. Readers need to be cognizant of the fact that the economic incidence of all taxes rests with individuals. Economic development programs are in bold.

### **Tax Credits**

For purposes of the tax expenditure budget, there are 22 active tax credit programs in the State Tax Code with a total FY 2020 value of \$102.4 million. Programs classified as economic development-related account for \$56.0 million in value, an amount equal to roughly 55% of the total value of all tax credits. Some of the remaining tax credits may be classified as low-income relief programs with a combined value of \$41.4 million.

The largest single tax credit in terms of cost (32% of the total) is the Industrial Expansion and Revitalization Tax Credit for electric power producers. This tax credit is largely tied to pollution abatement investment at coal-fired generating plants in the state. More than 80% of the investment associated with this tax credit occurred prior to CY 2012. Tax credit benefits for each year of investment are prorated for use over a 10-year period beginning with the year of investment. West Virginia uniquely taxes electric power generation rather than final sales to consumers. Public utilities pass on their costs to final consumers in a rate regulated environment. Therefore, final consumers are the principal beneficiaries of the Industrial Expansion and Revitalization Tax Credit.

The following is a list of active tax credits in Chapter 11 or Chapter 5B of the West Virginia Code. Programs in bold are tax credits that likely fit the definition of an economic development program. Several other listed programs may also be viewed by some as economic development-related.

## Revenue Sources

Article	Tax Credit	Description	FY 2020 Estimate (in millions)
5B-2E	<b>Tourism Development</b>	25% of Approved Costs Over 10 Years	\$2.0
11-13D	<b>Industrial Expansion/Revitalization</b>	10% Investment Credit - Electric Power Producers	\$33.0
11-13E	<b>Coal-Loading Facilities</b>	10% Investment Credit - Coal Loading Facilities	\$1.2
11-13F	Low-Income Electric, Gas & Water	Reimburses Utility for Low-Income Resident Discount	\$6.7
11-13G	Low-Income Telephone	Reimburses Utility for Low-Income Resident Discount	\$0.0
11-13J	Neighborhood Investment Program	50% Credit for Charitable Contributions	\$3.0
11-13K	Agricultural Equipment	25% up to \$2,500 - Environmental Equipment	Minimal
11-13L	<b>Natural Gas Jobs Retention</b>	\$1,000/Job - Natural Gas Storage Tax	\$1.0
11-13Q	<b>Economic Opportunity</b>	Investment Credit - New Jobs & Select Industries	\$6.5
11-13S	<b>Manufacturing Investment</b>	5% Investment Credit - Manufacturing	\$4.5
11-13W	<b>Apprenticeship Training</b>	\$2/hour or \$2,000/year - Training Tax Credit	\$0.3
11-13X	<b>West Virginia Film</b>	27% to 31% of costs for making WV Film	\$3.0
11-13Y	<b>Manufacturing Property Adjustment</b>	Manufacturing Inventory Tax Credit	\$6.0
11-13BB	<b>Mine Safety Technology</b>	50% Investment Credit - Mine Safety Equipment	Minimal
11-13CC	Energy Intensive Industrial Consumer	Up to \$20 million - Coal Severance Tax	\$0.0
11-13DD	Farm to Food Bank Tax Credit	10% value of donated, edible agriculture products up to \$2,500/year	Minimal
11-21-8a	<b>Rehabilitated Buildings</b>	25% of Qualified Costs	\$1.5
11-21-8g	Residential Rehabilitated Buildings	5% of Qualified Costs	\$0.3
11-21-10a	Nonfamily Adoption	\$2,000 per Qualified Adoption	\$1.7
11-21-21	Senior Citizen Homestead Credit	Local Tax paid on First \$20,000 of Taxable Valuation	\$12.2
11-21-22	Low-Income Family Tax Credit	Up to 100% of Pre-Credit Income Tax	\$20.0
11-21-23	Excess Property Tax Credit	Excess Over 4% of Gross Income Up to \$1,000	\$2.5
11-21-42 & 11-24-12	<b>Military Incentive</b>	30% of first \$5,000 of Wages Paid	Minimal
<i>Subtotal:</i>			\$102.4

### **Tax Increment Financing**

There are two active tax increment financing programs in West Virginia: Property Tax Increment Financing (TIF) and Sales Tax Increment Financing (STIF). Under these programs, increases in tax revenue above a baseline are rededicated to a specific development project.

Nearly all states utilize TIF for economic development. Property taxes are generally imposed by counties, school boards, and municipalities in the state. The total value of TIF is roughly \$20.0 million in FY 2020 with more than half of the cost absorbed by local governments and nearly half absorbed by the state mainly through the state School Aid to Local Education Formula. The cost to local governments would be larger if not for the exclusion of school excess levies from the calculated TIF under state law.

The STIF Program is similar in cost to the TIF Program with a shift of an estimated \$21.0 million of state sales tax from the State General Revenue Fund to local retail development projects.

The following is a list of active tax increment financing programs (state property tax costs include calculated impact of state School Aid Formula):

## Revenue Sources

Article	Tax Increment Diversion Programs	Description	FY 2020 Estimate (in millions)
7-11B	<b>Property Tax Increment Financing Economic Development District</b>	Property Increment-State portion of \$20.0 mil total	\$9.6
7-22	<b>Sales Tax Increment Financing</b>	6% State sales tax re-designated as local tax	\$21.0
		<i>Subtotal:</i>	<u>\$30.6</u>

### **Miscellaneous Tax Preferences**

Most of the major miscellaneous tax preference programs involve exclusions, special valuation provisions, or tax rate preferences involving the local property tax. These property tax preferences account for roughly 83% of the value of tax expenditures in this section.

In terms of value, the largest tax expenditures in West Virginia relate to residential property taxes. The combined value of the Homestead Exemption and 50% tax rate preferences for owner-occupied residential and farm real property is \$547 million, and the state share of this combined value, mainly reflected in the State School Aid Formula, is \$164.2 million.

Several other types of mostly tangible personal property qualify for reduced “salvage” valuation at a combined value of \$114.1 million in property tax reductions with \$38.7 million of that value allocated to the state budget

No accurate estimate is available for county-imposed payment in lieu of tax (PILOT) arrangements. Based on available PILOT payment data, however, the net PILOT tax expenditure is likely similar in magnitude to the value associated with certified capital additions.

The largest non-property tax rate preference program offered in West Virginia is the Thin-Seam Coal Rates Program. Lower regular severance tax rates apply to most underground coal mines with average seam thickness of no more than 45 inches. This \$41 million tax preference is largely tied to metallurgical coal production in southern West Virginia. Thin-seam mines tend to employ more workers per unit of output than other mining operations.

The following is a brief list of some major miscellaneous tax preferences in Chapter 11 possibly tied to an economic development objective. Programs not bolded are provisions that may not necessarily fit the definition of an economic development program. State property tax costs include calculated impact of the State School Aid Formula:

Article	Tax Preference	Description	FY 2020 Estimate (in millions)
3-9	<b>PILOT-County</b>	Payment in Lieu of Tax - New Facilities	Unknown
6A	Pollution Control Salvage Value	State portion of \$72.6 million	\$21.8
6B	Homestead Exemption & Tax Rate	Over 65/Disabled - State Portion of \$99 million	\$29.7
6E	<b>Manufacturing Production Property</b>	Salvage Value - State Portion of \$2.0 million	\$0.6
6F	<b>Certified Capital Additions</b>	Salvage Value-Existing Mfg. - State Portion of \$37.7 million	\$15.8
6H	<b>Special Aircraft Property</b>	Salvage Value - State Portion of \$1.7 million	\$0.5
6J	<b>High-Technology Business Property</b>	Salvage Value - State Portion of minimal \$0.1	\$0.0
8-6b	Residential/Farm Preference	50% Tax Rate Preference - State Portion of \$448 million	\$134.5
13A-3(f)	<b>Thin-Seam Coal Rates</b>	Reduced Tax Rates on Thin-Seam Coal [60%-80%]	\$41.0
13A-3a(a)	<b>Natural Gas/Oil Exclusions</b>	Low-Volume/Shut-In Well Gross Receipt Exclusions	\$1.5
		<i>Subtotal:</i>	<u>\$245.4</u>

## Revenue Sources

### **Previously Terminated Programs with Carryover Costs**

Expired tax expenditure provisions with at least some cost in FY 2020 include costs associated with the Alternative-Fuel Motor Vehicles Tax Credit, Commercial Patents Credits, West Virginia Film Credit and the Strategic Research and Development Tax Credit. The following is a list of inactive tax credits in either Chapter 11 of the West Virginia Code that were generally repealed, are now inactive, or are set to sunset prior to the beginning of FY 2020 with grandfathering provisions for credit claims attributable to periods prior to termination.

Article	Tax Credit	Description	FY 2020 Estimate (in millions)
11-6D	Alternative-Fuel Motor Vehicles	35% Vehicles & 20% to 62.5% Infrastructure	\$0.2
11-13AA	<b>Commercial Patents</b>	20%-30% of Royalties & 20%-30% of Net Profit	Minimal
11-13X	<b>West Virginia Film</b>	27% to 31% of costs for making WV film	\$1.0
11-13R	<b>Strategic Research and Development</b>	3% or 10% of Excess R & D Credit	Minimal
		Subtotal:	1.2

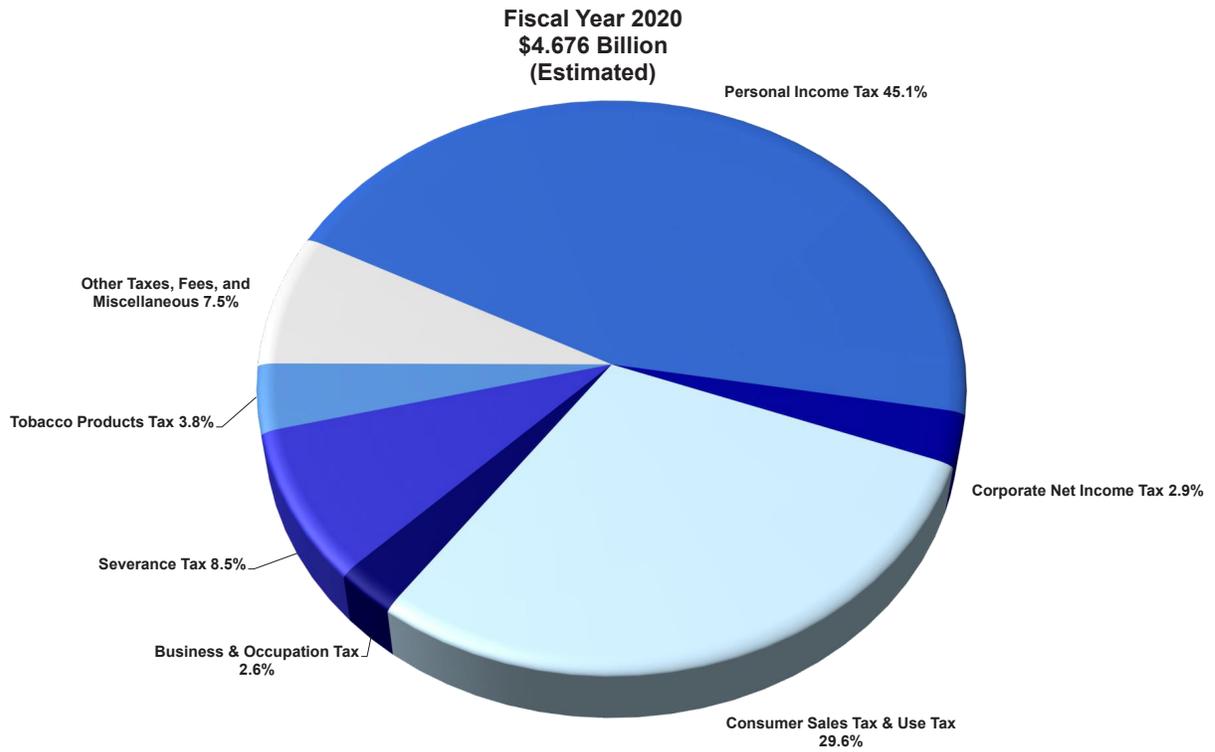
The total sum value of all tax expenditures listed above is \$379.6 million, including \$147.0 million in bolded economic development tax expenditures and \$232.6 million in various other tax expenditures.

### **Additional Revenue Information**

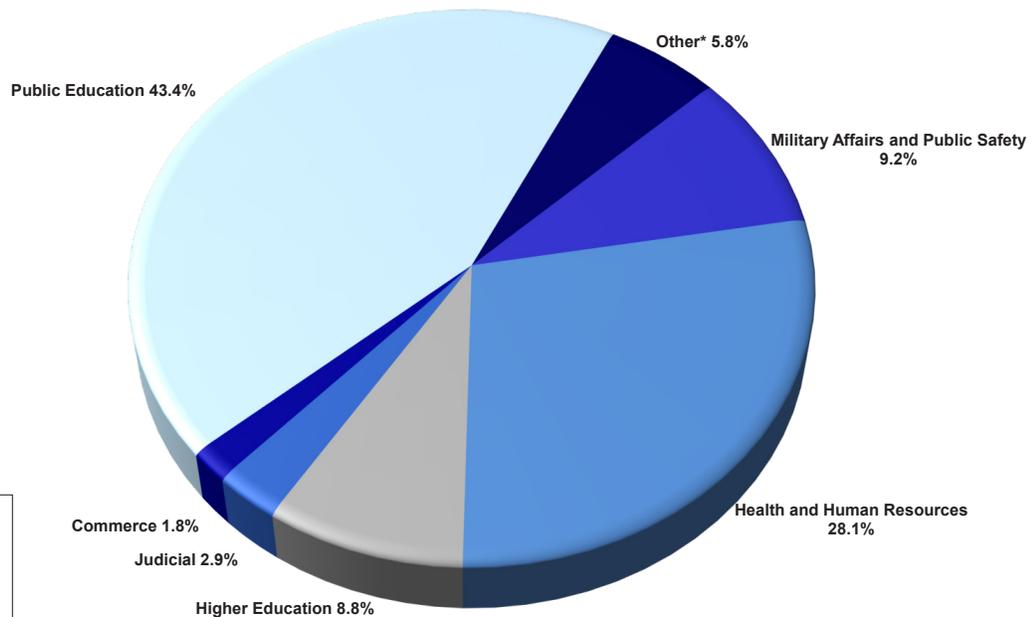
The following pages contain graphs and explanations of the sources of estimated revenues and areas of expenditure for General, State Road, Lottery, and Federal Funds. Due to the multiple sources of revenue, only the area of estimated expenditures is depicted for the Special Revenue Funds. The Medicaid State Share Fund is included in the Special Revenue Funds section, but since it is a substantial revenue source, a separate page providing actual and estimated revenues is included.

For a graphic presentation of total state revenues by source and expenditures by function, refer to “Where the State Dollar Comes From” and “Where the State Dollar Goes” in the “Summary Financial Statements” chapter.

# General Revenue Fund



**Recommended Expenditures  
Fiscal Year 2020  
\$4.675 Billion**



*Other	
Legislature	- 0.5%
Executive	- 0.8%
Administration	- 2.4%
Arts, Culture & Hist.	- 0.2%
Environment	- 0.1%
Revenue	- 0.7%
Veterans Assistance	- 0.3%
Transportation	- 0.1%
Senior Services	- 0.7%

## General Revenue Fund

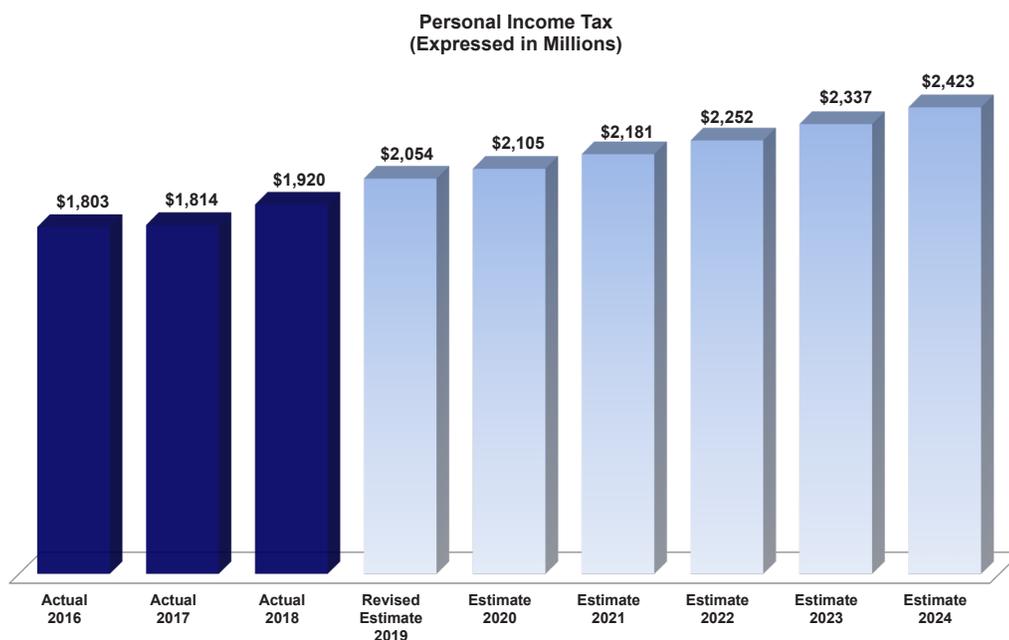
# Personal Income Tax

Personal income tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 70% of all personal income tax receipts. After rising at an average annual rate of roughly 0.8% between 2009 and 2012, West Virginia non-farm payroll employment declined by an average annual rate of more than 0.5% per year between 2012 and 2016. Average annual declines of 11.7% in construction jobs and 4.1% in mining jobs were major contributing factors toward the loss of employment between 2012 and 2016. After rising by 8.0% in FY2012, average annual growth in income withholding tax collections fell to just 1.3% between FY 2012 and FY2017. Employment levels began rising again during the final nine months of FY 2018 with an annualized growth rate of nearly 1.0% continuing into FY 2019. Higher energy prices and higher levels of coal exports helped stabilize mining employment and construction employment surged due partly to an enhanced road construction schedule and the installation of significant natural gas pipeline infrastructure. As a result, income withholding tax collections grew by 6.0% in FY 2018 and by an annualized rate of 11.7% during the first five months of FY 2019. Preliminary data suggest employment in the construction sector expanded in 2018 at an annual rate of more than 8.0%. According to the most recent forecasts from IHS Markit, payroll employment is expected to grow by nearly 1.0% in 2018, by roughly 0.6% per year between 2018 and 2020 and by less than 0.2% per year between 2020 and 2024. IHS Markit projects West Virginia personal income to increase by 3.5% in 2018, by 3.8% in 2019, and by an annual average of 3.8% between 2019 and 2024. Additional employment associated with road construction and potential natural gas industry growth is also enhancing personal income growth in the short term.

After decreasing by 0.1% in FY 2017, income tax collections grew by nearly 6.1% in FY 2018 and were up by 11.4% through the first five months of FY 2019. Income tax collections are projected to rise by an average annual rate of 4.8% between FY 2018 and FY 2020 and increase at an average annual rate of roughly 3.6% during the FY 2020-FY 2024 forecast period. The slower anticipated growth rate in later years reflects an expectation of slowing employment growth and a gradual phasedown in the level of natural gas pipeline infrastructure investment. These estimates incorporate the Governor’s proposed legislation to exempt taxable social security benefits from state income tax beginning in tax year 2019.

**Tax on West Virginia taxable income:**

- 3.0% on the first \$10,000 of taxable income.
- 4.0% on taxable income between \$10,000 and \$25,000.
- 4.5% on taxable income between \$25,000 and \$40,000.
- 6.0% on taxable income between \$40,000 and \$60,000.
- 6.5% on taxable income in excess of \$60,000.
- Accounts for roughly 45% of total General Revenue Fund.



## General Revenue Fund

# Consumer Sales Tax and Use Tax

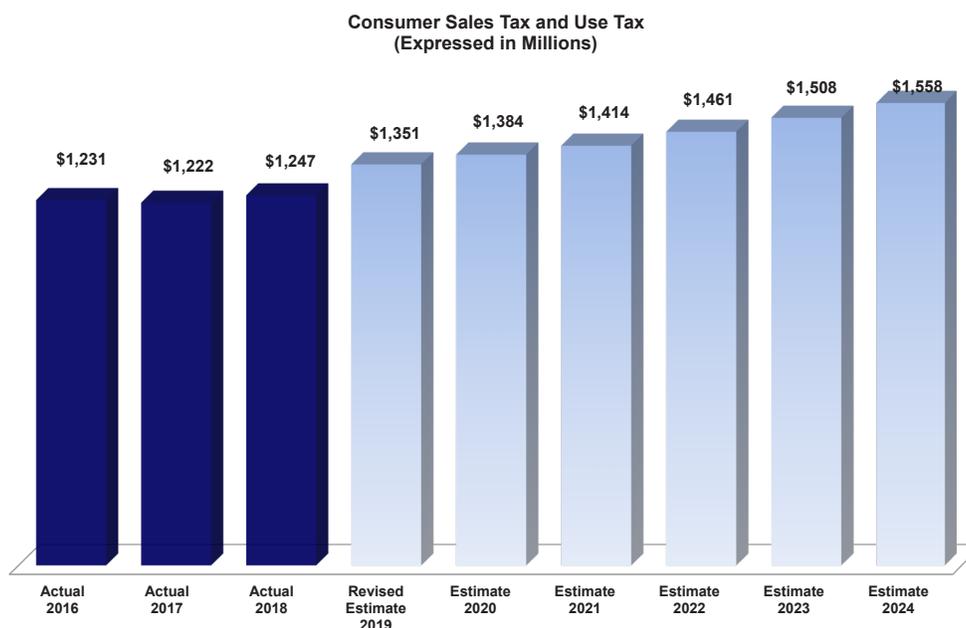
Consumer Sales and Use Tax collections depend heavily upon retail sales and taxable services activities. The tax base includes most retail sales, but some exclusions include sales of automobiles (taxed under alternative 6% Vehicle Sales Tax), gasoline (taxed under alternative 5% Wholesale Sales Tax), prescription drugs, and food for home consumption. Food for home consumption does not include sales, purchases, and uses of prepared food by consumers; food sold through vending machines; or soft drinks.

Fluctuations in retail sales are affected by several factors, including changes to population, consumer confidence and debt, inflation and interest rates, and disposable personal income. The West Virginia population has been in decline since 2012, falling an estimated 2.1% between 2012 and 2017. West Virginia disposable personal income was largely unchanged between 2015 and 2016 as compared with national average growth of 2.6%. However, disposable personal income growth rebounded to average annual increase of roughly 3.6% between 2016 and 2018. IHS Markit forecasts West Virginia disposable personal income will grow by 3.8% per year on average from 2018 through 2024.

After rising by 4.7% in FY 2015, Consumer Sales Tax and Use Tax collections subsequently decreased by 1.7% in FY 2016 and then edged just slightly higher in FY 2017. Overall sales tax collection growth then accelerated to 2.7% in FY 2018 with most of the growth coming in the later part of the year. As of November 2018, cumulative FY 2019 collections were up by a robust 11.0% over the previous year. The implementation of federal tax reform at the beginning of CY 2018 provided some spending stimulus. In addition, economic activity associated with an employment gain of roughly 1.0%, higher overall wages and significant investment in natural gas pipeline infrastructure all contributed to the recent strong gains in sales tax collections. Collections are expected to grow at an average annual rate of 4.8% from FY 2018 through FY 2020 and by an annual average of nearly 3.0% between FY 2020 and FY 2024. Growth should be stronger in the short-term due to favorable economic factors including solid employment gains, and significant investment in roads and gas pipeline infrastructure. In addition, a recent U.S. Supreme Court decision in *South Dakota v. Wayfair* should favorably impact state tax collection from remote vendors during the second half of FY 2019. Lower expected growth rates in the longer term reflect the anticipated phase-down of investment in gas pipeline infrastructure and related employment.

In addition to the General Revenue Fund, some Consumer Sales Tax collections currently go into special revenue accounts for the benefit of Sales Tax Increment Financing Districts, school construction, and E-911 funded programs.

- 6% Sales and Use Tax on most goods and services.
- Total Sales and Use Tax currently accounts for nearly 30% of total General Revenue Fund.



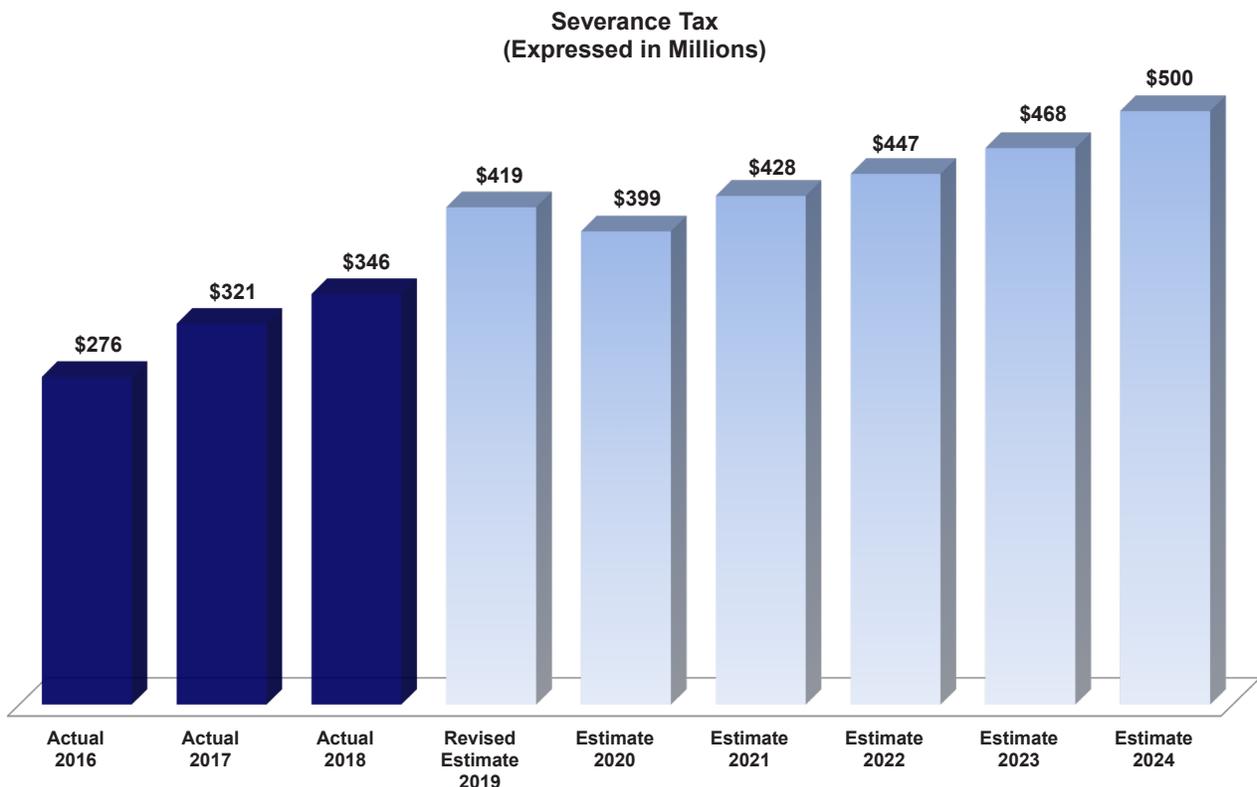
## General Revenue Fund Severance Tax

Severance tax collections are attributable to coal production, natural gas production, and the production of various other natural resource products. Other natural resources products include timber, oil, coal-bed methane, natural gas liquids, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2018, regular severance tax receipts were deposited in the State General Revenue Fund (84.5%), the State Infrastructure Fund (4.7%), the Division of Forestry Fund (0.4%), and local government funds (10.4%). Under current law, some proceeds from the severance tax fund debt service in the Infrastructure Bond Fund of up to a maximum annual amount of roughly \$22.2 million.

Severance tax collection growth depends upon changes in coal and natural gas production and their respective prices. Coal prices rose dramatically in the last decade due primarily to growing global demand and supply limitations in the world market. The average price per ton of West Virginia coal rose from slightly less than \$30 per ton in 2003 to roughly \$84 per ton in 2012. Severance tax receipts grew by more than 250% between FY 2004 and FY 2012 in response to these higher prices. However, both a subsequent decline in coal sales and coal prices contributed to a 52.5% reduction in coal severance tax receipts between FY 2012 and FY 2016. After falling by more than 34% between CY 2012 and CY 2016, coal production rebounded with growth of roughly 18% and 5% in CY 2017 and CY 2018, respectively. Coal prices also advanced higher, mainly due to export demand growth with the value of non-manufacturing exports up nearly 300% over the past two years from a trough set in October 2016.

After rising by roughly 571% between 2010 and 2017, natural gas production is forecast to generally level out over the forecast period with average growth of 5.6% per year between 2017 and 2024. The expectation of slower future production growth is partially tied to low natural gas prices and some lack of infrastructure to move large volumes to market. Average West Virginia natural gas prices fell from nearly \$3.60 per thousand cubic feet in CY 2014 to a low of roughly \$1.00 per thousand cubic feet in CY 2016. As a result, tax collections fell by 17.1% between FY 2015 and

- Privilege tax on gross receipts with a base rate of 5.0%. (Reduced rates for underground thin seam coal, waste coal, and timber.)
- Applies to natural resources (coal, gas, oil, other) production.
- Accounts for roughly 8% of total General Revenue Fund.



## *General Revenue Fund Severance Tax*

FY 2017. Due to a lack of local markets and necessary infrastructure to get the product to market, local gas prices averaged around 65% of the Henry Hub benchmark in 2016. However, recent infrastructure investments helped stabilize prices at levels generally within 90% of the Henry Hub benchmark. Average natural gas prices improved recently to the \$3.00 per thousand cubic foot range with a seasonal spike toward an average of \$4.00 per thousand cubic feet in late 2018. As a result, natural gas severance tax collections grew by 8.6% in FY 2018 and by more than 22% during the first four months of FY 2019, in comparison to year-to-date collections in the prior fiscal year. Overall severance tax collections were up by 37.4 % through the first five months of FY 2019 in comparison with the prior year.

Except for natural gas, energy prices are anticipated to be generally stable by historical standards throughout the forecast period with only small inflationary increases anticipated. Due to an oversupply in the short-term, natural gas prices are anticipated to decline by more than 25% in CY 2019 before rebounding during the remaining years of the forecast. Despite such volatility, natural gas prices are forecast to rise by an average annual rate of roughly 2.0% during the full forecast period between 2018 and 2024.

Revenue growth is anticipated to average above 7.5% between FY 2018 and FY 2020 due to expanding coal exports and greater price stability for natural gas. Led by anticipated gains in natural gas and liquids, collection growth is expected to average roughly 5.4% per year between FY 2020 and FY 2024. Significant headwinds for the coal industry will continue throughout the forecast period with some volatility in the export markets and competition from natural gas in domestic markets. A faster than anticipated natural gas infrastructure development schedule could propel faster severance tax growth than forecast, particularly in the later years.

Recent eliminations of federal restrictions (e.g., repeal of Clean Power Plan rules) on carbon and nitrogen-oxide emissions by the federal government are expected to improve demand for West Virginia coal in future years. However, if natural gas prices remain below \$3.00 per thousand cubic foot in future years, competition from natural gas may play a larger role in reducing demand for West Virginia coal.

## General Revenue Fund

# Corporation Net Income Tax

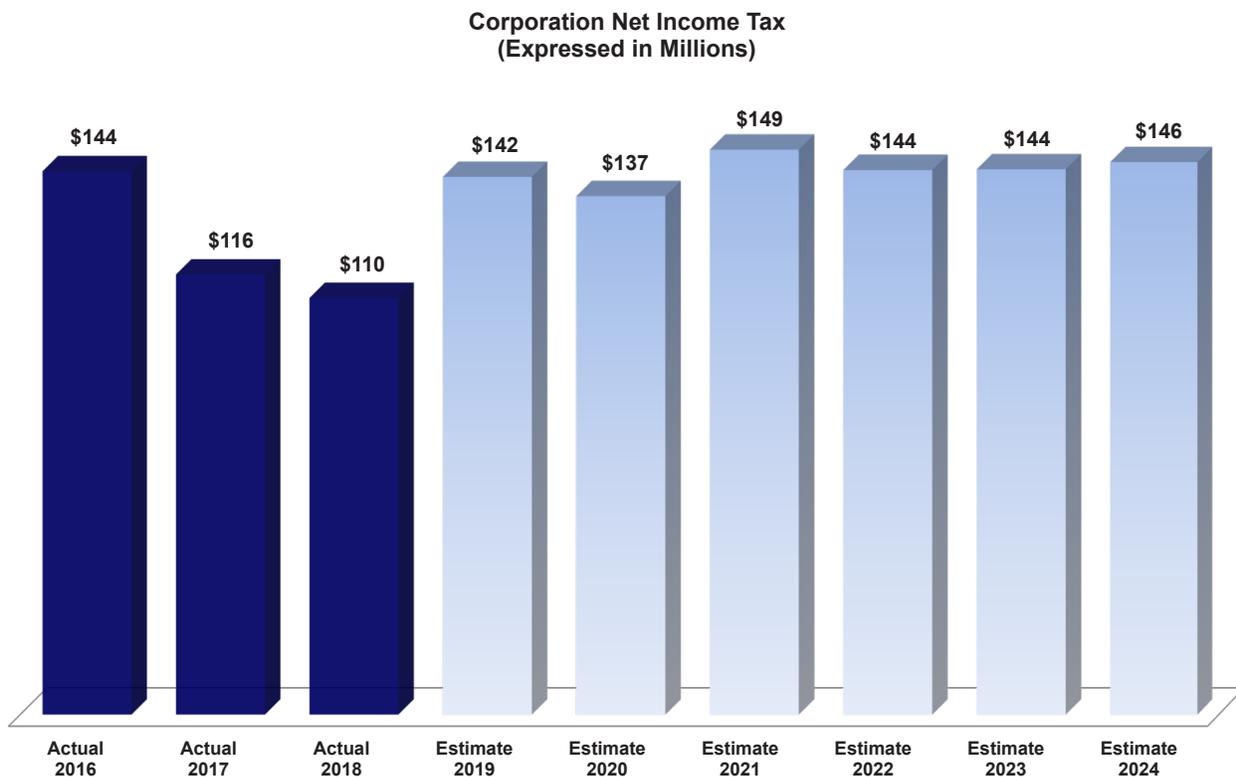
The Corporation Net Income Tax is a tax on net profits of incorporated entities doing business in West Virginia.

U.S. Domestic corporate profits fell 1.1% in CY 2016 before rebounding by 2.3% in CY 2017. IHS Markit forecasts domestic corporate profit growth of 8.9% in CY 2018, 9.0% in CY 2019, and 0.4% in CY 2020. Allocated West Virginia corporate profits fell significantly over a five-year period between CY 2012 and CY 2017 due to a sharp downturn in both energy prices and goods exports. As a result, tax receipts fell by more than 54% between FY 2013 and FY 2018. Energy prices and export volumes began rebounding during the second half of FY 2017. Corporation Net Income Tax collections responded with year-over-year growth of more than 10% during the first five months of FY 2019. Remittances of the Corporation Net Income Tax may lag the associated economic period by up to 18 months.

Tax collections are expected to increase by an annual average of nearly 11.6% between FY 2018 and FY 2020, primarily due to the impact of higher energy prices on corporate profits of both the mining sector and other sectors of the state's economy partially dependent on the mining sector. Thereafter, collections are expected to grow by an annual average of 1.6% between FY 2020 and FY 2024. Fiscal stimulus associated with federal tax reform policy should also contribute to the anticipated rebound in corporate tax collections following a prior prolonged period of decline.

Collection patterns tend to be very volatile because most of Corporation Net Income Tax receipts are attributable to a small number of taxpayers. A change in the financial status of just a few taxpayers can have a dramatic impact upon tax collection trends. Most large taxpayers have multistate operations.

- Corporation Net Income Tax applies to C corporations. The tax base is the modified federal taxable income apportioned to West Virginia with a tax rate of 6.5%.
- Accounts for roughly 3% of total General Revenue Fund.



## General Revenue Fund

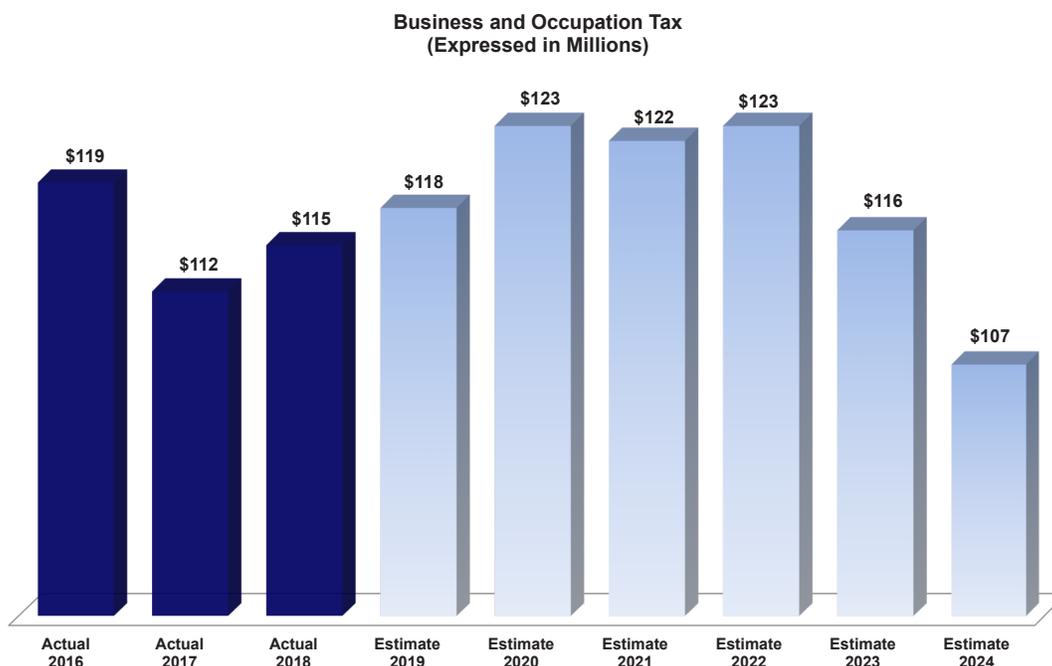
# Business and Occupation Tax

The Business and Occupation Tax (B&O Tax) consists of three distinct components: a capacity or unit-based tax on electric power generation and distribution, a gross receipts tax on nonelectric public utilities, and a per unit tax on gas storage operators.

For electric power producers, the general tax rate is \$22.78 per kilowatt of taxable capacity. Plants with flue gas desulfurization systems are subject to a lower tax rate of \$20.70 per kilowatt. The installation of flue gas desulfurization systems at existing power plants that was generally completed by the end of 2010 resulted in a shift of a large portion of the tax base to the lower tax rate. The shift to the lower tax rate along with an increase in investment tax credits due to capital investments for the installation of flue gas desulfurization systems and other pollution abatement controls reduced total B&O Tax collections by roughly one-third from FY 2006 to FY 2012. In response to a series of proposed U.S. Environmental Protection Agency regulations that would impact coal-fired electric generating plants, some West Virginia plants recently closed with the net reduction of roughly 15% in coal-fired generation capacity. The recent rollback of Clean Power Plan rules should help stabilize the near-term future of the electric power industry in West Virginia. The tax on natural gas receipts applies only to public utility sales. Exempt non-utility sales represent more than 40% of natural gas sales in West Virginia. In addition to the tax on public utilities, West Virginia imposes a tax on natural gas storage activities. Revenue from this source should remain stable during the forecast period.

After rising by 2.8% in FY 2018, collections through the first five months of FY 2019 were roughly 5.0% above prior year receipts. The tax base is anticipated to grow slightly over the short-term period due to the gradual expiration of some pollution control related investment tax credits. During the forecast period from FY 2018 to FY 2020, net B&O Tax collections are forecast to increase by an average annual rate of 3.4%. However, B&O Tax collections are forecast to decrease by an annual average rate of 3.4% between FY 2020 and FY2024 due to possible retirements of some current coal-fired power units.

- Privilege tax on units of activity or gross receipts.
- Applies to public utilities, electric power generators, and natural gas storage.
- Tax rates and base vary.
- Accounts for nearly 3% of total General Revenue Fund.

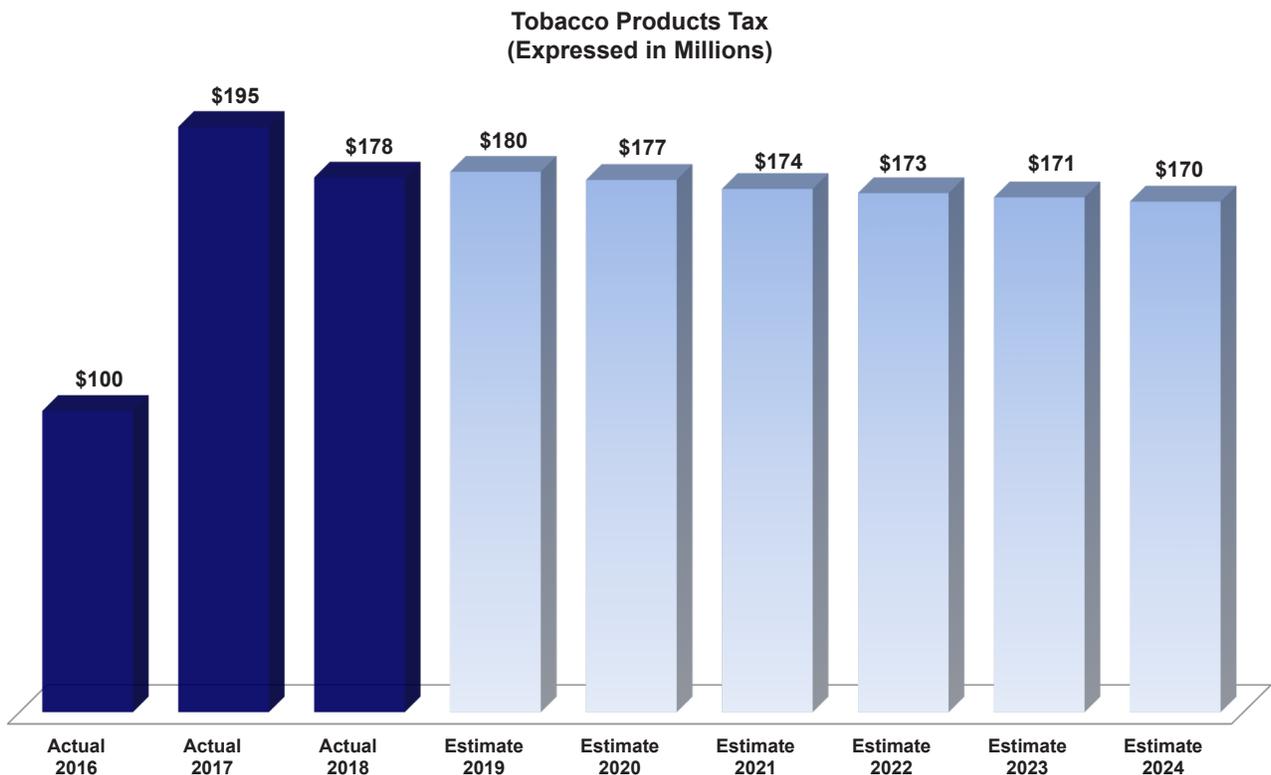


## General Revenue Fund

# Tobacco Products Tax

The Tobacco Products Tax consists of a unit excise tax per pack on cigarettes, a percentage tax on the wholesale price of other tobacco products, and a unit excise tax on e-cigarette liquid. An aging population and continuing efforts to discourage tobacco products consumption tend to create negative revenue growth for this tax over time. However, an increase in the cigarette and other tobacco products taxes and the creation of the tax on e-cigarette liquids during the 2016 special legislative session provided a temporary 94% surge in Tobacco Product Tax collections in FY 2017. Collections subsequently decreased by 8.6% in FY 2018. Through the first five months of FY 2019, cumulative collections were down 0.4% from the prior year. Collections are forecast to decrease by an average annual rate of less than 0.8% between FY 2018 and FY 2024.

- Tax on cigarettes is currently \$1.20 per pack of 20.
- Tax on other tobacco products is currently 12% of the wholesale price.
- Tax on e-cigarette liquids is currently \$0.075 per milliliter.
- Accounts for more than 4.0% of total General Revenue Fund.

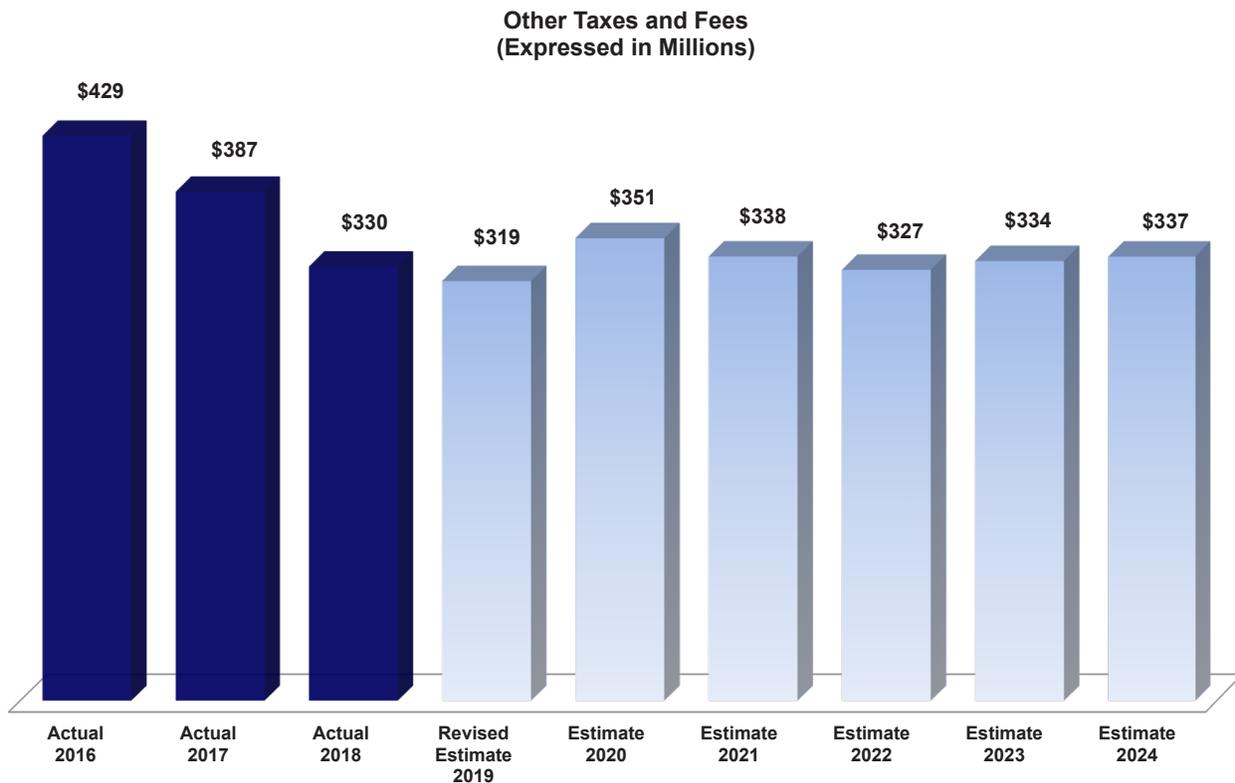


## General Revenue Fund

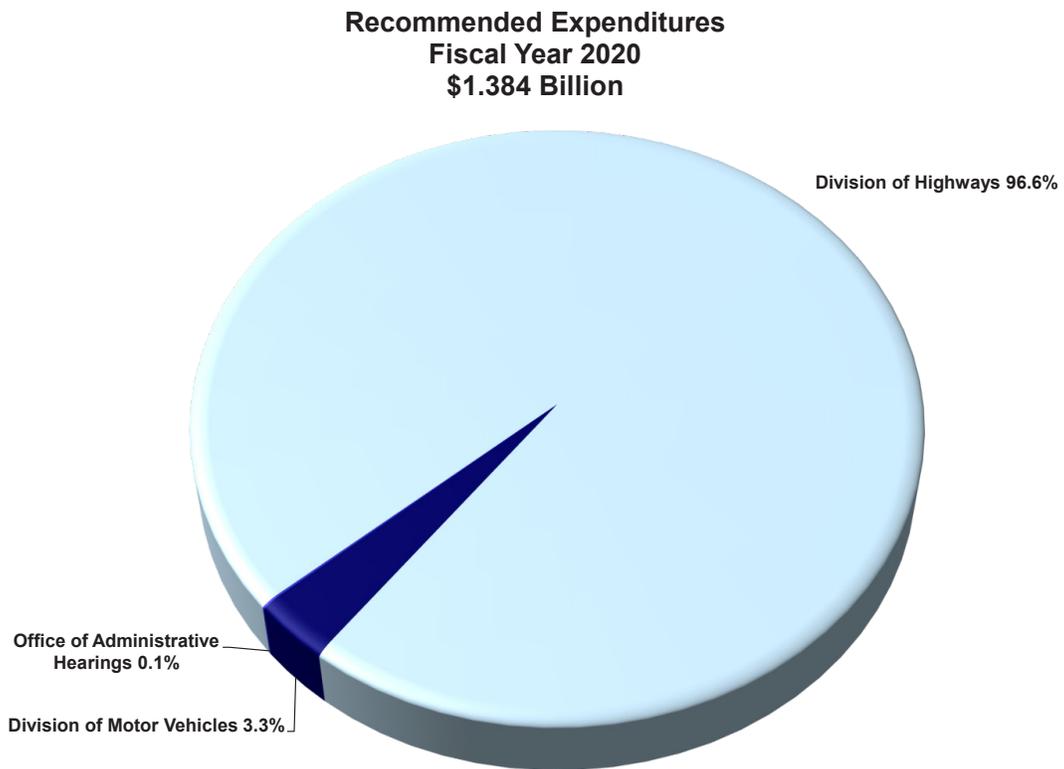
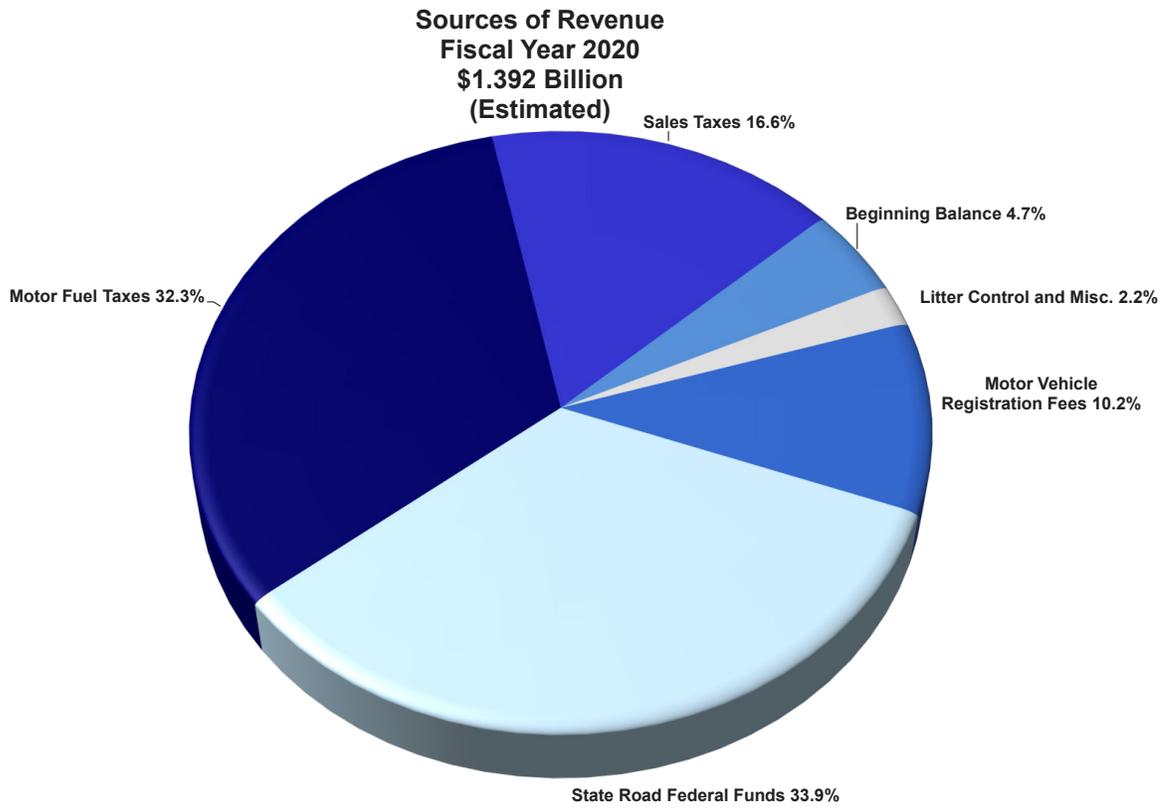
# Other Taxes and Fees

These other taxes, licenses, fees, and receipts consist of Insurance Premiums Tax, Liquor Profit Transfers, Beer Tax and Licenses, Business Franchise Registration Fees, Property Tax, Property Transfer Tax, Departmental Collections, Interest Income, Miscellaneous Receipts, Miscellaneous Transfers, Liquor License Renewal Fees, Video Gaming Revenues, and the Senior Citizen Tax Credit Reimbursement (from Excess Lottery Revenue). Most of these other taxes and fees are dependent upon population growth, other demographic trends, and changes in consumer behavior.

- Accounts for roughly 7% of total General Revenue Fund.



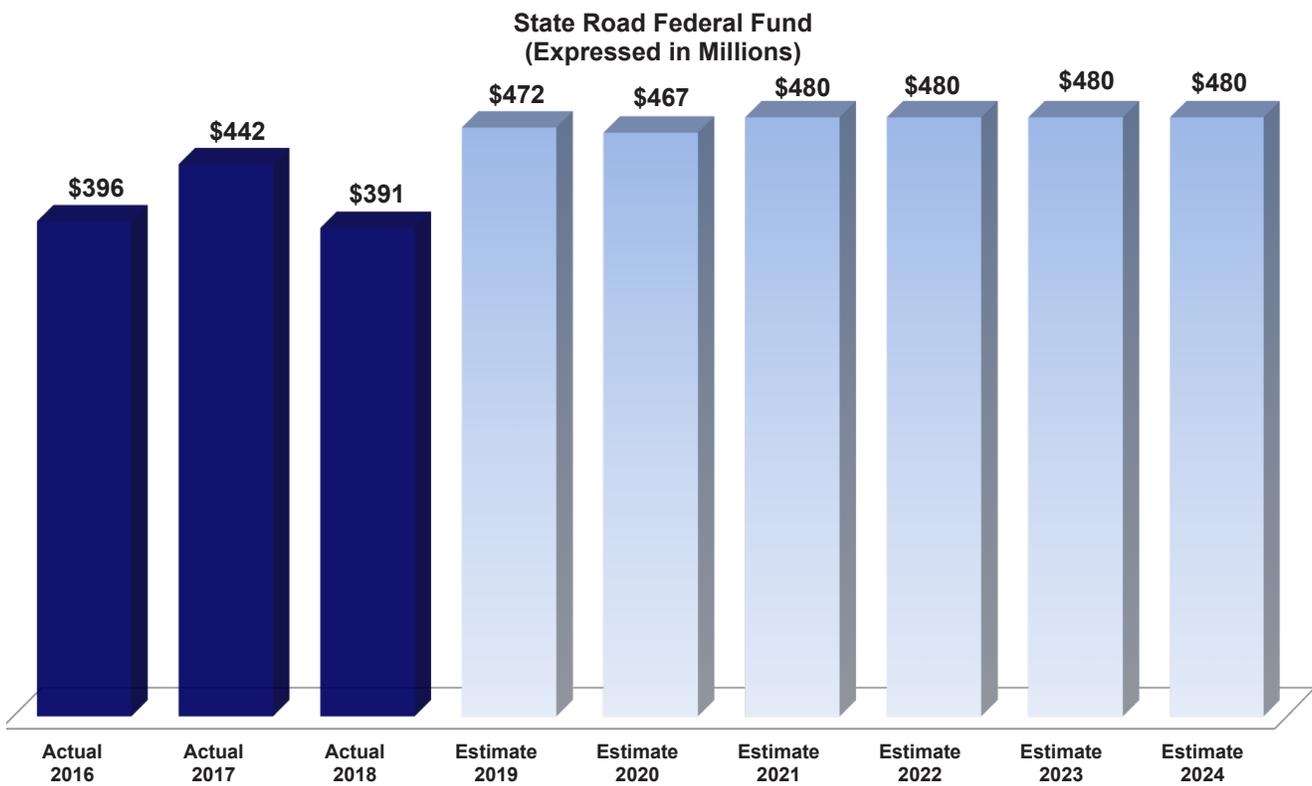
# State Road Fund



## State Road Fund

# State Road Federal Funds

- Federal Funds are received by the Division of Highways for Interstate Construction, Appalachian Programs, and Other Federal Aid programs.
- These funds become part of the State Road Fund or Coal Resource Transportation Road Fund and are included in the amounts budgeted for each fund.
- Accounts for 33.9% of the total State Road Fund.



# State Road Fund

## Motor Fuel Taxes

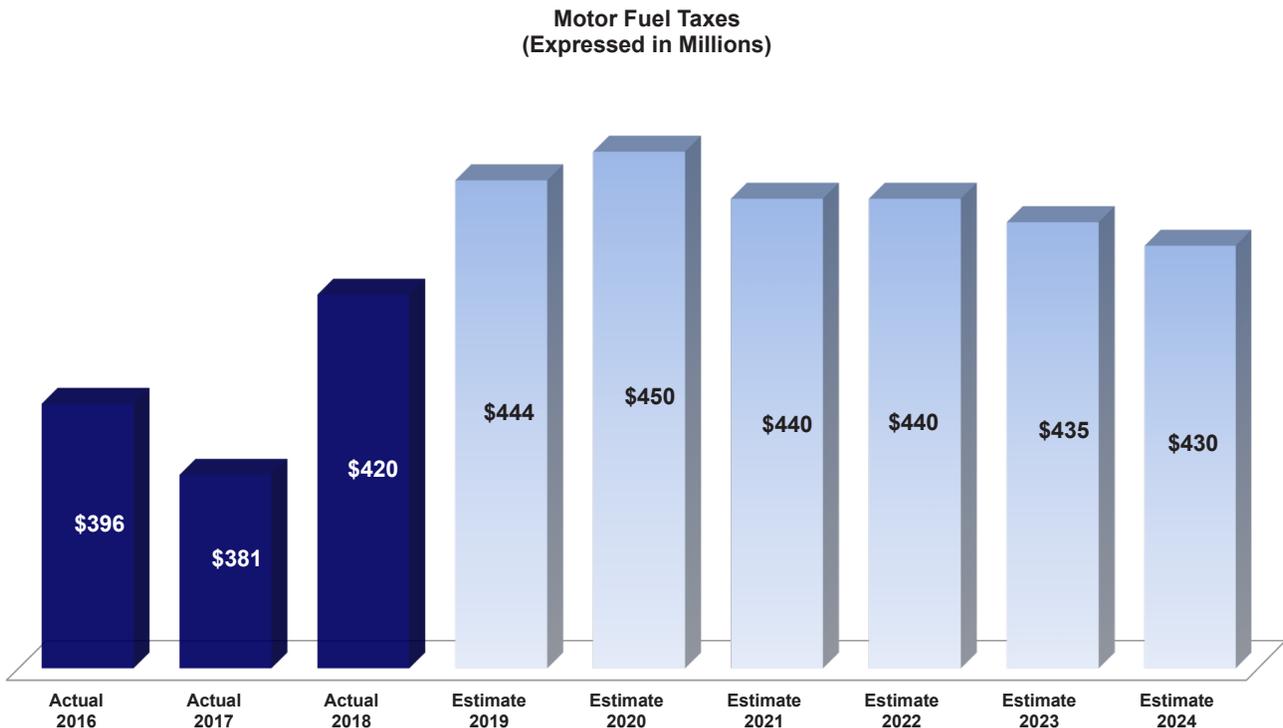
### Motor Fuel Excise Tax

- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to 5% of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from a terminal in another state for delivery in this state.
- The average wholesale price shall not be less than \$3.04 per gallon, which generates a minimum tax rate of \$0.152 per gallon.
- By December 1st of each year, the tax commissioner must calculate the average wholesale price and variable rate from sales data from the previous July through October. Calculated rate is effective for the next calendar year. The calculated price and calculated rate may not deviate by more than 10% from the prior year.

### Motor Carrier Road Tax

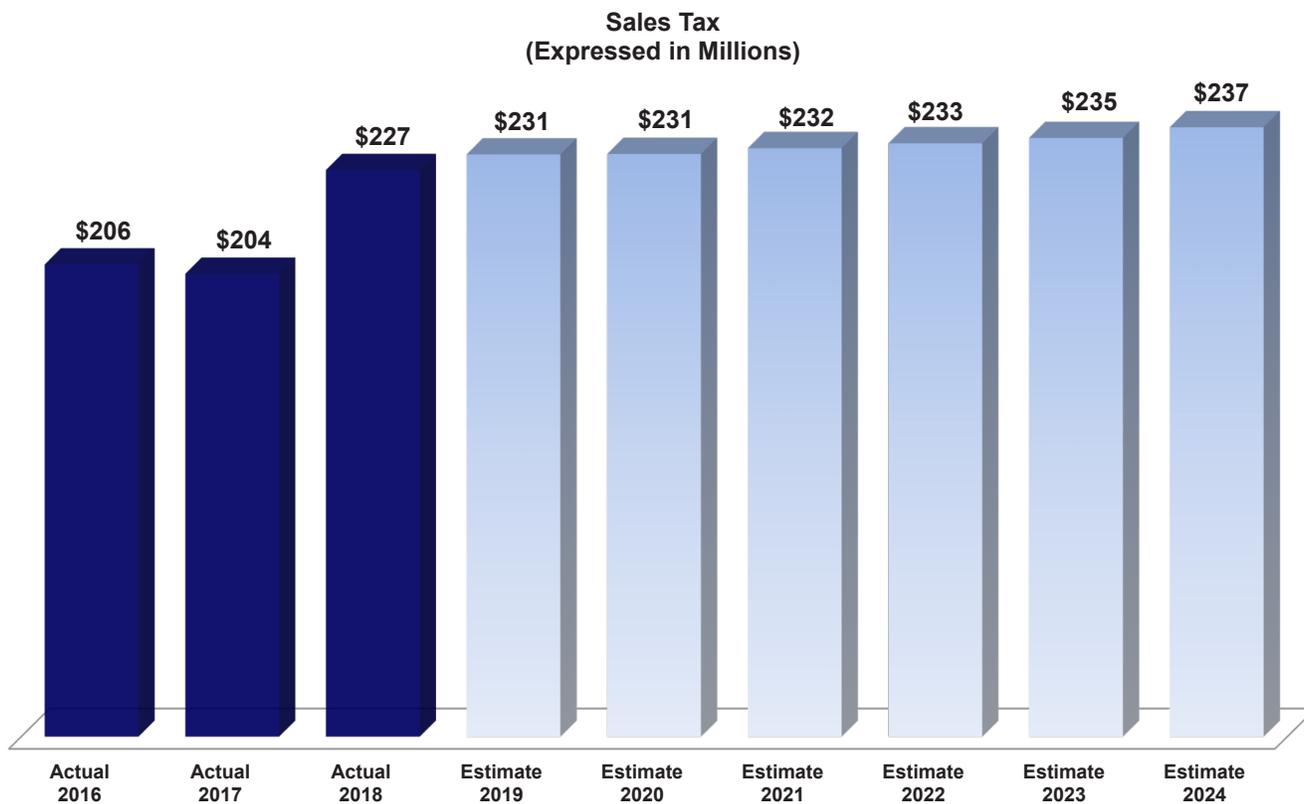
- Equivalent to the Motor Fuel Excise Tax on motor fuel.
- Imposed on every motor carrier with a vehicle that is designed to transport persons or property having two or more axles with a gross vehicle weight exceeding 26,000 pounds, including road tractors and tractor trucks.
- Based upon each gallon of motor fuel used in the carrier's operations in the state.
- Carrier is entitled to a refund for fuel purchased in the state but used out of state.
- Carriers domiciled in the state are charged an annual fee of \$10 for two identification markers.

• Accounts for 32.3% of the total State Road Fund.



## State Road Fund Sales Tax

- The Sales Tax is imposed upon obtaining the Certificate of Title on a vehicle at the time of purchase or lease.
- Tax amounts to 6% of the value of the vehicle at the time of such certification.
- Accounts for 16.6% of the total State Road Fund.



## State Road Fund

# Motor Vehicle Registration Fees

The Division of Motor Vehicles collects numerous fees that are required to be deposited in the State Road Fund, including certificate of title, vehicle licenses (registration), dealers' and wreckers' licenses, and operator licenses and renewals.

- Accounts for 10.2% of the total State Road Fund.



# West Virginia Lottery

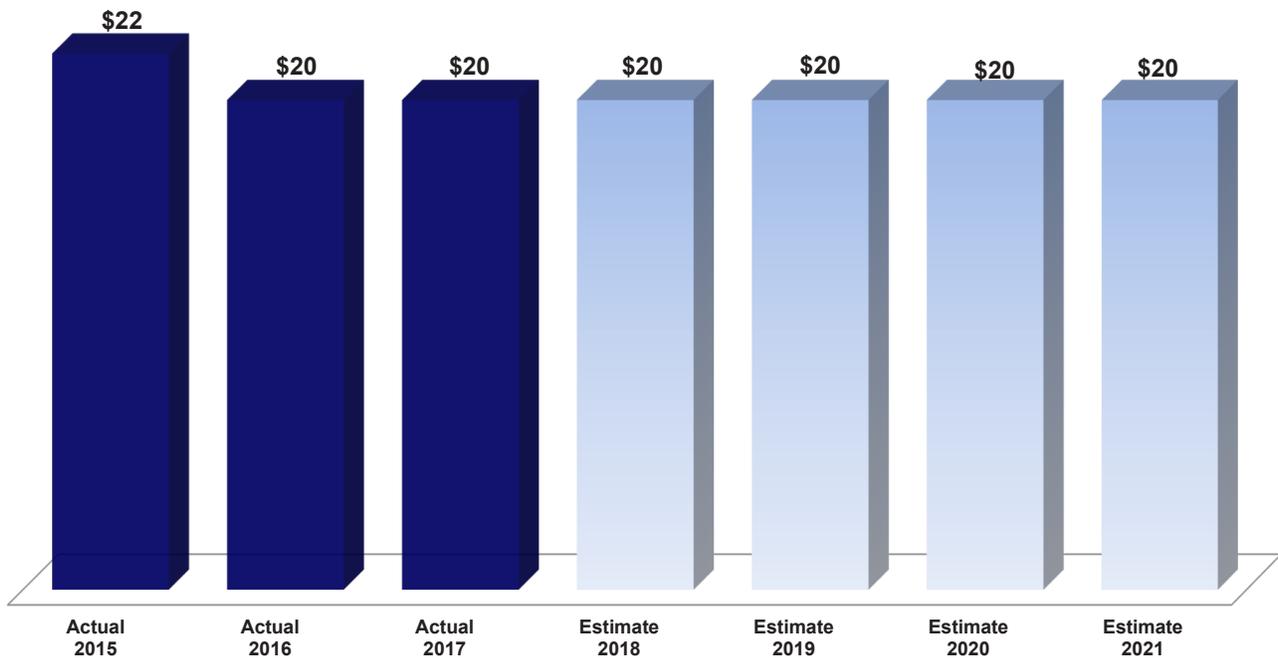
West Virginia Lottery gross revenue increased by 5.0% in FY 2017 and 1.1% in FY 2018. The increase is primarily the result of positive changes to discretionary income available as well as positive changes achieved in operating performance through the passage of House Bill 3106. Gross revenues include ticket sales of online and instant games, Racetrack Video Lottery, Limited Video Lottery revenue, table games, and Historic Resort Hotel revenues. Net revenues to the state decreased by 4.8% in FY 2017 and remained relatively flat in FY 2018. Racetrack Video Lottery decreased 3.1% during FY 2017 and 3.3% during FY 2018. Limited Video Lottery increased by 5.9% in FY 2018 and decreased by 3.7% in FY 2017.

For FY 2019, the official estimate reflects a decrease in gross revenue of 10.4% from FY 2018. Racetrack Video Lottery is projected to decrease 11.9% due to continuing competition in bordering states. Limited Video Lottery is projected to decrease by 5.0%. Online sales are projected to decrease 22.4%, and instant ticket sales are projected to decrease 9.3%. Table games revenue is projected to decrease 16.7% again due to competition in bordering states. Historic Resort Hotel revenue is projected to decrease 33.6%.

In FY 2020, the gross revenue estimate is expected to increase by 0.5%. Sales from all game types are projected to remain level with the expected addition of revenues from sports wagering.

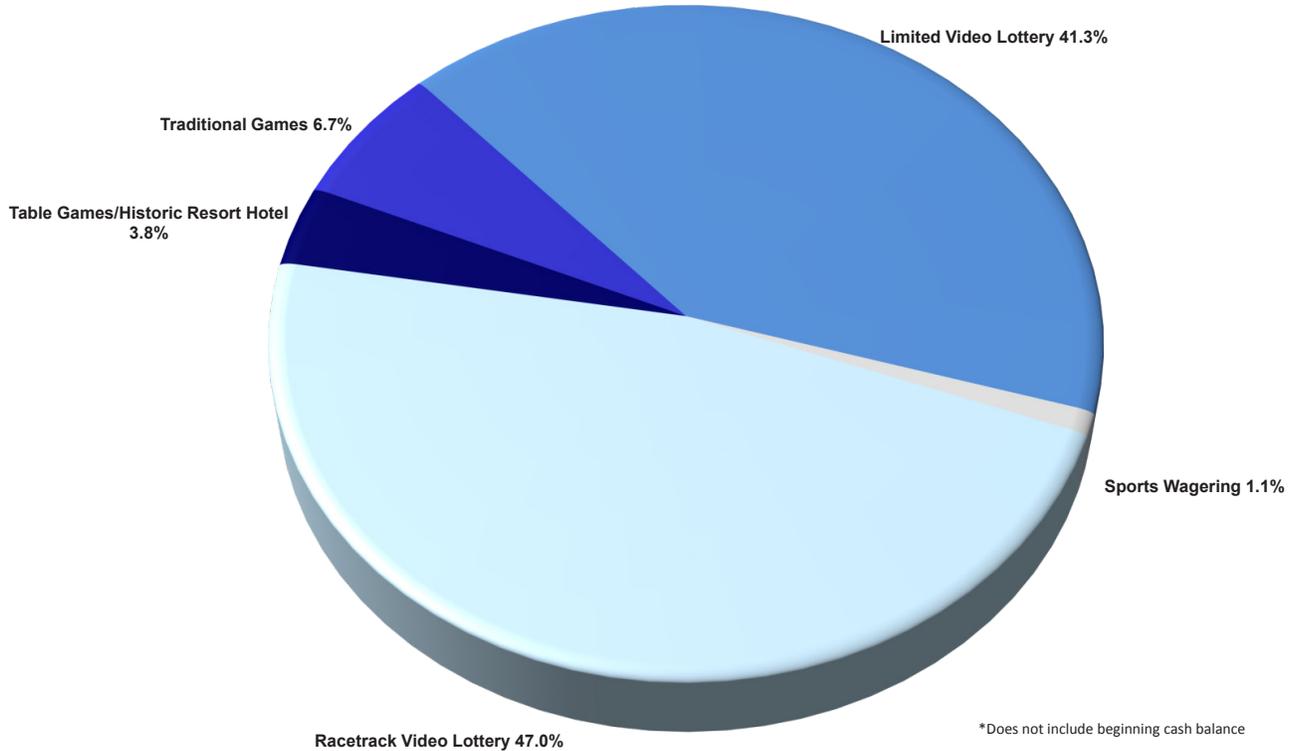
Net revenue, as indicated on the following pages, does not include the portion of lottery profits earmarked by statute for other purposes and not available for appropriation.

**West Virginia Lottery  
Table Games and Historic Resort Hotel Revenue Dedicated to State Debt Reduction  
(Expressed in Millions)**

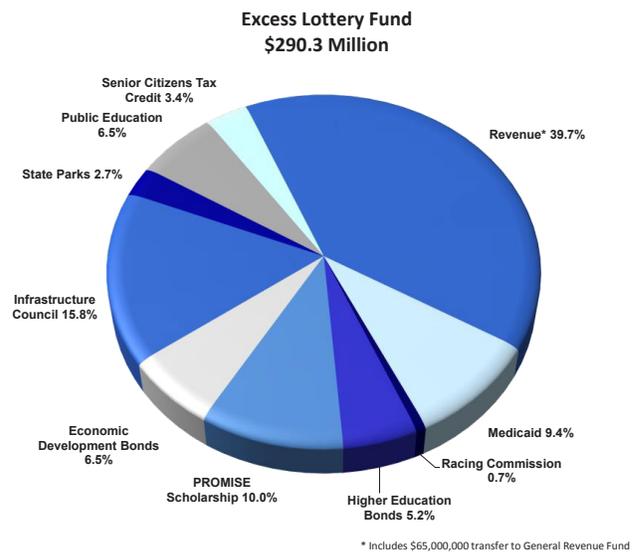
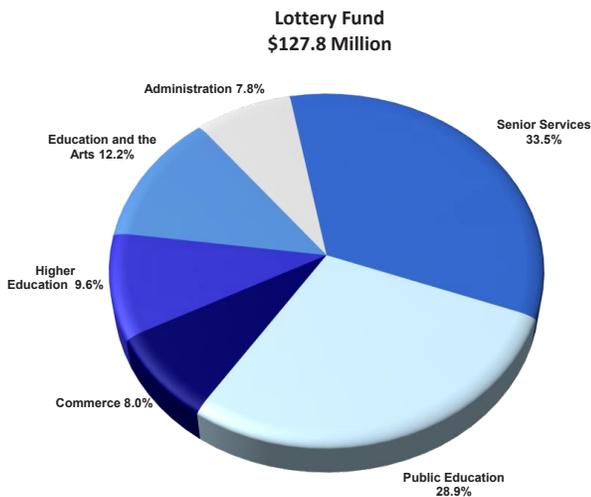


# West Virginia Lottery

**Sources of Revenue  
Fiscal Year 2020  
\$418.5 Million\*  
(Estimated)**

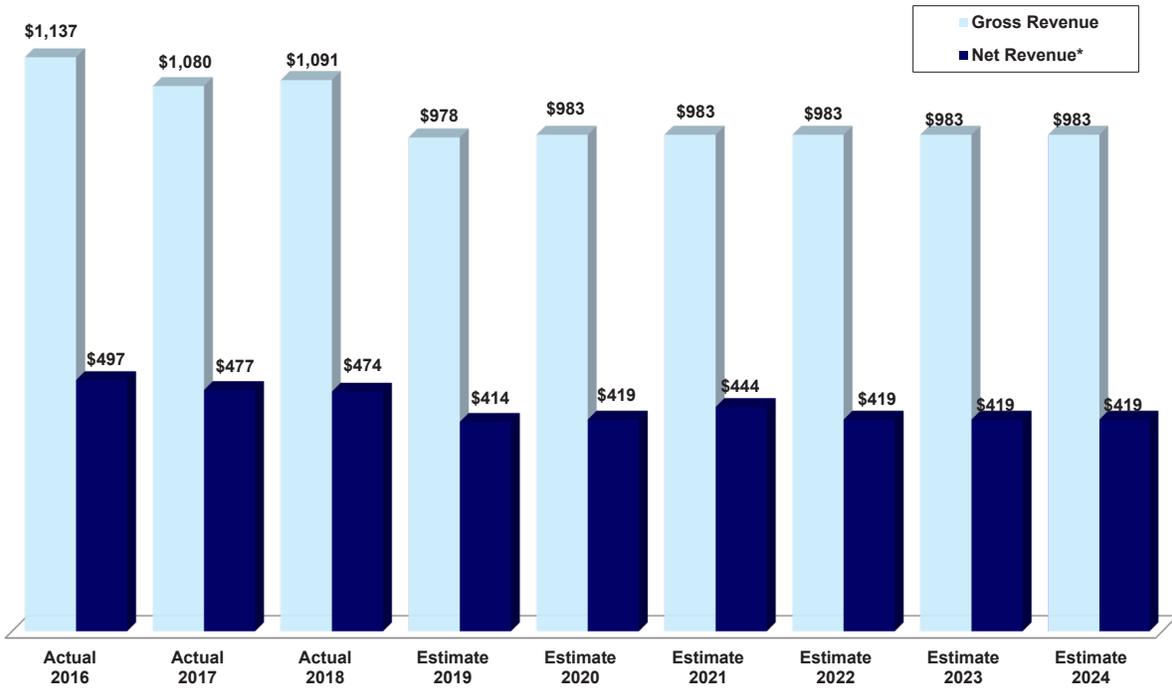


**Recommended Expenditures  
Fiscal Year 2020  
\$418.1 Million**

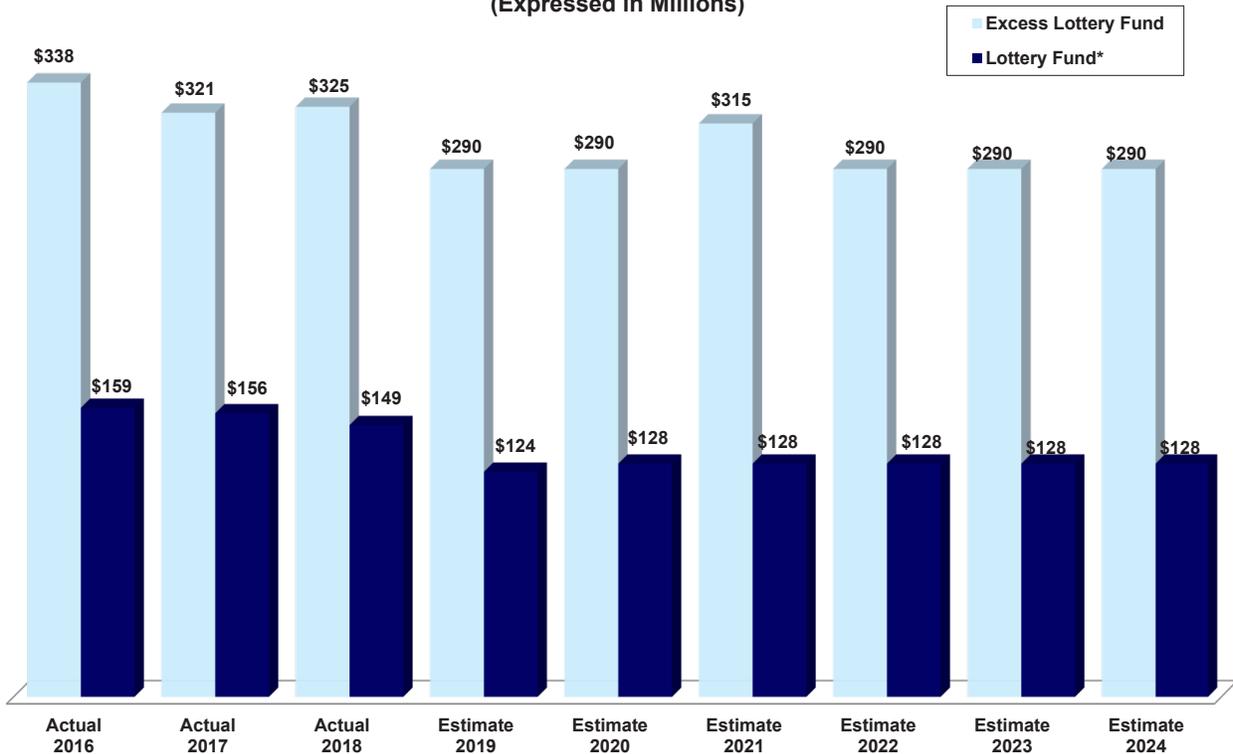


## West Virginia Lottery

**West Virginia Lottery  
Gross and Net Revenue  
(Expressed in Millions)**



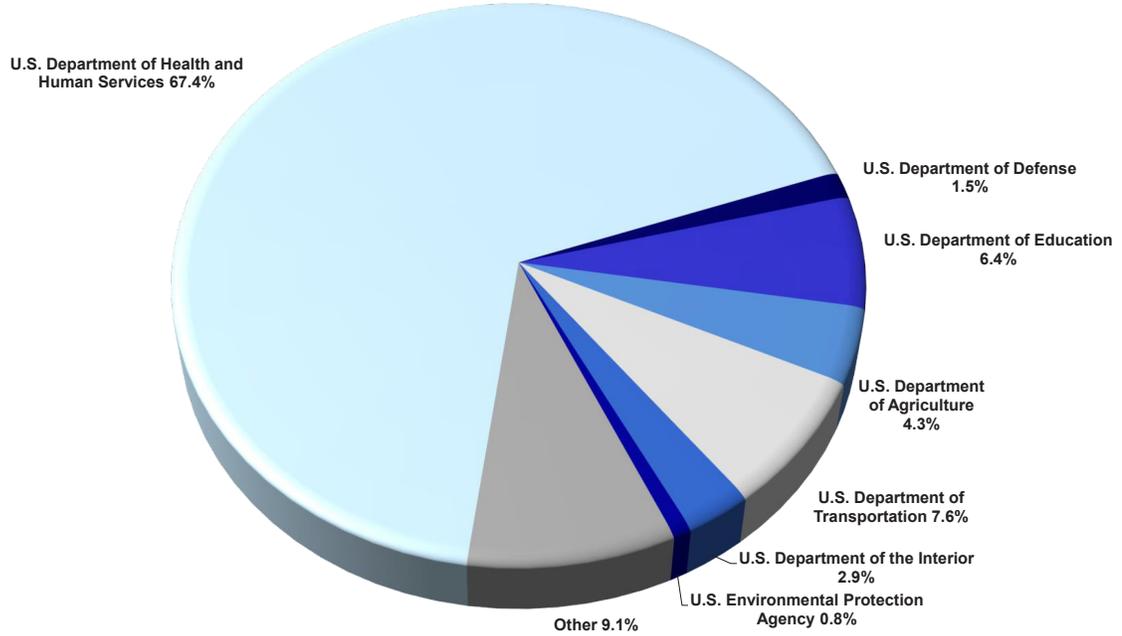
**West Virginia Lottery  
Net Revenue Distribution  
(Expressed in Millions)**



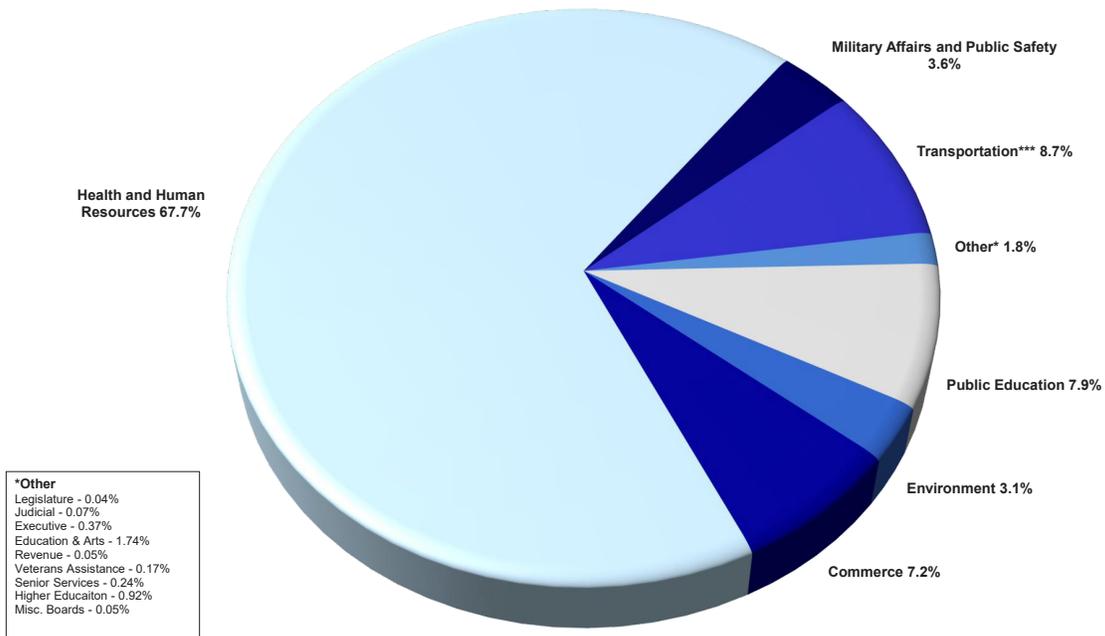
\*Includes Veterans Lottery Fund

# Federal Funds

**Sources of Revenue**  
**Fiscal Year 2020**  
**\$6.432 Billion**  
**(Estimated)**



**Recommended Expenditures\*\***  
**Fiscal Year 2020**  
**\$6.422 Billion**



\*\*Expenditures include FY 2020 revenue and beginning balances.  
 \*\*\*Includes Federal Funds that are appropriated as part of the State Road Fund.

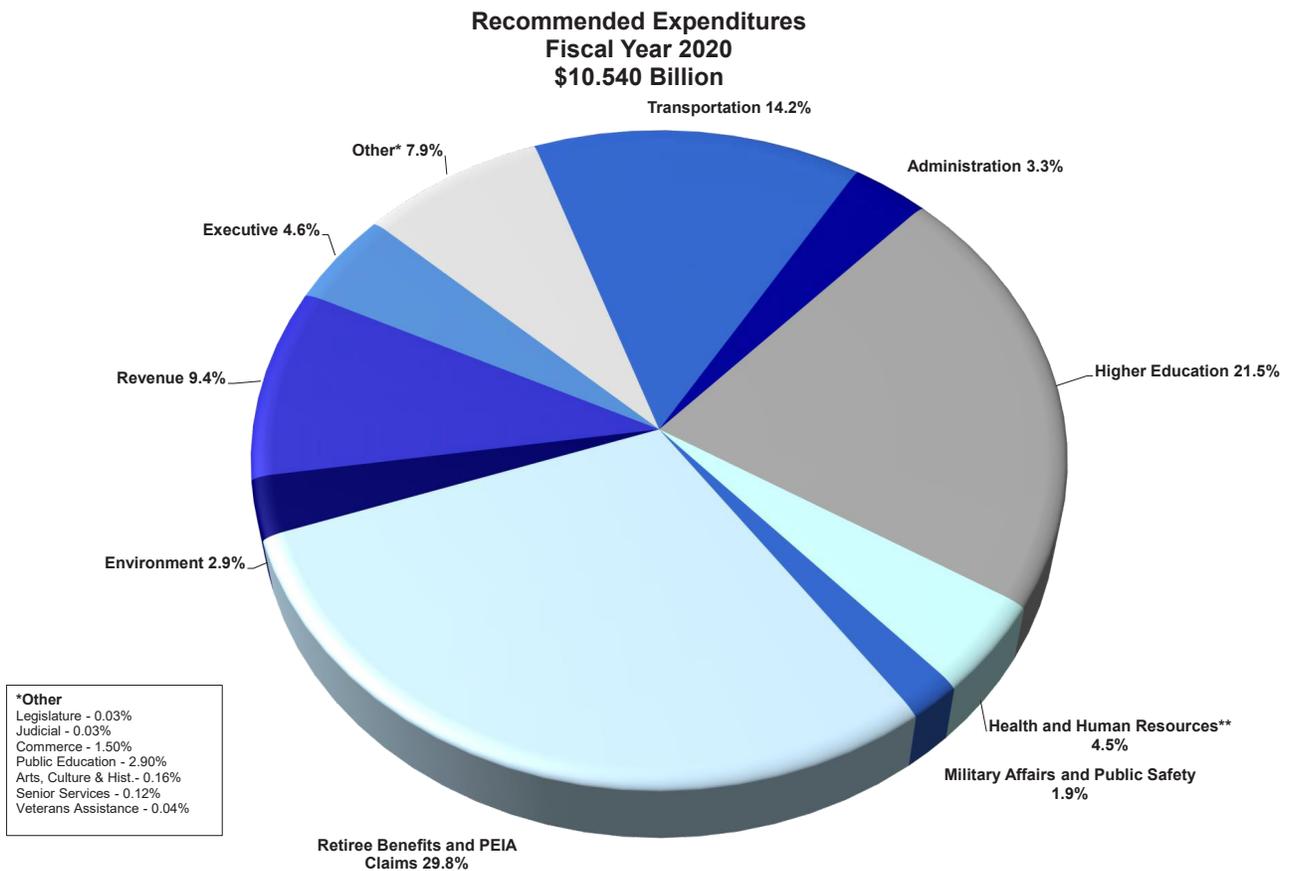
# Special Revenue Funds

**Includes:**

- Payments of claims from the Insurance Commissioner Workers' Compensation Trust Funds.
- Payments of retiree benefits from the Consolidated Public Retirement Board.
- Payments of claims from the Public Employees Insurance Agency.
- Payments of claims from the West Virginia Retiree Health Benefit Trust Fund.

**Does not include:**

- Appropriated Lottery Funds and State Road Fund which are depicted separately.



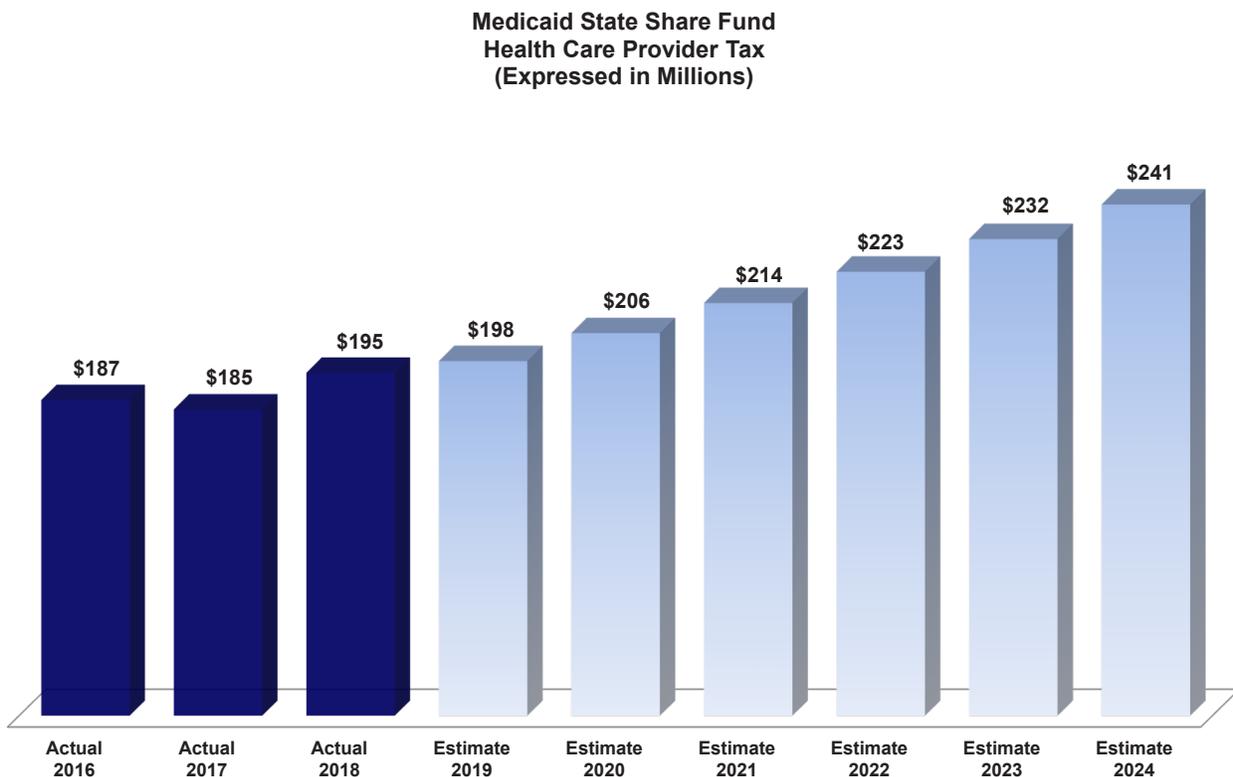
## Special Revenue Funds

# Medicaid State Share Fund

The Medicaid State Share Fund consists of provider taxes, paid by the various health care providers, to be utilized as matching funds for the Federal-State Medicaid Program. The provider taxes were initially enacted in 1993 as a funding mechanism to help supplement the State General Revenue Fund appropriation for the Medicaid Program. Current provider taxes apply to services of ambulatory surgical centers, independent laboratory and x-ray facilities, inpatient and outpatient hospitals, intermediate care facilities for mentally handicapped, and nursing homes.

The estimates for FY 2019 through FY 2024 assume that current federal regulations will remain largely unchanged for the forecast period. The Federal Medical Assistance Percentage (FMAP) of 73.24% in Federal Fiscal Year (FFY) 2018 increased to 74.34% in FFY 2019 and is scheduled to increase to 74.94% in FFY 2020. In FY 2018, the Medicaid State Share Fund generated \$194.8 million, nearly 19% of the state matching funds for the Medicaid Program. The FY 2019 estimates anticipate an increase of 1.7% to \$198.0 million. As of November 2018, year-to-date collections were 3.2% above last year. From FY 2019 through FY 2024, the Medicaid State Share Fund is expected to increase by an average annual rate of roughly 4.0%. The State also imposes an additional temporary tax on acute care hospitals that provide inpatient or outpatient services with proceeds dedicated to the implementation of a hospital Medicaid upper payment limit program (this additional tax is scheduled to expire June 30, 2021).

- 1.75% to 5.50% tax on gross receipts from various medical service providers in West Virginia.
- 0.75% tax on gross receipts of acute care hospitals (expires June 30, 2021).
- Accounts for nearly 20% of state match for Medicaid Program.





# DEBT SUMMARY





# Debt Summary

More than 20 independent agencies, authorities, boards, and departments have the power to issue debt. Recognizing the need to manage debt, the Debt Management Act created the Division of Debt Management in 1991 within the State Treasurer's Office. The division acts as the central repository of information on debt issued by the state and its spending units. Among its duties, the division is authorized to evaluate debt service requirements and cash flow projections for existing debt and proposed issues, act as a liaison with the Legislature, assist in the issuance of debt, monitor continuing disclosure requirements and post-issuance compliance, and issue debt position and capacity reports.<sup>1</sup>

## State Indebtedness

In 1997, the Division of Debt Management began issuing the annual debt capacity report to provide necessary information to the Governor and the Legislature so that they may prudently manage the state's financial resources by attempting to keep within an average-to-low range of nationally recognized debt limits. The debt capacity report annually reviews the size and condition of the state's tax-supported debt, estimates the maximum amount of new tax-supported debt that prudently may be authorized for the next fiscal year, and explains the basis for the estimate. The division is also authorized to conduct ongoing reviews of the amount of bonds, notes, and other security obligations of the state's spending units.

## Approval of State Bond Issues

Senate Bill 1002, enacted in January 2005, provides that on and after February 1, 2005, bonds may not be issued or refunded by the state or any of its agencies, boards, or commissions without the express written direction of the Governor if either the ultimate user of the proceeds of the bonds is the state or its agencies, boards, commissions, or departments, or the issuance or refunding of the bonds affects the state's credit rating.

West Virginia's commitment to fiscal integrity and economic development should enable it to continue experiencing positive growth and to continue meeting the needs of its citizens. At the same time, the state is committed to maintaining its moderate debt levels and debt management practices.

## Ratings and Ratios

As of June 30, 2018, West Virginia's general obligation bond rating was Aa2/AA-/AA by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively.

On April 24, 2018, Moody's released its "2018 State Debt Medians Report" that compares states on various debt ratios. The following tables compare West Virginia with other states of the same rating. These states, of course, differ from West Virginia in their fiscal composition, debt issuance practices, population, income levels, and other economic indicators. However, a comparison of debt ratios of the states demonstrates that West Virginia is currently within a moderate range of these key indicators.

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<sup>1</sup> For additional information, see the debt position reports and the annual debt capacity reports on the Treasurer's website at <http://www.wvtreasury.com/Banking-Services/Debt-Management>.

## Debt Summary

Net Tax Supported Debt as a Percentage of Personal Income and Per Capita  
of Similarly Rated States (Rated Aa2 by Moody's Investors Service)  
(taken from Moody's Investors Service, 2018 State Debt Medians, April 2018)

% of Personal Income		Per Capita	
Oklahoma	0.7%	Oklahoma	\$303
Nevada	1.5%	Nevada	\$637
*Arizona	1.6%	*Arizona	\$651
Maine	2.1%	Maine	\$900
West Virginia	2.9%	West Virginia	\$1,056
*Kansas	3.3%	*Kansas	\$1,554
Rhode Island	4.4%	Mississippi	\$1,854
Mississippi	5.2%	Rhode Island	\$2,188

\*Issuer rating, no GO debt outstanding

### Debt Limits

#### Short-Term Debt

The State Constitution does not permit the issuance of short-term general obligation debt except for ordinary expenses.

#### Long-Term Debt

The state has a constitutional limitation on its ability to incur debt as provided in Article X, Section 4, of the State Constitution:

“No debt shall be contracted by the State, except to meet casual deficits in the revenue, to redeem a previous liability of the State, to suppress insurrection, repel invasion or defend the State in time of war; but the payment of any liability other than that for the ordinary expenses of the State shall be equally distributed over a period of at least twenty years.”

General obligation debt for other state purposes may only be authorized by constitutional amendment. Two-thirds of the members of both the Senate and House of Delegates must approve a proposed amendment before it can be submitted to the voters for ratification or rejection. Upon approval of a constitutional amendment authorizing the issuance of general obligation debt, specific enabling legislation must be passed by both houses of the Legislature providing for the issuance of such debt.

#### Debt Policy

West Virginia has various debt policies that are set forth in the West Virginia Code. However, there is currently no centralized debt management policy for all state entities; instead, each bonding authority has its own policy.

Neither the West Virginia Constitution nor its statutes establish a general limit on all types of debt. For general obligation bonds, the limits are established in the amendment authorizing the debt. For revenue bonds, mortgages, and other debt obligations, limits are established at the individual issuer level, either by establishing a dollar ceiling on the total outstanding principal or setting the amount of the appropriation for debt service.

## *Debt Summary*

### State of West Virginia Bond Issuing Authorities

<b>Issuing Authority</b>	<b>Debt Limit (Cap)</b>
Governor	Per constitutional amendment
Armory Board	Per available revenues
Community Infrastructure Authority	Per available revenues
Division of Natural Resources, Director	Per available revenues
Economic Development Authority	N/A
Economic Development Authority Grant Committee	Per authorized projects
Education, Board of	Per available revenues
Governing Board of Higher Education	Per available revenues
Hatfield-McCoy Regional Recreation Authority	Per available revenues
Higher Education Policy Commission	Various—Per available revenues
Highway Commissioner	Per available revenues
Hospital Finance Authority	N/A
Housing Development Fund	N/A
Independent Higher Education Loan Bond Program	\$30 million
Infrastructure and Jobs Development Council	Per available revenues
Outdoor Heritage Conservation Board	Per available revenues
Parkway Authority	Per available revenues
Public Energy Authority	N/A
Public Port Authority	Per available revenues
Rail Authority	Per available revenues
Regional Jail and Correctional Facilities Authority	Various—per project and available revenues
Solid Waste Management Board	\$100 million
School Building Authority	Per appropriation and available revenues
Tobacco Settlement Finance Authority	Per available revenues
Water Development Authority	Per available revenues

## Debt Summary

# General Obligation Bonds

General obligation bonds pledging the full faith and credit of the state may be authorized only by constitutional amendment. Each amendment must be approved by two-thirds of both houses of the Legislature before submission to the voters. Enabling legislation is then required for amendments receiving voter approval. As of June 30, 2018, \$1,092,141,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

### General Obligation Bonds Outstanding June 30, 2018

Amendment	Principal Outstanding June 30, 2018 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$156,966	Severance Tax
Safe Roads Amendment of 1996	(net) \$135,175	Road Fund
Roads to Prosperity Amendment of 2017	(net) \$800,000	Road Fund

### **Issued General Obligation Bonds**

#### **1950 Veterans Bonus Amendment**

The 1950 amendment authorized general obligation bonds to be issued in an amount not to exceed \$90 million for the purpose of paying a bonus to veterans of World War I and World War II. In 1951 and 1952, \$67.5 million were sold and have been retired.

#### **1956 Korean Veterans Bonus Amendment**

The 1956 amendment authorized general obligation bonds to be issued in an amount not to exceed \$90 million for the purpose of paying a bonus to veterans of the Korean Conflict. In 1957 and 1958, \$21.652 million were sold, and \$11 million were refunded in 1962. All outstanding bonds have been retired.

#### **1972 Better School Building Amendment**

The 1972 amendment authorized \$200 million in general obligation bonds to be distributed to the county boards of education for the construction, renovation, remodeling, and equipping of elementary and secondary public school buildings or facilities. All outstanding bonds have been retired.

#### **1973 Better Highways Amendment**

General obligation bonds were authorized to be issued in an amount not to exceed \$500 million, with \$230 million for bridge replacement and improvement, \$130 million for completion of the Appalachian Highway System, \$50 million for upgrading sections of trunkline and feeder systems, \$50 million for upgrading West Virginia Route 2, \$100 million for upgrading state and local service roads, and \$50 million for construction, reconstruction, improving, and upgrading of U.S. Route 52 between Huntington and Bluefield. All outstanding bonds have been retired.

#### **1994 Infrastructure Improvement Amendment**

The 1994 amendment authorized \$300 million in general obligation bonds for construction, repair, and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction, and improvement of economic development sites. Severance taxes have been dedicated to fund repayment of the bonds. Enabling legislation was enacted in 1995. Litigation challenging the passage of the amendment was decided on December 14, 1995 with the West Virginia Supreme Court of Appeals validating the amendment. The initial issue of \$60 million was sold May 22, 1996 and the second issue of \$57 million was sold December 10, 1996. An issuance of approximately \$92

## Debt Summary General Obligation Bonds

million occurred in February 1998. The final issue of approximately \$91 million was in May 1999, bringing the aggregate amount of bonds to the authorized \$300 million amount. By structuring one of the issues with capital appreciation bonds to minimize debt service over the next seven years, an additional \$50 million was available for projects.

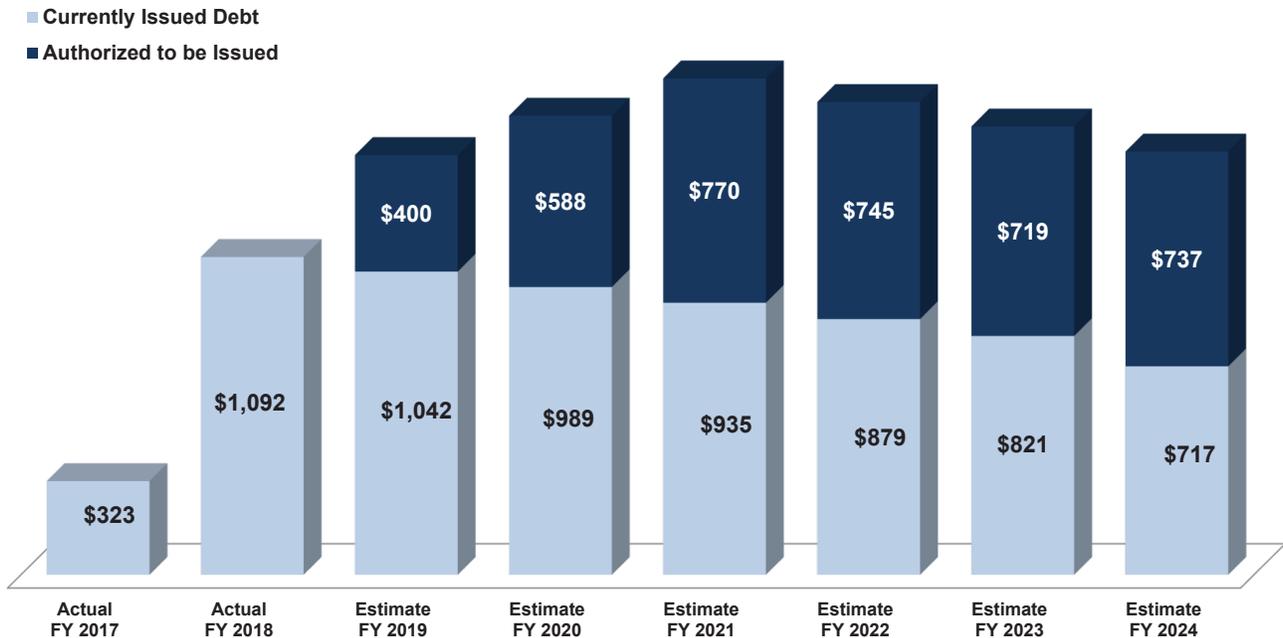
### 1996 Safe Roads Amendment

The 1996 amendment authorized \$550 million in general obligation bonds to match available federal funds for highway construction and general highway construction or for improvements in each of the 55 counties. The legislation authorizing the amendment specified the bonds to be sold over a five-year period in increments of \$110 million each. The bonds are payable from the State Road Fund. Enabling legislation was passed during the 1997 legislative session. Two hundred and twenty million dollars in Road Bonds were issued in July 1998, and another \$110 million was issued each July in 1999, 2000, and 2001. In May 2005, the state issued \$321.4 million of refunding bonds that refunded approximately \$320 million of the previously issued bonds. In July 2010, the state refunded another \$37 million of Safe Road bonds that provided the state with a net present value savings of more than \$4 million. The state once again took advantage of favorable interest rates and issued more than \$133 million of refunding bonds in April 2015. The most recent refunding provided the state with a net present value savings of more than 13.9% of the refunded bonds. At June 30, 2018, \$135,175,000 was outstanding. The bonds will be fully retired by 2025.

### 2017 Roads to Prosperity Amendment

The 2017 amendment authorized \$1.6 billion in general obligation bonds. Proceeds are to be used to match federal funds for highway and bridge construction and for general highway and secondary road and bridge construction and improvements in each of the 55 counties. The legislation authorizing the amendment specified the bonds to be sold over a four-year period as follows: July 1, 2017, an amount not to exceed \$800 million; July 1, 2018, an amount not to exceed \$400 million; July 1, 2019, an amount not to exceed \$200 million; and July 1, 2020, an amount not to exceed \$200 million. Bonds not issued may be carried forward and issued in any subsequent year before July 1, 2021. The bonds are payable from the State Road Fund. Enabling legislation was passed during the 2018 legislative session. The initial \$800 million was issued on June 7, 2018. Debt service on these bonds is approximately \$55.4 million for FY 2019 through the final maturity in 2043. At June 30, 2018, \$800,000,000 was outstanding. The bonds will be fully retired by 2043.

**General Obligation Debt Outstanding  
Fiscal Year 2018-2024  
(Expressed in Millions)**



*Debt Summary*  
*General Obligation Bonds*

***Authorized But Unissued General Obligation Bonds***

**1973 Vietnam Veterans Bonus Amendment**

This amendment authorized general obligation bonds to be issued in an amount not to exceed \$40 million to pay a bonus to veterans of the Vietnam Conflict. However, General Revenue Funds were appropriated to pay the bonuses in lieu of the issuance of bonds.

**1992 Veterans Bonus Amendment**

This amendment authorized general obligation bonds to be issued in an amount not to exceed \$4 million to pay a bonus to veterans who served in conflicts in the Persian Gulf, Lebanon, Grenada, and Panama. However, General Revenue Funds were appropriated to pay the bonuses in lieu of the issuance of the bonds.

**2004 Veterans Bonus Amendment**

This amendment authorized general obligation bonds to be issued in an amount not to exceed \$8 million to pay a bonus to veterans who served in Kosovo, Afghanistan, and Iraq. However, General Revenue Funds were appropriated to pay the bonuses in lieu of the issuance of the bonds.

*Debt Summary*  
**General Obligation Debt**  
**Outstanding at June 30, 2018**  
(Expressed in Thousands)

	<b>Final Maturity Date</b>	<b>Interest Rate(s) %</b>	<b>06/30/18 Balance*</b>
<b>Road Bonds</b>			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment	2025	4.00 - 5.00	135,175
2017 Amendment	2043	2.00 - 5.00	800,000
<b>Infrastructure Bonds</b>			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	2.00 - 7.625	156,966
<b>TOTAL</b>			<b>\$1,092,141</b>

### Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2018, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Amount to be accrued	Total
2019	50,469	48,209	491	99,169
2020	52,650	46,896	1,020	100,566
2021	54,247	44,876	1,427	100,550
2022	55,856	42,889	1,829	100,574
2023	57,849	40,522	2,186	100,557
2024-2028	232,520	166,851	12,941	412,312
2029-2033	150,440	126,672	-	277,112
2034-2038	192,375	84,726	-	277,101
2039-2043	245,735	31,370	-	277,105
<b>TOTAL</b>	<b>\$1,092,141</b>	<b>\$633,011</b>	<b>\$19,894</b>	<b>\$1,745,046</b>

\* Balances do not include unamortized discounts/premiums/issuance costs.

# Revenue Bonds

Revenue bonds are issued by various state departments, agencies, and authorities that are part of the primary government pursuant to specific statutory provisions enacted by the Legislature. Principal and interest payments are made from specifically dedicated fees and other revenues. Revenue bonds do not constitute general debt of the state.

Certain revenue bonds have call provisions providing for redemption at the option of the state, beginning 10 years following the date of issuance, in whole or in part, in inverse order of maturity, and they pay a redemption price not exceeding 103% of par value.

Approximately \$1.8 billion in revenue bonds were outstanding at June 30, 2018. A brief review of each issuer follows.

## **Tobacco Settlement Finance Authority**

The Tobacco Settlement Finance Authority was created to issue special revenue obligation bonds that are payable from, and secured by, the State of West Virginia's right, title, and interest to tobacco settlement revenue. This revenue is received under the terms of the master settlement agreement between participating tobacco product manufacturers, 46 states, and six other U.S. jurisdictions. In June 2007, the authority issued \$1.1 billion (accrued value) in two different series of bonds that are anticipated to mature in 2029. The proceeds of the first two series of bonds were directed to the West Virginia Teachers' Retirement System. At June 30, 2018, the principal outstanding on the bonds totaled approximately \$850 million.

## **West Virginia Commissioner of Highways**

The commissioner of Highways issued special obligation notes in the form of Grant Anticipation Revenue Vehicles or GARVEEs, as they have become known, during FY 2018. The issuance of GARVEEs requires that a highway project be approved as a federal aid debt-financed (bond, certificate, note, or other debt instrument) project in order to receive payments for eligible debt-related costs. Once a project is selected for bond financing, the project is submitted to the Federal Highway Administration for approval as an advance construction project. The advance construction designation will ensure that the project follows federal aid procedures and will preserve the eligibility to reimburse debt-related costs with future federal aid funds. At June 30, 2018, the principal outstanding on the notes totaled more than \$220 million. The notes are expected to mature in September 2047.

## **West Virginia Infrastructure and Jobs Development Council**

The West Virginia Infrastructure and Jobs Development Council was created to review preliminary applications for waste water facilities, water facilities or combination projects, or infrastructure projects seeking state funding. The council is to make a written recommendation as to the infrastructure project financing in terms of the kind, amount, and source of funding which the project sponsor should pursue and which the state infrastructure agency or agencies should consider an appropriate investment of public funds. Alternatively, the council may make a determination that the project or infrastructure project is not eligible for funding assistance from any state infrastructure agency or that the infrastructure project is not otherwise an appropriate or prudent investment of state funds, and then make a recommendation that the project sponsor not seek funding from any state infrastructure agency. The primary source of repayment for the revenue bonds is the receipt of repayments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation bond proceeds. The council has also issued excess lottery revenue bonds for the Chesapeake Bay and Greenbrier River projects. At June 30, 2018, the council's outstanding bonds totaled more than \$163 million.

## **Economic Development Grant Committee/Economic Development Authority**

The West Virginia Economic Development Grant Committee was created to issue economic development grants throughout the State of West Virginia. During FY 2004, the Economic Development Authority issued bonds totaling more than \$249.8 million to fund the grants of the committee. The bonds are secured by an annual pledge of \$21 million from the Excess Lottery Fund. At June 30, 2018, \$147 million in bond obligations were outstanding.

## *Debt Summary* *Revenue Bonds*

During FY 2011, the Economic Development Authority issued \$155.6 million of Lottery Revenue Bonds. The bonds were issued to finance various projects including the following:

- \* Renovations and repairs at various colleges and universities;
- \* Building renovation of the West Virginia Education, Research, and Technology Park for the Higher Education Policy Commission;
- \* Various renovations at the capitol complex; and
- \* Various renovations at state parks throughout West Virginia.

As of June 30, 2018, approximately \$142 million in bond obligations remain outstanding. The bonds have a level debt service of approximately \$9.9 million until they mature on June 15, 2040.

### **School Building Authority Capital Improvement Revenue Bonds**

The School Building Authority Capital Improvement Revenue bonds that utilize General Revenue appropriations for repayment consist of one refunding issuances. The principal outstanding on the bonds totaled \$38 million as of June 30, 2018. No “new money” bonds may be issued utilizing General Revenue appropriations for repayment.

### **School Building Authority Lottery and Excess Lottery Revenue Bonds**

The West Virginia School Building Authority was the first West Virginia state agency to issue bonds backed by revenues from the West Virginia Lottery. The first Lottery Revenue Bonds were issued in 1994 in the amount of \$135.6 million which matured in 2004. Since that time, the Authority has issued more than five other series of bonds with the most recent in April 2018. The proceeds of all issues were used to fund capital improvement projects at various primary and secondary schools throughout West Virginia. The principal outstanding on all Lottery Bonds of the School Building Authority was \$138 million at June 30, 2018.

The School Building Authority has also issued more than \$190 million in revenue bonds that are backed by certain funds from the Excess Lottery Revenue Fund. The principal outstanding on these bonds totaled approximately \$83 million (net) as of June 30, 2018.

Three additional series of Excess Lottery Revenue Bonds have been issued as qualified school construction bonds (QSCBs), which are federal tax credit bonds. This means that in lieu of receiving interest, purchasers of the bonds receive a tax credit in the amount established by the Internal Revenue Service. The School Building Authority will only be repaying the principal on the bonds, not any interest. The principal outstanding on all QSCBs, backed by the West Virginia Excess Lottery Revenue Fund, was approximately \$77 million (net of debt service sinking funds).

*Debt Summary*  
**Revenue Bonds**  
**Outstanding at June 30, 2018**  
(Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2007	2022	3.82 - 4.37	22,265
School Building Authority (Lottery)	2012, 2013, 2014, 2016 & 2018	2033	2.68 - 2.85	137,875
School Building Authority (Excess Lottery)	2008, 2010 & 2015	2030	2.52 - 4.78	83,490
School Building Authority QSCBs (Excess Lottery)	2009 & 2010	2027	0	150,480
Tobacco Settlement Finance Authority*	2007	2047	7.467 - 8.5	850,238
Highways, Commissioner of	2017	2029	2.15 - 2.21	219,985
WV Infrastructure and Jobs Development Council	2012, 2014 & 2016	2046	2.00 - 5.00	162,795
Education, Arts, Sciences, and Tourism Fund (Lottery)	2017	2040	3.02	141,560
Economic Development Authority (Excess Lottery)	2004 & 2017	2037	2.03 - 5.63	147,195
<b>Subtotal</b>				<b>1,915,883</b>
Less:				
School Building Authority Debt Service Reserve Fund				-
School Building Authority (Excess Lottery)				0
Debt Service Sinking Fund - QSCBs (Excess Lottery)				(76,853)
Economic Development Authority Debt Service Reserve Fund (Excess Lottery)				(21,282)
<b>Net revenue bonds outstanding</b>				<b><u>\$1,817,748</u></b>

**Summary of Debt Service Requirements**

Future amounts required to pay principal and interest on revenue bonds at June 30, 2018, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount to be accrued</u>	<u>Total</u>
2019	106,880	92,954	14,167	214,001
2020	88,495	89,171	15,397	193,063
2021	93,990	84,446	16,734	195,170
2022	99,840	79,294	18,186	197,320
2023	106,250	73,653	19,765	199,668
2024-2028	594,898	269,918	127,735	992,551
2029-2033	465,170	89,270	178,059	732,499
2034-2038	85,195	16,660	105,251	207,106
2039-2043	194,733	3,137	4,550	202,420
2044-2048	3,580	230	-	3,810
2049-2053	-	-	-	-
	<b><u>\$1,839,031</u></b>	<b><u>\$798,733</u></b>	<b><u>\$499,844</u></b>	<b><u>\$3,137,608</u></b>

\*Balance represents accreted value of bonds and does not include unamortized discounts/premiums/issuance costs.

# Capital Leases and Notes Payable

A capital lease is a lease in which the lessee (entity leasing from another) assumes substantially all the risks and benefits associated with the asset, which must meet one or more of the following criteria:

- \* The lease transfers ownership of the leased asset at the end of the lease term.
- \* The lease terms and conditions contain a bargain purchase option which allows the state to buy the leased asset for substantially less than the estimated value of the leased item.
- \* The term of the lease is 75% or more of the estimated economic life of the leased asset. Estimated economic life is the estimated useful life of the asset for the purpose for which it was intended, regardless of the term of the lease. For example, if a copier with an estimated economic life of 10 years were leased for eight years, it would meet this criterion.
- \* The present value of the future minimum lease payments at the beginning of the lease equals or exceeds 90% of the fair value of the asset.

Capital leases have been entered into by numerous state agencies to meet equipment needs, such as telecommunications and postal equipment. The leases are short term and are subject to annual appropriation and availability of general and special revenues.

The outstanding balance of primary government capital leases and notes payable was \$276 million at June 30, 2018.



# ECONOMIC FORECAST





# WEST VIRGINIA ECONOMIC FORECAST

The Economic Forecast is excerpted from the  
West Virginia Economic Outlook 2019 published by:

Bureau of Business & Economic Research  
West Virginia University College of Business and Economics  
P.O. Box 6527, Morgantown, WV 26506-6527  
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The full document is available online  
<http://www.be.wvu.edu/bber/index.htm>

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# 2019 West Virginia Economic Forecast

## EXECUTIVE SUMMARY

West Virginia's economy enjoyed its strongest year of growth in nearly a decade during 2017, emerging from several years of severe economic weakness. Most of the bounce back in the state's economy is connected to the energy sector, not only from the increased production of coal and natural gas but also as a result of a massive build-out of new natural gas pipeline infrastructure throughout the state. Growth has broadened to include more of the state's regions over the past year or so, but the overall magnitude of gains in jobs and output have remained concentrated in just a few areas as some portions of West Virginia continue to struggle with a range of weak economic fundamentals. Overall, this report provides a broad and detailed foundation to help you understand the long-run economic challenges and opportunities facing West Virginia.

Highlights related to West Virginia's recent economic performance are as follows:

- After losses of more than 26,000 jobs between early-2012 and late-2016, the state has seen employment growth of around 7,000 jobs since the recession's end.
- Job growth since late-2016 has been heavily concentrated in eight counties and has been largely driven by growth in the state's energy industries.
- The state's unemployment rate has increased slightly over the past year and currently stands in the low-five-percent range; however the increase has been driven by more individuals returning to the labor market to look for work.
- Only 53 percent of West Virginia's adult population is either working or looking for work. This is the lowest rate of labor force participation among all 50 states. This low rate of labor force participation represents a significant hurdle for long-run economic prosperity.
- Per capita personal income in West Virginia increased at a healthy pace in 2017, outpacing nearly all other states. Overall, per capita personal income in West Virginia stands at 75 percent of the national average.
- West Virginia's real GDP grew at a healthy pace in 2017, outpacing more than 40 other states. Growth was largely driven by energy-related developments.
- Export activity from West Virginia has been quite volatile over the past decade. Exports have increased at a healthy rate since

FIGURE ES.1: West Virginia and US Forecast Summary

	West Virginia		United States	
	2007-2017	2018-2023	2007-2017	2018-2023
Population (average annual growth, %)	-0.1	-0.1	0.8	0.8
Employment (average annual growth, %)	-0.3	0.4	0.6	0.7
Real GDP (average annual growth, %)	0.9	0.9	1.4	1.9
Unemployment Rate (annual average at end of time period, %)	5.2	5.0	4.4	4.3
Real Per Capita Personal Income (average annual growth, %)	1.1	1.4	0.9	1.7

Sources: US Census Bureau; US Bureau of Labor Statistics; US Bureau of Economic Analysis; WVU BBER Econometric Model; IHS Markit

late-2016. Promoting the state's export potential is of vital importance to economic development in West Virginia in the long run. Growth has lagged the national average in recent years, leaving the per capita income level in West Virginia at roughly 75 percent of the national figure.

The energy sector is an important driver of economic activity in the state:

- Coal output improved to around 93 million short tons in 2017, from around 80 million short tons in 2016. Production for 2018 is on track to fall slightly short of the 2017 level, and production is expected to remain above 80 million tons throughout the five-year forecast horizon.
- Much of the improvement in coal production over the past two years has been through increased coal exports. West Virginia coal production is becoming increasingly dependent on export markets and potential growth in production is likely to come from overseas demand.
- Natural gas output has exhibited strong growth since late-2016. Production is expected to continue to grow at a healthy rate over the five-year forecast horizon.

Highlights related to West Virginia's economic outlook are as follows:

- Employment in West Virginia is estimated to increase 0.4 percent per year on average through 2023, compared to an expectation of 0.7 percent for the nation as a whole.

## 2019 West Virginia Economic Forecast Executive Summary

- We anticipate slightly positive growth overall in energy over the forecast horizon; this growth will be driven by the natural gas industry.
- Construction is expected to add jobs at the fastest rate going forward, with much of the job growth occurring early in the forecast horizon due to natural gas pipeline construction. In the middle part of the forecast horizon, construction employment growth will be driven in part by public infrastructure investments.
- Manufacturing is expected to add jobs at an above-average rate over the forecast horizon, in large part due gains in chemicals, automotive components, and aerospace equipment.
- The state's unemployment rate is expected to improve slightly over the forecast horizon.
- Per capita personal income is expected to grow at an average annual rate of 1.4 percent over the next five years, somewhat less than the national rate. The fastest growing segment of income is non-wage income, such as Social Security benefits.

A key concern for the Mountain State moving forward relates to its underlying demographics. Consider the following:

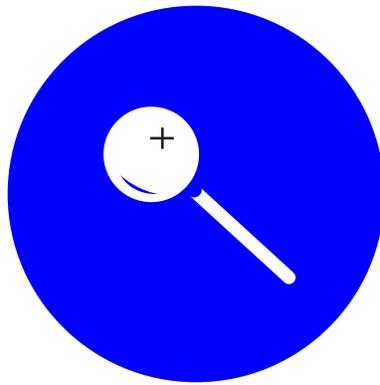
- West Virginia's population has declined by nearly 40,000 since 2012. We project slight population losses in the coming five years, with larger losses expected in the long term.
- A positive shock to encourage in-migration is essential to lessen the severity of natural population decline in which deaths outnumber births.
- The state's population is significantly older than the nation as a whole, and will continue to age in coming years.
- The state's population is relatively unhealthy and ranks at or near the bottom among the 50 states along many basic health outcome measures.
- Economic development strategies should focus on ways to improve health, drug abuse, and education outcomes in the state to make West Virginia's workforce more attractive to potential businesses.

Economic performance is expected to remain extremely variable across West Virginia's counties. Consider the following:

- Six counties are expected to lose jobs in coming years and expected growth rates among the remaining counties vary widely. However, the highest rates of job growth tend to be in the northern half of the state.
- While the state overall is expected to lose population in coming years, around a dozen counties are expected to add residents and several more are expected to remain generally stable. Population gains will be heavily concentrated in North-Central West Virginia and the Eastern Panhandle.
- Policymakers should be keenly aware of significant economic differences across West Virginia and ensure that economic development strategies consider each region's specific strengths and weaknesses.



# APPENDICES





# Glossary

## A

**Accrual** - An accounting method that reports income when earned and expenses when incurred.

**Activity** - (See “Appropriation.”)

**Agency** - An organizational unit of state government, usually a department, bureau, commission, board, or a subdivision within a department or bureau.

**Annual Increment** - Funds appropriated for eligible employees and paid once annually at the rate of \$60 per full year of service with a minimum of three years of full-time equivalent service as of July 1.

**Appropriated Special Fund** - Consists of accounts that generate revenue from established rates or fees and must be expended for a specific purpose; amount authorized for expenditure is specifically contained in the budget bill.

**Appropriation** - A legal authorization to incur obligations and to make expenditures for specific purposes listed in the budget bill, such as Current Expenses, Equipment, and Capital Outlay.

## B

**Balanced Budget** - A budget in which the estimated revenues plus unappropriated fund balances are equal to or greater than the appropriations.

**Base Budget** - The amount required for ongoing expenditures for current programs—does not contain items of a onetime nature.

**Bond** - A long-term IOU or promise to pay. It is a promise to repay a specified amount of money (the face amount of the bond) on a particular date (the maturity date). Bonds (which can be general obligation or revenue bonds) are used to finance capital projects.

**Budget** - A plan of financial activity for a specified period (fiscal year or biennium) indicating all planned revenues and expenses for the budget period.

**Budget Act/Budget Bill** - The legislation that appropriates the expenditures required to operate state government for each fiscal year.

**Budgetary Basis** - The basis of accounting used to estimate financing sources and uses in the budget. West Virginia’s annual budget is prepared on a cash basis.

**Budgetary Control** - The control or management of a government in accordance with the approved budget for keeping expenditures within the limitations of available appropriations and resources.

**Buildings** - Expenditures for new construction and major alteration of existing structures, or the improvement of lands and can include shelter, support, storage, protection, or the improvement of a natural condition.

**Bureau** - An organizational unit of state government established by law and headed by a commissioner or other statutory officer of an agency within that bureau, such as the Bureau of Senior Services.

## C

**Cabinet** - An organizational unit of state government that can be headed by a department cabinet secretary or individual agencies grouped for organizational reporting purposes, such as Miscellaneous Boards and Commissions.

**Capital Improvements/Programs/Expenditures** - Related to the acquisition, expansion, or rehabilitation of an element of the government’s physical plant, sometimes referred to as infrastructure. New construction, renovation, or repairs of \$100,000 or more and major equipment purchases of like equipment of \$50,000 or more are considered to be capital improvement programs for budgetary purposes.

**Cash Basis** - A basis of accounting in which transactions are recognized only when cash is increased or decreased (revenue received and expenses paid).

**Civil Contingent Fund** - The civil contingent fund is appropriated by the Legislature to the Governor to be available for payment of expenses incurred when executing a law for which there is no specific

## Appendix A/Glossary

appropriation or any other expenses for which the Governor deems necessary or proper, such as unanticipated emergencies.

**Commission** - An organizational unit of state government established by law that is headed by a group of persons directed to perform a specific duty, such as the Higher Education Policy Commission or Public Service Commission.

**Current Expenses** - Expenditures for operating costs other than personal services or employee benefits. Equipment, repairs and alterations, buildings, other assets, or lands are not included.

**Current Level** - Normally refers to the total dollars (less onetime appropriations) in the current fiscal year which are available for the next fiscal year. For FY 2017, the “current level” is defined as 100% of the FY 2016 base budget for the General Revenue Fund and Regular Lottery fund appropriations.

### D

**Debt Service** - The cost of paying principal and interest on borrowed money according to a predetermined payment schedule.

**Department** - An organizational unit of state government established by law and headed by a cabinet secretary or department head, such as the Department of Administration, Department of Education, or Department of Revenue.

**Disbursement** - The expenditure of monies from an account.

**Division** - Each primary entity of government which receives an appropriation in the budget bill. Also may be referred to as an agency or organization.

### E

**Employee Benefits** - Expenditures for social security matching, workers’ compensation, unemployment compensation, pension and retirement contributions, public employees’ insurance matching, OPEB, personnel fees, or any other benefit normally paid by the employer as a direct cost of employment.

**Encumbrance** - The commitment of funds to purchase an item or service. To encumber funds means to set aside or commit funds for a specified future expenditure.

**Enterprise Funds** - These funds are used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis, or where the State has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Examples include the West Virginia Lottery, Board of Risk and Insurance Management, Public Employees’ Insurance Agency, and the West Virginia Prepaid College Plan.

**Equipment** - Expenditures for equipment items which have an appreciable and calculable period of usefulness in excess of one year.

**Excess Lottery** - A Special Revenue fund that supports items set by statute such as the senior citizens tax credit, college scholarships for West Virginia students, capital projects and improvements for public and higher education and for state parks, bond backing for economic development endeavors, infrastructure projects (including water and sewer projects), additional transfers to General Revenue to support the ongoing operations of the General Revenue Fund (which includes an FY 2002 pay raise), and additional items as may be appropriated by the Legislature.

**Expenditure** - The payment of cash on the transfer of property or services for the purpose of acquiring an asset, service, or settling a loss.

**Expenses** - A category for the usual, ordinary, and incidental expenditures by an agency, including, but not limited to, such items as salaries, employee benefits, contractual services, commodities, and supplies of a consumable nature, current obligations, fixed charges, and capital outlay. Payments to other funds or local, state, or federal agencies may be included in this budget classification of expenditures.

### F

**Federal Fiscal Year** - October 1 through September 30.

## Appendix A/Glossary

**Federal Fund** - Consists of any financial assistance made directly to a state agency by the United States government.

**Fiscal Year** - A 12-month period designated as the operating year for accounting and budgeting purposes in an organization. West Virginia's fiscal year runs from July 1 to June 30.

**Full-time Equivalent Position (FTE)** - A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time typist working for 20 hours per week would be the equivalent to 0.50 of a full-time position.

**Fund** - A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

**Fund Balance** - The balance of cash and investments less reappropriated funds and reserves for cash flow.

## G

**GASB 34** - The Government Accounting Standards Board statement 34 (June 1999) that establishes financial reporting standards for governmental entities.

**GASB 43** - The Government Accounting Standards Board statement 43 (April 2004) titled "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans."

**GASB 45** - The Government Accounting Standards Board statement 45 (June 2004) titled "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions."

**General Fund** - Consists of tax revenues collected by the state which are not dedicated to a specific purpose and require legislative appropriations for expenditure.

**General Obligation (GO) Bond** - This type of bond is backed by the full faith, credit, and taxing power of the government.

**Goals** - Established by agency/division, goals are issue-oriented statements that declare what an agency/division intends to accomplish to fulfill its mission.

**Governmental Funds** - All funds except profit and loss funds (e.g., enterprise funds, internal services funds, and trust funds).

## I

**Improvement Package (Request)** - The process of requesting additional dollars for expenditure in the upcoming fiscal year above the current level.

**Income Tax Refund Reserve Fund** - A fund established by law that may only be used to ensure payment of personal income tax refunds, interest, and penalties to taxpayers in a timely manner or to be used by the Legislature as it determines necessary, such as for unanticipated emergencies.

**Infrastructure** - The physical assets of a government (e.g., streets, water, sewer, public buildings, and parks).

**Internal Service Funds** - These funds account for the operations of those state agencies that provide goods and services to other state agencies and governmental units on a cost-reimbursed basis. Examples include the State Building Commission, Information Services and Communications, and the Travel Management Office.

## L

**Lands** - Expenditures for the purchase of real property or interest in real property.

**Long-term Debt** - Debt with a maturity of more than one year after the date of issuance.

**Lottery** - A Special Revenue fund that supports programs for senior citizens, education, and tourism and parks, as appropriated by the Legislature.

## M

**Mission** - Developed in accordance with strategic planning principles, the mission gives the reason for the agency/division's existence. The mission is a succinct account of what the agency/division is trying to achieve.

## Appendix A/Glossary

### N

**Nonappropriated Special Fund** - Consists of accounts that generate revenue from established rates or fees and must be expended for a specific purpose; amounts expended are authorized by general law.

### O

**Object of Expenditure** - An expenditure classification, referring to the lowest and most detailed level of classification, such as vehicle rental, association dues, and office equipment. **Objectives** - Detailed, quantifiable, time-specific statements of activities that are related to achieving the goals. They are targets for specific agency or program actions.

**Operations** - As used in the agency/division narratives in the *Volume II Operating Detail*, the “Operations” section details the activities of a division and may include subdivisions/units within a division.

**Other Postemployment Benefits** - Postemployment benefits that an employee receives during retirement, usually benefits other than pensions.

### P

**Performance Measures** - Tool used by all levels of management, as well as the public, to determine whether a program is accomplishing its mission efficiently and effectively.

**Personal Services** - Expenditures for salaries, wages, and other compensation paid to full-time, part-time, and temporary employees of the spending unit.

**Program** - A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. A unit can be a division, a section, or a workgroup. Each program has an identifiable service or output and objectives to effectively provide the service.

**Proprietary Funds** - These funds account for the operations of state agencies that provide goods and/or services to

the general public or state agencies and governmental units. (See “Enterprise Funds” and “Internal Service Funds.”)

### R

**Rainy Day Fund** - (See “Revenue Shortfall Reserve Fund.”)

**Reappropriated Funds** - Those funds which are remaining at the end of the fiscal year which, through specific language in the budget bill, are authorized to be made available for expenditure in the next fiscal year.

**Reimbursements** - Repayments from one agency to another to properly allocate expenditures to the correct agency and adjust account ledger balances/disbursements.

**Repairs and Alterations** - Expenditures for routine maintenance and repairs to structures and minor improvements to property which do not increase the capital assets.

**Revenue** - Sources of income financing the operation of government.

**Revenue Bonds** - Bonds issued by various state departments, agencies, and authorities that are part of the primary government pursuant to specific statutory provisions enacted by the Legislature. The principal and interest payments are made from specifically dedicated fees and other revenues, but such bonds do not constitute general debt of the State.

**Revenue Shortfall Reserve Fund** - (Also known as the Rainy Day Fund.) A fund to be used by the Legislature to offset a shortfall in revenues and to allow the Governor to borrow funds when revenues are inadequate to make timely payments of the State’s obligations. The Legislature may also appropriate funds for emergencies such as natural disasters. Additional details are located in the Financial Statements chapter in *Volume I Budget Report*.

**Revenue Shortfall Reserve Fund—Part B** - A fund to be used by the Legislature to offset a shortfall in revenues or fiscal emergencies of an extraordinary nature. No moneys in the fund may be expended for any purpose unless all moneys in the Revenue

## Appendix A/Glossary

Shortfall Reserve Fund have first been expended. Additional details are located in the Financial Statements chapter in *Volume I Budget Report*.

### S

**Special Obligation Notes** - Bonds issued by entities of the primary government pursuant to specific statutory authorizations and are payable from specifically dedicated fees, other revenues, and legislative appropriations of general and special revenues.

**Special Revenue Funds** - Consists of revenues from fees, permits, licenses, services, or other purposes and may be used only for that specific purpose for which the individual account is intended unless otherwise directed by the Legislature.

**Spending Authority** - The dollar limit the Legislature authorizes an agency to spend from funds the agency collects.

**Spending Unit** - The department, bureau, division, office, board, commission, agency, or institution to which an appropriation is made.

**State Road Fund** - Consists of revenues from gasoline and other motor fuel excise and license taxes; motor vehicle registration and license tax; all other revenue derived from motor vehicles or motor fuel; and all federal funds received for road construction, reconstruction, and maintenance. Used solely for construction, reconstruction, repair, and maintenance of public highways, the payment of the interest and principal on all road bonds, and the administrative expenses of the Division of Highways, Division of Motor Vehicles, and Office of Administrative Hearings.

**Supplemental Appropriation** - An appropriation made by the governing body that is contingent upon excess funds being available after all regular appropriations have been funded.

**Surplus Appropriation** - An additional appropriation made by the governing body from excess funds generally from the prior year after the budget year has started.

### T

**Trust Funds** - A fund comprised of a variety of assets intended to provide benefits to an individual or organization at a certain age or when a specified event occurs.

### U

**Unclassified** - An appropriation that may be spent at the discretion of the department secretary/bureau commissioner. An unclassified appropriation may have no limitations, or it may be limited to current expenses, repairs and alterations, equipment, buildings, land, and other assets.

**Unencumbered Balance** - The amount of an appropriation that is neither expended nor encumbered. It is essentially the amount of money still available for future purposes.

**User Charges or User Fees** - A payment for direct receipt of a public service by the party who benefits from the service.

Appendix B

# Glossary of Acronyms

## A

AAL.....Accrued Actuarial Liability  
AAMVA.....American Association of Motor Vehicle Administrators  
ABCA.....Alcohol Beverage Control Administration  
ABE.....Adult Basic Education  
ACA.....Affordable Care Act  
.....American Correctional Association  
ACEP.....Agricultural Conservation Easement Program  
ACH.....Automated Clearing House  
ACP.....Address Confidentiality Program  
ACT.....American College Test  
ADA.....Americans with Disabilities Act of 1990  
AF-DP.....Armed Forces Dental Assistance Program  
AFIX.....Assessment, Feedback, Initiatives, and eXchange  
AgEP.....Agricultural Enhancement Program  
ALJ.....Administrative Law Judge  
AML&R.....Abandoned Mine Lands and Reclamation  
AP.....Advanced Placement  
APHIS.....Animal and Plant Health Inspection Service  
APSI.....Advanced Placement Summer Institute  
AQI.....Air Quality Index  
ARC.....Appalachian Regional Commission  
ARRA.....American Recovery and Reinvestment Act  
ATM.....Asynchronous Transfer Mode  
.....Automated Teller Machine  
ATV.....All-Terrain Vehicle  
AX.....ApplicationXtender

## B

BBHHF.....Bureau for Behavioral Health and Health Facilities  
B&O.....Business and Occupation  
BCF.....Bureau for Children and Families  
BCSE.....Bureau for Child Support Enforcement  
BIG.....Boating Infrastructure Grant  
BMPs.....Best management practices  
BMRC.....Biomedical Research Center  
BMS.....Bureau for Medical Services  
BPH.....Bureau for Public Health  
BRFSS.....Behavior Risk Factor Surveillance System  
BRIM.....Board of Risk and Insurance Management  
BTI.....West Virginia Board of Treasury Investments  
BTOP.....Broadband Technology Opportunities Program  
BVCTC.....BridgeValley Community and Technical College

## C

CABHI.....Cooperative Agreement to Benefit Homeless Individuals  
CACFP.....Child and Adult Care Food Program  
CAFO.....Concentrated Animal Feeding Operations  
CAFR.....Comprehensive Annual Financial Report  
CB-CAP.....Community-Based Child Abuse Prevention  
CBF.....Community-Based Facilities  
CCR.....Coordinated Community Response  
CCTCE.....Council for Community and Technical College Education  
CDL.....Commercial Driver's License  
CFWV.....College Foundation of West Virginia  
CHIP.....Children's Health Insurance Program (federal)  
CHIPRA.....Children's Health Insurance Program Reauthorization Act  
CJSAC.....Criminal Justice Statistical Analysis Center  
CLIA.....Clinical Laboratory Improvement Amendments  
CMIA.....Cash Management Improvement Act  
CMS.....Centers for Medicare and Medicaid Services  
CODs.....Co-occurring mental and substance use disorders  
COMPASS.....Consolidated Multi-Plan Administration Solution System  
CON.....Certificate of Need  
COOP.....Continuity of operations plan  
CPI.....Consumer Price Index  
CPRB.....Consolidated Public Retirement Board  
CPTED.....Crime prevention through environmental design  
CRTS.....Coal Resource Transportation System  
CSBG.....Community Services Block Grant  
CSFP.....Commodity Supplemental Food Program  
CSTIMS.....Commercial Skills Test Information Management System  
C&T.....Community and Technical  
CTE.....Career and Technical Education  
CTPs.....Cooperating Technical Partners  
CVISN.....Commercial Vehicle Information System Network  
CWA.....Clean Water Act  
CWSRF.....Clean Water State Revolving Fund  
CY.....Calendar Year

## Appendix B/Glossary of Acronyms

### D

DASIS..... Drug and Alcohol Services Information System  
 DCKMSVC ..... Donel C. Kinnard Memorial State Veterans Cemetery  
 DEP..... Department/Division of Environmental Protection  
 DFIRMS ..... Digital Flood Insurance Rate Maps  
 DHHR..... Department of Health and Human Resources  
 DJCS..... Division of Justice and Community Services  
 DJS ..... Division of Juvenile Services  
 DMV..... Division of Motor Vehicles  
 DNA..... Deoxyribonucleic Acid  
 DNR..... Division of Natural Resources  
 DOH..... Division of Highways  
 DOR..... Department of Revenue  
 DOT ..... Department of Transportation  
 DSRS ..... Deputy Sheriff’s Retirement System  
 DUI..... Driving Under The Influence  
 DWLRS..... Drinking Water Lab Reporting System  
 DWTRF..... Drinking Water Treatment Revolving Fund

### E

EBT ..... Electronic Benefits Transfer  
 eCDL ..... e-Commercial Driver’s License  
 E & G..... Education and General  
 E-Rate ..... Schools and Libraries Universal Service Program (electronic rate)  
 EAST ..... Education, Arts, Science, and Tourism  
 EBA..... Educational Broadcasting Authority  
 EDGE..... Earn A Degree-Graduate Early  
 EEOC..... U.S. Equal Employment Opportunity Commission  
 EFT ..... Electronic Fund Transfers  
 EHR ..... Electronic Health Record  
 ELA ..... English Language Arts  
 EMS..... Emergency medical services systems  
 EMSRS..... Emergency Medical Services Retirement System  
 ENODS ..... Electronic Notice Of Deposits  
 EOC ..... Educational Opportunity Center  
 EOL ..... End Of Life  
 EPA ..... U.S. Environmental Protection Agency  
 EPICS ..... Employees Payroll Information Control System  
 EPSCoR ..... Experimental Program to Stimulate Competitive Research  
 EPSDT..... Early and Periodic Screening, Diagnosis, and Treatment  
 ERC ..... Educator Resource Center

ERP..... Enterprise Resource Planning  
 ESEA..... Elementary and Secondary Education Act  
 ESG..... Emergency Shelter Grants  
 ..... Emergency Solutions Grant

### F

FAA..... Federal Aviation Administration  
 FACTS..... Families and Children Tracking System  
 FAIR..... Family Alzheimer’s In-Home Respite  
 FARS..... Financial Accounting and Reporting Section  
 FAFSAs..... Free Application for Federal Student Aid  
 FCC..... Federal Communications Commission  
 FDA ..... U.S. Food and Drug Administration  
 FEMA..... Federal Emergency Management Agency  
 FERPA ..... Family Educational Rights and Privacy Act  
 FFA ..... Future Farmers of America  
 FFP ..... Federal Financial Participation  
 FFY ..... Federal Fiscal Year  
 FFS ..... Fee For Services  
 FHA ..... Future Homemakers of America  
 FMAP..... Federal Medical Assistance Percentage  
 FMCSAP ..... Federal Motor Carrier Safety Administration Program  
 FMLA ..... Family Medical Leave Act  
 FNS..... Food Nutrition Service  
 FOIA ..... Freedom of Information Act  
 FPL ..... Federal Poverty Level  
 FPY ..... Federal program year  
 FRIS ..... Foundation for Rape Information and Services  
 FRPP ..... Federal Farm and Ranchland Protection Program  
 FTE ..... Full-Time Equivalent  
 FTP ..... File Transfer Protocol  
 FTZ..... Foreign Trade Zone  
 FY ..... Fiscal Year

### G

GAAP..... Generally Accepted Accounting Principles  
 GAAS..... Generally Accepted Auditing Standards  
 GAGAS..... Generally Accepted Government Auditing Standards  
 GARVEE ..... Grant Anticipation Revenue Vehicle  
 GASB ..... Governmental Accounting Standards Board  
 GDP ..... Gross domestic product  
 GEAR UP ..... Gaining Early Awareness and Readiness for Undergraduate Programs  
 GFOA ..... Government Finance Officers Association of the United States and Canada

## Appendix B/Glossary of Acronyms

GIS ..... Geographic Information Systems  
 GLOBE ..... Global Learning and Observation to Benefit  
 the Environment  
 GO ..... General Obligation  
 GRC ..... Governance, Risk & Compliance  
 GRF ..... General Revenue Fund  
 GSD ..... General Services Division

### H

HAVA ..... Help America Vote Act  
 HB ..... House Bill  
 HBCU ..... Historically Black Colleges and Universities  
 HEAPS ..... Higher Education Adult Part-time Student  
 HEPC ..... Higher Education Policy Commission  
 HHOMA ..... Herbert Henderson Office of Minority  
 Affairs  
 HIPAA ..... Health Insurance Portability and  
 Accountability Act  
 HIT ..... Health Information Technology  
 HMVMT ..... Hundred million vehicle miles traveled  
 HOPWA ..... Housing Opportunities for Persons  
 with AIDS  
 HPSAs ..... Health Professional Shortage Areas  
 HSC ..... Health Science Center  
 HUD ..... U.S. Housing and Urban Development  
 HVAC ..... Heating, Ventilation, And Air-Conditioning

### I

ID ..... Identification  
 IDEA ..... Individuals with Disabilities Education Act  
 IMB ..... Investment Management Board  
 IMD ..... Institution for Mental Disease  
 IFLOWS ..... Integrated Flood Observing and Warning  
 System  
 IP ..... Internet Protocol  
 IRIS ..... Integrated Regulatory Information Support  
 IRS ..... Internal Revenue Service  
 IS&C ..... Information Services and Communications  
 IT ..... Information Technology

### J

JCEBP ..... Justice Center of Evidence-Based Practice

JRS ..... Judges' Retirement System

### K

K-12 ..... Kindergarten Through 12th grade

### L

LCAP ..... Landfill Closure Assistance Program  
 LEA ..... Local Educational Agency  
 LEP ..... Limited English Proficient  
 LGA ..... Local Governmental Agency  
 LHD ..... Local Health Department  
 LIEAP ..... Low Income Energy Assistance Program  
 LIFE ..... Legislative Initiatives for the Elderly  
 LIMS ..... Laboratory Information Management System  
 LONIE ..... Logging Operation Notification Inspection  
 and Enforcement  
 LPN ..... Licensed Practical Nurse  
 LSTA ..... Library Services and Technology Act  
 LTRA ..... Long Term Remedial Action  
 LUST ..... Leaking underground storage tank

### M

MAP-21 ..... Moving Ahead for Progress in the 21st Century  
 MAPP ..... Matching Advertising Partnership Program  
 MCH ..... Maternal And Child Health  
 MCI ..... Methamphetamine Collaboration Initiative  
 MCO ..... Managed Care Organization  
 MFA ..... Multi-Factor Authentication  
 MHT ..... Mountain Health Trust  
 MIARRS ..... Mine and Industrial Accident Rapid Response  
 System  
 MIP ..... Major Improvements Program  
 MITA ..... Medicaid Information Technology  
 Architecture  
 MMIS ..... Medicaid Management Information system  
 MOE ..... Maintenance Of Effort  
 MOU ..... Memorandum of Understanding  
 MPFRS ..... Municipal Police Officers and Firefighters  
 Retirement System

## Appendix B/Glossary of Acronyms

### N

N/A..... Not Available  
 ..... Not Applicable  
 NAEP..... National Assessment of Educational Progress  
 NAHLN..... National Animal Health Laboratory Network  
 NAIC..... National Association of Insurance Commissioners  
 NARIP..... National Act Record Improvement Program  
  
 NASA..... National Aeronautics and Space Administration  
 NBCT..... National Board Certified Teachers  
 NCA..... National Cemetery Association  
 NCRDS..... National Coal Resources Data System  
 NEO..... New Employee Orientation  
 NFIP..... National Flood Insurance Program  
 NHS..... National Highway System  
 NIAID..... National Institute of Allergy and Infectious Diseases  
 NICS..... National Instant Criminal Background Check System  
 NPDES..... National Pollutant Discharge Elimination System  
 NRAO..... National Radio Astronomy Observatory  
 NSF..... National Science Foundation  
 NSLP..... The National School Lunch Program

### O

OAA..... Older Americans Act  
 OAH..... Office of Administrative Hearings  
 OEMS..... Office of Emergency Medical Services  
 OEO..... Office of Economic Opportunity  
 OHR..... Office of Human Resources  
 OM&R..... Operation, Maintenance, and Repairs  
 OMB..... U.S. Office of Management and Budget  
 OPEB..... Other Postemployment Benefits  
 ORSP..... Office of Research and Strategic Planning  
 OSHA..... Occupational Safety and Health Administration  
 OT..... Office of Technology

### P

PAAS..... Physician Assured Access System  
 PASS..... Partnerships to Assure Student Success  
 PBS..... Public Broadcasting Service

P-Card..... State Purchasing Card  
 PCIDSS..... Payment Card Industry Data Security Standards  
 PDC..... Public Defender Corporations  
 PDS..... West Virginia Public Defender Services  
 PEIA..... Public Employees Insurance Agency  
 PERD..... Performance Evaluation and Research Division  
 PERS..... Public Employees Retirement System  
 PHMSA..... Pipeline and Hazardous Material Safety Administration  
 PI..... Personal Income  
 PIECES..... Partners in Implementing an Early Care and Education System  
 PILOT..... Payment In Lieu Of Tax  
 PIMS..... Position Information Management System  
 PIRLS..... Progress in International Reading Literary Study  
 PISA..... Programme for International Student Assessment  
 PLC..... Professional Learning Communities  
 PM2.5..... Particulate Matter Less Than 2.5 Microns In Diameter  
 PPB..... Preferred Provider Benefit Trust  
 PPS..... Prospective Payment System  
 PRAMS..... Pregnancy Risk Assessment Monitoring System  
 PREA..... Prison Rape Elimination Act  
 PREP..... Personal Responsibility Education Program  
 PROMISE..... Providing Real Opportunities for Maximizing In-State Student Excellence  
 PSC..... Public Service Commission  
 ..... Potomac State College

### Q

QAT..... Quality Assurance Team  
 Q..... Quarter  
 QSCBs..... Qualified school construction bonds

### R

RBAs..... Regents Bachelor of Arts  
 RCRA..... Resource Conservation Recovery Act  
 REAP..... Rehabilitation Environmental Action Plan  
 REIS..... Regional Economic Information System  
 RESAs..... Regional educational service agencies  
 RFA..... Resource Family Approval Program  
 RFP..... Request For Proposals  
 RJA..... Regional Jail Authority

## Appendix B/Glossary of Acronyms

ROMA..... Results-Oriented Management  
And Accountability  
RPCPOs/IOs ..... Regional Public Comprehensive Planning  
Organizations And Interstate Organizations

### S

SACWIS ..... Statewide Automated Child Welfare  
Information System  
SAFETEA-LU ..... Safe, Accountable, Flexible, Efficient  
Transportation Equity Act - a Legacy for  
Users  
SAFRA ..... Student Aid and Fiscal Responsibility Act  
SAMHSA ..... Substance Abuse and Mental Health Services  
Administration  
SB ..... Senate Bill  
SBA..... School Building Authority  
..... Small Business Administration  
SBVR ..... South Branch Valley Railroad  
SCALES ..... Sportfish Consumption Advisory Limit  
System  
SCC..... State Conservation Committee  
SED..... Serious Emotional Disturbance  
SEOG..... Supplemental Education Opportunity Grant  
SEOW..... State Epidemiological Outcome Workgroups  
SFMNP..... Senior Farmers' Market Nutrition Program  
SHIP..... State Health Insurance Assistance Program  
SHPO..... State Historic Preservation Office  
SLIGP ..... State and Local Implementation Grant  
Program  
SME..... Society of Manufacturing Engineers  
SMI ..... Serious Mental Illness  
SNAP ..... Supplemental Nutrition Assistance Program  
SREB ..... Southern Regional Education Board  
SRIC ..... Snow Removal And Ice Control  
S-STEM ..... Scholarships in STEM  
STAG..... State and Tribal Assistance Grant  
STARBASE ..... Science and Technology Academics Reinforcing  
Basic Aviation and Space Exploration  
STD ..... Sexually Transmitted Disease  
STEAM..... Science, Technology, Engineering, Art And Math  
STEM..... Science, Technology, Engineering And Math  
STIF ..... Sales Tax Increment Financing  
SUD..... Substance Use Disorder  
SVA..... Student Veterans of America  
SWA ..... Solid Waste Authority  
SWCAP ..... Statewide Cost Allocation Plan  
SWMB..... Solid Waste Management Board  
SY ..... School Year

### T

TAA..... Trade Adjustment Assistance  
TAACCCT ..... Trade Adjustment Assistance community  
College and Career Training  
TANF..... Temporary Assistance for Needy Families  
TBD ..... To be determined  
TDC ..... Teachers' Defined Contribution Retirement  
System  
TEA-21 ..... Transportation Equity Act for the 21st  
Century  
TEFAP ..... The Emergency Food Assistance Program  
TIF ..... Property Tax Increment Financing  
TIMSS ..... Trends in International Mathematics and  
Science Students  
TMDL..... Total Maximum Daily Load  
TOC ..... Total Operating Costs  
TRAFFIC ..... Tax Reduction and Federal Funding Increased  
Compliance  
TRS..... Teachers' Retirement System

### U

U.S. .... United States  
USDA..... U.S. Department of Agriculture  
USDOT..... U.S. Department of Transportation

### V

VA ..... U.S. Department of Veterans Affairs  
VDI ..... Virtual Desktop Infrastructure  
VISTA ..... Vendor Inquiry System to the Auditor  
..... Volunteers in Service to America  
VNRPS..... Voluntary National Retail Program Standards  
VoIP ..... Voice over Internet Protocol

### W

WAN..... Wide Area Network  
WDA..... Water Development Authority  
WEAPON..... West Virginia Automated Police Network  
WIA..... Workforce Investment Act  
WIC ..... Women, Infants, and Children  
WIP ..... Watershed Implementation Plan  
W.Va. .... West Virginia  
WV ..... West Virginia  
WVABCA ..... West Virginia Alcohol Beverage  
Control Administration

## Appendix B/Glossary of Acronyms

WVAWC.....	West Virginia American Water Company
WVBE.....	West Virginia Board of Education
WVCA.....	West Virginia Conservation Agency
WVCCTCE.....	West Virginia Community and Technical College System
WVCHIP.....	Children’s Health Insurance Program
WVCR.....	West Virginia Central Railroad
WVDA.....	West Virginia Department of Agriculture
WVDE.....	West Virginia Department of Education
WVDO.....	West Virginia Development Office
WVDOC.....	West Virginia Division of Corrections
WVDVA.....	West Virginia Department of Veterans Assistance
WVEBA.....	West Virginia Educational Broadcasting Authority
WVEIS.....	West Virginia Education Information System
WVFIMS.....	West Virginia Financial Information Management System
WVGSA.....	West Virginia General Summative Assessment
WVHIN.....	West Virginia Health Information Network
WVICU.....	West Virginia Independent Colleges and Universities
WVIJDC.....	West Virginia Infrastructure and Jobs Development Council
WVINBRE.....	West Virginia Idea Network of Biomedical Research Excellence
WV-MAP.....	West Virginia’s Measure of Academic Progress
WVNET.....	West Virginia Network for Educational Telecomputing
wvOASIS.....	West Virginia—Our Advanced Solution with Integrated Systems
WVOE.....	West Virginia Office of Energy
WVPPA.....	West Virginia Public Port Authority
WVROCKS.....	West Virginia’s Remote Online Collaborative Knowledge System
WVSAO.....	West Virginia State Auditor’s Office
WVSIIS.....	West Virginia Statewide Immunization Information System
WVSP.....	West Virginia State Police
WVSU.....	West Virginia State University
WVTTI.....	West Virginia Technology Transformation Initiative
WVU.....	West Virginia University
WVUIT.....	West Virginia University Institute of Technology

