

State of
West Virginia

**Executive Budget
Fiscal Year 2014**

**Volume I
Budget Report**



**Earl Ray Tomblin
Governor**



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February 13, 2013

To the Members of the 81st 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, 2014. 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 2014.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,140,751,000; for the Lottery Fund of \$151,573,583; for the State Excess Lottery Revenue Fund of \$256,522,000; for the State Road Fund of \$1,201,720,704; for Appropriated Special Revenue funds of \$1,537,485,278; for Appropriated Federal funds of \$4,082,380,732; for Nonappropriated Federal funds of \$142,676,280; and for Nonappropriated Special Revenue funds of \$8,877,675,524 for a grand total of \$20,390,785,101.

I look forward to working with the 81st 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.

Sincerely,

A handwritten signature in blue ink that reads "Earl Ray Tomblin".

Earl Ray Tomblin
Governor



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

State of West Virginia

West Virginia

For the Fiscal Year Beginning

July 1, 2012

Linda C. Davison Jeffrey R. Egan

President

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, 2012.

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

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

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Reader's Guide to the Executive Budget

The Executive Budget

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

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

The budget is presented in four separate documents:

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

Volume I Budget Report contains:

“Executive Summary”

- * Governor's Message 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”—includes 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 summary of general long-term debt and debt service requirements

“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:

“Economic Forecast”—a comprehensive, up-to-date forecast and analysis of the economy as it relates to West Virginia and to the nation

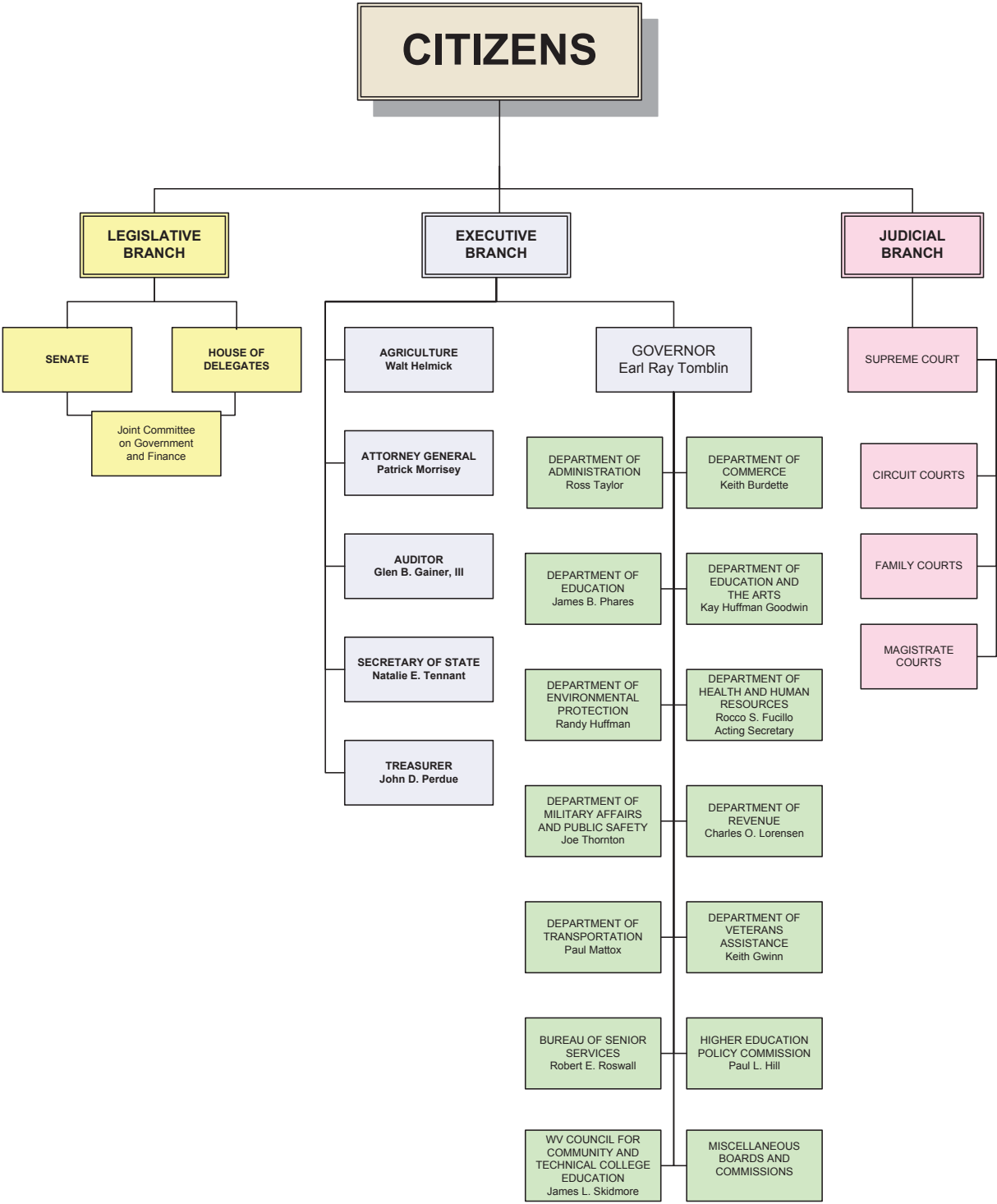
“State Profile”—presents relevant historical, statistical, geographical, demographical, and interesting information about West Virginia

“Capital Projects”—projects/programs currently budgeted in FY 2013, recommended for FY 2014 (with brief descriptions), and projected for FY 2015 through FY 2018

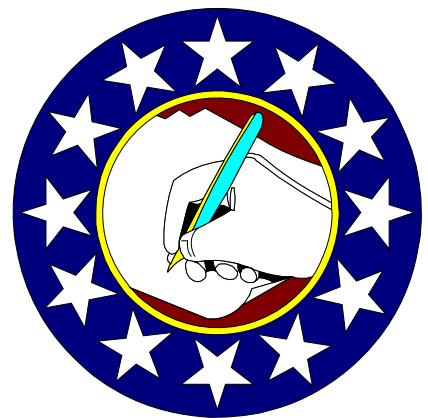
“Appendices”—a glossary of commonly used budgetary terms; a glossary of acronyms

The ***Account Detail*** provides the detailed budgetary information for FY 2012 Actual State expenditures, FY 2013 Budgeted expenditures, FY 2014 Current-Level Request, and the Governor's FY 2014 Recommendation.

State of West Virginia Organizational Chart



EXECUTIVE SUMMARY



Governor's Executive Message



Governor Earl Ray Tomblin
State of West Virginia

We come together to begin the task the people of West Virginia expect us to do: prepare and take action that will keep our families safe, create a business climate that creates good-paying jobs, and build upon opportunities we will provide to our next generation.

I am excited about the State of our State. Working together we have accomplished great things, and we are well-positioned to do much more.

I present to you a plan—a plan that continues to invest in our future. It is a strategy for doing things better and smarter in government. It's a plan to tackle some of our most critical issues. The plan will ensure our financial house remains in order and continues to keep us moving forward as we build upon our accomplishments.

Last session, we worked together to make West Virginia a safer, better place. Because of our work, texting while driving is now illegal, and on July 1st talking on a hand-held phone while driving will be illegal.

We have kept our promise to help our families and communities make eliminating substance abuse a top priority—and now—laws are on the books to shutdown “pill mills” and stop “doctor shopping.” We listened to our communities and invested in drug treatment programs—and we told those who need free job training that they must pass a drug test—first.

We are building an on-line registry to help make our seniors safer and give West Virginia families the peace of mind they deserve when they are looking for a caregiver for a family member.

We maintained a healthy Rainy Day Fund, meaning lower business and food taxes. And I am proud to state that, this year, the sales tax on food will be gone.

We told families of children with autism—you are important to us—and we created legislation allowing them to receive critical services to help their children thrive.

Executive Summary Governor's Message

We created and implemented the Jason Flatt Act, so we can effectively reach out to our young people who are struggling with the thought that suicide is the only answer.

We created the Herbert Henderson Office of Minority Affairs—an office that will provide opportunities to discuss issues affecting minorities and develop strategies to improve the delivery of programs and services to minorities across the Mountain State.

We ended the fiscal year with a surplus that exceeded \$100 million, and we dealt with our State's last unmanaged, unfunded liability, with the passage of the Other Postemployment Benefits (OPEB) bill. Together, we put a plan in place to pay down this last unfunded liability.

By the end of fiscal year 2014, our workers' compensation unfunded liability is expected to be less than \$500 million. Our efforts to privatize and strengthen the system are paying dividends. Soon, the liability will be gone and surcharges will be eliminated on businesses that helped pay off this debt.

Our state has worked hard to foster job creation by cultivating an environment where employers can offer good paying jobs. Last year we celebrated as Gestamp, an \$11 billion company, reopened the South Charleston Stamping Plant. This international company is not only investing more than \$100 million in West Virginia, but it is also investing in the future of hundreds of workers.

West Virginia has created opportunities to welcome international companies like Gestamp by creating clear rules and lowering the cost of doing business. And while we have had successes, we have more work to do.

Too many people have stopped looking for work, and too many people are unemployed. Not only do we continue to feel the effects of a worldwide recession, but significant declines in the production of coal have battered West Virginia's economy with declining tax revenues and employment.

As leaders of our state, we have a responsibility to fight for jobs, to foster job creation, and to be good stewards of taxpayer resources. We must continue to keep our taxes and cost of doing business low. That is particularly true when times are tough.

Balanced Budget

It all starts with our obligation to adopt a budget for the State of West Virginia. The budget I present to you is balanced, with no new taxes.

This time last year, we predicted a budget gap for FY 2014 that totaled nearly \$400 million. Staying true to the hallmark of our fiscal responsibility, my administration began the task of closing that shortfall.

Unlike the federal government, we did not kick the can down the road by borrowing money or allowing deficits to mount. We addressed the problem head on. It took several actions to get there.

We told our agencies almost a year ago to do more with less. We challenged our agencies to be smart, to be efficient, and to be prepared to cut their budgets. In tightening our belts, we realized that some of our services should not face budget reductions.

So, for example, the budget I present does not cut any scholarship programs. Our PROMISE Scholarship remains fully intact . . . and it does not cut State Aid to our public schools. Our budget does not take money away from mine safety programs. It does not cut Medicaid. It does not cut the State Police. And it provides for all of our required debt service and pension obligations.

Executive Summary Governor's Message

While we protected these services, we asked other areas in state government to make a 7.5% targeted reduction, allowing us to cut over \$75 million from our state's budget, including over \$450,000 from my own budget in the Governor's Office.

These reductions are not easy, but they are the right thing to do for the citizens of West Virginia.

In addition to these cuts, we analyzed our accounts in state government. We identified over \$135 million in unused monies from multiple accounts that can be redirected and used to meet our obligations in the coming year. While our economy recovers and revenues get back on track, I am proposing we use these monies, along with almost \$140 million in accrued and expected surplus money, to balance our FY 2014 budget.

Balancing our budget sends the right signal to businesses that West Virginia is stable, but we must do more.

Business in West Virginia

We must continue to focus on job creation, lower the cost of doing business, eliminate inequities in our system, and make sure we have land for development.

I have several proposals to meet these goals.

First, it is no secret that, when a bill passes the Legislature, we look at the impact the bill will have on State revenues.

Having served in the Senate and in the House of Delegates, I know our senators and delegates understand many of the bills proposed and approved by the Legislature can have a direct impact on the ability of employers to provide jobs. Often, members of the Legislature and the Governor want to have a more complete understanding of how legislative proposals effect job creation and influence the state's economy. We need a mechanism to allow that to happen.

I am asking for support to allow the Governor or our legislative leadership to request a comprehensive jobs impact analysis from the Development Office on proposed legislation. This will allow the Legislature to analyze the financial impact of laws under consideration.

And West Virginia also needs to identify and remediate land available for development. West Virginia has a proud history in manufacturing and mining, and a number of unused sites have great potential for future development. Many brownfield landowners, however, are hesitant to sell these sites because of fear that subsequent landowners will not maintain the land, leaving the original owner with a potential liability.

So I propose the state form a public nonprofit corporation to identify, promote, and administer forward-looking programs to foster economic development and environmental remediation. Working together, we can put these sites back to use in West Virginia.

We also need to find innovative and creative ways to enhance our infrastructure. While we are well-positioned for this new century, our budgets will continue to be tight, and there will not be enough public monies to build and maintain all of our infrastructure needs.

And while we have a Blue Ribbon Commission examining our road system, one thing I know that we must do is explore and foster public private partnerships to develop roads.

Executive Summary

Governor's Message

In 2008, the Public-Private Partnerships Act was passed and signed into law. The act allowed the West Virginia Division of Highways to enter into a contract with a private entity. Its current structure, however, is of limited usefulness.

I am proposing legislation to make the act permanent and streamline the approval requirements to allow the commissioner flexibility to enter into public-private partnerships. This will allow us to take greater advantage of this innovative tool for the construction of infrastructure.

Education

I know many West Virginians are anxious to hear my thoughts on improving our education system. We have spent the past year doing a lot of work listening and studying our current system.

First, there are several good things about our education system. During my travels over the past two years and during my career in public service, I have seen countless examples of not just good—but great teachers—across our state. We have so many professional educators going the extra mile for our kids.

We also have kids who want to learn. Earlier this year, a first-grader named Ben from Pleasants County called my office—all on his own. Ben told my staff he was having trouble getting to school on time because of continued traffic delays between his home and school. Ben wanted to make sure I knew “First grade is a pretty big deal—and kids need to be on time for school. This isn't kindergarten, you know.” Ben wanted to get to school, and get to school on time. He wanted to learn.

There are good things that can be said about our education system in this state.

- We have improved our teacher evaluation program, enabling us to seek a waiver from disastrous No Child Left Behind provisions.
- We received an A- in School Finance and we rank second overall for funding equity and per pupil spending.
- Our pre-K program is a national leader in early childhood education, ranking fifth in the nation for access to preschool for four-year-olds and fourth in the nation for overall spending for preschool.

But there is no escaping the fact that a key metric—student achievement—is going in the wrong direction.

- We've received an F in K-12 achievement, ranking 49th nationally.
- Our students rank below the national average in 21 of 24 categories measured by the National Assessment of Education Progress.
- Our scores have been slipping over the last decade. In fact, our scores in 2009 were not significantly different from our scores in 1992.
- Our fourth grade and eighth grade reading achievement has dropped since 2003, ranking us 51st, behind Washington, D.C.
- Our statewide graduation rate is only 78%—almost one in four high school students do not graduate on time. And in 22 of our counties, our dropout rate was worse in 2010 than it was in 2005. We have the highest percentage of young people ages 16-19 who are not engaged in school or the workforce.

Executive Summary

Governor's Message

We must help our students achieve. We need our kids to graduate and become productive citizens. But if we want these metrics to change, we cannot continue to do business in the same way. As they say, insanity is doing the same thing over again and expecting different results.

I ask you to work with me. Work with me to chart a different path. Work with me to make sure that teachers have the tools they need. Work with me to get better results for our kids.

Now it's going to be easy to find disagreement and get bogged down in details. But I want to challenge each and every one of you as we work on education this session. Remember Ben. And think of the thousands of students wanting to make a difference in West Virginia—and ask yourself—what do we need to do to improve the chances that our children will thrive?

We must make sure children are able to read at grade level by the end of the third grade. It is our duty to make sure every elementary school teacher is trained in reading instruction.

I am also proposing all counties within three years offer a full-day program for four-year-olds and require that teaching assistants be certified in child development.

Second, we must make sure our kids graduate and are ready to work in West Virginia.

Research has shown when students drop out of high school, the influence for that decision is usually made years before, back in middle school, so we must intervene earlier.

I am creating, by executive order, a middle schools commission to focus on building a stronger foundation to better prepare our middle school students for high school and beyond. We need to help kids chart their future paths when they begin middle school, whether their path is toward college or megatronics, advanced manufacturing technology, or gas drilling and production.

A critical gap exists between the demand for skilled workers and the focus of our public education system. Therefore, this commission will solidify my vision for comprehensive career technical education in West Virginia. Students need clear career pathways to encourage their academic achievement and properly prepare them to transition to a skilled job.

Third, we must make sure that all students are taught by great teachers.

More than two decades of research findings are unequivocal about the connection between teacher quality and student learning. West Virginia's Nationally Board Certified Teachers have demonstrated what they know—and they know it well. Their ranks continue to swell and I want to encourage them to go the extra mile by not only paying for their original application, as we do now, but also their recertification.

Students deserve full-time teachers teaching classes, not substitutes. Also, we need to institute principal and teacher incentives—like student loan forgiveness—for working in targeted schools.

And we must make sure that our children get sufficient instructional time, but there are too many state restrictions on the school calendar. We need to give our counties the flexibility to develop a calendar that meets core state goals but makes sense for them. We need to let our communities work to develop a calendar that suits their needs. Brooke County may have different needs than Berkeley County. Marshall County may need something different than Monroe County.

And this issue highlights the findings of our education audit: West Virginia has one of, if not the most, highly regulated education system in the country, with many of the details of school operations spelled out in code.

Executive Summary *Governor's Message*

The statutory requirements are detailed to the extreme, and the results are an education system that has little flexibility to modify policy and operations without changes to code—it is too restrictive in hiring and it does not recognize local needs.

We should legislate by broad goals and policy statements, and, in turn, our county school systems will be better served to fulfill broader mandates.

Substance Abuse

For over 40 years, this country has wrestled with drug abuse. We made it a social issue and lamented that it was a clear example of the breakdown of the social fabric of this country. We attempted to create the image of abusers as social outcasts who endangered their lives and weakened their character.

All the while the problem grew. Across our state and this country, those that were responsible for feeding these habits claimed it was a victimless crime. No harm—no foul. They're wrong.

Draw whatever conclusions you wish about the social impact of drug abuse . . . it is fast becoming an economic issue and one that must drive our decision-making. This is more than a social problem . . . it's an economic problem.

Every day more and more companies drug test. They do it because of liability issues; they do it because of concerns about productivity. They are drug testing our workforce and they don't like what they are finding out. Too many people can't pass a drug screen. Many of those people believe they can go somewhere else—somewhere where they don't test; somewhere where it doesn't matter.

They're running out of options—and so are we.

We have to convince our citizens, young and old alike, that the most important thing they can do for our economy is to get clean and be part of it again. We need to make it clear to our students, you can be a straight A student and valedictorian of your class, but if you can't pass a simple drug test you won't find a job.

Every day I am asked “What can I do? How can I help make West Virginia a better place to attract jobs and create more opportunities and investments?” Building a workforce that is not only educated, but clean and sober, is something only our people can do for themselves.

I also want people to know across the state—that if you need help with substance abuse—we are here for you. I intend to take this message across this state, and I ask that you join me.

Public Safety

As Governor, I'm lucky to have the opportunity to witness firsthand the dedication our law enforcement officers provide to the Mountain State and her people.

We must continue to support our law enforcement officers and give them the tools they need to protect us, our families, and our communities. West Virginia is the only state in the nation that doesn't provide its troopers the necessary training and enforcement tools to become experts on recognizing drivers who are under the influence of drugs.

Therefore, I will propose legislation mandating training to allow our law enforcement to administer tests so when drivers who are under the influence of drugs are pulled over, they can be properly identified, tested, and taken off the streets.

Executive Summary

Governor's Message

In June, we saw a storm like no other we'd ever experienced before. The derecho left a record 688,000 homes and businesses without electricity.

After the storm, I organized a post storm review team to analyze our emergency response effort. Unfortunately, since then, we've seen more severe storms; however, we have learned even more. My team has put together a report on how we can better serve the people of the state in times of need. That report in its entirety can be read at www.wv.gov.

Military

The members of the West Virginia National Guard are always there to help us, whether it be recovering from floods, tornadoes, the derecho and recent snow storms—protecting us not only at home, but abroad.

In addition to state emergency duty, West Virginia soldiers and airmen are called upon to provide for the defense of our homeland and to serve in hotspots around the world. Since 9/11, the West Virginia National Guard has deployed over 11,500 men and women. Many are still deployed.

These brave men and women continue to serve and protect. Some of our most productive and committed men and women are those of the West Virginia National Guard. They, too, are committed to creating economic opportunities that create good-paying jobs—while saving money.

One such effort is the Tire Rebuild Facility in Charleston which employs 30 West Virginians. This facility has saved our federal government over \$27 million in the last two years by their recycling efforts.

Also, beginning in March, the West Virginia National Guard will be opening a military tent maintenance facility in McDowell County. This facility will initially employ 15 individuals and will continue to expand jobs into the future.

Corrections Reform

It's no secret that West Virginia's correctional system is overextended. Statistics now show the number of people in our prisons is increasing at three times the national average.

Last year, I brought together my colleagues in the legislature, as well as judges, prosecutors, state and local leaders, and research professionals, as part of an effort to find a solution to our outdated and overcrowded prison system. I asked them to help me construct a plan—keeping public safety as our number one priority.

What we learned was simple: substance abuse is the root cause of prison overcrowding, and the high recidivism rate exacerbates the problem. We must act now to address these challenges. We must work to increase public safety and reduce recidivism.

Their recommendations are projected to save the State of West Virginia over \$116 million over the next six years, while making West Virginia a safer place.

In Closing

Let's again work together as we begin this legislative session and share these great factors of good government; wisdom, patriotism, and diligence to move our great state forward.

Six Year Financial Plan

West Virginia remains ahead of the curve, performing better than most other states over the last few years and is staying on track with funding of its financial obligations. Our current FY 2013 General Revenue collections are close to estimates. Lottery Revenue collections for FY 2013 are on pace to exceed their revenue estimates. Unlike many states over the past few years, West Virginia did not furlough or lay off state employees or teachers. The General Revenue Fund has maintained a strong cash flow, and we continue to pay our bills on time. During 2012, we held our bond rating upgrades received in 2011. West Virginia's rainy day funds are among the best in the country, and we fund 100% of our required retirement contributions.

West Virginia remains in a strong position to address anticipated budget challenges that lie ahead such as skyrocketing Medicaid costs and expanding federal deficits that will certainly stress the State's budget. Keeping an eye toward out-year budget gaps, the Governor, in his FY 2014 budget recommendations, continues to address the State's largest budget driver—Medicaid.

The State's relatively strong financial position has not occurred by accident. The use of long-term budget planning, through the State's Six Year Financial Plan, highlighted the need for conservative budget planning even during pre-recessionary periods of revenue surge. Our budgets generally have used onetime surpluses to fund onetime needs and to assist in short-term revenue shortfalls.

Seven years 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 budget gaps shown must be balanced. This year's "Six Year Financial Plan" includes information on anticipated revenues and expenditures through FY 2018. 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 2014 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 are definitely a major driver of total state revenue and spending. This plan is developed with extensive review of the major financial impacts of Special and Federal cash flows and reflects their impact. Using this plan, it is easy to see where the projected expenditures begin to outpace projected revenues (beginning in FY 2015), 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 anticipated future shortfalls.

Revenue

As shown in the "General Revenue Fund—Statement of Revenues by Source" (see the "Financial Statements" chapter), revenue collections are projected to rise in the short term by an annual average of less than 0.5% between FY 2012 and FY 2014 and in the longer term by roughly 2.5% per year between FY 2012 and FY 2018. With the exception of a brief one year rebound of 8.1% in FY 2011, overall revenue growth has been very sluggish since the onset of the recent Great Recession. The average annual revenue growth rate between FY 2008 and FY 2012 is just slightly more than 1.0%. Actual year-to-date FY 2013 General Revenue Fund collections through January 31, 2013, are 0.2% lower than collections for the same period in the prior year. The decrease in revenue is largely attributable to a 17.5% decrease in severance tax collections due to combination of lower energy prices and lower coal production and coal sales. Lower coal production is also a major factor in the recent trend of decline in payroll employment during the second half of CY 2012 with a net loss in mining and logging employment of nearly 5,000 jobs over the past year. Several other sectors of the economy also posted job losses in recent months. Lower employment translates to very sluggish growth in personal income tax, the single largest source of General Revenue for the state. Through the first seven months of FY 2013, personal income withholding tax revenues are just 1.8% above prior year collections, and sales and use tax receipts are down by an adjusted 1.7%. Payroll employment is forecast to slowly rebound from the recent decline with the growth rate improving from an annual average of 0.5% between 2012 and 2014 to an annual average of roughly 1.0% between 2014 and 2018.

Executive Summary Six Year Financial Plan

The coal industry is in a state of contraction due to a trend of decline in demand for domestic steam coal. The recent natural gas industry boom is also slowing due to declining energy prices and the current imbalance between production and demand. The decline in domestic steam coal demand is partially attributable to a combination of recent mild winter weather patterns, an oversupply of low-cost competing natural gas from shale production, a sluggish national economy with below average energy demand growth, and stricter environmental standards for electric power plants. In response to stricter environmental standards, the electric power industry plans to retire 8.5% of its total national coal-fired electric power generation capacity, including roughly 15% of West Virginia coal-fired electric power generation capacity, between 2012 and 2016. The share of national electric power production from coal is also declining from roughly 43% last year to 37% this year with the decreasing market share offset by an increase in the use of natural gas. Increasing foreign demand for coal and other products partially offsets decreases in the domestic market. The value of West Virginia based foreign good exports through November 2012 was nearly \$10.5 billion, an amount that is 28% higher than the prior year. Nationally, steam coal exports nearly doubled this year, but a slowing global economy has led to a year-to-date 17% decline in metallurgical coal exports. Future uncertainty in European markets (accounting for more than 40% of all West Virginia exports) as well as in many other foreign markets remains a key factor to the current forecast of very sluggish revenue growth over the near term forecast period. Steam coal production and prices are also likely to soften over time due to increased competition from other coal producing states, increased competition from lower priced natural gas, and increased environmental regulation of coal-fired power plants. State coal production is anticipated to gradually decrease from the 140 million ton average of the past few years to slightly more than 100 million tons by the end of the forecast period. Reduced severance tax revenues from coal should be partially offset by increased revenues from natural gas associated with continued development of natural gas from the Marcellus Shale formation. However, any significant gains in natural gas severance tax revenues will hinge upon a rebound in natural gas prices from their recent lows. The abundance of low-cost natural gas should also translate to some rebound in the manufacturing sector in the near future along with some related gains in both sales tax and income tax collections.

Recent tax law changes phasing out the sales tax on groceries for home consumption between January 2012 and July 2013 and phasing in a coal severance tax revenue sharing program benefiting local county governments between FY 2013 and FY 2017 will also contribute toward slower State revenue growth in the short term. The aggregate value of these two changes is in excess of \$100 million, including roughly \$80 million in tax relief to residents. Following a two year period of little or no anticipated increase, General Revenue Fund growth for the FY 2014 to FY 2018 period is forecast to average a much better 3.5% in comparison with the long-term average General Fund growth rate of 4.0%. A portion of the improved growth is tied to the anticipated reallocation of \$60.4 million in annual personal income tax receipts from the Old Workers Compensation Debt Fund back to the General Revenue Fund as early as FY 2017.

Expenditures

State agencies were asked to submit their FY 2014 general revenue appropriation requests at 92.5% of their previous fiscal year's budgeted levels, less any onetime appropriations. The FY 2014 general and lottery revenue base budget of \$4.640 billion as recommended by the Governor is \$121 million higher than the FY 2013 base budget funding level of \$4.519 billion with the biggest base funding increase again attributable to the Medicaid program. Medicaid's general and lottery revenue base funding increases by \$142 million while all other base funding items in the FY 2014 budget decrease by a net \$21 million. Various onetime appropriations are also being recommended by the Governor to be funded using previous years' cash surpluses currently on hand.

Beginning with FY 2015, projected expenditures start to outpace projected revenues. The main cost driver in the "Six Year Financial Plan's" out-years continues to be providing health care through the Medicaid program. It is a goal of Governor Tomblin to work to contain the growth of this key budget driver in order to be able to fund other priorities required of state government.

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

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general revenue surplus, of which \$28 million was transferred to the Rainy Day Fund and \$65 million appropriated for Medicaid. The Governor recommends, in upcoming FY 2013 surplus supplemental appropriations, using the remaining \$7 million of surplus to fund onetime needs. Lottery funds ended FY 2012 with surpluses totaling \$122 million, of which \$40 million was used to balance FY 2013 budgets, \$67 million is recommended by the Governor to be appropriated to Medicaid, and \$15 million be used to help balance FY 2014's budget. Our current FY 2013 general revenue collections are close to estimates. Lottery revenue collections for FY 2013 are on pace to exceed their revenue estimates, and the Governor recommends that up to \$50 million of any surpluses at the end of FY 2013 be appropriated for Medicaid.

**Six Year Financial Plan
Through FY 2018
General and Lottery Revenues**
(In Thousands)

	Actual FY 2012	Budgeted FY 2013	Recommended FY 2014	Projected FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018
Estimated Revenue							
General Revenue	\$4,103,305	\$4,149,751	\$4,140,751	\$4,280,601	\$4,414,471	\$4,624,900	\$4,758,350
General Revenue - (Surplus used/available from previous FYs)	224,866	74,500	0	0	0	0	0
Expirations	0	104,426	0	0	0	0	0
Lottery	178,340	128,627	136,982	127,955	127,956	127,956	127,956
Lottery - (Surplus used/available from previous FYs)	(12,050)	16,398	14,592	0	0	0	0
Excess Lottery	248,731	173,877	163,922	170,949	170,949	170,949	170,949
Excess Lottery - (Surplus used/available from previous FYs)	(21,814)	91,521	50,000	0	0	0	0
Total Available	\$4,721,378	\$4,739,100	\$4,506,247	\$4,579,505	\$4,713,376	\$4,923,805	\$5,057,255
Estimated Expenditures							
Previous Year's Base Budget			\$4,519,656	\$4,640,088	\$4,827,187	\$4,900,404	\$5,027,765
(Base Budget FY13) and (Base Budget Growth for out-years): *							
Legislature		24,452	0	750	700	1,100	700
Supreme Court		97,678	2,781	3,100	3,000	4,700	3,000
Public Defender		31,622	0	0	0	0	0
PERS Employer Contribution		59,385	2,121	0	0	0	0
PEIA Premiums		338,424	2,407	15,000	16,000	17,000	18,000
Teachers' Retirement Savings Realized		28,061	2,794	2,000	2,000	2,000	2,000
Teachers' Retirement System		430,676	26,068	0	0	0	0
State Aid to Schools (PEIA and Retirement included above)		1,224,392	(13,231)	(1,557)	(1,124)	(1,088)	(936)
Public Education - All Other		188,509	3,959	1,612	1,636	1,661	1,688
DHHR- Medicaid		426,063	142,000	95,630	41,599	44,482	72,814
DHHR- Non-Medicaid		500,593	19,894	2,000	2,000	2,000	2,000
Correctional Facilities		158,536	0	4,000	2,000	2,000	2,000
State Police		66,107	484	500	500	500	500
Public Safety Retirement Plan A / State Police Plan B		20,128	9,708	0	0	0	0
Higher Education		486,882	2,500	500	0	(3,000)	0
All Other Items (net)		438,148	(5,573)	8,100	(100)	0	0
Salary Enhancements **			6	50,464	6	51,006	0
Unanticipated Expenditures			0	5,000	5,000	5,000	5,000
Budget Cut 7.5%			(75,486)				
Total Ongoing Base Budget	\$4,430,627	\$4,519,656	\$4,640,088	\$4,827,187	\$4,900,404	\$5,027,765	\$5,134,531
Onetime Expenditures, Expirations and Adjustments	262,539	41,285		17,109	5,000	5,000	5,000
Onetime Reduction Adjustments		(2,500)	(133,841)				
Transfer to Rainy Day Fund	28,178						
Recommended Supplementals		180,659					
Estimated Balance (Gaps)	\$34	\$0	\$0	(\$264,791)	(\$192,028)	(\$108,960)	(\$82,276)

Note: This six year financial plan is a tool for analyzing future budgets. Out-year gaps must be balanced.

* FY 2014-FY 2018 Expenditure Growth is the additional amount required annually to fund existing programs.

** Includes base building pay raise of 2% for FY 2015 and FY 2017.

Executive Summary *Six Year Financial Plan*

While continuing to use our conservative budgeting approach, the budget for FY 2014 includes major increases for the State's share of Medicaid funding and social services. Funding is also included to fully fund Public Education's School Aid Formula (including a proposed change to the calculation of the allowance for alternative fuel buses) and all retirement system obligations. Although there will be challenges in future budgets, upcoming budget gaps must be addressed and balanced. The Governor is also dedicating surpluses toward other necessary onetime improvements. Careful budgetary planning and responsible government initiatives will continue to serve West Virginia well during these challenging economic times.

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 2012 totaled \$4.103 billion. FY 2013 estimated collections total \$4.150 billion. The General Revenue collection amounts are projected to decrease slightly by \$9 million for FY 2014 (over anticipated FY 2013 collections), then increase by 3.4% for FY 2015, and increase by an average of 3.6% per year for FY 2016 through FY 2018.

General Revenue—(Surplus used/available from previous FYs)

The Governor recommends that \$7 million of the \$7.034 million of currently unappropriated surplus General Revenue be used to fund various onetime needs. These recommended appropriations are in addition to the \$67.5 million that has already been appropriated during FY 2013, bringing the total to \$74.5 million (the amount shown in the FY 2013 budgeted column).

Expirations

To help balance the FY 2014 budget, \$104.426 million of excess cash in various general revenue reappropriated and special revenue accounts is recommended to be expired to the FY 2013 general revenue surplus balance. These dollars are proposed to be used to fund the Governor's recommended supplementals, which include additional funds for the FY 2013 funding shortfalls in the Public Defender Services and Child Care Program. Other major proposed supplementals include funding for the State's new financial system, the Medicaid Program, and various correctional system programs.

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. Lottery revenues are projected to fall about 28% from FY 2012 to FY 2013, then remain relatively flat through FY 2018.

Lottery—(Surplus used/available from previous FYs)

Lottery Surplus available from previous fiscal years of \$16.398 million was used to balance FY 2013. An additional \$14.592 million of surplus funds is recommended to be used to balance FY 2014 appropriations in the Regular Lottery Fund.

Excess Lottery

The Excess Lottery Fund will continue to be a major source of funding, although increased lottery sales competition from other states will continue to affect collections in FY 2014 and the out-years. Revenues are projected to decrease by about \$10 million from FY 2013 to FY 2014 and remain relatively flat through FY 2018.

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

Excess Lottery Surplus available from previous fiscal years of \$24.088 million was used to balance FY 2013. Also in FY 2013, the Governor recommends that the \$67.433 million surplus that currently remains in the Excess Lottery Fund be used to prefund some of Medicaid's FY 2014 additional base funding requirements. The Governor also recommends that up to \$50 million of any Excess Lottery Revenue surplus remaining at the end of FY 2013 also be appropriated for Medicaid during FY 2014.

Total Available

This line shows the total revenues available 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 service and any additional increases of funding required to continue an ongoing level of services.

(Base Budget FY 2013) 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 2013 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth for out-years (FY 2014–FY 2018) 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 2013 to determine that particular fiscal year's Total Ongoing Base Budget. For FY 2014, most items have been recommended to be increased while only three 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 requested. The Legislature requested their FY 2014 base appropriation be the same as their FY 2013 base appropriation, therefore no change is shown in the FY 2014 column. The Legislature's future budgets are estimated to grow each year at the same growth rate as the total available revenues.

Supreme Court. The Constitution requires that the Governor recommend funding for the Supreme Court as they requested. The Supreme Court requested \$2.747 million more than their appropriations for FY 2013. Also included is an increase of \$34,000 for the Judge's Retirement System, which takes that line item to the actuarial required funding level. The Supreme Court's future budgets are estimated to grow each year at the same growth rate as the total available revenues.

Public Defender. The Public Defender Services Office continues to require increased funding each year. In addition to the FY 2013 appropriation of over \$31.8 million, the Governor recommends a supplemental surplus appropriation of \$11.5 million (included in the FY 2013 "Recommended Supplementals" line of the Six Year Financial Plan), bringing the total FY 2013 appropriations to over \$43.3 million.

PERS Employer Contribution. Because investments earned only 1% during FY 2012, an increase in the employer match contribution from 14.0% to 14.5% of salary costs in FY 2014 is required, costing the General and Lottery funds an additional \$2.121 million in FY 2014. The FY 2015–FY 2018 estimates assume investments return to the annual 7.5% gains required in the long-term funding plan, but additional increases in the employer match rate may be required after FY 2014.

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PEIA Premiums. Funding is only increased as required by the School Aid Formula by \$2.407 million to cover PEIA employers' premium match for FY 2014. The School Aid Formula allows for the funding of 21 additional positions in FY 2014, and the PEIA line has also been adjusted for an estimated 1% increase in the average PEIA premium. Significant increases are projected over the course of the next four 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 premiums. Thus, PEIA's outlook for the future 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. Additional funding increases of about 4.5% are shown in the out-years. The current financial plan includes increase in claims expenses that will be offset with PEIA reserves of \$11.6 million and a \$4 million onetime special revenue transfer.

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 funding in FY 2014 of an additional \$2.794 million, bringing the total funding for FY 2014 to \$30.855 million.

Teachers' Retirement System. The State has made significant strides toward the long-term funding of the State's retirement systems. 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, result in total additional deposits of \$1.680 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 53% funded at the end of FY 2012.

Due to investment gains of only about 1% occurring in FY 2012, the current amortization schedule for the Teachers' Retirement System requires additional funding in FY 2014 of \$26.068 million more than the FY 2013 funding level. 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 2015–FY 2018 assumes future 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) calls for a net decrease of \$9.067 million for FY 2014. Notable changes, called for by the School Aid Formula, from the prior year's base budget include additional funding for transportation costs (due mostly to increases in fuel costs), increased funding in Local Share of \$10.3 million, 21 additional positions funded, and decreased funding in the Professional Educators line (mostly due to changes in years of experience). Also proposed is a change to the calculation of the Additional Allowance for Alternative Fuel Buses that is currently part of the Transportation Allowance. Budget projections for the out-years are based on projected student enrollments and cost estimates relating to the School Aid Formula.

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. Also, adjustments for Increased Enrollment and other statutory requirements are also accounted for here.

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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. The administration is committed to containing the burgeoning costs of this program. Medicaid costs will continue to put a heavy burden on State revenues, and program changes are inevitable in order to avoid future funding crises.

Developing changes in this program are exceedingly difficult because Medicaid operates as an entitlement program for all citizens that meet the eligibility criteria, and the cost of the program is determined by the number of eligible individuals, how often they utilize health care services, and the cost of the health care services. Therefore, the State must budget for all program costs incurred by the clients. The program costs cannot be controlled through budget restrictions and appropriation caps without changes to the eligibility criteria, the types of services covered, or the rates paid for services. Reducing program eligibility, eliminating covered services, and reducing payments for services may shift the burden to other social service providers as clients seek other sources of assistance. The healthcare industry in general (hospitals, physicians, clinics, etc.) may also experience the possibility of decreased revenues from the Medicaid program and an increase in uncompensated care as clients seek medical care without coverage. 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, the economy, and how health care is addressed at the federal level. If the Medicaid Provider Tax, Medical Services Trust Fund, and Lottery sources of the State match remain relatively constant and costs continue to climb, the General Revenue Fund will have to supply the additional funds. In recent years, West Virginia per capita income has been rising faster than national per capita income. Over time, this trend results in a lower federal match rate for Medicaid. The base match rate has decreased from 74.04% in FY 2010 to 72.04% in FY 2013 and is expected to decrease even further to 71.09% in FY 2014. The difference in federal match level falling from 74.04% to 71.09% for a program that costs more than \$3 billion is roughly \$90 million in extra State funds.

In FY 2013, Medicaid total expenditures (federal and state) are estimated to be about \$3.1 billion. Of this total, \$2.2 billion is the federal share, while \$880 million is the state share. Appropriations in FY 2013 from General Revenue, Lottery, Medical Services Trust Fund, the Provider Tax, and other State Certified Match make up the state share. In recent years, the State has relied upon one-time federal funds and other one-time trust funds to pay a significant portion of the state share of Medicaid. Estimates show these one-time revenue sources will be completely exhausted during FY 2014.

The Governor recommends increased base funding for Medicaid of \$142 million, which keeps base funding at current program offering levels.

DHHR - Non-Medicaid. The Governor recommends an increase of \$19.894 million in the FY 2014 base budget for DHHR non-Medicaid related items. These changes include \$10.445 million in additional funding for the Child Care Program, \$7.637 million increase in Social Services, a \$0.188 million decrease to Primary Care Centers Mortgage funding, and a \$2 million increase for Community Support. The out-years reflect additional funding for various DHHR needs.

Correctional Facilities. To tackle the issue of prison overcrowding, a data-driven policy framework was presented to a bipartisan panel of state cabinet members, lawmakers, judges, prosecutors, and other state and local leaders, along with results of a comprehensive analysis of West Virginia's criminal justice system. A plan was created to make West Virginia's communities safer and its criminal justice system run more effectively. This proposed policy framework

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is estimated to save taxpayers more than \$140 million and reinvest \$25.5 million in substance use and addiction treatment for people on community supervision. A public safety package has been developed that provides a set of solutions designed to change offender behavior and reduce recidivism. The framework maximizes correction dollars and improves public safety.

The Governor will ask the Legislature to act on the recommendations in this comprehensive approach, which is called “Justice Reinvestment,” so that our state can share in the success experienced in states across the country that have implemented similar policies that help cut crime and reduce spending.

Analysis found that, over the past ten years, the number of people in West Virginia’s prisons rose three times faster than the national average. The growth has been a significant factor in forcing approximately one-quarter of people sentenced to state prison to spend those terms in regional jails, which are now operating above capacity. If the state does not take action, in the next five years the prison population is expected to increase 24%, costing taxpayers at least \$200 million in construction costs and \$150 million in projected operating costs. The policy framework adopts risk assessment to identify a person’s likelihood of recommitting crime, provides community supervision agencies with tools and resources to hold offenders accountable in meaningful ways through using swift and certain responses to violations, and ensures that no one will be released from prison to the community unsupervised.

State Police. Funding is added for statutory longevity and career progression increases of \$483,831.

Public Safety Retirement Plan A /State Police Plan B. The current amortization schedule for the Public Safety Retirement Plan A requires \$9,984,000 more funding in FY 2014. The employer contribution for the State Police Retirement Plan B will decrease from 15.5% to 14.5% of employees’ salaries which will reduce funding needs by \$276,000 in FY 2014. FY 2015–FY 2018 assumes investment earnings of 7.5%.

Higher Education. Higher Education’s FY 2014 base budget is increased by \$2 million for West Virginia Education, Research and Technology Park operations and by \$500,000 for Community and Technical Colleges’ Advanced Technology Center operations.

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 2014, additional funding is included for debt service for Cacapon State Park and for operations at the Division of Forestry. Reductions were made to Lease Rental Payments, Local Economic Development Assistance, and Court of Claims. Various other minor program adjustments are also included here.

Salary Enhancements. FY 2014 includes funding for the continued phase-in of the Secretary of Veterans Assistance salary. The out-years include monies for possible pay raises of 2% in FY 2015 and FY 2017.

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

Budget Cut 7.5%. Balancing the FY 2014 Budget will be a challenge that requires fiscal discipline. Projections in last year’s Six Year Financial Plan showed a significant funding gap of \$389 million for FY 2014 that needed to be closed. Due to the recent sluggish national economy and a slowdown in the mining of coal, anticipated revenues are not expected to keep pace with costs for current programs. Moreover, as we have long expected, competition by bordering states is anticipated to lead to a softening of lottery revenues.

In the face of these revenue challenges, appropriations for expenditures at current program base levels for FY 2014 must be adjusted. Our current Medicaid program alone requires additional funding of \$142 million above its FY 2013 base appropriation. Importantly, these costs are not related to any Medicaid expansion. Increased funding is also needed for our retirement systems because investment returns last fiscal year were below the actuarially assumed 7.5%.

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Our philosophy of conservative fiscal management has us well positioned to handle the challenges presented with the FY 2014 budget. Consistent with our commitment to provide a balanced budget and long-term fiscal stability, we as a State must take measures to reduce the overall FY 2014 expenditure growth and position the State to balance budgets in the years that follow. Therefore, targeted budgeted reductions are required at this time.

Budget reductions are never easy. But, as good financial stewards, there are times when we must do more with less. We must continue to be good stewards of taxpayer dollars.

Generally speaking, General Revenue and Regular Lottery Revenue FY 2014 agency budget requests were submitted to the State Budget Office at 92.5% (7.5% reduction) of the FY 2013 base budget (FY 2013 appropriation less any onetime appropriations). Targeting these reductions as a one-size fits all approach is not appropriate at this time. Therefore, many programs were exempted from these budget cuts. Major programs exempted include: Debt Service; Public Defender Services; various Public Education programs (including the School Aid Formula); Rehabilitation Services; Miners' Health, Safety, and Training; various other health programs; Medicaid; Social Services; various other Human Services programs; Corrections; State Police; and the Veterans Nursing Home. Total targeted 7.5% base budget cuts amounted to \$75.486 million.

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 not rely on additional state funding in the near future.

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 on-going level of services. This amount is carried forward to the next fiscal year and becomes its beginning base budget.

Onetime Expenditures, Expirations, and Adjustments. 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 2013 total \$41.285 million. FY 2014 appropriations do not contain any onetime expenditures—all onetime funding needs for FY 2014 are proposed to be funded from FY 2013 surplus funds. FY 2015 onetime expenditures include additional estimated funding for the state's enterprise resource planning (ERP) system.

Onetime Reduction Adjustments. Included in FY 2014 is a onetime adjustment of \$2.5 million in the Volunteer Fire Departments' workers' compensation subsidy (there is a sufficient balance available for FY 2014), a \$15.759 million onetime adjustment of PEIA in the School Aid Formula due to excess balances on deposit for local school boards, a onetime \$20 million funding source adjustment for Teachers' Retirement due to funding from a special revenue source in FY 2014, and prefunding of \$95.582 million for FY 2014 Medicaid base building that is recommended to be funded from unappropriated FY 2013 sources. These onetime reductions are included in the beginning base budget for FY 2015 and beyond.

Transfer 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 2012 with a surplus of \$102 million, of which \$28.178 million was transferred to the Rainy Day Fund A (which brought the Rainy Day Fund A to 13% of the total appropriations of FY 2012).

Recommended Supplementals. The Governor recommends FY 2013 supplementals (including surplus supplementals) of \$180.659 million. These include funding for Child Care, Public Defender, ERP, Medicaid,

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Corrections, Higher Education, and various other programs. A complete summary by funding source is available in the “Financial Statements” section.

Estimated Balance (Gaps)

The Estimated Balance 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” beginning in FY 2015, substantial budget gaps are predicted. These future budget gaps must be and will be addressed and balanced.

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 2014, is still 17 months into the future from the date the projections were completed. The General Revenue Fund estimate is over \$4.1 billion for FY 2014. Just a one percent deviation from the estimate will result in a \$41 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$82 plus million (\$41 million under estimate to \$41 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? How will federal health care legislation affect West Virginia? 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 Medicaid, a one percent change in the federal match rate results in a difference in state funding of approximately \$30 million.

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

Budget Summary

FY 2012

Again, West Virginia ended the fiscal year with surpluses in General Revenue (\$102 million) and Lottery Revenues (\$122 million). The General Revenue Fund maintained a strong cash flow throughout the year, and we paid our bills on time. We held our bond rating upgrades received in the previous fiscal year. We funded 100% of our required retirement contributions in FY 2012. West Virginia’s rainy day funds totaled \$851 million at the end of FY 2012 and were among the best funded in the country.

FY 2013

FY 2013’s General Revenue collections are officially estimated to be \$4.150 billion or 1.13% more than the FY 2012 actual revenue collections. Through the first seven months of FY 2013, collections were \$7.9 million below official estimates.

Regular Lottery and Excess Lottery revenues estimates available for appropriation in FY 2013 decrease significantly from FY 2012 actual collections. Lottery collections through the first seven months of FY 2013 were 15.9% above estimate.

FY 2013’s major budget expenditure driver continues to be Medicaid. Additional major funding increases were appropriated for Social Services, Correctional facilities, and ERP.

*Executive Summary
Six Year Financial Plan*

FY 2013 expenditures from General and Lottery Funds are expected to total \$4.7 billion.

FY 2014

The FY 2014 general revenue official estimate of \$4.141 billion is \$9 million below the FY 2013 official general revenue estimate of \$4.150 billion. Lottery and Excess Lottery revenues available for appropriations are expected to drop by \$1.6 million.

Targeted budget cuts of 7.5% for many agencies are included in the Governor's FY 2014 budget proposal. These cuts total to \$75.486 million.

Major budget expenditures recommended for FY 2014 include an additional \$142 million in state Medicaid funding. Additional funding of almost \$7.6 million for Social Services is also included in the Governor's recommendations, as is \$10.4 million of new base-building dollars for Child Care. Higher Education receives increased base building funding of \$2.5 million. Also, due to weak investment earnings, the Public Employees Retirement System's employers' match will increase from 14.0% in FY 2013 to 14.5% in FY 2014. This will require increased funding in General and Lottery revenue funds of over \$2 million in FY 2014. The Teachers' Retirement required funding will increase by almost \$29 million while the State Troopers' Retirement requirements increase \$9.7 million, also due mostly to smaller than expected investment gains in FY 2012. FY 2014 total expenditures from General and Lottery Funds are expected to total \$4.5 billion. Careful budgetary planning, with an eye on future budget requirements, will continue to be a fundamental part of West Virginia's approach to maintaining balanced budgets while providing necessary services to her citizens.

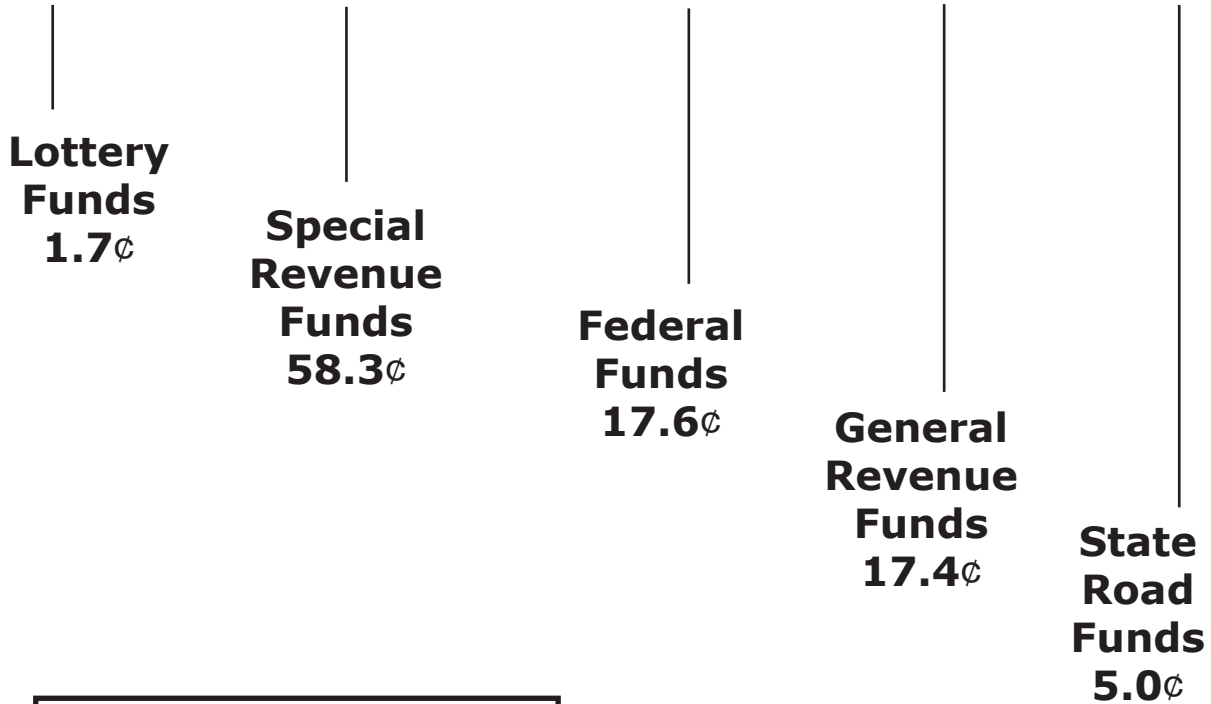
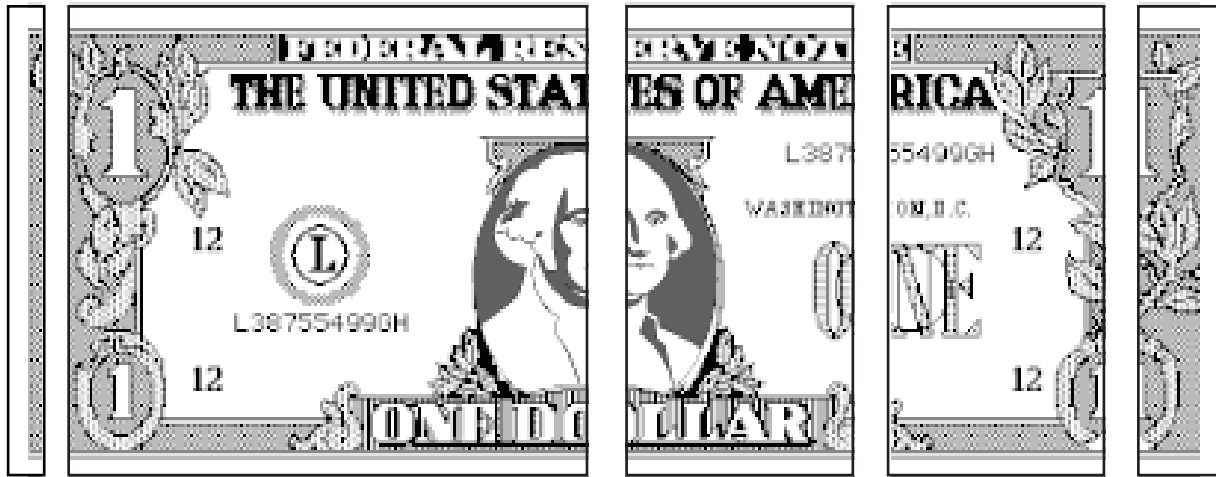
FINANCIAL STATEMENTS



Financial Statements

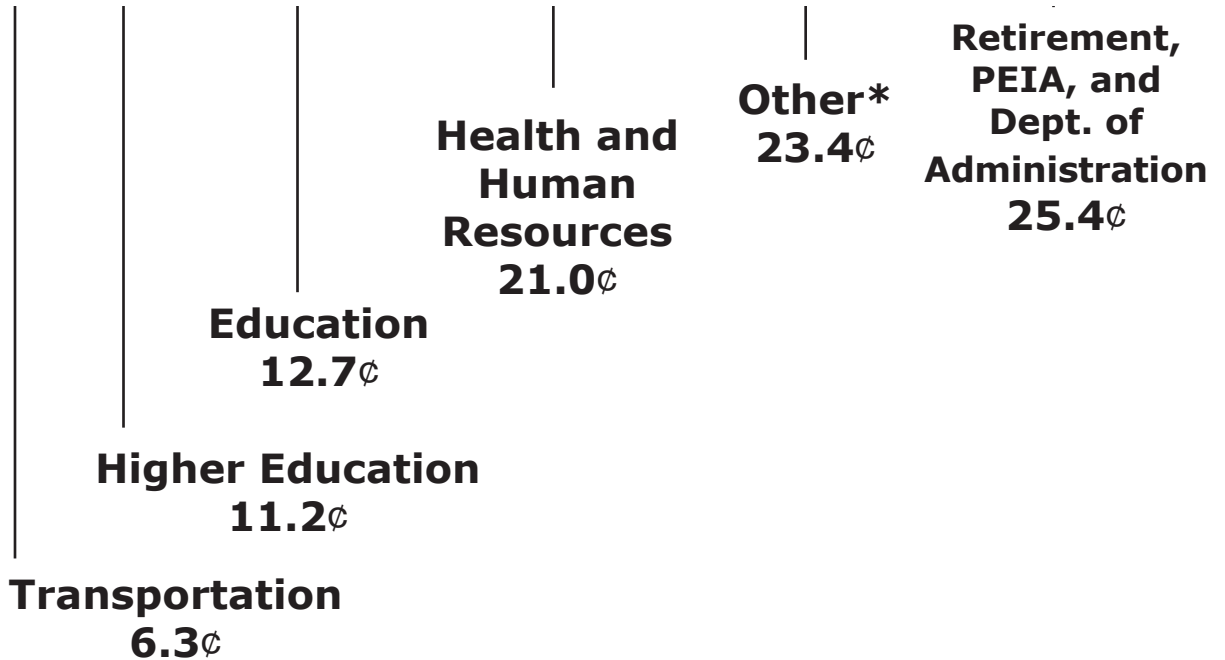
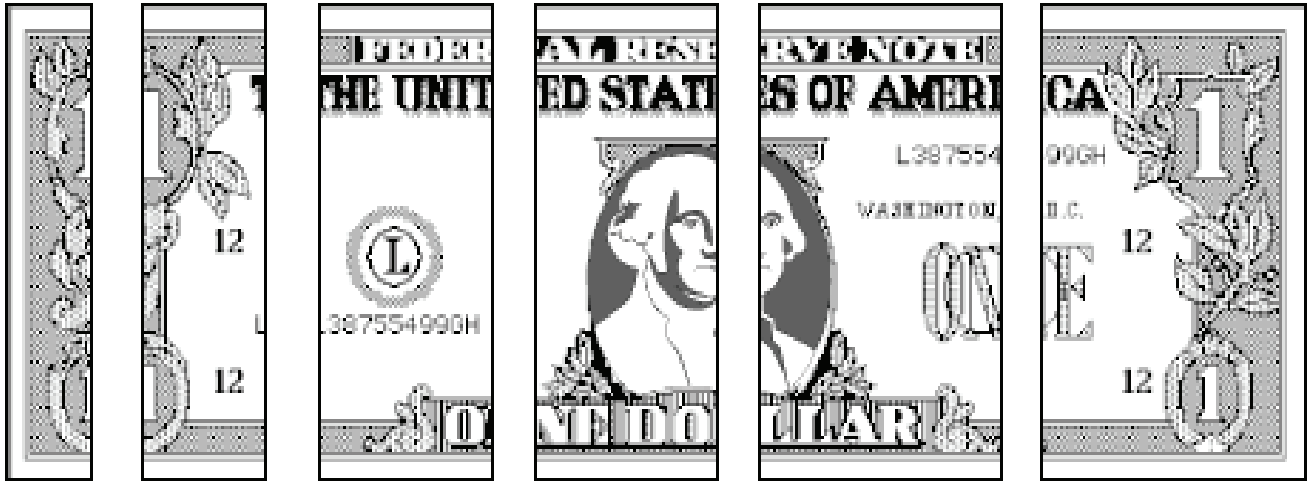
The following pages contain financial information and statements related to all funds of the State. Included are:

- Graphics of Total FY 2014 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, 2012
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2012
- General Revenue Fund — Statement of Revenues by Source FY 2010 through FY 2018
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund — Overview by Functional Category FY 2012 through FY 2014
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2013
- General Revenue Fund — Recommended Supplemental Appropriations FY 2013
- General Revenue Fund Major Constitutional and Statutory Requirements FY 2014
- Lottery Fund — Overview by Functional Category FY 2011 through FY 2014
- 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 2012 through FY 2014
- State Road Fund — Statement of Revenues by Source FY 2010 through FY 2016
- State Road Fund — Statement of Revenues, Expenditures and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2012
- Major Reserve/Stabilization Accounts



TOTAL REVENUE
\$23.9 Billion
(All Funding Sources)

Where The State Dollar Comes From (FY 2014 Estimate)



*Other	23.4¢	
Legislature		0.2¢
Judicial		0.6¢
Executive		1.0¢
Commerce		1.8¢
Education & the Arts		0.9¢
Environment		2.3¢
Military Affairs & Public Safety		3.7¢
Revenue **		10.5¢
Senior Services		0.4¢
Veterans Assistance		0.1¢
Misc. Boards & Commissions		1.9¢

TOTAL EXPENDITURES
\$20.4 Billion
(All Funding Sources)

** Revenue includes payment of claims from Insurance Commissioner's Workers' Compensation Trust Funds.

Where The State Dollar Goes (Governor's Recommended FY 2014 Budget)

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 2012, FY 2013, and FY 2014, 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 Special 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.

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 2012 Actuals are the total actual revenues and expenditures for all funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

The FY 2013 Budgeted revenue estimate for the General Revenue Fund and State Road Fund reflects the Governor’s official revenue estimate as submitted to the Legislature on January 11, 2012. The Governor provides the official revenue estimates for the budget, and those estimates do not require legislative approval.

FY 2013 Budgeted expenditures reflect the amounts budgeted for FY 2013 prior to the beginning of the 2013 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*

Why Budgeted Expenditures Appear Significantly Different from Actual and Recommended Expenditures

While the Actual FY 2012 amounts include reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended FY 2014 expenditures do not reflect any anticipated reappropriations being available during FY 2014. Although the FY 2013 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. Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2013 will be less than the total authorized budgeted amounts.

For General Revenue and Special Revenue funds, the prior year reappropriated amounts are significant. The General Revenue Fund budgeted FY 2013 expenditures include \$476.9 million and the Appropriated Special Revenue funds (includes Lottery funds) include \$193.5 million in reappropriated amounts. These reappropriated funds are included in the FY 2013 Budgeted expenditures as a separate line, and it may appear that the FY 2013 Budgeted expenditures are not in line with the actual FY 2012 expenditures or the FY 2014 recommendations.

FY 2014 Recommendations are the amounts that the Governor is proposing to the Legislature for appropriation. As discussed above, the recommendations do not include any amounts that will ultimately be available for expenditure as a reappropriated or surplus expenditure.

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

	General Fund			State Road Fund		
	Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014	Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014
Beginning Fund Balance	\$764,346	\$578,831	\$34	\$125,907	\$46,375	\$45,922
Transfer to Rainy Day Fund	(150,668)	(28,178)	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	5,117	525	-	-	-	-
Prior Year Refunds/Redeposits	326	248	-	-	-	-
Reserve for Cash Flow/Contingencies	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	104,426	-	-	-	-
Revenues						
Revenue Collections/Estimate	4,103,305	4,149,751	4,140,751	1,157,479	1,209,806	1,204,860
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	4,103,305	4,149,751	4,140,751	1,157,479	1,209,806	1,204,860
Expenditures						
Legislature	31,082	30,509	24,852	-	-	-
Judicial	126,817	122,321	125,512	-	-	-
Executive	60,038	46,438	41,214	-	-	-
Administration	128,540	74,268	71,580	-	-	-
Commerce	71,051	68,382	64,570	-	-	-
Education	1,963,954	2,008,976	1,998,521	-	-	-
Education and the Arts	34,312	34,101	33,044	-	-	-
Environment	12,309	8,343	7,740	-	-	-
Health and Human Resources	847,518	934,237	930,839	-	-	-
Military Affairs & Public Safety	362,398	359,542	362,594	-	-	-
Revenue	31,848	29,964	27,797	-	-	-
Transportation	7,589	7,151	6,618	1,237,011	1,209,259	1,201,721
Veterans Assistance	10,604	11,592	11,321	-	-	-
Senior Services	15	23,483	10,131	-	-	-
Higher Education	455,520	456,144	424,418	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
Total Expenditures	4,143,595	4,215,451	4,140,751	1,237,011	1,209,259	1,201,721
Reappropriations Available	-	476,892	-	-	-	-
Recommended Supplemental	-	1,800	-	-	1,000	-
Recommended Surplus Supplemental	-	111,426	-	-	-	-
Adjustments*	-	-	-	-	-	-
Ending Fund Balance	\$578,831	\$34	\$34	\$46,375	\$45,922	\$49,061

* Includes cash not needed for appropriation and differences in reappropriations available and expended.

** Some revenue and expenditures may be double counted.

Appropriated Special Revenue Funds			Appropriated Lottery Fund			Appropriated Excess Lottery Fund		
Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014	Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014	Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014
\$1,618,651	\$1,710,610	\$1,415,417	\$58,939	\$30,982	\$14,592	\$75,416	\$91,502	\$0
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(40,000)	-	-	(35,300)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	178,340	128,627	136,982	406,631	309,637	256,522
1,618	1,780	4,097	-	-	-	-	-	-
1,037	1,000	1,000	-	-	-	-	-	-
27,033	26,738	31,250	-	-	-	-	-	-
111,885	87,756	86,065	-	-	-	-	-	-
25,514	24,970	30,727	-	-	-	-	-	-
3,395	4,134	4,134	-	-	-	-	-	-
1,463	3,301	3,299	-	-	-	-	-	-
48,339	50,885	51,368	-	-	-	-	-	-
357,865	395,097	358,011	-	-	-	-	-	-
24,454	26,403	27,295	-	-	-	-	-	-
377,871	683,726	685,884	-	-	-	-	-	-
11,059	8,184	8,184	-	-	-	-	-	-
468	3,550	3,550	-	-	-	-	-	-
10,500	10,500	10,500	-	-	-	-	-	-
83,575	81,561	48,763	-	-	-	-	-	-
107,187	78,296	76,924	-	-	-	-	-	-
1,193,263	1,487,881	1,431,051	178,340	128,627	136,982	406,631	309,637	256,522
1,748	4,097	4,197	-	-	-	-	-	-
1,000	1,000	1,000	-	-	-	-	-	-
24,939	33,759	34,984	-	-	-	13	-	-
108,019	86,635	85,916	9,995	10,000	10,000	26,945	-	-
24,730	35,880	34,045	12,877	10,762	9,973	6,143	5,400	5,000
3,185	4,134	4,134	44,734	48,611	46,721	66,134	19,000	19,000
1,773	4,108	4,108	18,513	19,929	18,248	-	-	-
44,525	69,904	69,280	-	-	-	-	-	-
328,546	579,203	409,814	-	-	-	-	24,504	-
20,511	29,423	28,931	-	-	-	4,143	-	-
385,004	683,192	702,126	-	-	-	174,116	132,661	122,122
7,595	16,341	15,492	-	-	-	-	-	-
3,954	6,646	3,500	-	-	-	-	-	-
9,473	10,500	10,500	64,209	42,834	54,394	-	-	-
87,536	48,762	48,763	14,414	12,889	12,238	44,956	44,000	44,000
48,766	80,801	80,695	-	-	-	64,989	65,000	66,400
1,101,304	1,694,385	1,537,485	164,742	145,025	151,574	387,439	290,565	256,522
-	88,689	-	-	35,955	-	-	68,853	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	67,433	-
-	-	-	1,555	(35,963)	-	(32,194)	(25,712)	-
\$1,710,610	\$1,415,417	\$1,308,983	\$30,982	\$14,592	\$0	\$91,502	\$0	\$0

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

	Appropriated Federal Funds			Total Appropriated Funds		
	Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014	Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014
Beginning Fund Balance	\$99,444	\$74,589	\$57,148	\$2,742,703	\$2,532,889	\$1,533,113
Transfer to Rainy Day Fund	-	-	-	(150,668)	(28,178)	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	5,117	525	-
Prior Year Refunds/Redeposits	-	-	-	326	248	-
Reserve for Cash Flow/Contingencies	-	-	-	(75,300)	-	-
Recom. Expirations to General Revenue	-	-	-	-	104,426	-
Revenues						
Revenue Collections/Estimate	-	-	-	5,845,755	5,797,821	5,739,115
Legislature	1,977	3,000	3,000	3,595	4,780	7,097
Judicial	510	1,632	1,632	1,547	2,632	2,632
Executive	114,759	83,470	27,702	141,792	110,208	58,952
Administration	49,581	37,966	47,957	161,466	125,722	134,022
Commerce	79,634	139,340	125,405	105,148	164,310	156,132
Education	369,060	473,010	459,475	372,455	477,144	463,609
Education and the Arts	69,418	104,957	104,075	70,881	108,258	107,374
Environment	132,848	197,218	200,755	181,187	248,103	252,123
Health and Human Resources	2,529,015	2,882,708	2,867,897	2,886,880	3,277,805	3,225,908
Military Affairs & Public Safety	100,027	159,949	159,921	124,481	186,352	187,216
Revenue	1,815	14,211	14,211	379,686	697,937	700,095
Transportation	22,687	45,596	36,772	33,746	53,780	44,956
Veterans Assistance	11,208	7,425	7,500	11,676	10,975	11,050
Senior Services	12,759	14,536	14,536	23,259	25,036	25,036
Higher Education	-	-	-	83,575	81,561	48,763
Misc. Boards & Commissions	2,294	2,766	2,716	109,481	81,062	79,640
Total Revenues	3,497,592	4,167,784	4,073,554	10,536,610	11,453,486	11,243,720
Expenditures						
Legislature	1,977	3,000	3,000	34,807	37,606	32,049
Judicial	511	1,632	1,632	128,328	124,953	128,144
Executive	115,807	84,981	29,756	200,797	165,178	105,954
Administration	45,647	47,957	47,957	319,146	218,860	215,453
Commerce	82,114	147,193	125,692	196,915	267,617	239,280
Education	369,157	473,010	459,475	2,447,164	2,553,731	2,527,851
Education and the Arts	73,371	105,020	104,104	127,969	163,158	159,504
Environment	133,598	203,414	201,907	190,432	281,661	278,927
Health and Human Resources	2,530,530	2,873,646	2,872,228	3,706,594	4,411,590	4,212,881
Military Affairs & Public Safety	119,072	160,599	159,950	506,124	549,564	551,475
Revenue	1,814	14,211	14,211	592,782	860,028	866,256
Transportation	22,643	45,596	36,772	1,274,838	1,278,347	1,260,603
Veterans Assistance	11,761	6,911	7,511	26,319	25,149	22,332
Senior Services	12,782	14,536	14,536	86,479	91,353	89,561
Higher Education	-	-	-	602,426	561,795	529,419
Misc. Boards & Commissions	1,663	3,519	3,650	115,418	149,320	150,745
Total Expenditures	3,522,447	4,185,225	4,082,381	10,556,538	11,739,910	11,370,434
Reappropriations Available	-	-	-	-	670,389	-
Recommended Supplemental	-	-	-	-	2,800	-
Recommended Surplus Supplemental	-	-	-	-	178,859	-
Adjustments*	-	-	-	(30,639)	(61,675)	-
Ending Fund Balance	\$74,589	\$57,148	\$48,321	\$2,532,889	\$1,533,113	\$1,406,399

* Includes cash not needed for appropriation and differences in reappropriations available and expended.

** Some revenue and expenditures may be double counted.

Nonappropriated Federal Funds			Nonappropriated Special Revenue Funds			Total All Funds**		
Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014	Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014	Actuals FY 2012	Budgeted FY 2013	Recommended FY 2014
\$32,430	\$45,373	\$39,979	\$14,014,765	\$14,198,711	\$17,701,977	\$16,789,898	\$16,776,973	\$19,275,069
-	-	-	-	-	-	(150,668)	(28,178)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,117	525	-
-	-	-	-	-	-	326	248	-
-	-	-	-	-	-	(75,300)	-	-
-	-	-	-	-	-	-	104,426	-
-	-	-	-	-	-	5,845,755	5,797,821	5,739,115
-	-	-	-	-	-	3,595	4,780	7,097
-	-	-	3,048	4,344	-	4,595	6,976	2,632
-	-	-	583,935	323,340	86,793	725,727	433,548	145,745
-	-	-	3,508,407	8,907,617	8,862,257	3,669,873	9,033,339	8,996,279
28,000	30,275	30,275	59,771	71,957	76,761	192,919	266,542	263,168
-	-	-	48,623	62,708	50,154	421,078	539,852	513,763
-	-	-	6,032	12,068	16,262	76,913	120,326	123,636
13,536	1,100	1,500	133,528	150,656	156,627	328,251	399,859	410,250
-	-	-	47,071	35,454	73,975	2,933,951	3,313,259	3,299,883
11,740	53,786	53,786	201,541	136,029	145,049	337,762	376,167	386,051
-	-	-	1,800,522	1,170,806	1,083,384	2,180,208	1,868,743	1,783,479
3,284	10,000	5,500	16,520	48,356	23,468	53,550	112,136	73,924
-	-	-	1,336	875	875	13,012	11,850	11,925
-	-	-	1,582	1,617	1,800	24,841	26,653	26,836
34,919	53,027	44,989	1,266,984	1,755,053	1,704,870	1,385,478	1,889,641	1,798,622
-	-	-	238,165	218,307	216,055	347,646	299,369	295,695
91,479	148,188	136,050	7,917,065	12,899,187	12,498,330	18,545,154	24,500,861	23,878,100
-	-	-	3	24	-	34,810	37,630	32,049
-	-	-	3,132	4,681	-	131,460	129,634	128,144
-	-	-	556,268	351,739	100,968	757,065	516,917	206,922
-	-	-	3,732,725	4,960,829	4,955,726	4,051,871	5,179,689	5,171,179
28,560	30,275	30,275	61,184	105,803	92,696	286,659	403,695	362,251
-	-	-	54,517	65,565	50,694	2,501,681	2,619,296	2,578,545
-	-	-	5,355	17,365	17,237	133,324	180,523	176,741
492	6,619	6,619	94,191	188,439	183,596	285,115	476,719	469,142
-	-	-	52,953	59,474	76,961	3,759,547	4,471,064	4,289,842
11,749	53,786	53,786	200,684	153,398	145,774	718,557	756,748	751,035
-	-	-	1,451,472	1,368,298	1,279,308	2,044,254	2,228,326	2,145,564
3,284	10,000	5,500	13,754	54,227	26,180	1,291,876	1,342,574	1,292,283
-	-	-	1,342	880	880	27,661	26,029	23,212
-	-	-	1,541	1,800	1,800	88,020	93,153	91,361
34,451	52,902	46,496	1,288,566	1,825,093	1,713,072	1,925,443	2,439,790	2,288,987
-	-	-	215,432	238,306	232,784	330,850	387,626	383,529
78,536	153,582	142,676	7,733,119	9,395,921	8,877,676	18,368,193	21,289,413	20,390,786
-	-	-	-	-	-	-	670,389	-
-	-	-	-	-	-	-	2,800	-
-	-	-	-	-	-	-	178,859	-
-	-	-	-	-	-	(30,639)	(61,675)	-
\$45,373	\$39,979	\$33,353	\$14,198,711	\$17,701,977	\$21,322,631	\$16,776,973	\$19,275,069	\$22,762,383

Cash and Investment Balances of All Funds
Fiscal Year Ending June 30, 2012
(Nearest Dollar)

	<u>Fund No.</u>	<u>Cash Balance</u>	<u>Investments</u>	<u>Total Balance</u>
General Revenue Fund	01	\$610,714,855	\$0	\$610,714,855
State Road Fund	02	13,375,109	43,288,581	56,663,690
Natural Resources Fund	03	6,532,682	65,228,341	71,761,023
Consolidated Pool and Investments	09	(1,713,641,363)	1,924,630,860	210,989,497
Consolidated Federal Funds (Special Revenue)	12	47,025,282	7,822,514	54,847,796
Special Revenue Funds (Departments and Institutions)	13	1,190,578,384	4,960,332,557	6,150,910,941
Special Revenue Funds (Higher Education)	14	39,103,327	379,381,263	418,484,590
Human Services Fund	16	27,632,330	189,270,977	216,903,307
Public Employees Retirement System	17	492,348	4,245,365,583	4,245,857,931
Teachers' Retirement System	18	7,592,079	4,989,731,208	4,997,323,287
West Virginia University - Medical School Fund	20	39,549	1,448,863	1,488,412
Total		\$229,444,582	\$16,806,500,747	\$17,035,945,329

Detailed Investments Fund 13 Fiscal Year Ending June 30, 2012 (Nearest Dollar)

Attorney General	\$684,329
Auditor's Office	2,797,472
Board of Risk and Insurance Management	164,505,968
Building Commission	8,315,652
Court of Claims	5,459,846
Consolidated Public Retirement Board	779,292,620
Justice and Community Services	4,105,278
Culture and History	1,984,898
Secretary of State	4,300,027
Department of Administration	520,195,709
Department of Education	2,889,970
Higher Education Policy Commission	8,851,832
Department of Education and the Arts	298,239
Secretary of Revenue	851,388,585
Department of Transportation	5,656,483
WV Economic Development Authority	43,388,955
Division of Human Services	15,128,450
Division of Labor	5,958,169
Division of Natural Resources	3,895,361
Environmental Protection	297,592,257
Division of Forestry	2,014,527
Insurance Commissioner	1,226,149,727
Lottery Commission	201,064,803
Municipal Bond Commission	302,733,730
Municipal Pension Oversight Board	28,663,893
Public Employees Insurance Agency	262,243,293
Regional Jail Authority	42,853,972
State Police	3,855,887
State Rail Authority	5,945,220
Tax Division	8,978
Treasurer's Office	135,731,285
Water Development Authority	22,377,142
Total Detail Fund 13	\$4,960,332,557

General Revenue Fund

Statement of Revenues by Source

FY 2010 Through FY 2018

(Expressed in Thousands)

Source of Revenue	FY 2010 Actual Collections	FY 2011 Actual Collections	FY 2012 Actual Collections	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate
Business and Occupation Tax	\$133,386	\$127,591	\$121,031	\$122,900	\$106,600	\$106,100	\$108,000	\$105,400	\$103,000
Consumers Sales and Use Tax ¹	1,095,686	1,148,244	1,215,973	1,197,000	1,204,000	1,231,000	1,256,000	1,304,000	1,360,000
Personal Income Tax ^{2&3}	1,446,852	1,593,169	1,688,963	1,721,600	1,770,000	1,871,700	1,980,000	2,143,700	2,240,900
Liquor Profit Transfers	14,558	15,200	15,358	15,300	15,400	15,500	15,500	15,500	15,500
Racing Fees	336	21	0	0	0	0	0	0	0
Beer Tax and Licenses	8,435	8,479	8,416	8,600	8,400	8,400	8,400	8,400	8,400
Tobacco Products Tax (Cigarette & Other)	114,128	110,760	109,609	106,600	108,100	107,300	106,400	105,600	104,700
Estate Tax	100	0	16	0	0	0	0	0	0
Business Franchise Fees	2,125	2,239	1,193	400	600	600	600	600	600
Charter Tax	176	151	74	0	0	0	0	0	0
Property Transfer Tax	7,933	8,108	8,128	8,500	10,300	11,400	11,900	12,300	12,900
Property Tax	5,834	6,016	6,051	6,100	6,300	6,450	6,600	6,800	6,950
Insurance Tax ⁴	103,677	107,202	109,665	114,500	116,000	118,300	120,800	123,800	126,900
Departmental Collections	14,807	15,840	16,541	17,000	16,500	16,600	16,700	16,800	16,900
Corporate Income/Business Franchise Tax ⁵	232,859	302,978	188,085	248,700	231,300	217,600	209,000	191,700	183,200
Miscellaneous Transfers	239	332	528	2,500	2,500	2,500	2,500	2,500	2,500
Interest Income	11,907	12,043	2,705	12,000	6,000	6,000	25,000	60,000	60,000
Severance Tax ⁶	400,591	440,875	467,902	461,500	431,300	453,700	440,000	420,800	408,800
Telecommunication Tax	76	23	96	0	0	0	0	0	0
Miscellaneous Receipts	5,884	11,924	3,483	3,500	4,400	4,400	4,400	4,400	4,500
HB102 - Lottery Transfers	127,900	127,900	127,900	92,600	92,600	92,600	92,600	92,600	92,600
Video Lottery Transfers	969	528	1,133	0	0	0	0	0	0
Liquor License Renewal	21,544	14,611	451	451	451	451	71	0	0
Senior Citizen Tax Credit Reimbursement	8,371	9,553	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total	\$3,758,373	\$4,063,787	\$4,103,301	\$4,149,751	\$4,140,751	\$4,280,601	\$4,414,471	\$4,624,900	\$4,758,350

¹Consumers Sales and Use Tax: Estimates for fiscal years 2014 - 2018 include additional revenue of roughly \$10 million per year anticipated from passage of an physical presence nexus bill.

²Personal Income Tax: Estimates for fiscal years 2014 - 2018 include additional revenue anticipated from legislation to scale back the Alternative Fuel Tax Credit and to place a \$5 million cap on the amount of Film Industry Investment Tax Credit that can be approved each fiscal year.

³Personal Income Tax: Estimates for fiscal years 2017 - 2018 include revenue of roughly \$60.4 million per year that will be returned to the General Revenue Fund in anticipation of the retirement of the unfunded Workers' Compensation Fund liability.

⁴Insurance Tax: Estimates for fiscal years 2014 - 2018 include roughly \$1.5 million per year of annual medical malpractice premiums tax revenue returned to the General Revenue Fund.

⁵Corporate Income/Business Franchise Tax: Estimates for fiscal years 2014 - 2018 include return to the General Revenue Fund of \$4.3 million per year that was previously dedicated to the Special Railroad and Enhancement Fund.

⁶Severance Tax: Estimates for fiscal years 2014 - 2018 include revenue of \$1 million per year returned to the General Revenue Fund in anticipation of lower Infrastructure Fund bond repayment requirements.

General Revenue Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Actual Beginning Cash Balance July 1, 2012	\$610,714,855	
Less:	31 Day Disbursements (July 1, 2012 - July 31, 2012)	(31,883,820)	
Plus:	Prior Year Reimbursements (July 1, 2012 - July 31, 2012)	75	
Less:	Prior Year Appropriations Forwarded	<u>(476,892,303)</u>	
	Accumulated Surplus from FY 2012 @ July 31, 2012	\$101,938,807	
Less:	Transfer to Revenue Shortfall Reserve Fund (Statutory)	(28,178,027)	
Less:	FY 2013 Surplus Appropriations (FY 2013 Budget Bill SB 160 - 2012 Regular Session)	(2,500,000)	
Less:	FY 2013 Surplus Appropriations (FY 2013 Budget Bill SB 160 - 2012 Regular Session)	(33,920,831)	
Less:	FY 2013 Surplus Appropriations (FY 2013 Budget Bill SB 160 - 2012 Regular Session)	(20,000,000)	
Less:	FY 2013 Surplus Appropriations (FY 2013 Budget Bill SB 160 - 2012 Regular Session)	(11,079,169)	
Plus:	Prior Year Reimbursements (August 1, 2012 - January 30, 2013)	248,156	
Plus:	Special Revenue Expirations to General Revenue	525,232	
Plus:	Recommended Expirations to General Revenue Surplus	104,426,362	
Less:	Recommended FY 2013 Surplus Supplemental Appropriations (2013 Regular Session)	(28,968,806)	
Less:	Recommended FY 2013 Surplus Supplemental Appropriations (2013 Regular Session)	<u>(82,457,556)</u>	
	Estimated Unappropriated Surplus Balance @ June 30, 2013		\$34,168
Plus:	FY 2013 Revenue Estimate	\$4,149,751,000	
Less:	FY 2013 Regular Appropriations	(4,147,951,000)	
Less:	Recommended FY 2013 Supplemental Appropriation (2013 Regular Session)	<u>(1,800,000)</u>	
	Estimated Unappropriated Balance from FY 2013 @ June 30, 2013		\$0
Plus:	FY 2014 Revenue Estimate	\$4,140,751,000	
Less:	Recommended FY 2014 Regular Appropriations (2013 Regular Session)	<u>(4,140,751,000)</u>	
	Estimated Unappropriated Balance from FY 2014 @ June 30, 2014		\$0
	Total Estimated Unappropriated Balance @ June 30, 2014		<u>\$34,168</u>

General Revenue Fund

Overview by Functional Category

FY 2012 through FY 2014

(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2012	Total Appropriations FY 2013 *
LEGISLATURE			
Senate	0165	\$5,906,587	\$6,452,206
House of Delegates	0170	9,134,444	9,404,031
Joint Expenses/Claims against State	0175	16,041,223	14,652,600
Subtotal		31,082,254	30,508,837
JUDICIAL			
Supreme Court	0180	126,817,198	122,320,952
EXECUTIVE			
Office of the Governor	0101	4,786,724	5,421,447
Custodial Fund	0102	619,889	606,732
Civil Contingent Fund	0105	12,128,951	2,000,000
State Auditor's Office	0116	5,416,112	3,764,313
State Treasurer's Office	0126	3,854,932	3,928,147
Department of Agriculture	0131	11,758,717	12,218,989
WV Conservation Agency	0132	13,529,140	10,358,848
Meat Inspection	0135	718,278	719,134
Agricultural Awards	0136	58,650	58,650
WV Agricultural Land Protection Auth	0607	115,878	102,726
Attorney General's Office	0150	5,522,122	5,941,802
Secretary of State	0155	1,494,399	1,307,638
State Election Commission	0160	7,129	9,761
Subtotal		60,010,921	46,438,187
ADMINISTRATION			
Office of the Secretary	0186	15,902,945	16,925,756
Consolidated Public Retirement Board	0195	908,000	0
Division of Finance	0203	46,259,048	920,761
General Services Division	0230	2,721,387	4,000,030
Purchasing Division	0210	982,626	1,178,280
Travel Management	0615	1,681,736	1,824,403
Comm on Uniform State Laws	0214	40,557	46,550
Public Employees Grievance Board	0220	1,057,619	1,089,268
Ethics Commission	0223	699,862	755,507
Public Defender Services	0226	42,768,331	31,854,774
Comm Purchase for Handicapped	0233	1,883	5,055
Public Employees Insurance Agency	0200	3,500,000	3,500,000
WV Prosecuting Attorneys Institute	0557	257,576	239,807
Children's Health Insurance Agency	0588	10,925,514	10,925,578
Real Estate Division	0610	833,283	1,002,256
Subtotal		128,540,367	74,268,025

Plus: Reappropriated FY 2013	Total Available FY 2013	Total Request FY 2014 **	Governor's Recommendations FY 2014	Percentage of Total
\$28,104,620	\$34,556,826	\$6,452,206	\$6,452,206	0.16%
7,101,277	16,505,308	9,404,031	9,404,031	0.23%
56,556,557	71,209,157	8,595,457	8,995,457	0.22%
91,762,454	122,271,291	24,451,694	24,851,694	0.60%
22,748,766	145,069,718	125,067,863	125,511,992	3.03%
3,312,026	8,733,473	4,955,459	4,969,316	0.12%
13,578	620,310	606,732	608,018	0.01%
32,404,837	34,404,837	0	0	0.00%
3,366,457	7,130,770	3,475,440	3,486,565	0.08%
468,095	4,396,242	3,633,535	3,644,918	0.09%
3,884,284	16,103,273	19,796,988	11,407,927	0.28%
8,936,049	19,294,897	11,581,848	9,475,342	0.23%
0	719,134	719,134	721,312	0.02%
0	58,650	54,250	54,250	0.00%
25,146	127,872	122,726	103,101	0.00%
1,158,928	7,100,730	5,496,167	5,514,137	0.13%
1,255,611	2,563,249	1,216,690	1,220,022	0.03%
0	9,761	9,028	9,028	0.00%
54,825,011	101,263,198	51,667,997	41,213,936	1.00%
24,124,997	41,050,753	16,910,757	15,912,260	0.38%
0	0	0	0	0.00%
81,622	1,002,383	851,704	852,955	0.02%
0	4,000,030	3,700,953	3,710,167	0.09%
0	1,178,280	1,089,909	1,093,584	0.03%
0	1,824,403	1,585,680	1,588,585	0.04%
0	46,550	46,550	46,550	0.00%
61,310	1,150,578	1,083,268	1,086,597	0.03%
0	755,507	701,507	703,013	0.02%
6,428,505	38,283,279	44,465,666	31,858,377	0.77%
0	5,055	5,055	5,055	0.00%
0	3,500,000	3,500,000	3,500,000	0.08%
56,748	296,555	239,807	240,237	0.01%
0	10,925,578	9,987,312	9,987,748	0.24%
0	1,002,256	992,256	994,990	0.02%
30,753,182	105,021,207	85,160,424	71,580,118	1.73%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2012	Total Appropriations FY 2013 *
COMMERCE			
Office of the Secretary	0606	392,565	392,275
Tourism	0246	50,000	0
Forestry	0250	5,259,919	4,501,509
Geological & Economic Survey	0253	3,317,743	3,541,626
Development Office	0256	26,020,632	23,081,855
Division of Labor	0260	3,185,164	3,427,325
Division of Natural Resources	0265	17,772,989	17,514,817
Miners' Health, Safety & Training	0277	12,632,716	13,026,397
Board of Coal Mine Health & Safety	0280	337,749	420,196
Mine Safety & Technical Review	0285	31,491	78,000
WorkForce West Virginia	0572	90,124	145,000
Division of Energy	0612	1,813,403	1,926,542
Occupational Safety and Health	0616	47,330	200,000
Office of Economic Opportunity	0617	126,620	126,284
Subtotal		71,078,445	68,381,826
EDUCATION			
School Lunch Program	0303	2,473,776	2,496,873
FFA-FHA Camp & Conference Center	0306	1,084,835	1,089,885
State Department of Education	0313	41,917,688	53,106,950
Aid for Exceptional Children	0314	29,026,468	28,580,941
State Aid to Schools	0317	1,848,326,118	1,881,550,710
State Board of Ed-Vocational Division	0390	27,357,640	28,121,083
Education Performance Audits	0573	711,276	702,060
WV Schools for the Deaf & the Blind	0320	13,056,292	13,327,637
Subtotal		1,963,954,093	2,008,976,139
EDUCATION AND THE ARTS			
Office of the Secretary	0294	7,081,415	6,526,826
Culture and History	0293	5,638,737	5,723,051
Library Commission	0296	1,888,051	1,925,612
Educational Broadcasting Authority	0300	5,538,793	5,644,888
Division of Rehabilitation Services	0310	14,164,632	14,280,401
Subtotal		34,311,628	34,100,778
ENVIRONMENTAL PROTECTION			
Environmental Quality Board	0270	143,541	145,105
Environmental Protection	0273	12,074,446	8,096,288
Air Quality Board	0550	90,562	101,893
Subtotal		12,308,549	8,343,286

Plus: Reappropriated FY 2013	Total Available FY 2013	Total Request FY 2014 **	Governor's Recommendations FY 2014	Percentage of Total
0	392,275	362,854	364,104	0.01%
409,168	409,168	0	0	0.00%
375,000	4,876,509	6,638,896	5,877,127	0.14%
944,735	4,486,361	3,276,004	3,286,373	0.08%
35,588,891	58,670,746	21,405,424	19,904,432	0.48%
0	3,427,325	3,170,275	3,179,163	0.08%
6,724,685	24,239,502	20,000,048	16,256,299	0.39%
0	13,026,397	13,026,397	13,067,125	0.32%
0	420,196	460,831	461,900	0.01%
0	78,000	0	0	0.00%
0	145,000	87,875	87,877	0.00%
0	1,926,542	1,782,051	1,782,864	0.04%
0	200,000	185,000	185,275	0.00%
0	126,284	116,813	117,263	0.00%
44,042,479	112,424,305	70,512,468	64,569,802	1.56%
0	2,496,873	2,502,687	2,502,687	0.06%
0	1,089,885	1,055,406	1,055,406	0.03%
7,416,643	60,523,593	49,051,021	63,499,021	1.53%
1,415,348	29,996,289	29,863,005	28,837,488	0.70%
0	1,881,550,710	1,883,886,312	1,861,035,276	44.94%
315,446	28,436,529	28,268,465	28,027,315	0.68%
0	702,060	703,959	703,959	0.02%
62,500	13,390,137	16,301,415	12,860,163	0.31%
9,209,937	2,018,186,076	2,011,632,270	1,998,521,315	48.26%
2,849,708	9,376,534	6,087,093	6,185,256	0.15%
2,713,090	8,436,141	5,726,210	5,617,347	0.14%
0	1,925,612	1,781,191	1,831,927	0.04%
178,640	5,823,528	5,640,808	5,237,378	0.13%
660	14,281,061	14,140,211	14,171,778	0.34%
5,742,098	39,842,876	33,375,513	33,043,686	0.80%
0	145,105	134,222	134,454	0.00%
186,551	8,282,839	7,489,066	7,510,922	0.18%
0	101,893	94,251	94,465	0.00%
186,551	8,529,837	7,717,539	7,739,841	0.19%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2012	Total Appropriations FY 2013 *
HEALTH AND HUMAN RESOURCES			
Office of the Secretary	0400	626,818	644,157
Division of Health-Central Office	0407	76,305,329	83,111,310
Consolidated Medical Service Fund	0525	159,277,535	184,248,214
WV Drinking Water Treatment	0561	700,000	700,000
Human Rights Commission	0416	1,377,509	1,401,162
Human Services	0403	609,230,510	664,131,971
Subtotal		847,517,701	934,236,814
MILITARY AFFAIRS & PUBLIC SAFETY			
Office of the Secretary	0430	1,711,450	2,035,293
Adjutant General - State Militia	0433	27,599,588	21,030,650
Adjutant General - Military Fund	0605	50,042	200,000
Parole Board	0440	1,119,431	1,146,041
Homeland Security Emergency Mgmt	0443	4,028,209	3,343,841
Corrections Central Office	0446	627,542	708,384
Correctional Units	0450	172,937,941	179,960,449
WV State Police	0453	100,471,150	95,173,567
Fire Commission	0436	81,156	81,156
Justice and Community Services	0546	6,947,418	7,524,719
Juvenile Services	0570	44,906,591	46,013,944
Protective Services Division	0585	1,917,129	2,324,246
Subtotal		362,397,647	359,542,290
REVENUE			
Office of the Secretary	0465	1,267,385	789,697
Tax Division	0470	29,107,453	27,583,106
State Budget Office	0595	773,975	867,060
Athletic Commission	0523	34,187	55,990
Office of Tax Appeals	0593	664,885	668,147
Subtotal		31,847,885	29,964,000
TRANSPORTATION			
State Rail Authority	0506	2,435,529	2,581,378
Public Transit	0510	3,636,113	2,786,009
Public Port Authority	0581	272,669	408,955
Aeronautics Commission	0582	1,244,430	1,374,775
Subtotal		7,588,741	7,151,117

Plus: Reappropriated FY 2013	Total Available FY 2013	Total Request FY 2014 **	Governor's Recommendations FY 2014	Percentage of Total
112,951	757,108	611,830	613,094	0.01%
20,730,697	103,842,007	78,688,511	77,569,541	1.87%
71,188,340	255,436,554	194,180,041	183,154,192	4.42%
0	700,000	647,500	647,500	0.02%
0	1,401,162	1,296,075	1,299,925	0.03%
110,107	664,242,078	888,512,966	667,555,128	16.12%
92,142,095	1,026,378,909	1,163,936,923	930,839,380	22.48%
1,815,442	3,850,735	1,934,287	1,940,100	0.05%
9,547,911	30,578,561	16,678,351	16,710,103	0.40%
0	200,000	185,000	185,000	0.00%
0	1,146,041	1,164,841	1,129,274	0.03%
1,291,215	4,635,056	8,775,057	3,190,763	0.08%
8,051	716,435	655,255	657,447	0.02%
43,053,117	223,013,566	288,894,365	180,255,165	4.35%
5,357,158	100,530,725	108,144,631	105,425,632	2.55%
0	81,156	75,069	75,069	0.00%
2,209,740	9,734,459	8,371,557	7,282,543	0.18%
2,763,716	48,777,660	44,213,943	43,441,737	1.05%
3,941,297	6,265,543	2,444,246	2,300,782	0.06%
69,987,647	429,529,937	481,536,602	362,593,615	8.76%
363,195	1,152,892	730,470	733,223	0.02%
17,600,784	45,183,890	25,514,373	25,587,056	0.62%
1,414,504	2,281,564	1,033,280	804,706	0.02%
0	55,990	51,791	51,847	0.00%
132,052	800,199	618,036	620,107	0.01%
19,510,535	49,474,535	27,947,950	27,796,939	0.67%
1,364,521	3,945,899	2,387,775	2,389,003	0.06%
3,976,200	6,762,209	2,577,058	2,577,058	0.06%
1,547,615	1,956,570	378,283	379,304	0.01%
2,449,659	3,824,434	1,271,666	1,272,456	0.03%
9,337,995	16,489,112	6,614,782	6,617,821	0.16%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2012	Total Appropriations FY 2013 *
VETERANS ASSISTANCE			
Department of Veterans Assistance	0456	9,582,256	10,429,042
Veterans Home	0460	1,022,078	1,163,333
Subtotal		10,604,334	11,592,375
SENIOR SERVICES			
Bureau of Senior Services	0420	15,437	23,482,933
HIGHER EDUCATION			
HEPC-Administration	0589	70,261,946	67,082,556
WVNET	0551	1,941,501	1,948,443
HEPC-System	0586	0	0
WVU-School of Medicine	0343	25,786,463	26,252,845
West Virginia University	0344	130,442,734	131,184,693
Marshall University-School of Medicine	0347	13,745,417	15,045,923
Marshall University	0348	57,066,562	57,163,493
WV School of Osteopathic Medicine	0336	8,351,424	8,835,635
Bluefield State College	0354	6,570,942	6,593,442
Concord University	0357	10,164,340	10,206,804
Fairmont State University	0360	17,803,627	17,880,671
Glenville State College	0363	7,097,804	7,206,804
Shepherd University	0366	11,202,798	11,228,474
West Liberty University	0370	8,805,057	9,322,524
West Virginia State University	0373	12,835,589	13,612,389
Council for C&T College Education	0596	9,493,795	8,100,196
Mountwest C&T College	0599	6,020,983	6,352,577
New River C&T College	0600	5,658,162	6,305,522
Pierpont C&T College	0597	8,521,873	8,443,703
Blue Ridge C&T College	0601	5,933,667	5,138,415
Kanawha Valley C&T College	0598	4,112,421	4,125,664
Bridgemont C&T College	0602	3,959,682	3,973,597
WVU at Parkersburg	0351	10,601,868	10,916,188
Southern WV C&T College	0380	9,181,588	9,228,731
WV Northern C&T College	0383	7,858,495	7,893,643
Eastern WV C&T College	0587	2,101,096	2,100,509
Subtotal		455,519,834	456,143,441

Plus: Reappropriated FY 2013	Total Available FY 2013	Total Request FY 2014 **	Governor's Recommendations FY 2014	Percentage of Total
3,071,911	13,500,953	10,097,421	10,154,386	0.25%
0	1,163,333	1,163,333	1,167,308	0.03%
3,071,911	14,664,286	11,260,754	11,321,694	0.27%
0	23,482,933	23,482,933	10,131,368	0.24%
12,574,925	79,657,481	95,099,242	68,675,041	1.66%
0	1,948,443	0	1,774,201	0.04%
0	0	296,633,216	0	0.00%
263,979	26,516,824	0	23,905,147	0.58%
121,012	131,305,705	0	119,453,309	2.88%
59,587	15,105,510	0	13,700,420	0.33%
290,495	57,453,988	0	52,051,564	1.26%
211,997	9,047,632	0	8,045,495	0.19%
0	6,593,442	0	6,003,814	0.14%
0	10,206,804	0	9,294,046	0.22%
0	17,880,671	0	16,281,666	0.39%
0	7,206,804	0	6,489,479	0.16%
0	11,228,474	0	10,224,351	0.25%
0	9,322,524	0	8,488,844	0.21%
0	13,612,389	0	12,395,081	0.30%
9,504,365	17,604,561	76,135,341	7,992,683	0.19%
0	6,352,577	0	5,876,134	0.14%
0	6,305,522	0	5,832,608	0.14%
0	8,443,703	0	7,810,425	0.19%
540,267	5,678,682	0	4,753,034	0.11%
0	4,125,664	0	3,816,239	0.09%
0	3,973,597	0	3,675,577	0.09%
5,015	10,921,203	0	10,097,474	0.24%
0	9,228,731	0	8,536,576	0.21%
0	7,893,643	0	7,301,620	0.18%
0	2,100,509	0	1,942,971	0.05%
23,571,642	479,715,083	467,867,799	424,417,799	10.25%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2012	Total Appropriations FY 2013 *
MISCELLANEOUS BOARDS & COMMISSIONS			
National Coal Heritage Area Authority		0	0
Coal Heritage Highway Authority		0	0
Subtotal		0	0
TOTAL GENERAL REVENUE		\$4,143,595,034	\$4,215,451,000

* Total Appropriations FY 2013 include surplus appropriations of \$67,500,000.

** Total Request FY 2014 is Current-Level Request plus General Revenue Improvement Requests.

Plus: Reappropriated FY 2013	Total Available FY 2013	Total Request FY 2014 **	Governor's Recommendations FY 2014	Percentage of Total
0	0	200,000	0	0.00%
0	0	200,000	0	0.00%
0	0	400,000	0	0.00%
\$476,892,303	\$4,692,343,303	\$4,592,633,511	\$4,140,751,000	100.00%

**General Revenue Fund
Recommended Surplus Supplemental Appropriations
FY 2013
(Nearest Dollar)**

Public Defender - Private counsel billings are exceeding FY 2013 appropriations	\$11,500,000
DHHR - Child Care - additional funding needed for FY 2013	17,468,806
ERP - Additional up-front funding for the State's new financial system	30,000,000
DNR - State Parks Operations	1,000,000
DHHR - Medicaid - Base building funding for FY 2014	26,350,105
DHHR - Social Services - additional funding needed for FY 2013	4,717,147
DHHR - Behavior Health - additional funding needed for FY 2013	3,662,312
Corrections - Charleston Correctional Center	6,000,000
Corrections - Narrow band radios	4,900,000
Corrections - MAPS Secretary's Office - Substance Abuse Program	3,000,000
Corrections - MAPS Secretary's Office - Justice Reinvestment Training	500,000
Corrections - Operational Expenses	2,000,000
Higher Education - New River Community & Technical College accounting error	80,758
Higher Education - West Liberty University accounting error	<u>247,234</u>
Recommended General Revenue Surplus Supplementals - FY 2013	<u><u>\$111,426,362</u></u>

**General Revenue Fund
Recommended Supplemental Appropriations
FY 2013
(Nearest Dollar)**

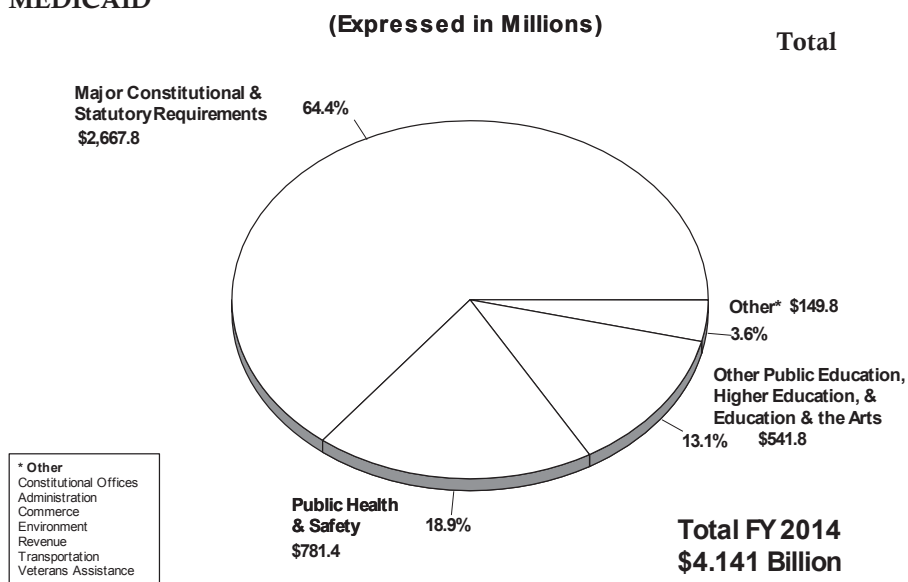
DHHR - Medicaid - Base building funding for FY 2014	\$1,800,000
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General Revenue Major Constitutional and Statutory Requirements Fiscal Year 2014

Each year there are several major constitutional or statutory requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2014 Executive Budget recommendations include expenditures of \$2.67 billion of these major requirements and make up 64.4% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 35.6% of the total General Revenue funds available, are considered necessary for 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		\$25.3
JUDICIAL BRANCH		123.0
DEPARTMENT OF EDUCATION		
State Aid to Schools	1,187.9	
Public Employees Insurance Agency (School Aid Formula)	213.1	1,401.0
DEBT SERVICE		
School Building Authority	23.3	
Lease Rental Payments for debt service on correctional facilities	15.0	38.3
SOCIAL SECURITY MATCHING		43.2
PUBLIC EMPLOYEES INSURANCE AGENCY		96.8
RETIREMENT		
Judges' Retirement	2.5	
Public Employees Retirement	48.8	
Teachers' Retirement	436.7	
Trooper Retirement	29.9	517.9
PUBLIC DEFENDER SERVICES		31.9
MEDICAID		390.4
Total		\$2,667.8



Lottery Fund

Overview by Functional Category

FY 2012 through FY 2014

(Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2012	Total Appropriations FY 2013
ADMINISTRATION			
Education, Arts, Sciences, & Tourism			
Debt Service Fund	2252	\$9,995,363	\$10,000,000
Subtotal		9,995,363	10,000,000
COMMERCE			
Division of Tourism	3067	8,387,025	7,364,005
Division of Natural Resources	3267	4,489,982	3,398,344
Subtotal		12,877,007	10,762,349
EDUCATION			
State Department of Education	3951	26,734,345	30,611,626
School Building Authority	3963	17,999,416	18,000,000
Subtotal		44,733,761	48,611,626
EDUCATION AND THE ARTS			
Office of the Secretary	3508	1,599,989	1,839,654
Culture and History	3534	5,911,440	5,903,097
Library Commission	3559	11,001,471	12,185,884
Subtotal		18,512,900	19,928,635
SENIOR SERVICES			
Bureau of Senior Services	5405	64,208,659	42,833,849
HIGHER EDUCATION			
Community & Technical College			
Capital Improvement Fund	4908	6,454,411	5,000,000
Higher Education Policy Commission	4925	4,223,701	3,567,708
West Virginia University	4185	2,887,651	3,629,538
Marshall University	4267	269,044	25,000
Marshall-School of Medicine	4896	579,714	666,498
Subtotal		14,414,521	12,888,744
TOTAL LOTTERY		\$164,742,211	\$145,025,203

* Total Request FY 2014 is Current-Level Request plus Improvement Requests.

Lottery Fund Overview by Functional Category FY 2012 through FY 2014 (Nearest Dollar)

Plus: Reappropriated FY 2013	Total Available FY 2013	Total Request FY 2014 *	Governor's Recommendation FY 2014	Percentage of Total
\$0 0	\$10,000,000 10,000,000	\$10,000,000 10,000,000	\$10,000,000 10,000,000	6.60% 6.60%
1,866,967	9,230,972	6,811,705	6,821,634	4.50%
4,816,008	8,214,352	3,143,469	3,151,511	2.08%
6,682,975	17,445,324	9,955,174	9,973,145	6.58%
15,272,033	45,883,659	28,720,723	28,720,723	18.95%
0	18,000,000	18,000,000	18,000,000	11.88%
15,272,033	63,883,659	46,720,723	46,720,723	30.82%
460,135	2,299,789	3,400,904	1,702,609	1.12%
2,376,339	8,279,436	5,077,065	5,077,425	3.35%
675,399	12,861,283	11,271,943	11,467,423	7.57%
3,511,873	23,440,508	19,749,912	18,247,457	12.04%
2,913,147	45,746,996	41,041,428	54,394,286	35.89%
3,517,995	8,517,995	10,000,000	5,000,000	3.30%
912,618	4,480,326	7,237,972	3,303,313	2.18%
1,814,817	5,444,355	0	3,304,958	2.18%
1,152,328	1,177,328	0	22,764	0.02%
177,336	843,834	0	606,937	0.40%
7,575,094	20,463,838	17,237,972	12,237,972	8.07%
\$35,955,122	\$180,980,325	\$144,705,209	\$151,573,583	100.00%

Lottery Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2011	\$58,939,310
Less:	Reserve for Cash Flow / Contingencies	(40,000,000)
Plus:	FY 2012 Actual Revenue	<u>178,340,443</u>
	Available for FY 2012 Appropriations	\$197,279,753
Less:	FY 2012 Appropriations	(166,305,107)
Plus:	Cash not needed for FY 2012 Appropriations	<u>7,250</u>
	Unappropriated Balance @ July 1, 2012	\$30,981,896
Plus:	FY 2013 Revenue Estimate FY 2013	\$129,427,000
Less:	Veterans Fund	(800,000)
Less:	FY 2013 Appropriations	(145,025,203)
Plus:	Cash not needed for FY 2013 Appropriations	<u>7,890</u>
	Estimated Unappropriated Balance @ June 30, 2013	\$14,591,583
Plus:	FY 2014 Revenue Estimate	\$137,582,000
Less:	Veterans Fund	<u>(600,000)</u>
	Revenue Available for FY 2013 Appropriations	\$151,573,583
Less:	Recommended FY 2014 Regular Appropriations (2013 Regular Session)	<u>(151,573,583)</u>
	Estimated Unappropriated Balance @ June 30, 2014	<u><u>\$0</u></u>

Excess Lottery Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2011	\$75,416,182
Less:	Reserve for Cash Flow / Contingencies	(5,300,000)
Less:	Catastrophic Event Contingency	(30,000,000)
Plus:	FY 2012 Actual Revenue	<u>406,630,531</u>
	Available for FY 2012 Appropriations	\$446,746,713
Less:	FY 2012 Appropriations	(355,255,292)
Plus:	Cash not needed for FY 2012 Appropriations	<u>11,076</u>
	Unappropriated Balance @ July 1, 2012	\$91,502,497
Plus:	FY 2013 Revenue Estimate	\$266,477,000
Less:	FY 2013 Regular Appropriations	(290,564,890)
Plus:	Cash not needed for FY 2013 Appropriations	17,899
Less:	Recommended FY 2013 Supplemental Appropriations (2013 Regular Session):	
	DHHR - Medicaid - Base building funding for FY 2014	<u>(67,432,506)</u>
	Estimated Unappropriated Balance @ June 30, 2013	\$0
Plus:	FY 2014 Revenue Estimate	\$256,522,000
Less:	Recommended FY 2014 Regular Appropriations (2013 Regular Session)	<u>(256,522,000)</u>
	Estimated Unappropriated Balance @ June 30, 2014	<u><u>\$0</u></u>

Note: The Governor recommends Excess Lottery FY 2014 Surplus Appropriations of up to \$50,000,000 for Medicaid from any unappropriated balance remaining at the end of FY 2013.

**Excess Lottery Fund
Overview by Functional Category
FY 2012 through FY 2014
(Nearest Dollar)**

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2012	Total Appropriations FY 2013
STATUTORY APPROPRIATIONS:			
DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)			
Economic Development Authority	9065	\$18,988,924	\$19,000,000
Higher Education Improvement Fund	4297	15,000,000	15,000,000
School Building Authority	3514	18,994,728	19,000,000
Division of Natural Resources	3277	4,773,371	5,000,000
Cacapon & Beech Fork Debt Service Fund	9067	0	0
Infrastructure Council	3390	46,000,000	46,000,000
Subtotal		103,757,023	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:		209,757,023	210,000,000
APPROPRIATIONS ABOVE EXCESS LOTTERY STATUTORY REQUIREMENTS:			
Joint Expenses (TRAFFIC)	1736	0	0
Office of the Governor	1046	13,238	0
Transfer to General Revenue	7208	62,900,000	27,600,000
Division of Finance-ERP	2208	26,944,540	0
Teachers' Retirement Fund-Unfunded Liability	3517	47,139,292	0
Transfer to Teachers' Retirement Savings Realized	7208	34,216,000	28,061,000
WV Development Office	3170	1,370,256	400,000
Division of Health	5219	0	0
Secretary of Military Affairs and Public Safety- Interoperable Communications	6005	1,351,591	0
Division of Corrections-Capital	6283	2,791,244	0
Human Services-Medical Services	5365	0	24,503,890
Higher Education-Advanced Technology Centers	4932	955,637	0
TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:		177,681,798	80,564,890
TOTAL EXCESS LOTTERY		\$387,438,821	\$290,564,890

* Total Request FY 2014 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2013	Total Available FY 2013	Total Request FY 2014*	Governor's Recommendation FY 2014	Percentage of Total
0	\$19,000,000	\$19,000,000	\$19,000,000	7.41%
0	15,000,000	15,000,000	15,000,000	5.85%
0	19,000,000	19,000,000	19,000,000	7.41%
9,536,568	14,536,568	5,000,000	5,000,000	1.95%
0	0	0	1,400,000	0.55%
0	46,000,000	46,000,000	46,000,000	17.93%
9,536,568	113,536,568	104,000,000	105,400,000	41.09%
0	10,000,000	10,000,000	10,000,000	3.90%
0	65,000,000	65,000,000	65,000,000	25.34%
0	29,000,000	29,000,000	29,000,000	11.31%
0	2,000,000	2,000,000	2,000,000	0.78%
0	106,000,000	106,000,000	106,000,000	41.32%
9,536,568	219,536,568	210,000,000	211,400,000	82.41%
20,000,000	20,000,000	0	0	0.00%
150,111	150,111	0	0	0.00%
0	27,600,000	62,900,000	27,600,000	10.76%
0	0	0	0	0.00%
0	0	0	0	0.00%
0	28,061,000	4,500,000	17,522,000	6.83%
6,060,664	6,460,664	0	0	0.00%
464,665	464,665	0	0	0.00%
767,998	767,998	0	0	0.00%
4,258,756	4,258,756	0	0	0.00%
0	24,503,890	0	0	0.00%
27,613,785	27,613,785	0	0	0.00%
59,315,979	139,880,869	67,400,000	45,122,000	17.59%
\$68,852,547	\$359,417,437	\$277,400,000	\$256,522,000	100.00%

State Road Fund
Statement of Revenues by Source
FY 2010 Through FY 2016
(Expressed in Thousands)

Source of Revenue	FY 2010 Actual Collections	FY 2011 Actual Collections	FY 2012 Actual Collections	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate
Gasoline and Motor Carrier Road Tax	\$390,916	\$397,749	\$387,041	\$410,000	\$430,000	\$407,000	\$393,000
Registration Fees	87,388	91,194	90,683	92,787	92,741	91,674	92,286
Registration Fee: Highway Little Control	1,539	1,912	1,586	1,755	1,740	1,734	1,742
Sales (Privilege) Tax	148,314	172,453	186,293	174,014	175,464	176,680	176,868
Less Transfer to Industrial Access Road Fund	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income	54,544	27,185	45,784	37,250	37,515	37,910	38,150
Federal Reimbursement:							
Interstate Construction	80,556	99,997	103,792	108,000	130,500	99,000	99,000
Other Federal Aid Programs	235,946	256,287	264,254	290,000	278,400	315,000	299,800
Appalachian Program	78,893	61,137	65,319	96,000	60,000	24,000	12,000
Federal Economic Stimulus	99,871	86,397	15,727	3,000	1,500	0	0
Total	\$1,174,967	\$1,191,311	\$1,157,479	\$1,209,806	\$1,204,860	\$1,149,998	\$1,109,846

State Road Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2012	\$46,374,543
Plus:	Revenue Estimate FY 2013	<u>1,209,806,000</u>
	Available for FY 2013 Appropriations	\$1,256,180,543
Less:	Regular Appropriations FY 2013 - Division of Highways	(1,164,634,495)
	Regular Appropriations FY 2013 - Division of Motor Vehicles	(40,578,725)
	Regular Appropriations FY 2013 - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund	(2,093,948)
	Recommended FY 2013 Supplemental Appropriation (2013 Regular Session)	<u>(1,000,000)</u>
	Estimated Unappropriated Balance @ June 30, 2013	\$45,921,396
Plus:	Revenue Estimate FY 2014	1,204,860,000
Less:	Recommended Regular Appropriations FY 2014 - Division of Highways	(1,155,890,000)
	Recommended Regular Appropriations FY 2014 - Division of Motor Vehicles	(41,378,725)
	Recommended Regular Appropriations FY 2014 - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund	<u>(2,500,000)</u>
	Estimated Unappropriated Balance @ June 30, 2014	<u><u>\$49,060,692</u></u>

Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2012 (Expressed in Thousands)

	Actual 6/30/2010*	Actual 6/30/11*	Actual 6/30/12*	Estimated 6/30/13*	Estimated 6/30/14*
General Obligation Debt					
Road Bonds	\$339,515	\$305,460	\$270,595	\$245,365	\$220,525
Infrastructure Bonds	260,141	250,517	239,360	228,442	217,044
SUBTOTAL	599,656	555,977	509,955	473,807	437,569
Revenue Bonds					
School Building Authority	201,045	187,380	173,090	158,160	142,535
School Building Authority (Lottery)	71,715	57,130	67,365	51,190	34,245
School Building Authority (Excess Lottery)	99,310	120,940	116,590	112,420	108,060
School Building Authority, QSCBs (Excess Lottery)	78,200	150,480	150,480	150,480	150,480
Tobacco Settlement Finance Authority	887,373	887,962	887,359	884,060	880,353
Highways, Commissioner of	144,315	122,795	100,370	77,000	52,525
1997 EAST Fund (Lottery)	7,690	0	0	0	0
2010 EAST Fund (Lottery)	0	153,705	151,020	148,250	145,370
Economic Development Authority (Lottery)	198,590	190,415	181,920	173,070	163,830
WV Infrastructure and Jobs Development Council	120,565	118,175	115,710	113,230	110,590
SUBTOTAL	1,808,803	1,988,982	1,943,904	1,867,860	1,787,988
Capital Leases & Notes Payable					
Governmental Funds	306,158	295,334	277,223	265,279	252,581
Internal Service	29,986	3,384	3,287	3,186	3,078
SUBTOTAL	336,144	298,718	280,510	268,465	255,659
TOTAL	\$2,744,603	\$2,843,677	\$2,734,369	\$2,610,132	\$2,481,216

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

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.) 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 is invested by the West Virginia Investment Management Board. As of December 31, 2012, the fund contained \$567 million, 13.4% of FY 2013 appropriations.

Since the fund was created in 1994, \$737 million has been deposited into the fund, which includes transfers in and interest; \$170 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects.

The Governor, by executive order, is allowed to borrow funds 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 has borrowed from the fund each year since August 1996 in order to pay obligations in a timely manner. The loans were repaid before September 30 of each year, all within the 90 day limit allowed by law.

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 March 11, 2006.) 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 moneys in the Rainy Day Fund have been first expended. After June 30, 2025, interest and other return earned on moneys 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, 2012, the balance in the Rainy Day Fund—Part B was \$345.9 million.

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.

Major Reserve/Stabilization Accounts

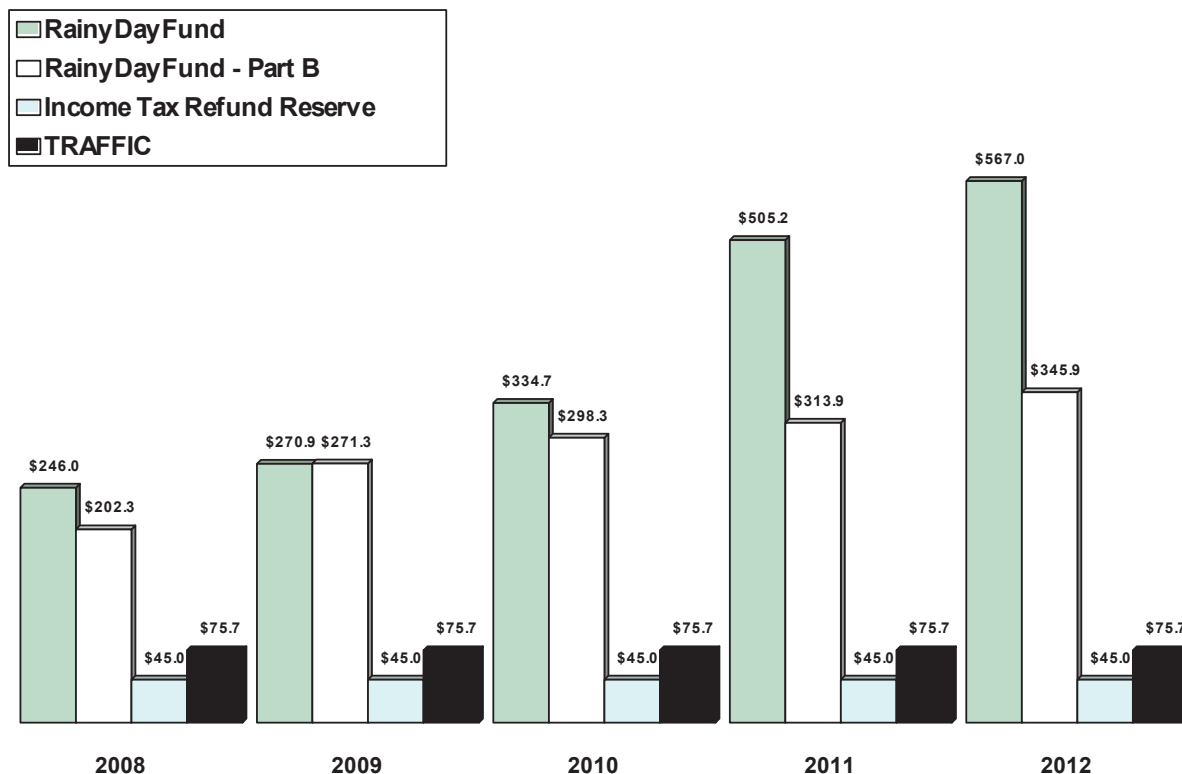
The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds. On December 31, 2012, the balance in the Income Tax Refund Reserve Fund was \$45 million which represents about 1.1% of the total FY 2013 General Revenue Fund budget.

Tax Reduction and Federal Funding Increased Compliance (TRAFFIC)

During the 1995 session of the West Virginia Legislature, an initial \$20 million was set aside by appropriation in an 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). As of December 31, 2012, \$75.7 million remains available for use as the Legislature and Governor may determine.

Reserve Balances* (Expressed in Thousands)



* Balance as of December 31 each year

BUDGET PLANNING



Long-Range Issues

Introduction

At the beginning of the last decade, West Virginia 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 basically remained stagnant between FY 2011 and FY 2012, only increasing \$2.3 million (0.35%). Motor Fuel Excise Tax collections and Registration Fee collections were both down in FY 2012—\$10.7 million (2.7%) and \$512 thousand (0.56%) respectively. Highway Litter Fee collections were also down in FY 2012 by \$326 thousand (17.0%). Motor Vehicle Sales Tax collections for FY 2012 increased strongly over FY 2011 collections by \$13.8 million (8.0%). Neither the Department of Revenue nor the Division of Motor Vehicles (DMV) projects any substantial growth in revenues through FY 2018. The long-term forecast provided by the Department of Revenue predicts a continued decline in fuel consumption that is offset somewhat by projected yearly increases in the variable component of the Motor Fuel Excise Tax rate.

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 deteriorating. The cost of replacing all state-maintained bridges that are over 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 twelve-year average cycle requires approximately 1,880 miles to be paved annually. Based upon an average cost of \$220,000 per mile, nearly \$414 million will need to be committed annually to achieve that 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.

Despite the recent passage of Moving Ahead for Progress in the 21st Century (MAP-21), the federal-aid highway program and, in turn, the federal Highway Trust Fund remain a concern. Congress recently enacted a new multiyear highway authorization, which covers FFY 2013 and FFY 2014. MAP-21 is the first new multiyear highway authorization to be put in place since Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFTEA-LU) expired on September 30, 2009. While the new authorization will allow the agency to plan and implement infrastructure initiatives in the short term, it falls well short of the certainty and stability that would have been provided if the authorizing legislation would have covered a six-year period, which has been the historical length of time covered by federal highway legislation. In addition, while MAP-21 provides states with more flexibility in how their funds are used; however, it failed to either significantly increase the amount of federal funding available for highway and bridge projects or to dedicate funding for longstanding national initiatives, such as the completion of the Appalachian Development Highway System. MAP-21 also failed to address sustainability issues surrounding the Highway Trust Fund. Revenues into the Highway Trust Fund have been insufficient for carrying out the federal-aid highway program at its current size and scope and have relied upon transfers from the General Fund to forestall insolvency.

Long-Range Issues

Wilbur Smith Associates has updated the state's Long-Range Transportation Plan. As part of that document, long-range estimates indicate that the Division of Highways will need to invest \$1.2 billion annually to address needs on the existing highway and bridge system (exclusive of routine maintenance), which is approximately \$500 million more per year than the division is currently forecasting it will be able to invest. To address the long list of desired expansion efforts will require even more funding. Without a major increase in revenues, through a rapid and lasting exit from the recession, higher tax and fee rates, alternative funding sources, or a combination of all three, the Division of Highways cannot reduce the backlog of structurally deficient bridges, continue to modernize facilities, and maintain the existing network in its present condition.

Public Transportation

Community transportation systems that benefit all individuals are critical to the state's citizens who either do not have the income level to own a vehicle or are not legally permitted or physically able to drive a vehicle. Over seven million rides were taken on West Virginia public transit in FY 2012. This form of transportation is increasingly becoming important to its riders, offering a 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 indicated 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 the addition of new service areas in West Virginia will be heavily dependent upon the investment that the state and federal governments make. Public transit funding is provided under the same legislation that funds highways. The federal transit program was reauthorized and is known as Moving Ahead for Progress in the 21st Century or MAP-21. The effective date of the legislation is October 1, 2012, and expires on September 30, 2014, making it a two year reauthorization. Significant changes have occurred in the federal transit programs as a result of Map-21 with programs repealed, consolidated, and streamlined. Federal funding levels will depend upon available resources, and some reductions or flat funding of federal transit funding remains a possibility.

Under the new Appalachian Development Public Transportation Assistance Formula Program, a set aside of the rural formula transit program under Map-21, there is a potential for expansion of existing services or development of new ones that will contribute to the economic vitality of the state. These federal funds, however, require state or local matching dollars. While the local programs have been creative in reducing costs and securing matching funds, increasing costs, particularly fuel prices, make reductions rather than expansions of public transit service a continuing possibility.

West Virginia Regional Jail and Correction Facility Authority

The West Virginia Regional Jail and Correctional Facility Authority has two fundamental missions—operating the regional jails and 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 federal 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 ten regions in the state. There are ten 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).

Long-Range Issues

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 in fiscal year 1995, \$10 million from the General Revenue fund and another \$10 million in fiscal year 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 continued construction of correctional and detention facilities. The Legislature created a special revenue fund (from up to \$20 million per year of current insurance taxes) to repay PERS for the capital invested and investment earnings. 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, Denmark 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 H. "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, and \$3.1 million for renovations to transform the old Eastern Regional Jail into the Martinsburg Correctional Center, a 120-bed intake center for the Division of Corrections.

In January 2004, the final series of these lease revenue bonds were 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 \$2.7 billion in projects have been funded to date by leveraging council funds with federal and other sources. Projects approved by the committee 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 \$754 million from other sources of funding resulting in close to \$1 billion of investment in the State of West Virginia.

A selected, defined portion of repayments from loans has been dedicated to pay debt service for the bond issue. The bond issue closed in January 2004 in the amount of \$249,895,000 that generated funds to cover the entire

Long-Range Issues

\$225,855,802 needed to fund the 48 approved projects, \$18,989,900 to the debt service reserve account, \$4,904,054 to fund the cost of issuance, and \$145,244 deposited to the bridge loan fund to be administered by the Council for Community and Economic Development.

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 substantially due to the continued rise in construction costs.

To meet immediate needs, the Legislature authorized the School Building Authority (SBA) to issue five series of bonds. These five bond series produced approximately \$436 million for school facility construction, renovation, and repair. The annual debt service requirement of the first four series of bonds is approximately \$23.5 million funded from the General Revenue Fund through the year 2019. The 1994A Series Bonds are secured by dedicated Lottery proceeds and require an annual debt service of approximately \$18 million. The original 1994A series matured in 2004 and has been reissued with a new maturity payable through the year 2014.

In 1994, the West Virginia Legislature initiated a “pay-as-you-go” program to continue funding school construction without continued issuance of debt. The “pay-as-you-go” program was initiated with approximately \$36 million in budget surplus funds. Thereafter, the SBA has received annual funding for both new school construction and major improvements for existing facilities. This annual funding, statutorily dedicated from Consumer Sales Tax revenues, began at a level of \$10 million and grew to the maximum allowed of \$22 million from that source. Of this dedicated amount, \$5 million was for major improvements to existing facilities and \$17 million for new construction.

Effective July 1, 1998, the statute was amended to direct any annual difference between FY 1997 actual debt service payments and funds required for the current fiscal year for all previously issued school capital improvement bonds to be added to the amount available in the “pay-as-you-go” program for new construction. Due to this amendment, the amount available for new construction, including the \$17 million mentioned above, was as follows: \$17.81 million in FY 1999, \$20.21 million in FY 2000, \$22.54 million in FY 2001, \$22.76 million in FY 2002, \$24.97 million in FY 2003, and \$25.10 million in FY 2004. The maximum amount of \$27.22 million per year began in FY 2005 and will continue into the future.

In 2007, 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 Legislature allocated \$10 million per year for FY 2008, FY 2009, and FY 2010, and allocated \$5 million in FY 2011. Thirty million of the \$35 million was allocated to each county based on their net enrollment. Five million of the \$35 million was dedicated to tactical surveys of West Virginia schools.

During the 2001 Legislative Session, additional annual funding was earmarked from Excess Lottery revenues for the SBA’s Debt Service Fund, but stipulated that these monies were available for the “pay-as-you-go” program until such bonds were authorized by the Legislature. During the course of the 2008 Legislative Session, the SBA was authorized to utilize these funds to sell school construction bonds. The monies from the sale of these bonds would be utilized in order to supplement the “pay-as-you-go” school construction program. This also provided an opportunity for the SBA to sell bonds on a more frequent basis, thereby enabling the authority to establish a three-year bond sale cycle. More frequent, continuous, and sustainable expenditures over an extended period of time will have a cumulative effect on the local economy through employment, taxes, and local production. The construction generated by the SBA funds will alleviate the need for reactive expenditures created by emergency repairs that only provide short-term solutions to health and safety issues.

Since the inception of the SBA, over \$1.70 billion in state dollars and \$1.26 billion in local dollars have been dedicated to West Virginia school facilities. This equates to 33 new high schools, 32 new middle schools, 71 new elementary schools, 94 major school addition/renovation projects, and over 1,219 minor renovation projects.

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 significantly. An aging population, new and more costly medical technologies, and increasingly 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 by state reported by the National Center for Health Statistics (2009), West Virginia has the highest crude death rate per 100,000 population of all states (including the District of Columbia) for the following major disease/injury groups: all causes of death combined, cancer, diabetes, heart disease, accidental injuries, and chronic lower respiratory disease. West Virginia also ranked in the top five in stroke, influenza/pneumonia, and nephritis and other related kidney syndromes. Even when adjusted for West Virginia's aged population, the state remains ranked in the worst five states on diabetes and chronic lower respiratory diseases.

Maternal smoking during pregnancy continues to be a major issue in West Virginia. The latest available U.S. figures show 9.3% of mothers smoked during pregnancy in 2009. West Virginia's percentage (highest in U.S.) was over two and a half times higher at 27.2% in 2009.

According to the Centers for Disease Control and Prevention and the West Virginia Health Statistics Center, data from the 2011 Behavioral Risk Factor Surveillance System (BRFSS) indicate that West Virginia also ranks high in the nation in the prevalence of several chronic diseases and risk factors for disease. West Virginia had the highest prevalence of cardiovascular disease in the nation at 12.3%, while the U.S. prevalence was 8.4%. West Virginia also ranked highest in the nation for the prevalence of arthritis (35.9% versus 24.8% in the U.S.) and disability (31.4% versus 23.7% in the U.S.). The prevalence of chronic obstructive pulmonary disease in West Virginia of 8.8% was fourth highest in the nation (U.S. was 6.3%). West Virginia was also second in current smoking at 28.6% compared to 20.1% nationally and fourth highest in smokeless tobacco use at 7.5% compared to 3.7% nationally. The state was third in obesity at 32.4% compared to 27.4% nationally and fourth highest in no exercise at 35.1% compared to 25.7% nationally. West Virginia had the fourth highest prevalence of diabetes in 2011 at 12.0% compared to a national prevalence of 9.8%. The hypertension prevalence in West Virginia was 37.0% compared to 31.6% nationally which ranked West Virginia the 6th highest in the nation and the prevalence of high cholesterol in West Virginia was 40.5% and ranked us 11th in the nation as compared to the national prevalence of 38.5%. The West Virginia prevalence of fair or poor general health was 25.1% and ranked West Virginia second highest in the nation as compared to the U.S. prevalence of 18.2%.

On a positive note, the West Virginia prevalence of asthma of 9.2% was similar to the U.S. prevalence of 8.8%, and the state's binge drinking prevalence was 10.1% compared to 18.3% nationally which ranked West Virginia as second lowest in the nation. The 2011 BRFSS data results are not comparable to previous years' data due to the addition of cell phone coverage and a new weighting methodology. While some measures were not affected by this change, others such as tobacco use increased.

Medicaid

West Virginia began its Medicaid program in 1966, one year after it was approved as an amendment to the Social Security Act. Starting in 1988, the federal oversight agency, Health Care Financing Administration (now the Centers for Medicare and Medicaid Services), began requiring states to expand coverage to include new classes of eligible individuals.

The West Virginia Medicaid Program provides insurance coverage to approximately 415,000 West Virginia citizens. Children comprise 50% of the Medicaid population, while 28% are categorized as blind and disabled, 14% are adults, and the remaining 8% defined as the elderly.

Long-Range Issues

Five categories of services accounted for approximately 66% of total Medicaid expenditures during FY 2012. These services are nursing home, inpatient hospital (includes outpatient services and supplemental payments; excludes Disproportionate Share Hospital payments), home and community-based services provided under waiver authority, capitated service agreements, and prescription drugs (net of rebate collections). The largest increases in FY 2012 occurred in nursing homes and home and community-based services provided under waiver authority.

To the state's poorest and most disabled citizens, Medicaid offers a comprehensive 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. Financial support for this program comes from federal and state revenue. Unlike the PEIA program (which is financed with all state dollars), the Medicaid program is financed at an approximate 25% state and 75% federal match, meaning that for every dollar the state invests, we are able to match that with approximately three federal dollars. With the passage of the American Reinvestment and Recovery Act of 2009 (P.L. 111-5) and the Education Jobs and Medical Assistance Act (P.L. 111-226), the federal match rate was increased through June 30, 2011. The rate declined effective July 1, 2011, requiring additional state matching funds to maintain current enrollment and eligibility levels.

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 over \$857 million in 2013.

Since Medicaid operates as an entitlement program for all citizens that meet the eligibility criteria, 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 that are 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.

It is currently estimated that without any program changes the cost for the Medicaid program will increase at a rate of approximately three percent per year. It is also assumed that as West Virginia's economy continues to improve, the federal match will decline by approximately 0.5% per year beginning in FY 2013. 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 federal poverty level. At September 30, 2012, 25,159 children were enrolled, about a two percent increase in the enrollment level over the previous year. The WVCHIP Premium group that includes children in households with incomes between 200% and 300% of the federal poverty level has shown the highest increases in enrollment, although it is less than ten percent 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.

In 2013, WVCHIP will be actively involved in planning and implementation for West Virginia's Health Benefit Exchange based on a state-federal partnership model that must be ready for certification by the United States Department of Health and Human Services (USDHHS) in prior to October 1, 2013. Federal funding of these activities is through the Office of the Insurance Commissioner.

Starting January 1, 2014, WVCHIP members will be redetermined under the new household income guidelines based on modified adjusted gross income (MAGI) at the completion of 12 months of continuous eligibility. New applicants will also be determined using these new guidelines. Under the new rules, current WVCHIP members

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in households with MAGI less than 133% FPL (up to 138% FPL with 5% income disregard) will be covered by Medicaid, but will continue to be financed with Title XXI federal funds at the enhanced CHIP match. The new rules will make some current Medicaid children eligible for WVCHIP. By the end of 2014, it is currently estimated that 11,440 WVCHIP members will be enrolled in Medicaid, and a lesser but unknown number of Medicaid members will be enrolled in WVCHIP. WVCHIP also expects some unknown additional enrollment of new children through the Health Benefit Exchange.

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, employees, and retired employees and providers of health care services. The plan has been solvent since FY 1990, ensuring timely payments of PEIA obligations.

Effective January 1, 2000, the Finance Board must submit a prospective financial plan encompassing five fiscal years. Beginning with FY 2002, the finance board must develop annual financial plans that generate revenues sufficient to fund a reserve of at least ten percent 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. The current financial plan assumes health care costs to increase annually by the following rates:

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Medical	6.5%	7.0%	7.5%	8.0%
Drug	10.0%	10.5%	11.0%	11.5%

These trend increase assumptions, in conjunction with benefit changes, will result in the following increases:

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Medical	\$31 million	\$22 million	\$30 million	\$35 million
Drug	\$2 million	\$13 million	\$16 million	\$18 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 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Reserve	\$183 million	\$145 million	\$141 million	\$151 million

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

Long-Range Issues

Retiree Health Benefits Trust Fund

The Legislature passed House Bill 4654 during the 2006 session. This bill created the West Virginia Retiree Health Benefits Trust Fund (Trust) and charged PEIA with its administration. The fund was created to account for the West Virginia Other Postemployment Benefits (OPEB) and otherwise comply with GASB Statements 43 and 45.

Rising drug costs, increasing costs of health care costs, state budget constraints, funding of the plan, and the reporting requirement for the OPEB liability 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 70%. Determining a long-range solution to the West Virginia OPEB Plan's unfunded liability is of utmost importance. The PEIA Finance Board recently took steps to control the state's share contributed to retiree premium subsidies, allowing increases in subsidies of no more than three percent 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 the OPEB, the current financial plan projects positive net assets through FY 2016. The trust completed FY 2012 with total net assets of \$472 million and total claims expense of \$161 million and capitations of \$41 million. Current claim expense trend assumptions for FY 2013 through FY 2016 go from 6.5% for medical and 10% for drugs to 8% for medical and 11.5% for drugs. These trend assumptions result in increases of \$68 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 to offset these increases. The trust is forecast to have an ending reserve of \$634 million by fiscal year end 2016.

Insurance Reform

Board of Risk and Insurance Management Insurance Programs

The Board of Risk and Insurance Management (BRIM) provides a comprehensive risk management program for the State. BRIM also provides a similar program to qualifying nonstate agency entities, such as local governments and nonprofit organizations. In addition, BRIM administers a coal mine subsidence program that was legislatively expanded in 1985 to include all types of building structures with the maximum amount of insurance available increased from \$50,000 to \$75,000 per structure.

In December 2001, as a result of a medical malpractice insurance crisis in the state, the West Virginia Legislature passed House Bill 601 (the House Bill 601 Program) that authorized BRIM to provide medical malpractice and general liability coverage to private health care providers. In 2003, House Bill 2122 was passed that provided a mechanism for those private physicians who were being insured through BRIM to novate to the newly formed West Virginia Physicians' Mutual Insurance Company, effective July 1, 2004. All policies have been terminated as of June 30, 2004, and the program is in runoff mode only for any claims that may be submitted on any tail policies that were purchased.

House Bill 2122 also provided significant medical liability reform. The significant areas of medical liability reform included, but were not limited to, a board to study the feasibility of the creation of a patient injury compensation fund, enhancement of the "certificate of merit," limits on third party bad faith, a \$250,000 cap on noneconomic damages, elimination of joint liability, and limit on trauma liability at \$500,000.

As a result of the feasibility study, the Patient Injury Compensation Fund (PICF) was created by passage of House Bill 4740 in March 2004. The revenue appropriated to the PICF is not reflected in BRIM financial statements, but rather in the State financial statements. The State financial statements reflect total retained earnings in the PICF of

Long-Range Issues

\$5,346,281 at June 30, 2009; \$4,522,538 at June 30, 2010, and \$4,031,897 at year end June 30, 2011. There were no expenditures in FY 2009, and there was one claim assessed against the PICF in both FY 2010 and FY 2011. The actual claims payments, including related expenses, were \$903,025 for FY 2010 and \$498,763 for FY 2011.

Overall, BRIM management has eliminated its net asset deficiency. This deficiency had occurred in prior years due to unanticipated losses and adverse loss development in each of the state agency and Senate Bill 3 (nonprofit) programs in the areas of general liability and medical malpractice claims. In FY 2004, BRIM management adopted a financial stability plan that enabled the deficiency in net assets to be eliminated over several years. As a result, as of June 30, 2011, BRIM reported positive net assets in every program that it administers. Management anticipates that it should be able to adequately maintain a level of net assets to support the insurance programs that it administers for the foreseeable future while continuing to provide quality cost-effective coverage within those programs.

BRIM's financial position has steadily improved in recent years. A combination of comprehensive rating programs, effective claims administration processes, refinements in BRIM's actuarially determined claims reserves, better investment earnings, and targeted loss control practices have all contributed to this improvement. At year end June 30, 2009, BRIM's total retained earnings were \$150,958,000. At year end June 30, 2010; June 30, 2011; and June 30, 2012, BRIM's audited financials show total retained earnings of \$192,207,000; \$219,828,000; and \$221,515,000, respectively.

Workers' Compensation

Prior to January 1, 2006, West Virginia was one of five states operating an exclusive, state-managed workers' compensation insurance system. From 1913 until January 1, 2006, the Workers' Compensation Commission (including its predecessors) was an agency of state government that operated through the Workers' Compensation Fund, a special revenue fund. Pursuant to the passage of Senate Bill 1004 in January 2005, the system of providing workers' compensation was altered, and the system has transitioned into a private workers' compensation system. The Workers' Compensation Commission ceased to exist on December 31, 2005, as a state entity that was the sole provider of workers' compensation insurance in West Virginia. On January 1, 2006, the West Virginia Employers' Mutual Insurance Company, doing business as BrickStreet Mutual Insurance Company, became the sole provider of workers' compensation insurance coverage until July 1, 2008. On July 1, 2008, the workers' compensation insurance market opened to competition, and West Virginia employers may now elect to purchase insurance for workers' compensation coverage from any private carrier licensed to do such business by the State of West Virginia. BrickStreet assumed all liabilities of the Workers' Compensation Fund for dates of injury on or after July 1, 2005, and continuing until and through the opening of the private market.

The state retained all liabilities incurred prior to July 1, 2005, and those liabilities, as well as certain assets, were transferred into the Workers' Compensation Old Fund ("Old Fund"). As of June 30, 2012, the fund deficit in the Old Fund was estimated to be \$825.5 million (liabilities discounted at five percent). Senate Bill 1004 included a plan to address the outstanding deficit formerly in the Workers' Compensation Fund and now residing in the Old Fund. The custodian of the Old Fund is the Treasurer's Office, and the Insurance Commissioner serves as the administrator. Several sources of revenue were dedicated to pay the liabilities of the Old Fund, including the following:

- A premium surcharge on workers' compensation policies;
- An assessment to self-insured employers;
- New severance taxes for extraction industries (coal, natural gas, and timber);
- Excess lottery revenues; and
- \$95.4 million in personal income tax collections.

When combined, these revenue sources are estimated to yield approximately \$250 million annually and will remain in place until the Old Fund debt is eliminated.

Long-Range Issues

The privatization of the system and the dedication of new revenues for the Old Fund have provided the State with an opportunity to properly manage the residual liabilities and eventually eliminate the deficit currently in the Old Fund. It is important to note that several steps toward eliminating the deficit were previously taken in 2003 when the Legislature enacted major workers' compensation reform that has affected and will continue to affect the actuarially determined estimated liability for unpaid claims of the Old Fund. The legislation, approved as Senate Bill 2013:

- Changed the methodology regarding the determination of eligibility for and the computation of disability benefits in order to provide responsible benefit reductions;
- Provided for tighter control on health care expenditures;
- Provided for tighter control of premium dodgers; and
- Created an employer violator system.

On July 1, 2004, the West Virginia Supreme Court upheld a key piece of the 2003 legislation in the *Wampler Foods, Inc. v. Workers' Compensation Div.* (602 S.E. 2nd 805, W.Va., Jul 01, 2004) decision affirming that the new law enacted under Senate Bill 2013 will be applied to new awards on or after July 1, 2003, regardless of the effective injury date. As a result of this decision, a \$330 million reduction (due to Senate Bill 2013) recognized in the June 30, 2003, financial statements' discounted claims liability number was not modified, and an additional \$144 million related to the new law was recognized in the June 30, 2004, financial statements. Prior to privatization, these steps had a significant and positive impact on the ability to operate a solvent fund on a prospective basis.

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 that time, the Teachers' Retirement System (TRS), the Judges' Retirement System (JRS), and the Public Safety Retirement System (Plan A) were found to have unfunded liabilities of \$2.89 billion, \$23.20 million, and \$107.30 million, respectively. The Public Employees Retirement System (PERS) was found to be well-funded. The state committed to a plan to increase the funding of the underfunded plans as shown in the following chart. Contributions to the various retirement plans are made in such a manner as to satisfy the unfunded liabilities as follows:

- Teachers' Retirement System—Instituted a 40-year payment plan to be completed by June 30, 2034. The payment plan was revised in 1999 to provide that all improvements be funded over seven years from the improvement date. Effective in 2005, only retiree improvements of not more than one percent of liabilities are allowable and must be amortized over six years;
- Judges' Retirement System—Instituted a 25-year payment plan to be completed by June 30, 2018. Effective in 2005, active improvements are not allowable until after the payment plan is completed and retiree improvements are limited to one percent of liabilities and must be amortized over six years. The payment plan was completed July 1, 2007, 11 years ahead of schedule. The plan remains "fully funded;"
- Public Safety Retirement System (Plan A)—Instituted a 30-year payment plan to be completed by June 30, 2025. Effective in 2005, active improvements are not allowable until after the payment plan is completed.

The unfunded actuarial liability for each plan is as follows:

	July 1, 2011, Actuarial Valuation Unfunded Actuarial Liability		July 1, 2012, Actuarial Valuation Unfunded Actuarial Liability	
PERS	\$1,192,584,000	(78.4% funded) ¹	\$1,283,380,000	(77.6% funded)
TRS	\$4,370,483,000	(53.7% funded) ¹	\$4,568,190,000	(53.0% funded)
JRS	(\$28,992,000)	(130.3% funded) ¹	(\$28,150,000)	(128.7% funded)
Public Safety—Plan A	\$124,251,000	(79.5% funded) ¹	\$186,000,000	(72.0% funded)
State Police—Plan B	\$8,280,000	(89.5% funded) ¹	\$10,820,000	(87.9% funded)

Long-Range Issues

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. PERS adopted an actuarial value of assets with asset smoothing over four years starting prospectively on July 1, 2009.

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;
- 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.

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 an ongoing 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.

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 2013) less any one time appropriations. For the FY 2014 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 amount of 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 reduce the overall FY 2014 expenditure growth and position the State to balance budgets in the years that follow. For FY 2014, generally speaking, agencies were asked to submit their requests at 92.5% of FY 2013 funding levels.

All appropriation requests that are above the "current level" must be submitted as a separate "improvement package" stating the purpose, benefits, and needs of the additional funding. Each such improvement above the "current level" is considered individually. For FY 2014, agencies were asked that any requests for improvements, or requests for FY 2013 supplemental appropriations, be submitted only after careful review. Only in rare cases were these requests considered.

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.

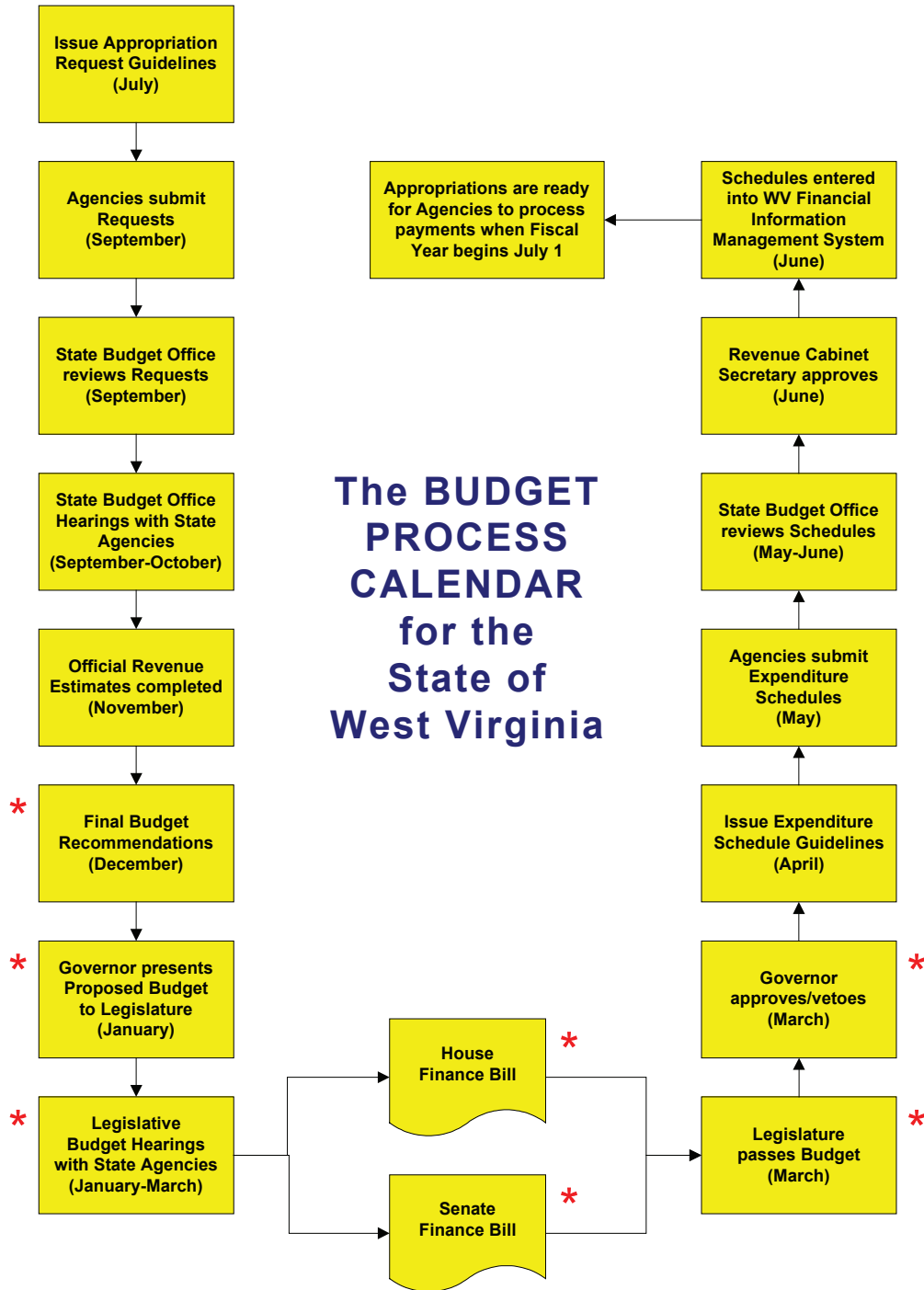
These budget hearings also provide the time to discuss, in general terms, any future capital projects and funding options. All the departments/bureaus/commissions/divisions are required to submit capital expenditure plans with their appropriation requests. These plans summarize projects budgeted for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

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 (which is the case this budget year). The Governor's Executive Budget consists of the *Operating Detail*, the *Budget Report*, the *Account Detail*, and the Budget



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

Budget Overview

Bill. The *Operating Detail* contains organizational charts, descriptive narrative information for every department/bureau/commission, division, and program, detailed financial information related to actual expenditures, current budget, and requested appropriations by program and by fund, an economic forecast, a profile of the state, and capital projects. 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; and the budget plan. The *Account Detail* provides detailed budget information by agency (organization) and fund for agencies in all three branches of West Virginia state government, including personal services, employee benefits, and other categories. The Budget Bill includes the language required to legally enact the budget or appropriations bill.

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 their 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. 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.

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.

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.

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

Budget Overview

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 five percent 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 "employee benefits," "current expenses," "repairs and alterations," "buildings," "equipment," and "other assets."
- Any spending unit in any fund to transfer "personal services" and "unclassified" to "employee benefits," "current expenses," "repairs and alterations," "buildings," "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 commissioner of the Division of Corrections has specific authority to transfer funds between the individual correctional units and from the correctional units to pay federal, county, and/or regional jails or inmate medical expenses.

The director of the Division of Juvenile Services has specific authority to transfer funds between individual juvenile centers.

The secretary of the Department of Health and Human Resources may also transfer up to five percent 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.

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.

Budget Overview

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 moneys 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 why 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.

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. Generally accepted auditing standards set forth in the General Accounting Office's Governmental Auditing Standards are used by the auditors in conducting the engagement.

Budget Overview

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 post-audit 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 Chapter 11B, Article 2, Section 4 of the West Virginia Code, 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 monies. These services include paper and electronic lockboxes, electronic funds transfer (EFT), and credit card collections through web-based systems and point-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.

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

Budget Overview

The West Virginia Board of Treasury Investments (BTI) is responsible for investing the operating funds (short-term funds) of the state which are referred to as the Consolidated Fund. The State Treasurer is chairperson of this five-member board. The BTI maintains ten investment pools. Three main pools are utilized for investing excess state cash and local government monies. 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 the portfolios within the board approved investment policy guidelines. The BTI staff is responsible for the 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 provides performance reporting as well as 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 Bill, 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 make sure that 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 must direct the State Budget Office to reduce pro rata all expenditures within his control in such degree as may be necessary to prevent a deficit, or he may convene the Legislature to request a supplementary appropriation from the Revenue Shortfall Reserve Fund. If the Governor determines that a pro rata reduction will dangerously impair essential services of government, he can instruct the State Budget Office to reduce expenditures from separate appropriations in accordance with a statutorily defined method. 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 risk 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.

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

Budget Overview

employees. The State has also retained a specific portion of its worker's compensation risk, as it has entered into a high deductible arrangement with the insurance carrier.

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 nonstate agencies. In exchange for the payment of premiums, the State has transferred its risk-related health coverage for employees.

The State participates in the West Virginia Board of Risk and Insurance Management (BRIM) to obtain coverage for general liability, property damage, business interruption, error and omissions, and natural disasters. 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 WVFIMS Fixed Asset system, 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. The exceptions are all firearms and computers which must be entered in the WVFIMS Fixed Asset system regardless of the cost.

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 vacation 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.

The focus for the FY 2014 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2010 to FY 2012) and the performance-level objectives the program is trying to achieve in FY

Budget Overview

2013 and FY 2014 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), 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 the 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 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 evaluates state agencies in compliance with Generally Accepted Government Auditing Standards. Results of the evaluations and research are generally reported to the Joint Committees on Government Operations, 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. 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 on the agencies of specific departments. PERD cannot review every agency or division within a department. Therefore, discretion and prioritization are used to determine which agencies will be reviewed. Agency reviews of departments are required to be conducted at least once every six years.

Compliance reviews determine the progress an agency has made in improving its performance and how an agency has complied with recommendations made in a previous review. Compliance reviews statutorily are requested in writing by the Joint Standing Committee on Government Operations (W.Va. Code §4-10-11).

Regulatory board reviews are conducted on regulatory boards established under Chapter 30 of the West Virginia Code that regulate certain professions. A regulatory board must be reviewed at least once every 12 years. PERD's review makes a determination of whether a board complies with the general provisions of Chapter 30 of the West Virginia Code and other applicable laws. The general provisions impose a host of requirements on regulatory boards such as requiring financial self-sufficiency, a proper disciplinary procedure, and continuing education. PERD may also determine if there is a continued need for the regulatory board.

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.

Budget Overview

Depending on the findings of a review, the Joint Committee on Government Operations may request a compliance review be conducted.

The departments that will be reviewed in the current and upcoming years are listed below.

- * 2012—the Department of Health and Human Resources and the Bureau of Senior Services
- * 2013—the Department of Transportation

Agencies subject to regulatory board reviews in the current and upcoming years are listed below.

- * 2012—Board of Occupational Therapy, Board of Examiners for Speech-Language Pathology and Audiology, and Medical Imaging and Radiation Therapy Board of Examiners
- * 2013—Board of Professional Surveyors, Board of Registration for Foresters, and Board of Registration for Professional Engineers
- * 2014—Board of Examiners for Licensed Practical Nurses, Board of Examiners for Registered Professional Nurses, and Massage Therapy Licensure Board

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 for legally required hiring standards and pay relationships.

The **Employee Information and Transaction Processing** 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 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.

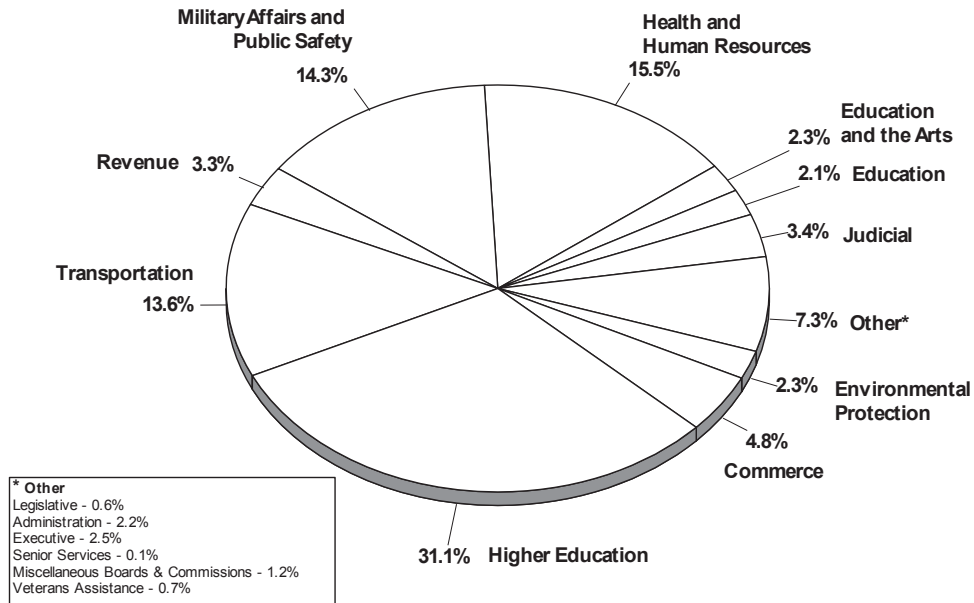
The **Organization and Human Resource Development** section provides training programs, development strategies, and consulting services to increase the effectiveness and efficiency of state government.

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; providing the best-qualified applicants to state agencies for interviews; and evaluating the qualifications and credentials of applicants applying for internal job vacancy postings. In addition, this section is responsible for research and development of job-related employment examination procedures.

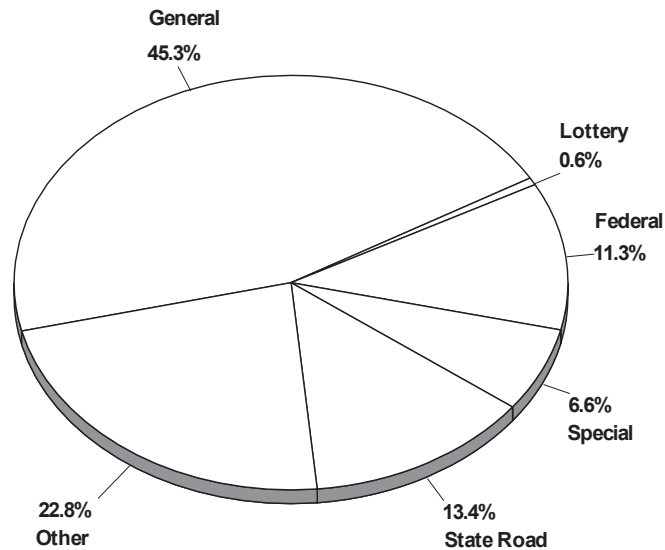
As of November 30, 2012, the State had approximately 38,117 filled, permanent, full-time equivalent employees, including approximately 11,038 employed by the Higher Education Policy Commission and approximately 1,298 employed by the Council for Community and Technical College Education. Public school 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 2014 40,709.51 FTEs

By Department



By Fund



Schedule of Budgeted Full-Time Equivalents All Funds

Permanent Positions FY 2012 through FY 2014

Department/Agency	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
TOTAL BUDGETED FTE PERMANENT POSITIONS	40,600.55	40,895.12	40,709.51
LEGISLATURE			
Senate	46.00	45.00	45.00
House of Delegates	60.00	59.00	59.00
Joint Expenses	137.00	134.50	134.50
TOTAL - LEGISLATURE	243.00	238.50	238.50
TOTAL - JUDICIAL	1,368.10	1,370.45	1,370.45
EXECUTIVE			
Governor's Office ¹	98.80	61.00	61.00
State Auditor's Office	195.55	196.75	196.13
Treasurer's Office	141.70	136.80	135.80
Agriculture, Department of	360.75	360.75	360.75
Attorney General's Office ²	191.63	200.55	200.55
Secretary of State	57.50	58.00	58.00
TOTAL - EXECUTIVE	1,045.93	1,013.85	1,012.23

¹ FY 2013 moved 22.80 FTEs to the Secretary of Commerce for the Office of Economic Opportunity and moved 17 FTEs to the Secretary of Education and the Arts for the Commission for National and Community Service.

² FY 2013 added FTEs for the criminal convictions and habeas corpus appeals and for the statutory change that requires the Attorney General's Office to be prosecutors in DMV hearings.

DEPARTMENT OF ADMINISTRATION

Office of the Secretary	7.35	6.90	7.35
Consolidated Public Retirement Board	84.00	83.50	84.00
Finance, Division of	13.00	13.70	13.50
Information Services & Communications, Division of	388.85	389.70	389.50
General Services, Division of	126.80	126.80	126.80
Purchasing, Division of	39.65	40.30	40.30
Surplus Property	16.55	15.20	15.20
Travel Management	16.00	17.00	16.00
Board of Risk and Insurance Management	25.60	25.60	25.60
Education & State Employees' Grievance Board	12.00	12.00	12.00
Ethics Commission	7.35	7.35	7.35
Public Defender Services	16.00	16.00	16.00
Personnel, Division of	66.62	67.05	67.05
Public Employees Insurance Agency	41.30	40.60	40.60
Prosecuting Attorneys Institute	7.00	7.00	7.00
Children's Health Insurance Agency	9.00	9.00	9.00
Office of Technology	4.00	4.00	4.00
Retiree Health Benefits Trust Fund	19.70	20.40	20.40
Real Estate Division	10.60	10.60	10.60
TOTAL - ADMINISTRATION	911.37	912.70	912.25

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
DEPARTMENT OF COMMERCE			
Office of the Secretary ¹	3.00	25.80	24.80
Tourism, Division of	66.80	66.80	66.80
Forestry, Division of ²	120.00	120.50	113.00
Geological and Economic Survey	53.10	53.10	52.10
Development Office ³	108.00	110.00	111.00
Labor, Division of	113.00	115.00	115.00
Natural Resources, Division of	824.12	824.49	824.29
Miners' Health, Safety and Training, Division of ⁴	158.00	160.00	158.00
Board of Coal Mine Health and Safety	3.00	3.00	3.00
WorkForce West Virginia ⁵	486.97	464.38	464.05
Energy, Division of	11.00	11.00	11.00
TOTAL - COMMERCE	1,946.99	1,954.07	1,943.04

¹ FY 2013 moved 22.80 FTEs from the Governor's Office for the Office of Economic Opportunity.

² FY 2014 reduced 6.50 FTEs for the Clements State Tree Nursery and moved one FTE to the Development Office.

³ FY 2014 moved one FTE from the Division of Forestry for a Industry Assistance/Product Utilization Forester.

⁴ FY 2013 added two FTEs for coal dust and rock dust sampling Inspectors.

⁵ FY 2013 reduced FTEs related to federal ARRA funding.

DEPARTMENT OF EDUCATION

Education, State Department of ¹	604.20	606.60	615.52
WV Schools for the Deaf & the Blind ²	217.00	217.70	204.00
State FFA-FHA Camp & Conference Center	34.20	34.20	34.20
School Building Authority	11.00	11.00	11.00
TOTAL - EDUCATION	866.40	869.50	864.72

¹ FY 2014 added three FTEs for State Board of Education administration, 1.50 FTEs for the Parkersburg Correctional Facility, and four FTEs for the Davis Center for Girls.

² FY 2014 deleted 13.70 FTE vacancies.

DEPARTMENT OF EDUCATION AND THE ARTS

Office of the Secretary ¹	28.60	45.60	45.60
Culture and History, Division of	121.00	121.00	119.00
Library Commission	53.00	52.00	52.00
Educational Broadcasting Authority ²	96.70	96.70	91.50
Rehabilitation Services, Division of	655.50	655.10	655.10
TOTAL - EDUCATION AND THE ARTS	954.80	970.40	963.20

¹ FY 2013 moved 17 FTEs from Governor's Office for the Commission for National and Community Service.

² FY 2014 deleted 5.20 FTE vacancies.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

Air Quality Board	1.30	1.30	1.30
Environmental Protection, Division of ¹	894.45	907.28	907.26
Environmental Quality Board	1.70	1.70	1.70
Solid Waste Management Board	13.00	13.00	13.00
Oil and Gas Conservation Commission	1.50	1.50	1.50
TOTAL - ENVIRONMENTAL PROTECTION	911.95	924.78	924.76

¹ FY 2013 added 14 FTEs related to the Horizontal Well Act.

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Office of the Secretary	7.52	7.52	7.52
Health, Division of	2,705.87	2,709.05	2,709.05
Health Care Authority	54.00	54.00	54.00
Human Rights Commission	31.00	31.00	31.00
Human Services, Division of	3,531.38	3,532.42	3,532.25
TOTAL - HEALTH AND HUMAN RESOURCES	6,329.77	6,333.99	6,333.82
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
Office of the Secretary	26.00	26.00	26.00
Adjutant General ¹	419.03	448.45	448.45
WV Board of Parole	16.00	16.00	16.00
Homeland Security and Emergency Management	53.00	53.00	53.00
Corrections, Division of	2,062.75	2,063.75	2,063.75
WV State Police ²	1,088.50	1,096.50	1,094.50
Regional Jail and Correctional Facility Authority	1,034.00	1,034.50	1,034.50
Fire Commission ³	53.00	60.00	53.00
Justice and Community Services, Division of	40.65	37.75	37.75
Juvenile Services, Division of	935.60	935.60	936.00
Division of Protective Services	40.00	40.00	40.00
TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY	5,768.53	5,811.55	5,802.95
¹ FY 2013 added 18 FTEs for the Joint Interagency Training and Education Center (100% federal funded); five FTEs for Family Support Programs (100% federal funded); and six FTEs for Martinsburg facilities, operations and maintenance section (75% federal/25% state match).			
² FY 2013 added five FTEs for forensic analysts.			
³ FY 2013 Temporary increase to facilitate the transfer of Inspector titles to Assistant Fire Marshals.			
DEPARTMENT OF REVENUE			
Office of the Secretary	8.50	8.50	8.00
Tax Division	478.00	478.00	478.00
State Budget Office	11.00	11.00	11.00
Insurance Commissioner	399.70	400.50	400.50
Lottery Commission	231.00	231.00	231.00
Racing Commission	54.73	55.63	56.00
Alcohol Beverage Control Administration	112.12	112.12	112.25
Office of Tax Appeals	9.00	9.00	9.00
Municipal Bond Commission	4.00	4.00	4.00
Financial Institutions, Division of	32.00	32.00	32.00
TOTAL - REVENUE	1,340.05	1,341.75	1,341.75

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
DEPARTMENT OF TRANSPORTATION			
Motor Vehicles, Division of ¹	594.00	622.00	621.00
Highways, Division of ²	4,839.50	4,865.00	4,865.00
State Rail Authority	24.00	24.00	24.00
Public Transit, Division of	10.00	10.00	10.00
Public Port Authority	4.00	4.00	4.00
Aeronautics Commission	3.00	3.00	3.00
Office of Administrative Hearings	30.00	30.00	30.00
TOTAL - TRANSPORTATION	5,504.50	5,558.00	5,557.00

¹ FY 2013 Added 17 FTEs for the Summersville Regional Office; five FTEs for Customer Service Representatives; and two FTEs for Administrative Service Assistants III.

² Approved quota slots per fiscal year (FY 2012 - 5,325; FY 2013 - 5,418; FY 2014 - 5,418).

DEPARTMENT OF VETERANS ASSISTANCE

Veterans Affairs ¹	235.94	244.44	244.44
Veterans Home	47.70	47.70	47.70
TOTAL - VETERANS ASSISTANCE	283.64	292.14	292.14

¹ FY 2013 added five FTEs for Health Service Workers; one FTE for an Office Assistant; and one FTE for a Laundry Worker.

TOTAL - BUREAU OF SENIOR SERVICES **36.30** **36.30** **36.30**

HIGHER EDUCATION POLICY COMMISSION

HEPC - Administration ¹	77.83	81.10	78.89
West Virginia University	6,776.83	6,818.21	6,718.70
Marshall University	1,787.21	1,816.24	1,794.19
Osteopathic School of Medicine	278.21	283.88	282.18
Bluefield State College	212.93	216.07	213.07
Concord University	295.02	300.11	297.03
Fairmont State University	482.68	488.98	486.99
Glennville State College	212.27	221.27	216.19
Shepherd University	455.17	469.00	456.93
West Liberty University	322.46	330.27	328.00
West Virginia State University	398.00	363.55	368.50
WVNET	45.66	48.93	46.20
TOTAL - HIGHER EDUCATION POLICY COMMISSION ²	11,344.27	11,437.61	11,286.87

¹ FY 2013 included increased FTEs from additional grant revenue resulting in additional administrative staff.

² FY 2013 and FY 2014 included changes in FTEs for institutions related to faculty due to changes in enrollment.

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
Council - Administration	13.00	14.00	13.00
Mountwest Community and Technical College	110.00	129.00	133.00
New River Community and Technical College	150.14	161.78	158.00
Pierpont Community and Technical College	100.37	107.20	104.75
Blue Ridge Community and Technical College	95.95	126.95	105.15
Kanawha Valley Community and Technical College	111.28	121.28	118.28
Bridgemont Community and Technical College	75.52	76.77	76.52
West Virginia University at Parkersburg	214.79	210.69	234.67
Southern West Virginia Community and Technical College	208.84	208.84	210.01
West Virginia Northern Community and Technical College	154.06	156.00	161.00
West Virginia Eastern Community and Technical College	38.10	42.28	40.41
TOTAL - COUNCIL FOR C&T COLLEGE EDUCATION ¹	1,272.05	1,354.79	1,354.79

¹ FY 2013 included increased FTEs for institutions related to faculty due to increased enrollment.

MISCELLANEOUS BOARDS AND COMMISSIONS			
Barbers and Cosmetologists, Board of	10.00	10.00	10.00
Board of Medicine	14.00	14.00	14.00
Courthouse Facilities Improvement Authority	2.00	2.00	2.00
Hospital Finance Authority	1.00	1.00	1.00
Licensed Practical Nurses	4.00	4.00	4.00
Public Service Commission	334.22	334.32	334.32
Real Estate Commission	12.00	12.00	12.00
Registered Nurses	11.00	11.00	11.00
Water Development Authority	20.06	20.06	20.06
West Virginia Economic Development Authority	9.88	9.88	9.88
Other Boards	54.74	56.48	56.48
TOTAL - MISC. BOARDS AND COMMISSIONS	472.90	474.74	474.74

Schedule of Budgeted Full-Time Equivalents By Source of Funds

Permanent Positions FY 2011 through FY 2014

By Department/Funding Source	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
ALL DEPARTMENTS/AGENCIES			
General	18,408.07	18,479.20	18,440.94
Federal	4,726.94	4,612.84	4,600.14
Lottery	240.70	246.54	241.73
Special	2,667.00	2,703.44	2,707.94
State Road Fund	5,394.50	5,449.00	5,444.00
Nonappropriated Special	9,163.34	9,404.10	9,274.76
TOTAL	40,600.55	40,895.12	40,709.51
LEGISLATURE			
General	237.00	231.50	231.50
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	6.00	7.00	7.00
Nonappropriated Special	0.00	0.00	0.00
TOTAL	243.00	238.50	238.50
JUDICIAL			
General	1,368.10	1,370.45	1,370.45
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	1,368.10	1,370.45	1,370.45
EXECUTIVE			
General	590.21	596.98	578.15
Federal	58.12	30.62	31.82
Lottery	0.00	0.00	0.00
Special	233.76	234.15	251.55
Nonappropriated Special	163.84	152.10	150.71
TOTAL	1,045.93	1,013.85	1,012.23
DEPARTMENT OF ADMINISTRATION			
General	131.28	141.78	142.13
Federal	7.00	7.00	7.00
Lottery	0.00	0.00	0.00
Special	472.56	480.39	479.19
Nonappropriated Special	300.53	283.53	283.93
TOTAL	911.37	912.70	912.25

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
DEPARTMENT OF COMMERCE			
General ¹	732.69	738.45	722.80
Federal	617.66	613.31	602.16
Lottery ¹	128.80	128.80	123.80
Special	264.73	257.96	243.41
Nonappropriated Special ¹	203.11	215.55	250.87
TOTAL	1,946.99	1,954.07	1,943.04
¹ Division of Natural Resources moved 20 FTEs from General and five FTEs from Lottery revenues to the State Parks Operating Fund.			
DEPARTMENT OF EDUCATION			
General	606.19	610.36	596.54
Federal	147.87	141.82	153.22
Lottery	49.67	53.87	50.87
Special	30.95	30.95	30.95
Nonappropriated Special	31.72	32.50	33.14
TOTAL	866.40	869.50	864.72
DEPARTMENT OF EDUCATION AND THE ARTS			
General	446.09	447.97	441.96
Federal	459.40	462.99	462.80
Lottery	17.88	24.51	23.51
Special	4.08	4.08	4.08
Nonappropriated Special	27.35	30.85	30.85
TOTAL	954.80	970.40	963.20
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
General	96.85	97.93	94.05
Federal	341.14	339.99	344.49
Lottery	0.00	0.00	0.00
Special	268.22	270.74	273.41
Nonappropriated Special	205.74	216.12	212.81
TOTAL	911.95	924.78	924.76
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
General	3,633.52	3,656.91	3,651.30
Federal	2,394.05	2,363.47	2,356.50
Lottery	0.00	0.00	0.00
Special	113.50	114.85	118.75
Nonappropriated Special	188.70	198.76	207.27
TOTAL	6,329.77	6,333.99	6,333.82
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
General ¹	4,193.10	4,195.70	4,211.18
Federal ¹	362.41	392.20	374.76
Lottery	0.00	0.00	0.00
Special	117.90	125.86	119.26
Nonappropriated Special	1,095.12	1,097.79	1,097.75
TOTAL	5,768.53	5,811.55	5,802.95

¹ The Adjutant General adjusted Mountaineer Challenge Academy to reflect 75% Federal and 25% General resulting in a transfer of 16 FTEs

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
DEPARTMENT OF REVENUE			
General	436.50	443.50	443.00
Federal	3.00	3.00	3.00
Lottery	0.00	0.00	0.00
Special	625.55	620.25	620.75
Nonappropriated Special	275.00	275.00	275.00
TOTAL	1,340.05	1,341.75	1,341.75
DEPARTMENT OF TRANSPORTATION			
General	12.50	12.50	12.50
Federal	18.00	17.00	17.00
Lottery	0.00	0.00	0.00
Special	60.00	60.00	64.00
State Road Fund ¹	5,394.50	5,449.00	5,444.00
Nonappropriated Special	19.50	19.50	19.50
TOTAL	5,504.50	5,558.00	5,557.00
¹ The Division of Highways has approved quota slots per fiscal year (FY 2012 - 5,325; FY 2013 - 5,418; FY 2014 - 5,418) from this funding source.			
DEPARTMENT OF VETERANS ASSISTANCE			
General	257.99	259.99	259.99
Federal	24.70	31.70	31.70
Lottery	0.00	0.00	0.00
Special	0.95	0.45	0.45
Nonappropriated Special	0.00	0.00	0.00
TOTAL	283.64	292.14	292.14
BUREAU OF SENIOR SERVICES			
General	0.00	0.00	0.00
Federal	11.78	10.96	11.78
Lottery	3.32	3.32	3.32
Special	1.91	1.91	1.91
Nonappropriated Special	19.29	20.11	19.29
TOTAL	36.30	36.30	36.30
HIGHER EDUCATION POLICY COMMISSION			
General	4,706.77	4,692.12	4,704.44
Federal	240.43	157.38	154.86
Lottery	41.03	36.04	40.23
Special	106.95	134.62	133.00
Nonappropriated Special	6,249.09	6,417.45	6,254.34
TOTAL	11,344.27	11,437.61	11,286.87
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
General	959.28	983.06	980.95
Federal	13.50	13.59	21.24
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	299.27	358.14	352.60
TOTAL	1,272.05	1,354.79	1,354.79

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2012 11-30-2011	FY 2013 11-30-2012	FY 2014 Recommended
MISCELLANEOUS BOARDS AND COMMISSIONS			
Federal	27.88	27.81	27.81
Lottery	0.00	0.00	0.00
Special	359.94	360.23	360.23
Nonappropriated Special	85.08	86.70	86.70
TOTAL	472.90	474.74	474.74

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 in the manner 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, Corporate Net Income Tax/ Business Franchise Tax, Tobacco Products Tax, and Severance Tax. These taxes comprise approximately 93% of the General Revenue Fund. The remaining seven percent 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 as the Legislature so 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 (formerly privilege 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).

Revenue Sources

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 and parks.

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

Special Revenue accounts 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 accounts may

Revenue Sources

also be reappropriated into the next fiscal year in the same manner as General Revenue accounts. Nonappropriated Special Revenue accounts 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 Global Insight, the West Virginia University Bureau of Business and Economic Research, and the U.S. Department of Energy. Revenue forecast 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 nineteen months after the development of the final fiscal year forecast, the official revenue estimates seldom change. However, staff monitors 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 mid-year budget reductions, as was the case for FY 2010. Based upon results over the past two decades, the probability of a revenue shortfall issue in any given year is less than 30%.

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 multitudinal 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, but, since it is a substantial revenue source, a separate page providing actual/estimated revenues is included.

For presentations of the total state revenue by source and the expenditures by function, refer to “Where the State Dollar Comes From,” “Where the State Dollar Goes,” and the “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds” in the “Financial Statements” chapter.

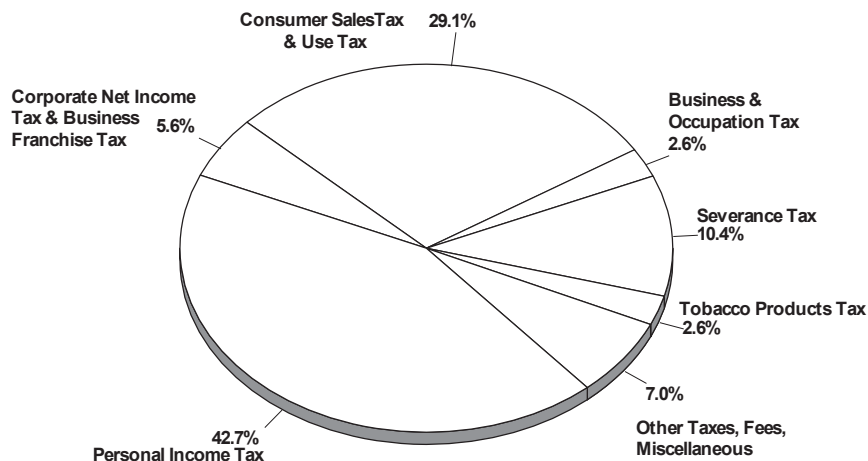
General Revenue Fund

Sources of Revenue

Fiscal Year 2014

\$4.141 Billion

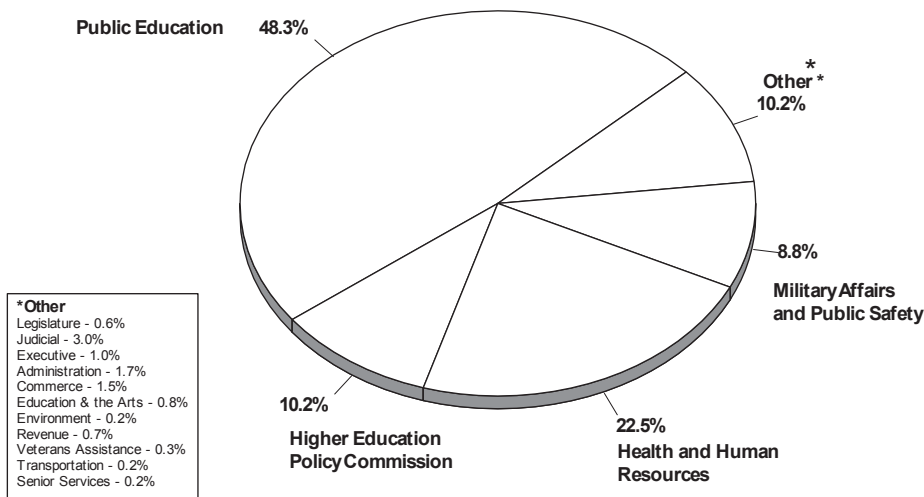
(Estimated)



Recommended Expenditures

Fiscal Year 2014

\$4.141 Billion



Personal Income Tax

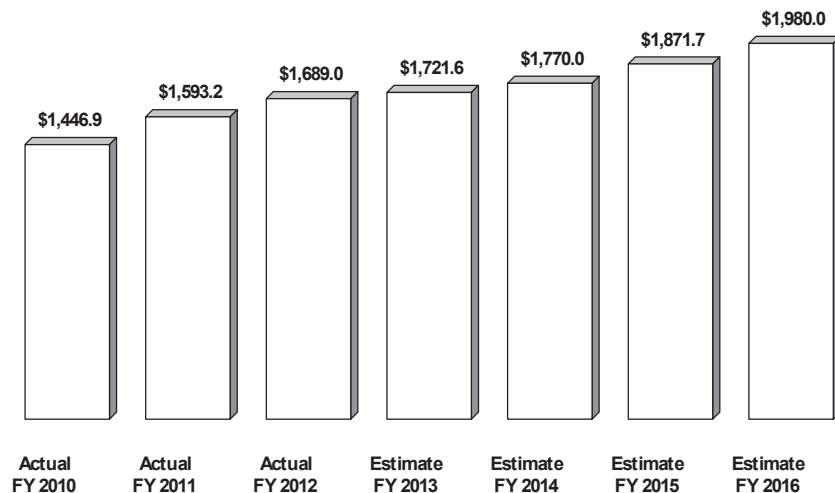
Personal Income Tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 72% of all Personal Income Tax receipts. After increasing at an average annual rate of 0.9% between 2003 and 2008, the West Virginia economy shed payroll employment jobs at a rate of more than 1% per year between 2008 and 2010. Payroll employment jobs increased by 1% in 2011 and by an estimated 0.1% in 2012. According to the most recent forecasts from IHS Global Insight, payroll employment is expected to decline by 0.2% in 2013 and then rebound with growth averaging roughly 1.3% per year between 2013 and 2018. IHS Global Insight projects personal income to increase by 2.7% in 2012 and by 2.3% in 2013 and then to rise by roughly 4.3% annually between 2013 and 2018.

The State annually dedicates a portion of Personal Income Tax collections toward the payment of the old workers' compensation debt (\$95.4 million per year through FY 2016). Based upon current law, the State will begin dedicating \$35 million per year to Other Post Employment Benefit programs beginning as early as FY 2017 under the assumption that the Old Workers' Compensation Debt Fund will be declared solvent by the end of FY 2016. Remaining collections are deposited in the State General Revenue Fund.

Income tax collections are projected to rise 2.6% in FY 2013 and increase at an average annual rate of nearly 4.5% during the FY 2013–FY 2018 forecast period (growth rate adjusted for change in old workers' compensation debt dedications).

- 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 42.7% of total General Revenue Fund.

Personal Income Tax (Expressed in Millions)



Consumer Sales Tax and Use Tax

Consumer Sales and Use Tax collections depend heavily upon retail sales (51%) and taxable services (24%) activities. The tax base includes most retail sales except for automobiles, gasoline, prescription drugs, and food for home consumption (effective July 1, 2013, the rate on food for home consumption will be reduced to 0%). Food for home consumption does not include sales, purchases, and uses by consumers of prepared food; food sold through vending machines; and soft drinks. These items are taxed at the full 6% rate.

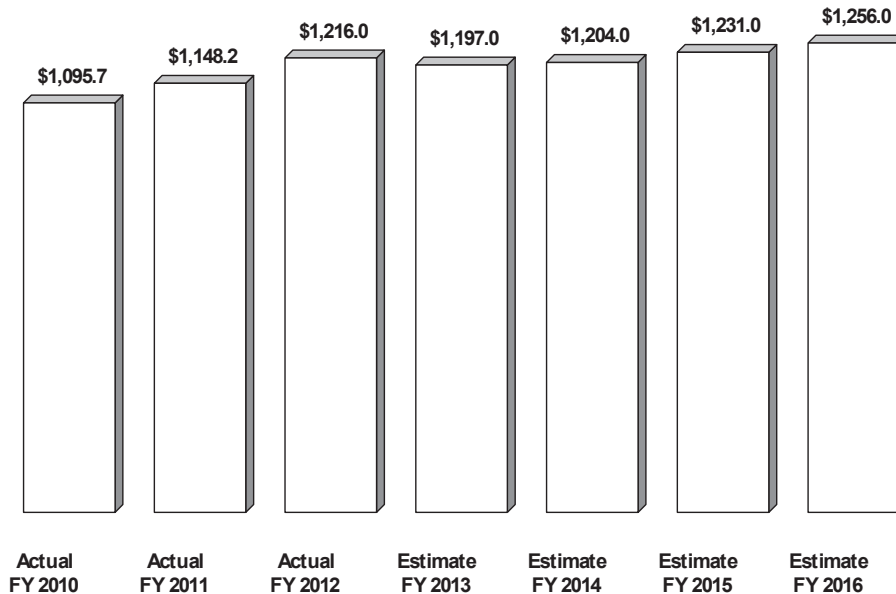
Retail sales growth depends upon changes in population, disposable personal income, inflation rates, interest rates, consumer debt, and consumer confidence. Disposable income growth is forecast to fall from 2.5% in 2012 to 1.9% in 2013. Thereafter, disposable personal income is forecast to rise by an average annual rate of 4.1% between 2013 and 2018.

After rising by an estimated 5.5% in FY 2012, Consumer Sales and Use Tax collections are forecast to remain relatively flat in both FY 2013 and FY 2014 before rebounding to an average annual growth rate of 3.1% during the remainder of the forecast period.

In addition to the General Revenue Fund, some Consumer Sales Tax collections go into special revenue accounts for the benefit of Sales Tax Increment Financing Districts, school construction, highway maintenance, and E-911 funded programs (i.e., \$61.4 million in FY 2012, \$65.1 million in FY 2013, \$67.2 million in FY 2014, and \$70.5 million in FY 2015).

- **6% Sales and Use Tax on most goods and services.**
- **Total Sales and Use Tax accounts for 29.1% of total General Revenue Fund.**

Consumer Sales Tax and Use Tax (Expressed in Millions)



General Revenue Fund
Severance Tax

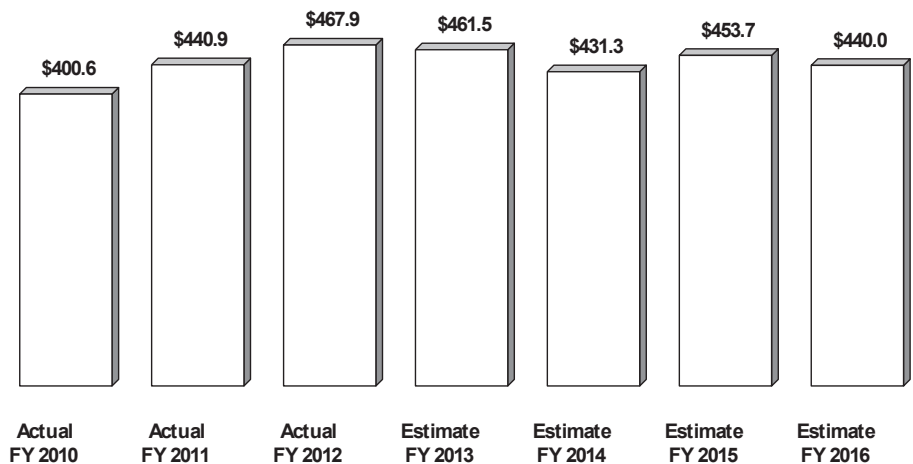
Severance Tax collections are attributable to coal production (84.8%), natural gas production (12.7%), and the production of various other natural resource products (2.5%). Other natural resources products include timber, oil, coalbed methane, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2012, Severance Tax receipts were deposited in the State General Revenue Fund (86.3%), the State Infrastructure Fund (4.4%), local government funds (9.3%), and the State Division of Forestry (a negligible amount due to a temporary tax moratorium). Under current law, the first \$24 million of annual receipts is dedicated to the Infrastructure Fund.

Severance Tax collection growth largely depends upon changes in coal and natural gas production and their respective prices. Coal prices rose dramatically over the past decade years 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 \$85 per ton in 2012. Severance Tax receipts grew by more than 240% between FY 2004 and FY 2012 in response to these higher prices. A slow growing economy, a weakening European economy, the planned closure of a number of regional coal-fired power plants, and increased competition from natural gas will lead to an expected 13% decrease in coal production over the next five years along with some decrease in price, especially over the next year or two. Natural gas production is forecast to continue rising, but at a slower pace over the forecast period. Following a recent period of significant decline due to excess supplies, natural gas well-head prices are anticipated to rebound above \$4 per thousand cubic feet by CY 2014. The increase in natural gas production is attributable in part to continuing development of Marcellus Shale deposits. Since coal and natural gas represent roughly 98% of the Severance Tax, the combined price and production projections will result in some year-to-year variance in collections.

Uncertain long-run energy prices and the potential impact of environmental regulations on coal production and electric power generation are risks to the forecast. A decline in energy prices results in less production incentive for coal and natural gas producers. Further federal restrictions upon carbon and nitrogen-oxide emissions could also reduce the demand for West Virginia coal in future years.

- **Privilege tax on gross receipts with a base rate of 5.0%. (Reduced rates for underground thin seam coal, waste coal, and timber.)**
- **Applies to natural resources (coal, gas, oil, other) production.**
- **Accounts for 10.4% of total General Revenue Fund.**

Severance Tax
 (Expressed in Millions)



Corporation Net Income Tax and Business Franchise Tax

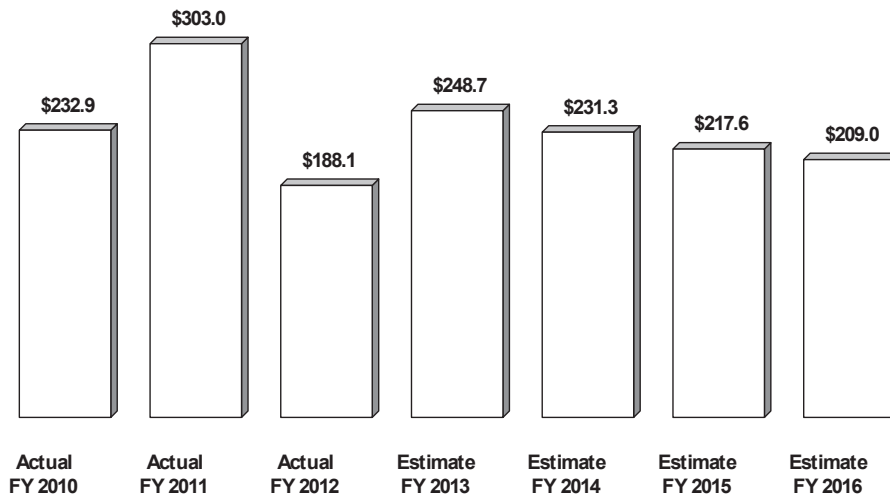
The Corporation Net Income Tax is a tax on net profits of incorporated entities doing business in West Virginia. The Business Franchise Tax is a tax on the net equity component (defined as the value of capital stock, preferred stock, paid-in capital, and retained earnings) of business balance sheets and applies to most corporations, partnerships, and limited liability companies. Domestic corporate profits fell in 2007 and 2008 after an extended period of above average growth. However, after a mild recovery, domestic corporate profits are projected to decline by roughly 2% in 2013 and then to increase at an average annual rate of roughly 1.5% through the remainder of the forecast period. In addition, retained earnings, a component of balance sheet net equity, are at high levels following growth of over 100% in 2009 and 37% in 2010 as corporations sought to improve their balance sheets. Although retained earnings are predicted to decline at an average annual rate of roughly 2.5% over the 2013 to 2018 period, there is an expectation of significant year to year variance in retained earnings in the forecast.

Since remittances of the Corporation Net Income Tax and Business Franchise Tax may lag the associated economic period by up to 18 months, the decline in corporate profits through 2008 resulted in reduced tax collections through 2010. The combined effect of scheduled decreases in both the Corporation Net Income Tax rate and the Business Franchise Tax rate will be offset in the early years of the forecast period due to a steep rise in retained earnings, and continued modest increases in corporate profits. However, collections are expected to decrease over the forecast period as projected modest increases in corporate profits will be more than offset by the impact of reduced tax rates.

Collection patterns tend to be very volatile because the majority of Corporation Net Income Tax and Business Franchise 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 current tax rate of 7.0% effective January 1, 2013.**
- **Business Franchise Tax applies to most corporations, partnerships, and limited liability companies. The tax base is the net equity apportioned to West Virginia with a current tax rate of 0.20% effective January 1, 2013.**
- **The Corporation Net Income Tax rate will decrease to 6.5% effective January 1, 2014.**
- **The Business Franchise Tax rate will decrease in stages from 0.20% to full elimination by January 1, 2015.**
- **Accounts for 5.6% of total General Revenue Fund.**

Corporation Net Income Tax & Business Franchise Tax
(Expressed in Millions)



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.

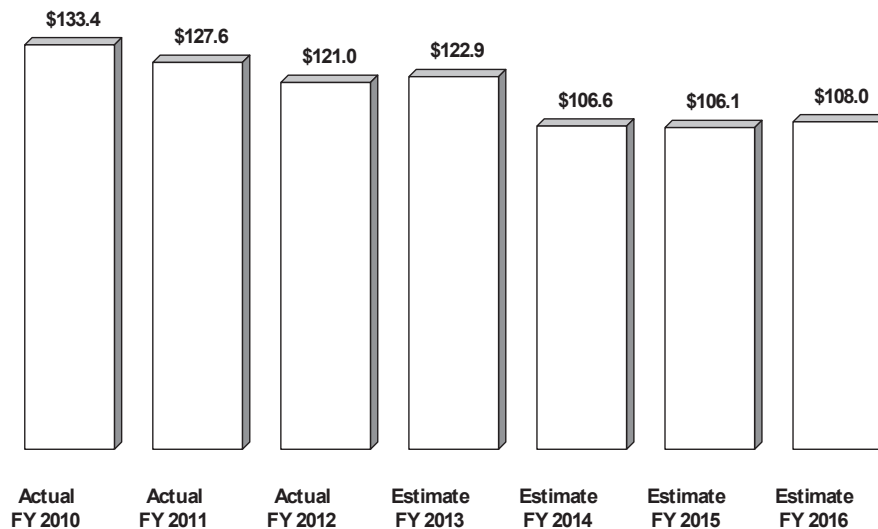
For electric power producers, the general tax rate is \$22.78 per kilowatt of taxable capacity. Plants with flue gas desulfurization systems are subject to a lower tax rate of \$20.70 per kilowatt. The installation of fuel gas desulfurization systems at existing power plants that was generally completed 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 recent capital investments reduced total Business and Occupation 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 will be retired. The retired plants will further reduce the tax base and lead to further declines in Business and Occupation Tax revenue.

The tax on natural gas receipts applies only to public utility sales. Exempt non-utility sales represent roughly 43.7% 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. The U.S. Energy Information Administration projects only minimal increases in natural gas prices through the forecast period.

While some natural gas utilities and water utilities have recently petitioned the Public Service Commission for service rate increases, the increase in Business and Occupation Tax attributable to an increased service rate will be more than offset by declines attributable to tax collections from electric power generation activity. During the forecast period, B&O Tax collections will generally decline by an average annual rate of nearly 3.5%.

- **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 2.6% of total General Revenue Fund.**

Business and Occupation Tax (Expressed in Millions)

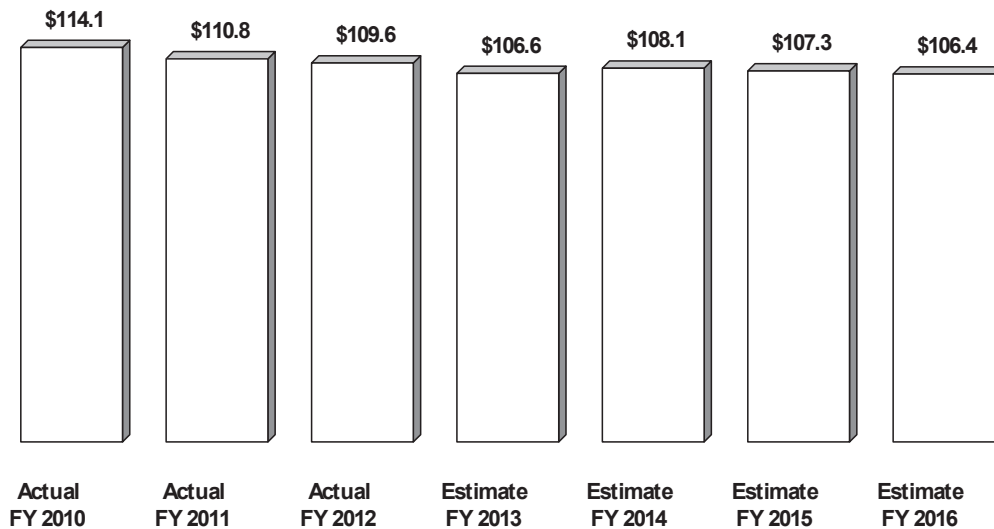


Tobacco Products Tax

The Tobacco Products Tax consists of a per pack tax on cigarettes and a percentage tax on the wholesale price of other tobacco products. Both demographic trends toward an aging population and continuing efforts to discourage consumption of tobacco products will dampen the outlook for long-term revenue growth for this tax. However, tax rate increases that are implemented in the states surrounding West Virginia can result in short-term increases in revenue. Tobacco Products Tax collections are forecast to decline by an average of 0.4% per year during the FY 2013–FY 2018 forecast period due to reduced consumption.

- Tax of \$0.55 per pack of 20 cigarettes.
- Tax of 7% of the wholesale price on tobacco products other than cigarettes.
- Accounts for 2.6% of total General Revenue Fund.

Tobacco Products Tax (Expressed in Millions)



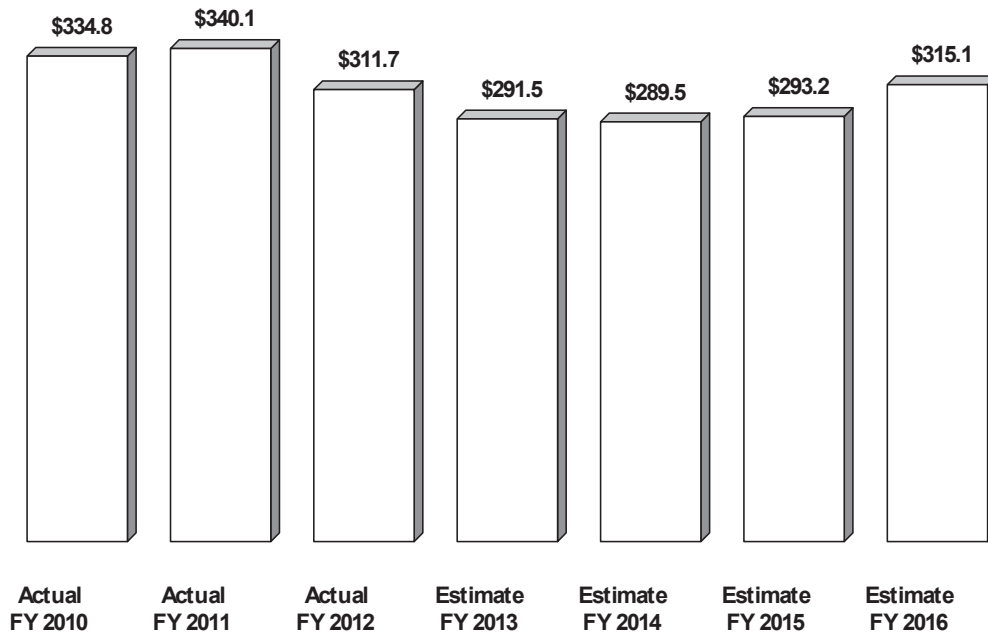
Other Taxes and Fees

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 Lottery Revenue). Most of these other taxes and fees are dependent upon population growth, other demographic trends, and changes in consumer behavior.

The annual appropriated Excess Lottery Transfer to the State General Revenue Fund is expected to be \$92.6 million per year for the forecast period, a 27.6% decline from annual appropriated transfers prior to FY 2013. Most of the forecasted revenue from the ten-year retail liquor establishment license renewal program was collected during FY 2010 and FY 2011.

- Accounts for 7.0% of total General Revenue Fund.

Other Taxes and Fees (Expressed in Millions)



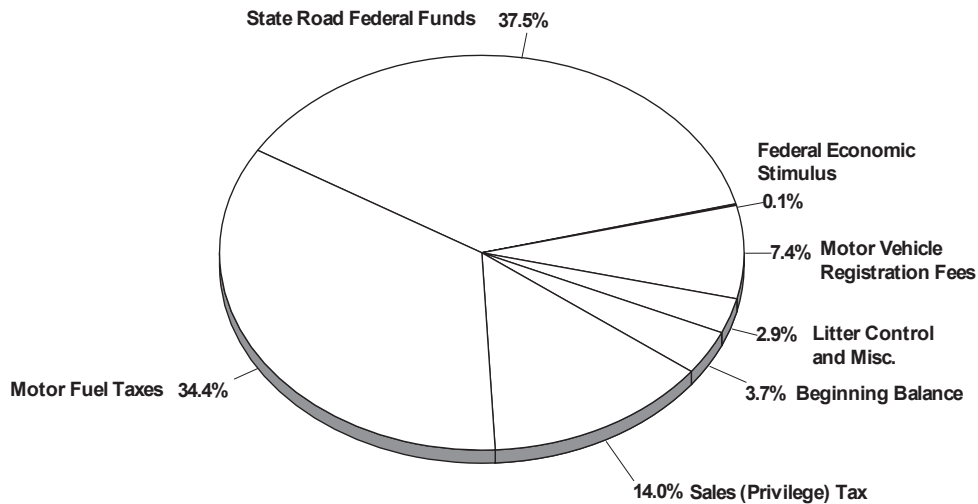
State Road Fund

Sources of Revenue

Fiscal Year 2014

\$1.251 Billion*

(Estimated)



*Includes Beginning Cash Balance plus FY 2014 Revenue.

Recommended Expenditures

Fiscal Year 2014

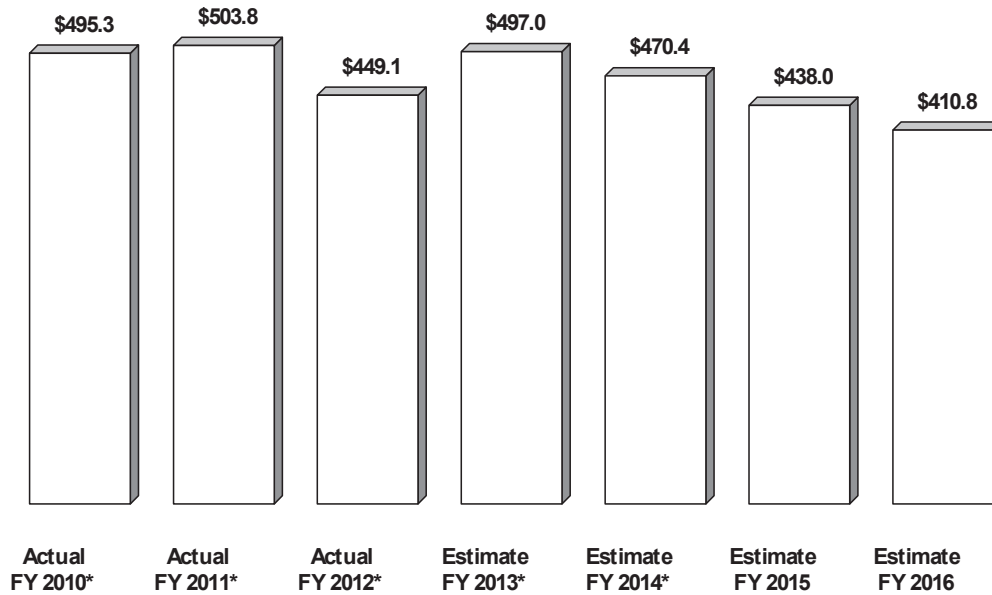
\$1.202 Billion



State Road Federal Funds

- Federal funds are received by the Division of Highways for Interstate Construction, Appalachian Programs, Other Federal Aid programs, and Federal Economic Stimulus.
- 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 37.5% of the total State Road Fund.

State Road Federal Funds (Expressed in Millions)



* Includes Federal Economic Stimulus of \$99.9 million in FY 2010, \$86.4 million in FY 2011, \$15.7 million in FY 2012, \$3.0 million in FY 2013, and \$1.5 million in FY 2014.

Motor Fuel Taxes

Motor Fuel Excise Tax

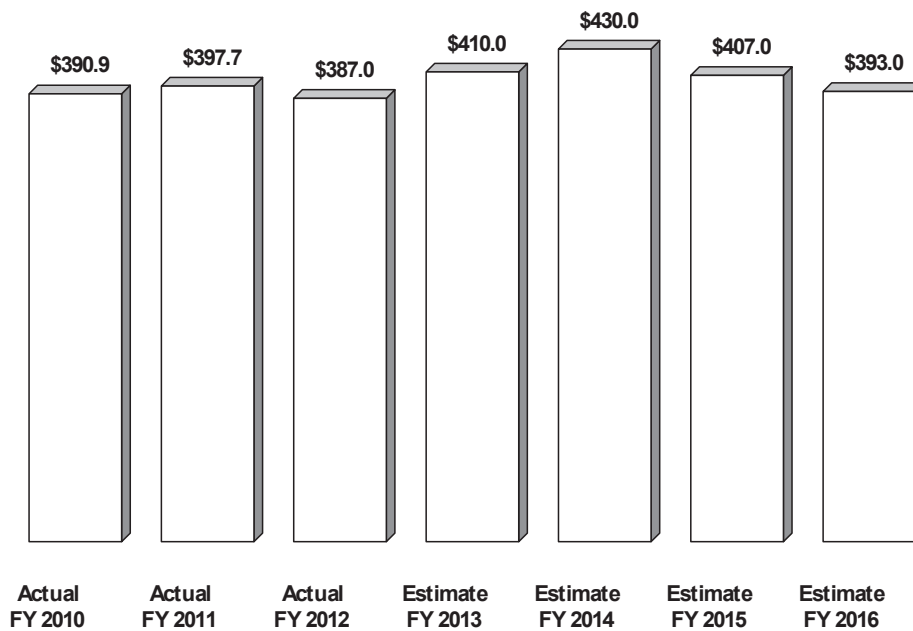
- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to five percent of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from a terminal in another state for delivery in this state.
- The average wholesale price shall not be less than \$2.34 per gallon, which generates a minimum tax rate of \$0.129 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 ten percent from the prior year.

Motor Carrier Road Tax

- Equivalent to the Motor Fuel Excise Tax on motor fuel.
- Imposed upon 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 34.4% of the total State Road Fund.

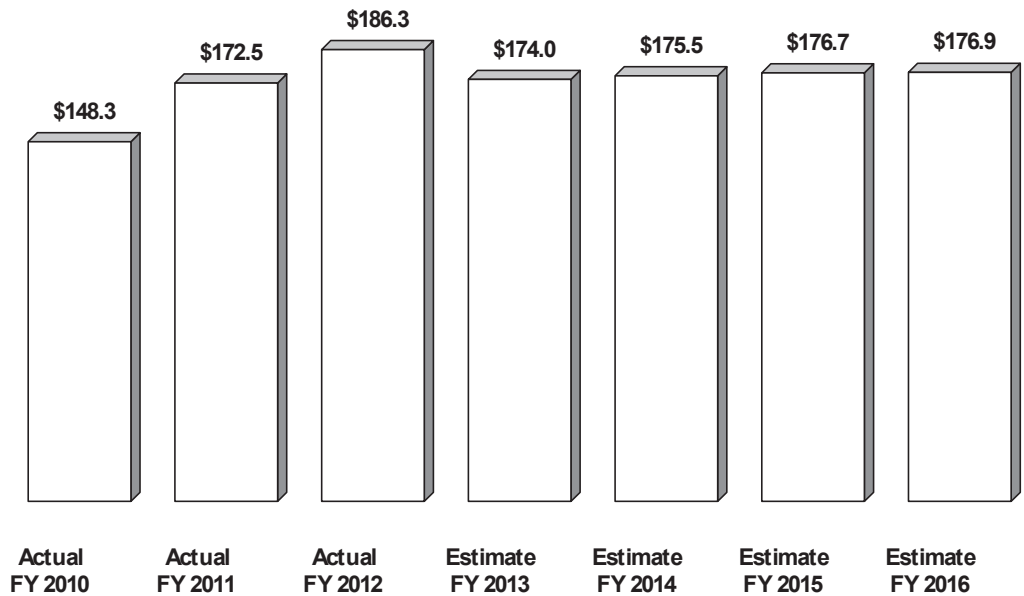
Motor Fuel Taxes (Expressed in Millions)



Sales (Privilege)Tax

- The Sales Tax is imposed for obtaining the certificate of Title on a vehicle at the time of purchase or lease.
- Tax amounts to five percent of the value of the vehicle at the time of such certification.
- Accounts for 14.0% of the total State Road Fund.

Sales (Privilege) Tax (Expressed in Millions)

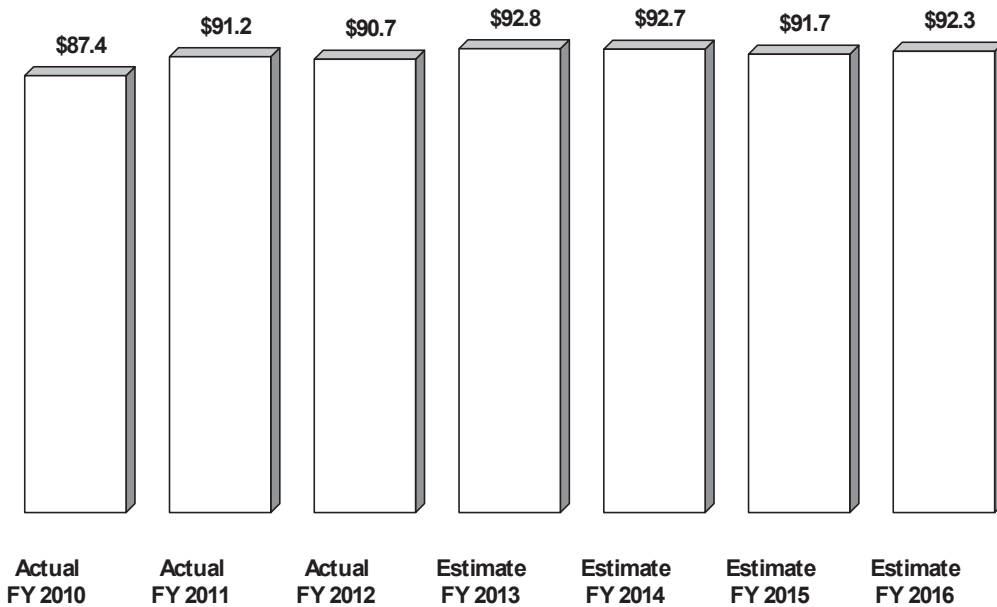


Motor Vehicle Registration Fees

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 7.4% of the total State Road Fund.

Motor Vehicle Registration Fees (Expressed in Millions)



West Virginia Lottery

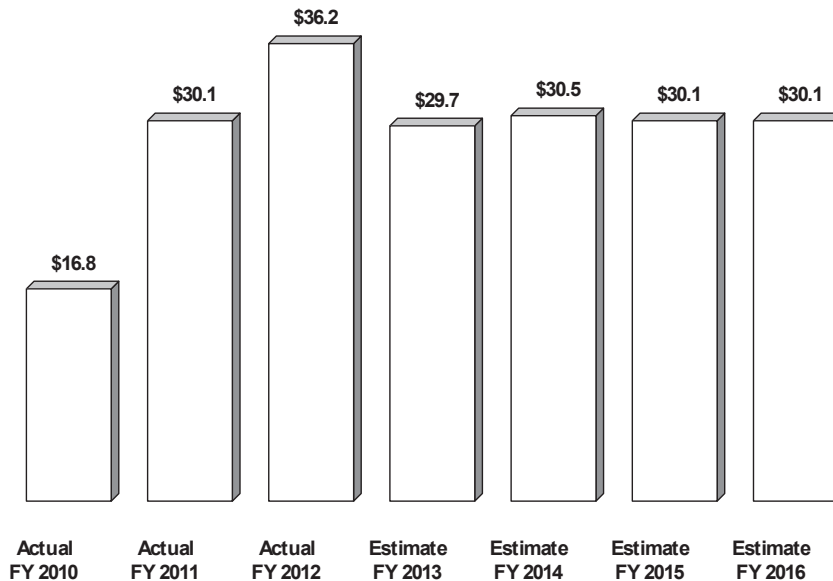
West Virginia Lottery gross revenue increased 2.5% in FY 2011 and 4.7% in FY 2012. The increase is primarily the result of several significant on-line jackpots during FY 2012, continued strong performance from table games particularly at Charles Town as well as minor seasonal disruption at the racetrack casinos. Gross revenues include ticket sales of on-line and instant games, Racetrack Video Lottery, Limited Video Lottery revenue, table games, and Historic Resort Hotel revenues. Correspondingly, net revenues to the state decreased by 0.6% and increased by 17.3% for FY 2011 and FY 2012, respectively. Racetrack Video Lottery decreased by 2.6% during FY 2011 and increased by 5.2% during FY 2012. Limited Video Lottery increased by 0.1% in FY 2011 and increased by 2.2% in FY 2012.

For FY 2013 the official estimate reflects a decrease in gross revenue of 21.9% from FY 2012. Racetrack Video Lottery is projected to decrease 31.3%, and Limited Video Lottery is projected to decrease 7% due to increased competition in bordering states. On-line sales are projected to decrease by 14.3%, and instant ticket sales are projected to decrease by 17.1%. Table games revenue is 100% statutorily distributed and should provide \$29.19 million in net revenue to the State's Debt Reduction Fund. Historic Resort Hotel revenue is 100% statutorily distributed and should provide \$505,000 in net revenue to the State's Debt Reduction Fund and \$1.7 million to the State's General Revenue Fund.

In FY 2014, the gross revenue estimate is expected to have a 1% decrease. On-line game sales are projected to decrease by 1%. Instant game sales are projected to increase by 7.6%. Racetrack Video Lottery revenue is projected to decrease 1.1%. Limited Video Lottery revenue is expected to increase by 1.9%. Table games should provide \$30 million in net revenue to the State's Debt Reduction Fund. Historic Resort Hotel revenues games should provide \$512,000 to the State's Debt Reduction Fund and provide \$1.7 million to the State's General Revenue Fund.

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.

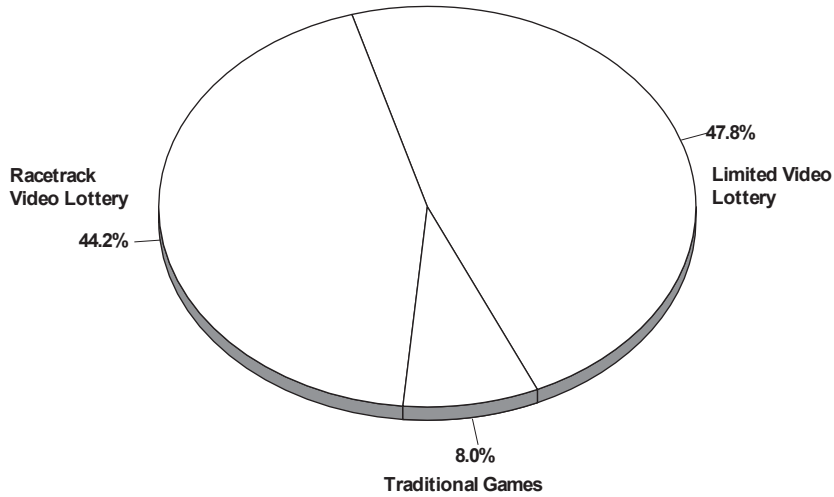
West Virginia Lottery Table Games Revenue Dedicated to State Debt Reduction (Expressed in Millions)



West Virginia Lottery

Sources of Revenue

Fiscal Year 2014
\$394.1 Million *
(Estimated)

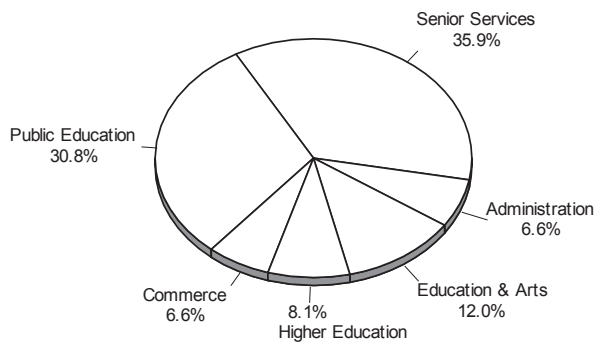


* Does not include beginning cash balance.

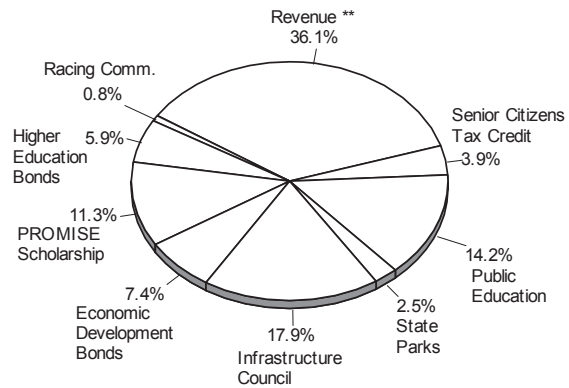
Recommended Expenditures

Fiscal Year 2014
\$408.1 Million

Lottery Fund*
\$151.6 Million



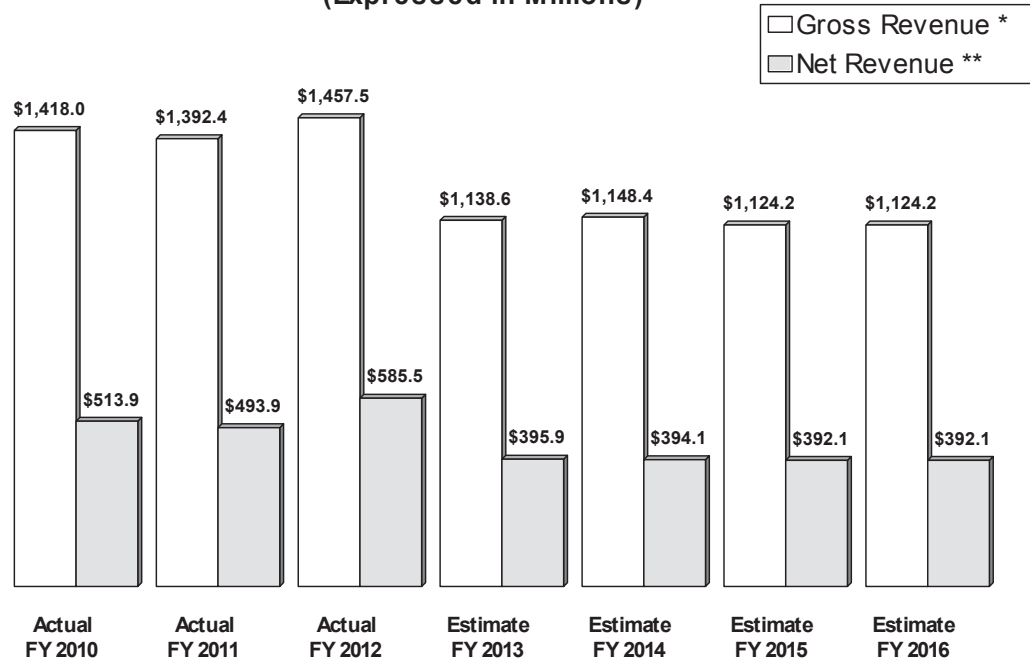
Excess Lottery Fund
\$256.5 Million



* Expenditures include FY 2014 revenues and beginning balances.
** Transfer to General Revenue Fund.

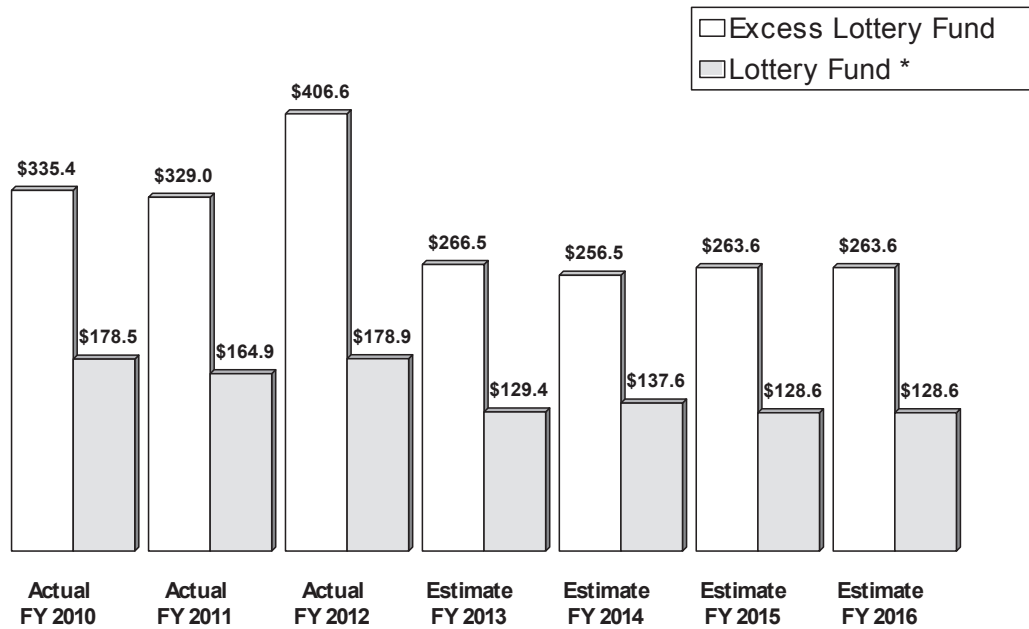
West Virginia Lottery

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



* Excludes Table Games and Historic Resort/Hotel revenues.
 ** Includes \$600,000 for Veterans Lottery Fund.

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



* Includes \$600,000 for Veterans Lottery Fund.

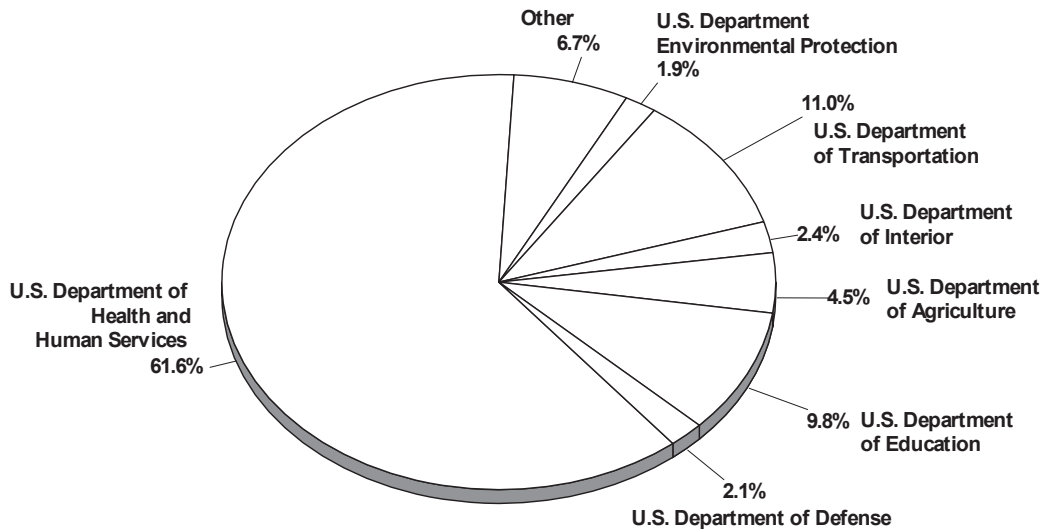
Federal Funds

Sources of Revenues

Fiscal Year 2014

\$4.679 Billion

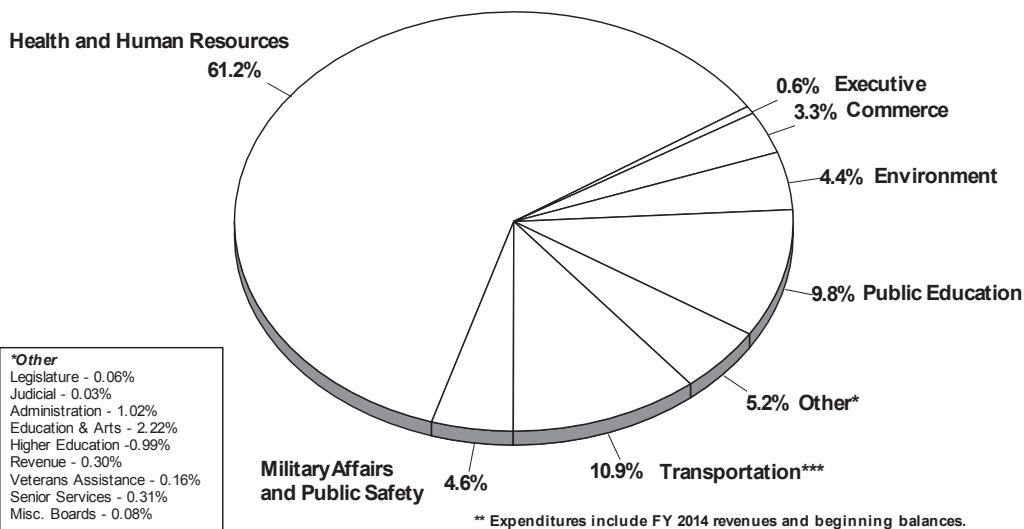
(Estimated)



Recommended Expenditures**

Fiscal Year 2014

\$4.695 Billion



** Expenditures include FY 2014 revenues 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.

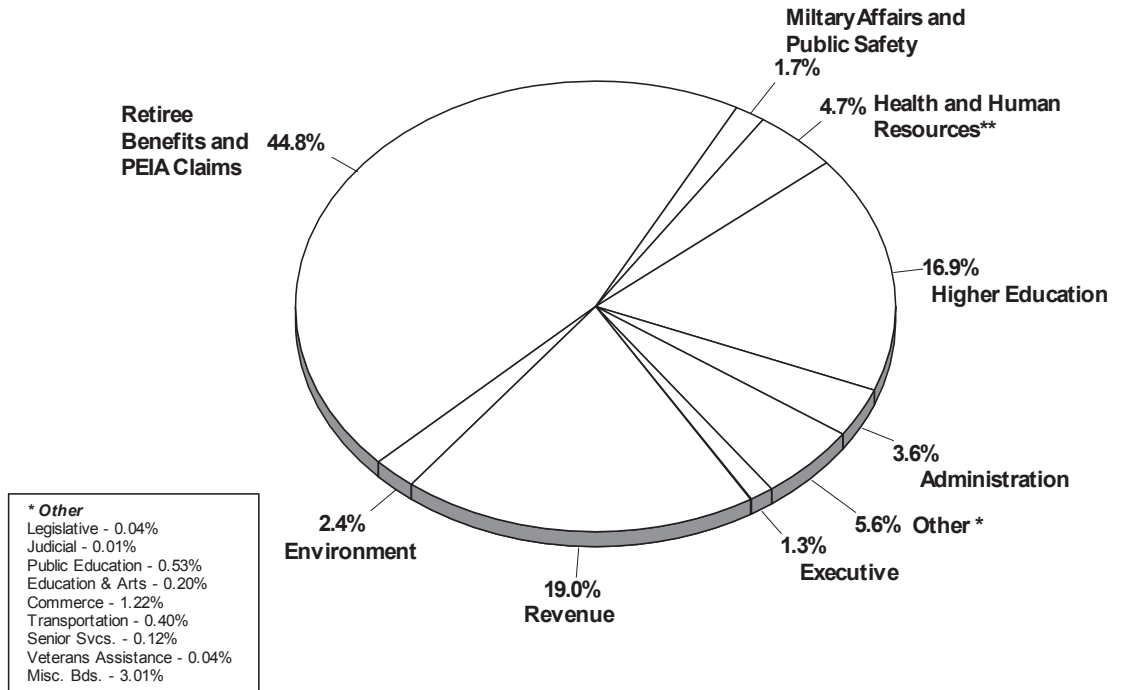
Does not include:

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

Recommended Expenditures

Fiscal Year 2014

\$10.415 Billion



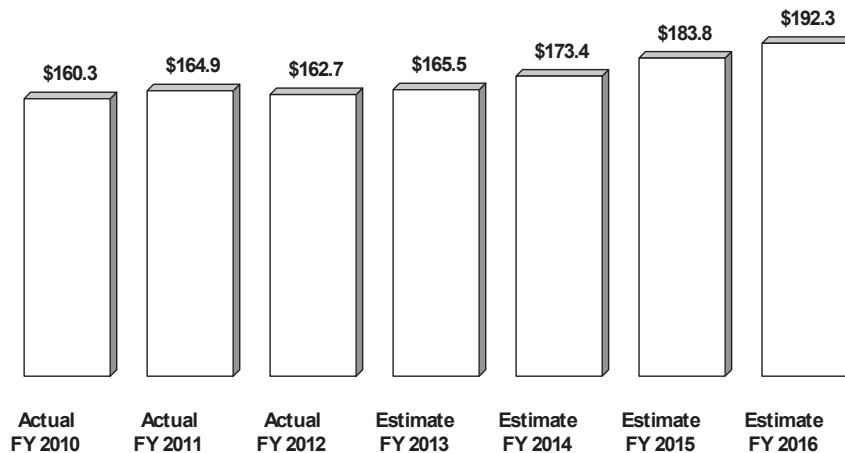
Medicaid State Share Fund

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. The Federal-State Medicaid Program grew significantly from roughly \$300 million in FY 1989 to nearly \$2.8 billion in FY 2012 (based on Legislative Oversight Commission on Health and Human Resources Accountability reports, which do not include prior period adjustments), a rate of growth that was more than two times greater than the growth rate for the State General Revenue Fund. During the forecast period, the federal government will fund roughly 72% of the Medicaid Program in West Virginia through a match of roughly \$3 per every \$1 of State funds appropriated for the program. In FY 2012, the Medicaid State Share Fund generated nearly \$169 million or roughly 21% of the State matching funds for the Medicaid Program. Based upon long-term trends, Medicaid Program costs are rising by approximately 10% per year while General Revenue Fund collections are increasing by an average of roughly two to three percent per year.

Legislation enacted in 2001 phased out various individual provider taxes over a ten-year period. As of July 1, 2011, the tax applies to services of ambulatory surgical centers, independent laboratory and x-ray facilities, inpatient and outpatient hospitals, intermediate care facilities for mentally handicapped, nursing homes, and behavioral health centers.

- 1.75% to 5.50% tax on gross receipts from various medical service providers in West Virginia.
- Accounts for 21% of State match for Medicaid Program.

Medicaid State Share Fund Health Care Provider Tax (Expressed in Millions)



DEBT SUMMARY



Debt Summary

More than twenty independent agencies, authorities, boards and departments have the power to issue debt. Recognizing the need to manage debt, the Debt Management Act of 1991 created the Division of Debt Management within the State Treasurer's Office. The division is authorized to develop long-term debt plans, evaluate cash flow projections for existing debt and proposed issues, act as a liaison with the Legislature, assist in the issuance of debt, and issue a report on debt.¹

State Indebtedness

In 1997, in order to provide a mechanism by which necessary information may be provided 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 Legislature created the Debt Capacity Advisory Division within the State Treasurer's Office. The division is required to annually review the size and condition of the state's tax-supported debt and submit to the Governor and the Legislature an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next fiscal year, together with a report explaining 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 any of its agencies, boards, commissions, or departments or the issuance or refunding of the bonds implicates 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, 2012, West Virginia's general obligation bond rating was Aa1/AA/AA+ by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively.

On May 22, 2012, Moody's released its "2012 State Debt Medians Report" that compares states on various debt ratios. At the time of this report, West Virginia was rated Aa1; therefore the following tables compare West Virginia with other states of that 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 demonstrates that West Virginia is within a moderate range of these key indicators as shown.

¹ For additional information, see the debt position reports and the annual debt capacity reports on the Treasurer's website at <http://www.wvsto.com/dept/DebtMgt/Pages/DebtReports.aspx>.

Debt Summary

**Net Tax Supported Debt as a Percentage of Personal Income and Per Capita
of Similarly Rated States (Rated Aa1 by Moody's Investors Service)
(taken from Moody's Investors Service, 2012 State Debt Medians, May 2012)**

<u>% of Personal Income</u>		<u>Per Capita</u>	
North Dakota	0.6%	North Dakota	\$255
Montana	1.0%	Arkansas	\$333
Arkansas	1.0%	Montana	\$348
Colorado	1.3%	Colorado	\$529
Idaho	1.7%	Idaho	\$558
New Hampshire	1.8%	New Hampshire	\$776
Alabama	2.5%	Alabama	\$839
Minnesota	2.7%	Ohio	\$1,012
Pennsylvania	2.8%	Pennsylvania	\$1,134
Ohio	2.8%	Minnesota	\$1,148
Florida	3.0%	Florida	\$1,167
Kansas	3.1%	West Virginia	\$1,168
West Virginia	3.6%	Kansas	\$1,215
Oregon	5.5%	Oregon	\$2,015
Washington	6.0%	Washington	\$2,588
Massachusetts	9.4%	Massachusetts	\$4,814

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 State Code; however, there is currently no centralized debt management policy. Instead, each policy is specific to each bonding authority.

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 and

Debt Summary

mortgages, debt 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. While no limits are placed on the other debt instruments, all agreements for installment purchases or capital leases must be approved in advance by the Department of Administration. That review encompasses the entire transaction, including the repayment ability of the agency.

The existing and any proposed debt is well within acceptable limits, and our debt levels are considered moderate. At the present time, the current and planned future bonded debt does not have any adverse impact on the general operating budget of the state.

State of West Virginia Bond Issuing Authorities

Issuing Authority	Debt Limit (Cap)
Governor	Per 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	\$200 million
Public Energy Authority	N/A
Public Port Authority	Per revenues
Rail Authority	Per 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, 2012, \$509,955,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

General Obligation Bonds Outstanding June 30, 2012

Amendment	Principal Outstanding June 30, 2012 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$239,360	First \$24 million of Severance Tax
Safe Roads Amendment of 1996	(net) \$270,595	Road Fund

General Obligation Debt Various Ratios as of June 30:

Ratio	2010	2011	2012	Notes for June 30, 2011, Ending (figures listed in thousands)
GO Debt Service as a percent of the General Revenue Fund (GRF)	2.0%	1.7%	1.8%	¹ GO Debt Service of \$72,510 GRF of \$4,103,304
GO Debt as a percent of Personal Income (PI)	1.0%	0.9%	0.9%	GO Debt of \$509,955 PI of \$59,325,000
GO Debt per Capita	\$329	\$300	\$275	GO Debt of \$509,955 Population of 1,855

¹ Does not include \$19,682 in debt service paid due to a refunding.

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.

Debt Summary
General Obligation Bonds

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.

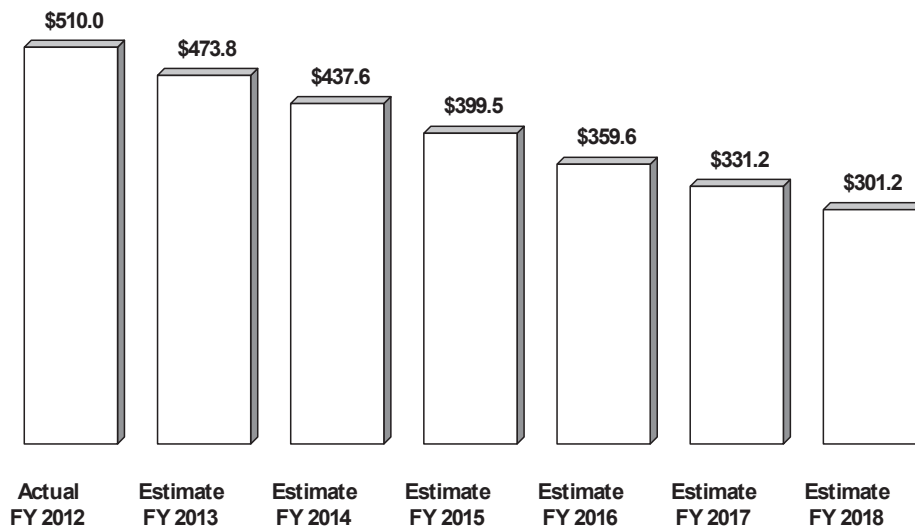
1973 Better Highways Amendment

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, by 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 million occurred in February 1998. The final issue of approximately \$91 million was issued in May 1999,

General Obligation Debt Outstanding
Fiscal Years 2012 - 2018
As of June 30, 2012
(Expressed in Millions)



Debt Summary

General Obligation Bonds

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. In November 2006, the West Virginia Infrastructure and Jobs Development Council issued \$94.2 million of refunding bonds that refunded more than \$95 million of outstanding bonds. The council once again took advantage of favorable interest rates during FY 2012 and refunded more than \$19.1 million with the issuance of \$18.6 million in general obligation refunding bonds. The principal outstanding at June 30, 2012, was \$239,360,000 (net of advance refunded bonds). All of the bonds will be fully retired in FY 2027.

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. \$220 million in Road Bonds were issued in July 1998, and another \$110 million were issued in July 1999, July 2000, and July 2001, respectively. 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 four million dollars. At June 30, 2012, \$270,595,000 was outstanding. The bonds will be fully retired by 2025.

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 four million dollars 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 eight million dollars 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, 2012 (Expressed in Thousands)

	Final Maturity Date	Interest Rate(s) %	06/30/12 Balance*
Road Bonds			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment	2025	4.00 - 5.50	270,595
Infrastructure Bonds			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	0.30 - 7.625	<u>239,360</u>
TOTAL			<u><u>\$509,955</u></u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2012, were as follows (expressed in thousands):

Year Ending June 30	Amount to be			Total
	Principal	Interest	accrued	
2013	40,278	20,758	122	61,158
2014	39,867	19,181	478	59,526
2015	41,159	17,563	816	59,538
2016	42,577	15,830	1,128	59,535
2017	30,642	13,958	1,458	46,058
2018-2022	167,057	49,628	13,228	229,913
2023-2027	148,375	14,164	22,510	185,049
TOTAL	<u>\$509,955</u>	<u>\$151,082</u>	<u>\$39,740</u>	<u>\$700,777</u>

* 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 ten 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 \$1.9 billion in revenue bonds were outstanding at June 30, 2012. 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, 2012, the principal outstanding on the bonds totaled approximately \$887 million.

West Virginia Commissioner of Highways

In October 2006, April 2007, and March 2009, the commissioner of highways issued special obligation notes in the form of Grant Anticipation Revenue Vehicles or GARVEEs, as they have become known. 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, 2012, the principal outstanding on the three series of notes totaled \$100 million. The notes are expected to mature in September 2015.

West Virginia Infrastructure and Jobs Development Council

The West Virginia Infrastructure and Jobs Development Council was created to review the preliminary application 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. In the alternative, 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. At June 30, 2012, \$116 million were outstanding.

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, 2012, \$182 million 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, 2012, approximately \$151 million 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 two refunding issuances. The principal outstanding on these bonds totaled \$173 million as of June 30, 2012. 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. Those bonds matured in 2004. The School Building Authority then issued another series of bonds in 2004 that will mature in FY 2015. An additional series of lottery revenue bonds was issued during FY 2012. These bonds were issued at historically low true interest cost of 2.77%. The \$25.5 million in proceeds will go 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 \$67 million at June 30, 2012.

The School Building Authority has also issued more than \$127 million in revenue bonds that are backed by certain funds from the Excess Lottery Revenue Fund. The principal outstanding on these bonds totaled approximately \$117 million as of June 30, 2012.

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 which are backed by the West Virginia Excess Lottery Revenue Fund was approximately \$129 million (net of debt service sinking funds).

Debt Summary

Revenue Bonds

Summary of Debt Service Requirements Outstanding at June 30, 2012 (Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2002 & 2007	2022	3.75-5.00	173,090
School Building Authority (Lottery)	2004 & 2012	2027	3.00 - 5.25	67,365
School Building Authority (Excess Lottery)	2008 & 2010	2030	2.00-5.25	116,590
School Building Authority QSCBs (Excess Lottery)	2009 & 2010	2027	0	150,480
Tobacco Settlement Finance Authority*	2007	2047	7.467-8.5	887,359
Highways, Commissioner of	2006, 2007 & 2009	2015	3.50-5.00	100,370
WV Infrastructure and Jobs Development Council	2003, 2006 & 2007	2045	3.625-5.00	115,710
Education, Arts, Sciences, and Tourism Fund (Lottery)	2010	2040	2.00-5.00	151,020
Economic Development Authority (Lottery)	2004	2026	4.40-6.07	<u>181,920</u>
Subtotal				1,943,904
Less:				
School Building Authority Debt Service Reserve Fund				(23,021)
School Building Authority Debt Service Reserve Fund (Lottery)				(14,180)
School Building Authority Debt Service Sinking Fund - QSCBs (Excess Lottery)				(21,683)
Economic Development Authority Debt Service Reserve Fund (Lottery)				<u>(23,501)</u>
Net revenue bonds outstanding				<u><u>\$1,861,519</u></u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2012, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Amount to be accreted	Total
2013	93,240	101,317	8,598	203,155
2014	98,560	96,719	9,344	204,623
2015	95,075	91,366	10,155	196,596
2016	92,990	86,297	11,037	190,324
2017	70,855	81,657	11,995	164,507
2018-2022	357,720	347,017	77,520	782,257
2023-2027	532,645	229,621	117,533	879,799
2028-2032	490,399	153,526	173,907	817,832
2033-2037	62,335	418,765	128,594	609,694
2038-2042	44,205	145,209	15,326	204,740
2043-2047	5,880	475	0	6,355
	<u>\$1,943,904</u>	<u>\$1,751,969</u>	<u>\$564,009</u>	<u>\$4,259,882</u>

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

Debt Summary

Capital Leases

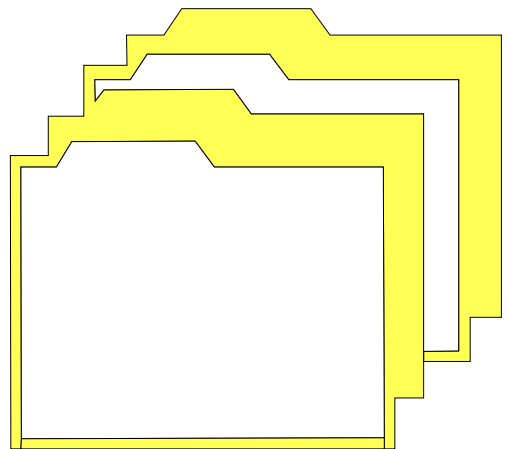
A capital lease is a lease in which the lessee (entity leasing from another) assumes substantially all the risks and benefits associated with the asset, which must meet one or more of the following criteria:

- *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 ten 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 \$281 million at June 30, 2012.

APPENDICES



Glossary

A

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

Activity - The individual item of appropriation as listed in the budget bill, such as Personal Services, Employees' Benefits, and Capital Outlay.

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 service.

Appropriation - A legal authorization to incur obligations and to make expenditures for specific purposes. (Also see "Activity.")

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.

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.

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.

C

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 are considered capital improvements for budgetary purposes. Also, 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 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 2014, the “current level” is defined as 92.5% of the FY 2013 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.

E

Employee Benefits - Expenditures for social security matching, workers' compensation, unemployment compensation, pension and retirement contributions, public employees' insurance matching, Other Postemployment Benefits (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.

Appendix A/Glossary

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.

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

Fiscal Year - A twelve-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.

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.

Appendix A/Glossary

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 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, and all other revenue derived from motor vehicles or motor fuel. 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. All federal funds received for road construction, reconstruction, and maintenance are also deposited into and become part of the State Road Fund.

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, other disbursements, and other extraordinary disbursements.

Appendix A/Glossary

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.

Glossary of Acronyms

A

AARP	American Association of Retired Persons
ABCA	Alcohol Beverage Control Administration
ABE	Adult Basic Education
AC	Appointed counsel
ACH	Automated Clearing House
ACA	American Correctional Association
ACP	Address Confidentiality Program
ACT	American College Test
	Association of Classroom Teachers
ACT EXPLORE	A test for eighth graders
ACT PLAN	A test for tenth graders
ADA	Americans with Disabilities Act of 1990
AFRC	Armed Forces Reserve Center
AgEP	Agricultural Enhancement Program
AIDS	Acquired immunodeficiency syndrome
ALJ	Administrative law judge
AP	Advanced Placement
APHIS	Animal and Plant Health Inspection Service
APSI	Advanced Placement Summer Institute
AQI	Air quality index
AQS	Air quality standards
ARC	Annual required contribution
	Appalachian Regional Commission
ARRA	American Recovery and Reinvestment Act of 2009
ATM	Asynchronous transfer mode
	Automated teller machine
ATV	All-terrain vehicle

B

B&O	Business and Occupation
bbf	Barrel
BCSE	Bureau for Child Support Enforcement
BHHF	Behavioral Health and Health Facilities
BLS	Bureau of Labor Statistics
BMI	Body mass index
BMPs	Best management practices
BMRC	Biomedical Research Center
BMS	Bureau for Medical Services
BRFS	Behavior Risk Factor Survey
BRFSS	Behavior Risk Factor Surveillance System

BRIM	Board of Risk and Insurance Management
BRMC	Blanchette Rockefeller Medical Center
BRNI	Blanchette Rockefeller Neurosciences Institute
BTI	West Virginia Board of Treasury Investments
BTOP	Broadband Technology Opportunities Program

C

CAC	Creative Arts Center
CAFR	Comprehensive Annual Financial Report
CAFO	Concentrated animal feeding operations
CAPS	Cooperative Agricultural Pest Survey
CAT	Computerized axial tomography
CBF	Community-based facilities
CBSA	Core-based statistical area
CCC	Civilian Conservation Corps
CCTCE	Council for Community and Technical College Education
CD or CD-ROM	Compact disc (read-only memory)
CDC	Center for Disease Control
CDL	Commercial Driver's License
CEASD	Council of Educational Administrators for Schools for the Deaf
CEO	Chief executive officer
CERT	Community Emergency Response Team
	Computer Emergency Response Team
CFO	Chief financial officer
CFR	Code of Federal Regulations
CJSAC	Criminal Justice Statistical Analysis Center
CLE	Continuing Legal Education
CLRC	Criminal Law Research Center
COG	Continuity of government
CON	Certificate of Need
COOP	Continuity of operations plan
COPS	Community-oriented policing services
CPASS	College of Physical Activities and Sports Sciences
CPD	Center for Professional Development
CPI	Consumer Price Index
CPI-U	Consumer Price Index for all urban consumers
CPRB	Consolidated Public Retirement Board
CPS	Child Protective Services
CPTED	Crime prevention through environmental design

Appendix B/Glossary of Acronyms

CPU..... Central processing unit
 CRTS..... Coal Resource Transportation System
 CSBG..... Community Services Block Grant
 CSR..... Code of State Regulations
 CTC..... Community and Technical College
 CTE..... Career and Technical Education
 CTO..... Chief technology officer
 CV..... Crime victims
 CVISN..... Commercial Vehicles Information Systems Network
 CWSRF..... Clean Water State Revolving Fund
 CY..... Calendar year

D

DARE..... Drug Abuse Resistance Education
 DASD..... Direct access storage device
 DCJS..... Division of Criminal Justice Services
 DCKMSVC..... Donel C. Kinnard Memorial State Veterans Cemetery
 DDS..... Disability Determination Services
 DEA..... U.S. Drug Enforcement Administration
 DEP..... Department/Division of Environmental Protection
 DHHR..... Department of Health and Human Resources
 DHSEM..... Division of Homeland Security and Emergency Management
 DJS..... Division of Juvenile Services
 DMV..... Division of Motor Vehicles
 DNA..... Deoxyribonucleic Acid
 DNR..... Division of Natural Resources
 DOC..... Division of Corrections
 DOH..... Division of Highways
 DOJ..... U.S. Department of Justice
 DOL..... Division of Labor
 DOR..... Department of Revenue
 DOT..... Department of Transportation
 DSH..... Disproportionate Share Hospital
 DSRS..... Deputy Sheriff’s Retirement System
 DTP..... Desktop procedures
 DUI..... Driving under the influence
 DUNS..... Data Universal Numbering System
 DVD..... Digital video disk
 DWTRF..... Drinking Water Treatment Revolving Fund
 DVA..... Department of Veterans Assistance

E

E & G..... Education and General
 EAST..... Education, Arts, Science, and Tourism
 EBA..... Educational Broadcasting Authority
 EDA..... Economic Development Authority
 EDGE..... Earn A Degree-Graduate Early
 EEO..... Equal employment opportunity
 EEOC..... U.S. Equal Employment Opportunity Commission
 EFT..... Electronic fund transfers
 EHR..... Electronic health record
 EMS..... Emergency medical services systems
 EMSRS..... Emergency Medical Services Retirement System
 ENODS..... Electronic notice of deposits
 EOL..... End of life
 EPA..... U.S. Environmental Protection Agency
 EPICS..... Employees Payroll Information Control System
 EPSCoR..... Experimental Program to Stimulate Competitive Research
 EPSCoT..... Experimental Program to Stimulate Competitive Technology
 E-Rate..... Schools and Libraries Universal Service Program (electronic rate)
 EPSDT..... Early and Periodic Screening, Diagnosis, and Treatment
 ERP..... Enterprise Resource Planning
 ESEA..... Elementary and Secondary Education Act
 ESG..... Emergency shelter grants
 ESL..... English as a Second Language
 EWP..... Emergency Watershed Protection

F

FAA..... Federal Aviation Administration
 FAIR..... Family Alzheimer’s In-Home Respite
 FARS..... Financial Accounting and Reporting Section
 FBI..... Federal Bureau of Investigation
 FCC..... Federal Communications Commission
 FDA..... U.S. Food and Drug Administration
 FEMA..... Federal Emergency Management Agency
 FFY..... Federal fiscal year
 FHWA..... Federal Highway Administration
 FLEP..... Stewardship and Forest Land Enhancement Program
 FLOW..... Future Leaders of Watershed
 FMAP..... Federal Medical Assistance Percentage

Appendix B/Glossary of Acronyms

FMCSA	Federal Motor Carrier Safety Administration
FMRS	Fayette, Monroe, Raleigh, Summers counties
FOIA	Freedom of Information Act
FPL	Federal Poverty Level
FPY	Federal program year
FRN	Family Resource Network
FRPP	Federal Farm and Ranchland Protection Program
FSIS	Food Safety and Inspection Service
FTA	Federal Transit Administration
FTE	Full-time equivalent
FTZ	Foreign Trade Zone
FY	Fiscal year

G

GAAP	Generally accepted accounting principles
GARVEE	Grant Anticipation Revenue Vehicle
GASB	Governmental Accounting Standards Board
GB	Gigabyte
GDP	Gross domestic product
GED	General Equivalency Diploma
GFOA	Government Finance Officers Association of the United States and Canada
GHSP	Governor's Highway Safety Program
GIS	Geographical information system
GO	General obligation
GOEO	Governor's Office of Economic Opportunity
GOHELP	Governor's Office of Health Enhancement and Lifestyle Planning
GRDAC	Gus R. Douglas Agricultural Center
GPS	Global positioning satellite system
	Global positioning system
GRF	General Revenue Fund
GSD	General Services Division
GSP	Gross state product

H

HAVA	Help America Vote Act
HAZMAT	Hazardous materials
HB	House Bill
HCA	Health Care Authority
HEAPS	Higher Education Adult Part-time Student
HEPC	Higher Education Policy Commission

HIDTA	High intensity drug trafficking area
HIPAA	Health Insurance Portability and Accountability Act
HIT	Health information technology
HIV	Human immunodeficiency virus
HMO	Health maintenance organization
HMVMT	Hundred million vehicle miles traveled
HOPE	Helping Others Pursue Excellence
HOPWA	Housing Opportunities for Persons with AIDS
HRIS	Human Resource Information System
HRSA	Health Resources and Services Administration
HSC	Health Science Center
HSER	Homeland Security and Emergence Response
HSIPR	High-Speed Intercity Passenger Rail
HSTW	High Schools That Work
HUD	U.S. Housing and Urban Development
HVAC	Heating, ventilation, and air-conditioning

I

ID	Identification
IDEA	Individuals with Disabilities Education Act
I-DOC	A payment made in the form of a check
IEP	Individual education plan
IFLOWS	Integrated Flood Observing and Warning System
IFTA	International Fuel Tax Agreement
IMCinROADS	Information Network for Resident On-line Access and Delivery of Services
IMPACT	Infrastructure for Maintaining Primary Care Transformation
INSITE	An in-house program for families of blind, preschool children
IOU	I owe you
IRI	International roughness index
IRP	International Registration Plan
IRS	Internal Revenue Service
IS&C	Information Services and Communications
IS&T	Information Services and Technology
ISTEA	Intermodal Surface Transportation Efficiency Act
IT	Information technology

Appendix B/Glossary of Acronyms

J

JCEBP Justice Center of Evidence-Based Practice
 JFHQ Joint facilities headquarters
 JRS Judges' Retirement System

K

K-3 Kindergarten through 3rd grade
 K-12 Kindergarten through 12th grade
 KVCTC Kanawha Valley Community and Technical College

L

LAN Local area network
 LATA Local access transport area
 LCAP Landfill Closure Assistance program
 LEA Local educational agency
 LEAP Leveraging Education Assistance Partnerships
 LGA Local governmental agency
 LIFE Legislative Initiatives for the Elderly
 LiHEAP Low Income Home Energy Assistance Program
 LIMS Laboratory Information Management System
 LLC Limited liability company
 LPN Licensed Practical Nurse
 LSCA Logging Sediment Control Act
 LUST Leaking underground storage tank
 LVL Limited video lottery

M

MAGI Modified adjusted gross income
 MAP-21 Moving Ahead for Progress in the 21st Century
 MAPD Medicare Advantage Prescription Drug
 MAPP Matching Advertising Partnership Program
 MAPS Department of Military Affairs and Public Safety
 MARC Maryland Rail Commuter

MATRIC Mid-Atlantic Technology, Research, and Innovation Center
 MHC Mountain Health Choices
 MIP Major improvements program
 MLMP Mineral Lands Mapping Project
 MMIS Medicaid Management Information system
 MPFRS Municipal Police Officers and Firefighters Retirement System
 M.P.H. Master of Public Health degree
 MPMP Mineral parcel mapping project
 MSA Metropolitan statistical area
 MSHA Mine Safety and Health Administration (federal)

N

N/A Not available
 Not applicable
 NAAQS National ambient air quality standards
 NAEP National Assessment of Education Progress
 NAICS North American Industry Classification System
 NCIC National Crime Information Center
 NCLB No Child Left Behind
 NEA National Endowment for the Arts
 NHS National Highway System
 NHTSA National Highway Traffic Safety Administration
 NOAA National Oceanic and Atmospheric Administration
 NOx Nitrogen oxides
 NPDES National Pollutant Discharge Elimination System
 NPS Nonpoint pollution source
 NRAO National Radio Astronomy Observatory
 NRCS Natural Resources Conservation Service

O

OAH Office of Administrative Hearings
 OASDI Old-Age, Survivors, and Disability Insurance (Social Security)
 OBHS Office of Behavioral Health Services
 OEA Office of Environmental Advocate
 OEL Office of Early Learning
 OEMS Office of Emergency Medical Services
 OEO Office of Economic Opportunity
 OEPA Office of Education Performance Audit

Appendix B/Glossary of Acronyms

OGCC Oil and Gas Conservation Commission
 OIC Offices of Insurance Commissioner
 OM&R Operation, Maintenance, and Repairs
 OMB U.S. Office of Management and Budget
 OMHS&T Office of Miners’ Health Safety
 and Training
 OOE Office of Optional Education Pathways
 OPEB Other postemployment benefits
 OSHA Occupational Safety and Health
 Administration
 OT Office of Technology

P

PAI Prosecuting Attorney’s Institute
 PASS Partnerships to Assure Student Success
 PBS Public Broadcasting Service
 P-card State purchasing card
 PC Personal computer
 PCMH Patient-centered medical home
 PCP Primary care physician/provider
 PCR Polymerase chain reaction
 PD Public defender
 PDC Public defender corporations
 PDF Portable document format
 PDS Public Defender Services
 PDL Preferred drug list
 PDS West Virginia Public Defender Services
 PEIA Public Employees Insurance Agency
 PERD Performance Evaluation and Research
 Division
 PERS Public Employees Retirement System
 PI Personal income
 PICF Patient Injury Compensation Fund
 PIMS Position Information Management
 System
 P.L. Public Law
 PLC Public Land Corporation
 PM 2.5 Particulate matter less than 2.5 microns
 in diameter
 PPOD Pollution Prevention and Open Dump
 Cleanup
 PROMISE Providing Real Opportunities for
 Maximizing In-State Student Excellence
 PSC Public Service Commission
 Potomac State College
 PY Program year

Q

Q Quarter
 QSCBs Qualified school construction bonds

R

RAPIDS Recipient Automated Payment and
 Information Data System
 RCL Regulated consumer lenders
 RCRA Resource Conservation Recovery Act
 REAP Rehabilitation Environmental
 Action Plan
 REDI Responder Emergency
 Deployment Information
 REIS Regional Economic Information System
 RESAs Regional educational service agencies
 RFP Request for proposals
 RFQ Request for quotations
 RJA Regional Jail Authority
 RHBT Retiree Health Benefits Trust
 ROMA Results-oriented management
 and accountability

S

SAFETEA Safe, Accountable, Flexible, and
 Efficient Transportation Equity Act
 of 2003
 SAFETEA-LU Safe, Accountable, Flexible, and
 Efficient Transportation Equity Act: A
 Legacy for Users
 SAS 70 Statement on Audit Standards No. 70
 SB Senate Bill
 SBA School Building Authority
 Small Business Administration
 SBDC Small Business Development Center
 SBIC Small Business Investment Corporation
 SBIR Small Business Innovation Research
 SBIRT Screening, brief intervention, and
 referral to treatment
 SBVR South Branch Valley Railroad
 SCC State Conservation Committee
 SCORE Service Corps of Retired Executives
 SCSEP Senior Community Service Employment
 program
 SHARES Saving History and Reaching
 Every Student
 SHINE Senior Health Insurance Network

Appendix B/Glossary of Acronyms

SHP State Health Insurance Assistance Program

SHPO State Historic Preservation Office

SKI-HI..... An in-house program for families of deaf and hard-of-hearing preschool children

SLA Service level agreements

SME Society of Manufacturing Engineers

SO2 Sulfur dioxide

SOP Standard operating procedures

SPRP Stream Protection and Restoration Program

SRA..... State Rail Authority

SREB..... Southern Regional Education Board

SRIC..... Snow removal and ice control

SSI Supplemental Security Income

SSDI..... Social Security Disability Insurance

STARBASE Science and Technology Academics Reinforcing Basic Aviation and Space Exploration

STD Sexually transmitted disease

STEM..... Science, technology, engineering and math

STS..... Slow the Spread

STSR Slow the Spread Regulatory Program

STTR..... Small Business Technology Transfer

SWA Solid waste authority

SWMB Solid Waste Management Board

SY School year

T

TANF Temporary Assistance for Needy Families

TARP..... Troubled Asset Relief Program

TB Tuberculosis

TBA..... To be determined

TCE..... Tax Counseling for the Elderly

TCO..... Total cost of ownership

TCR..... Telecommunication change request

TDC..... Teachers' Defined Contribution Retirement System

TEA-21 Transportation Equity Act for the 21st Century

TEAM Team effort for acquisition management

TEFAP..... The Emergency Food Assistance Program

TIC True interest cost

TMDL Total maximum daily load

TRS Teachers' Retirement System

TRAFFIC Tax Reduction and Federal Funding Increased Compliance

TSA Transportation Security Administration

TTY/TDD Telecommunications device for the deaf

U

U&CF..... Urban and Community Forestry

UAAL..... Unfunded Actuarial Accrued Liability

UCC Uniform Commercial Code

UPC..... Universal Product Code

U.S. United States

USDA..... United States Department of Agriculture

USDA-FSIS Food Safety and Inspection Service

USDC..... United States Department of Commerce

USDHHS..... United States Department of Health and Human Services

USDOE United States Department of Energy

USFDA..... United States Food and Drug Administration

V

VA U.S. Department of Veterans Affairs

VHF..... Very high frequency

VISTA Vendor Inquiry System to the Auditor
..... Volunteers in Service to America

VITA..... Volunteer Income Tax Assistance

VOI/TIS Violent offender incarceration/Truth in sentencing

VoIP..... Voice over Internet Protocol

VPN..... Virtual private network

W

WCF Workers' Compensation Fund

WVDE..... West Virginia Department of Education

WDA Water Development Authority

WESTEST 2..... West Virginia Educational Standards Test, version from 2009

WIA..... Workforce Investment Act

WIC..... Women, Infants, and Children

WIP Watershed Implementation Plan

WISER World Institute for Strategic Economic Research

WMA..... Wildlife management area

W. Va. West Virginia

WV West Virginia

WV WORKS..... West Virginia's welfare reform initiative

WVABCA..... West Virginia Alcohol Beverage Control Administration

WVaPR..... West Virginia Public Radio

WVBE..... West Virginia Board of Education

Appendix B/Glossary of Acronyms

Y

WVCA.....	West Virginia Commission on the Arts	
.....	West Virginia Conservation Agency	
WVCCTCE.....	West Virginia Community and Technical College System	
WVCHIP.....	Children’s Health Insurance Program	YTD Year to Date
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	
WVDOH.....	West Virginia Division of Highways	
WVDVA.....	West Virginia Department of Veterans Assistance	
WVEIS.....	West Virginia Educational Information System	
WVFAIR.....	West Virginia Financial Aid Information and Resources	
WVFIMS.....	West Virginia Financial Information Management System	
WVICU.....	West Virginia Independent Colleges and Universities	
WVIHY.....	West Virginia Industrial Home for Youth	
WVIJDC.....	West Virginia Infrastructure and Jobs Development Council	
WVIOF.....	West Virginia Industries of the Future	
WVLC.....	West Virginia Library Commission	
WVMEP.....	West Virginia Manufacturing Extension Partnership	
WVNET.....	West Virginia Network for Educational Telecomputing	
wvOASIS.....	West Virginia—Our Advanced Solution with Integrated Systems	
WVPASS.....	West Virginia Partnership to Assure Student Success	
WVPBS.....	West Virginia Public Broadcasting Service	
WVPDS.....	West Virginia Public Defender Services	
WVPMIC.....	West Virginia Physician’s Mutual Insurance Company	
WVPPA.....	West Virginia Public Port Authority	
WVRC.....	West Virginia Rehabilitation Center	
WVRDC.....	West Virginia Rural Development Council	
WVREDI.....	West Virginia Responder Emergency Deployment Information System	
WVSAO.....	West Virginia State Auditor’s Office	
WVSU.....	West Virginia State University	
WVU.....	West Virginia University	
WVUIT.....	West Virginia University Institute of Technology	

