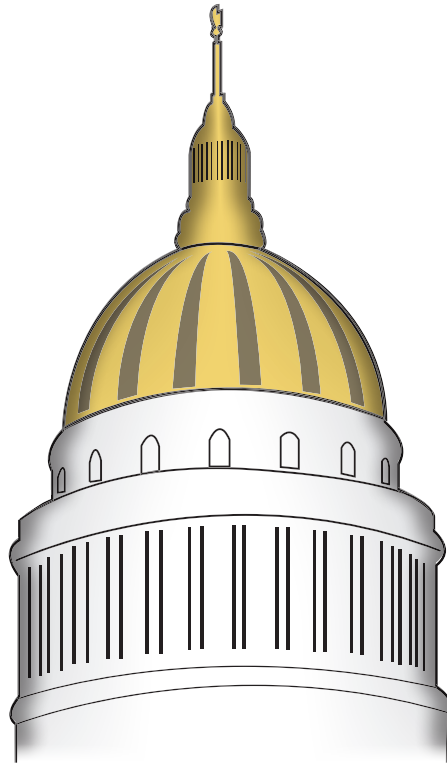




STATE OF WEST VIRGINIA

EXECUTIVE BUDGET: VOLUME I BUDGET REPORT
FISCAL YEAR 2019



JIM JUSTICE
GOVERNOR



Jim Justice
Governor of West Virginia

January 10, 2018

To the Members of the 83rd 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, 2019. 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 2019.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,356,113,352; for the Lottery Fund of \$123,308,000; for the State Excess Lottery Revenue Fund of \$290,257,000; for the State Road Fund of \$1,356,330,708; for Appropriated Special Revenue funds of \$1,482,746,949; for Appropriated Federal funds of \$5,565,658,400; for Nonappropriated Federal funds of \$275,000,191; and for Nonappropriated Special Revenue funds of \$19,756,148,593, for a grand total of \$33,205,573,193.

I look forward to working with the 83rd 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, 2017

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, 2017.

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.

State Budget Office Staff

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Department of Revenue

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Deputy Cabinet Secretary
Department of Revenue

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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 that discusses the major goals and objectives addressed by the budget
- * "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:

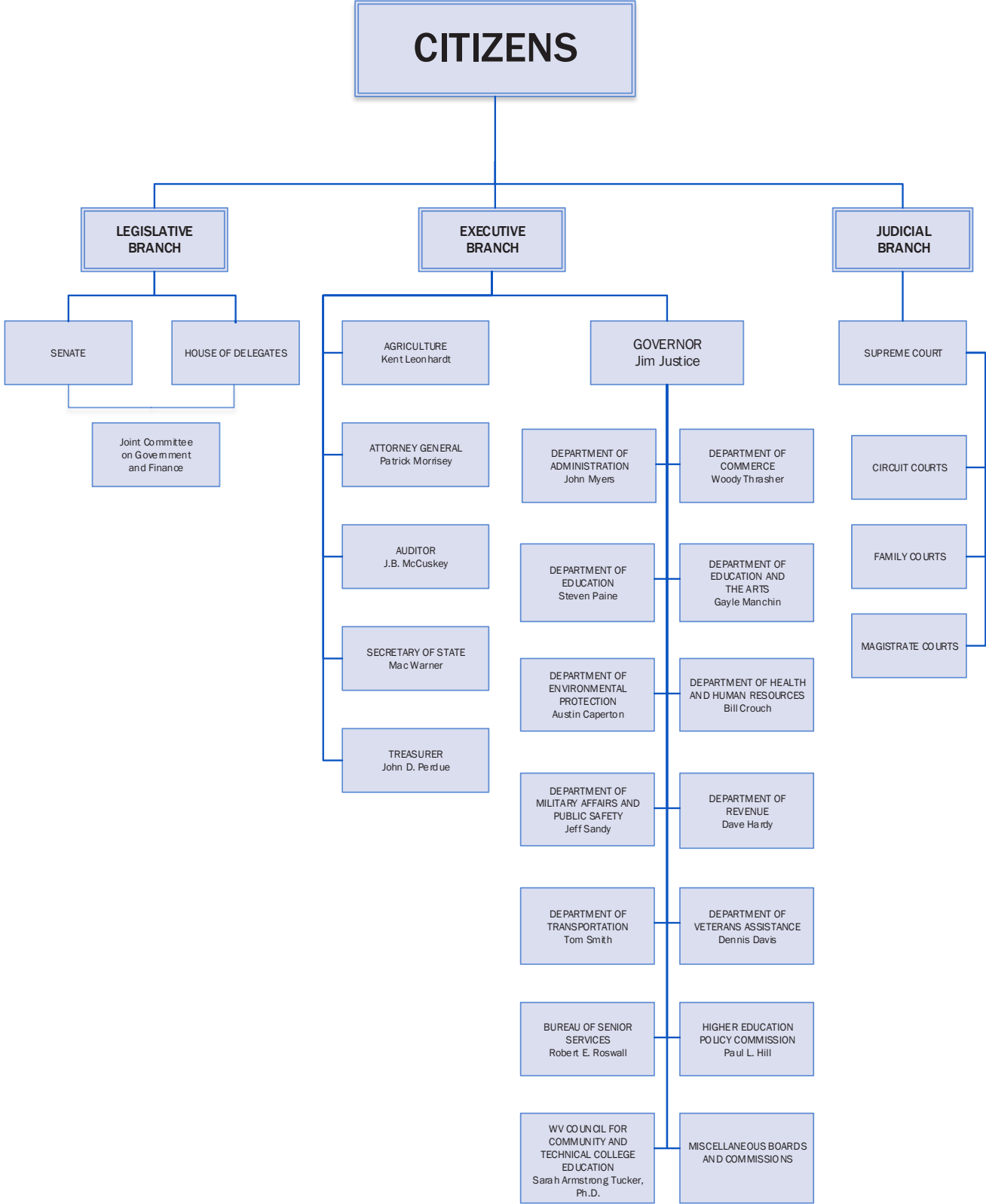
"State Profile"—presents relevant historical, statistical, geographical, demographical, and interesting information about West Virginia

"Capital Projects"—projects/programs currently budgeted in FY 2018, recommended for FY 2019, and projected for FY 2020 through FY 2023

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

The **Volume III 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.

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 2019 and the forecast for the State of West Virginia going forward reflects huge strides and accomplishments that have been made during my first year 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, severance taxes are up, jobs are being created through the passage of a historic Road Bond, development of our shale gas industry is on the fast track, manufacturing is expanding, coal miners are going back to work, and we have restored hope.

Earlier this month, for the first time in five years, state revenue collections outpaced our budget projections.

We are on our way to achieving goodness for West Virginia and I am equally as thrilled to tell you I am presenting a Fiscal Year 2019 budget with *no new taxes*.

We still having 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

Over the past two decades, significant improvements continue to be made in the underfunded pension, workers' compensation, and other postemployment benefits (OPEB) liabilities of the state. Budgets have been timely. 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 and we continue our ongoing trend of fiscal conservatism and well-managed financial operations. West Virginia's rainy day funds provide a solid financial cushion and are among the best in the country. We again funded 100% of our required retirement contributions. West Virginia continues to stay on track with the funding of its financial obligations.

Our current FY 2018 General Revenue actual collections are projected to be close to the official revenue estimate. The Lottery Funds' actual revenue collections for FY 2018 are again on pace to exceed their official estimates.

Our state's economy continues to be in a transition period due to changes in the global energy sector, but West Virginia remains in a strong position to address any budget challenges that lie ahead—major challenges that include, in the out-years, increases to state appropriations for the Medicaid Program, deferred maintenance, and the state's social programs. The expanding federal deficits are also expected to stress the state's budget. Keeping an eye toward out-year budgets, which are affected by budget decisions made today, the Governor's FY 2019 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. Despite recent slow economic growth, we still maintain our solid trend of sound financial results.

The state's ability to deal with these challenges has not occurred by accident. Many tough fiscal decisions have been 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 2019 budget recommendations continues this fiscally responsible budgeting practice.

More than a decade ago, West Virginia initiated this comprehensive, easy-to-follow, "Six Year Financial Plan." It is used as a planning tool for analyzing future budgets, and any future budget gaps shown must be balanced. This year's "Six Year Financial Plan" includes information on anticipated revenues and expenditures through FY 2023. 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 2019 budget, but also the larger, long-term implications of the decisions made today on the future fiscal outlook.

The "Six Year Financial Plan" 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.

Executive Summary Six Year Financial Plan

Revenue

Following a prolonged period of below average economic growth and below average revenue growth, the state's economy and finances began improving during the second half of FY 2017. The average annual General Revenue Fund growth rate between FY 2008 and FY 2017 was less than 0.7%, a level that prompted numerous necessary expenditure adjustments in recent years. In FY 2017, first quarter revenue collections fell by 1.5%. Collections subsequently rose at a rate of 0.1% in the second quarter. Third quarter collections rose by 6.4% and fourth quarter collections rose by 6.9%.

Six-Year Financial Plan Through 2023 General and Lottery Revenues (in thousands)

	Actual FY 2017	Budgeted FY 2018	Recommended FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
Estimated Revenue							
General Revenue	\$4,187,419	\$4,225,050	\$4,352,570	\$4,550,680	\$4,729,380	\$4,866,680	\$5,053,880
General Revenue - shortfall (prior to remedies)	(120,702)	0	0	0	0	0	0
General Revenue - reallocations and enhancements	22,603	0	3,600	11,200	14,300	17,300	8,800
General Revenue - (available from expirations)	101,700	0	0	0	0	0	0
General Revenue - (Surplus used / from expirations)	50,446	76,044	10,000	0	0	0	0
Lottery	155,268	130,917	123,308	123,308	123,308	123,308	123,308
Lottery - (Surplus used / available from previous FYs)	(11,665)	19,800	2,000	0	0	0	0
Excess Lottery	256,149	232,587	225,257	225,257	250,257	225,257	225,257
Excess Lottery - (Surplus used / available from previous FYs)	(6,618)	36,800	0	0	0	0	0
Total Available	\$4,634,600	\$4,721,198	\$4,716,735	\$4,910,445	\$5,117,245	\$5,232,545	\$5,411,245
Estimated Expenditures							
Previous Years' Base Budget		4,707,626	\$4,687,132	\$4,822,485	\$4,929,410	\$5,070,022	\$5,164,655
(Base Budget FY17) and (Base Budget Growth for out-years): *							
Legislature	23,452	0	(455)	500	500	500	500
Supreme Court	141,759	0	0	2,000	2,000	2,000	2,000
Public Defender	31,622	0	0	18,300	0	0	0
PERS Employer Contribution	39,254	8,993	(3,462)	0	0	0	0
PEIA Premiums	340,970	9,913	(2,449)	14,000	15,000	8,000	16,000
Teachers' Retirement Savings Realized	37,656	(3,018)	362	2,000	2,000	2,000	2,000
Teachers' Retirement System	388,098	27,990	(8,066)	10,000	15,000	0	0
State Aid to Schools (PEIA and Retirement included above)	1,136,822	(12,115)	(7,203)	9,000	(3,000)	(4,000)	(5,000)
Public Education - All Other	185,215	(10,565)	979	1,500	8,300	8,300	8,300
DHHR- Medicaid	719,063	11,715	0	0	58,000	41,000	40,000
DHHR- All Other	586,100	(8,302)	53,600	11,525	15,512	10,633	11,850
Correctional Facilities	227,735	(4,656)	6,936	12,000	19,000	2,000	12,000
State Police	75,846	(1,138)	4,500	0	4,000	0	4,000
Public Safety Retirement Plan A / State Police Plan B	20,910	8,330	(8,429)	(2,000)	0	0	0
Higher Education	458,398	(19,196)	13,500	0	0	0	0
All Other Items (net)	294,726	(28,445)	65,945	3,100	(10,700)	9,200	9,200
Salary Enhancements	0	0	19,595	20,000	10,000	10,000	10,000
Unanticipated Expenditures	0	0	0	5,000	5,000	5,000	5,000
Total Ongoing Base Budget	\$4,707,626	\$4,687,132	\$4,822,485	\$4,929,410	\$5,070,022	\$5,164,655	\$5,280,505
Onetime Expenditures	123,807	8,150	15,789	5,000	12,471	5,000	5,000
Supplementals	21,452	79,060					
Onetime Reductions	(160,540)	(91,166)	(128,726)	(30,000)			
Expirations	(12,574)	(23)					
Surplus Transferred to Rainy Day Fund	14,403	38,022	5,000				
Mid-year cut	(59,721)	0					
Estimated Balance (Gaps)	\$147	\$23	\$2,187	\$6,035	\$34,752	\$62,890	\$125,740

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 FY 2018-FY 2023.

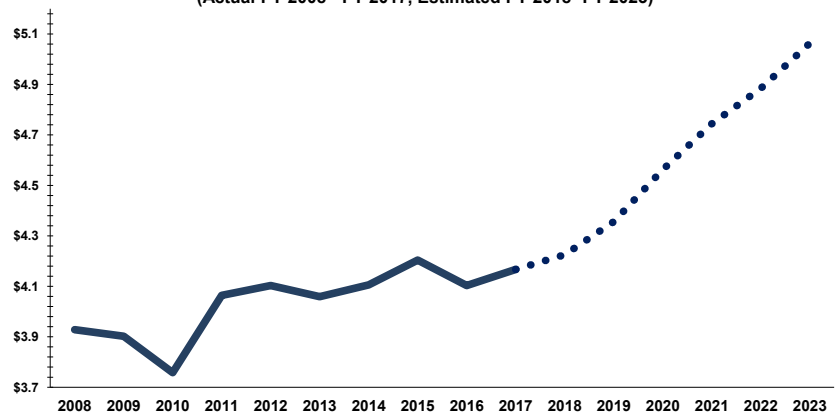
Executive Summary Six Year Financial Plan

Improved collections growth continued during the first six months of FY 2018, with year-to-date growth of 5.7% over prior year. Revenue growth was initially attributable to a rebound in energy prices and improvement in non-manufacturing goods exports. Natural gas well-head prices more than doubled from the first half of FY 2017 to the second half of FY 2017. The annualized value of West Virginia non-manufacturing goods exports (mostly coal) tripled from a low of \$1.1 billion as of October 2016 to more than \$3.3 billion as of October 2017. After growth of more than 6% during the second half of FY 2017, revenue growth slowed to 5.7% during the first six months of FY 2018. Growth is expected to continue slowing during the second half of the year as the recent robust rebound in energy and coal exports levels off. However, improvements in employment and wage growth should begin playing a bigger role in revenue growth during the forecast period.

Following six consecutive quarters of decline, nonfarm wages grew at annual rates of 2.1% in the first quarter of CY 2017 and 2.4% during the second quarter of CY 2017. Aided initially by anticipated improvements in construction employment associated with enhanced highway funding, wage growth rates should continue improving toward a long-term growth rate average of nearly 4%.

Between the second quarter of CY 2012 and the second quarter of CY 2017, West Virginia nonfarm payroll employment levels fell from a peak of more than 767,000 to a trough of roughly 745,000 with significant declines concentrated in the mining and construction sectors. Signs of employment improvement began during the second half of CY 2017 with gradual acceleration in employment growth over time. As of November 2017, private sector nonfarm payroll employment was up nearly 0.6% from the prior November. Employment growth numbers are anticipated to continue with annual growth rates generally within the 0.5% to 1.0% range over the next two years. Payroll employment growth is expected to be partially supported by a combination of enhanced pipeline construction in the natural gas industry and enhanced highway construction activity backed by proceeds from bond sales that should add an average of more than \$0.5 billion per year in additional construction between FY 2019 and FY 2022.

**General Revenue Fund
Collections Trend**
(Actual FY 2008 - FY 2017, Estimated FY 2018- FY 2023)



Following a multi-year period of little or no increase, General Revenue Fund growth for the FY 2019 to FY 2023 period is forecast to average close to 3.8% in comparison with the long-term average General Fund growth rate of nearly 4.0%.

Expenditures

The FY 2019 budget development is the fifth budget that has been submitted using the state’s new accounting system, wVOASIS. This new system is web-based and paperless. All agencies again successfully submitted their budgets in a timely manner. Budgets rely on information that is preloaded to be revised, which is much more efficient than past procedures and requires much less manual entry.

During the last few months, while formulating the Governor’s FY 2019 budget, the state faced an estimated budget gap of \$208 million for the upcoming FY 2019, in addition to funding needs for the current FY 2018.

However, after many years of state agencies submitting their budget requests at reduced levels, agencies were asked to submit their FY 2019 General Revenue appropriation requests at 100% of the FY 2018 current base funding level.

Recently updated Medicaid numbers for the fiscal year just ended (FY 2017) were much better than anticipated, resulting in a surplus cash balance in the state match portion of the program. This cash will be used to close the

Executive Summary Six Year Financial Plan

remaining FY 2018 funding needs, the FY 2019 budget gap, and help in balancing ongoing base budget expenditures in the out-years. This excess cash will effectively be used by offsetting FY 2018 and FY 2019 Medicaid appropriations.

In addition, the Governor recommends substantial increases in appropriations for some of the state's social programs, deferred maintenance, economic development, and tourism advertising. The Governor also recommends pay raises (average raise of 1%) for classroom teachers, service personnel, and all state employees.

The FY 2019 General and Lottery revenue base budget of \$4.822 billion, as recommended by the Governor, is \$135 million higher than the FY 2018 base budget funding level of \$4.687 billion, but only \$14.05 million higher than FY 2015's base budget. FY 2019's base increases includes additional funding for social programs, economic development, deferred maintenance, and pay raises. Retirement related funding items in the FY 2019 budget decrease by a net (\$19.595 million) due to investment returns during FY 2017 of about 15.8%. Various onetime appropriations being recommended by the Governor total \$15.789 million.

FY 2020 through FY 2023 project 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.

Our FY 2018 General Revenue collections through December 2017 are slightly over estimate by \$2.7 million and are expected to meet year-end expectations. However, there are additional FY 2018 supplemental needs totaling \$79 million that require action during the 2018 Regular Legislative session. The Governor recommends funding these supplemental appropriations with \$14.2 million of lottery surplus cash on hand and by reducing \$64.86 million of DHHR's FY 2018 appropriations that currently have carryover funding available.

Lottery Revenue collections for FY 2017 exceeded their revenue estimates by \$56.4 million. The Legislature recommended that up to \$42.4 million of any surpluses from the Lottery Funds at the end of FY 2017 be appropriated to help fund the state's portion of base Medicaid costs.

Lottery Revenue collections for FY 2018 are slightly ahead of their revenue estimates. The Governor includes \$2 million of surplus from the Lottery Funds at the end of FY 2018 in the FY 2019 six-year plan.

While continuing to use our conservative budgeting approach of limiting the overall growth of base budget expenditures, the budget for FY 2019 does include increases for social programs, deferred maintenance, economic

Executive Summary *Six Year Financial Plan*

development programs, 100% funding of the required state employers' contributions to the Retirement Systems, and pay raises for all state employees and teachers. Careful budgetary planning and responsible government initiatives will continue to serve West Virginia well in achieving balanced budgets.

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 2017 totaled \$4.191 billion. FY 2018 estimated collections total \$4.225 billion. The General Revenue collection amounts are projected to increase by \$128 million for FY 2019 (over the FY 2018 estimate), then increase by 4.6% for FY 2020, and increase by an average of 3.4% per year for FY 2021 through FY 2023.

General Revenue—estimated shortfall

General Revenue collections at year-end (before gap fill measures) was (\$120.702 million).

General Revenue—reallocations and enhancements

In helping to balance FY 2017's budget gap, \$22.603 million of funds were diverted from being sent to the Workers' Compensation Old Fund. Due to the Old Fund's funding status, it was prudent to leave the funds in the General Revenue Fund. The amounts shown for FY 2019–FY 2023 are associated with the Governor's recommendation to limit the statutory sales tax transfer to the Road Fund to \$12.5 million per year. This will require legislation to be passed by the Legislature and, if passed, will stabilize the amount of the transfer.

General Revenue—(available from cash expirations)

Included in the FY 2017 total of \$101.7 million is the net total of all special revenue, \$61.3 million, and rainy day funds, \$40.4 million, transferred to the General Revenue fund to help balance the FY 2017 revenue shortfall.

General Revenue—(Surplus used/from reappropriations & expirations)

The amount shown for FY 2017 is the net amount of surplus funds used during the fiscal year. FY 2018 numbers show transfers to General Revenue surplus during the fiscal year, including \$38 million (half of the FY 2017 general revenue surplus) transferred to the Rainy Day fund and \$38 million to help fund surplus supplemental appropriations needed in FY 2018. The FY 2019 amount of \$10 million is the estimated general revenue surplus that could be available at the end of FY 2018. The governor recommends \$4.87 million, if available, to be transferred to the Road Fund to reimburse for expenditures made from the Road Fund for the intermodal facility in Wayne County.

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 \$155.268 million in FY 2017. Lottery revenues are projected to fall about (16%) from FY 2017 to FY 2018, then an additional drop of (3%) in FY 2019, and then remain flat through FY 2023.

Lottery—(Surplus used/available from previous FYs)

Lottery Surplus available from previous fiscal years show a net of (\$11.665 million) in FY 2017. FY 2018 shows a net of \$19.8 million, of which \$15.5 million is already appropriated for Medicaid in FY 2018, with an additional \$4.3 million recommended by the Governor, during the 2018 regular legislative session, to be used for Medicaid. An estimated \$2 million in surplus that may be available at the end of FY 2019, is shown in FY 2019.

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 2018. Revenues are projected to decrease by about (\$23.562 million)

Executive Summary Six Year Financial Plan

from FY 2017 to FY 2018 and then remain relatively flat through FY 2023, 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 (\$6.618 million) used during FY 2017. Appropriations of \$26.9 million in surplus that was available at the end of FY 2017 was appropriated in the FY 2018 Budget Bill for Medicaid, and the Governor recommends that \$9.9 million be appropriated during the 2018 regular legislative session for 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.

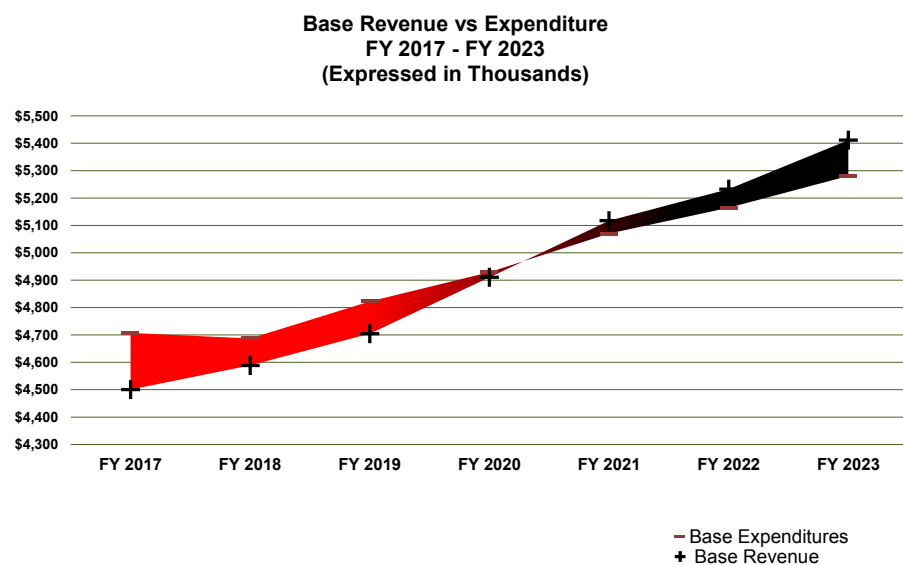
Estimated Expenditures in the “Six Year Financial Plan”

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 2017) 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 2017 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth for out-years (FY 2018-FY 2023) 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 2017 to determine that particular fiscal year’s Total Ongoing Base Budget. For FY 2019, eight items shown on the “Six Year Financial Plan” have been recommended to be increased while six lines show decreases.



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

Legislature. The Constitution requires that the Governor recommend funding for the Legislature as they request. The Legislature requested their FY 2019 base appropriation be (\$0.455 million) less than their FY 2018 base appropriation. The out-years reflect estimated increases to base budgets at \$0.5 million per year, about 2%.

Executive Summary

Six Year Financial Plan

Supreme Court. The Constitution requires that the Governor recommend funding for the Supreme Court as they request. The Supreme Court did not request any increases for FY 2019. The out-years reflect estimated increases to base budgets at \$2 million per year, about 1.4%.

Public Defender. The Public Defender Services continues to require increased funding each year. In addition to the FY 2018 appropriation of \$31.622 million, the Governor recommends a supplemental appropriation of \$15.3 million (included in the FY 2018 “Supplementals” line of the “Six Year Financial Plan”), bringing the total FY 2018 appropriation to almost \$47 million. The FY 2019 base appropriation is not changed. FY 2020 includes increased base funding to show actual ongoing cost of the Public Defender Program.

PERS Employer Contribution. The employer match contribution will decrease from 11% to 10% of salary costs in FY 2019, saving general revenue about (\$3.462 million). The FY 2020-FY 2023 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 (\$8.997 million) to cover PEIA employers’ premium match for FY 2019. Significant increases are projected over the course of future fiscal years if current levels of benefits continue to be offered to employees and retirees, requiring multimillion dollar increases in the General and Lottery Funds’ share of employers’ premiums. Thus, PEIA’s outlook continues to be a major concern and represents another of the major financial challenges facing West Virginia. PEIA cannot assume the economic conditions of the state will continue to permit increased premium revenues for the agency, nor can PEIA assume trend results will continue to be lower than anticipated. “The Six Year Financial Plan” shows the additional funding increases that would be in line with the growth of the revenue available (about 3.4% average for FY 2020-FY 2023).

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 \$0.362 million of funding in FY 2019, bringing the total funding for FY 2019 to \$35 million.

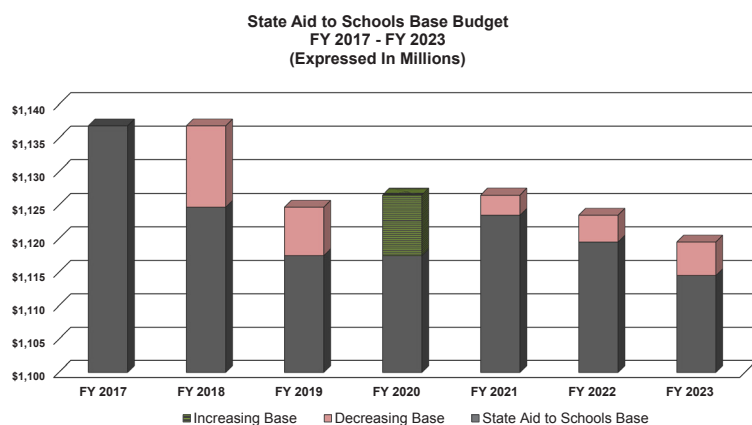
Teachers’ Retirement System. The state has made significant strides toward the long-term funding of the state’s Teachers’ Retirement System. Of the additional surplus revenues available during FY 2005-FY 2010, an additional \$748 million was used to help pay down the unfunded liability in the Teachers’ 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 67.3% funded at the end of FY 2017.

Due to investment returns of about 15.8% occurring in FY 2017, the current amortization schedule for the Teachers’ Retirement System requires less funding in FY 2019 of (\$8.066 million) than the FY 2018 funding level bringing FY 2019’s appropriation to \$408.022 million.

Executive Summary Six Year Financial Plan

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 above 7.5% during the current FY 2018 and the remaining estimated effects of smoothing of assets that occurred starting 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 2023 assumes investment earnings of 7.5%.



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 (\$7.203 million) for FY 2019. 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 (\$1.723 million), decreased funding in the Professional Educators line (mostly due to changes in years of experience and decreased enrollment of 2,557 students). The Governor also proposes a pay

raise for teachers averaging 1%, or \$404, and for service personnel averaging 1%, or \$220 (These raises are shown in the "Salary Enhancements" line of the six year plan). Budget projections for FY 2020 include continued decreases in local share of about (2%) and assume that student enrollment continues to fall statewide.

FY 2021-FY 2023 also includes replacement funding, estimated at an additional base building of \$6 million per year, to replace lost local property tax revenue, if a proposed constitutional amendment passes in 2018.

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 2018 of \$0.979 million and are accounted for here. The out-years assume an increase for statutory salary increases.

FY 2021-FY 2023 also includes replacement funding, estimated at an additional base building of \$6.8 million per year, to replace lost local property tax excess levy revenue, if a proposed constitutional amendment relating to elimination of various business property taxes passes in 2018.

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 will continue 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.

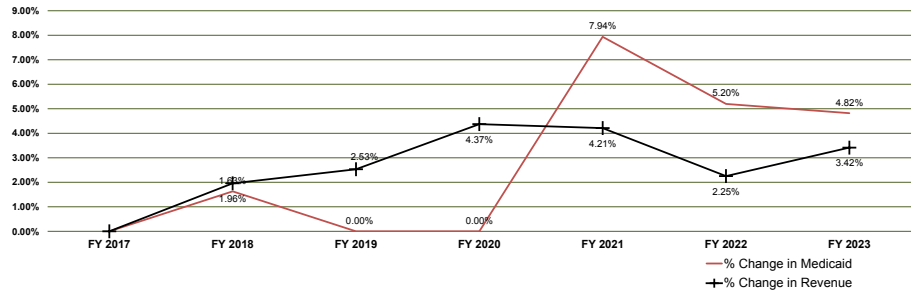
Developing changes in this program are exceedingly difficult because Medicaid operates as an entitlement program for all citizens that meet the eligibility criteria, and the cost of the program is determined by the number of eligible individuals, how often they utilize health care services, and the cost 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

Executive Summary Six Year Financial Plan

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.

**Medicaid General and Lottery Appropriations vs. Base General and Lottery Revenue
FY 2017 - FY 2023**



In FY 2018, Medicaid total expenditures (federal and state) are estimated to be approximately \$4.1 billion. Of this total, \$3.2 billion is the federal share, while about \$1 billion is the state share. Appropriations in FY 2018 from General Revenue, Lottery, Medical Services Trust Fund, the Provider Tax, and other State Certified Match make up the state share.

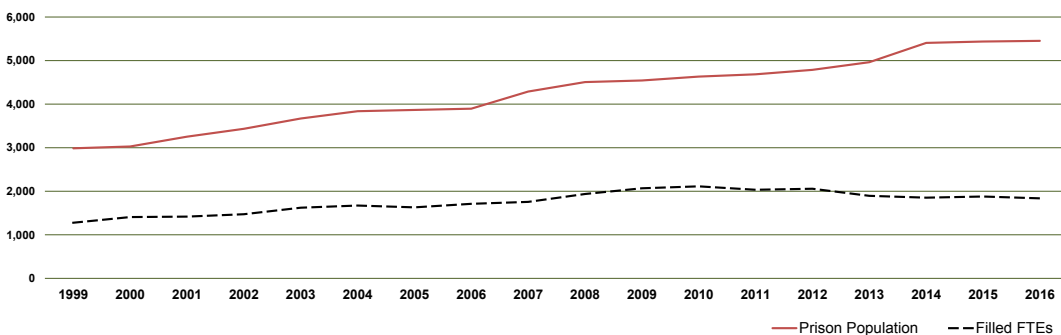
Recently updated Medicaid numbers for the fiscal year just ended (FY 2017) were much better than anticipated, resulting in a surplus cash balance in the State match portion of the Program. The Governor recommends this cash be used to help with the remaining funding issues for FY 2018, closing the FY 2019 budget gap, and to help in balancing ongoing base budget expenditures in the out-years. This excess cash will be used to offset lower FY 2018 and FY 2019 Medicaid appropriations.

Because of the surplus cash balance at the end of FY 2017 in the state's Medicaid matching funds, the Governor recommends no increase for FY 2019 in base funding in the General and Lottery funds for Medicaid, keeping the total of General and Lottery base funding at \$731 million.

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 \$53.6 million in the FY 2019 base budget for all other DHHR related items. The major increases include \$22.26 million for the Foster Care Program and institutional psychiatric diversion and contracted staff increased costs of \$30.9 million. 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.

**Division of Corrections Staffing vs Prison Population
1999 - 2016**



Correctional Facilities. The Governor recommends 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 this salary upgrade is \$6.936 million in FY 2019, an estimated additional \$7 million in FY 2020, and an extra \$7 million in FY 2021. FY 2020 also includes an additional \$3 million for

Source: Division of Correction's Annual Report, PIMS/OASIS FTE data

Executive Summary

Six Year Financial Plan

deferred maintenance needs in juvenile detention facilities. Additional funding of \$10 million for deferred maintenance projects in correctional facilities is shown in FY 2021 and further funding increases of another \$10 million in FY 2023.

State Police. The Governor recommends for FY 2019 a \$0.5 million increase in funding for equipment purchases and \$4 million for a new cadet class. Funding of \$4 million for additional cadet classes is also planned in FY 2021 and FY 2023.

Public Safety Retirement Plan A /State Police Plan B. The current amortization schedule for the Public Safety Retirement Plan A requires \$8.775 million less funding in FY 2019 due to gains of about 15.8% in investment returns during FY 2017 and for adjustments made due to an experience study that is performed every five years. The employer contribution raises from 14% to 15% for the State Police Retirement Plan B requiring additional funding of \$0.326 million in FY 2019. FY 2020 assumes investment gains over 7.5% during the current FY 2018. FY 2021-FY 2023 assumes investment earnings of 7.5%.

Higher Education. Higher Education's FY 2019 base budget is increased by \$13.5 million, to a FY 2019 base level of \$452.702 million. The Governor has included in his FY 2019 budget proposal an additional \$7 million in tuition subsidies to help in providing free tuition for students in the West Virginia Community and Technical Colleges. Additional funding of \$4.5 million is recommended by the Governor for Higher Education Resource Assessment projects which replaces funding that was previously billed to each higher education institution. Also, a \$2 million enhancement is included for Community and Technical Colleges' Workforce Development Initiative that will help strengthen the quality of the state's workforce by providing explicit incentives for partnerships between employers and community and technical colleges.

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 2019, major items shown here include \$20 million in additional funding for state building deferred maintenance projects, \$2.032 million for Cacapon State Park lodge debt service, \$1.116 million to fund the ERP Board's increase in user fees, \$1.811 million of enhanced enforcement funding for the State Tax Division, \$3 million for State Parks major repairs, alterations, and equipment, \$2 million for infrastructure and economic development projects, \$1.5 million for National Guard Drug Enforcement, new dollars for various Tourism advertising projects, \$17.2 million in economic development strategic investment programs, \$8.5 million for an economic development site readiness program, and \$4.3 million for new economic development sales and marketing enhancement. Due to the small and declining unfunded liability in the Old Workers' Compensation Fund, the Governor also recommends discontinuing transferring \$11 million from the Excess Lottery Fund to the Old Workers' Compensation Fund. Beginning in FY 2021, a savings of \$20 million per year is included due to the final payoff of a \$180 million agreement (over nine years) between the state and the federal government to settle a PERS funding contribution issue.

FY 2021-FY 2023 also includes replacement funding, estimated at an additional base building of \$7.2 million per year, to replace lost local property tax revenue for county commissions and municipalities, if a proposed constitutional amendment relating to elimination of various business property taxes passes in 2018.

Salary Enhancements. FY 2019 includes funding for an average of 1% pay raise for teachers (\$404), school service personnel (\$220), and state employees (\$432) at a base building cost of \$19.595 million. The out-years include funding for possible pay raises of 1% for teachers, service personnel and all other state employees in FY 2020. The remaining fiscal years include a 1% pay raise for classroom teachers.

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 2019 is \$135.353 million more than FY 2018's Base Budget. However, FY 2019's Ongoing Base Budget is only \$14.05 million higher than FY 2015's base budget.

Executive Summary

Six Year Financial Plan

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 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. Onetime expenditures in FY 2017 totaled \$123.807 million. FY 2018 appropriations contain \$8.15 million of onetime expenditures, while FY 2019 includes \$15.789 million of onetime funding consisting of \$5 million for the State Tax Division's integrated tax system, \$2.419 million of the State Police for fingerprint identification upgrades, \$0.5 million for one year of operating costs for the Port Authority, \$3 million for infrastructure and economic development projects, and \$4.87 million of FY 2018's general revenue surplus to be transferred to the Road Fund to repay that fund for expenditures made on the Port Authority's behalf. The out-years account for funding for various onetime expenditures.

Supplementals. Included in the Governor's proposal for consideration during the 2018 Regular Legislative session are FY 2018 onetime supplemental appropriations for Public Defender appointed counsel payments of \$15.3 million, \$5.0 million for foster care, \$34.6 million to fund a shortfall in funding for DHHR intuitional diversions and contract staff, \$20.0 million for correctional facilities rook and electrical upgrades, \$3.0 million for Juvenile Correctional facilities deferred maintenance projects, and \$1.1 million for the ERP Board's FY 2018 anticipated funding shortfall (total shortfall is \$3.4 million).

Onetime Reductions. To help balance FY 2017, \$160.54 million of FY 2017 appropriations were replaced by other onetime funding sources. For FY 2018, amounts reduced and other funding sources used include \$1.7 million for PEIA that was backed out in the School Aid Formula because excess balances are on deposit for local school boards. Reappropriated Senate funds of \$12.098 million, \$8.915 of DHHR reappropriations, and \$3.138 million of Special Revenue cash were all used to help fund FY 2018 the Medicaid State share, and a onetime reduction, as requested, of \$0.455 million to the Legislature's funding. The Governor also recommends, in the 2018 Regular Legislative session, that \$5 million from DHHR's FY 2018 appropriation for Child Care and \$59.86 million from Medicaid's FY 2018 general revenue appropriation be used to fund additional FY 2018 supplemental appropriations.

To assist in balancing the FY 2019 budget, the Governor recommends that \$6.252 million of excess cash balances that are on deposit for local school boards and available for their FY 2019 PEIA premiums be backed out of the School Aid Formula's FY 2019 PEIA appropriation. Likewise, \$5 million of FY 2019 general revenue Child Care appropriations have been reduced in FY 2019 and \$14.024 million of TANF funding is available to use during FY 2019 to help fund DHHR Social Service needs. And, due to sufficient state share cash available in the state's Medicaid Program, \$103.45 million of the FY 2019 general revenue appropriation for Medicaid has been reduced.

Due to projected sufficient state share cash being available in the state's Medicaid Program, \$30 million of the FY 2020 general revenue appropriation for Medicaid is shown for possible reduction.

Expirations. General Revenue expirations from FY 2017 totaled (\$12.574 million.) These funds were originally appropriated during FY 2017 but were not spent by the year-end and reverted to the General Fund's surplus balance. For FY 2018, Lottery Fund appropriations are \$0.023 million over required amounts and will expire at the end of FY 2018.

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 Rainy Day Fund A 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 2016 with a surplus of \$28.806 million, of which half, or \$14.403 million was transferred to the Rainy Day Fund A. 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. FY 2019 assumes that the General Revenue Fund will end with an estimated \$10 million surplus, with \$5 million being transferred to the Rainy Day Fund A.

Mid-year Cut. The Governor issued Executive Order 9-16 in October 2016, that required most agencies to reduce spending in FY 2017 by \$59.721 million to help offset the estimated FY 2017 year-end revenue shortfall. No mid-year is currently projected for FY 2018.

Executive Summary Six Year Financial Plan

Estimated Balance (Gaps)

The “Estimated Balance (Gaps)” is strictly the excess or deficit (gap) of revenues versus expenditures on an annual basis. The balance is not carried forward to the following fiscal year, but may be used to soften any future budget gaps. As is clearly seen in the “Six Year Financial Plan,” with the help of structural adjustments made to FY 2018’s budget and previous year’s budgets, FY 2019 through FY 2023 reflect positive budget balances.

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 2019, is 18 months away from the date the projections were completed. The General Revenue Fund estimate is approximately \$4.4 billion for FY 2019. Just a 1% deviation from the estimate will result in a \$44 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$88 plus million (\$44 million under estimate to \$44 million over estimate).

The same may be said regarding expenditures. Although we have included 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, in our 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.

Budget Summary

FY 2017

West Virginia’s General Revenue Fund’s actual revenue collections totaled \$4.187 billion and, after midyear budget cuts totaling \$59.721 million, ended the fiscal year with surpluses of \$76.044 million, half of which was transferred to the Rainy Day Fund. Lottery Funds ended the year with unappropriated balances of \$14.313 million.

The General Revenue Fund maintained a strong cash flow throughout the year, and we paid our bills on time. We retained \$5 million in our Personal Income Tax Refund Reserve Fund and made 100% of our required retirement contributions in FY 2017. West Virginia’s rainy day funds totaled \$652 million at the end of FY 2017 and were still among the best funded in the country (over 15% of General Revenue). The Workers’ Compensation unfunded liability continued to be reduced, our OPEB Trust Fund balance grew, and due to better actual costs being lower than estimates, there is a solid balance of state share cash in the Medicaid Program.

FY 2018

FY 2018’s General Revenue collections are officially estimated to be \$4.225 billion, \$37.631 million more than the FY 2017 actual revenue collections (less than 1% growth). Through the first six months of FY 2018, collections were \$2.7 million above official estimate, +0.14%. Year-end collections in General Revenue are currently projected to be close to estimates.

Regular Lottery and Excess Lottery revenues estimates available for appropriation in FY 2018 decreased from FY 2017 actual collections by almost 12% due to continued competition from other states and the conservative nature of West Virginia’s budgeting for the Lottery Funds. Lottery collections through the first six months of FY 2018 are running 6% above estimate.

Executive Summary

Six Year Financial Plan

On the expenditure side, FY 2018's major budget expenditure driver continues to be health care related costs. Additional major funding increases are also in place for funding 100% of the retirement systems' required contributions. Targeted base budget cuts for many agencies were made to help in balancing FY 2018 and for the third year in a row, the total ongoing base expenditure budget was less than the previous year's.

FY 2018 expenditures from General and Lottery Funds are expected to total \$4.721 billion.

FY 2019

Balancing the FY 2019 Budget is again a challenge that requires fiscal discipline. Projections early in the budgeting process showed a funding gap of about \$208 million for FY 2019. However, due to some improvement in our energy sector, anticipated revenues were adjusted upward from earlier estimates. Also, recent updated retirement investment returns and final school aid formula requirements will require less funding than previously estimated. Recent revisions, due to finalization of actual expenditures in FY 2017, to Medicaid ending cash balances will also assist in balancing FY 2019's budget. As expected, competition by bordering states continues to soften Lottery revenues.

The FY 2019 General Revenue official estimate of \$4.356 billion, which includes only \$3.6 million of new reallocations that require legislation, is \$131 million above the FY 2018 official General Revenue estimate of \$4.225 billion. Lottery and Excess Lottery revenues available for appropriations are expected to decrease in FY 2019 by \$15 million, -4% below the FY 2018 estimated collections.

Major base budget expenditures changes recommended for FY 2019 include an additional \$22.26 million in foster care funding. The number of children in foster care placements at the end of FY 2017 was 5,806, which is an increase of 16% over the previous fiscal year. The number of children in care is expected to continue to increase largely due to the on-going epidemic of addiction to opiates and other drugs.

Increased funding of \$30.9 million for behavior health institutions' diversion and contract staff is also included in FY 2019. The number of forensic and civil commitments continues to grow and exceed the number of licensed beds at the state's facility requiring the state hospital to divert patients to external treatment facilities. These diversions are costly and exceed the current state funded appropriations for costs. These diversion costs have increased 64% from \$24 million in FY 2015 to over \$39 million in FY 2017. The current FY 2018 appropriation is only \$12.6 million.

Also, included in FY 2019's budget is new funding of \$6.548 million for PEIA, \$7.0 million for Community and Technology College tuition subsidies to help in providing no cost education to students, \$6.9 million of upgrades in pay for correction employees, \$4.0 million for a new State Police cadet class, \$20.0 million for major renovation and deferred maintenance projects for state owned buildings, \$35 million in economic development projects, \$14.0 million in tourism advertising upgrades, and \$1.5 million for the National Guard's drug enforcement program. In addition, the Governor recommends a pay raise, costing general and lottery revenue accounts \$19.6 million, that averages a 1% increase for all teachers, school service personnel, and state employees.

Due to increased investment returns of about 15.8% (actuarial target is 7.5%) during FY 2017, the Retirement Systems will require less funding of (\$19.595 million). FY 2019 ongoing base expenditures from General and Lottery Funds totals \$4.822 billion. Total expenditures, after all adjustments, are expected to total \$4.715 billion.

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 2019 expenditure growth and position the state to balance budgets in the years that follow and to help align our base expenditures with our projected ongoing revenues.

As good financial planners, we must continue to be good stewards of taxpayer dollars. We must be committed to fiscal discipline over the long term. Therefore, agencies must be diligent in controlling spending and maintaining programs that are sustainable and do not rely on increased state funding in the near future for current programs.

SUMMARY FINANCIAL STATEMENTS



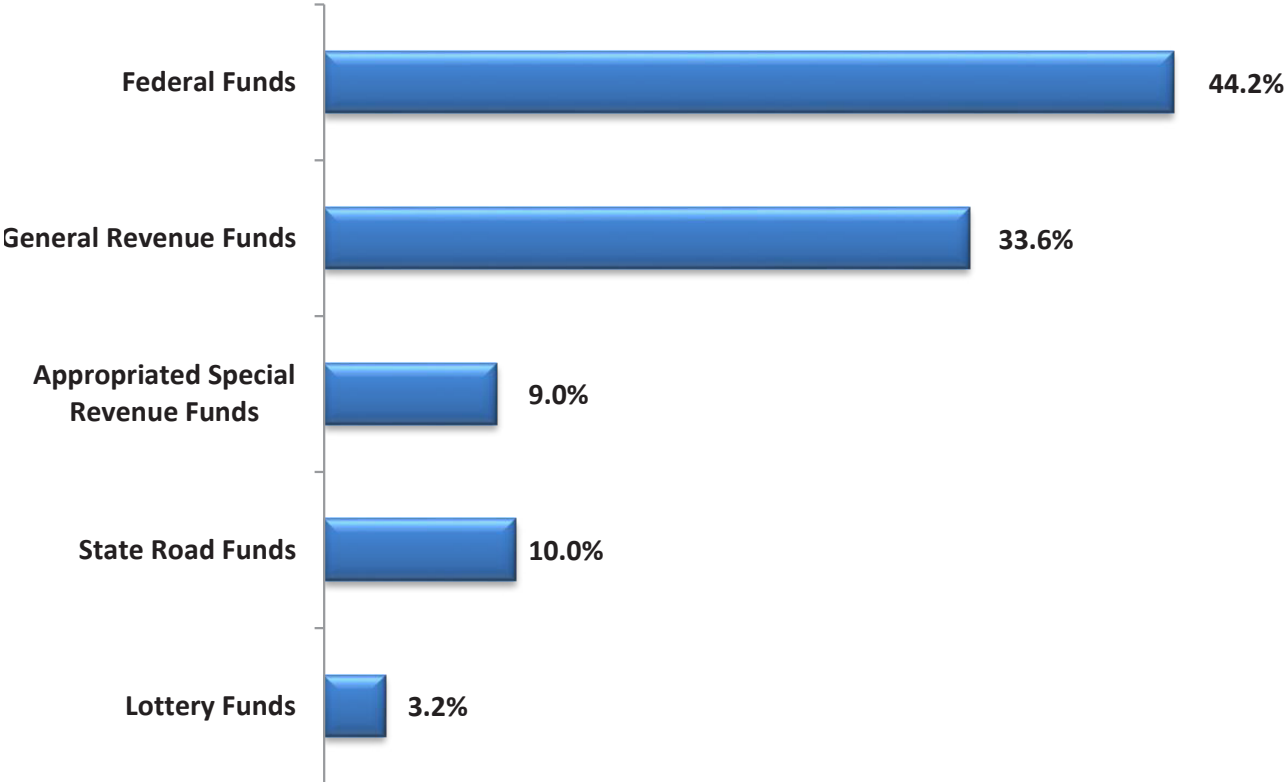
Financial Statements

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

- Graphics of the Total FY 2019 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, 2017
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2017
- General Revenue Fund – Statement of Revenues by Source FY 2015 through FY 2023
- General Revenue Fund – Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund – Overview by Functional Category FY 2017 through FY 2019
- General Revenue Fund – Recommended Supplemental Appropriations FY 2018
- General Revenue Fund – Recommended Surplus Supplemental Appropriations FY 2018
- General Revenue Fund – General Revenue Major Statutory and Nondiscretionary Requirements FY 2019
- Lottery Fund – Overview by Functional Category FY 2017 through FY 2019
- Lottery Fund – Statement of Revenues, Expenditures, and Changes in Cash Balance
- Excess Lottery Fund – Statement of Revenues, Expenditures, and Changes in Cash Balance
- Excess Lottery Fund – Overview by Functional Category FY 2017 through FY 2019
- State Road Fund – Statement of Revenues by Source FY 2015 through FY 2023
- State Road Fund – Statement of Revenues, Expenditures, and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2017
- Major Reserve/Stabilization Accounts
- Schedule of Budgeted Full-Time Equivalents

Where The State Dollar Comes From

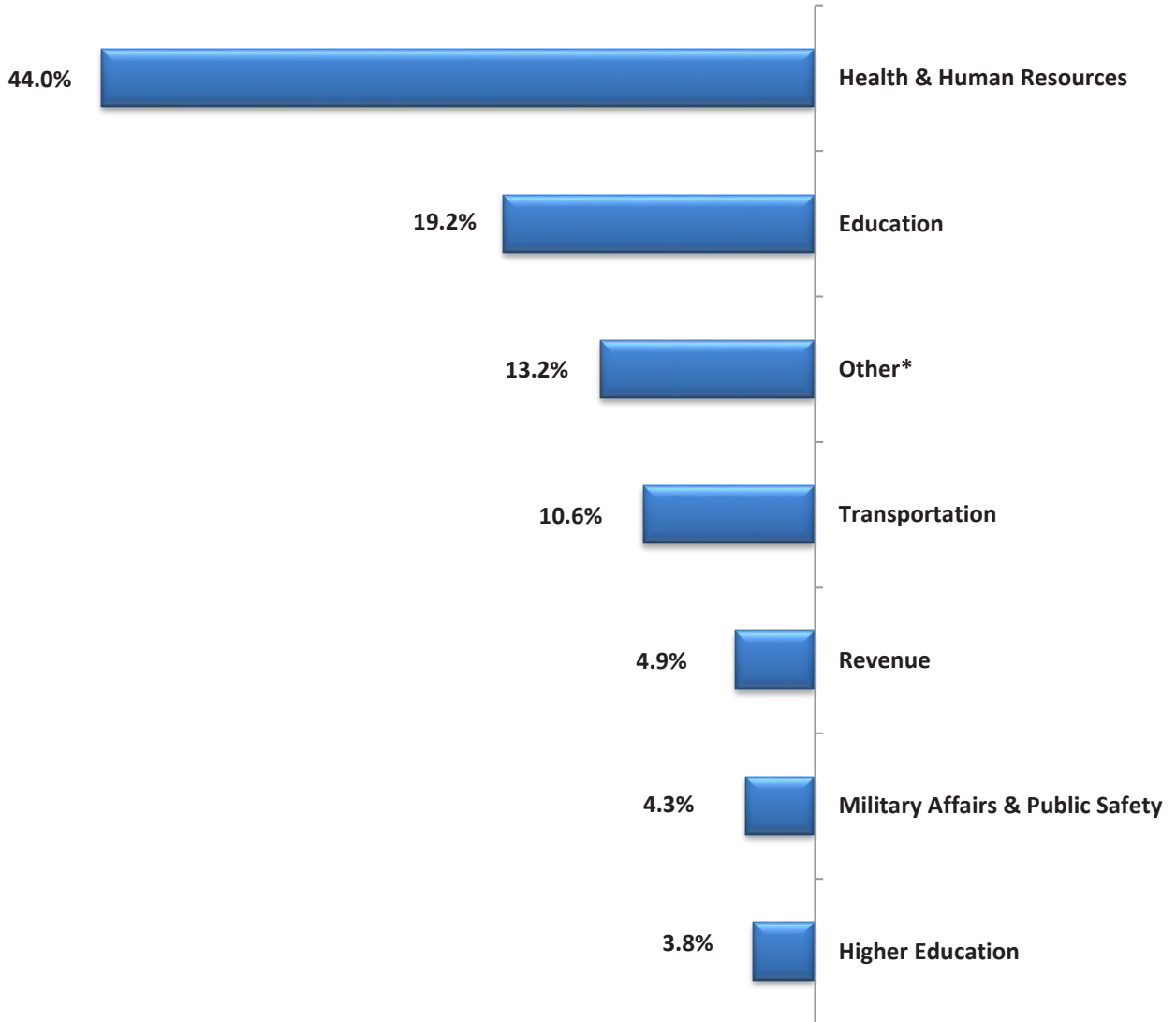
(FY 2019 Estimate)



TOTAL REVENUE
\$13.0 Billion
(Appropriated Funding Sources)

Where The State Dollar Goes

(Governor's Recommended FY 2019 Budget)



*Other	13.2%
Legislature	0.2%
Judicial	1.1%
Executive	0.9%
Administration	2.0%
Commerce	4.0%
Education & the Arts	1.0%
Environment	2.1%
Senior Services	0.7%
Veterans Assistance	0.2%
Misc. Boards & Commissions	1.0%

TOTAL EXPENDITURES
\$13.2 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 2017, FY 2018, and FY 2019, 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 2017 Actuals are the total actual revenues and expenditures for all funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

The FY 2018 Budgeted revenue estimate for the General Revenue Fund reflects the Governor’s revised official revenue estimate dated June 13, 2017 and the State Road Fund reflects the Governor’s revised official revenue estimate as submitted to the Legislature on January 10, 2018. The Governor provides the official revenue estimates for the budget, and those estimates do not require legislative approval.

FY 2018 Budgeted expenditures reflect the amounts budgeted for FY 2018 prior to the beginning of the 2018 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 2019 Recommendations are the amounts that the Governor is proposing on January 10, 2018 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 2017 amounts include reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended FY 2019 expenditures do not reflect any anticipated reappropriations being available during FY 2019. Although the FY 2018 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 2018 expenditures include \$285.143 million, Lottery Fund includes \$9.356 million, the Excess Lottery Fund includes \$5.676 million, and the Special Appropriated includes \$7.941 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 2018 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 2017*	Budgeted FY 2018	Recommended FY 2019	Actuals FY 2017	Budgeted FY 2018	Recommended FY 2019
Beginning Fund Balance	\$312,477	\$362,211	\$34	\$73,301	\$58,610	\$62,716
Transfer to Rainy Day Fund	(14,403)	(38,022)	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	97,300	-	-	-	-	-
Prior Year Refunds/Redeposits	435	34	-	-	-	-
Cash Flow/Contingencies	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	-	-	-	-	-
Recom. Expirations to General Revenue Surplus	-	-	-	-	-	-
Revenues						
Revenue Collections/Estimate	4,166,510	4,225,050	4,356,170	1,156,974	1,336,400	1,298,300
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	-	-	-	-	-	-
Total Revenues	4,166,510	4,225,050	4,356,170	1,156,974	1,336,400	1,298,300
Expenditures						
Legislature	22,214	23,927	23,997	-	-	-
Judicial	134,431	141,760	141,760	-	-	-
Executive	71,009	33,609	33,798	-	-	-
Administration	77,711	68,654	80,699	-	-	-
Commerce	52,061	48,282	100,471	-	-	-
Education	1,918,529	1,937,792	1,928,206	-	-	-
Education and the Arts	29,782	28,163	28,668	-	-	-
Environment	5,940	6,344	6,351	-	-	-
Health and Human Resources	1,088,258	1,168,451	1,163,668	-	-	-
Military Affairs & Public Safety	354,977	361,658	371,632	-	-	-
Revenue	24,080	26,374	34,309	-	-	-
Transportation	5,782	5,119	5,632	1,171,772	1,314,294	1,356,331
Veterans Assistance	10,613	10,161	10,205	-	-	-
Senior Services	12,142	21,584	29,313	-	-	-
Higher Education	392,863	381,194	397,404	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
Total Expenditures	4,200,392	4,263,072	4,356,113	1,171,772	1,314,294	1,356,331
Reappropriations Available	-	285,143	-	-	-	-
Recommended Supplemental	-	-	-	-	18,000	-
Recommended Surplus Supplemental	-	-	-	-	-	-
Mid-Year Budget Adjustments	-	-	-	-	-	-
Adjustments**	(284)	1,024	-	(107)	-	-
Ending Fund Balance	\$362,211	\$34	\$91	\$58,610	\$62,716	\$4,685

* Revenue Collections do not include \$24.51m transferred from reappropriated accounts to FY 2017 balance.

** 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 2017	Budgeted FY 2018	Recommended FY 2019	Actuals FY 2017	Budgeted FY 2018	Recommended FY 2019	Actuals FY 2017	Budgeted FY 2018	Recommended FY 2019
\$2,801,733	\$2,759,465	\$2,523,149	\$61,832	\$19,842	\$49	\$73,360	\$36,872	\$88
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(40,000)	-	-	(35,900)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	155,264	130,917	123,308	321,149	297,587	290,257
1,295	1,469	1,296	-	-	-	-	-	-
864	2,730	2,200	-	-	-	-	-	-
37,870	57,909	50,221	-	-	-	-	-	-
150,621	175,451	171,713	-	-	-	-	-	-
25,797	33,187	27,769	-	-	-	-	-	-
1,859	3,270	1,768	-	-	-	-	-	-
634	4,649	4,649	-	-	-	-	-	-
29,244	59,629	67,018	-	-	-	-	-	-
483,577	458,160	405,049	-	-	-	-	-	-
29,673	47,131	38,406	-	-	-	-	-	-
411,350	321,594	302,200	-	-	-	-	-	-
6,678	8,843	8,863	-	-	-	-	-	-
2,416	3,409	290	-	-	-	-	-	-
10,500	10,500	10,500	-	-	-	-	-	-
43,421	45,298	15,936	-	-	-	-	-	-
48,022	58,363	58,491	-	-	-	-	-	-
1,283,821	1,291,591	1,166,369	155,264	130,917	123,308	321,149	297,587	290,257
1,469	2,997	3,497	-	-	-	-	-	-
821	2,400	2,400	-	-	-	-	-	-
36,058	56,900	58,191	-	-	-	-	-	-
151,421	172,485	172,595	9,994	10,000	10,000	-	-	-
26,312	42,942	42,086	8,136	9,537	9,571	6,732	5,000	5,000
33,079	39,488	39,485	31,666	36,006	36,052	18,993	19,000	19,000
1,434	4,108	4,108	17,027	15,871	15,877	-	-	-
46,475	69,457	69,457	-	-	-	-	-	-
475,445	469,446	432,310	-	-	-	61,828	51,406	28,203
23,400	42,719	43,818	-	-	-	11	-	-
419,555	481,800	481,810	13,700	-	-	141,881	140,081	127,022
7,202	9,751	9,751	-	-	-	-	-	-
2,889	3,130	3,130	-	-	-	-	-	-
10,381	10,500	10,500	59,234	63,029	39,800	-	-	-
44,627	49,074	49,070	12,996	11,974	12,008	45,661	44,000	44,000
45,521	62,769	60,539	-	-	-	44,986	65,000	67,032
1,326,089	1,519,966	1,482,747	152,753	146,417	123,308	320,092	324,487	290,257
-	7,941	-	-	9,356	-	-	5,676	-
-	-	-	-	4,300	-	-	9,900	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	4,501	(9,363)	-	1,645	(5,692)	-
\$2,759,465	\$2,523,149	\$2,206,771	\$19,842	\$49	\$49	\$36,872	\$88	\$88

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

	Appropriated Federal Funds			Total Appropriated Funds		
	Actuals FY 2017	Budgeted FY 2018	Recommended FY 2019	Actuals FY 2017	Budgeted FY 2018	Recommended FY 2019
Beginning Fund Balance	\$55,833	\$28,619	\$106,363	\$3,378,536	\$3,265,619	\$2,692,399
Transfer to Rainy Day Fund	-	-	-	(14,403)	(38,022)	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	97,300	-	-
Prior Year Refunds/Redeposits	-	-	-	435	34	-
Cash Flow/Contingencies	-	-	-	(75,900)	-	-
Recom. Expirations to General Revenue	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	-	-	-	-	-
Revenues						
Revenue Collections/Estimate	-	-	-	5,799,897	5,989,954	6,068,035
Legislature	400	2,360	2,360	1,695	3,829	3,656
Judicial	2,901	4,000	4,000	3,765	6,730	6,200
Executive	7,451	20,855	21,152	45,321	78,764	71,373
Administration	-	-	-	150,621	175,451	171,713
Commerce	74,839	343,344	342,301	100,636	376,531	370,070
Education	359,326	495,163	495,163	361,185	498,433	496,931
Education and the Arts	66,659	103,831	88,395	67,293	108,480	93,044
Environment	81,547	218,798	200,729	110,791	278,427	267,747
Health and Human Resources	3,669,085	4,076,322	4,390,502	4,152,662	4,534,482	4,795,551
Military Affairs & Public Safety	47,331	175,427	141,753	77,004	222,558	180,159
Revenue	84	3,000	3,000	411,434	324,594	305,200
Transportation	19,902	29,967	24,520	26,580	38,810	33,383
Veterans Assistance	6,262	8,323	6,262	8,678	11,732	6,552
Senior Services	12,275	14,536	12,479	22,775	25,036	22,979
Higher Education	-	-	-	43,421	45,298	15,936
Misc. Boards & Commissions	2,263	3,900	3,900	50,285	62,263	62,391
Total Revenues	4,350,325	5,499,826	5,736,516	11,434,043	12,781,371	12,970,920
Expenditures						
Legislature	400	2,360	2,360	24,083	29,284	29,854
Judicial	2,902	4,000	4,000	138,154	148,160	148,160
Executive	7,707	23,600	26,875	114,774	114,109	118,864
Administration	-	-	-	239,126	251,139	263,294
Commerce	74,652	354,540	356,540	167,893	460,301	513,668
Education	377,289	495,163	500,463	2,379,556	2,527,449	2,523,206
Education and the Arts	68,544	103,962	88,368	116,787	152,104	137,021
Environment	81,868	226,298	206,298	134,283	302,099	282,106
Health and Human Resources	3,672,360	3,975,857	4,170,925	5,297,891	5,665,160	5,795,106
Military Affairs & Public Safety	49,003	174,631	154,355	427,391	579,008	569,805
Revenue	84	3,000	3,000	599,300	651,255	646,141
Transportation	20,268	29,967	24,520	1,205,024	1,359,131	1,396,234
Veterans Assistance	8,191	10,193	10,193	21,693	23,484	23,528
Senior Services	12,832	14,536	14,536	94,589	109,649	94,149
Higher Education	-	-	-	496,147	486,242	502,482
Misc. Boards & Commissions	1,439	3,975	3,225	91,946	131,744	130,796
Total Expenditures	4,377,539	5,422,082	5,565,658	11,548,637	12,990,318	13,174,414
Reappropriations Available	-	-	-	-	308,116	-
Recommended Supplemental	-	-	-	-	32,200	-
Recommended Surplus Supplemental	-	-	-	-	-	-
Mid-Year Budget Reduction	-	-	-	-	-	-
Adjustments**	-	-	-	5,755	(14,031)	-
Ending Fund Balance	\$28,619	\$106,363	\$277,221	\$3,265,619	\$2,692,399	\$2,488,905

* Revenue Collections do not include \$3.15m transferred from reappropriated accounts to FY 2016 balance.

** 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 2017	Budgeted FY 2018	Recommended FY 2019	Actuals FY 2017	Budgeted FY 2018	Recommended FY 2019	Actuals FY 2017	Budgeted FY 2018	Recommended FY 2019
\$60,860	\$67,515	\$57,304	\$15,474,123	\$17,346,511	\$12,468,599	\$18,913,519	\$20,679,645	\$15,218,302
-	-	-	-	-	-	(14,403)	(38,022)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	97,300	-	-
-	-	-	-	-	-	435	34	-
-	-	-	-	-	-	(75,900)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,799,897	5,989,954	6,068,035
-	-	-	-	-	-	1,695	3,829	3,656
-	-	-	2,365	2,570	2,140	6,130	9,300	8,340
-	-	-	671,002	369,486	357,103	716,323	448,250	428,476
-	-	-	4,392,929	11,481,915	6,841,047	4,543,550	11,657,366	7,012,760
19,895	30,648	32,330	59,317	78,398	67,387	179,848	485,577	469,787
-	-	-	21,633	53,895	51,477	382,818	552,328	548,408
-	-	-	7,055	18,290	18,415	74,348	126,770	111,459
8,136	10,125	3,983	136,951	171,047	194,554	255,878	459,599	466,284
-	-	-	4,839,553	5,289,408	5,230,678	8,992,215	9,823,890	10,026,229
72,811	151,493	150,376	142,387	193,877	136,973	292,202	567,928	467,508
-	-	-	771,208	532,572	511,752	1,182,642	857,166	816,952
-	23,594	-	76,800	458,365	13,020	103,380	520,769	46,403
-	-	-	1,364	1,699	45	10,042	13,431	6,597
-	-	-	1,654	1,900	1,900	24,429	26,936	24,879
37,947	56,307	50,615	1,441,189	2,219,098	1,961,929	1,522,557	2,320,703	2,028,480
-	-	-	132,235	287,708	158,999	182,520	349,971	221,390
138,789	272,167	237,304	12,697,642	21,160,228	15,547,419	24,270,474	34,213,766	28,755,643
-	-	-	(29)	15	14	24,054	29,299	29,868
-	-	-	1,303	2,906	2,570	139,457	151,066	150,730
-	-	-	598,943	375,310	344,480	713,717	489,419	463,344
-	-	-	2,614,624	16,205,543	10,392,977	2,853,750	16,456,682	10,656,271
20,041	31,887	31,887	52,783	126,275	131,646	240,717	618,463	677,201
-	-	-	15,505	53,704	53,688	2,395,061	2,581,153	2,576,894
-	-	-	8,941	17,281	17,281	125,728	169,385	154,302
447	4,619	4,619	126,299	241,909	236,907	261,029	548,627	523,632
-	-	-	4,765,181	5,028,609	5,237,030	10,063,072	10,693,769	11,032,136
72,776	166,334	163,262	148,625	192,887	190,582	648,792	938,229	923,649
-	-	-	850,646	634,825	624,997	1,449,946	1,286,080	1,271,138
1,084	23,594	23,530	38,709	384,301	124,138	1,244,817	1,767,026	1,543,902
-	-	-	1,352	1,658	1,658	23,045	25,142	25,186
-	-	-	1,578	1,900	1,900	96,167	111,549	96,049
37,786	55,944	51,702	1,454,594	2,504,574	2,135,347	1,988,527	3,046,760	2,689,531
-	-	-	146,200	266,443	260,933	238,146	398,187	391,729
132,134	282,378	275,000	10,825,254	26,038,140	19,756,148	22,506,025	39,310,836	33,205,562
-	-	-	-	-	-	-	308,116	-
-	-	-	-	-	-	-	32,200	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,755	(14,031)	-
\$67,515	\$57,304	\$19,608	\$17,346,511	\$12,468,599	\$8,259,870	\$20,679,645	\$15,218,302	\$10,768,383

Cash and Investment Balances of All Funds

Fiscal Year Ending June 30, 2017

(Nearest Dollar)

	Fund No.	Cash Balance	Investments	Total Balance
General Revenue Fund	01	\$362,210,680	\$0	\$362,210,680
State Road Fund	02	33,556,767	34,382,088	67,938,855
Natural Resources Fund	03	2,917,779	115,061,533	117,979,312
Consolidated Pool and Investments	09	(1,296,397,778)	1,467,668,946	171,271,168
Consolidated Federal Funds (Special Revenue)	12	57,418,295	1,449,612	58,867,907
Special Revenue Funds (Departments and Institutions)	13	1,186,301,221	5,811,752,128	6,998,053,349
Special Revenue Funds (Higher Education)	14	30,131,545	284,709,994	314,841,539
Department of Welfare	16	120,445,591	17,734,332	138,179,923
Public Employees' Retirement System	17	479,455	6,248,417,545	6,248,897,000
Teachers' Retirement System	18	4,530,588	7,187,209,517	7,191,740,105
West Virginia University - Medical School Fund	20	236,151	164	236,315
Total		\$501,830,294	\$21,168,385,860	\$21,670,216,154

Detailed Investments Fund 13

Fiscal Year Ending June 30, 2017

(Nearest Dollar)

Attorney General	720,663
Auditor's Office	3,349,248
Board of Risk and Insurance Management	181,051,983
Court of Claims	1,331,889
CPRB	1,191,060,852
Division of Justice and Community Services	4,697
Culture & History	1,011,566
Secretary of State	2,886,750
Department of Administration	889,302,034
Department of Education	3,670,876
Division of Financial Institutions	109,449
Department of Education and the Arts	4,353,281
Secretary of Revenue	591,816,777
Department of Transportation	55,286,070
WV Economic Development Authority	54,412,238
Division of Health & Human Services	12,581,098
Division of Labor	4,994,476
Division of Natural Resources	12,024,829
Department of Environmental Protection	396,353,469
Division of Forestry	2,097,222
Insurance Commission	1,617,939,254
Lottery Commission	138,786,949
Municipal Bond Commission	219,187,422
Municipal Pension Oversight Board	29,058,009
Public Employees Insurance Agency	187,579,505
Regional Jail Authority	24,547,671
State Police	1,407,246
State Rail Authority	6,216,921
Treasurer's Office	156,761,134
Water Development Authority	21,848,551

Total Detail Fund 13	\$ 5,811,752,128
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General Revenue Fund

Statement of Revenues by Source

FY 2015 Through FY 2023

(Expressed in Thousands)

Source of Revenue	FY 2015 Actual Collections	FY 2016 Actual Collections	FY2017 Actual Collections	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate
Business and Occupation Tax	\$120,522	\$119,174	\$111,885	\$114,500	\$117,500	\$120,000	\$122,000	\$122,000	\$122,000
Consumers Sales and Use Tax ¹	1,228,221	1,231,044	1,222,283	1,259,000	1,288,500	1,347,400	1,399,500	1,436,400	1,488,600
Personal Income Tax	1,840,056	1,803,311	1,813,867	1,860,000	1,961,000	2,032,400	2,133,200	2,209,700	2,303,000
Liquor Profit Transfers	18,361	18,313	26,317	20,800	20,800	20,800	20,800	20,800	20,800
Beer Tax and Licenses	7,773	7,996	8,000	7,600	7,500	7,500	7,500	7,500	7,500
Tobacco Products Tax (Cigarette & Other)	102,163	100,274	194,647	194,000	179,700	178,100	176,200	174,200	172,300
Estate Tax	7	0	0	0	0	0	0	0	0
Business Franchise Fees	747	676	666	650	670	680	680	680	680
Charter Tax	43	3	16	0	0	0	0	0	0
Property Transfer Tax	11,042	10,618	11,988	10,200	13,000	13,300	13,600	13,900	13,900
Property Tax	6,679	6,957	7,248	7,000	6,900	7,100	7,300	7,500	7,700
Insurance Tax	116,163	117,359	120,163	121,100	123,500	122,300	125,900	125,900	125,900
Departmental Collections	18,223	19,029	19,134	23,000	23,600	23,700	23,700	23,800	23,800
Corporate Income/Business Franchise Tax	186,101	143,605	116,306	109,000	142,100	161,800	175,800	202,000	215,100
Miscellaneous Transfers	11,056	1,246	1,587	500	1,000	1,000	1,000	1,000	1,000
Interest Income	2,343	2,509	6,045	16,000	23,000	30,000	36,000	37,000	37,000
Severance Tax	414,172	276,441	321,031	361,000	361,700	384,100	400,800	415,900	437,700
Miscellaneous Receipts ²	16,458	20,976	10,071	12,700	10,700	10,700	10,700	10,700	10,700
HB102 - Lottery Transfers	92,600	83,355	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Video Lottery Transfers	628	809	465	0	0	0	0	0	0
Liquor License Renewal ³	451	71	0	0	0	26,000	14,000	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	0	128,914	99,793	33,000	0	0	0	0	0
Total	\$4,203,810	\$4,102,679	\$4,166,510	\$4,225,050	\$4,356,170	\$4,561,880	\$4,743,680	\$4,883,980	\$5,062,680

1. Assumes Legislation is enacted to cap future consumer sales tax revenue transfers to State Road Fund at \$12.5 million per year.

2. Includes \$15 million in transfers from the Abandoned and Unclaimed Property Fund in FY 2016, \$7 million in FY2017, \$10 million in FY2018, and \$7 million per year, thereafter.

3. Retail liquor license renewal estimates for FY 2020 and FY 2021 are based on historical policy and may not necessarily reflect future policy related to retail license rebidding to be determined prior to rebidding.

General Revenue Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Actual Beginning Cash Balance July 1, 2017	\$398,066,711
Less:	31 Day Disbursements (July 1, 2017 - July 31, 2017)	(35,856,031)
Plus:	Prior Year Reimbursements (July 1, 2017 - July 31, 2017)	20
Less:	Prior Year Appropriations Forwarded	(285,143,465)
Less:	Cash Balance - Adjustments and Accruals	<u>(1,023,695)</u>
	Accumulated Surplus from FY 2017 @ July 31, 2017	\$76,043,540
Less:	Transfer to Revenue Shortfall Reserve Fund (Statutory)	(38,021,770)
Less:	FY 2018 Surplus Appropriation (FY 2018 Budget Bill)	(38,021,770)
Plus:	Prior Year Reimbursements and adjustments (August 1, 2017 - December 31, 2017)	<u>33,824</u>
	Estimated Unappropriated Surplus Balance @ June 30, 2018	\$33,824
Plus:	FY 2018 Revenue Estimate	\$4,225,050,000
Less:	FY 2018 Appropriations (FY 2018 Budget Bill) (2017 1st Special Session)	(4,225,050,000)
Plus:	FY 2018 Appropriations (FY 2018 Budget Bill) veto	0
Plus:	Recommended FY 2018 decreases to FY 2018 Appropriations (2018 Regular Session)	79,060,000
Less:	Recommended FY 2018 increases to FY 2018 Appropriations (2018 Regular Session)	<u>(79,060,000)</u>
	Estimated Unappropriated Balance from FY 2018 Activity @ June 30, 2018	\$0
Plus:	FY 2019 Revenue Estimate	\$4,356,170,000
Less:	Recommended FY 2019 Appropriations (FY 2019 Budget Bill) (2018 Regular Session)	<u>(4,356,113,352)</u>
	Estimated Unappropriated Balance from FY 2019 Activity @ June 30, 2019	<u>\$56,648</u>
	Total Estimated Unappropriated Balance @ June 30, 2019	<u><u>\$90,472</u></u>

Note: The Governor also recommends, if available, General Revenue FY 2019 Surplus Appropriations of up to \$4,870,000 to be transferred to the Road Fund from the estimated surplus balance of \$5,000,000 remaining at the end of FY 2018.

General Revenue Fund

Overview by Functional Category

FY 2017 through FY 2019

(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2017	Total Appropriations FY 2018*
LEGISLATURE			
Senate	0165	\$6,161,217	\$5,952,206
House of Delegates	0170	8,034,959	8,904,031
Joint Expenses/Claims against State	0175	8,018,061	9,070,601
Subtotal		22,214,237	23,926,838
JUDICIAL			
Supreme Court	0180	134,430,726	141,759,670
EXECUTIVE			
Office of the Governor	0101	3,882,440	4,049,056
Custodial Fund	0102	467,137	538,797
Civil Contingent Fund	0105	35,447,850	0
State Auditor's Office	0116	4,490,461	2,642,197
State Treasurer's Office	0126	2,887,759	3,184,094
Department of Agriculture	0131	9,922,666	9,335,058
WV Conservation Agency	0132	8,670,348	7,685,912
Meat Inspection	0135	713,238	709,097
Agricultural Awards	0136	54,250	54,250
WV Agricultural Land Protection Auth	0607	96,027	95,773
Attorney General's Office	0150	3,693,280	4,353,262
Secretary of State	0155	683,499	954,336
State Election Commission	0160	178	7,508
Subtotal		71,009,133	33,609,340
ADMINISTRATION			
Office of the Secretary	0186	15,579,191	15,713,340
Division of Finance	0203	3,923,751	731,754
General Services Division	0230	6,919,254	15,582,642
Purchasing Division	0210	949,807	1,004,969
Travel Management	0615	1,022,918	1,211,320
Comm on Uniform State Laws	0214	41,933	45,550
Public Employees Grievance Board	0220	1,205,333	1,064,626
Ethics Commission	0223	652,669	687,840
Public Defender Services	0226	46,383,892	31,579,548
Comm Purchase for Handicapped	0233	231	4,055
WV Prosecuting Attorneys Institute	0557	243,753	236,397
Real Estate Division	0610	787,787	792,181
Subtotal		77,710,519	68,654,222

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

Plus: Reappropriated FY 2018	Total Available FY 2018	Total Request FY 2019 **	Governor's Recommendations FY 2019	Percentage of Total
\$17,749,486	\$23,701,692	\$5,952,206	\$5,952,206	0.14%
5,572,184	14,476,215	8,904,031	8,904,031	0.20%
3,775,660	12,846,261	9,070,601	9,140,457	0.21%
27,097,330	51,024,168	23,926,838	23,996,694	0.55%
8,573,941	150,333,611	141,759,670	141,759,670	3.25%
384,588	4,433,644	4,235,408	4,253,297	0.10%
165,052	703,849	538,797	540,427	0.01%
68,454,493	68,454,493	0	0	0.00%
78,462	2,720,659	2,642,197	2,648,314	0.06%
144,755	3,328,849	3,184,094	3,041,550	0.07%
393,196	9,728,254	11,635,499	9,387,112	0.22%
2,067,015	9,752,927	7,685,912	7,705,913	0.18%
0	709,097	709,097	711,294	0.02%
0	54,250	54,250	54,250	0.00%
0	95,773	95,773	95,653	0.00%
4,989,204	9,342,466	4,464,577	4,396,675	0.10%
2,924,624	3,878,960	954,336	955,546	0.02%
0	7,508	7,508	7,508	0.00%
79,601,389	113,210,729	36,207,448	33,797,539	0.78%
195,245	15,908,585	15,713,340	15,713,627	0.36%
325,049	1,056,803	731,754	730,521	0.02%
317,993	15,900,635	16,382,642	27,603,187	0.63%
0	1,004,969	1,004,969	1,007,480	0.02%
300	1,211,620	1,211,320	1,222,280	0.03%
0	45,550	45,550	45,550	0.00%
0	1,064,626	1,234,626	1,066,672	0.02%
0	687,840	687,840	688,662	0.02%
900,169	32,479,717	49,879,248	31,585,508	0.73%
0	4,055	4,055	4,055	0.00%
30,342	266,739	236,397	237,006	0.01%
0	792,181	792,181	794,617	0.02%
1,769,098	70,423,320	87,923,922	80,699,165	1.85%

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

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2017	Total Appropriations FY 2018*
COMMERCE			
Office of the Secretary	0606	356,864	566,977
Tourism Office	0246	0	0
Forestry	0250	2,545,029	2,981,766
Geological & Economic Survey	0253	2,592,817	2,759,740
Development Office	0256	13,724,607	10,653,899
Division of Labor	0260	2,463,245	0
Division of Natural Resources	0265	18,894,277	18,568,382
Miners' Health, Safety & Training	0277	9,371,356	11,103,269
Board of Coal Mine Health & Safety	0280	266,289	348,018
WorkForce West Virginia	0572	59,416	59,658
Division of Energy	0612	1,540,575	1,239,985
Occupational Safety and Health	0616	152,014	0
Office of Economic Opportunity	0617	94,340	0
Subtotal		52,060,829	48,281,694
EDUCATION			
School Lunch Program	0303	2,440,421	2,440,421
State Department of Education	0313	85,284,228	77,042,107
Aid for Exceptional Children	0314	29,436,358	29,349,154
State Aid to Schools	0317	1,755,214,722	1,783,510,166
State Board of Ed-Vocational Division	0390	31,128,396	31,599,764
WV Schools for the Deaf & the Blind	0320	13,895,268	13,850,324
Subtotal		1,917,399,393	1,937,791,936
EDUCATION AND THE ARTS			
Office of the Secretary	0294	4,890,676	4,884,300
Culture and History	0293	4,776,448	4,128,673
Library Commission	0296	1,464,721	1,530,657
Educational Broadcasting Authority	0300	4,588,970	3,620,570
Division of Rehabilitation Services	0310	14,060,800	13,998,358
Subtotal		29,781,615	28,162,558
ENVIRONMENTAL PROTECTION			
Environmental Quality Board	0270	95,797	102,809
Environmental Protection	0273	5,769,554	6,165,385
Air Quality Board	0550	74,777	76,273
Subtotal		5,940,128	6,344,467

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

Plus: Reappropriated FY 2018	Total Available FY 2018	Total Request FY 2019 **	Governor's Recommendations FY 2019	Percentage of Total
0	566,977	566,977	565,712	0.01%
0	0	0	14,000,000	0.32%
6,996	2,988,762	3,172,641	3,195,602	0.07%
424,946	3,184,686	2,759,740	2,767,864	0.06%
7,857,127	18,511,026	41,463,024	45,472,789	1.04%
0	0	0	0	0.00%
244,532	18,812,914	23,723,790	21,719,481	0.50%
0	11,103,269	11,103,269	11,101,601	0.25%
0	348,018	348,018	348,862	0.01%
0	59,658	59,658	59,363	0.00%
0	1,239,985	1,239,985	1,239,516	0.03%
0	0	0	0	0.00%
0	0	0	0	0.00%
8,533,601	56,815,295	84,437,102	100,470,790	2.31%
0	2,440,421	2,443,111	2,446,314	0.06%
9,220,860	86,262,967	80,345,665	78,029,590	1.79%
1,299,804	30,648,958	29,489,488	29,680,061	0.68%
0	1,783,510,166	1,762,487,280	1,771,976,825	40.68%
588,977	32,188,741	32,482,501	32,102,609	0.74%
349,529	14,199,853	13,850,324	13,971,096	0.32%
11,459,170	1,949,251,106	1,921,098,369	1,928,206,495	44.26%
1,212,214	6,096,514	4,884,300	5,266,029	0.12%
1,016,168	5,144,841	4,502,586	4,158,946	0.10%
0	1,530,657	1,530,657	1,540,960	0.04%
0	3,620,570	3,620,570	3,649,411	0.08%
0	13,998,358	13,998,358	14,052,257	0.32%
2,228,382	30,390,940	28,536,471	28,667,603	0.66%
0	102,809	102,809	103,804	0.00%
0	6,165,385	6,165,385	6,171,068	0.14%
0	76,273	76,273	76,089	0.00%
0	6,344,467	6,344,467	6,350,961	0.15%

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

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2017	Total Appropriations FY 2018*
HEALTH AND HUMAN RESOURCES			
Office of the Secretary	0400	626,278	645,927
Division of Health-Central Office	0407	67,470,624	67,108,774
Consolidated Medical Service Fund	0525	200,295,502	173,628,889
WV Drinking Water Treatment	0561	647,500	647,500
Human Rights Commission	0416	1,117,610	1,346,777
Human Services	0403	818,100,271	925,073,443
Subtotal		1,088,257,785	1,168,451,310
MILITARY AFFAIRS & PUBLIC SAFETY			
Office of the Secretary	0430	2,329,935	2,121,902
Adjutant General - State Militia	0433	17,991,000	14,030,962
Adjutant General - Military Fund	0605	51,147	157,775
Parole Board	0440	1,182,594	1,276,287
Homeland Security Emergency Mgmt	0443	2,177,609	3,483,866
Corrections Central Office	0446	600,455	595,231
Correctional Units	0450	191,405,184	184,667,074
WV State Police	0453	94,353,090	103,947,632
Fire Commission	0436	53,988	64,021
Justice and Community Services	0546	8,549,996	9,883,725
Juvenile Services	0570	33,620,232	38,411,725
Protective Services Division	0585	2,662,119	3,017,740
Subtotal		354,977,349	361,657,940
REVENUE			
Office of the Secretary	0465	697,821	582,642
Tax Division	0470	22,141,471	24,598,116
State Budget Office	0595	736,414	631,151
Athletic Commission	0523	36,510	36,811
Office of Tax Appeals	0593	467,736	525,561
Subtotal		24,079,952	26,374,281
TRANSPORTATION			
State Rail Authority	0506	2,171,869	2,093,078
Public Transit	0510	2,330,022	2,262,989
Public Port Authority	0581	0	0
Aeronautics Commission	0582	1,279,959	762,581
Subtotal		5,781,850	5,118,648
VETERANS ASSISTANCE			
Veterans Affairs	0456	9,589,841	9,022,554
Veterans Home	0460	1,023,637	1,138,068
Subtotal		10,613,478	10,160,622
SENIOR SERVICES			
Bureau of Senior Services	0420	12,142,184	21,583,766

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

Plus: Reappropriated FY 2018	Total Available FY 2018	Total Request FY 2019 **	Governor's Recommendations FY 2019	Percentage of Total
159,316	805,243	645,927	645,970	0.01%
19,235,324	86,344,098	68,045,147	67,179,507	1.54%
41,868,787	215,497,676	204,528,889	205,080,909	4.71%
0	647,500	647,500	647,500	0.01%
0	1,346,777	1,557,577	1,350,740	0.03%
12,113	925,085,556	1,014,784,754	888,763,028	20.40%
61,275,540	1,229,726,850	1,290,209,794	1,163,667,654	26.71%
2,526,448	4,648,350	1,894,920	1,897,770	0.04%
4,243,975	18,274,937	15,213,407	15,547,196	0.36%
0	157,775	157,775	157,775	0.00%
0	1,276,287	1,536,811	1,351,115	0.03%
657,414	4,141,280	4,931,748	4,321,404	0.10%
0	595,231	595,231	613,396	0.01%
29,902,335	214,569,409	184,667,074	190,857,442	4.38%
3,179,355	107,126,987	105,037,343	103,379,484	2.37%
0	64,021	64,021	64,021	0.00%
7,099,315	16,983,040	10,633,725	9,889,587	0.23%
7,255,646	45,667,371	41,850,725	40,214,014	0.92%
2,185,233	5,202,973	3,317,740	3,339,317	0.08%
57,049,721	418,707,661	369,900,520	371,632,521	8.53%
113,544	696,186	582,642	583,707	0.01%
12,514,671	37,112,787	37,564,616	32,503,718	0.75%
840,085	1,471,236	656,151	657,476	0.02%
0	36,811	36,811	36,811	0.00%
20,245	545,806	525,561	527,300	0.01%
13,488,545	39,862,826	39,365,781	34,309,012	0.79%
878,679	2,971,757	2,093,078	2,106,469	0.05%
2,938,789	5,201,778	2,262,989	2,262,989	0.05%
0	0	0	500,000	0.01%
1,779,870	2,542,451	762,581	762,645	0.02%
5,597,338	10,715,986	5,118,648	5,632,103	0.13%
1,213,925	10,236,479	9,022,554	9,058,453	0.21%
0	1,138,068	1,138,068	1,146,869	0.03%
1,213,925	11,374,547	10,160,622	10,205,322	0.23%
0	21,583,766	21,583,766	29,313,484	0.67%

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

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2017	Total Appropriations FY 2018*
HIGHER EDUCATION			
HEPC-Administration	0589	68,906,864	68,332,309
WVNET	0551	1,620,569	1,578,941
WVU-School of Medicine	0343	20,980,072	20,051,368
West Virginia University	0344	108,099,841	102,931,727
Marshall University-School of Medicine	0347	13,219,239	13,323,693
Marshall University	0348	47,508,386	44,499,924
WV School of Osteopathic Medicine	0336	7,377,151	7,188,010
Bluefield State College	0354	5,519,341	5,379,199
Concord University	0357	8,501,104	8,278,077
Fairmont State University	0360	14,972,214	14,579,417
Glenville State College	0363	5,773,569	5,622,099
Shepherd University	0366	9,360,954	9,360,954
West Liberty University	0370	7,797,244	7,592,683
West Virginia State University	0373	11,356,258	11,099,907
Council for C&T College Education	0596	5,893,347	6,738,310
Mountwest C&T College	0599	5,458,142	5,314,947
New River C&T College	0600	5,389,150	5,247,765
Pierpont C&T College	0597	7,177,334	6,989,036
Blue Ridge C&T College	0601	4,880,509	4,880,509
WVU at Parkersburg	0351	9,331,336	9,086,528
Southern WV C&T College	0380	7,831,942	7,626,471
WV Northern C&T College	0383	6,760,490	6,583,128
Eastern WV C&T College	0587	1,796,643	1,751,421
BridgeValley C&T College	0618	7,350,906	7,158,055
Subtotal		392,862,605	381,194,478
TOTAL GENERAL REVENUE		\$4,199,261,783	\$4,263,071,770

* Total Appropriations FY 2018 include surplus appropriations of \$38,021,770.

** Total Request FY 2019 is Current-Level Request plus General Revenue Improvement Requests.

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

Plus: Reappropriated FY 2018	Total Available FY 2018	Total Request FY 2019 **	Governor's Recommendations FY 2019	Percentage of Total
4,220,344	72,552,653	72,895,688	72,810,928	1.67%
0	1,578,941	1,578,941	1,643,459	0.04%
0	20,051,368	20,051,368	20,175,604	0.46%
0	102,931,727	102,931,727	103,715,406	2.38%
298,421	13,622,114	13,323,693	12,845,244	0.29%
569,921	45,069,845	44,499,924	45,513,588	1.04%
5,729	7,193,739	7,188,010	7,242,478	0.17%
0	5,379,199	5,379,199	5,432,584	0.12%
0	8,278,077	8,278,077	8,350,111	0.19%
0	14,579,417	14,579,417	14,728,582	0.34%
0	5,622,099	5,622,099	5,692,248	0.13%
0	9,360,954	9,360,954	9,444,816	0.22%
0	7,592,683	7,592,683	7,650,052	0.18%
0	11,099,907	12,462,353	11,191,802	0.26%
2,161,070	8,899,380	13,738,310	15,741,111	0.36%
0	5,314,947	5,314,947	5,368,268	0.12%
0	5,247,765	5,247,765	5,303,724	0.12%
0	6,989,036	6,989,036	7,060,614	0.16%
0	4,880,509	4,880,509	4,937,047	0.11%
0	9,086,528	9,086,528	9,193,938	0.21%
0	7,626,471	7,626,471	7,712,592	0.18%
0	6,583,128	6,583,128	6,654,709	0.15%
0	1,751,421	1,751,421	1,767,835	0.04%
0	7,158,055	7,158,055	7,227,599	0.17%
7,255,485	388,449,963	394,120,303	397,404,339	9.12%
\$285,143,465	\$4,548,215,235	\$4,460,693,721	\$4,356,113,352	100.00%

General Revenue Fund
 Recommended Surplus Supplemental Appropriations
 FY 2018
 (Nearest Dollar)

Recommended General Revenue Surplus Supplementals - FY 2018

\$0

General Revenue Fund
 Recommended Supplemental Appropriations
 FY 2018
 (Nearest Dollar)

Public Defender - Appointed Counsel billings are exceeding FY 2018 appropriations	\$ 15,300,000
DHHR - Social Services - Foster Care FY 2018 Funding Shortfall	5,000,000
DHHR - Psychiatric Diversions, Institutions Contract Staff	34,627,000
Corrections - Roof Repair and Electrical Upgrades	20,000,000
Juvenile Services - Roof Repair and HVAC Upgrades	3,000,000
ERP Board - FY 2018 Funding Shortfall	1,133,000
Marshall University and Marshall School of Medicine - Realign FY 2018 Appropriations	<u>0</u>
Recommended General Revenue Supplementals - Increases - FY 2018	<u><u>\$ 79,060,000</u></u>

DHHR - Child Care - Reduce FY 2018 Appropriation	\$ (5,000,000)
DHHR - Medicaid - Reduce FY 2018 Appropriation	(59,860,000)
Senior Services - Move FY 2018 General Revenue Appropriation to Regular Lottery	(4,300,000)
DHHR - Medicaid - Move FY 2018 General Revenue Appropriation to Excess Lottery	<u>(9,900,000)</u>
Recommended General Revenue Supplementals - Decreases - FY 2018	<u><u>\$ (79,060,000)</u></u>

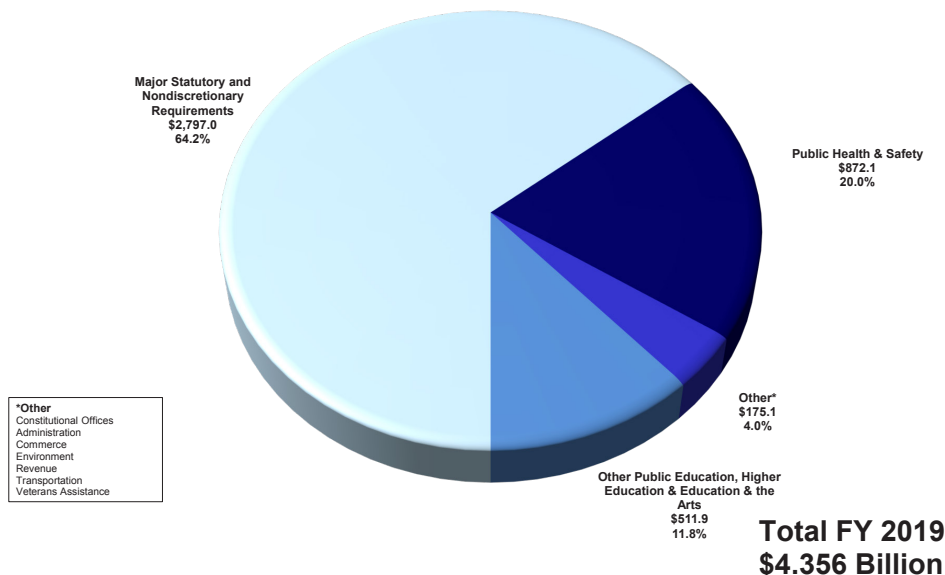
General Revenue Major Statutory and Nondiscretionary Requirements Fiscal Year 2019

Each year there are several major statutory and nondiscretionary requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2019 Executive Budget recommendations include expenditures of \$2.797 billion of these major requirements and make up 64.2% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 35.8% of the total General Revenue funds available, are considered necessary for the public health, safety, and education of West Virginia citizens and may include but are not limited to Division of Corrections, West Virginia State Police, Behavioral Health, Rehabilitation Services, Children's Health Insurance Program, Schools for the Deaf and the Blind, and Higher Education that supports public universities and colleges and provides student financial aid.

		Appropriations (in millions)
LEGISLATIVE BRANCH		\$23.0
JUDICIAL BRANCH		141.1
DEPARTMENT OF EDUCATION		
State Aid to Schools	1,105.9	
Public Employees Insurance Agency (School Aid Formula)	233.7	1,339.6
DEBT SERVICE		
School Building Authority	23.4	
Lease Rental Payments for debt service on correctional facilities	15.0	38.4
SOCIAL SECURITY MATCHING		43.3
PUBLIC EMPLOYEES INSURANCE AGENCY		112.6
RETIREMENT		
Judges' Retirement	0.7	
Public Employees Retirement	44.3	
Teachers' Retirement	408.9	
Trooper Retirement	20.8	
Higher Education Retirement	13.3	488.0
PUBLIC DEFENDER SERVICES		31.6
MEDICAID		579.4
Total		\$2,797.0

(Expressed in Millions)



Lottery Fund

Overview by Functional Category

FY 2017 through FY 2019

(Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2017	Total Appropriations FY 2018 *
ADMINISTRATION			
Education, Arts, Sciences, & Tourism Debt Service Fund	2252	\$9,994,151	\$10,000,000
COMMERCE			
Division of Tourism	3067	5,056,176	6,456,359
Division of Natural Resources	3267	3,080,260	3,080,619
Subtotal		8,136,436	9,536,978
EDUCATION			
State Department of Education	3951	13,666,161	18,006,206
School Building Authority	3963	17,999,999	18,000,000
Subtotal		31,666,160	36,006,206
EDUCATION AND THE ARTS			
Office of the Secretary	3508	1,114,658	948,354
Culture and History	3534	4,483,807	3,499,632
Library Commission	3559	11,428,662	11,423,076
Subtotal		17,027,127	15,871,062
SENIOR SERVICES			
Bureau of Senior Services	5405	59,234,140	63,028,513
HIGHER EDUCATION			
CTC - Capital Improvement Fund	4908	5,169,653	5,000,000
Higher Education Policy Commission	4925	3,420,019	3,012,104
West Virginia University	4185	3,743,586	3,402,163
Marshall-School of Medicine	4896	568,772	560,107
Subtotal		12,902,030	11,974,374
TOTAL LOTTERY		\$138,960,044	\$146,417,133

* Total Appropriations FY 2018 include surplus appropriations of \$15,500,000.

**Total Request FY 2019 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2018	Total Available FY 2018	Total Request FY 2019 **	Governor's Recommendation FY 2019	Percentage of Total
\$0	\$10,000,000	\$10,000,000	\$10,000,000	8.11%
4,528,315	10,984,674	6,456,359	6,469,319	5.25%
1,796,796	4,877,415	3,080,619	3,101,749	2.52%
6,325,111	15,862,089	9,536,978	9,571,068	7.76%
20,513,643	38,519,849	19,490,206	18,051,703	14.64%
0	18,000,000	18,000,000	18,000,000	14.60%
20,513,643	56,519,849	37,490,206	36,051,703	29.24%
224,168	1,172,522	948,354	948,814	0.77%
936,585	4,436,217	3,718,518	3,499,910	2.84%
374,233	11,797,309	11,564,126	11,428,267	9.27%
1,534,986	17,406,048	16,230,998	15,876,991	12.88%
746,208	63,774,721	50,578,513	39,799,904	32.28%
1,281,879	6,281,879	5,000,000	5,000,000	4.05%
1,129,082	4,141,186	3,012,104	3,012,760	2.44%
598,784	4,000,947	3,402,163	3,431,423	2.78%
71,512	631,619	560,107	564,151	0.46%
3,081,257	15,055,631	11,974,374	12,008,334	9.74%
\$32,201,205	\$178,618,338	\$135,811,069	\$123,308,000	100.00%

Lottery Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2016	\$61,831,572
Less:	Reserve for Cash Flow / Contingencies	(40,000,000)
Plus:	FY 2017 Actual Revenue	155,904,085
Less:	Veterans Fund - Actual Transfers	(636,426)
Less:	FY 2017 Appropriations (FY 2017 Budget Bill) (2016 1st Special Session)	(135,561,119)
Plus:	FY 2017 Appropriations (FY 2017 Budget Bill) vetoes	0
Less:	FY 2017 Surplus Appropriation (FY 2017 Budget Bill) (2016 1st Special Session)	(8,000,000)
Less:	FY 2017 Cash Expiration (2016 Flood) (2016 2nd Special Session)	(13,700,000)
Plus:	Cash not needed for FY 2017 Appropriations	<u>3,675</u>
	Unappropriated Balance @ July 1, 2017	19,841,787
Plus:	FY 2018 Revenue Estimate	\$131,317,133
Less:	Veterans Fund	<u>(400,000)</u>
	Revenue Available for FY 2018 Appropriations	150,758,920
Less:	FY 2018 Appropriations (FY 2018 Budget Bill) (2017 1st Special Session)	(130,917,133)
Plus:	FY 2018 Appropriations (FY 2018 Budget Bill) vetoes	0
Less:	FY 2018 Surplus Appropriation (FY 2018 Budget Bill) (2017 1st Special Session)	(15,500,000)
Less:	FY 2018 Recommended Supplemental Appropriations (2018 Regular Session)	(4,300,000)
Plus:	Cash not needed for FY 2018 Appropriations	<u>7,125</u>
	Estimated Unappropriated Balance @ June 30, 2018	\$48,912
Plus:	FY 2019 Revenue Estimate	\$123,708,000
Less:	Veterans Fund	<u>(400,000)</u>
	Revenue Available for FY 2019 Appropriations	\$123,356,912
Less:	Recommended FY 2019 Appropriations (FY 2019 Budget Bill)	<u>(123,308,000)</u>
	Estimated Unappropriated Balance @ June 30, 2019	<u><u>\$48,912</u></u>

Note: The Governor also estimates an unappropriated cash balance from FY 2018 activity of \$2,000,000 remaining at the end of FY 2018.

Excess Lottery Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2016	\$73,360,388
Less:	Reserve for Cash Flow / Contingencies	(5,900,000)
Less:	Catastrophic Event Contingency	(30,000,000)
Plus:	FY 2017 Actual Revenue	321,149,386
Less:	FY 2017 Appropriation (FY 2017 Budget Bill) (2016 1st Special Session)	(284,459,230)
Plus:	FY 2017 Appropriations (FY 2017 Budget Bill) vetoes	0
Less:	FY 2017 Surplus Appropriation (FY 2017 Budget Bill) (2016 1st Special Session)	(30,000,000)
Less:	FY 2017 Cash Expiration (2016 Flood) (2016 2nd Special Session)	(7,300,000)
Plus:	Cash not needed for FY 2017 Appropriations	21,121
	Unappropriated Balance @ June 30, 2017	\$36,871,665
Plus:	FY 2018 Revenue Estimate	297,587,415
	Available for FY 2018 Appropriations	334,459,080
Less:	FY 2018 Appropriations (FY 2018 Budget Bill) (2017 1st Special Session)	(297,587,415)
Plus:	FY 2018 Appropriations (FY 2018 Budget Bill) vetoes	0
Less:	FY 2018 Surplus Appropriation (FY 2018 Budget Bill) (2017 1st Special Session)	(26,900,000)
Less:	FY 2018 Recommended Supplemental Appropriations (2018 Regular Session)	(9,900,000)
Plus:	Cash not needed for FY 2018 Appropriations	16,260
	Estimated Unappropriated Balance @ June 30, 2018	\$87,925
Plus:	FY 2019 Revenue Estimate	290,257,000
Less:	Recommended FY 2019 Appropriations (2019 Budget Bill)	(290,257,000)
	Estimated Unappropriated Balance @ June 30, 2018	\$87,925

Excess Lottery Fund

Overview by Functional Category

FY 2017 through FY 2019

(Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2017	Total Appropriations FY 2018 *
STATUTORY APPROPRIATIONS:			
DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)			
Economic Development Authority	9065	\$18,986,421	\$19,000,000
Higher Education Improvement Fund	4297	15,000,000	15,000,000
School Building Authority	3514	18,992,459	19,000,000
Division of Natural Resources	3277	6,732,004	5,000,000
Cacapon & Beech Fork Debt Service Fund	9067	0	0
Infrastructure Council	3390	26,000,000	46,000,000
Subtotal		85,710,884	104,000,000
TRANSFERS			
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
Subtotal		106,000,000	106,000,000
TOTAL STATUTORY APPROPRIATIONS:		191,710,884	210,000,000
APPROPRIATIONS ABOVE EXCESS LOTTERY STATUTORY REQUIREMENTS:			
Office of the Governor	1046	0	0
Distributions to Statutory Funds and Purposes	7213	57,581,245	63,081,245
WV Development Office	3170	0	0
Division of Corrections-Capital	6283	11,363	0
Human Services-Medical Services	5365	61,377,985	51,406,170
Higher Education-Advanced Technology Centers	4932	1,660,445	0
TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:		120,631,038	114,487,415
TOTAL EXCESS LOTTERY		\$312,341,922	\$324,487,415

* Total Appropriations FY 2018 include surplus appropriations of \$26,900,000.

** Total Request FY 2018 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2018	Total Available FY 2018	Total Request FY 2019 **	Governor's Recommendation FY 2019	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%
8,343,472	13,343,472	5,000,000	5,000,000	1.72%
0	0	2,032,000	2,032,000	0.70%
0	46,000,000	46,000,000	46,000,000	15.85%
8,343,472	112,343,472	106,032,000	106,032,000	36.53%
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%
0	106,000,000	106,000,000	106,000,000	36.52%
8,343,472	218,343,472	212,032,000	212,032,000	73.05%
80,626	80,626	0	0	0.00%
0	63,081,245	61,022,040	50,022,040	17.23%
887,548	887,548	0	0	0.00%
222,326	222,326	0	0	0.00%
0	51,406,170	24,506,170	28,202,960	9.72%
1,063,407	1,063,407	0	0	0.00%
2,253,907	116,741,322	85,528,210	78,225,000	26.95%
\$10,597,379	\$335,084,794	\$297,560,210	\$290,257,000	100.00%

State Road Fund

Statement of Revenues by Source

FY 2015 Through FY 2023

(Expressed in Thousands)

Source of Revenue	FY 2015 Actual Collections	FY 2016 Actual Collections	FY 2017 Actual Collections	Revised FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate
Gasoline and Motor Carrier Road Tax	\$434,854	\$396,397	\$381,304	\$435,300	\$443,900	\$448,600	\$450,900	\$453,200	\$455,500
Registration Fees	100,600	86,983	104,354	123,652	123,652	123,652	123,652	123,652	123,652
Registration Fee: Highway Litter Control	1,518	1,853	1,876	1,719	1,719	1,719	1,719	1,719	1,719
Sales (Privilege) Tax	206,027	206,247	204,111	231,534	231,534	231,534	231,534	231,534	231,534
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	21,391	23,111	26,208	26,495	28,995	31,495	33,995	36,495	36,495
Federal Reimbursement:									
Interstate Construction	58,865	93,728	70,571	82,000	77,900	82,000	82,000	82,000	82,000
Other Federal Aid Programs	243,540	267,363	293,581	340,300	303,400	307,500	307,500	307,500	307,500
Appalachian Program	47,256	35,335	77,969	98,400	90,200	90,200	123,000	106,600	106,600
Total	\$1,111,051	\$1,108,017	\$1,156,974	\$1,336,400	\$1,298,300	\$1,313,700	\$1,351,300	\$1,339,700	\$1,342,000

State Road Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Cash and Investment Balance - July 1, 2017	\$58,610,270
Plus:	Revised Revenue Estimate - FY 2018 (revised January 10, 2018)	1,336,400,000
	Total Estimated Receipts and Balance	\$1,395,010,270
Less:	FY 2018 Appropriations (FY 2018 Budget Bill) - Division of Highways	(\$1,268,400,000)
	FY 2018 Appropriations (FY 2018 Budget Bill) - Division of Motor Vehicles	(43,378,729)
	FY 2018 Appropriations (FY 2018 Budget Bill) - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund (FY 2018 Budget Bill)	(563,249)
	Recommended FY 2018 Supplemental Appropriation (2018 Regular Session)	(18,000,000)
	Estimated Balance - June 30, 2018	\$62,716,313
Plus:	Revenue Estimate - FY 2019	\$1,298,300,000
Less:	Recommended FY19 Appropriations (FY19 Budget Bill) (2018 Regular Session) - Highways	(\$1,308,400,000)
	Recommended FY19 Appropriations (FY19 Budget Bill) (2018 Regular Session) - Motor Vehicles	(43,478,729)
	Recommended FY19 Appropriations (FY19 Budget Bill) (2018 Regular Session) - Ofc of Admin Hearings	(1,951,979)
	Claims Against the State Road Fund (FY 2019 Budget Bill) (2018 Regular Session)	(2,500,000)
	Estimated Unappropriated Balance @ June 30, 2019	\$4,685,605

Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2017

(Expressed in Thousands)

	Actual 6/30/15*	Actual 6/30/16*	Actual 6/30/17*	Estimated 6/30/18*	Estimated 6/30/19*
General Obligation Debt					
Road Bonds	\$168,845	\$166,385	\$151,160	\$135,175	\$118,390
Infrastructure Bonds	200,961	188,347	171,745	156,966	140,977
SUBTOTAL	369,806	354,732	322,905	292,141	259,367
Revenue Bonds					
School Building Authority	126,190	109,075	91,040	72,105	52,220
School Building Authority (Lottery)	74,840	92,025	110,355	104,930	98,295
School Building Authority (Excess Lottery)	103,520	162,420	94,250	88,990	83,490
School Building Authority, QSCBs (Excess Lottery)	150,480	150,480	150,480	150,480	150,480
Tobacco Settlement Finance Authority	855,075	853,707	850,612	829,022	804,947
Highways, Commissioner of	26,875	0	53,380	44,865	36,745
2010 EAST Fund (Lottery)	142,360	139,230	135,940	132,555	129,000
Economic Development Authority (Excess Lottery)	154,170	144,065	133,415	122,195	110,370
WV Infrastructure and Jobs Development Council	184,375	178,340	168,855	162,795	157,280
SUBTOTAL	1,817,885	1,829,342	1,788,327	1,707,937	1,622,827
Capital Leases & Notes Payable					
Governmental Funds	238,073	225,692	213,761	197,889	181,613
Internal Service**	33,815	58,595	58,050	56,760	55,030
Notes Payable**	17,919	16,783	10,310	5,103	1,516
SUBTOTAL	289,807	301,070	282,121	259,752	238,159
TOTAL	\$2,477,498	\$2,485,144	\$2,393,353	\$2,259,830	\$2,120,353

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

**6/30/17 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, \$824 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, and The Governor recommends no transfer in his FY 2019 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. During FY 2018, \$60 million was borrowed twice, for cash flow purposes, and transferred to the General Revenue Fund, with the final loan repaid in December 2017.

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, 2017, the balance in the Rainy Day Fund—Part B was \$441 million.

Major Reserve/Stabilization Accounts

Income Tax Refund Reserve Fund

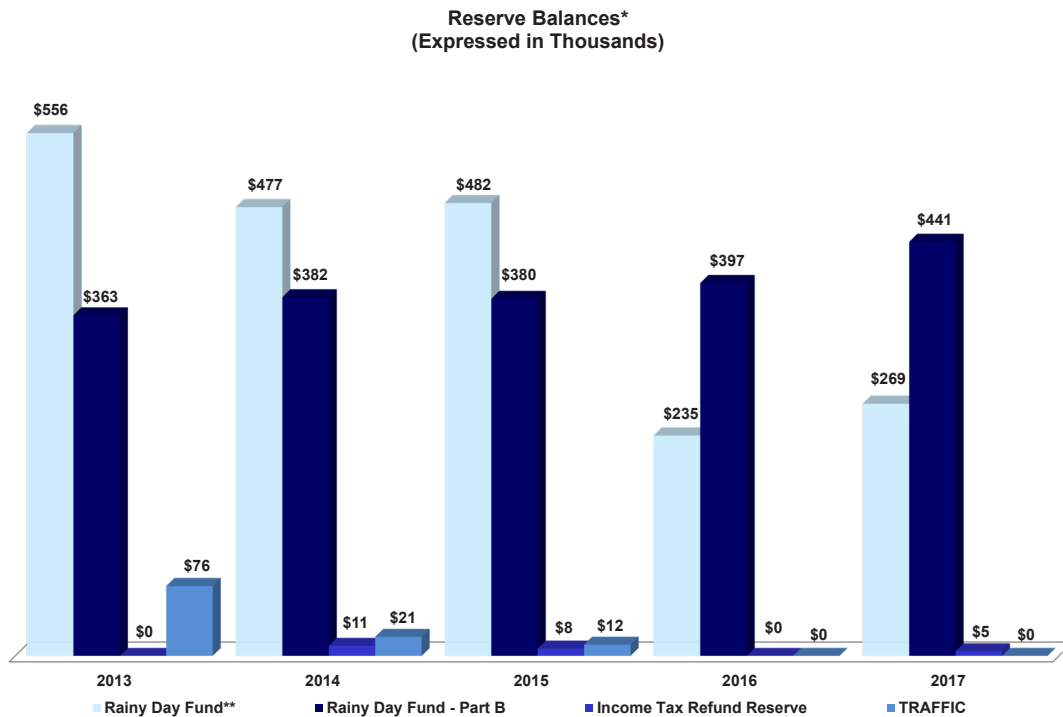
An Income Tax Refund Reserve Fund was established during FY 1990 (W.Va. Code §11-21-93) to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so 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 2018 was \$5 million. As of December 31, 2017, \$5 million remains in the Income Tax Refund Reserve Fund.

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.

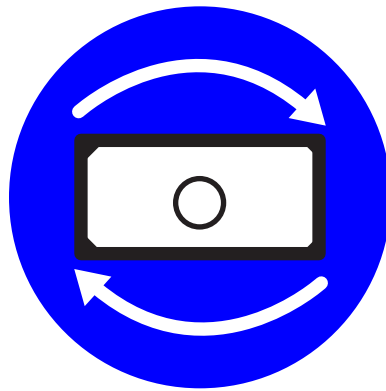


*Balances of December 31 each year

**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 greatest issue facing the Department of Transportation is the lack of sufficient funds in the State Road Fund. That fund, which provides funding to the Division of Highways, Division of Motor Vehicles, and the Office of Administrative Hearings, receives its revenue almost entirely from dedicated tax revenues. Those tax revenues increased slightly between FY 2016 and FY 2017; in total, \$1.4 million (0.19%). Motor Fuel Excise Tax collections fell during FY 2017 by \$15.1 million (-3.96%). In addition, Registration Fee collections increased in FY 2017 by \$17.4 million (16.6%) from the previous year. Privilege Tax collections and Highway Litter Fee collections showed a combined decrease in FY 2017 of \$2.1 million (-1.0%). With the passage of WV 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. However, 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 only slight increases in fuel consumption.

It is anticipated with the passage of this bill and the short term additional funding, the Division of Highways will now be able to complete certain activities which have until recently been deferred due to lack of funding. However, the projected revenues are inadequate to permit the Division of Highways to satisfactorily achieve its mission of maintaining a safe and efficient highway system. System preservation needs are not being met and, as a result, highways are continuing to deteriorate. 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, which is significantly more than the Division anticipates it can dedicate at present funding levels. Purchases of equipment used by maintenance forces is underfunded at least \$15 million each year. Finally, the Division has identified over \$16 billion in new construction that cannot be undertaken due to a lack of funds. Since it is more important to maintain existing infrastructure than to build new highways, most of these projects will never be constructed.

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.

The FAST Act continued existing programs but also provided for a few 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 on enhancing 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. A transfer of non-transportation resources was required to supplement existing revenue streams to fund the Act.

Long-Range Issues (Continued)

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. Nearly six million rides, equivalent to three times the state's population, were provided on West Virginia public transit in FY 2017, 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.

West Virginia Regional Jail and Correctional Facility Authority

The West Virginia Regional Jail and Correctional Facility Authority has two fundamental missions: (1) operating the regional jails and (2) constructing the state's secure facilities for not only the authority itself, but also for the Division of Corrections and the Division of Juvenile Services.

The authority's first mission is the responsibility of operating regional jails with management plans that meet or exceed all state and federal jail operational standards. The operational budget for the jails is exclusively funded through per diem collections from counties, municipalities, the West Virginia Division of Corrections, the U.S. Department of Justice, and other jurisdictions that house inmates in regional jails.

The regional jail facilities were developed as a result of a Master Plan approved in 1989 that outlined 10 regions in the state. There are 10 regional jails currently in operation (Eastern in Berkeley County, Central in Braxton County, South Central in Kanawha County, Southern in Raleigh County, Northern in Marshall County, Southwestern in Logan County, Potomac Highlands in Hampshire County, North Central in Doddridge County, Western in Cabell County, and Tygart Valley in Randolph County).

The authority's second mission is to acquire, construct, and/or renovate regional jails, correctional facilities, and juvenile detention facilities. The first phase of construction occurred as a result of the 1990 sale of \$118,694,767 of lease revenue bonds by the West Virginia Building Commission. The sale met approximately 50% of the adult correctional construction needs of the state at that time. The original bond was refunded in 1998 to reduce interest cost from 6.92% to 4.97% and to fund the construction of the Tygart Valley Regional Jail from the additional savings realized.

The West Virginia Legislature appropriated \$10 million from the General Revenue fund in FY 1995 and another \$10 million in FY 1997. These funds were used to construct the Southwestern Regional Jail.

In 1998, the Public Employees Retirement System (PERS), under the direction of the Investment Management Board, invested \$150 million for the continued construction of correctional and detention facilities. The Legislature created a special revenue fund (for up to \$20 million per year of current insurance taxes) to repay PERS for the capital invested and investment earnings.

Long-Range Issues (Continued)

The amount of payment was calculated every year by averaging the previous five years' interest returned on PERS' fixed income investments.

Recognizing that a great deal of savings in interest payments could be realized, the Legislature, during its December 2001 Special Session, passed legislation authorizing the issuance of bonds through the Economic Development Authority secured by lease payments. These payments are made from the same special revenue source that was created to repay PERS.

The first two series of these bonds were issued by the Economic Development Authority in January 2002. The first series repaid the balance owed to PERS, funding the construction of the Anthony Correctional Center, North Central Regional Jail, Potomac Highlands Regional Jail, Eastern Regional Jail, Lakin Correctional Center for Women, Donald R. Kuhn Juvenile Center, Western Regional Jail, Industrial Home for Youth, and the renovation of the Davis Center, Denmar Correctional Center, and Pruntytown Correctional Center, including the warden's residence located at the facility. The second series funded the \$6 million dormitory and Prison Industries construction at the Lakin Correctional Center for Women and the \$6 million James "Tiger" Morton Juvenile Center.

During February 2003, the third series of these bonds was sent to market. This sale funded the \$6.8 million J.M. "Chick" Buckbee Juvenile Center, the \$6 million Robert Shell Juvenile Center, the \$6 million Gene Spadaro Juvenile Center, \$3.1 million for renovations to transform the old Eastern Regional Jail into the Martinsburg Correctional Center, and a 120-bed intake center for the Division of Corrections.

In January 2004, the final series of these lease revenue bonds was issued in order to fund the construction of a new Davis Juvenile Center in Tucker County (renamed the James H. "Honey" Rubenstein Juvenile Center), renovations and additions to the Eastern Regional Juvenile Detention Center (which reopened as the Vickie V. Douglas Juvenile Center), additions to Huttonsville Correctional Center, additional funds for the dormitory and Prison Industries construction at the Lakin Correctional Center for Women, and renovations to the Johnston School at the Industrial Home for Youth at Salem.

Infrastructure Improvement Amendment

The Infrastructure and Jobs Development Council reports that approximately \$4.2 billion in projects have been funded to date by leveraging council funds with federal and other sources. Projects approved by the council range from traditional infrastructure including water, sanitary sewer, storm water facilities, and roadways for industrial parks to revitalization projects that will result in economic development in some of the state's larger cities. The approved projects leverage approximately \$3.2 billion from other sources of funding.

There are approximately \$432 million in wastewater and water projects that are deemed technically feasible that are awaiting financing. Partially funded projects total \$96 million and are awaiting additional funding to begin construction.

The Infrastructure and Jobs Development Council currently has \$98,755,000 in bonds outstanding. A selected, defined portion of repayments from loans has been dedicated to pay debt service for the bond issues.

The Infrastructure Excess Lottery Revenue Bonds, closed in October 2014, has \$67,610,000 in bonds outstanding. This provided grants to fund a portion of the cost for 12 Chesapeake Bay/Greenbrier Watershed projects which total in excess of \$257 million. Excess lottery funds of \$6 million are dedicated to pay the annual debt service for this bond issue.

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.

Long-Range Issues (Continued)

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, 2017.

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 Tax revenues, currently provides the SBA with \$32 million per year. These annual allocations have allowed the SBA to provide \$661 million for school construction, renovation, and repair through June 30, 2017.

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 has allowed the SBA to issue six series of bonds and provide \$408 million for school construction, renovation, and repair through June 30, 2017.

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 three and a half 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 residential deaths reported to the National Center for Health Statistics by the West Virginia Health Statistics Center, in 2015 West Virginia had the highest mortality crude 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, all accidental deaths, diabetes, stroke, and drug overdose deaths (regardless of intent). West Virginia also ranked second in mortality from influenza and/or pneumonia as well as nephritis, nephrotic syndrome, and nephrosis, and fourth in heart disease. Finally, West Virginia ranked ninth in motor vehicle accidental deaths during 2015.

In 2001 there were 212 drug overdose deaths occurring in West Virginia, climbing steadily to a then record peak of 656 in 2011. There was a drop off in 2012, largely due to pressure of closing down “pill mills.” Deaths, first led by heroin and later combined with fentanyl, climbed much higher in 2016, peaking at 884.

Long-Range Issues (Continued)

According to the Centers for Disease Control and Prevention and the West Virginia Health Statistics Center, which collects the data for the Behavioral Risk Factor Surveillance System (BRFSS), 2016 data indicate that West Virginia ranks very high among all states in the prevalence of several chronic diseases and risk factors for disease. West Virginia had the highest prevalence in the nation of heart attack (7.5%), coronary heart disease (8.0%), cardiovascular disease (14.6%), chronic obstructive pulmonary disease (13.9%), arthritis (38.9%), and obesity (37.7%). West Virginia had the second highest prevalence in the nation of fair or poor health (26.3%), current asthma (11.8%), depression (23.8%), diabetes (15.0%), current smoking (24.8%), and smokeless tobacco use (8.5%). The prevalence of cancer was 14.0%, which ranked West Virginia third highest in the nation. The prevalence of stroke was 4.4% making it the seventh highest in the nation. The prevalence of physical inactivity was 28.5%, the eleventh highest in the nation. On a positive note, the state's heavy drinking prevalence was 3.5%, the lowest in the nation and the prevalence of binge drinking was 11.3%, also lowest in the nation.

For 2016, approximately 23.6% of West Virginia adults reported poor physical health for at least 14 days in the past 30 days, and 13.5% 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 (18.2%) than the U.S. (12.1%), and was the highest among all 54 BRFSS participants. The prevalence of reporting poor mental health in the past 14 days was significantly higher in West Virginia (28.5%) than the national prevalence (11.7%), and was the highest among all 54 BRFSS participants. West Virginia also had the highest prevalence of hearing impairment (13.4%), cognitive impairment (16.4%), mobility impairment (22.3%) and second highest prevalence of vision impairment (8.5%).

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, which, if successful, could save West Virginians millions of dollars annually.

In 2016, approximately 350,000 West Virginians smoked cigarettes. It is estimated by the West Virginia Bureau for Public Health that our extraordinarily high smoking rates cost West Virginia over \$1.8 billion each year. BPH conservatively estimates that if West Virginia's 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 2016, West Virginia had the highest rate of obesity (37.7%) or approximately 500,000 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 is expected to grow to \$2.4 billion by 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. The Bureau for Public Health has set a more aggressive obesity reduction target for 2020 of 33%. Given the 2.6% actual increase between 2013 (35.1%) and 2016 (37.7%), the Bureau's revised 2020 West Virginia obesity rate target is 35.5% which would result in a \$115,749,546 savings in 2020 versus 2016 for costs attributable to obesity.

Medicaid

The West Virginia Medicaid Program provides insurance coverage to approximately 650,000 West Virginians over the course of a year and approximately 550,000 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

Long-Range Issues (Continued)

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 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.

Five categories of services accounted for approximately 83% of total Medicaid expenditures during FY 2016. These services are long-term care (includes nursing home), inpatient hospital (includes mental health hospital, outpatient services, and supplemental payments; excludes Disproportionate Share Hospital payments), home and community-based services (those provided under waiver authority as well as personal care and case management), capitated service agreements, and prescription drugs (net of rebate collections). The largest increases in FY 2015 occurred in hospital and prescribed drugs (net of rebate collections).

Financial support for this program comes from federal and state revenue. The majority of the Medicaid program is financed at an approximate 27% state and 73% 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 Provider Tax. State Medicaid appropriated funding has increased from approximately \$334 million in 1995 to approximately \$1 billion in 2018.

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. Program costs have been aggressively controlled over the past two fiscal years through benefit curtailment, program elimination, and managed care contracting strategies. 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. Each program modification must secure federal approval before being enacted.

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. Should any of the Department's cost containment strategies be voided, including modifications to waiver programs and privatization efforts through managed care, the Medicaid budget would be at serious risk of dramatic increases. A few noteworthy long-term budgetary risks to the Medicaid program relate to inflationary health care costs, scenarios where increased utilization of services are 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.

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, 2017, 21,921 children were enrolled, a 3% increase in the enrollment level from the previous year. The WVCHIP Premium group that includes children in households with incomes between 211% and 300% FPL has shown the highest increase in enrollment, around 13% 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.

Long-Range Issues (Continued)

Congress failed to reauthorize or fund CHIP by the September 30, 2017 deadline. Per WV Code §5-16B-8, this program closes without further federal funding. The WVCHIP Board voted on November 8, 2017 to close the program on February 28, 2018 should Congress not fund the program before this date. On December 21, 2017, Congress included additional CHIP funding for October 2017 through March 2018 in a Continuing Resolution to fund the federal government through January 19, 2018. WVCHIP hopes this new funding will allow the Board to continue the program after the February 28, 2018 closure date and is currently working on projections. It is expected that Congress will take up CHIP reauthorization for a 5-year period sometime in January 2018. We will not know the financial impacts to the program until later in January 2018 at the earliest.

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. 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 struggle with the rising costs of health care. Increasing health care costs continue in all aspects of health care, most significantly in the specialty drug classification. Due to this increase in specialty drugs, and the anticipation of it doubling in the next four years, the prescription drug trend assumption recently increased 2%. The medical trend assumption remains the same as actual results don't warrant a change. The current financial plan assumes health care costs will increase annually by the following rates:

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Medical	7.0%	7.5%	8.0%	8.5%	9.0%
Drug	11.0%	11.5%	12.0%	12.5%	13.0%

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

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Medical	\$13 million	\$(56) million	\$30 million	\$34 million	\$39 million
Drug	\$(15) million	\$11 million	\$13 million	\$15 million	\$17 million

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

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Reserve	\$120 million	\$132 million	\$142 million	\$154 million	\$168 million

Long-Range Issues (Continued)

PEIA continues to pursue the development of effective, cost-efficient programs to give its members the most services 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 legislative 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 43 and 45.

Rising drug and health care costs, state budget constraints, plan funding, and 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 69%. Determining a long-range 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 2022. The trust completed FY 2017 with total net assets of \$824 million, total claims expense of \$92 million, and capitations of \$131 million. Current claim expense trend assumptions for FY 2018 through FY 2022 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 \$130 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 \$1.3 billion by fiscal year end 2022. This represents a 36% 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, \$23.20 million, and \$107.30 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

Long-Range Issues (Continued)

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 25-year payment plan to be completed by June 30, 2018. Those restrictions will expire on July 1, 2019. The 25-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 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. 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 6 years.

The unfunded actuarial liability for each plan is as follows:

	July 1, 2016, Actuarial Valuation Unfunded Actuarial Liability		July 1, 2017, Actuarial Valuation Unfunded Actuarial Liability	
PERS	\$726,848,000	(89.0% funded) ¹	\$587,844,000	(91.3% funded)
TRS	\$3,667,998,000	(65.4% funded) ¹	\$3,529,083,000	(66.9% funded)
JRS	(\$59,420,000)	(155.1% funded) ¹	(\$75,466,000)	(166.3% funded)
Public Safety—Plan A	\$150,253,000	(79.4% funded) ¹	\$100,308,000	(86.4% funded)
State Police—Plan B	\$6,757,000	(95.4% funded)	(\$7,340,000)	(104.6% 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 10, 2018, \$130 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;

¹ 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.

Long-Range Issues (Continued)

- Replaced an inefficient, costly, and outdated system of county jails with a modern, efficient, and effective system of regional jails, along with the renovation and construction of prisons and juvenile facilities;
- 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.

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 2019 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 2018) less any onetime appropriations. For the FY 2019 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 2019 expenditure growth, and position the state to structurally balance budgets in the years that follow. For the FY 2019 budget, the Governor has recommended most agencies be funded at the FY 2018 base funding level, including adjustments for PEIA, BRIM, PERS, and an average pay raise of 1%. 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 2018 "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 2019, agencies were asked that any requests for improvements or requests for FY 2018 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 2019 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.

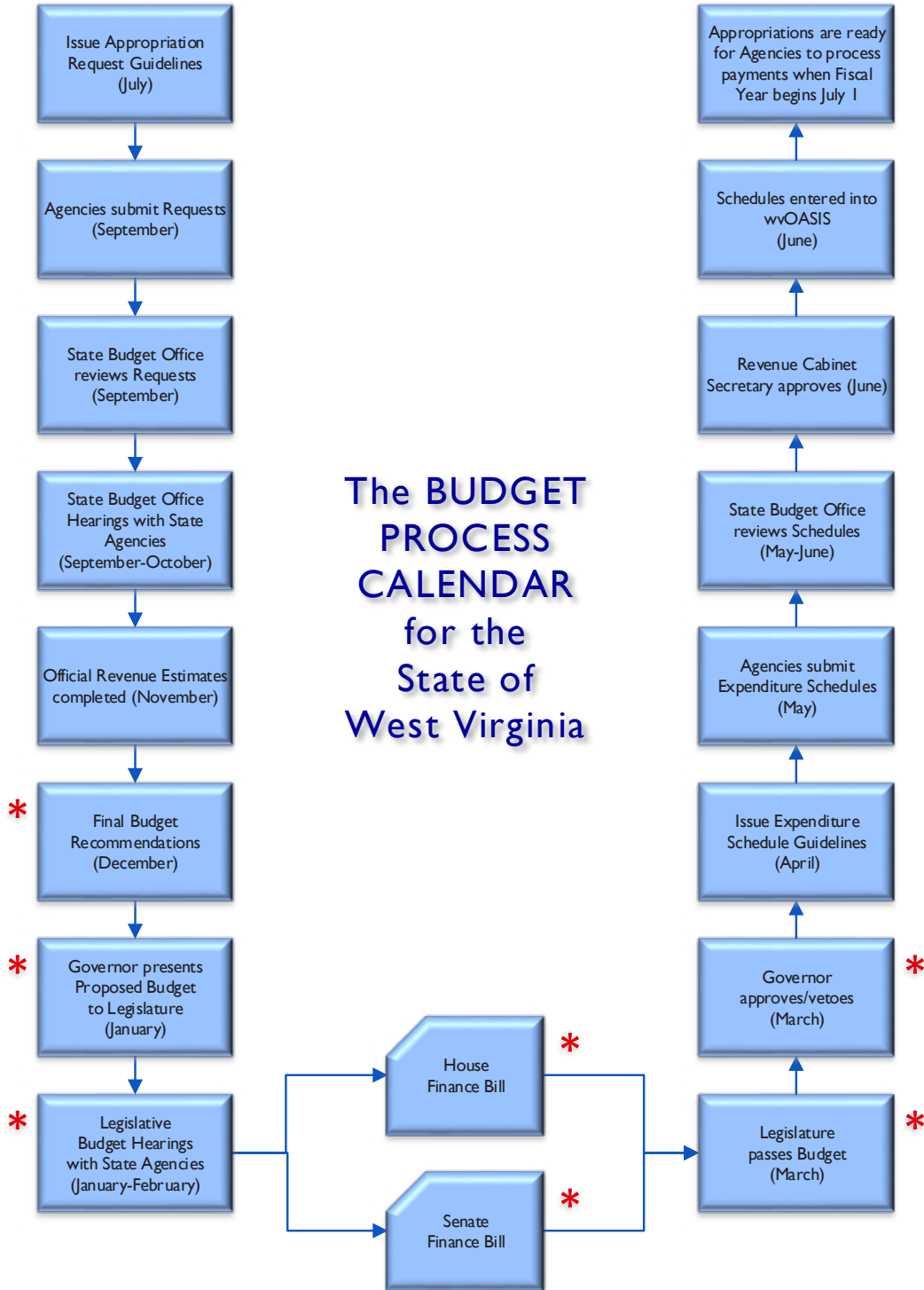
The budget hearings also provide the time to discuss, in general terms, any future capital projects and funding options. All the departments/bureaus/commissions/divisions are required to submit capital expenditure plans with their appropriation requests. These plans summarize projects budgeted for the 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 2019 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.

- * 2017, Department of Revenue and Department of Commerce;
- * 2018, Department of Environmental Protection and Department of Military Affairs and Public Safety;
- * 2019, Department of Health and Human Resources, including Bureau of Senior Services;
- * 2020, Department of Transportation; and
- * 2021, Department of Administration.

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

- * 2017, Board of Accountancy, Board of Respiratory Care Practitioners, and Board of Social Work Examiners;
- * 2018, Board of Examiners of Psychologists, Board of Optometry, and Board of Veterinary Medicine;
- * 2019, Board of Acupuncture, Board of Barbers and Cosmetologists, and Board of Examiners in Counseling;
- * 2020, Board of Hearing Aid Dealers, Board of Licensed Dietitians, and Nursing Home Administrators Board;
and
- * 2021, Board of Dental Examiners, Board of Medicine, and Board of Pharmacy.

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.

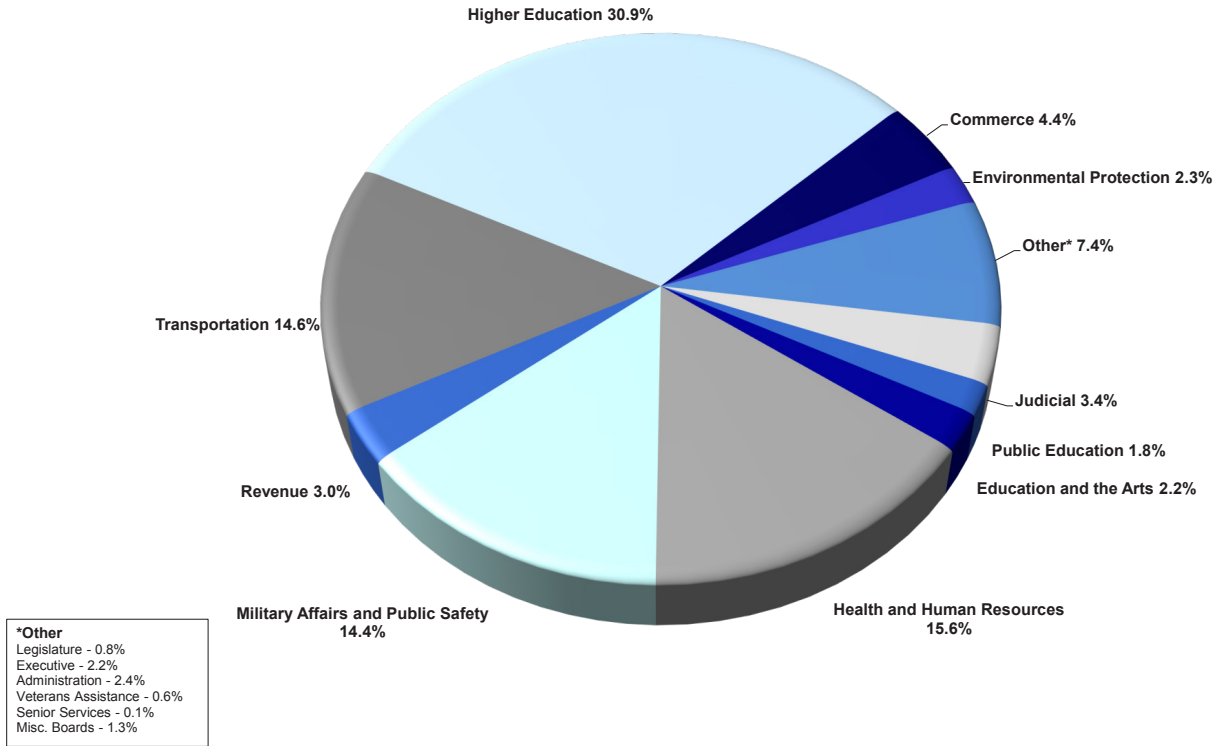
The **Employee Relations** section's purpose is to ensure that merit system principles of personnel administration are upheld through the fair and equitable application of rules, policies, and procedures across the executive branch agencies of state government.

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.

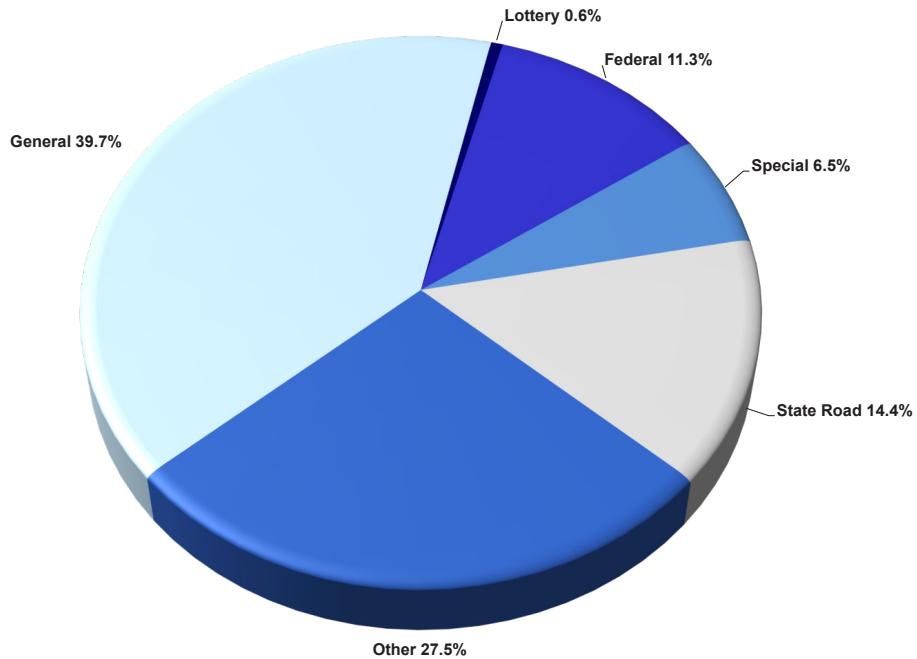
The **Staffing Services** section administers the hiring system for the classified service by establishing valid and reliable selection procedures for recruiting, assessing, and evaluating applicants; creating lists of qualified applicants; and providing the best-qualified applicants to state agencies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

As of November 30, 2017, the state had approximately 36,238 filled, permanent, full-time equivalent employees, including approximately 10,874 employed by the Higher Education Policy Commission and approximately 2,216 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 2019 By Department



By Fund



Schedule of Budgeted Full-Time Equivalents All Funds Permanent Positions FY 2017 through FY 2019

Department/Agency	FY 2017 11-30-2016	FY 2018 11-30-2017	FY 2019 Recommended
TOTAL BUDGETED FTE PERMANENT POSITIONS	42,144.42	41,749.94	41,596.39
LEGISLATURE			
Senate ¹	92.00	58.68	92.00
House of Delegates	107.00	108.51	107.00
Joint Expenses	139.54	134.49	134.50
TOTAL - LEGISLATURE	338.54	301.68	333.50
¹ FY 2017 transition to the wvOASIS HRM system added members as permanent positions.			
TOTAL - JUDICIAL	1,471.00	1,504.00	1,435.00
EXECUTIVE			
Governor's Office	56.50	46.50	55.50
State Auditor's Office	191.00	186.00	186.62
Treasurer's Office	133.80	134.80	136.00
Agriculture, Department of	356.50	356.00	354.00
Attorney General's Office	195.53	191.60	205.20
Secretary of State	60.50	61.00	61.50
TOTAL - EXECUTIVE	993.83	975.90	998.82
DEPARTMENT OF ADMINISTRATION			
Office of the Secretary	7.50	7.50	8.50
Consolidated Public Retirement Board ¹	89.00	100.00	100.00
Finance, Division of	14.00	16.00	13.25
Information Services & Communications, Division of ²	394.50	346.80	349.80
General Services, Division of	115.00	115.00	115.00
Purchasing, Division of ³	44.00	43.00	46.00
Surplus Property	15.00	15.00	15.00
Travel Management	17.00	17.00	19.50
Board of Risk and Insurance Management	26.00	28.00	28.60
Education & State Employees' Grievance Board	12.00	12.00	12.00
Ethics Commission	8.00	8.00	7.35
Public Defender Services	23.00	24.00	24.00
Personnel, Division of	71.00	71.00	71.00
Public Employees Insurance Agency	58.00	58.00	57.00
Prosecuting Attorneys Institute	6.00	6.00	5.00
Office of Technology	4.00	4.00	4.00
Retiree Health Benefits Trust Fund	3.00	3.00	4.00
Real Estate Division	21.00	21.00	20.00
TOTAL - ADMINISTRATION	928.00	895.30	900.00
¹ FY 2018 added 11.00 FTEs for retirement application processing.			
² FY 2018 deleted 47.70 FTEs in an effort to reduce vacant positions.			
³ FY 2019 added 3.00 FTEs for review and audit of purchasing requests.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2017 11-30-2016	FY 2018 11-30-2017	FY 2019 Recommended
DEPARTMENT OF COMMERCE			
Office of the Secretary ¹	25.00	4.00	5.00
Tourism, Office of ²	64.80	62.00	67.30
Forestry, Division of ³	77.75	91.75	81.75
Geological and Economic Survey	43.60	43.26	42.50
Development Office ⁴	106.00	124.00	125.50
Labor, Division of	101.00	101.00	101.00
Natural Resources, Division of	811.00	818.00	814.00
Miners' Health, Safety and Training, Division of ⁵	157.00	140.00	144.00
Board of Coal Mine Health and Safety	2.00	2.00	2.00
WorkForce West Virginia	460.60	463.30	462.95
Energy, Office of ⁶	8.00	6.00	5.00
TOTAL - COMMERCE	1,856.75	1,855.31	1,851.00
¹ FY 2018 22.00 FTEs transferred from Secretary's Office to Development Office for the Office of Economic Opportunity.			
² FY 2018 eliminated 3.00 FTEs for Film Office.			
³ FY 2018 rehired 14.00 FTEs previously laid off Forerster positions.			
⁴ FY 2018 transferred 22.00 FTEs from Secretary's Office for the Office of Economic Opportunity and 2.00 FTEs from the Division of Energy for the Office of Coalfield Community Development.			
⁵ FY 2018 deleted 17.00 FTEs in an effort to reduce vacant positions.			
⁶ FY 2018 transferred 2.00 FTEs to the Development Office for the Office of Coalfield Community Development.			
DEPARTMENT OF EDUCATION			
Education, State Department of	577.60	562.00	559.80
WV Schools for the Deaf & the Blind	190.00	172.61	172.61
School Building Authority	11.00	12.00	12.00
TOTAL - EDUCATION	778.60	746.61	744.41
DEPARTMENT OF EDUCATION AND THE ARTS			
Office of the Secretary	39.00	36.00	37.75
Culture and History, Division of ¹	130.50	113.50	102.25
Library Commission	48.00	46.00	46.00
Educational Broadcasting Authority ¹	86.50	71.00	66.00
Rehabilitation Services, Division of	659.50	646.50	655.50
TOTAL - EDUCATION AND THE ARTS	963.50	913.00	907.50
¹ FY 2017 and FY 2018 deleted positions to due to budget cuts.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2017 11-30-2016	FY 2018 11-30-2017	FY 2019 Recommended
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Environmental Protection, Division of	934.70	938.70	932.10
Environmental Quality Board	2.20	2.20	2.20
Solid Waste Management Board	13.00	13.00	13.00
Oil and Gas Conservation Commission	2.00	2.00	2.00
TOTAL - ENVIRONMENTAL PROTECTION	951.90	955.90	949.30
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Office of the Secretary	9.00	6.00	6.00
Health, Division of	2,745.72	2,751.09	2,746.03
Health Care Authority ¹	54.00	28.00	22.00
Human Rights Commission	31.00	30.00	31.00
Human Services, Division of ²	3,707.10	3,669.00	3,681.90
TOTAL - HEALTH AND HUMAN RESOURCES	6,546.82	6,484.09	6,486.93
¹ FY 2018 reduced 26.00 FTEs due to statutory reorganization.			
² FY 2019 added 4.00 FTEs for the title IV-E resource development program.			
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
Office of the Secretary ¹	27.00	25.00	18.00
Adjutant General	499.00	526.00	526.01
WV Board of Parole	21.00	18.00	18.00
Homeland Security and Emergency Management ²	58.00	66.00	75.00
Corrections, Division of	2,390.00	2,310.00	2,302.00
WV State Police ³	1,068.50	1,053.50	1,102.50
Regional Jail and Correctional Facility Authority	1,171.50	1,087.50	1,111.50
Fire Commission ⁴	56.00	59.00	58.00
Justice and Community Services, Division of	43.75	44.00	44.00
Juvenile Services, Division of	683.60	669.00	664.00
Division of Protective Services	50.00	55.00	55.00
TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY	6,068.35	5,913.00	5,974.01
¹ FY 2019 transferred 9.00 FTEs to Homeland Security.			
² FY 2018 added 8.00 FTEs for Statewide Interoperable Radio Network; FY 2019 transferred 9.00 FTEs from Office of the Secretary.			
³ FY 2019 added 50.00 FTEs for a State Trooper Class.			
⁴ FY 2018 added 3.00 FTEs to administer the expanded Fireworks program.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2017 11-30-2016	FY 2018 11-30-2017	FY 2019 Recommended
DEPARTMENT OF REVENUE			
Office of the Secretary	8.00	8.00	8.00
Tax Division ¹	434.00	423.00	463.00
State Budget Office	10.00	10.00	10.00
Insurance Commissioner	343.00	341.00	341.00
Lottery Commission	212.00	207.00	207.00
Racing Commission	47.41	47.41	46.90
Alcohol Beverage Control Administration	109.20	109.20	109.20
Office of Tax Appeals	6.00	6.00	6.00
Municipal Bond Commission	4.00	4.00	4.00
Financial Institutions, Division of	35.00	32.00	32.00
TOTAL - REVENUE	1,208.61	1,187.61	1,227.10
¹ FY 2019 added 30 FTEs to enhance enforcement efforts.			
DEPARTMENT OF TRANSPORTATION			
Motor Vehicles, Division of	644.00	636.00	634.00
Highways, Division of	5,411.00	5,530.00	5,387.00
State Rail Authority	23.00	23.00	23.00
Public Transit, Division of	10.00	11.00	10.00
Aeronautics Commission	3.00	3.00	3.00
Office of Administrative Hearings	30.00	30.00	30.00
TOTAL - TRANSPORTATION	6,121.00	6,233.00	6,087.00
DEPARTMENT OF VETERANS ASSISTANCE			
Veterans Affairs	215.38	230.89	215.38
Veterans Home	50.00	47.00	47.29
TOTAL - VETERANS ASSISTANCE	265.38	277.89	262.67
TOTAL - BUREAU OF SENIOR SERVICES	37.00	37.00	36.60

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2017 11-30-2016	FY 2018 11-30-2017	FY 2019 Recommended
HIGHER EDUCATION POLICY COMMISSION			
HEPC - Administration	80.85	78.85	80.19
West Virginia University	6,940.00	6,772.35	6,772.00
Marshall University	1,999.78	2,034.28	2,037.02
Osteopathic School of Medicine	300.56	310.36	300.45
Bluefield State College	198.66	206.66	210.88
Concord University	303.68	319.25	296.04
Fairmont State University	515.60	504.80	504.80
Glenville State College	224.93	203.43	204.02
Shepherd University	497.90	480.85	481.50
West Liberty University	305.96	311.67	300.96
West Virginia State University	319.56	328.06	323.03
WVNET	57.20	55.20	57.20
TOTAL - HIGHER EDUCATION POLICY COMMISSION ¹	11,744.68	11,605.76	11,568.09

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

COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
Council - Administration	18.00	19.00	12.05
Mountwest Community and Technical College	132.00	125.00	124.00
New River Community and Technical College	131.00	131.00	131.00
Pierpont Community and Technical College	130.00	134.00	132.44
Blue Ridge Community and Technical College	163.45	171.95	163.10
West Virginia University at Parkersburg	204.63	201.13	200.82
Southern West Virginia Community and Technical College	175.00	181.00	174.00
West Virginia Northern Community and Technical College	159.50	148.00	137.08
West Virginia Eastern Community and Technical College	43.50	36.40	38.60
BridgeValley Community and Technical College	190.45	191.28	195.60
TOTAL - COUNCIL FOR C&T COLLEGE EDUCATION ¹	1,347.53	1,338.76	1,308.69

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

MISCELLANEOUS BOARDS AND COMMISSIONS			
Barbers and Cosmetologists, Board of	8.00	8.00	10.00
Board of Medicine	15.00	16.00	15.00
Courthouse Facilities Improvement Authority	1.60	1.60	1.60
Hospital Finance Authority	1.00	1.00	1.00
Licensed Practical Nurses	4.00	4.00	4.00
Public Service Commission	337.47	338.47	338.47
Real Estate Commission	7.00	7.00	13.00
Registered Nurses	14.00	15.00	14.00
Water Development Authority	20.60	20.60	20.60
West Virginia Economic Development Authority	11.00	10.00	10.00
Enterprise Resource Planning Board	42.00	42.00	41.00
Other Boards	61.26	61.45	57.10
TOTAL - MISC. BOARDS AND COMMISSIONS	522.93	525.12	525.77

Schedule of Budgeted Full-Time Equivalents By Source of Funds Permanent Positions FY 2016 through FY 2018

By Department/Funding Source	FY 2017 11-30-2016	FY 2018 11-30-2017	FY 2019 Recommended
ALL DEPARTMENTS/AGENCIES			
General	16,907.81	16,441.00	16,552.13
Federal	4,780.85	4,731.10	4,681.85
Lottery	234.33	243.76	245.68
Special	2,729.62	2,707.77	2,702.40
State Road Fund	6,022.00	6,118.00	5,978.00
Nonappropriated Special	11,469.81	11,508.32	11,436.33
TOTAL	42,144.42	41,749.94	41,596.39
LEGISLATURE			
General	327.79	294.68	326.50
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	10.75	7.00	7.00
Nonappropriated Special	0.00	0.00	0.00
TOTAL	338.54	301.68	333.50
JUDICIAL			
General	1,471.00	1,504.00	1,435.00
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
TOTAL	1,471.00	1,504.00	1,435.00
EXECUTIVE			
General	510.09	486.47	507.92
Federal	36.50	37.67	38.75
Lottery	0.00	0.00	0.00
Special	271.44	273.53	271.79
Nonappropriated Special	175.80	178.23	180.36
TOTAL	993.83	975.90	998.82
DEPARTMENT OF ADMINISTRATION			
General	141.10	141.20	146.10
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	494.60	446.90	452.90
Nonappropriated Special	292.30	307.20	301.00
TOTAL	928.00	895.30	900.00
DEPARTMENT OF COMMERCE			
General	722.56	680.83	657.48
Federal	620.61	601.16	607.51
Lottery	119.80	117.00	122.30
Special	241.31	288.61	280.61
Nonappropriated Special	152.47	167.71	183.10
TOTAL	1,856.75	1,855.31	1,851.00

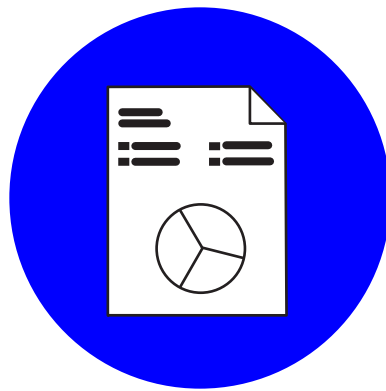
FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2017 11-30-2016	FY 2018 11-30-2017	FY 2019 Recommended
DEPARTMENT OF EDUCATION			
General	580.01	544.52	548.42
Federal	103.05	96.05	97.65
Lottery	54.67	65.92	58.67
Special	12.20	12.00	12.00
Nonappropriated Special	28.67	28.12	27.67
TOTAL	778.60	746.61	744.41
DEPARTMENT OF EDUCATION AND THE ARTS			
General	397.01	355.11	364.83
Federal	503.21	492.96	462.67
Lottery	20.35	19.10	18.98
Special	4.08	4.08	4.08
Nonappropriated Special	38.85	41.75	56.94
TOTAL	963.50	913.00	907.50
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
General	78.03	76.55	77.05
Federal	349.64	358.40	351.00
Lottery	0.00	0.00	0.00
Special	273.77	266.02	267.02
Nonappropriated Special	250.46	254.93	254.23
TOTAL	951.90	955.90	949.30
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
General	3,821.09	3,814.19	3,809.77
Federal	2,391.82	2,354.95	2,351.96
Lottery	0.00	0.00	0.00
Special	119.82	104.83	106.33
Nonappropriated Special	214.09	210.12	218.87
TOTAL	6,546.82	6,484.09	6,486.93
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
General	4,253.90	4,144.12	4,188.12
Federal	445.23	471.35	470.26
Lottery	0.00	0.00	0.00
Special	140.17	140.07	139.84
Nonappropriated Special	1,229.05	1,157.46	1,175.79
TOTAL	6,068.35	5,913.00	5,974.01
DEPARTMENT OF REVENUE			
General	367.10	360.10	399.50
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	570.46	563.46	565.85
Nonappropriated Special	271.05	264.05	261.75
TOTAL	1,208.61	1,187.61	1,227.10

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2017 11-30-2016	FY 2018 11-30-2017	FY 2019 Recommended
DEPARTMENT OF TRANSPORTATION			
General	8.00	8.00	8.00
Federal	10.00	11.00	18.00
Lottery	0.00	0.00	0.00
Special	62.00	77.00	64.00
State Road Fund	6,022.00	6,118.00	5,978.00
Nonappropriated Special	19.00	19.00	19.00
TOTAL	6,121.00	6,233.00	6,087.00
DEPARTMENT OF VETERANS ASSISTANCE			
General	206.07	197.60	209.20
Federal	58.71	80.29	52.45
Lottery	0.00	0.00	0.00
Special	0.50	0.00	0.91
Nonappropriated Special	0.10	0.00	0.11
TOTAL	265.38	277.89	262.67
BUREAU OF SENIOR SERVICES			
General	0.00	0.00	0.00
Federal	12.28	11.49	11.90
Lottery	3.47	3.47	3.40
Special	2.40	2.30	2.50
Nonappropriated Special	18.85	19.74	18.80
TOTAL	37.00	37.00	36.60
HIGHER EDUCATION POLICY COMMISSION			
General	3,141.27	2,999.68	3,044.94
Federal	141.95	148.52	147.08
Lottery	36.04	38.27	42.33
Special	124.70	117.50	118.00
Nonappropriated Special	8,300.72	8,301.79	8,215.74
TOTAL	11,744.68	11,605.76	11,568.09
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
General	882.79	833.95	829.30
Federal	76.00	36.90	44.37
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	388.74	467.92	435.02
TOTAL	1,347.53	1,338.76	1,308.69
MISCELLANEOUS BOARDS AND COMMISSIONS			
Federal	31.85	30.35	28.25
Lottery	0.00	0.00	0.00
Special	401.42	404.47	409.57
Nonappropriated Special	89.66	90.30	87.95
TOTAL	522.93	525.12	525.77

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 2019, these taxes comprise approximately 93.0% of the General Revenue Fund. The remaining 7.0% 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 2019

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 2019.

Overview of Tax Expenditures

Tax expenditures are similar to 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. By definition, 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 Strategic Research and Development Tax Credit Program effective January 1, 2014. However, due to credit carryover provisions, the FY 2019 budget still contains an allowance for this program more than four years after its expiration.

For purposes of the FY 2019 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 23 active tax credit programs in the State Tax Code with a total FY 2019 value of \$110.2 million. Programs classified as economic development-related account for \$63.7 million in value, an amount equal to roughly 58% 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 \$46.5 million.

The largest single tax credit in terms of cost (38% 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 2019 Estimate (in millions)
5B-2E	Tourism Development	25% of Approved Costs Over 10 Years	\$3.0
11-13D	Industrial Expansion/Revitalization	10% Investment Credit - Electric Power Producers	\$42.0
11-13E	Coal-Loading Facilities	10% Investment Credit - Coal Loading Facilities	\$1.5
11-13F	Low-Income Electric, Gas & Water	Reimburses Utility for Low-Income Resident Discount	\$7.0
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	Natural Gas Jobs Retention	\$1,000/Job - Natural Gas Storage Tax	\$0.7
11-13Q	Economic Opportunity	Investment Credit - New Jobs & Select Industries	\$5.0
11-13S	Manufacturing Investment	5% Investment Credit - Manufacturing	\$3.0
11-13W	Apprenticeship Training	\$2/hour or \$2,000/year - Training Tax Credit	\$0.5
11-13X	West Virginia Film	27% to 31% of costs for making WV Film	\$3.0
11-13Y	Manufacturing Property Adjustment	Manufacturing Inventory Tax Credit	\$4.0
11-13BB	Mine Safety Technology	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	Rehabilitated Buildings	10% of Qualified Costs	\$1.0
11-21-8g	Residential Rehabilitated Buildings	5% of Qualified Costs	\$0.2
11-21-10a	Nonfamily Adoption	\$2,000 per Qualified Adoption	\$1.4
11-21-21	Senior Citizen Homestead Credit	Local Tax paid on First \$20,000 of Taxable Valuation	\$12.5
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	\$2.4
11-21-42 & 11-24-12	Military Incentive	30% of first \$5,000 of Wages Paid	Minimal
<i>Subtotal:</i>			\$110.2

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 \$19.3 million in FY 2019 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 \$18.0 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 Credit	Description	FY 2019 Estimate (in millions)
7-11B	Property Tax Increment Financing Economic Development District	Property Increment-State portion of \$18.0 mil total	\$8.6
7-22	STIF	6% State sales tax re-designated as local tax	\$18.0
<i>Subtotal:</i>			<u>\$26.6</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 more than 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 \$555 million, and the state share of this combined value, mainly reflected in the State School Aid Formula, is \$166.5 million.

Several other types of mostly tangible personal property qualify for reduced “salvage” valuation at a combined value of \$116.8 million in property tax reductions with \$40.4 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 \$40 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 Credit	Description	FY 2019 Estimate (in millions)
3-9	PILOT-County	Payment in Lieu of Tax - New Facilities	Unknown
6A	Pollution Control Salvage Value	State portion of \$68.5 million	\$20.6
6B	Homestead Exemption & Tax Rate	Over 65/Disabled - State Portion of \$105 million	\$31.5
6E	Manufacturing Production Property	Salvage Value - State Portion of \$1.6 million	\$0.5
6F	Certified Capital Additions	Salvage Value-Existing Mfg. - State Portion of \$45.0 million	\$18.8
6H	Special Aircraft Property	Salvage Value - State Portion of \$1.6 million	\$0.5
6J	High-Technology Business Property	Salvage Value - State Portion of minimal \$0.1	\$0.0
8-6b	Residential/Farm Preference	50% Tax Rate Preference - State Portion of \$450 million	\$135.0
13A-3(f)	Thin-Seam Coal Rates	Reduced Tax Rates on Thin-Seam Coal [60%-80%]	\$40.0
13A-3a(a)	Natural Gas/Oil Exclusions	Low-Volume/Shut-In Well Gross Receipt Exclusions	\$1.5
<i>Subtotal:</i>			<u>\$248.4</u>

Revenue Sources

Previously Terminated Programs with Carryover Costs

Expired tax expenditure provisions with at least some cost in FY 2019 include costs associated with the Alternative-Fuel Motor Vehicles Tax Credit, Commercial Patents Credits 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 F Y2019 with grandfathering provisions for credit claims attributable to periods prior to termination.

Article	Tax Credit	Description	FY 2019 Estimate (in millions)
11-6D	Alternative-Fuel Motor Vehicles	35% Vehicles & 20% to 62.5% Infrastructure	\$0.5
11-13AA	Commercial Patents	20%-30% of Royalties & 20%-30% of Net Profit	Minimal
11-13R	Strategic Research and Development	3% or 10% of Excess R & D Credit	\$0.2

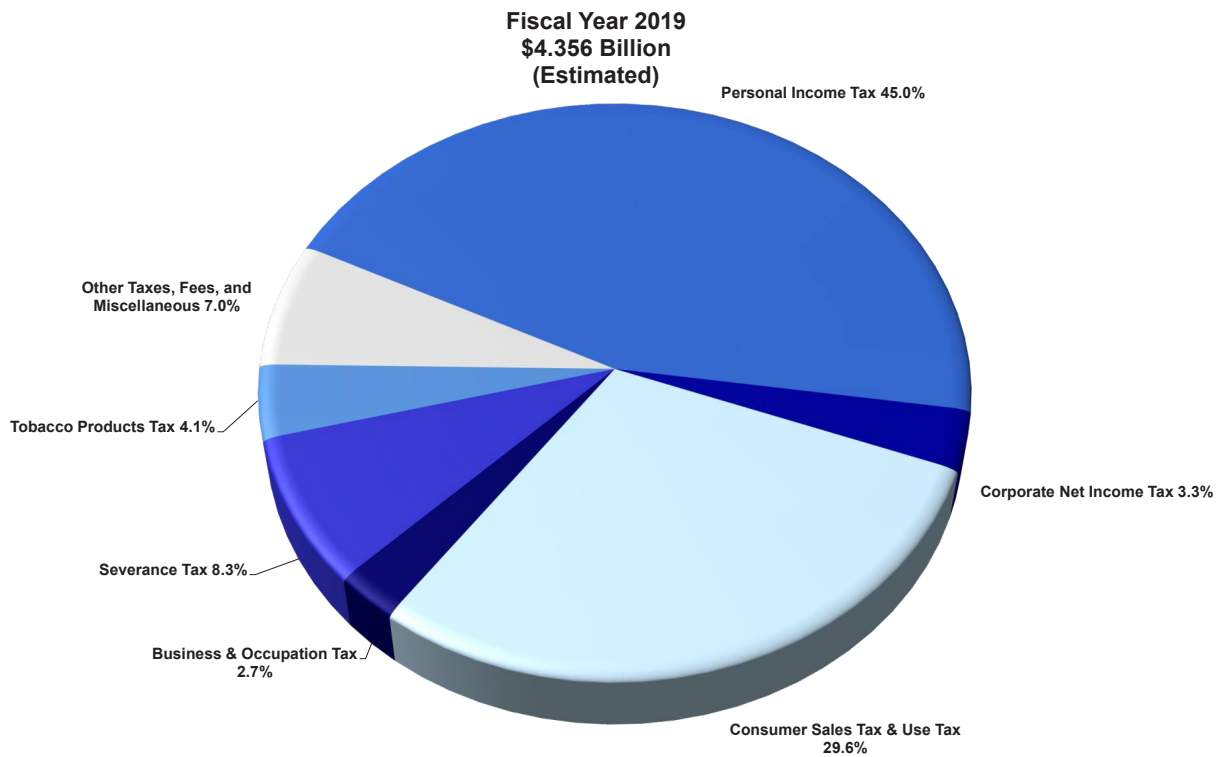
The sum total value of all tax expenditures listed above is \$385.9 million, including \$152.3 million in bolded economic development tax expenditures and \$233.6 million in various other tax expenditures.

Additional Revenue Information

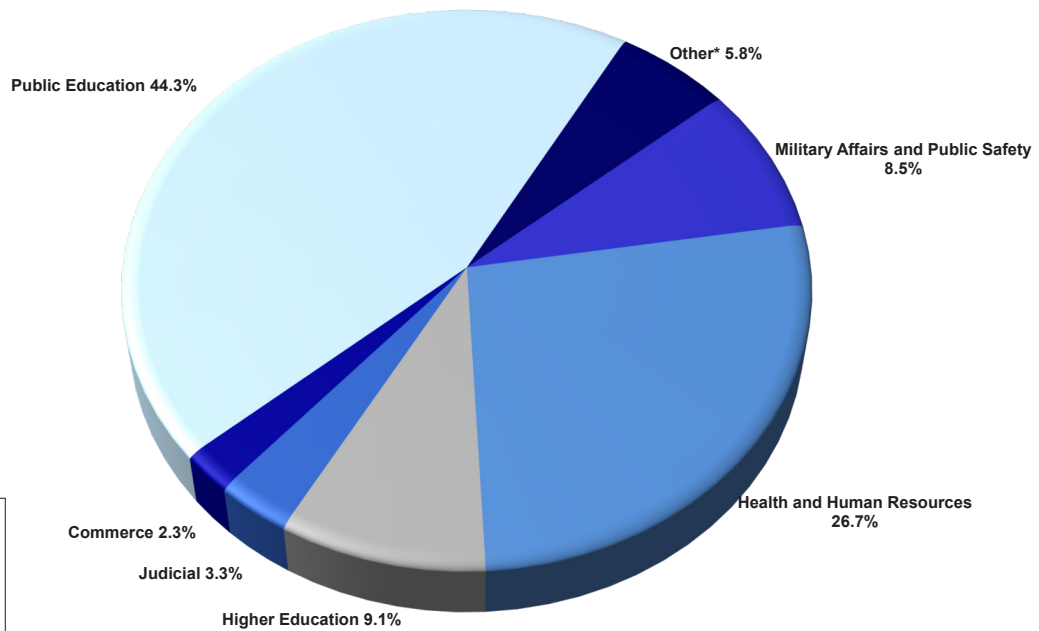
The following pages contain graphs and explanations of the sources of estimated revenues and areas of expenditure for General, State Road, Lottery, and Federal Funds. Due to the multiple sources of revenue, only the area of estimated expenditures is depicted for the Special Revenue Funds. The Medicaid 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 2019
\$4.356 Billion**



*Other	
Legislature	- 0.6%
Executive	- 0.8%
Administration	- 1.8%
Education & the Arts	- 0.7%
Environment	- 0.1%
Revenue	- 0.8%
Veterans Assistance	- 0.2%
Transportation	- 0.1%
Senior Services	- 0.7%

General Revenue Fund

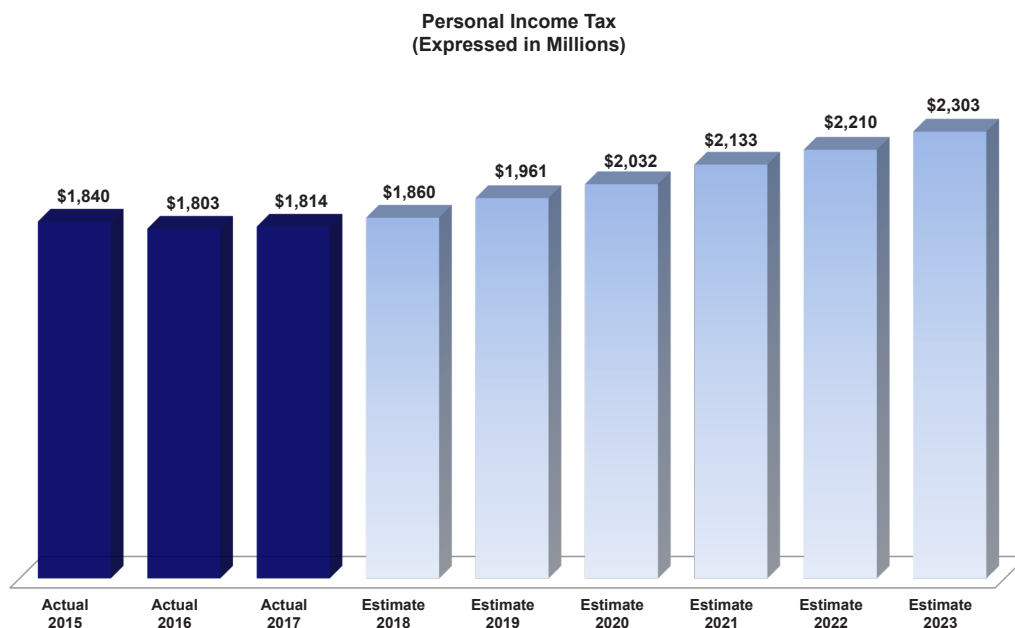
Personal Income Tax

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 increasing at an average annual rate of nearly 1.0% between 2003 and 2008, the West Virginia economy shed payroll employment jobs at a rate of 2.2% during the Great Recession in 2009. Payroll employment then rebounded with an average annual growth rate of 0.9% between 2009 and 2012. Led by an average annual rate of decrease of nearly 7.6% in the construction, natural resources and mining sectors, payroll employment has since decreased by an average annual rate of more than 0.5% between 2012 and 2016. The construction, natural resources and mining sectors accounted for most of the total employment decrease of nearly 17,000 jobs between 2012 and 2016. Preliminary data suggest employment in the construction and natural resources and mining sectors expanded in 2017 at an annual rate of nearly 3.4%. According to the most recent forecasts from IHS Markit, payroll employment is expected to grow by roughly 0.4% in 2018 and then continue rising by an average annual rate of over 0.2% per year between 2018 and 2023. Additional anticipated stimulus from the recently-approved State Road Bond Amendment is expected to enhance the employment growth outlook to 0.5% in FY 2018 and more than 1.0% in Fiscal Year 2019. IHS Markit projects West Virginia personal income to increase by 2.4% in 2017, by 3.3% in 2018, and by an annual average of 4.1% between 2018 and 2023. Additional employment associated with road construction and potential natural gas industry growth should enhance personal income growth in the short term.

After decreasing by 0.1% in FY 2017, income tax collections are projected to rise by an average annual rate of 3.9% between FY 2017 and FY 2019 and increase at an average annual rate of more than 4.0% during the FY 2019-FY 2023 forecast period. The projected growth forecast is subject to some additional modification depending on the outcome of pending federal tax reform and the state's response to changes in various federal definitions in the determination of taxable income. In any case, tax collection growth is anticipated to resume due to improved wage and salary growth and employment increases.

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

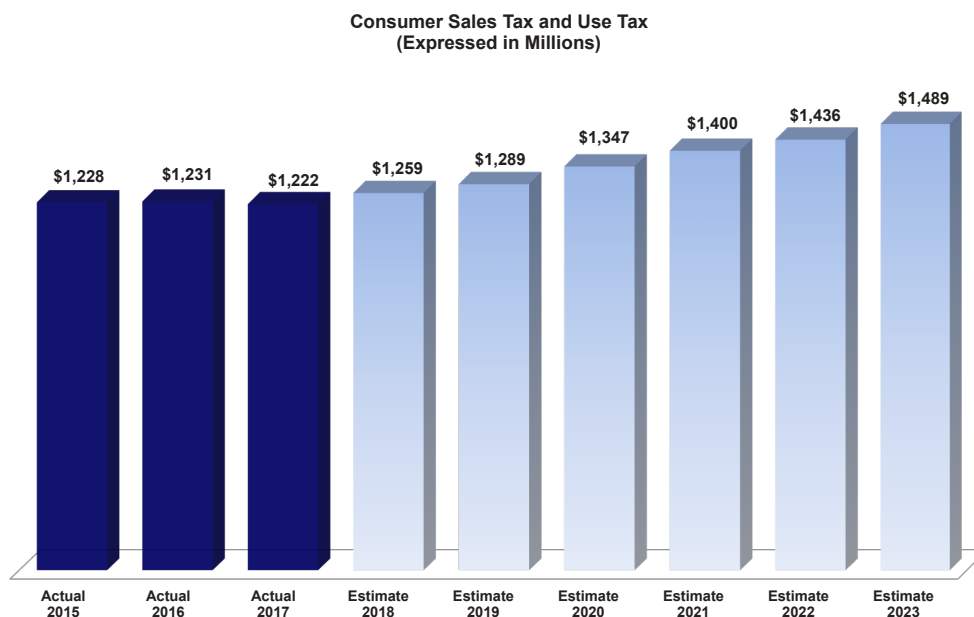
Consumer Sales and Use Tax collections depend heavily upon retail sales and taxable services activities. The tax base includes most retail sales, but some exclusions include sales of automobiles (taxed under alternative 6% Vehicle Sales Tax), gasoline (taxed under alternative 5% Wholesale Sales Tax), 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 nearly 1.4% between 2012 and 2016. West Virginia disposable personal income was largely unchanged between 2015 and 2016 as compared with national average growth of 2.6%. IHS Markit forecasts West Virginia disposable personal income will grow by 3.9% per year on average from 2017 through 2023.

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 rebounded by just 0.1% in FY 2017. As of November 2017, cumulative FY 2018 collections were up by just 1.6% over the previous year. The current forecast is largely based on the expectation of some acceleration in growth of disposable personal income beginning in the second half of FY 2018 and continuing through FY 2019 due to anticipated employment growth, especially in the construction industry, and some positive feedback associated with pending Federal tax reform. The forecast is partially based on a policy change that would cap future annual General Revenue Fund revenue transfers to State Road Fund at \$12.5 million per year. Collections are expected to grow at an average annual rate of 2.8% from FY 2017 through FY 2019 and by an annual average of nearly 3.7% between FY 2019 and FY 2023. Improving employment and income growth along with greater consumer confidence are key elements of this forecast. Lower taxable consumer spending trends associated with ongoing demographic changes and continuing leakages associated with e-commerce tax avoidance could negatively impact this forecast.

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, highway maintenance, 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

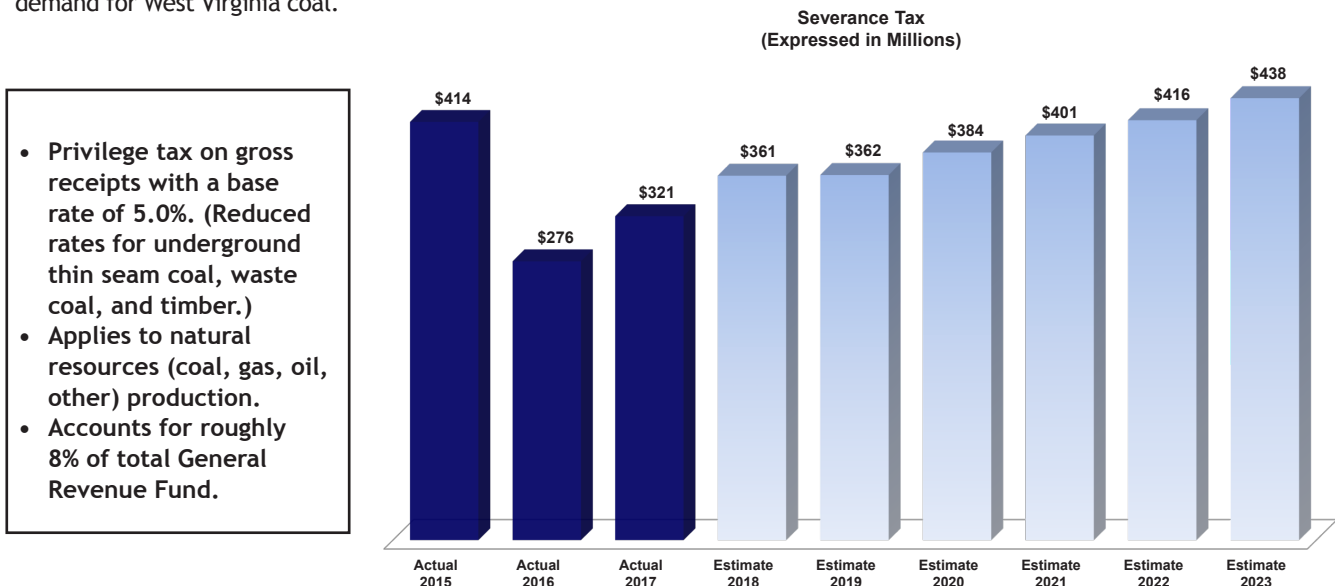
Severance tax collections are attributable to coal production, natural gas production, and the production of various other natural resource products. Other natural resources products include timber, oil, coal-bed methane, natural gas liquids, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2017, regular severance tax receipts were deposited in the State General Revenue Fund (84.3%), the State Infrastructure Fund (5.8%), the Division of Forestry Fund (0.3%), and local government funds (9.6%). 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 coal severance tax receipts between FY 2012 and FY 2016. After falling by more than 34% between CY 2012 and CY 2016, coal production partially rebounded with growth of roughly 18% in CY 2017. Coal prices also advanced higher mainly due to export demand growth with the value of non-manufacturing exports up more than 200% from October last year.

After rising by roughly 419% between 2010 and 2016, natural gas production is forecast to generally level out over the forecast period with average growth of just 4.4% per year between 2016 and 2023. The expectation of slower future production growth is partially tied to the lack of sufficient infrastructure to move large volumes to market and the resulting sharp drop in average price. 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. Tax collections fell by 17.1% between FY 2015 and FY 2017. Average natural gas prices improved recently to the \$2.00 to \$2.50 per thousand cubic foot range in the first half of CY 2017. As a result, natural gas severance tax collections improved by more than 87% during the first five months of FY 2018, in comparison to year-to-date collections in the prior fiscal year. Overall severance tax collections were up by 33.3 % through the first five months of FY 2018 in comparison with the prior year.

Energy prices are anticipated to slowly rise and energy markets are expected to generally stabilize between FY 2018 and FY 2023. Revenue growth is anticipated to average above 6% between FY 2017 and FY 2019 mainly due to the rebound in natural gas prices from the low in CY 2016. Led by gains in natural gas and liquids, collection growth is expected to average roughly 4.9% per year between FY 2019 and FY 2020. 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 million BTU 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

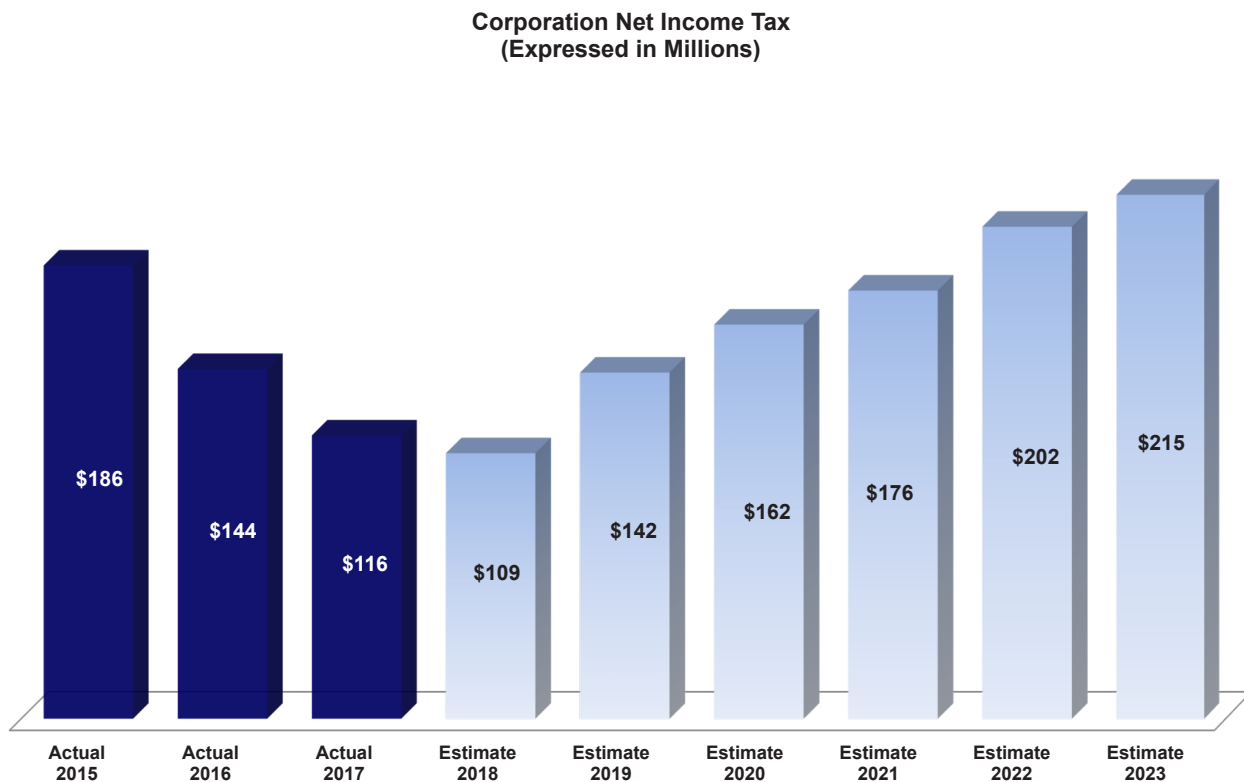
The Corporation Net Income Tax is a tax on net profits of incorporated entities doing business in West Virginia.

Domestic corporate profits fell 0.5% in CY 2015 and 2.8% in CY 2016. IHS Markit forecasts domestic corporate profit growth of 5.3% in CY 2017, 13.9% in CY 2018, and 8.7% in CY 2019. Allocated West Virginia corporate profits fell significantly over a four-year period between CY 2012 and CY 2016 due to a sharp downturn in both energy prices and goods exports. As a result, tax receipts fell by more than 50% between FY 2013 and FY 2017. Energy prices and export volumes began rebounding during the last three quarters of FY 2017. Corporation Net Income Tax collections responded with year-over-year growth of more than 36% during the first five months of FY 2018. 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 10.5% between FY 2017 and FY 2019, 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. Short-term uncertainty regarding possible behavioral changes associated with the enactment of significant federal income tax reforms temper the outlook over the next two years. Thereafter, collections are expected to grow by an annual average of nearly 11% between FY 2019 and FY 2023. Gradual increases in natural gas prices and potential fiscal stimulus associated with federal budget and tax policy should contribute to a 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

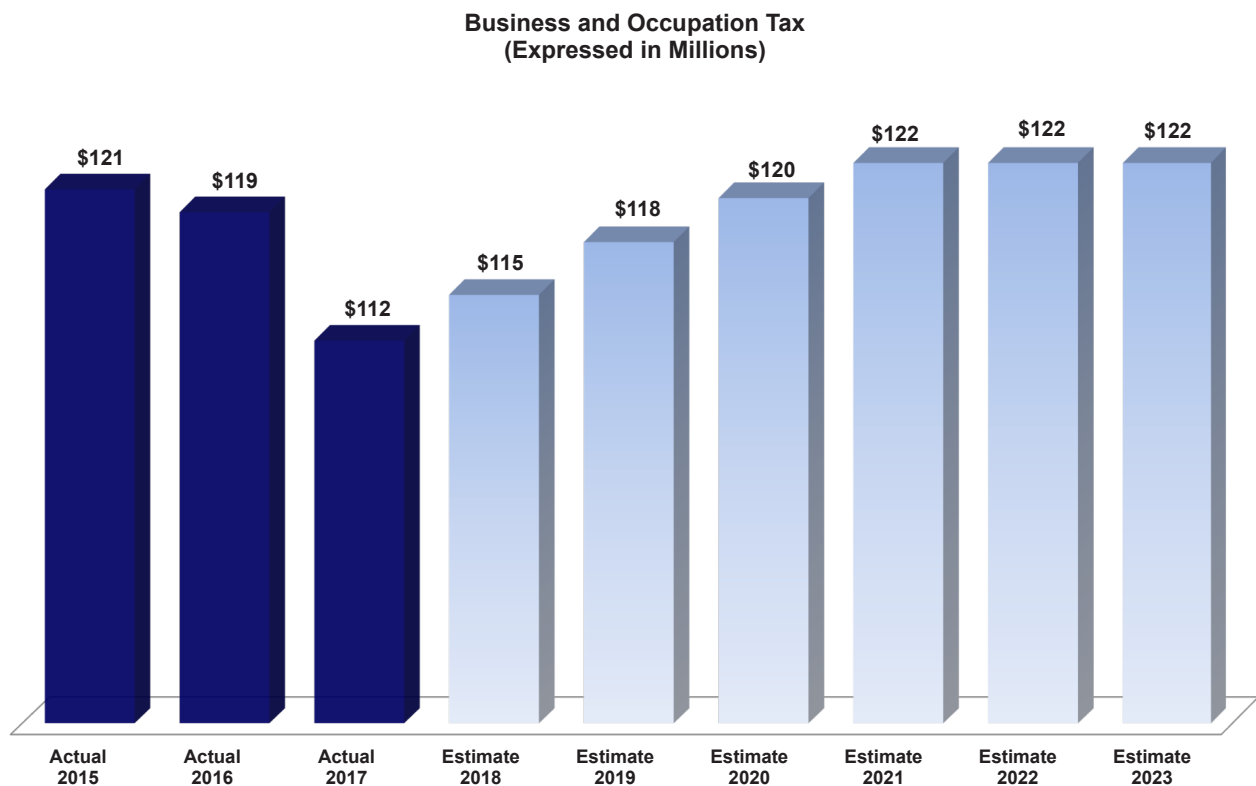
Business and Occupation Tax

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 all 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 fairly stable during the forecast period.

After declining by 6.1% in FY 2017, collections through the first five months of FY 2018 were roughly 0.5% below prior year receipts. The tax base is anticipated to grow slightly over the forecast period due to the gradual expiration of some pollution control related investment tax credits. During the forecast period from FY 2017 to FY 2023, net B&O Tax collections are forecast to increase by an average annual rate of less than 1.5%.

- 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.

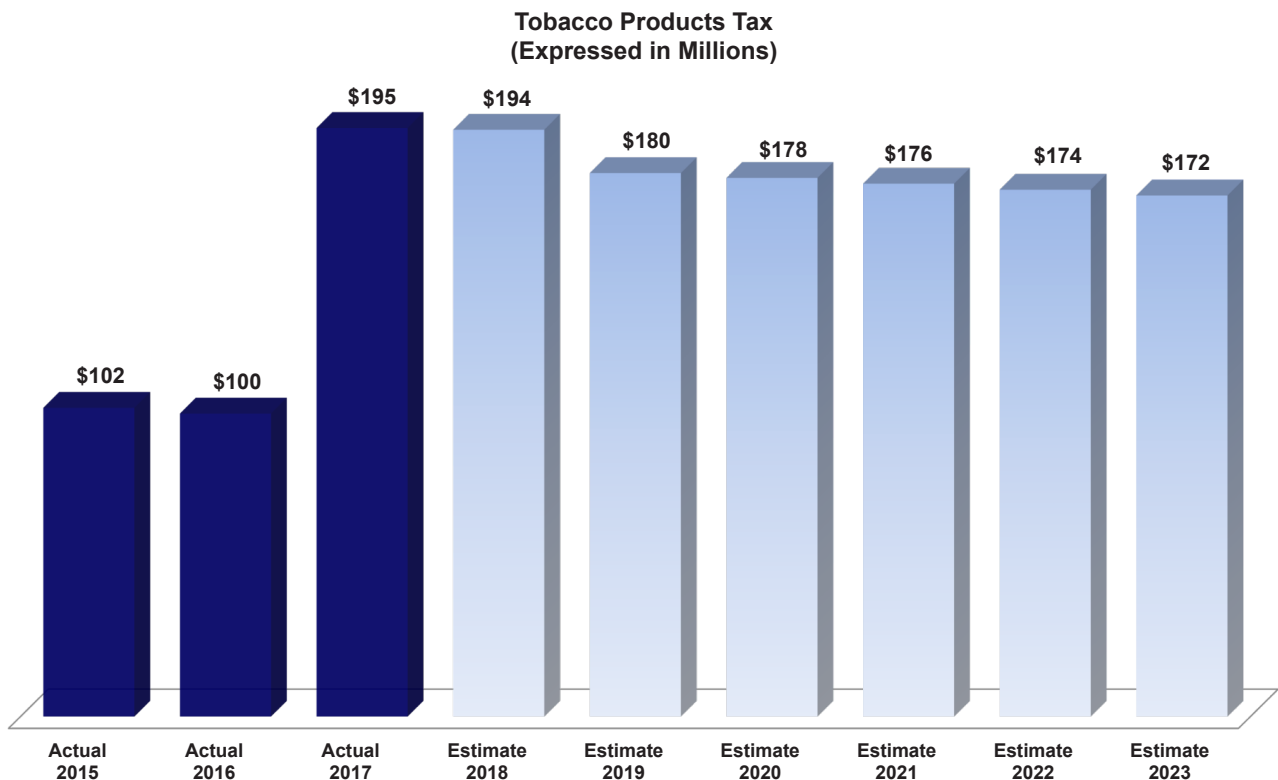


General Revenue Fund

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. Through the first five months of FY 2018, cumulative collections were down 14.5% from the prior year. Collections are forecast to continue declining, but at a slower pace over time. Collections are forecast to decrease by an average annual rate of roughly 2.0% between FY 2017 and FY 2023.

- 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.

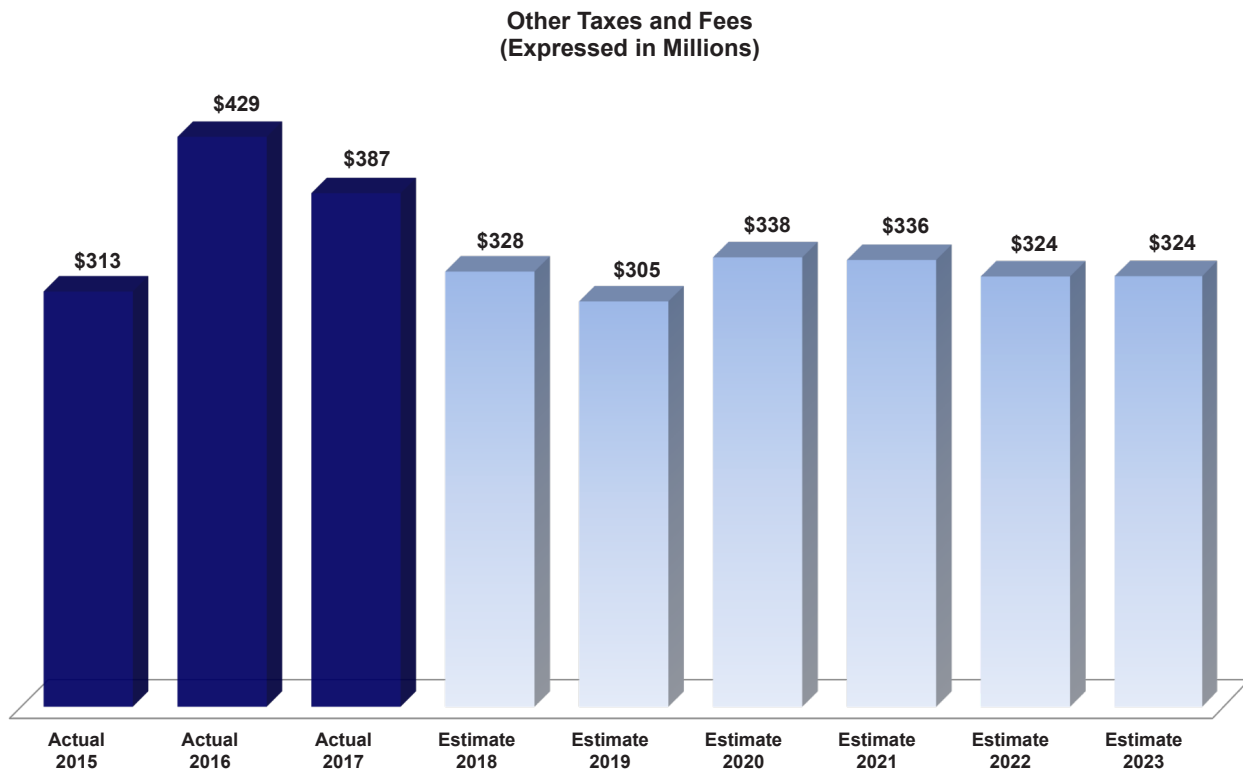


General Revenue Fund

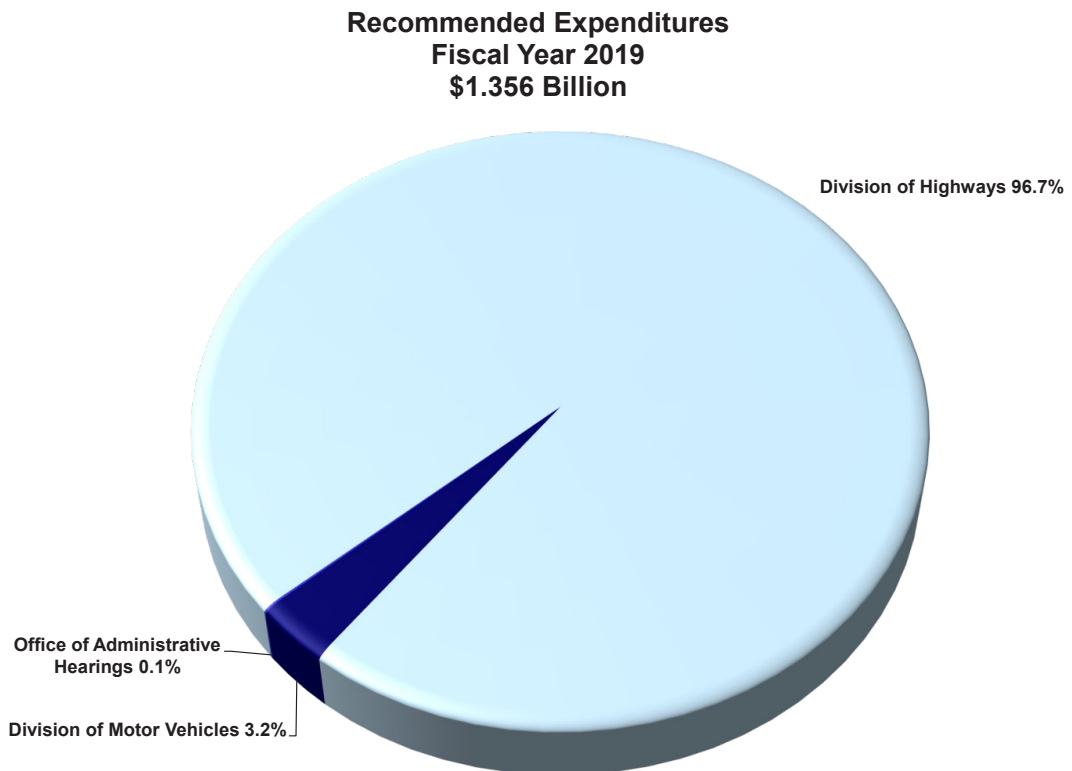
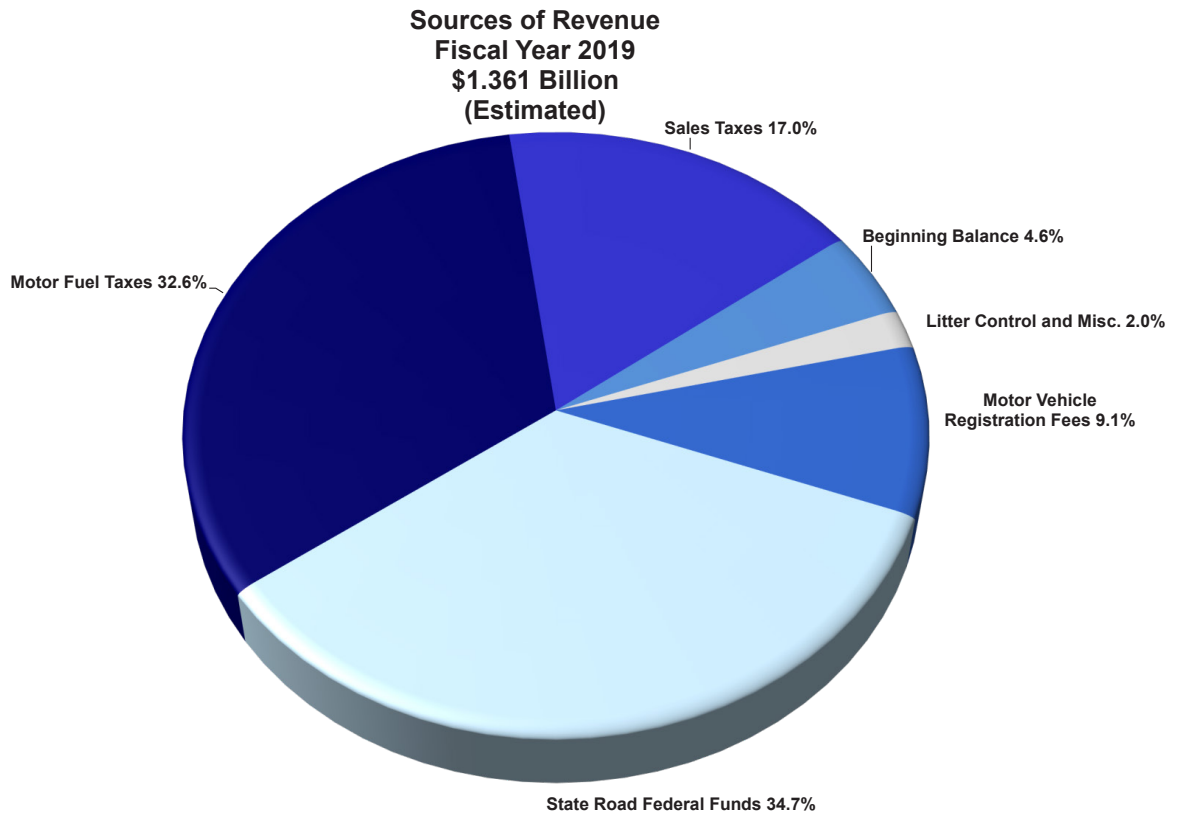
Other Taxes and Fees

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, 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.

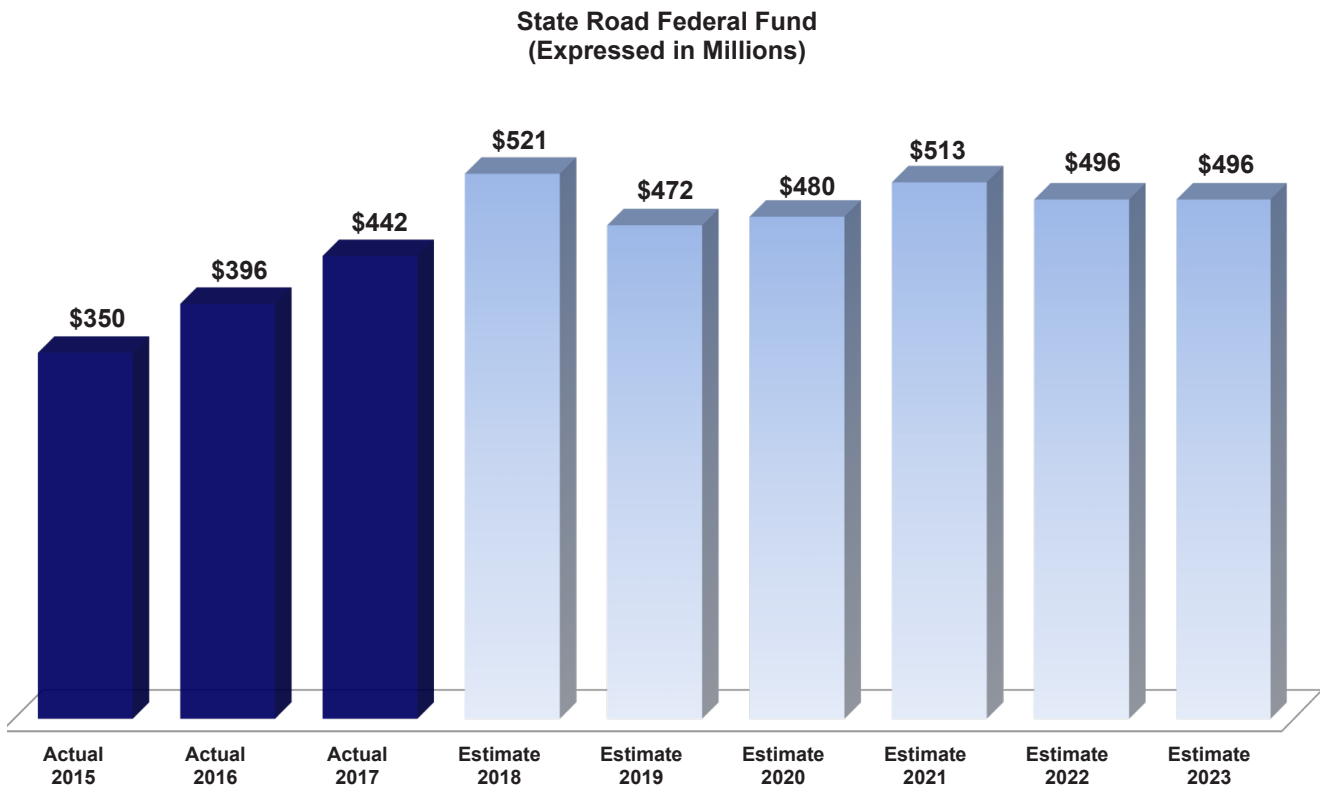


State Road Fund



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 34.7% of the total State Road Fund.



State Road Fund

Motor Fuel Taxes

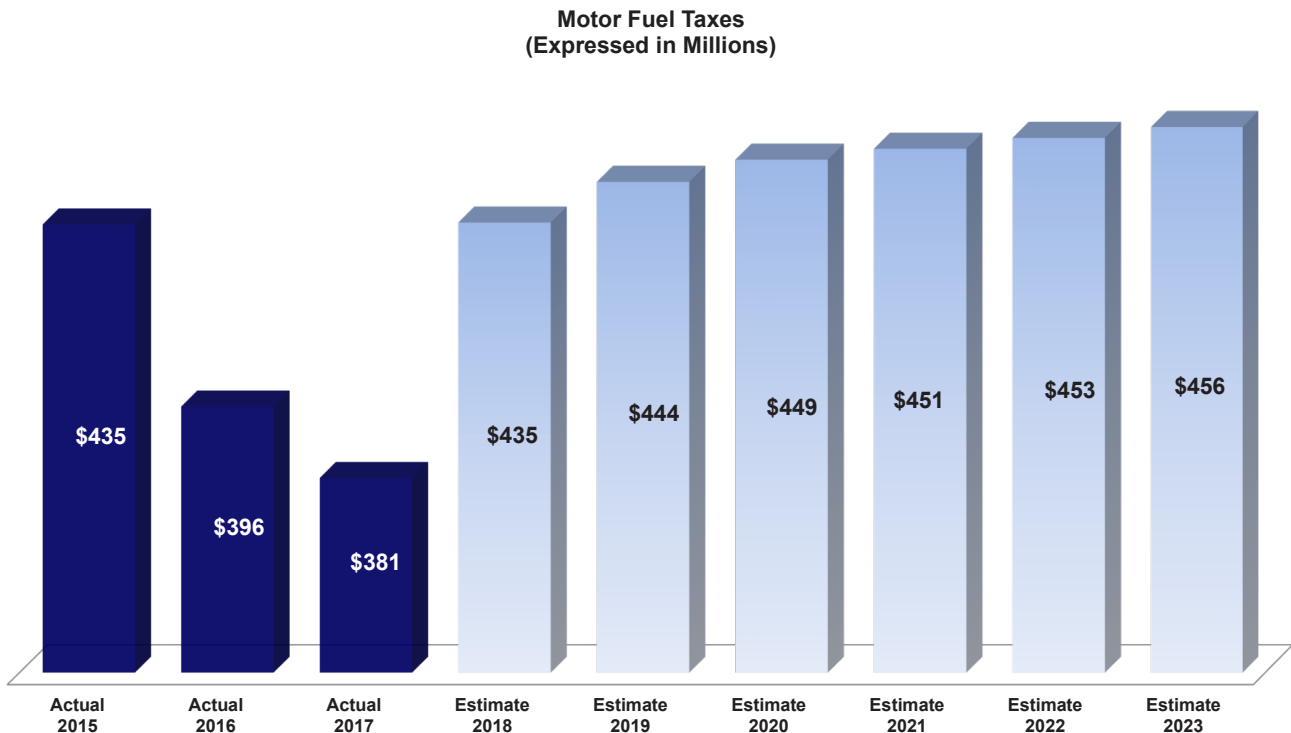
Motor Fuel Excise Tax

- 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 \$0.142 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

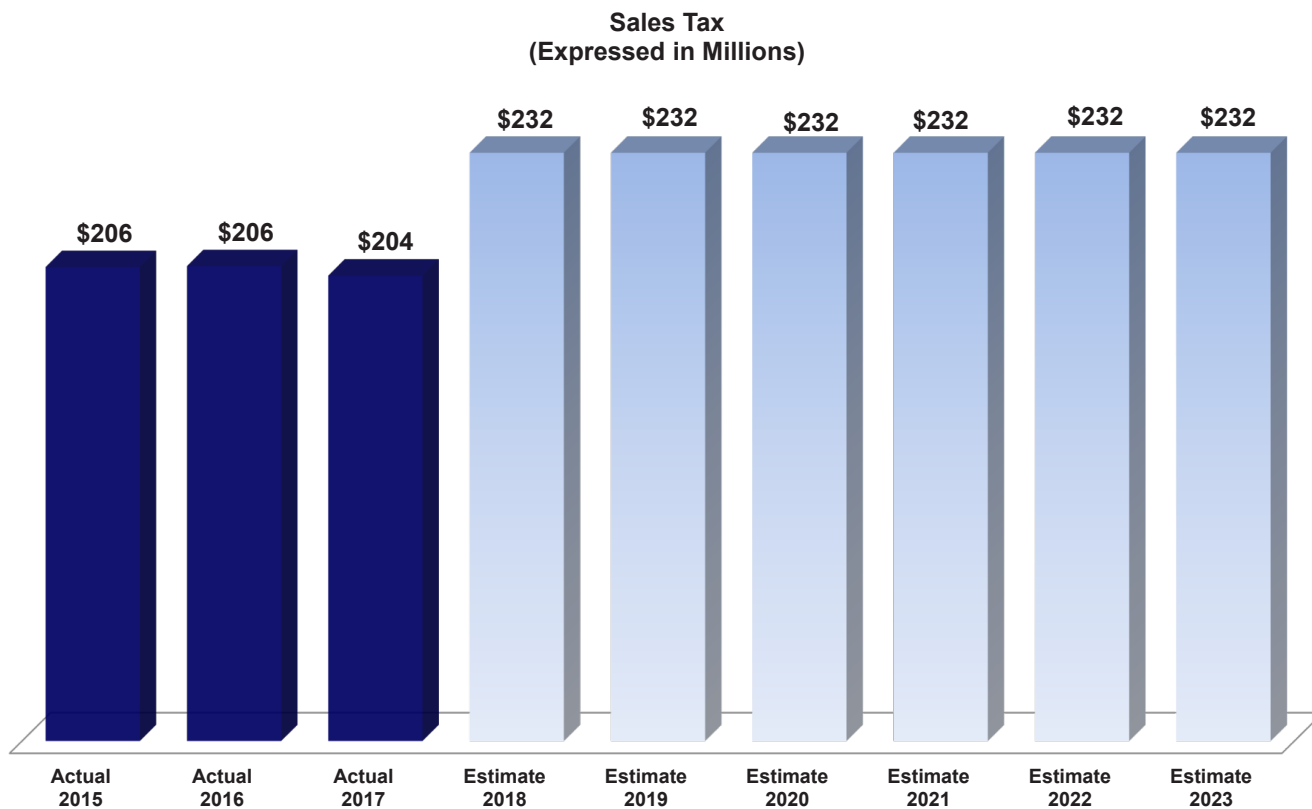
- Equivalent to the Motor Fuel Excise Tax on motor fuel.
- Imposed on every motor carrier with a vehicle that is designed to transport persons or property having two or more axles with a gross vehicle weight exceeding 26,000 pounds, including road tractors and tractor trucks.
- Based upon each gallon 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 32.6% 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 17.0% of the total State Road Fund.



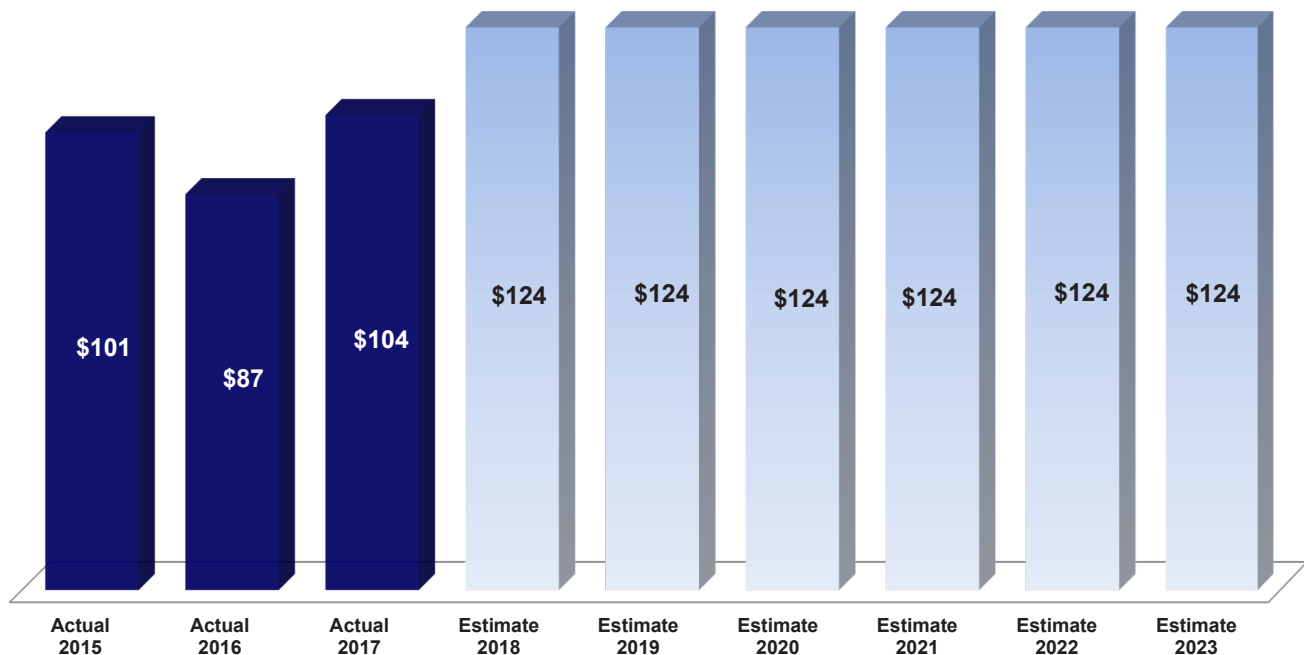
State Road Fund

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 9.1% of the total State Road Fund.

Motor Vehicle Registration Fees
(Expressed in Millions)



West Virginia Lottery

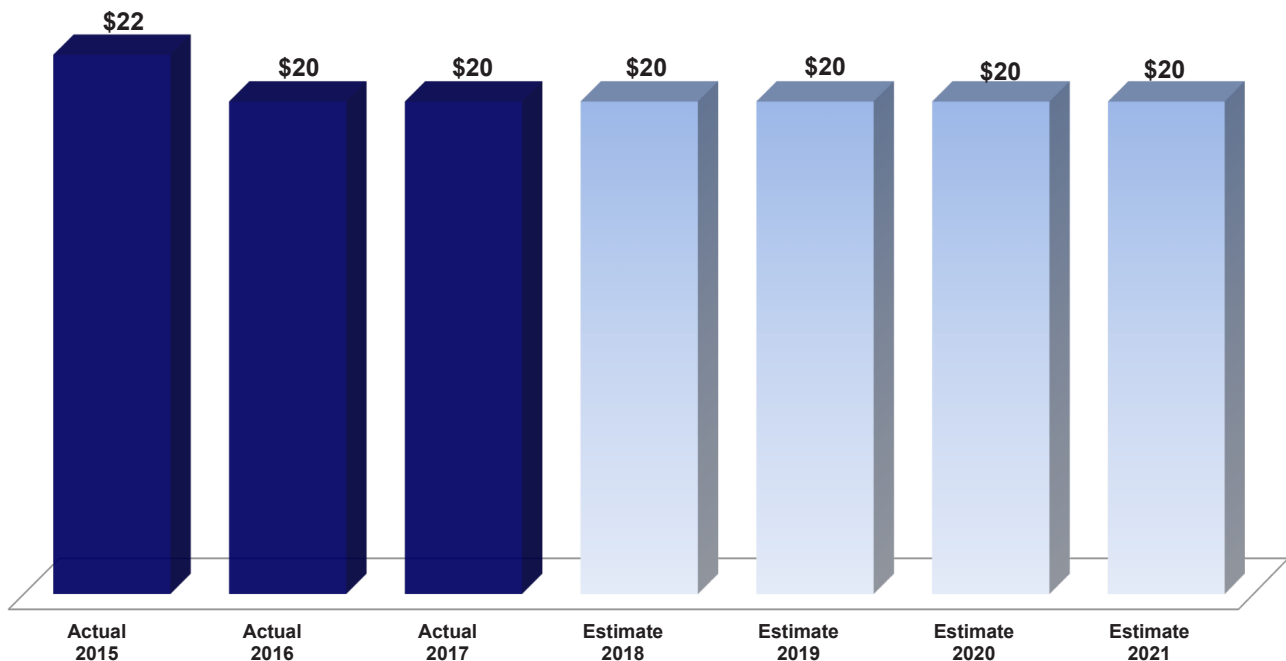
West Virginia Lottery gross revenue decreased 5.0% in FY 2017 and 2.4% in FY 2016. The decrease is primarily the result of increasing competition from casinos in surrounding states as well as increasing declines in discretionary income due to economic conditions in the state. Gross revenues include ticket 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 4.8% in FY 2017 and 1.7% in FY 2016 in response to declining gross revenues. Racetrack Video Lottery decreased 3.6% during FY 2016 and 3.1% during FY 2017. Limited Video Lottery decreased 3.3% in FY 2016 and 3.7% in FY 2017.

For FY 2018, the official estimate reflects a decrease in gross revenue of 10.1% from FY 2017. Racetrack Video Lottery is projected to decrease 11.8% due to continuing competition in bordering states. Limited Video Lottery is projected to remain level. Online sales are projected to decrease 9.9%, and instant ticket sales are projected to decrease 2.5%. Table games revenue is projected to decrease 11.4% again due to competition in bordering states. Historic Resort Hotel revenue is projected to increase 5.6%.

In FY 2019, the gross revenue estimate is expected to decrease by 2.9%. Online game sales are projected to decrease 7.1% and instant game sales are projected to decrease by 2.2%. Racetrack Video Lottery revenue is projected to decrease by 3.5%. Limited Video Lottery revenue is expected to remain level, table games revenue is expected to decrease by 15.1%, and Historic Resort Hotel revenue is expected to decrease by 20%.

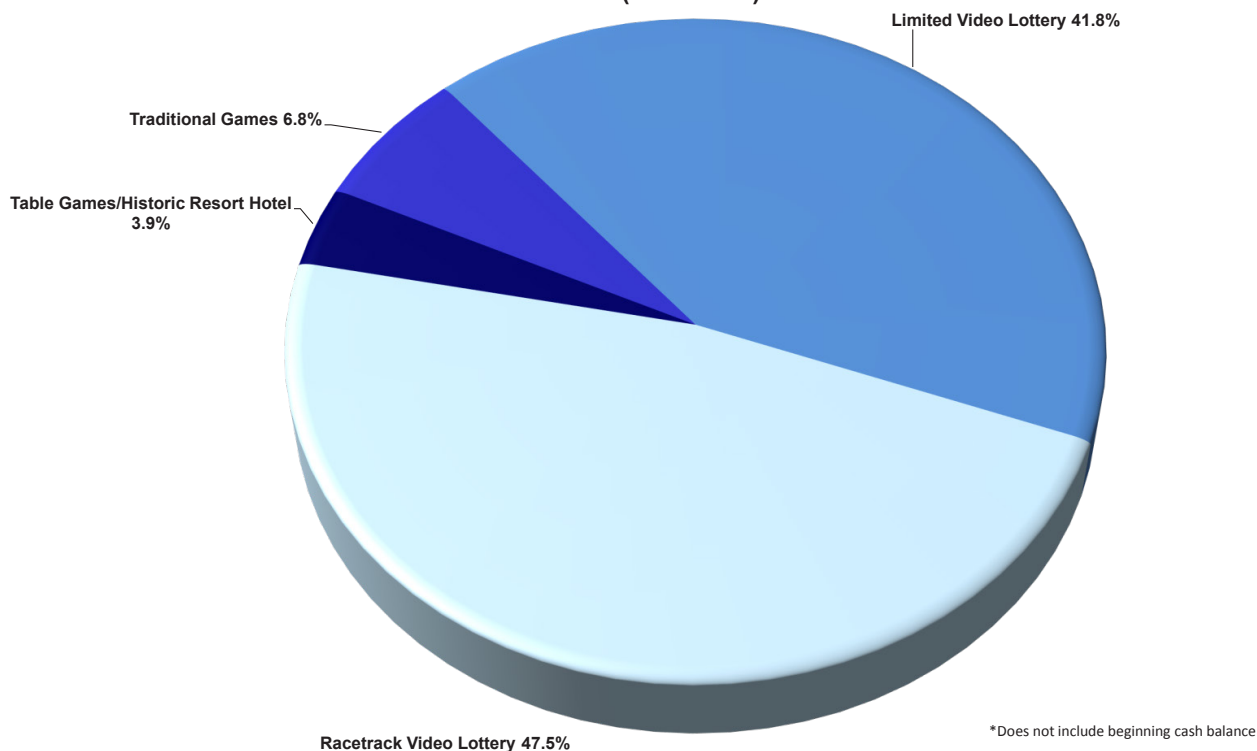
Net revenue, as indicated on the following pages, does not include the portion of lottery profits earmarked by statute for other purposes and not available for appropriation.

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

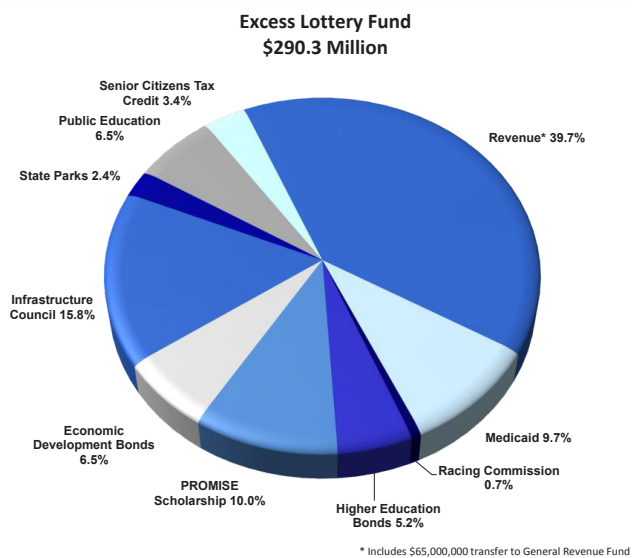
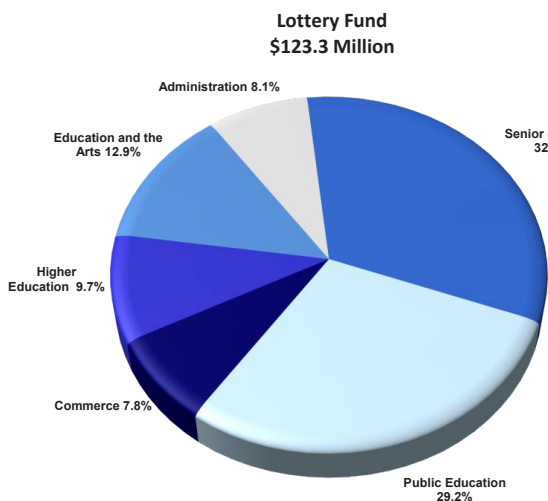


West Virginia Lottery

**Sources of Revenue
Fiscal Year 2019
\$413.6 Million*
(Estimated)**

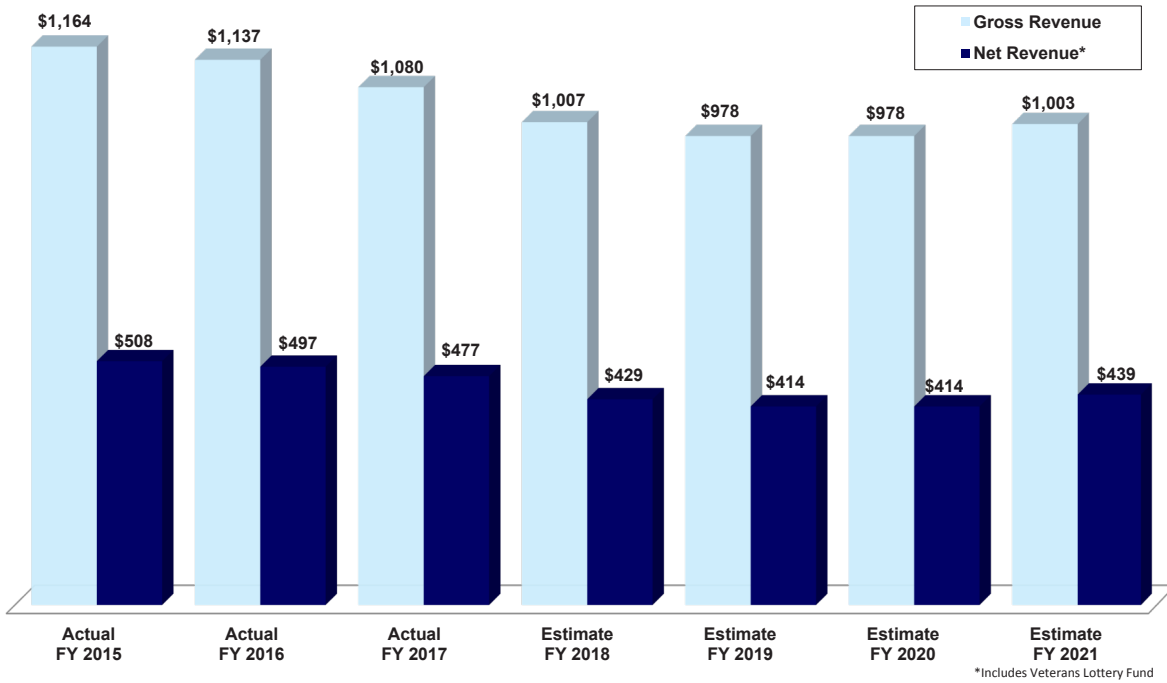


**Recommended Expenditures
Fiscal Year 2019
\$413.6 Million**

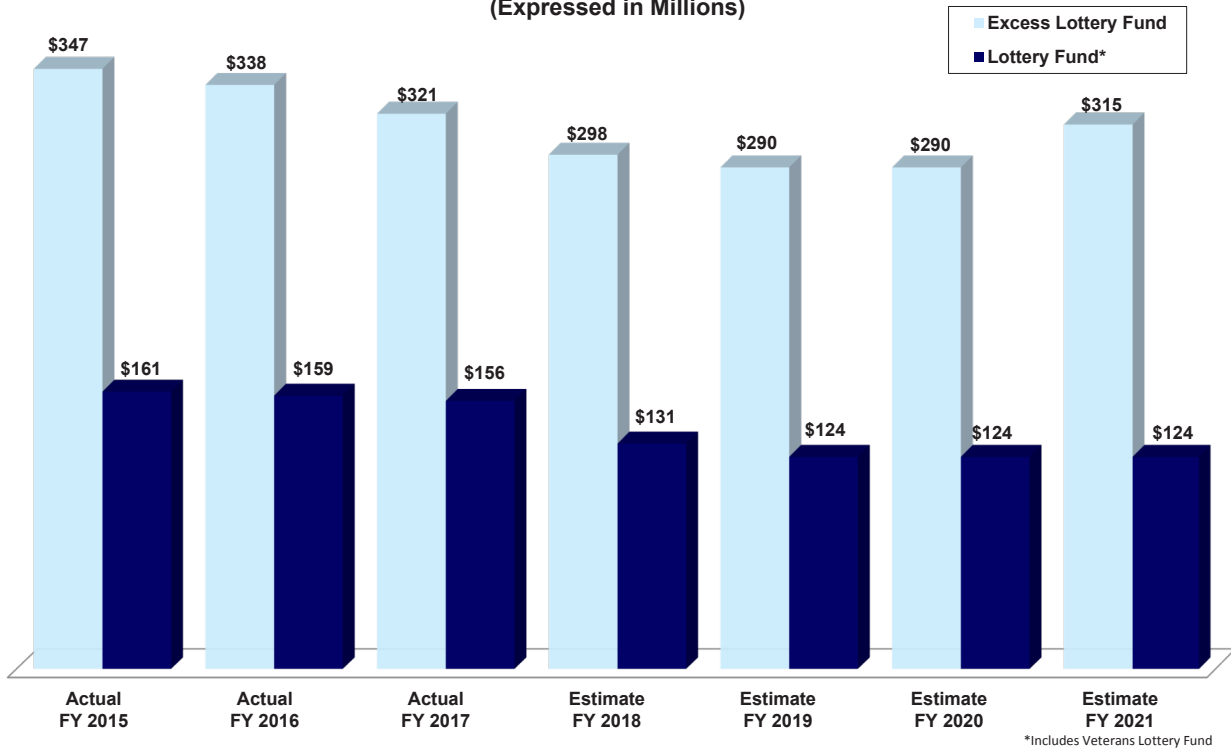


West Virginia Lottery

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

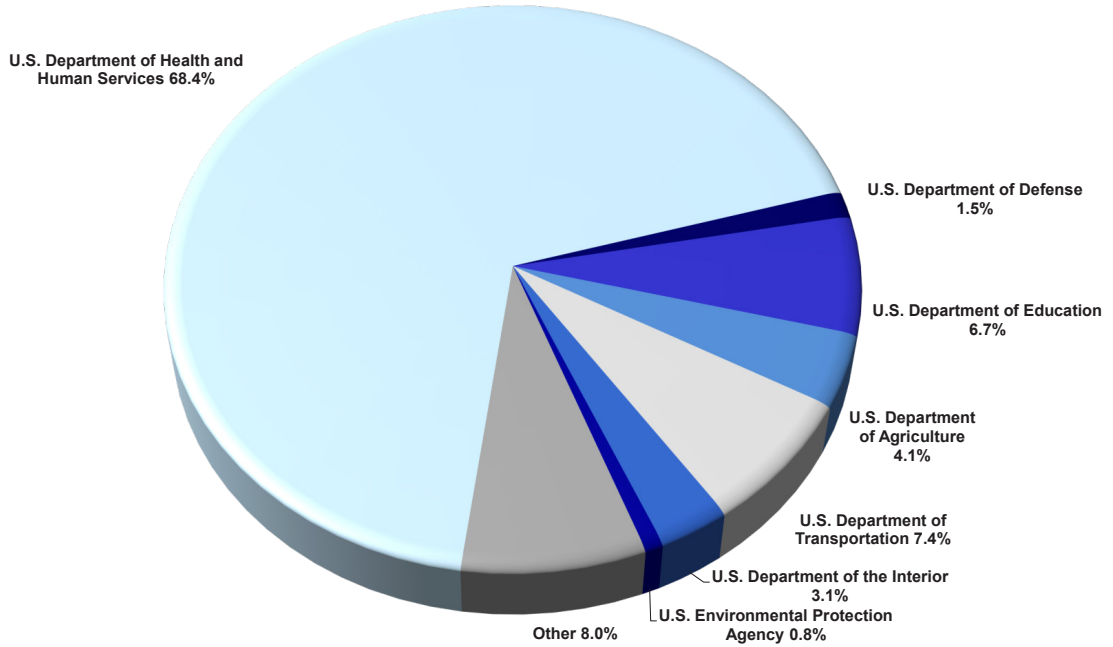


**West Virginia Lottery
Net Revenue Distribution
(Expressed in Millions)**

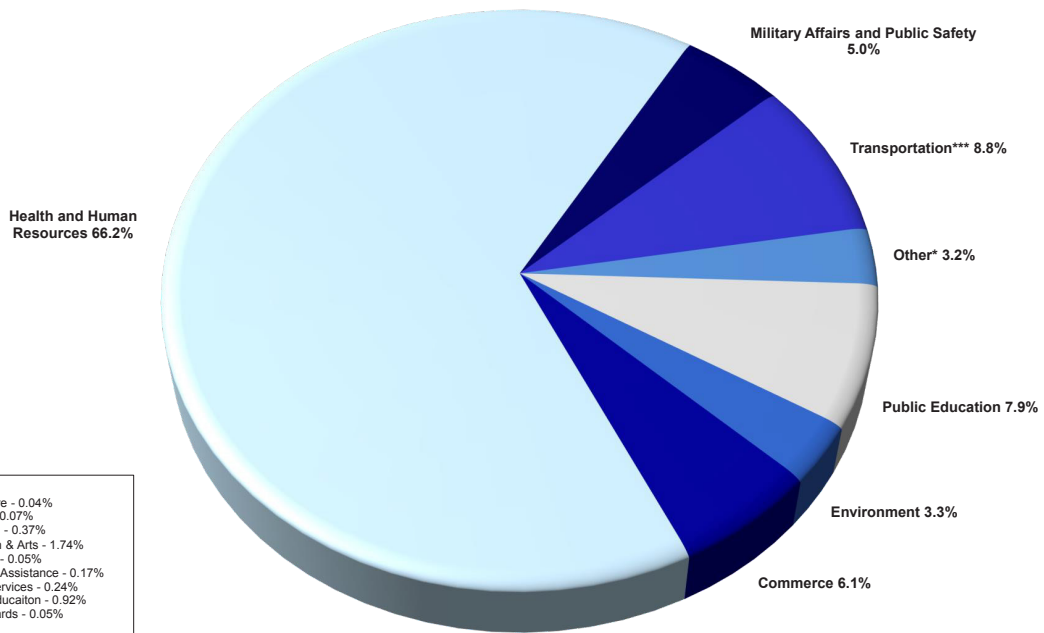


Federal Funds

Sources of Revenue
Fiscal Year 2019
\$6.317 Billion
(Estimated)



Recommended Expenditures**
Fiscal Year 2019
\$6.361 Billion



***Other**
 Legislature - 0.04%
 Judicial - 0.07%
 Executive - 0.37%
 Education & Arts - 1.74%
 Revenue - 0.05%
 Veterans Assistance - 0.17%
 Senior Services - 0.24%
 Higher Education - 0.92%
 Misc. Boards - 0.05%

**Expenditures include FY 2019 revenue and beginning balances.
 ***Includes Federal Funds that are appropriated as part of the State Road Fund.

Special Revenue Funds

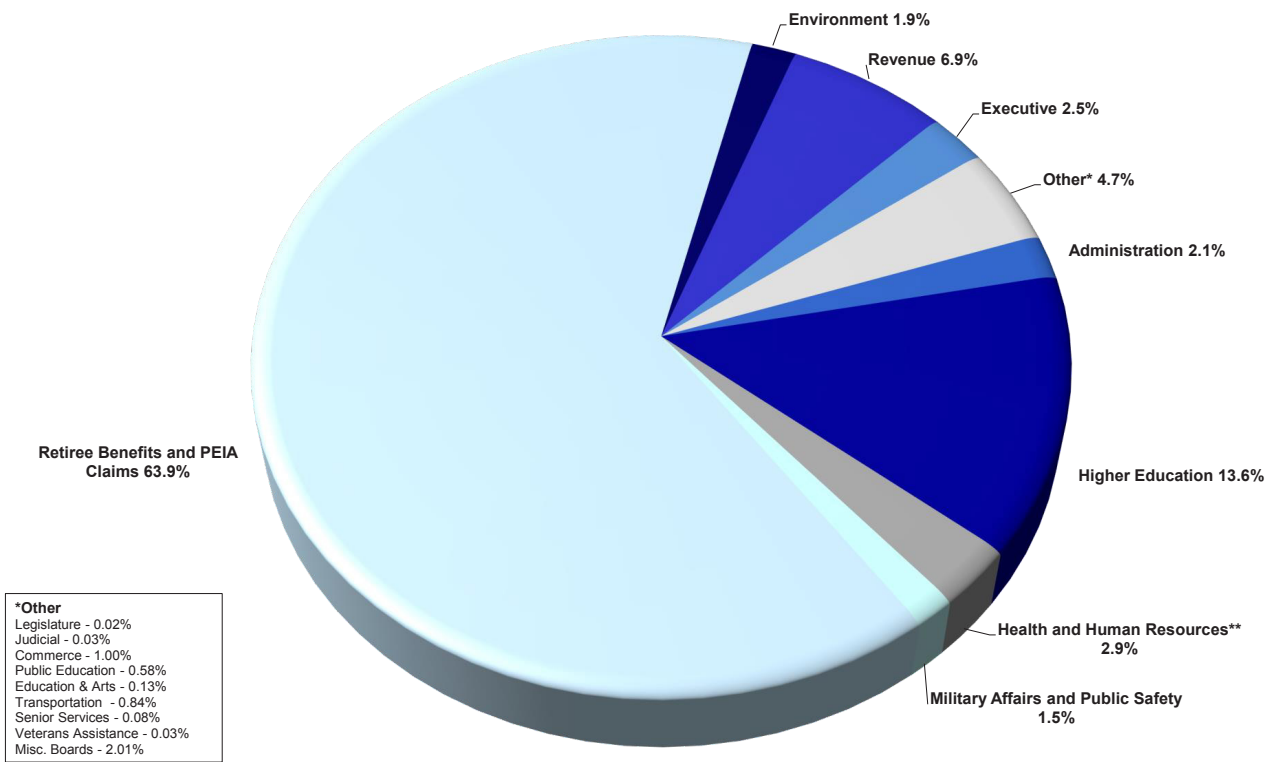
Includes:

- 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.

**Recommended Expenditures
Fiscal Year 2019
\$16.024 Billion**



**Includes Medicaid State Share Fund (Health Care Provider Tax)

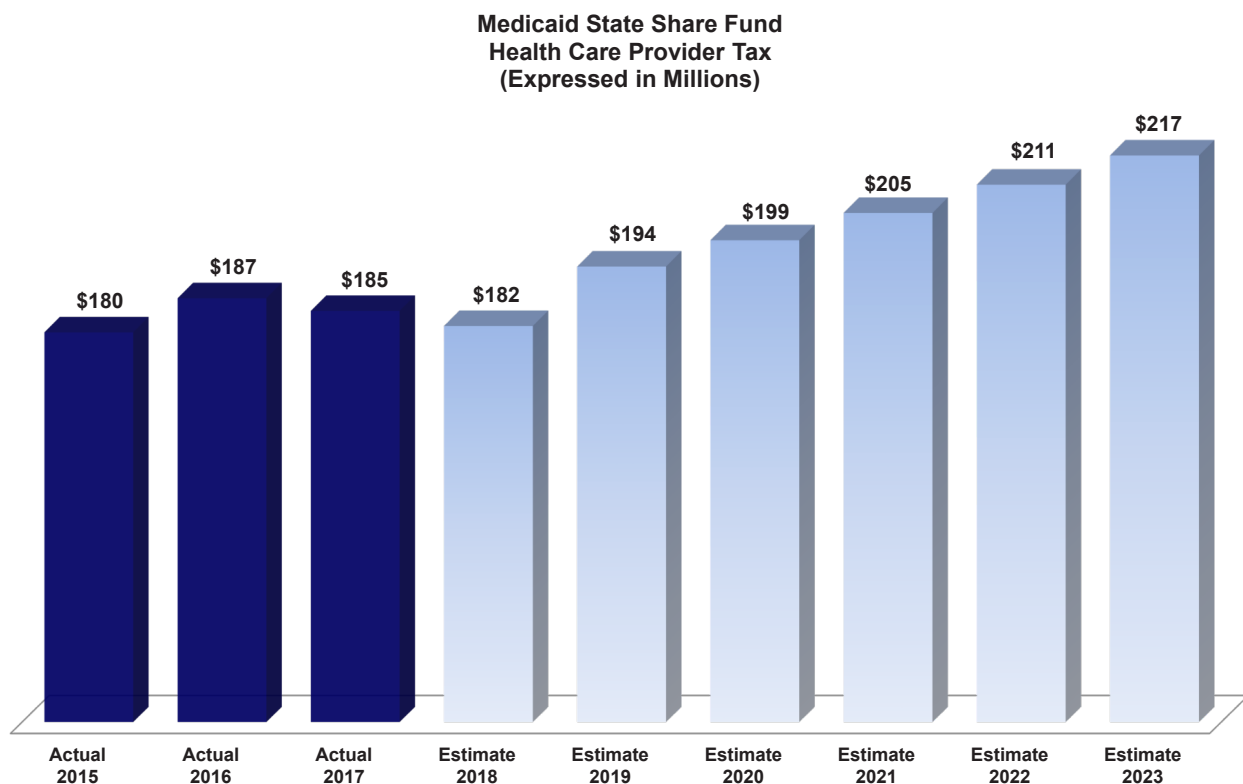
Special Revenue Funds

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 2018 through FY 2023 assume that current federal regulations will remain largely unchanged for the forecast period. The Federal Medical Assistance Percentage (FMAP) of 71.8% in Federal Fiscal Year (FFY) 2017 is scheduled to increase roughly two percentage points to 73.83% in FFY 2019. In addition, the estimates take into account that federal Affordable Care Act's expanded Medicaid Program, which the federal government fully funded from 2014 to 2016, will gradually phasedown federal share of support to 90% by 2020. In FY 2017, the Medicaid State Share Fund generated \$184.7 million, more than 18% of the state matching funds for the Medicaid Program. FY 2018 estimates are anticipated to be approximately 1.7% less, accounting for the termination of the Behavioral Health Severance Tax on June 30, 2016 and the reduction of the tax on nursing homes to 5.5%. 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, 2018). From FY 2018 through FY 2023, the Medicaid State Share Fund is expected to increase by an average annual rate of 3.9%.

- 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, 2018).
- Accounts for 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.¹

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, 2017, West Virginia's general obligation bond rating was Aa2/AA-/AA by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively.

On May 3, 2017, Moody's released its "2017 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.

¹ 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, 2017 State Debt Medians, May 2017)

% of Personal Income		Per Capita	
Oklahoma	0.8%	Oklahoma	\$365
Nevada	1.4%	Nevada	\$587
*Arizona	1.8%	*Arizona	\$696
Maine	2.1%	Maine	\$889
West Virginia	2.6%	West Virginia	\$989
Alaska	3.0%	*Kansas	\$1,575
*Kansas	3.4%	Alaska	\$1,691
Wisconsin	3.8%	Wisconsin	\$1,739
Rhode Island	4.3%	Mississippi	\$1,847
Mississippi	5.2%	*Kentucky	\$2,057
*Kentucky	5.3%	Rhode Island	\$2,131

*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

Issuing Authority	Debt Limit (Cap)
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, 2017, \$322,905,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

General Obligation Bonds Outstanding June 30, 2017

Amendment	Principal Outstanding June 30, 2017 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$171,745	Severance Tax
Safe Roads Amendment of 1996	(net) \$151,160	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

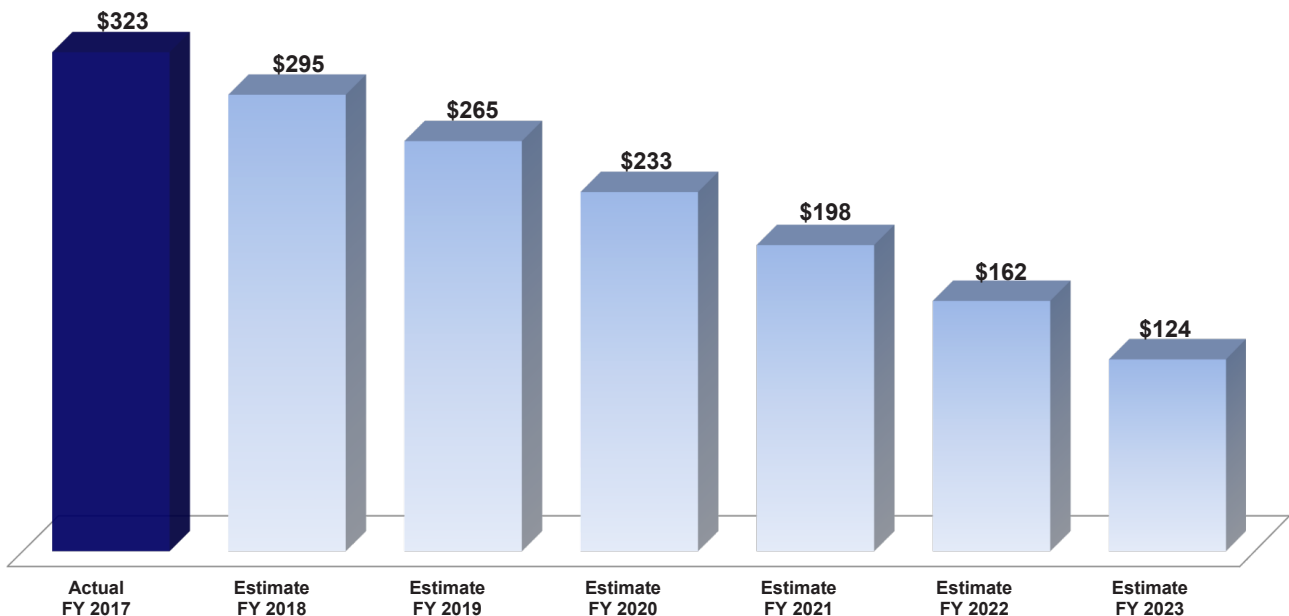
Debt Summary General Obligation Bonds

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, 2017, \$151,160,000 was outstanding. The bonds will be fully retired by 2025.

**General Obligation Debt Outstanding
Fiscal Year 2017-2023
(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, 2017
 (Expressed in Thousands)

	Final Maturity Date	Interest Rate(s) %	06/30/17 Balance*
Road Bonds			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment	2025	4.00 - 5.00	151,160
 Infrastructure Bonds			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	2.00 - 7.625	171,745
TOTAL			\$322,905

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2017, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Amount to be accrued	Total
2018	30,764	11,679	126	42,569
2019	32,774	10,484	491	43,749
2020	34,800	9,321	1,020	45,141
2021	35,588	8,113	1,427	45,128
2022	36,536	6,784	1,829	45,149
2023-2027	152,443	12,769	15,127	180,339
TOTAL	\$322,905	\$59,150	\$20,020	\$402,075

* 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, 2017. 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, 2017, 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 2017. 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, 2017, the principal outstanding on the notes totaled more than \$53 million. The notes are expected to mature in September 2022.

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, 2017, the council's outstanding bonds totaled more than \$168 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 \$19 million from the Excess Lottery Fund. At June 30, 2017, \$133 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, 2017, approximately \$136 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 \$91 million as of June 30, 2017. 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 November 2016. 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 \$110 million at June 30, 2017.

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 \$89 million (net) as of June 30, 2017.

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 \$83 million (net of debt service sinking funds).

Debt Summary
Revenue Bonds
Outstanding at June 30, 2017
(Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2007	2022	3.82 - 4.37	91,040
School Building Authority (Lottery)	2012, 2013, 2014 & 2016	2028	2.68 - 2.81	110,355
School Building Authority (Excess Lottery)	2008, 2010 & 2015	2030	2.00 - 4.78	94,250
School Building Authority QSCBs (Excess Lottery)	2009 & 2010	2027	0	150,480
Tobacco Settlement Finance Authority*	2007	2047	7.467 - 8.5	850,612
Highways, Commissioner of	2016	2022	5.00	53,380
WV Infrastructure and Jobs Development Council	2012, 2014 & 2016	2046	2.00 - 5.00	168,855
Education, Arts, Sciences, and Tourism Fund (Lottery)	2010	2040	2.00 - 5.00	135,940
Economic Development Authority (Excess Lottery)	2004	2026	4.40 - 6.07	133,415
Subtotal				1,788,327
Less:				
School Building Authority Debt Service Reserve Fund				(23,021)
School Building Authority (Excess Lottery)				(63,220)
Debt Service Sinking Fund - QSCBs (Excess Lottery)				(67,658)
Economic Development Authority Debt Service Reserve Fund (Excess Lottery)				(19,783)
Net revenue bonds outstanding				<u>\$1,614,645</u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2017, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount to be accreted</u>	<u>Total</u>
2018	80,390	92,932	13,036	186,358
2019	85,110	88,812	14,167	188,089
2020	90,695	80,758	15,397	186,850
2021	96,660	75,587	16,734	188,981
2022	87,715	69,871	18,186	175,772
2023-2027	592,460	266,516	117,533	976,509
2028-2032	477,525	113,887	173,907	765,319
2033-2037	79,345	21,120	128,594	229,059
2038-2042	192,992	5,328	15,326	213,646
2043-2047	5,435	455	0	5,890
2048-2051	0	0	0	0
	<u>\$1,788,327</u>	<u>\$815,266</u>	<u>\$512,880</u>	<u>\$3,116,473</u>

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

Capital Leases

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 was \$282 million at June 30, 2017.



ECONOMIC FORECAST



WEST VIRGINIA ECONOMIC FORECAST

The Economic Forecast is excerpted from the
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The full document is available online
<http://www.be.wvu.edu/bber/index.htm>

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2018 West Virginia Economic Forecast

EXECUTIVE SUMMARY

After several years of economic hardship, West Virginia's economy hit bottom in 2016 and has grown over the past few quarters. The state's employment declines were primarily driven by losses in both major segments of the energy sector, but the turnaround has also been driven by expanding coal production and renewed growth in natural gas production. However, the pace of employment growth that is expected in coming years will mean that West Virginia will not likely return to its 2012 level of employment for four more years.

In this report we present a detailed discussion of the current state of the West Virginia economy along with our forecast for the likely path of economic activity over the next five years. Overall, this report provides a broad and detailed foundation to aid in understanding the long-run economic challenges and opportunities facing West Virginia.

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

- The state experienced a large loss in jobs between early-2012 and late-2016, with a cumulative decline of roughly 26,000 jobs over that period. On a positive note, total employment has increased during the first two quarters of 2017, hinting at broader signs of stability and improvement for most of the state's economic regions.
- A significant portion of economic turmoil experienced in West Virginia over the past few years can be traced to both major segments of the state's energy sector. Job gains have been recorded in a few service-providing sectors, such as education and health services, but many other industries in the state struggled in 2015 and 2016.
- After falling within a range of 6.5 and 7.0 percent between late-2013 and late-2015, the state's unemployment rate has fallen sharply in recent quarters. West Virginia's jobless rate fell to its lowest level in nearly a decade during the second quarter of 2017, reaching just over 4.6 percent.
- 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 problem represents a significant hurdle for long-run economic prosperity.
- Per capita personal income in West Virginia grew at rate of 1.5 percent in 2016, climbing to approximately \$37,400. The state's per capita income growth has lagged the national average in recent years, leaving the

FIGURE ES.1: West Virginia and US Forecast Summary

	West Virginia		United States	
	2006-2016	2017-2022	2006-2016	2017-2022
Population (average annual growth, %)	0.0	0.0	0.8	0.8
Employment (average annual growth, %)	-0.2	0.7	0.6	0.9
Real GDP (average annual growth, %)	1.3	1.0	1.3	2.3
Unemployment Rate (annual average at end of time period, %)	6.0	4.5	4.9	4.3
Real Per Capita Personal Income (average annual growth, %)	1.1	1.8	1.0	2.1

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

per capita income level in West Virginia at roughly 75 percent of the national figure.

- West Virginia's real gross domestic product declined in 2015 and 2016, but has increased at a rapid pace over the past few quarters. Changes in the state's total economic output have been volatile since 2012, reflecting the turbulence within the state's coal and natural gas industries.
- Export activity from West Virginia has also experienced significant volatility during the past decade. Promoting the state's export potential is of vital importance to economic development in West Virginia in the long run.

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

- Coal output fell by nearly one-half between 2008 and 2016, with most of those losses occurring in the state's southern coalfields.
- After increasing rapidly in the first half of the decade, natural gas output increased by just 4 percent during 2016.
- Total GDP from the state's natural gas industry is expected to equal that of coal within the next few years. GDP from natural gas was equivalent to roughly one-tenth of coal's real output less than a decade ago.

2018 West Virginia Economic Forecast Executive Summary

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

- Employment in West Virginia is estimated to increase nearly 0.7 percent per year on average through 2022, trailing the 0.9 percent average annual growth expected for the nation as a whole. Total employment is not expected to return to its 2012 peak until 2021.
- Our baseline forecast calls for the recent upturn in coal production and jobs to come to an end as the industry enters a period of relative stability; however, the industry's outlook still remains subject to considerable downside risk due to lingering uncertainty related to coal use by domestic power plants and future global demand for thermal and met coal.
- Rising domestic demand, increased LNG exports and enhancements in regional pipeline networks bode well for West Virginia's natural gas industry during the outlook period. Overall, production and employment are expected to gain momentum over the next few years. Longer term, the emergence of downstream processing facilities in Pennsylvania, and perhaps Ohio, raise prospects for continued growth.
- Construction is expected to rebound from its malaise of the past few years, thanks in large part to residential and commercial building activity in the state's economic growth centers. A range of energy- and transportation-related infrastructure projects is also expected to lift the sector's prospects.
- Manufacturing payrolls are expected to register gains of 0.9 percent annually over the next five years, though most of this growth will likely come from the opening of two major facilities in the Eastern Panhandle.
- Service-providing sectors will grow more slowly as a whole going forward, although professional and business services should see stronger gains related to the increased hiring of contract labor by the coal and natural gas industries.
- The state's unemployment rate is expected to hover in the mid-4 percent range for the next several quarters, but slowly begin to decline through the early 2020s.
- However, West Virginia's unemployment rate provides an incomplete and potentially misleading indication of labor market condition due to the state's underlying demographic characteristics as well as the measure's susceptibility to large revisions. Changes in the labor force participation rate will provide a better picture of labor market conditions going forward.

- Per capita personal income is expected to grow at an annual average rate of 1.8 percent over the next five years, below the national rate of 2.3 percent. Growth will be driven largely by 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:

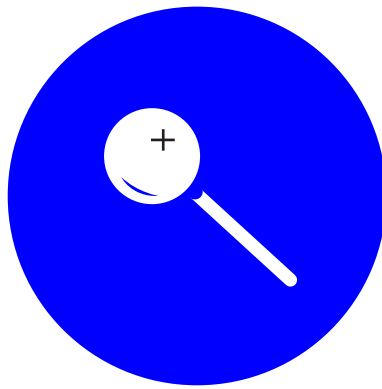
- West Virginia's population has declined by more than 25,000 people since 2012, and although we expect the state's population to stabilize, more losses are likely over the longer term due to large share of elderly residents and the effects of poor health outcomes and behaviors for many segments of the overall population.
- A positive shock to encourage in-migration is essential to lessen the severity of natural population decline.
- Economic development strategies should focus on ways to improve health 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:

- While the state overall is expected to lose population in coming years, a limited number of counties will add residents during the outlook period. Population gains will tend to be most heavily concentrated in North-Central West Virginia and the Eastern Panhandle.
- Many of the counties in southern West Virginia that were plagued with deep losses over the past several years will enjoy some measurable job growth during the outlook period. At the same time, most of these areas will likely struggle to see the level of economic activity return to what was observed in years as recent as 2014 or 2015.
- Just as with population, most of West Virginia's job and output growth will tend to come from counties located in the northern half of the state.
- 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

BBHFF.....	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

