



# STATE OF WEST VIRGINIA

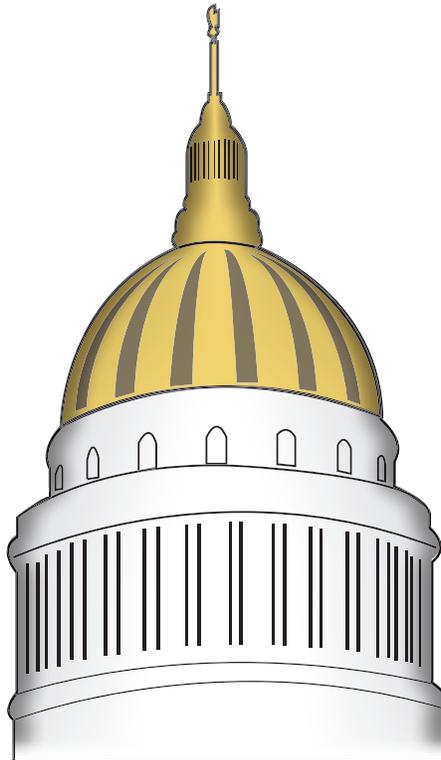
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**EXECUTIVE BUDGET: VOLUME I BUDGET REPORT**  
**FISCAL YEAR 2018**

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**JIM JUSTICE**  
**GOVERNOR**





*Jim Justice*  
*Governor of West Virginia*

February 8, 2017

To the Members of the 83rd Legislature of the State of West Virginia:

In accordance with the Constitution of the State of West Virginia, presented herewith is the Executive Budget document for the fiscal year ending June 30, 2018. 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 2018.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,505,350,000; for the Lottery Fund of \$130,917,133; for the State Excess Lottery Revenue Fund of \$292,187,415; for the State Road Fund of \$1,339,330,708; for Appropriated Special Revenue funds of \$1,437,393,317; for Appropriated Federal funds of \$5,208,562,517; for Nonappropriated Federal funds of \$278,061,508; and for Nonappropriated Special Revenue funds of \$20,307,214,940, for a grand total of \$33,499,017,538.

I look forward to working with the 83rd Legislature of the State of West Virginia to meet the continuing challenges and opportunities so together we can move West Virginia forward in a rapidly changing international economy.

Yours in service,

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

Jim Justice  
Governor

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

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**State of West Virginia**

**West Virginia**

For the Fiscal Year Beginning

**July 1, 2016**

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, 2016.

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

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

# State Budget Office Staff

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Department of Revenue

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Department of Revenue

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# Reader's Guide to the Executive Budget

## **The Executive Budget**

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

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

The budget is presented in four separate documents:

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

**Volume I Budget Report** contains:

"Executive Summary"

- \* Governor's Message that discusses the major goals and objectives addressed by the budget
- \* "Six Year Financial Plan"

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

"Budget Planning"—items such as:

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

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

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

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

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

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

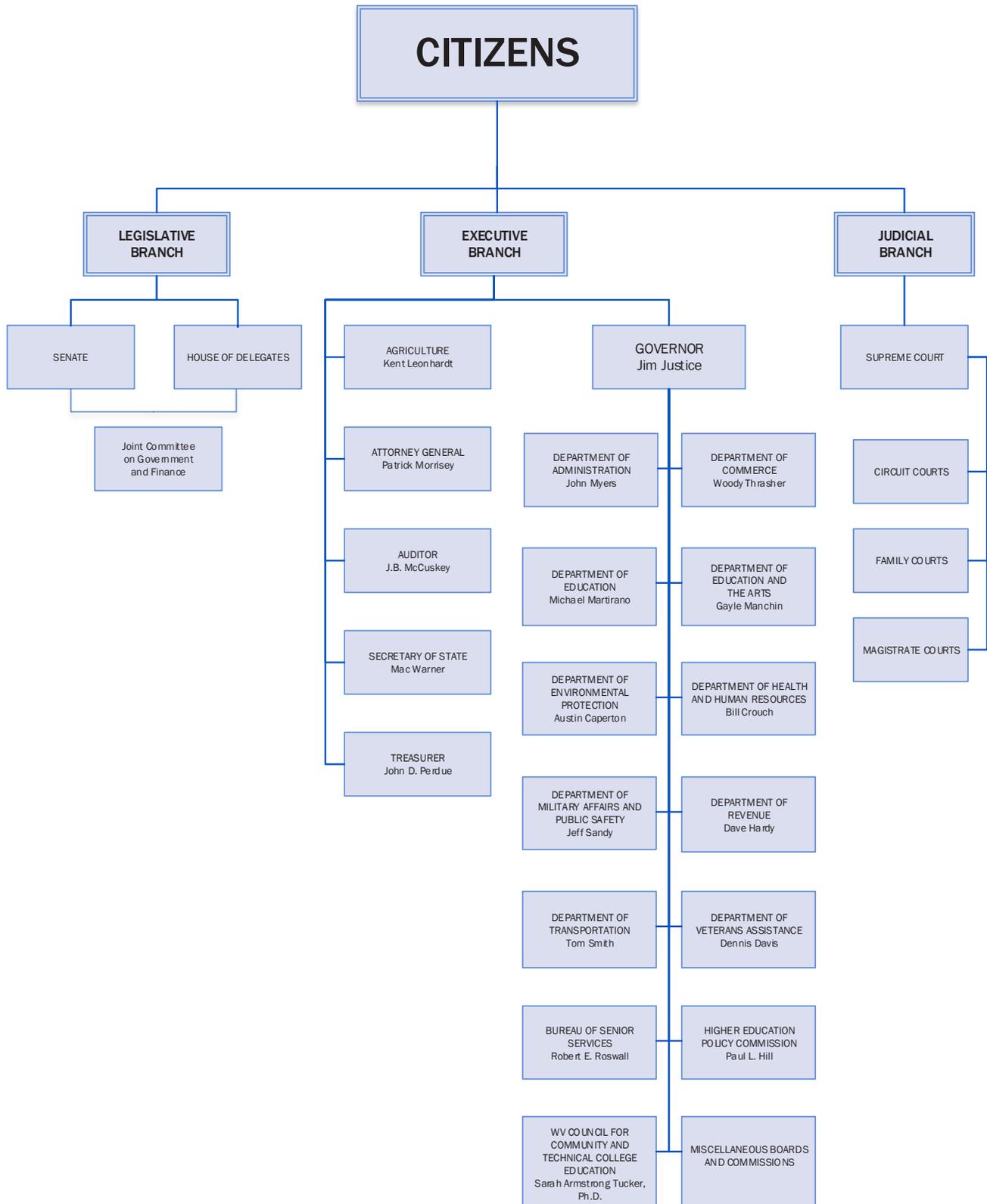
"State Profile"—presents relevant historical, statistical, geographical, demographical, and interesting information about West Virginia

"Capital Projects"—projects/programs currently budgeted in FY 2017, recommended for FY 2018, and projected for FY 2019 through FY 2022

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

The **Volume III Account Detail** provides the detailed budgetary information for FY 2016 Actual expenditures, FY 2017 Budgeted expenditures, FY 2018 Current-Level Request, and the Governor's FY 2018 Recommendation for all funds.

# State of West Virginia Organizational Chart



# EXECUTIVE SUMMARY





# Governor's Executive Message



Governor Jim Justice  
State of West Virginia

**A**s we enter the last half of FY 2017 and begin preparing for FY 2018, the budget forecast for the State of West Virginia is the worst we've seen since the Great Depression. Unfortunately, there are no easy solutions for solving this financial crisis. I'm not here to place blame. The voters of West Virginia expect us to find solutions to our State's problems and I will propose a budget that does exactly that.

My promise to the people of West Virginia was that we will achieve greatness. There is hope but we are going to have to make tough decisions. We can do it, however, by working together.

For far too long we have been 50th, last in so many things. The time has come for us to change those ways and to move West Virginia forward. What we've been doing isn't working, our people want something better. I am ready to work in partnership with the Legislature to get this difficult job done.

By June 30, 2017, we must come up with \$123 million to address the FY 2017 budget shortfall while at the same time we are looking at a \$497 million gap to balance FY 2018. Again, the task is daunting but the budget I present will be balanced.

In order to begin healing our economic woes and establishing a pattern of growth, a combination of cuts and revenue enhancements are needed to ensure that we are investing in our future with programs that create jobs.

In this budget I have a specific plan that will reduce the size of state government while at the same time infusing funds to improve our education system, jump-start construction and maintenance of our roads and bridges, and expand the footprint of our tourism industry.

West Virginia has so much going for it: our natural beauty, our God-given resources, our prime location, and, most of all, our people.

It's time we claim our place; we will no longer be 50th. Getting our fiscal house in order demands teamwork but I know we can find common ground as we make West Virginia a shining star.

# Six Year Financial Plan

Over the past two decades, significant improvements continue to be made in the underfunded pension, workers' compensation, and other postemployment benefits (OPEB) liabilities of the state. Budgets have been timely. West Virginia fully intends to continue the fiscally responsible process of disciplined financial management as evidenced in this year's Six Year Financial Plan.

The General Revenue Fund has maintained a strong cash flow over the past few years and we continue our ongoing trend of fiscal conservatism and well-managed financial operations. West Virginia's rainy day funds provide a solid financial cushion and are among the best in the country. We again funded 100% of our required retirement contributions. West Virginia continues to stay on track with the funding of its financial obligations.

While our current FY 2017 General Revenue collections are projected to be substantially short of estimate by approximately \$192 million (-4.6%), we are closely monitoring and making the necessary adjustments to finish the fiscal year with positive balances. This current revenue shortfall has necessitated a midyear budget adjustment to help keep expenditures in line with anticipated revenues. Additional budget remedies, including continuing the state's hiring freeze and expiring rainy day cash to the General Fund, are expected to alleviate the anticipated FY 2017 budget gap. The Lottery Funds' revenue collections for FY 2017 are again on pace to exceed their revenue estimates.

Our state's economy is undergoing a transition period due to changes in the global energy sector, but West Virginia remains in a strong position to address the anticipated budget challenges that lie ahead—major challenges that include continued increases to state appropriations for the Medicaid Program and the state's Public Employees' Retirement Programs. The expanding federal deficits will also continue to stress the state's budget. Keeping an eye toward out-year budgets, which are affected by budget decisions made today, the Governor's FY 2018 budget recommendations continues to address the largest budget drivers on the expenditure side of the ledger—Medicaid and Public Employees' Retirement contributions. Despite the current economic weakness, we still maintain our solid trend of sound financial results.

The state's relatively strong financial position that is in place to deal with these challenges has not occurred by accident. Many tough fiscal decisions have been made over the last two decades, including maintaining a strong level of budgetary reserves, limiting the growth rate of the major retirement systems, and a commitment to addressing long-term liabilities. The use of long-term budget planning, through the state's Six Year Financial Plan, highlights the need for continued conservative budget planning. Our budgets generally have used onetime surpluses to fund onetime needs and to assist in short-term revenue shortfalls. The Governor's FY 2018 budget recommendations continues this fiscally responsible budgeting practice.

A decade ago, West Virginia initiated this comprehensive, easy-to-follow, "Six Year Financial Plan." It is used as a planning tool for analyzing future budgets, and any future budget gaps shown must be balanced. This year's "Six Year Financial Plan" includes information on anticipated revenues and expenditures through FY 2022. 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 2018 budget, but also the larger, long-term implications of the decisions made today on the future fiscal outlook.

The "Six Year Financial Plan" does not reflect Special or Federal funds, although the funding and planning processes of these types of funds definitely impact total state revenue and spending. This plan is developed with extensive review of the major financial implications of Special and Federal cash flows. Using this plan, it is easy to see where the projected expenditures outpace projected revenues (beginning in FY 2019), and it becomes obvious that any surplus revenues from upcoming fiscal years should not be expended for items that would add new obligations to the "base budget;" but rather should, as in recent fiscal years, be cautiously used mostly for onetime needs or held for use to assist in offsetting possible future 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 4.8% between FY 2016 and FY 2018. Longer term revenue growth is projected to average nearly 3.7% per year between FY 2016 and FY 2022. Absent the projected adoption of more than \$450.15 million in revenue enhancements, the projected revenue growth rate between FY 2016 and FY 2018 would be (0.6%) as

## Executive Summary Six Year Financial Plan

opposed to 4.8%. The anticipated decline in revenue stems from the combination of a slow growing economy and the inclusion of nearly \$170 million in onetime temporary revenues in the base year of FY 2016. The revenue enhancement proposals include (1) increase in the general consumer sales and use tax rate from 6.0% to 6.5%, (2) broadening the consumer sales and use tax base to include professional services, (3) broadening of the consumer sales and use tax base to include certain advertising services, (4) the institution of a 0.2% Commercial Activity Tax on business gross receipts, (5) an increase in the Beer Barrel Tax to \$8.00, (6) an increase in the wholesale price markup on liquor from 28% to 32%, (7) diversion of 75% of the funds dedicated to the Old Workers' Compensation Debt Fund to the General revenue Fund in FY 2018, (8) elimination of the scheduled General Revenue Fund transfers to State Road, and (9) repeal of the Film Tax Credit.

### Six-Year Financial Plan Through 2022 General and Lottery Revenues (in thousands)

	Actual FY 2016	Budgeted FY 2017	Recommended FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
<b>Estimated Revenue</b>							
General Revenue	\$4,305,776	\$4,187,419	<b>\$4,055,200</b>	\$4,161,800	\$4,323,200	\$4,469,500	\$4,596,400
General Revenue - shortfall (prior to remedies)	(426,129)	(191,969)					
General Revenue - reallocations and enhancements	106,860	30,500	<b>450,150</b>	460,800	471,500	488,500	503,900
General Revenue - (available from expirations)	119,321	101,700					
General Revenue - (Surplus used / from expirations)	11,166	126,356	<b>8,000</b>				
Lottery	158,137	135,561	<b>130,917</b>	130,917	130,917	130,917	130,917
Lottery - (Surplus used / available from previous FYs)	(1,890)	8,000	<b>6,000</b>	9,000	9,000	9,000	9,000
Excess Lottery	254,441	219,459	<b>227,188</b>	227,188	227,188	227,188	227,188
Excess Lottery - (Surplus used / available from previous FYs)	(9,210)	30,000	<b>16,900</b>				
<b>Total Available</b>	<b>\$4,518,472</b>	<b>\$4,647,026</b>	<b>\$4,894,355</b>	<b>\$4,989,705</b>	<b>\$5,161,805</b>	<b>\$5,325,105</b>	<b>\$5,467,405</b>
<b>Estimated Expenditures</b>							
Previous Year's Base Budget			<b>\$4,707,626</b>	\$4,783,005	\$5,015,560	\$5,205,932	\$5,403,995
<b>(Base Budget FY17) and (Base Budget Growth for out-years): *</b>							
Legislature		23,452	<b>0</b>	600	900	800	700
Supreme Court		141,759	<b>0</b>	3,600	5,200	4,700	4,000
Public Defender		31,622	<b>0</b>	18,300	0	0	0
PERS Employer Contribution		53,684	<b>(3,618)</b>	0	0	0	0
PEIA Premiums		360,917	<b>(3,839)</b>	25,350	31,525	36,075	39,000
Teachers' Retirement Savings Realized		37,656	<b>(3,018)</b>	0	0	0	0
Teachers' Retirement System		388,098	<b>71,203</b>	0	0	0	0
State Aid to Schools (PEIA and Retirement included above)		1,136,822	<b>(11,411)</b>	14,000	14,000	(9,000)	(10,000)
Public Education - All Other		185,215	<b>(4,133)</b>	1,500	1,505	1,510	1,500
DHHR- Medicaid		719,063	<b>10,401</b>	76,655	64,618	113,128	114,538
DHHR- All Other		586,100	<b>2,432</b>	12,000	12,000	14,000	14,000
Correctional Facilities		227,734	<b>(1)</b>	2,000	2,000	2,000	2,000
State Police		75,846	<b>0</b>	750	750	750	750
Public Safety Retirement Plan A / State Police Plan B		20,910	<b>8,420</b>	0	0	0	0
Higher Education		458,399	<b>(10,374)</b>	0	0	0	0
All Other Items (net)		260,349	<b>(1,699)</b>	26,800	5,874	(17,900)	2,000
Salary Enhancements **			<b>21,016</b>	46,000	47,000	47,000	47,000
Unanticipated Expenditures			<b>0</b>	5,000	5,000	5,000	5,000
<b>Total Ongoing Base Budget</b>	<b>\$4,721,307</b>	<b>\$4,707,626</b>	<b>\$4,783,005</b>	<b>\$5,015,560</b>	<b>\$5,205,932</b>	<b>\$5,403,995</b>	<b>\$5,624,483</b>
Onetime Expenditures	20,642	123,807	<b>113,505</b>	12,471	5,000	5,000	5,000
Surplus Supplementals	26,909	21,452					
Onetime Reductions	(89,365)	(160,539)	<b>(2,155)</b>				
Expirations	(27,751)						
Surplus Transferred to Rainy Day Fund	6,417	14,403					
Mid-year cut	(140,024)	(59,766)					
<b>Estimated Balance (Gaps)</b>	<b>\$337</b>	<b>\$43</b>	<b>\$0</b>	<b>(\$38,326)</b>	<b>(\$49,127)</b>	<b>(\$83,890)</b>	<b>(\$162,078)</b>

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

\* "Base Budget Growth for out-years" is the additional amount required annually to fund existing programs as shown in FY 2018-FY 2022.

\*\* Includes base building pay raises of \$808 for Classroom Teachers in FY 2018 and 2% for School Aid Formula professional educators and school service personnel, and state employees in FY 2019 - FY 2022.

## *Executive Summary*

### *Six Year Financial Plan*

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 2016 was -0.2%. In addition, actual year-to-date FY 2017 General Revenue Fund collections through December 31, 2016, were just 0.4% higher than collections for the same period in the prior year despite the inclusion of nearly \$16 million in onetime budget gap filling revenues. Absent various FY 2016 revenue enhancements, revenues trended lower by roughly 4.5% during the first half of the fiscal year. Revenues from the Corporation Net Income Tax fell by nearly 36% and revenues from both the broad-based Personal Income Tax and broad-based Consumer Sales Tax declined by smaller margins. The decrease in revenue was also partially attributable to a 13% decrease in Severance Tax collections due mainly to lower energy prices for natural gas and some additional decline in coal sales. West Virginia natural gas prices trended lower during the summer and early fall months of CY 2016 partially due to natural gas transportation infrastructure limitations within the state. According to information published by Natural Gas Intelligence, the Dominion South price fell to a low of just 66 cent per million Btu by the end of September, a level that was less than 23% of the Henry Hub price for natural gas. Dominion South price subsequently rebounded strongly to \$3.21 per million Btu by the end of December, a level that was 87% of the Henry Hub price for natural gas. Preliminary data from the U.S. Energy Information Administration indicated a 14% decline in West Virginia coal sales in CY 2016 to roughly 82 million tons following a 15% decline in the previous year. The continuing headwinds in the energy sector also resulted in lower royalty income, lower profits from energy producers, stagnant personal income growth, and a decline in employment for the state.

West Virginia's annualized wage growth averaged less than 0.1% between the second quarter of CY 2012 and the second quarter of CY 2016. The wage growth rate declined by 1.0% in the third quarter and is anticipated to remain relatively flat through at least the first quarter of CY 2017. Wage income growth should resume in CY 2017 under the assumption of higher employment, higher energy prices, some rebound in construction activity, and continued growth in health care services.

Payroll employment fell by roughly 0.3% in CY 2016, the fourth consecutive year of decrease. The cumulative level of employment decline over the past four years was nearly 1.5% or close to 11,000 payroll jobs. During the past four years, employment losses were especially steep in the mining and construction sectors with losses averaging close to 24%. IHS Economics projects payroll employment growth to slowly resume in CY 2017 to levels that might accelerate from less than 0.2% in the short-term to 0.4% by the end of CY 2017. Higher employment would translate to improved growth in both personal income tax collections and sales tax collections in FY 2018 in comparison with the current year. Through the first six months of FY 2017, personal income withholding tax revenues were 0.5% below prior year collections. Revenues actually declined by 1.0% during the first quarter and by 0.1% during second quarter of this fiscal year. Year-to-date sales and use tax receipts fell by 1.5% from the prior year. Some improvement is anticipated during the second half of this year due to anticipated gains in both employment and income for the balance of this fiscal year.

The coal industry contracted significantly over the past four years due to a trend of decline in demand for domestic steam coal and sluggish foreign demand for metallurgical coal. Meanwhile, the natural gas industry boom subsided due to collapsing prices. The decrease in natural gas prices destabilized demand for domestic steam coal as utilities switched to gas use in a competitive pricing environment. Due to falling natural gas prices, U.S. electric power generation from natural gas has exceeded the level of electric power generation from coal in every month except one since July 2015. During the 12-month period ending October 2016, the share of electric power from natural gas rose to 34.5% of the total and the share of electric power production from coal shrank to just 29.8%. The share of electric power generation from coal decreased from nearly 50% in 2005 to 45% in 2010, to 33% in 2015 and to 30% in 2016. By contrast, the share of electric power generation from natural gas increased from less than 19% in 2005 to 24% in 2010 and to more than 34% in 2016.

In the first few years following the end of the Great Recession, West Virginia experienced a mini-energy boom associated with increased foreign demand for metallurgical coal. Non-manufacturing exports of coal and other commodities increased in value from less than \$2.2 billion in CY 2009 to a peak of nearly \$7.5 billion in CY 2012. However, foreign markets are also more volatile than domestic markets. Since peaking in CY 2012, non-manufacturing goods exports plummeted by roughly 85% to less than \$1.2 billion as of the 12-month period ending November 2016. Manufacturing goods exports also experienced significant growth between 2009 and early 2015 with the value of West Virginia exports rising from less than \$2.5 billion in CY 2009 to an annualized rate of more than \$4.1 billion by February 2015. However, a slowdown in global economic growth and rising value of the dollar relative to other currencies combined to hinder manufacturing export activity in recent months. The 12-month trailing trends for manufacturing good

## Executive Summary Six Year Financial Plan

exports fell by nearly 17% between the months of February 2015 and November 2016. Despite continuing headwinds from foreign trade, the both the West Virginia manufacturing and mining sectors should experience some stability in the coming year due to an expanding domestic economy with some uptick in inflation.

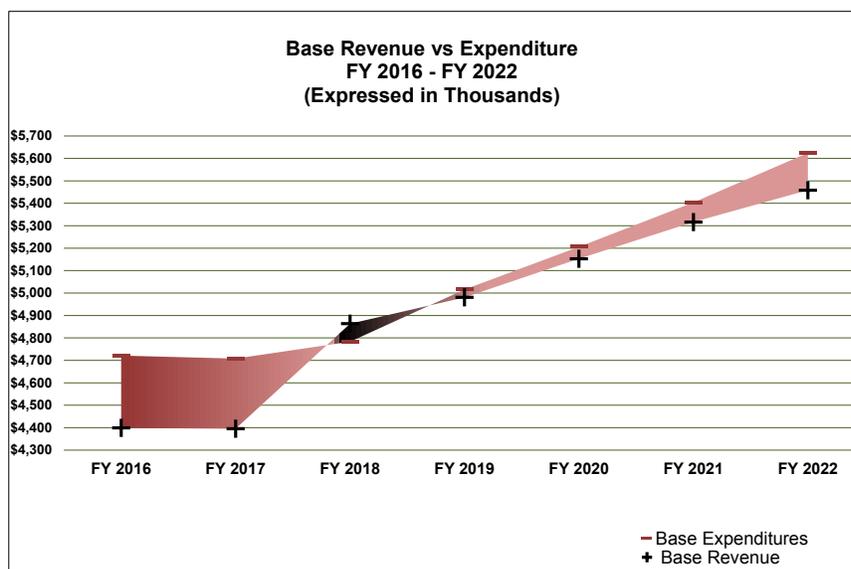
Following a multi-year period of little or no increase, General Revenue Fund growth for the FY 2018 to FY 2022 period is forecast to average close to 3.2% in comparison with the long-term average General Fund growth rate of nearly 4.0%.

### Expenditures

The FY 2018 budget development is the fourth budget that has been submitted using the state's new accounting system wvOASIS. This new system is web-based and paperless. The implementation of this system has required many training hours for agency employees, and again this year all agencies successfully submitted their budgets in a timely manner. Budgets generally, require information that is preloaded to be revised, which is much more efficient than the procedure used in the past, and requires much less data entry.

In preparing the Governor's FY 2018 budget during the last few months, the state faced an estimated budget gap of \$497 million for upcoming FY 2018. After consecutive years of state agencies submitting their budget requests at reduced levels, they were asked to submit their FY 2018 General Revenue appropriation requests at 100% of the FY 2017 current base funding level. To help close the anticipated FY 2018 budget gap, and to help in structurally balancing ongoing base budget expenditures in the out-years, the Governor has chosen to make various targeted base budget reductions to selected areas of the budget. In addition, the Governor recommends substantial increases in appropriations for the Teachers' Retirement System employers' match and for the Medicaid Program's State Share. The Governor also recommends an \$808 pay raise (average raise of 2%) for classroom teachers, and includes substantial new funding for Infrastructure and Economic Development.

The FY 2018 General and Lottery revenue base budget of \$4.783 billion as recommended by the Governor is only \$75.379 million higher than the FY 2017 base budget funding level of \$4.708 billion (even though retirement contributions alone increased by \$72.987 million). Since FY 2015, the state will have reduced its expenditure base budget funding levels, as proposed by the Governor, by (\$25.43 million.) The biggest base funding increases are for the retirement systems, the Medicaid program, and the Classroom Teacher Raise. The retirement contributions from the General and Lottery Funds increase the base by \$72.987 million. Medicaid's General and Lottery Revenue base funding increases by \$10.401 million. All other base



funding items in the FY 2018 budget decrease by a net (\$8.009 million.) Various onetime appropriations being recommended by the Governor are \$105.505 million for Infrastructure and Economic Development and \$8 million for major repairs for buildings.

FY 2019 through FY 2022 project manageable future budget gaps in the Six Year Financial Plan. The key to structurally balancing our out-years' budgets lies in total base budget expenditure reductions or increases in ongoing revenues. These reductions, and/or revenues, play a crucial role in aligning our base expenditures with base revenues in the upcoming out-years budgets.

West Virginia is one of a handful of states that did not make reductions to FY 2008 or FY 2009 budgets. However, a midyear budget reduction was implemented in FY 2010 due to the slowing of revenue collections. FY 2011 finished with a healthy General Revenue surplus of over \$338 million, and West Virginia ended FY 2012 with a \$102 million General Revenue surplus, of which \$28 million

## *Executive Summary* *Six Year Financial Plan*

was transferred to the Rainy Day Fund and \$65 million appropriated for Medicaid. The FY 2013 budget year required midyear adjustments to General Revenue of \$45 million, but finished the year with over \$11 million in surplus, of which \$5.8 million was transferred to the Rainy Day Fund. Lottery funds ended FY 2013 with cash balances totaling \$160 million, of which \$123 million was used to help balance FY 2014 budgets. The FY 2014 budget year also required midyear adjustments to General Revenue of \$33 million, but finished the year with a General Revenue Fund surplus of \$18.3 million. Lottery funds ended FY 2014 with cash balances totaling \$36.5 million which was used to fund FY 2015. FY 2015 also required a midyear adjustment to General Revenue of \$38.9 million, but ended the year with a surplus of \$12.8 million, \$6.4 million of which was transferred to the Rainy Day fund. Lottery funds ended FY 2015 with cash balances totaling \$47.9 million which helped fill in the anticipated FY 2016 shortfalls. FY 2016 again required midyear adjustments of \$140 million, but ended the year with a surplus of \$28.8 million, \$14.4 million of which was transferred to the Rainy Day fund. Lottery funds ended FY 2016 with cash balances totaling \$59.3 million which is being used to help fill in the anticipated FY 2017 shortfalls.

Our current FY 2017 General Revenue collections are expected to be about \$192 million short of estimates by year-end, and additional needs totaling \$21 million cause the anticipated FY 2017 budget gap to be about \$213 million. Funding from actions taken by Governor Tomblin earlier in the fiscal year closed approximately \$90 million of the \$213 million gap, leaving a remaining FY 2017 budget gap of approximately \$123 million to close. The Governor recommends closing the remaining budget gap by expiring \$123 million of rainy day cash to the General Fund.

Lottery Revenue collections for FY 2016 exceeded their revenue estimates. The Governor recommended that up to \$34 million of any surpluses from the Lottery Funds at the end of FY 2016 be appropriated to help fund the state's portion of base Medicaid costs.

Lottery Revenue collections for FY 2017 are on pace to exceed their revenue estimates. The Governor recommends that up to \$22.9 million of any surpluses from the Lottery Funds at the end of FY 2017 be appropriated to help fund the state's portion of base Medicaid costs.

While continuing to use our conservative budgeting approach of reducing overall base budget expenditures, the budget for FY 2018 however does include increases for the state's share of Medicaid funding, 100% funding of the required state employers' contributions to the Retirement Systems, and a pay raise for classroom teachers. Even after structurally closing the FY 2018 estimated budget gap of \$497 million, the out-years beyond FY 2018 continue to show manageable budget gaps, that will require additional structural adjustments. Careful budgetary planning and responsible government initiatives will continue to serve West Virginia well in achieving balanced budgets.

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

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

#### **General Revenue**

Actual General Revenue collections for FY 2016 totaled \$4.106 billion. FY 2017 estimated collections total \$4.187 billion; however, they are expected to be about \$192 million short of estimate by year-end. The General Revenue collection amounts are projected to decrease by (\$132 million) for FY 2018 (over the FY 2017 initial estimate), then increase by 2.6% for FY 2019, and increase by an average of 3.5% per year for FY 2020 through FY 2022.

#### **General Revenue—estimated shortfall**

General Revenue collections at the end of January 2017 were \$116 million below estimate. The year-end revenue shortfall (before gap fill measures) is anticipated to be about \$192 million.

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

In helping to balance FY 2017's budget gap, \$25.5 million of funds were diverted from being sent to the Workers' Compensation Old Fund, but due to the Old Fund's funding status, it was prudent to leave the funds in the General Revenue Fund. Income Tax Reserve funds of \$5 million have also been used to help close the gap. These revenue measures total \$30.5 million in FY 2017. The amounts shown for FY 2018 – FY 2022 are associated with the Governor's recommendations to increase the sales tax rate by 0.5%, expand the sales tax base, implement a broad-base Commercial Activity Tax, and other smaller revenue items that, if passed by the

## *Executive Summary* *Six Year Financial Plan*

Legislature, will be the major structural factor in balancing our General Revenue budget.

### **General Revenue—(available from expirations)**

Included in the FY 2016 total is the net total of all special revenue and rainy day funds transferred to the General Revenue fund. The FY 2017 total of \$101.7 million is the total amount of Rainy Day funds to be transferred to the FY 2017 unappropriated balance to help close the FY 2017 budget gap.

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

The amount shown for FY 2016 is the net amount of surplus funds used during the fiscal year. FY 2017 numbers show transfers to General Revenue surplus during the fiscal year, including \$55 million of Rainy Day funds appropriated to address state funding associated with the June 2016 flood and \$21.3 million to help fund surplus supplementals needed in FY 2017. The FY 2018 amount of \$8 million is recommended to be used in restoring the Capitol Dome.

### **Lottery**

The regular Lottery funds are dedicated by statute to be used for senior citizen, education, and tourism programs. Since General Revenue funds are used for the same programs, Lottery funds are included here as part of the total available, and program funding may be shifted between the two revenue sources for the above mentioned programs. Actual Lottery collections totaled \$158.137 million in FY 2016. Lottery revenues are projected to fall about 14% from FY 2016 to FY 2017, and then remain flat through FY 2022.

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

Lottery Surplus available from previous fiscal years show a net of (\$1.89 million) used during FY 2016. An estimated \$8 million in surplus that may be available at the end of FY 2017 was appropriated in the FY 2017 Budget Bill for the Medicaid Program. For FY 2018, the Governor recommends that \$6 million be appropriated during FY 2018 for Medicaid from any surplus balance accruing at the end of FY 2017. The out-years show anticipated surplus of \$9 million being available for appropriation.

### **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 2017. Revenues are projected to decrease by about (\$34.982 million) from FY 2016 to FY 2017 and then remain relatively flat through FY 2022.

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

Excess Lottery Surplus available from previous fiscal years show a net of (\$9.21 million) used during FY 2016. An estimated \$30 million in surplus that may be available at the end of FY 2017 was appropriated in the FY 2017 Budget Bill for the Medicaid Program. For FY 2018, the Governor recommends that \$16.9 million be appropriated during FY 2018 for Medicaid from any surplus balance accruing at the end of FY 2017.

### **Total Available**

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

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

### **Previous Years' Base Budget**

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

### **(Base Budget FY 2016) 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 2016 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth

## *Executive Summary* *Six Year Financial Plan*

for out-years (FY 2017–FY 2022) 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 2016 to determine that particular fiscal year's Total Ongoing Base Budget. For FY 2018, five items shown on the "Six Year Financial Plan" have been recommended to be increased while eight 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 2018 base appropriation be the same as their FY 2017 base appropriation; therefore, no change is shown in the FY 2018 column. The out-years reflect estimated increases to base budgets at the same rate of increase as the rates of increases in base revenues available.

**Supreme Court.** The Constitution requires that the Governor recommend funding for the Supreme Court as they requested. The Supreme Court did not request any increases for FY 2018. The out-years reflect estimated increases to base budgets at the same rate of increase as the rates of increases in base revenues available.

**Public Defender.** The Public Defender Services continues to require increased funding each year. In addition to the FY 2017 appropriation of \$31.622 million, the Governor recommends a supplemental surplus appropriation of \$15.3 million (included in the FY 2017 "Surplus Supplementals" line of the "Six Year Financial Plan"), bringing the total FY 2017 appropriations to over \$46.922 million. The FY 2018 appropriation is not changed. FY 2019 includes increased base funding to show actual ongoing cost of the Public Defender Program.

**PERS Employer Contribution.** The employer match contribution will decrease from 12.5% to 11% of salary costs in FY 2018. The FY 2019–FY 2022 estimates assume investment earnings of 7.5% gains required in the long-term funding plan.

**PEIA Premiums.** Due to a reduction in the number of employees funded in the School Aid Formula (because of a decrease in student enrollment) and changes in school boards of education cash balances on deposit with the PEIA, the base funding to public school systems is decreased by (\$3.839 million) to cover PEIA employers' premium match for FY 2018. Significant increases are projected over the course of future fiscal years if current levels of benefits continue to be offered to employees and retirees, requiring multimillion dollar increases in the General and Lottery Funds' share of employers' premiums. Thus, PEIA's outlook continues to be a major concern and represents another of the major financial challenges facing West Virginia. PEIA cannot assume the economic conditions of the state will continue to permit increased premium revenues for the agency, nor can PEIA assume trend results will continue to be lower than anticipated. "The Six Year Financial Plan" shows the additional funding increases that would be needed (about 8% for FY 2019–FY 2022) if current health care cost trends continue.

**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 a decrease of (\$3.018 million) of funding in FY 2018, bringing the total funding for FY 2018 to \$34.638 million.

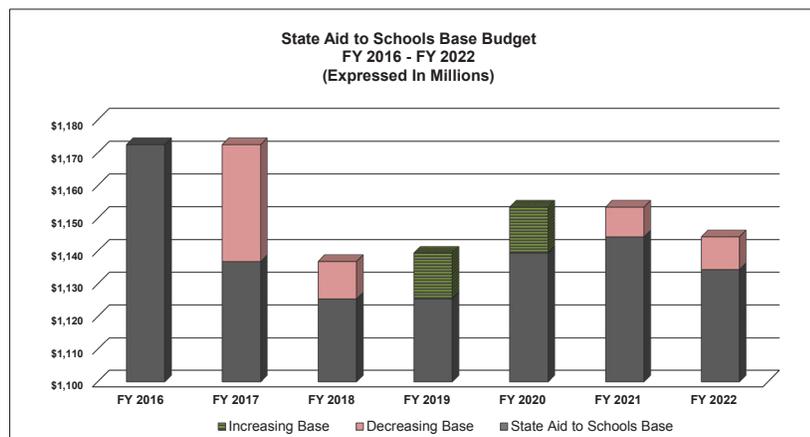
**Teachers' Retirement System.** The state has made significant strides toward the long-term funding of the state's Teachers' Retirement System. Of the additional surplus revenues available during FY 2005–FY 2010, an additional \$748 million was used to help pay down the unfunded liability in the Teachers' Retirement System, drastically reducing the unfunded liabilities of that system. During the 2007 Legislative Regular Session, legislation was approved that authorized the sale of Tobacco Settlement Bonds. The bonds were sold in June 2007 and netted over \$807 million in proceeds for the state's Teachers' Retirement System. These bond proceeds, along with additional extra retirement contributions (payments above the required amounts) made recently, result in total additional deposits of \$1.745 billion being placed into the pension system.

The efforts to pay down the state's massive retirement debt has resulted in the Teachers' Retirement System's percentage funded increasing from 22% funded at the end of FY 2004 to an estimated 61.7% funded at the end of FY 2016.

## Executive Summary Six Year Financial Plan

Due to investment losses estimated at -0.1% occurring in FY 2016 and an Experience Study (done every 5 years), the current amortization schedule for the Teachers' Retirement System requires funding in FY 2018 of \$71.203 million more than the FY 2017 funding level bringing FY 2018's appropriation to \$459.301 million. If earnings are more than 7.5% per year, the funding level can be lowered; if earnings are less than 7.5%, the funding level must be raised. FY 2019–FY 2022 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) and various adjustments that the Governor

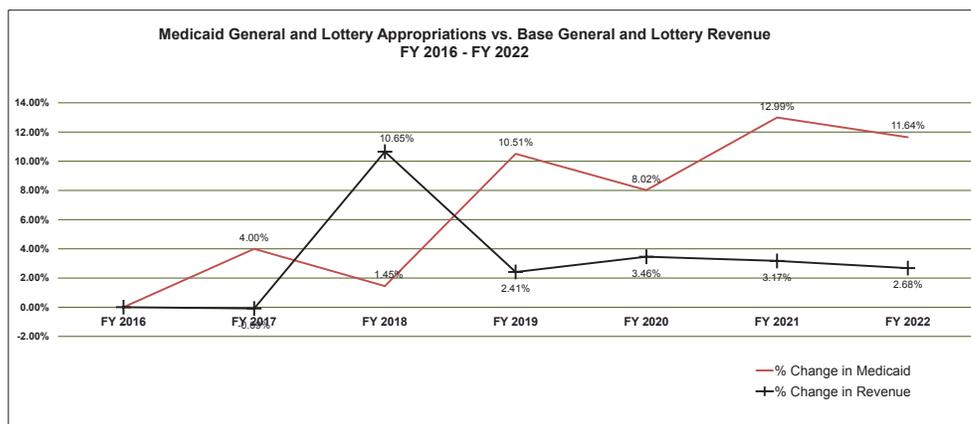


recommends calls for a net decrease of \$11.411 million for FY 2018. Notable changes, required by the School Aid Formula, from the prior year's base budget includes a decrease in the level of Local Share of (\$13.255 million,) decreased funding in the Professional Educators line (mostly due to changes in years of experience and decreased enrollment of 3,968 students). The Governor also proposes a pay raise for classroom teachers averaging 2%, or \$808. Budget projections for FY 2019 and FY 2020 include continued decreases in local share of about (3%) and also assumes that student enrollment continues to fall statewide.

### Public Education - All Other.

The Department of Education and Schools for the Deaf and the Blind's employees are statutorily paid at the same county pay rates as professional educators and service personnel. Employees' salaries increase with additional years of service. Adjustments to RESAs and other statutory requirements total a net decrease of (\$4.133 million) are accounted for here. The out-years assume an increase for statutory salary increases.

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



Developing changes in this program are exceedingly difficult because Medicaid operates as an entitlement

program for all citizens that meet the eligibility criteria, and the cost of the program is determined by the number of eligible individuals, how often they utilize health care services, and the cost of the health care services. Therefore, the state must budget for all program costs incurred by the clients. The program costs cannot be controlled through budget restrictions and appropriation caps without changes to the eligibility criteria, the types of services covered, or the rates paid for services.

## *Executive Summary* *Six Year Financial Plan*

Reducing program eligibility, eliminating covered services, and reducing payments for services may shift the burden to other social service providers as clients seek other sources of assistance. Since Medicaid revenue has become a significant factor in the health care industry, any reductions will cause cost shifting and other adjustments throughout the state's health care system.

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

In FY 2017, Medicaid total expenditures (federal and state) are estimated to be approximately \$4.4 billion. Of this total, \$3.4 billion is the federal share, while \$1 billion is the state share. Appropriations in FY 2017 from General Revenue, Lottery, Medical Services Trust Fund, the Provider Tax, and other State Certified Match make up the state share.

The Governor recommends in FY 2018 increased base funding in the General and Lottery funds for Medicaid of \$10.401 million, raising the total of General and Lottery funds base funding to \$729 million. The out-years amounts assume that the FMAP rate decreases 0.5% each year and that total program costs increase per year.

**DHHR – All Other.** The Governor recommends a net increase of \$2.432 million in the FY 2018 base budget for all other DHHR related items. These changes include increases for the Birth-to-Three Program, Homefinding, and the Chief Medical Examiners. The out-years reflect additional funding for the growing costs associated with social service programs.

**Correctional Facilities.** The Governor recommends a small adjustment to vehicle purchases to help in balancing the FY 2018 budget.

**State Police.** The Governor recommends no change to the State Police base budget.

**Public Safety Retirement Plan A /State Police Plan B.** The current amortization schedule for the Public Safety Retirement Plan A requires \$7.8 million more funding in FY 2018 due to losses in investment value during FY 2016. The employer contribution for the State Police Retirement Plan B requires additional funding of \$0.62 million in FY 2018. FY 2019–FY 2022 assumes investment earnings of 7.5%.

**Higher Education.** Higher Education's FY 2018 base budget is reduced by (\$10.374) million, to a FY 2018 base level of \$448.025 million.

**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 2018, major items include \$5.6 million in additional funding to Tourism's advertising budget, as well as various targeted base funding reductions to help structurally bring our budget back into balance.

**Salary Enhancements.** FY 2018 includes funding for an average of 2% pay raise, or \$808 for classroom teachers. The out-years include funding for possible pay raises of 2% each year for teachers, service personnel and all other state employees.

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

### **Total Ongoing Base Budget**

The total ongoing base budget consists of the previous year's base budget plus all changes in funding required to continue ongoing level of services. This amount is carried forward to the next fiscal year and becomes its beginning base budget. The Ongoing Base Budget shown in FY 2018 is \$75.379 million more than FY 2017's Base Budget. Note that FY 2017's Ongoing Base Budget was smaller than FY 2016's by (\$13.681 million.)

**Onetime Expenditures.** In addition to the Total Ongoing Base Budget, Onetime Expenditures are also included. These expenditures are not included in the Total Ongoing Base Budget because they do not require ongoing funding in future years, but the amount will be expended during the current fiscal year and, therefore, must be reduced from the revenue available in that fiscal year to arrive at the estimated balance. Onetime expenditures in FY 2016 total \$20.642 million. FY 2017 appropriations contain \$123.807

## *Executive Summary*

### *Six Year Financial Plan*

million of onetime expenditures, while FY 2018 includes \$105.505 million of new Infrastructure and Economic Development funding, and \$8 million of General Revenue Surplus appropriations which helps the State Capitol renovation needs. The out-years include funding for various onetime expenditures.

**Surplus Supplementals.** Included in the Governor's proposal are FY 2017 onetime supplementals (to be funded from surplus funds) for Public Defender appointed counsel payments of \$15.3 million, \$2.852 million for various DHHR programs, and \$3.3 million for the ERP Board.

**Onetime Reductions.** Major items in the FY 2016 amount include (\$2.5 million) for the Volunteer Fire Departments' workers' compensation subsidy (there was funding available for FY 2016 from other sources), (\$5.07 million) for PEIA that was backed out in the School Aid Formula because excess balances were on deposit for local school boards, (\$71.795 million) of Medicaid funding moved to various funding sources, and (\$10 million) of Infrastructure Council was reduced. FY 2017 amounts include (\$126.352 million) for Medicaid which was funded from other sources, a onetime reduction of (\$20 million) to the Infrastructure Council's funding, (\$6.016 million) for PEIA that was backed out in the School Aid Formula because excess balances were on deposit for local school boards, and a onetime reduction, as requested, in the Legislature's budget of (\$8.171 million.) FY 2018 amounts include (\$1.7 million) for PEIA that was backed out in the School Aid Formula because excess balances are on deposit for local school boards and a onetime reduction, as requested, of (\$0.455 million) to the Legislature's funding.

**Expirations.** General Revenue expirations from FY 2016 totaled (\$27.685 million.) These funds were originally appropriated during FY 2016 but were not spent by the year-end and reverted back to the General Fund's surplus balance. In the Lottery Fund, (\$0.066 million) of cash was not needed for appropriations made in the FY 2016 Lottery Funds

**Surplus Transferred to Rainy Day Fund.** Statute requires that half of any General Revenue surplus (up to 13% of the total appropriations from the General Revenue Funds for the fiscal year just ended) be transferred to the Rainy Day Fund A to be used to offset any projected shortfall in the future, used for paying unfunded retirement/benefit liabilities, or used for other expenditures. The General Revenue Fund ended FY 2015 with a surplus of \$12.834 million, of which half, or \$6.417 million was transferred to the Rainy Day Fund A. The General Revenue Fund ended FY 2016 with a surplus of \$28.807 million, and \$14.403 million, one half of the surplus, was transferred to the Rainy Day Fund.

**Mid-year Cut.** The Governor issued Executive Order 7-15 on October 22, 2015, that required most agencies to reduce spending in FY 2016 by 4% (School Aid Formula by 1%), up to a minimum of (\$94 million) to help offset the estimated FY 2016 year-end revenue shortfall. The Legislature voluntarily participated in this FY 2016 spending reduction by 4% or (\$0.938 million.) Executive Order 4-16 was issued at the end of FY 2016, cutting an additional (\$46 million) of funding to keep FY 2016's budget 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 2018, is 18 months away from the date the projections were completed. The General Revenue Fund estimate is \$4.5 billion for FY 2018. Just a 1% deviation from the estimate will result in a \$45 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$90 plus million (\$45 million under estimate to \$45 million over estimate).

The same may be said regarding expenditures. Although we have included all known expenditures with the best projections available for future increases, many unknowns obviously exist. What will happen with the national economy? Will the stock market continue its current pace? A large portion of the budget is expended for health care—both Medicaid and public employees' health insurance expenditures. Small fluctuations in the projected cost of health care can result in large dollar differences in the required expenditures for these services. For example, in our Medicaid Program, just a 1% change in the federal match rate can result in a difference in required state funding of approximately \$32 million.

Not included in the projected expenditures is any additional funding for inflationary expenses to cover any rising cost of energy

## *Executive Summary*

### *Six Year Financial Plan*

consumption for state-owned buildings and vehicles.

#### **Estimated Balance (Gaps)**

The “Estimated Balance (Gaps)” is strictly the excess or deficit (gap) of revenues versus expenditures on an annual basis. The balance is not carried forward to the following fiscal year, but may be used to soften any future budget gaps. As is clearly seen in the “Six Year Financial Plan,” even with the structural adjustments to FY 2018’s budget, FY 2019 through FY 2022 still reflect budget gaps that must be, and will be, addressed and balanced.

#### **Budget Summary**

##### **FY 2016**

West Virginia’s General Revenue Fund’s actual revenue collections totaled \$4.106 billion and, after midyear budget cuts totaling \$140 million, again ended the fiscal year with surpluses of \$28.8 million. Lottery Funds ended the year with unappropriated balances of \$59.3 million.

The General Revenue Fund maintained a strong cash flow throughout the year, and we paid our bills on time. We retained \$5 million in our Personal Income Tax Refund Reserve Fund and made 100% of our required retirement contributions in FY 2016. West Virginia’s rainy day funds totaled \$778 million at the end of FY 2016 and were still among the best funded in the country (over 18% of General Revenue). The Workers’ Compensation unfunded liability continued to be reduced and our OPEB Trust Fund balance grew.

##### **FY 2017**

FY 2017’s General Revenue collections are officially estimated to be \$4.187 billion or 2.0% more than the FY 2016 actual revenue collections. Through the first seven months of FY 2017, collections were (\$116.2 million) below official estimate (-4.9%). Year-end collections in General Revenue are estimated to be about \$192 million short of estimates. To rectify this shortfall, Governor Tomblin implemented a midyear budget reduction and Governor Justice recommends during the 2017 Regular Legislative Session that \$123 million from the Rainy Day Fund be expired to the General Revenue Fund’s unappropriated balance.

Regular Lottery and Excess Lottery revenues estimates available for appropriation in FY 2017 decreased from FY 2016 actual collections by almost 14% due to anticipated competition from other states and the conservative nature of West Virginia’s budgeting for the Lottery Funds. Lottery collections through the first six months of FY 2017 are running 5.8% above estimate.

On the expenditure side, FY 2017’s major budget expenditure driver continues to be Medicaid and other health care related costs. Additional major funding increases are also in place for funding 100% of the retirement systems’ required contributions. Targeted base budget cuts for many agencies were made to help in balancing FY 2017 and for the second year in a row, the total ongoing base expenditure budget was less than the previous year’s.

FY 2017 expenditures from General and Lottery Funds, after all pending adjustments, are expected to total \$4.613 billion.

##### **FY 2018**

Balancing the FY 2018 Budget is again a challenge that requires fiscal discipline. Projections during the budgeting process showed a significant funding gap of about \$497 million for FY 2018 that needed to be closed. Due to the recent slowdown in the mining of coal and low energy prices, anticipated revenues are not expected to keep pace with costs for current programs. Moreover, as we have long expected, competition by bordering states continues to soften Lottery revenues. In the face of these revenue challenges, appropriations for expenditures at current program base levels for FY 2018 must be adjusted.

The FY 2018 General Revenue official estimate of \$4.505 billion, which includes \$450 million of new enhancements, is \$318 million above the FY 2017 official General Revenue estimate of \$4.187 billion. Lottery and Excess Lottery revenues available for appropriations are expected to decrease slightly in FY 2018 by \$3 million below the FY 2017 estimated collections.

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 2018 anticipated expenditure growth and position the state to balance budgets in the years that follow. Therefore, targeted

## *Executive Summary*

### *Six Year Financial Plan*

budgeted reductions for FY 2018 are required to help align our base expenditures with our projected ongoing revenues.

Major base budget expenditures changes recommended for FY 2018 include an additional \$10.401 million in state Medicaid funding. Various targeted base funding reductions are required to help to structurally bring our budget back into balance. The Governor also recommends onetime funding of \$105.5 million for infrastructure and economic development to jump-start the diversification of our state's economy.

Due to decreased investment value of (0.1%) (actuarial target is 7.5%) during FY 2016 and an "experience study", the Teachers' Retirement System will require more funding of \$71.203 million and the State Police Retirement Plans call for \$8.42 million more. FY 2018 total expenditures from General and Lottery Funds, after all pending adjustments, are expected to total \$4.894 billion.

Budget reductions are never easy, nor are tax increases. But as good financial planners, we must continue to be good stewards of taxpayer dollars. While many programs were exempted from budget reductions, we have made substantial budget reductions to many agencies. We must be committed to fiscal discipline over the long term. Therefore, agencies must be diligent in controlling spending and maintaining programs that are sustainable and do not rely on increased state funding in the near future.



# SUMMARY FINANCIAL STATEMENTS





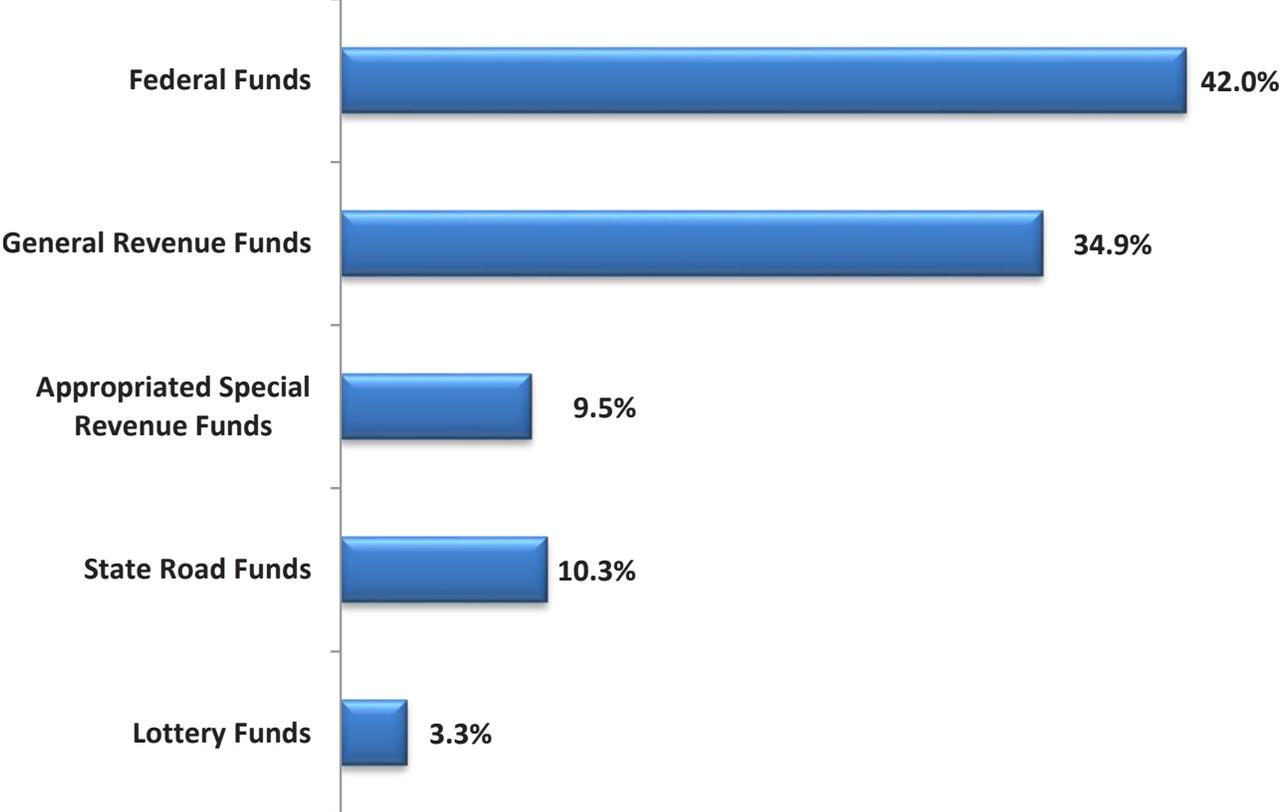
# Financial Statements

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

- Graphics of the Total FY 2018 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, 2016
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2016
- General Revenue Fund — Statement of Revenues by Source FY 2014 through FY 2022
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund — Overview by Functional Category FY 2016 through FY 2018
- General Revenue Fund — Recommended Supplemental Appropriations FY 2017
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2017
- General Revenue Fund — General Revenue Major Statutory and Nondiscretionary Requirements FY 2018
- Lottery Fund — Overview by Functional Category FY 2016 through FY 2018
- 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 2016 through FY 2018
- State Road Fund — Statement of Revenues by Source FY 2014 through FY 2020
- State Road Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2016
- Major Reserve/Stabilization Accounts
- Schedule of Budgeted Full-Time Equivalents

# Where The State Dollar Comes From

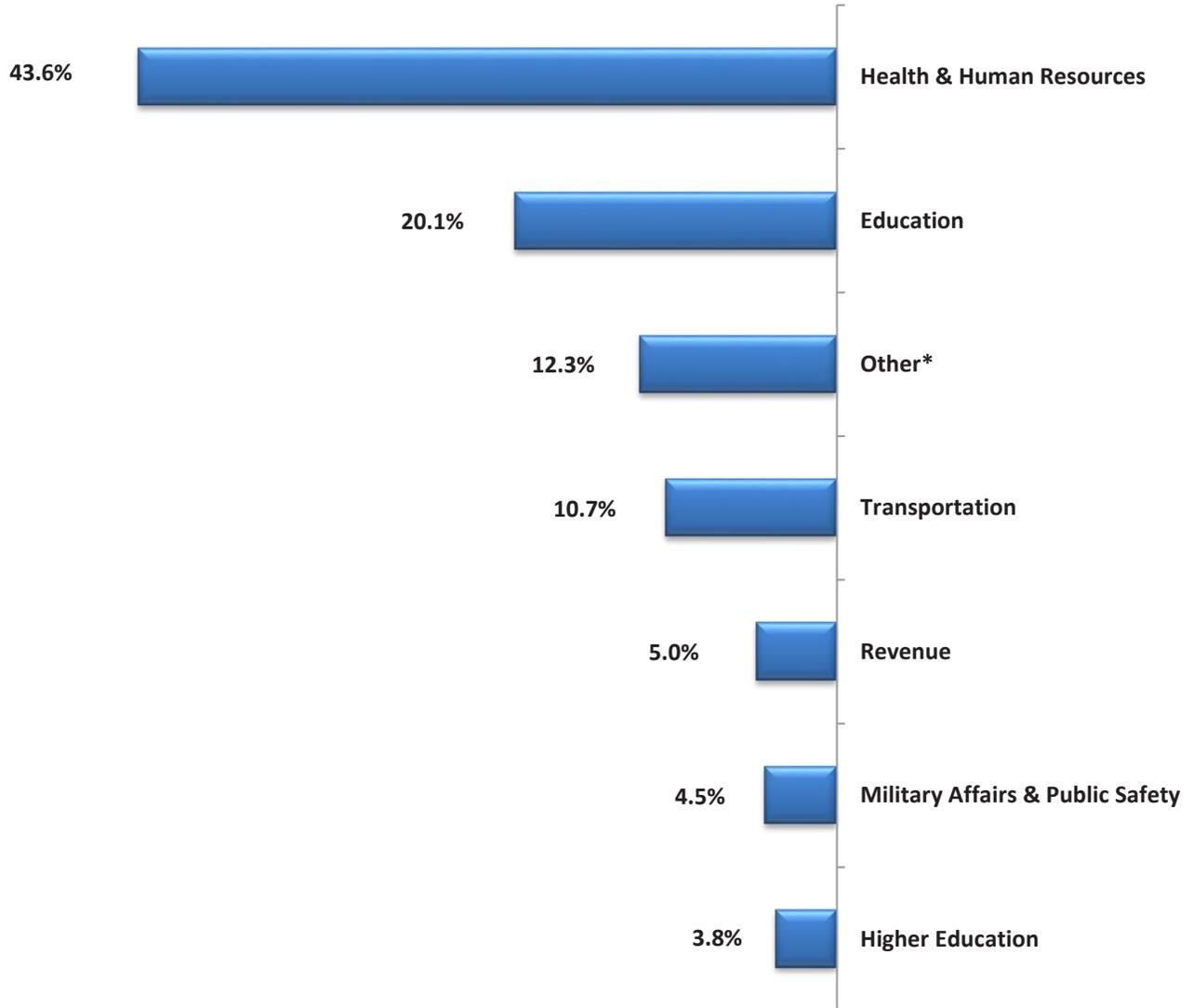
(FY 2018 Estimate)



**TOTAL REVENUE**  
**\$12.9 Billion**  
**(Appropriated Funding Sources)**

# Where The State Dollar Goes

(Governor's Recommended FY 2018 Budget)



<b>*Other</b>		<b>12.3%</b>
Legislature		0.2%
Judicial		1.1%
Executive		0.8%
Administration		2.0%
Commerce		2.9%
Education & the Arts		1.1%
Environment		2.3%
Senior Services		0.7%
Veterans Assistance		0.2%
Misc. Boards & Commissions		1.0%

**TOTAL EXPENDITURES**  
**\$12.9 Billion**  
**(Appropriated Funding Sources)**

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

The following Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds reflects actual, budgeted, and recommended revenues and expenditures for FY 2016, FY 2017, and FY 2018, respectively, for all funds. The revenues and the disbursements are listed at the department/bureau level. See the “Revenue Sources” chapter for a more detailed explanation of each source of funds.

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

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

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

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

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

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

**FY 2016 Actuals** are the total actual revenues and expenditures for all funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

**The FY 2017 Budgeted revenue estimate** for the General Revenue Fund reflects the Governor’s revised official revenue estimate dated June 30, 2016 and the State Road Fund reflects the Governor’s revised official revenue estimate as submitted to the Legislature on January 11, 2017. The Governor provides the official revenue estimates for the budget, and those estimates do not require legislative approval.

**FY 2017 Budgeted expenditures** reflect the amounts budgeted for FY 2017 prior to the beginning of the 2017 Legislative session and includes a separate line for reappropriations available for expenditure from previous fiscal years.

**FY 2018 Recommendations** are the amounts that the Governor is proposing on February 8, 2017 to the Legislature for appropriation. The recommendations do not include any amounts that will ultimately be available for expenditure as a reappropriated or surplus expenditure.

## *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 2016 amounts include reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended FY 2018 expenditures do not reflect any anticipated reappropriations being available during FY 2018. Although the FY 2017 Budgeted amounts are available to spend during the fiscal year, the likelihood of expending the entire amount is extremely remote. Generally, a significant amount of the authorized expenditures remains unspent at the end of each fiscal year and is reappropriated to the next ensuing fiscal year. The available reappropriated balance is included as a separate line.

For General Revenue funds, the prior year reappropriated amounts are significant. The General Revenue Fund budgeted FY 2017 expenditures include \$283.015 million, Lottery Fund includes \$32.411 million, the Excess Lottery Fund includes \$18.219 million, and the Special Appropriated includes \$7.941 million in reappropriated amounts. Details about the amounts available to each agency can be found in the "Overview by Functional Category" spreadsheets. Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2017 will be less than the total authorized budgeted amounts.

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

	General Fund			State Road Fund		
	Actuals FY 2016*	Budgeted FY 2017	Recommended FY 2018	Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018
Beginning Fund Balance	\$381,159	\$312,477	\$88	\$145,378	\$73,301	\$12,891
Transfer to Rainy Day Fund	(6,417)	(14,403)	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	26,660	76,000	-	-	-	-
Prior Year Refunds/Redeposits	348	380	-	-	-	-
Cash Flow/Contingencies	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	101,700	-	-	-	-
Recom. Expirations to General Revenue Surplus	-	21,300	-	-	-	-
<b>Revenues</b>						
Revenue Collections/Estimate	4,102,679	4,187,419	4,055,200	1,111,018	1,214,480	1,326,494
Estimated Shortfall	-	(191,969)	-	-	-	-
Recom. Revenue Reallocations/Enhancements	-	30,500	450,150	-	-	-
Legislature	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Executive	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Commerce	-	-	-	-	-	-
Education	-	-	-	-	-	-
Education and the Arts	-	-	-	-	-	-
Environment	-	-	-	-	-	-
Health and Human Resources	-	-	-	-	-	-
Military Affairs & Public Safety	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Veterans Assistance	-	-	-	-	-	-
Senior Services	-	-	-	-	-	-
Higher Education	-	-	-	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
<b>Total Revenues</b>	<b>4,102,679</b>	<b>4,025,950</b>	<b>4,505,350</b>	<b>1,111,018</b>	<b>1,214,480</b>	<b>1,326,494</b>
<b>Expenditures</b>						
Legislature	24,740	15,727	23,997	-	-	-
Judicial	138,661	141,760	141,760	-	-	-
Executive	38,963	121,348	34,187	-	-	-
Administration	81,305	61,027	60,976	-	-	-
Commerce	57,477	52,362	154,661	-	-	-
Education	1,908,178	1,934,214	2,009,192	-	-	-
Education and the Arts	32,301	30,607	25,815	-	-	-
Environment	6,221	6,518	6,475	-	-	-
Health and Human Resources	1,096,565	1,100,797	1,232,123	-	-	-
Military Affairs & Public Safety	362,288	358,837	366,663	-	-	-
Revenue	24,495	26,524	26,400	-	-	-
Transportation	8,023	5,498	5,478	1,183,100	1,255,390	1,339,331
Veterans Assistance	10,821	10,304	10,160	-	-	-
Senior Services	5,906	12,142	17,252	-	-	-
Higher Education	396,619	400,208	390,211	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,192,563</b>	<b>4,277,873</b>	<b>4,505,350</b>	<b>1,183,100</b>	<b>1,255,390</b>	<b>1,339,331</b>
Reappropriations Available	-	283,015	-	-	-	-
Recommended Supplemental	-	-	-	-	19,500	-
Recommended Surplus Supplemental	-	21,451	-	-	-	-
Mid-Year Budget Adjustments	-	(59,766)	-	-	-	-
Adjustments**	(611)	743	-	(5)	-	-
<b>Ending Fund Balance</b>	<b>\$312,477</b>	<b>\$88</b>	<b>\$88</b>	<b>\$73,301</b>	<b>\$12,891</b>	<b>\$54</b>

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

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

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

Appropriated Special Revenue Funds			Appropriated Lottery Fund			Appropriated Excess Lottery Fund		
Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018	Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018	Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018
\$2,750,837	\$2,801,733	\$2,181,411	\$59,824	\$21,832	\$135	\$64,015	\$37,460	\$182
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(40,000)	-	-	(35,900)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	158,137	135,561	130,917	337,796	284,459	292,187
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,469	1,903	1,469	-	-	-	-	-	-
941	1,600	-	-	-	-	-	-	-
33,678	47,185	50,383	-	-	-	-	-	-
150,441	173,827	175,255	-	-	-	-	-	-
20,898	26,267	28,797	-	-	-	-	-	-
39,557	28,988	38,987	-	-	-	-	-	-
1,379	4,649	4,649	-	-	-	-	-	-
52,021	65,804	56,654	-	-	-	-	-	-
423,770	517,516	384,158	-	-	-	-	-	-
23,702	41,699	41,627	-	-	-	-	-	-
400,010	311,923	318,589	-	-	-	-	-	-
10,362	8,262	6,949	-	-	-	-	-	-
1,884	3,760	2,005	-	-	-	-	-	-
10,517	10,500	10,500	-	-	-	-	-	-
44,183	45,298	45,298	-	-	-	-	-	-
46,746	85,840	57,608	-	-	-	-	-	-
<b>1,261,558</b>	<b>1,375,021</b>	<b>1,222,928</b>	<b>158,137</b>	<b>135,561</b>	<b>130,917</b>	<b>337,796</b>	<b>284,459</b>	<b>292,187</b>
1,895	4,097	3,597	-	-	-	-	-	-
1,081	1,600	1,600	-	-	-	-	-	-
34,471	52,907	49,930	-	-	-	30	-	-
147,326	176,602	171,334	9,994	10,000	10,000	-	-	-
19,706	40,461	36,887	11,155	9,312	14,537	6,518	5,000	5,000
38,430	29,788	38,988	33,630	36,006	36,006	18,990	19,000	19,000
1,796	4,108	4,108	18,412	16,947	12,371	-	-	-
32,645	78,663	69,457	-	-	-	-	-	-
429,451	533,069	406,234	-	-	-	44,512	61,378	19,106
26,454	42,285	42,694	-	-	-	312	-	-
356,051	856,840	477,000	-	13,700	-	156,694	147,381	140,081
13,452	13,751	9,751	-	-	-	-	-	-
2,615	3,130	3,130	-	-	-	-	-	-
10,383	10,500	10,500	69,555	59,139	46,029	-	-	-
43,558	49,609	49,074	13,605	12,157	11,974	47,279	44,000	44,000
51,348	89,992	63,109	-	-	-	54,988	45,000	65,000
<b>1,210,662</b>	<b>1,987,402</b>	<b>1,437,393</b>	<b>156,351</b>	<b>157,261</b>	<b>130,917</b>	<b>329,323</b>	<b>321,759</b>	<b>292,187</b>
-	7,941	-	-	32,411	-	-	18,219	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(222)	(32,414)	-	(872)	(18,241)	-
<b>\$2,801,733</b>	<b>\$2,181,411</b>	<b>\$1,966,946</b>	<b>\$21,832</b>	<b>\$135</b>	<b>\$135</b>	<b>\$37,460</b>	<b>\$182</b>	<b>\$182</b>

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

	<b>Appropriated Federal Funds</b>			<b>Total Appropriated Funds</b>		
	Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018	Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018
Beginning Fund Balance	\$49,472	\$55,833	\$1,635	\$3,450,685	\$3,302,636	\$2,196,342
Transfer to Rainy Day Fund	-	-	-	(6,417)	(14,403)	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	26,660	76,000	-
Prior Year Refunds/Redeposits	-	-	-	348	380	-
Cash Flow/Contingencies	-	-	-	(75,900)	-	-
Recom. Expirations to General Revenue	-	-	-	-	101,700	-
Recom. Expirations to General Revenue	-	-	-	-	21,300	-
<b>Revenues</b>						
Revenue Collections/Estimate	-	-	-	5,709,630	5,821,919	5,804,798
Estimated Shortfall	-	-	-	-	(191,969)	-
Recom. Revenue Reallocations/Enhancements	-	-	-	-	30,500	450,150
Legislature	-	3,000	1,559	1,469	4,903	3,028
Judicial	1,981	4,550	-	2,922	6,150	-
Executive	6,254	20,899	11,631	39,932	68,084	62,014
Administration	-	-	-	150,441	173,827	175,255
Commerce	63,710	125,096	126,476	84,608	151,363	155,273
Education	364,264	480,163	480,163	403,821	509,151	519,150
Education and the Arts	62,351	104,106	103,356	63,730	108,755	108,005
Environment	85,480	197,361	216,553	137,501	263,165	273,207
Health and Human Resources	3,418,958	3,638,399	4,242,504	3,842,728	4,155,915	4,626,662
Military Affairs & Public Safety	52,125	172,862	175,380	75,827	214,561	217,007
Revenue	1,198	3,000	3,000	401,208	314,923	321,589
Transportation	20,078	31,867	44,367	30,440	40,129	51,316
Veterans Assistance	7,395	10,227	7,979	9,279	13,987	9,984
Senior Services	12,707	14,536	14,536	23,224	25,036	25,036
Higher Education	-	-	-	44,183	45,298	45,298
Misc. Boards & Commissions	3,753	3,200	3,900	50,499	89,040	61,508
<b>Total Revenues</b>	<b>4,100,254</b>	<b>4,809,266</b>	<b>5,431,404</b>	<b>11,071,442</b>	<b>11,844,737</b>	<b>12,909,280</b>
<b>Expenditures</b>						
Legislature	-	3,000	2,360	26,635	22,824	29,954
Judicial	1,981	4,550	4,000	141,723	147,910	147,360
Executive	5,183	23,900	23,600	78,647	198,155	107,717
Administration	-	-	-	238,625	247,629	242,310
Commerce	62,279	141,141	153,741	157,135	248,276	364,826
Education	359,157	480,162	495,163	2,358,385	2,499,170	2,598,349
Education and the Arts	62,291	103,963	103,962	114,800	155,625	146,256
Environment	84,476	226,298	226,298	123,342	311,479	302,230
Health and Human Resources	3,425,407	3,640,195	3,963,887	4,995,935	5,335,439	5,621,350
Military Affairs & Public Safety	50,559	174,570	174,631	439,613	575,692	583,988
Revenue	1,080	3,000	3,000	538,320	1,047,445	646,481
Transportation	19,912	32,394	29,967	1,224,487	1,307,033	1,384,527
Veterans Assistance	7,216	10,193	10,193	20,652	23,627	23,483
Senior Services	12,358	14,536	14,536	98,202	96,317	88,317
Higher Education	-	-	-	501,061	505,974	495,259
Misc. Boards & Commissions	1,994	5,562	3,225	108,330	140,554	131,334
<b>Total Expenditures</b>	<b>4,093,893</b>	<b>4,863,464</b>	<b>5,208,563</b>	<b>11,165,892</b>	<b>12,863,149</b>	<b>12,913,741</b>
Reappropriations Available	-	-	-	-	341,586	-
Recommended Supplemental	-	-	-	-	19,500	-
Recommended Surplus Supplemental	-	-	-	-	21,451	-
Mid-Year Budget Reduction	-	-	-	-	(59,766)	-
Adjustments**	-	-	-	(1,710)	(49,912)	-
<b>Ending Fund Balance</b>	<b>\$55,833</b>	<b>\$1,635</b>	<b>\$224,476</b>	<b>\$3,302,636</b>	<b>\$2,196,342</b>	<b>\$2,191,881</b>

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

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

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

Nonappropriated Federal Funds			Nonappropriated Special Revenue Funds			Total All Funds***		
Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018	Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018	Actuals FY 2016	Budgeted FY 2017	Recommended FY 2018
\$57,164	\$60,860	\$71,407	\$16,415,662	\$15,474,123	\$14,309,435	\$19,923,511	\$18,837,619	\$16,577,184
-	-	-	-	-	-	(6,417)	(14,403)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	26,660	76,000	-
-	-	-	-	-	-	348	380	-
-	-	-	-	-	-	(75,900)	-	-
-	-	-	-	-	-	-	101,700	-
-	-	-	-	-	-	-	21,300	-
-	-	-	-	-	-	5,709,630	5,821,919	5,804,798
-	-	-	-	-	-	-	(191,969)	-
-	-	-	-	-	-	-	30,500	450,150
-	-	-	-	-	-	1,469	4,903	3,028
-	-	-	1,958	2,570	-	4,880	8,720	-
-	-	-	523,477	334,255	327,815	563,409	402,339	389,829
-	-	-	11,707,626	15,481,801	15,455,435	11,858,067	15,655,628	15,630,690
20,596	31,886	29,398	47,134	82,183	71,632	152,338	265,432	256,303
-	-	-	15,244	50,056	53,527	419,065	559,207	572,677
-	-	-	8,234	17,980	17,480	71,964	126,735	125,485
2,616	14,300	2,000	110,828	188,026	170,690	250,945	465,491	445,897
-	-	-	18,744	26,826	23,290	3,861,472	4,182,741	4,649,952
53,389	187,576	151,493	110,900	174,206	190,520	240,116	576,343	559,020
-	-	-	819,917	521,382	534,508	1,221,125	836,305	856,097
5,970	22,930	18,389	49,947	37,981	59,048	86,357	101,040	128,753
-	-	-	1,355	2,186	726	10,634	16,173	10,710
-	-	-	1,933	1,900	1,900	25,157	26,936	26,936
43,389	54,217	51,120	1,415,546	2,124,673	2,106,927	1,503,118	2,224,188	2,203,345
-	-	-	139,792	269,758	135,326	190,291	358,798	196,834
<b>125,960</b>	<b>310,909</b>	<b>252,400</b>	<b>14,972,635</b>	<b>19,315,783</b>	<b>19,148,824</b>	<b>26,170,037</b>	<b>31,471,429</b>	<b>32,310,504</b>
-	-	-	(16)	16	14	26,619	22,840	29,968
-	-	-	1,452	2,570	2,570	143,175	150,480	149,930
-	-	-	579,688	369,403	345,191	658,335	567,558	452,908
-	-	-	12,374,029	16,212,954	16,209,551	12,612,654	16,460,583	16,451,861
21,496	31,887	31,887	45,332	120,558	107,139	223,963	400,721	503,852
-	-	-	12,423	54,486	53,327	2,370,808	2,553,656	2,651,676
-	-	-	7,776	17,984	21,752	122,576	173,609	168,008
482	4,619	4,619	97,844	241,372	233,815	221,668	557,470	540,664
-	-	-	22,086	35,074	24,750	5,018,021	5,370,513	5,646,100
52,995	171,262	163,262	112,644	201,868	195,916	605,252	948,822	943,166
-	-	-	1,014,910	648,526	629,825	1,553,230	1,695,971	1,276,306
4,885	29,530	23,530	36,435	160,456	69,906	1,265,807	1,497,019	1,477,963
-	-	-	1,343	1,658	1,658	21,995	25,285	25,141
-	-	-	1,670	1,900	1,900	99,872	98,217	90,217
42,406	63,064	54,764	1,469,062	2,159,105	2,141,243	2,012,529	2,728,143	2,691,266
-	-	-	137,496	252,541	268,658	245,826	393,095	399,992
<b>122,264</b>	<b>300,362</b>	<b>278,062</b>	<b>15,914,174</b>	<b>20,480,471</b>	<b>20,307,215</b>	<b>27,202,330</b>	<b>33,643,982</b>	<b>33,499,018</b>
-	-	-	-	-	-	-	341,586	-
-	-	-	-	-	-	-	19,500	-
-	-	-	-	-	-	-	21,451	-
-	-	-	-	-	-	-	(59,766)	-
-	-	-	-	-	-	(1,710)	(49,912)	-
<b>\$60,860</b>	<b>\$71,407</b>	<b>\$45,745</b>	<b>\$15,474,123</b>	<b>\$14,309,435</b>	<b>\$13,151,044</b>	<b>\$18,837,619</b>	<b>\$16,577,184</b>	<b>\$15,388,670</b>

**Cash and Investment Balances of All Funds**  
**Fiscal Year Ending June 30, 2016**  
 (Nearest Dollar)

	<b>Fund No.</b>	<b>Cash Balance</b>	<b>Investments</b>	<b>Total Balance</b>
General Revenue Fund	01	\$371,422,528	\$0	\$371,422,528
State Road Fund	02	24,829,691	48,471,350	73,301,041
Natural Resources Fund	03	3,016,043	108,313,201	111,329,244
Consolidated Pool and Investments	09	(1,289,093,336)	1,417,071,342	127,978,006
Quasi Government	10	6,282,651	0	6,282,651
Consolidated Federal Funds (Special Revenue)	12	64,127,139	1,342,262	65,469,401
Special Revenue Funds (Departments and Institutions)	13	1,310,781,777	5,587,062,713	6,897,844,490
Special Revenue Funds (Higher Education)	14	30,048,828	271,073,447	301,122,275
Department of Welfare	16	41,872,878	1,259,403	43,132,281
Public Employees' Retirement System	17	2,645,690	5,575,277,761	5,577,923,451
Teachers' Retirement System	18	5,581,523	6,487,929,308	6,493,510,831
West Virginia University - Medical School Fund	20	513,354	218,116	731,470
<b>Total</b>		<b>\$572,028,766</b>	<b>\$19,498,018,903</b>	<b>\$20,070,047,669</b>

**Detailed Investments Fund 13**  
**Fiscal Year Ending June 30, 2016**  
 (Nearest Dollar)

Attorney General	\$709,680
Auditor's Office	4,113,491
Board of Risk and Insurance Management	157,757,086
Building Commission	858,634
Court of Claims	1,524,735
Consolidated Public Retirement Board	1,054,952,105
Division of Justice and Community Services	85,095
Culture & History	1,244,224
Secretary of State	3,351,707
Department of Administration	750,619,360
Department of Education	5,283,516
Division of Financial Institutions	108,616
Council for C&T College Education	0
Department of Education and the Arts	5,805,693
Secretary of Revenue	718,703,044
Department of Transportation	1,222,505
WV Economic Development Authority	73,306,198
Division of Health & Human Services	12,505,542
Division of Labor	4,092,812
Division of Natural Resources	10,757,568
Department of Environmental Protection	415,223,802
Division of Forestry	3,080,318
Insurance Commission	1,621,420,488
Lottery Commission	153,081,580
Municipal Bond Commission	181,920,777
Municipal Pension Oversight Board	28,563,484
Public Employees Insurance Agency	183,879,598
Regional Jail Authority	32,361,522
State Police	1,267,900
State Rail Authority	6,375,540
Treasurer's Office	130,032,252
Water Development Authority	22,853,841
<b>Total Detail Fund 13</b>	<u><u>\$5,587,062,713</u></u>

# General Revenue Fund

## Statement of Revenues by Source

### FY 2014 Through FY 2022

(Expressed in Thousands)

Source of Revenue	FY 2014 Actual Collections	FY 2015 Actual Collections	FY 2016 Actual Collections	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate
Business and Occupation Tax	\$120,143	\$120,522	\$119,174	\$115,500	\$114,500	\$118,000	\$124,000	\$126,000	\$126,000
Consumers Sales and Use Tax	1,173,097	1,228,221	1,231,044	1,285,000	1,259,000	1,290,000	1,320,000	1,370,000	1,415,000
Personal Income Tax	1,664,066	1,840,056	1,803,311	1,914,225	1,834,000	1,864,000	1,930,000	2,020,000	2,118,500
Liquor Profit Transfers	15,155	18,361	18,313	18,000	18,000	17,500	17,500	17,500	17,500
Beer Tax and Licenses	8,302	7,773	7,996	8,300	8,000	7,900	7,900	7,900	7,900
Tobacco Products Tax (Cigarette & Other)	101,780	102,163	100,274	196,300	194,000	190,000	186,400	182,600	179,000
Estate Tax	0	7	0	0	0	0	0	0	0
Business Franchise Fees	698	747	676	650	600	600	600	600	600
Charter Tax	228	43	3	0	0	0	0	0	0
Property Transfer Tax	10,392	11,042	10,618	10,500	10,200	10,500	10,800	11,100	11,400
Property Tax	6,652	6,679	6,957	7,200	7,000	6,900	6,900	7,100	7,300
Insurance Tax	115,763	116,163	117,359	119,000	121,100	123,500	122,300	127,100	125,900
Departmental Collections	17,511	18,223	19,029	19,100	18,600	18,800	18,900	19,100	19,300
Corporation Net Income Tax	203,508	186,101	143,605	137,400	109,000	127,600	140,800	138,900	139,000
Miscellaneous Transfers	767	11,056	1,246	1,000	500	500	500	500	500
Interest Income	1,219	2,343	2,509	8,000	16,000	22,000	30,000	30,000	30,000
Severance Tax	488,686	414,172	276,441	262,544	257,000	278,300	296,900	309,400	312,800
Telecommunication Tax	(261)	0	0	0	0	0	0	0	0
Miscellaneous Receipts <sup>1</sup>	30,013	16,458	20,976	9,700	12,700	10,700	10,700	10,700	10,700
HB102 - Lottery Transfers	92,600	92,600	83,355	65,000	65,000	65,000	65,000	65,000	65,000
Video Lottery Transfers	629	628	809	0	0	0	0	0	0
Liquor License Renewal <sup>2</sup>	451	451	71	0	0	0	24,000	16,000	0
Senior Citizen Tax Credit Reimbursement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Special Revenue Transfer	44,707	0	128,914	0	0	0	0	0	0
<b>Total</b>	<b>\$4,106,106</b>	<b>\$4,203,810</b>	<b>\$4,102,679</b>	<b>\$4,187,419</b>	<b>\$4,055,200</b>	<b>\$4,161,800</b>	<b>\$4,323,200</b>	<b>\$4,469,500</b>	<b>\$4,596,400</b>

1. Includes \$15 million in transfers from the Abandoned and Unclaimed Property Fund in FY 2016, \$7 million in FY 2017 and \$10 million in FY 2018.

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

<b>Proposed Revenue Enhancements</b>	<b>Eff Date</b>	<b>Tax Rate</b>	<b>FY 2017 Estimates</b>	<b>FY 2018 Estimate</b>	<b>FY 2019 Estimate</b>	<b>FY 2020 Estimate</b>	<b>FY 2021 Estimate</b>	<b>FY 2022 Estimate</b>
Sales & Use tax to 6.5%	7/1/2017	6.5%	\$0	\$92,700	\$103,600	\$106,000	\$110,000	\$113,600
Sales Tax Base - Professional Services	7/1/2017	6.5%	0	82,000	91,600	93,700	97,200	100,400
Sales Tax Base - Advertising Services	7/1/2017	6.5%	0	5,600	6,100	6,300	6,500	6,700
Commercial Activity Tax	7/1/2017	0.20%	0	\$214,300	\$239,500	\$245,000	\$254,300	\$262,700
Tiered Severance Tax Rates	1/1/2018	TBD	0	0	0	0	0	0
Excess Acreage Tax	1/1/2018	5 cents/acre	0	0	0	0	0	0
Repeal Film Tax Credit	7/1/2017		0	0	2,500	3,000	3,000	3,000
Raise Beer Barrel Tax from \$5.50 to \$8.00	7/1/2017	\$8.00	0	2,800	3,000	3,000	3,000	3,000
Raise Wholesale Liquor from 28% to 32%	5/1/2017		0	2,800	2,800	2,800	2,800	2,800
WC Debt Fund Revenue Re-Direct	FY 2018	onetime	25,500	38,250	0	0	0	0
No General Revenue Transfer to Highways	FY 2018	N/A	0	11,700	11,700	11,700	11,700	11,700
<b>Total Adjustments</b>			<b>\$25,500</b>	<b>\$450,150</b>	<b>\$460,800</b>	<b>\$471,500</b>	<b>\$488,500</b>	<b>\$503,900</b>
<b>Total General Revenue with Adjustments</b>			<b>N/C</b>	<b>\$4,505,350</b>	<b>\$4,622,600</b>	<b>\$4,794,700</b>	<b>\$4,958,000</b>	<b>\$5,100,300</b>

# General Revenue Fund

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

(Nearest Dollar)

	Actual Beginning Cash Balance July 1, 2016	\$371,422,528
Less:	31 Day Disbursements (July 1, 2016 - July 31, 2016)	(58,945,556)
Plus:	Prior Year Reimbursements (July 1, 2016 - July 31, 2016)	87,523
Less:	Prior Year Appropriations Forwarded	(283,014,937)
Less:	Cash Balance - Adjustments and Accruals	<u>(742,662)</u>
	Accumulated Surplus from FY 2016 @ July 31, 2016	\$28,806,896
Less:	Transfer to Revenue Shortfall Reserve Fund (Statutory)	(14,403,448)
Less:	FY 2017 Surplus Appropriation (FY 2017 Budget Bill)	(5,500,000)
Plus:	Cash Expirations to General Revenue Surplus (2016 2nd Special Session)	76,000,000
Less:	FY 2017 Surplus Supplemental Appropriation (2016 2nd Special Session)	(85,000,000)
Plus:	Prior Year Reimbursements and adjustments (August 1, 2016 - January 31, 2017)	293,688
Plus:	<b>Recommended</b> Rainy Day Expiration to General Revenue Surplus (2017 Regular Session)	21,300,000
Less:	<b>Recommended</b> FY 2017 Surplus Supplemental Appropriations (2017 Regular Session)	<u>(21,451,861)</u>
	Estimated Unappropriated Surplus Balance @ June 30, 2017	<b>\$45,275</b>
Plus:	FY 2017 Revenue Estimate	\$4,187,419,000
Less:	FY 2017 Appropriations (FY 2017 Budget Bill) (2016 1st Special Session)	(4,187,373,287)
Plus:	FY 2017 Appropriations (FY 2017 Budget Bill) veto	0
Less:	FY 2017 <b>Anticipated</b> Revenue Shortfall (Estimated)	(191,969,000)
Plus:	FY 2017 - Governor's Executive Order 8-16	25,500,000
Plus:	FY 2017 - Usage of Income Tax Reserve Fund	5,000,000
Plus:	FY 2017 <b>Recommended</b> Rainy Day Expiration to General Revenue (2017 Regular Session)	101,700,000
Plus:	FY 2017 <b>Recommended</b> Supplemental Appropriation (2017 Regular Session)	0
Plus:	FY 2017 Mid-Year Expenditure Reduction - Governor's Executive Order 9-16	59,766,296
Plus:	FY 2017 End-of-Year Expenditure Reduction ( <b>if needed</b> )	<u>0</u>
	Estimated Unappropriated Balance from FY 2017 Activity @ June 30, 2017	<b>\$43,009</b>
Plus:	FY 2018 Revenue Estimate	\$4,505,350,000
Less:	<b>Recommended</b> FY 2018 Appropriations (FY 2018 Budget Bill) (2017 Regular Session)	<u>(4,505,350,000)</u>
	Estimated Unappropriated Balance from FY 2018 Activity @ June 30, 2018	<u><b>\$0</b></u>
	Total Estimated Unappropriated Balance @ June 30, 2018	<u><u><b>\$88,284</b></u></u>

**General Revenue Fund**  
**Overview by Functional Category**  
**FY 2016 through FY 2018**  
(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2016	Total Appropriations FY 2017*
<b>LEGISLATURE</b>			
Senate	0165	\$6,882,380	\$780,818
House of Delegates	0170	8,543,493	6,904,031
Joint Expenses/Claims against State	0175	9,314,279	8,042,523
<b>Subtotal</b>		<b>24,740,152</b>	<b>15,727,372</b>
<b>JUDICIAL</b>			
Supreme Court	0180	<b>138,661,012</b>	<b>141,759,670</b>
<b>EXECUTIVE</b>			
Office of the Governor	0101	3,844,422	4,126,895
Custodial Fund	0102	489,410	561,422
Civil Contingent Fund	0105	2,610,716	85,000,000
State Auditor's Office	0116	3,029,067	4,759,892
State Treasurer's Office	0126	3,410,892	3,110,346
Department of Agriculture	0131	11,235,464	9,591,213
WV Conservation Agency	0132	8,901,969	7,874,721
Meat Inspection	0135	722,188	713,238
Agricultural Awards	0136	54,250	54,250
WV Agricultural Land Protection Auth	0607	96,579	96,532
Attorney General's Office	0150	3,973,875	4,478,728
Secretary of State	0155	588,012	973,189
State Election Commission	0160	6,276	7,508
<b>Subtotal</b>		<b>38,963,120</b>	<b>121,347,934</b>
<b>ADMINISTRATION</b>			
Office of the Secretary	0186	15,548,205	15,789,674
Division of Finance	0203	642,325	764,923
General Services Division	0230	13,819,298	7,636,200
Purchasing Division	0210	964,491	1,020,159
Travel Management	0615	1,217,978	1,315,146
Comm on Uniform State Laws	0214	39,801	45,550
Public Employees Grievance Board	0220	1,195,225	1,071,641
Ethics Commission	0223	684,608	691,813
Public Defender Services	0226	46,106,890	31,621,552
Comm Purchase for Handicapped	0233	900	4,055
WV Prosecuting Attorneys Institute	0557	298,717	237,288
Real Estate Division	0610	786,220	829,094
<b>Subtotal</b>		<b>81,304,658</b>	<b>61,027,095</b>

Plus: Reappropriated FY 2017	Less: Mid-year Reduction FY 2017	Total Available FY 2017	Total Request FY 2018 **	Governor's Recommendations FY 2018	Percentage of Total
\$26,129,885	\$0	\$26,910,703	\$5,952,206	\$5,952,206	0.13%
8,703,112	0	15,607,143	8,904,031	8,904,031	0.20%
4,251,198	0	12,293,721	9,140,457	9,140,457	0.20%
<b>39,084,195</b>	<b>0</b>	<b>54,811,567</b>	<b>23,996,694</b>	<b>23,996,694</b>	<b>0.53%</b>
<b>1,244,997</b>	<b>0</b>	<b>143,004,667</b>	<b>141,759,670</b>	<b>141,759,670</b>	<b>3.15%</b>
2,561,437	73,767	6,762,099	4,126,895	4,122,823	0.09%
112,671	20,000	694,093	561,422	558,797	0.01%
19,902,343	0	104,902,343	0	0	0.00%
78,462	95,198	4,933,552	4,759,892	2,737,395	0.06%
68,854	62,206	3,241,406	3,610,346	3,096,300	0.07%
942,574	209,105	10,742,892	10,591,213	9,544,163	0.21%
3,020,137	157,495	11,052,353	7,874,721	7,843,407	0.17%
0	0	713,238	713,238	709,097	0.02%
0	0	54,250	54,250	54,250	0.00%
0	0	96,532	96,532	95,773	0.00%
4,361,298	89,575	8,929,601	4,820,091	4,442,837	0.10%
2,663,862	19,613	3,656,664	973,189	973,949	0.02%
0	0	7,508	7,508	7,508	0.00%
<b>33,711,638</b>	<b>726,959</b>	<b>155,786,531</b>	<b>38,189,297</b>	<b>34,186,299</b>	<b>0.76%</b>
236,103	73,000	16,098,777	15,789,674	15,786,340	0.35%
282,263	30,500	1,077,686	764,923	762,254	0.02%
121,485	43,000	7,800,685	22,436,200	7,625,642	0.17%
0	6,800	1,026,959	1,020,159	1,011,769	0.02%
300	106,500	1,421,946	1,315,146	1,317,820	0.03%
0	0	45,550	45,550	45,550	0.00%
0	0	1,071,641	1,071,641	1,064,626	0.02%
0	0	691,813	691,813	687,840	0.02%
553,873	30,000	32,205,425	49,921,552	31,609,548	0.70%
0	0	4,055	4,055	4,055	0.00%
36,807	0	274,095	237,288	236,397	0.01%
0	32,500	861,594	829,094	824,681	0.02%
<b>1,230,831</b>	<b>322,300</b>	<b>62,580,226</b>	<b>94,127,095</b>	<b>60,976,522</b>	<b>1.35%</b>

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

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2016	Total Appropriations FY 2017*
<b>COMMERCE</b>			
Office of the Secretary	0606	364,503	372,402
Forestry	0250	5,577,012	2,507,738
Geological & Economic Survey	0253	2,973,595	2,833,849
Development Office	0256	13,958,231	10,868,751
Division of Labor	0260	2,462,934	2,555,271
Division of Natural Resources	0265	19,467,176	18,855,743
Miners' Health, Safety & Training	0277	10,863,468	12,179,084
Board of Coal Mine Health & Safety	0280	333,091	356,248
WorkForce West Virginia	0572	26,962	61,133
Division of Energy	0612	1,298,344	1,521,940
Occupational Safety and Health	0616	53,154	153,694
Office of Economic Opportunity	0617	98,320	96,354
<b>Subtotal</b>		<b>57,476,790</b>	<b>52,362,207</b>
<b>EDUCATION</b>			
School Lunch Program	0303	2,435,155	2,440,421
FFA-FHA Camp & Conference Center	0306	627,061	0
State Department of Education	0313	89,142,209	89,940,717
Aid for Exceptional Children	0314	29,337,106	29,186,432
State Aid to Schools	0317	1,740,381,181	1,766,348,724
State Board of Ed-Vocational Division	0390	31,578,179	31,304,174
Education Performance Audits	0573	1,506,566	1,152,898
WV Schools for the Deaf & the Blind	0320	13,170,800	13,840,434
<b>Subtotal</b>		<b>1,908,178,257</b>	<b>1,934,213,800</b>
<b>EDUCATION AND THE ARTS</b>			
Office of the Secretary	0294	6,571,955	5,257,921
Culture and History	0293	5,079,393	4,814,704
Library Commission	0296	1,614,069	1,639,828
Educational Broadcasting Authority	0300	4,703,330	4,647,677
Division of Rehabilitation Services	0310	14,332,475	14,246,711
<b>Subtotal</b>		<b>32,301,222</b>	<b>30,606,841</b>
<b>ENVIRONMENTAL PROTECTION</b>			
Environmental Quality Board	0270	104,780	103,182
Environmental Protection	0273	6,038,137	6,338,131
Air Quality Board	0550	77,394	76,611
<b>Subtotal</b>		<b>6,220,311</b>	<b>6,517,924</b>

Plus: Reappropriated FY 2017	Less: Mid-year Reduction FY 2017	Total Available FY 2017	Total Request FY 2018 **	Governor's Recommendations FY 2018	Percentage of Total
0	7,448	379,850	372,402	369,425	0.01%
6,785	0	2,514,523	2,507,738	2,431,766	0.05%
246,836	57,599	3,138,284	2,833,849	2,817,339	0.06%
19,796,396	217,375	30,882,522	11,823,105	116,435,932	2.58%
0	57,731	2,613,002	2,555,271	0	0.00%
318,327	0	19,174,070	20,928,960	18,568,382	0.41%
0	243,582	12,422,666	12,179,084	12,101,851	0.27%
0	7,125	363,373	356,248	355,143	0.01%
0	1,222	62,355	61,133	60,880	0.00%
0	30,439	1,552,379	1,521,940	1,520,424	0.03%
0	0	153,694	153,694	0	0.00%
0	1,927	98,281	0	0	0.00%
<b>20,368,344</b>	<b>624,448</b>	<b>73,354,999</b>	<b>55,293,424</b>	<b>154,661,142</b>	<b>3.43%</b>
0	0	2,440,421	2,440,421	2,440,421	0.05%
0	0	0	0	0	0.00%
8,617,787	1,677,748	100,236,252	92,759,583	82,338,251	1.83%
1,549,732	0	30,736,164	29,349,154	29,349,154	0.65%
0	11,134,002	1,777,482,726	1,799,758,284	1,848,442,394	41.03%
567,668	0	31,871,842	31,599,764	31,599,764	0.70%
0	0	1,152,898	1,421,798	1,171,798	0.03%
425,840	0	14,266,274	13,840,434	13,850,324	0.31%
<b>11,161,027</b>	<b>12,811,750</b>	<b>1,958,186,577</b>	<b>1,971,169,438</b>	<b>2,009,192,106</b>	<b>44.60%</b>
918,548	66,416	6,242,885	6,383,782	5,217,552	0.12%
1,095,644	60,816	5,971,164	4,814,704	4,788,856	0.11%
0	20,713	1,660,541	1,639,828	1,630,306	0.04%
0	58,706	4,706,383	4,647,677	0	0.00%
0	179,955	14,426,666	14,246,711	14,178,313	0.31%
<b>2,014,192</b>	<b>386,606</b>	<b>33,007,639</b>	<b>31,732,702</b>	<b>25,815,027</b>	<b>0.57%</b>
0	0	103,182	103,182	102,809	0.00%
0	130,358	6,468,489	6,338,131	6,295,743	0.14%
0	0	76,611	76,611	76,273	0.00%
<b>0</b>	<b>130,358</b>	<b>6,648,282</b>	<b>6,517,924</b>	<b>6,474,825</b>	<b>0.14%</b>

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

<b>DEPARTMENT/Agency</b>	<b>Fund #</b>	<b>Actual Expenditures FY 2016</b>	<b>Total Appropriations FY 2017*</b>
<b>HEALTH AND HUMAN RESOURCES</b>			
Office of the Secretary	0400	703,465	806,330
Division of Health-Central Office	0407	75,196,979	69,266,997
Consolidated Medical Service Fund	0525	195,212,990	179,469,994
WV Drinking Water Treatment	0561	647,500	647,500
Human Rights Commission	0416	1,115,322	1,119,276
Human Services	0403	823,688,723	849,486,760
<b>Subtotal</b>		<b>1,096,564,979</b>	<b>1,100,796,857</b>
<b>MILITARY AFFAIRS &amp; PUBLIC SAFETY</b>			
Office of the Secretary	0430	3,269,803	2,184,191
Adjutant General - State Militia	0433	19,076,786	14,122,225
Adjutant General - Military Fund	0605	51,288	160,995
Parole Board	0440	1,122,780	1,182,595
Homeland Security Emergency Mgmt	0443	3,626,770	3,013,203
Corrections Central Office	0446	611,990	600,455
Correctional Units	0450	194,228,549	189,146,624
WV State Police	0453	92,412,965	96,755,993
Fire Commission	0436	68,539	65,328
Justice and Community Services	0546	7,571,776	10,093,862
Juvenile Services	0570	37,423,022	38,588,231
Protective Services Division	0585	2,823,230	2,922,838
<b>Subtotal</b>		<b>362,287,498</b>	<b>358,836,540</b>
<b>REVENUE</b>			
Office of the Secretary	0465	518,629	599,127
Tax Division	0470	22,739,556	24,711,139
State Budget Office	0595	708,231	648,519
Athletic Commission	0523	37,542	36,811
Office of Tax Appeals	0593	490,802	528,522
<b>Subtotal</b>		<b>24,494,760</b>	<b>26,524,118</b>
<b>TRANSPORTATION</b>			
State Rail Authority	0506	2,557,663	2,113,694
Public Transit	0510	2,803,084	2,300,618
Public Port Authority	0581	1,453,026	0
Aeronautics Commission	0582	1,208,629	1,084,022
<b>Subtotal</b>		<b>8,022,402</b>	<b>5,498,334</b>
<b>VETERANS ASSISTANCE</b>			
Veterans Affairs	0456	9,733,156	9,157,331
Veterans Home	0460	1,085,878	1,146,799
<b>Subtotal</b>		<b>10,819,034</b>	<b>10,304,130</b>
<b>SENIOR SERVICES</b>			
Bureau of Senior Services	0420	5,906,641	12,142,184

Plus: Reappropriated FY 2017	Less: Mid-year Reduction FY 2017	Total Available FY 2017	Total Request FY 2018 **	Governor's Recommendations FY 2018	Percentage of Total
162,918	0	969,248	806,330	801,416	0.02%
16,678,684	0	85,945,681	71,855,218	71,689,739	1.59%
63,702,140	0	243,172,134	186,945,613	178,628,889	3.96%
0	0	647,500	647,500	647,500	0.01%
0	0	1,119,276	1,352,190	1,113,863	0.02%
73,968	31,711,979	881,272,707	1,015,066,239	979,241,999	21.74%
<b>80,617,710</b>	<b>31,711,979</b>	<b>1,213,126,546</b>	<b>1,276,673,090</b>	<b>1,232,123,406</b>	<b>27.35%</b>
2,975,861	50,000	5,210,052	2,184,191	2,171,902	0.05%
8,395,195	282,445	22,799,865	14,122,225	14,064,188	0.31%
0	3,220	164,215	160,995	160,995	0.00%
0	0	1,182,595	1,666,825	1,276,287	0.03%
253,730	60,265	3,327,198	3,013,203	3,000,556	0.07%
0	0	600,455	600,455	595,231	0.01%
37,790,895	3,794,938	230,732,457	227,817,746	188,462,012	4.18%
3,280,961	1,516,916	101,553,870	109,590,982	105,464,548	2.34%
0	1,307	66,635	65,328	65,328	0.00%
6,431,835	201,878	16,727,575	10,093,862	10,085,603	0.22%
2,480,702	0	41,068,933	43,233,515	38,411,725	0.85%
2,471,404	52,141	5,446,383	3,204,838	2,904,378	0.06%
<b>64,080,583</b>	<b>5,963,110</b>	<b>428,880,233</b>	<b>415,754,165</b>	<b>366,662,753</b>	<b>8.14%</b>
257,150	12,845	869,122	599,127	595,487	0.01%
11,141,581		35,852,720	24,711,139	24,598,116	0.55%
1,053,923	12,844	1,715,286	648,519	643,995	0.01%
0	0	36,811	64,811	36,811	0.00%
985		529,507	528,522	525,561	0.01%
<b>12,453,639</b>	<b>25,689</b>	<b>39,003,446</b>	<b>26,552,118</b>	<b>26,399,970</b>	<b>0.59%</b>
1,069,216	32,483	3,215,393	2,113,694	2,125,561	0.05%
3,000,678	32,484	5,333,780	2,300,618	2,295,473	0.05%
0	0	0	3,600,000	0	0.00%
2,367,861	45,000	3,496,883	1,084,022	1,056,800	0.02%
<b>6,437,755</b>	<b>109,967</b>	<b>12,046,056</b>	<b>9,098,334</b>	<b>5,477,834</b>	<b>0.12%</b>
2,246,158	206,083	11,609,572	9,760,256	9,022,554	0.20%
0	0	1,146,799	1,146,799	1,138,068	0.03%
<b>2,246,158</b>	<b>206,083</b>	<b>12,756,371</b>	<b>10,907,055</b>	<b>10,160,622</b>	<b>0.23%</b>
<b>0</b>	<b>0</b>	<b>12,142,184</b>	<b>12,142,184</b>	<b>17,251,822</b>	<b>0.38%</b>

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

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2016	Total Appropriations FY 2017*
<b>HIGHER EDUCATION</b>			
HEPC-Administration	0589	68,615,649	68,547,253
WVNET	0551	1,628,695	1,654,572
WVU-School of Medicine	0343	21,682,222	21,408,237
West Virginia University	0344	108,909,874	110,305,960
Marshall University-School of Medicine	0347	13,303,711	13,590,766
Marshall University	0348	48,435,711	48,427,644
WV School of Osteopathic Medicine	0336	7,697,592	7,516,282
Bluefield State College	0354	5,582,514	5,636,862
Concord University	0357	8,576,394	8,674,596
Fairmont State University	0360	15,041,474	15,277,769
Glenville State College	0363	5,792,740	5,891,397
Shepherd University	0366	9,438,077	9,551,994
West Liberty University	0370	7,868,870	7,956,371
West Virginia State University	0373	11,478,576	11,588,018
Council for C&T College Education	0596	6,778,828	7,060,393
Mountwest C&T College	0599	5,459,985	5,569,533
New River C&T College	0600	5,416,035	5,499,133
Pierpont C&T College	0597	7,229,531	7,323,810
Blue Ridge C&T College	0601	4,423,242	4,980,111
WVU at Parkersburg	0351	9,397,434	9,521,771
Southern WV C&T College	0380	7,875,767	7,991,778
WV Northern C&T College	0383	6,769,069	6,898,459
Eastern WV C&T College	0587	1,806,561	1,834,647
BridgeValley C&T College	0618	7,411,115	7,500,925
<b>Subtotal</b>		<b>396,619,666</b>	<b>400,208,281</b>
<b>TOTAL GENERAL REVENUE</b>		<b>\$4,192,560,502</b>	<b>\$4,277,873,287</b>

\* Total Appropriations FY 2017 include surplus appropriations of \$90,500,000.

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

<b>Plus: Reappropriated FY 2017</b>	<b>Less: Mid-year Reduction FY 2017</b>	<b>Total Available FY 2017</b>	<b>Total Request FY 2018 **</b>	<b>Governor's Recommendations FY 2018</b>	<b>Percentage of Total</b>
5,893,788	113,827	74,554,868	73,409,699	68,560,238	1.52%
0	33,091	1,687,663	1,654,572	0	0.00%
0	428,165	21,836,402	21,408,237	20,559,176	0.46%
0	2,206,119	112,512,079	110,305,960	105,448,163	2.34%
198,709	271,815	14,061,290	13,590,766	13,060,156	0.29%
619,217	968,554	50,015,415	48,427,644	46,296,827	1.03%
16,922	150,325	7,683,529	7,516,282	7,527,860	0.17%
0	112,737	5,749,599	5,636,862	5,636,862	0.13%
0	173,492	8,848,088	8,674,596	8,674,596	0.19%
0	305,555	15,583,324	15,277,769	15,277,769	0.34%
0	117,828	6,009,225	5,891,397	5,891,397	0.13%
0	191,040	9,743,034	9,551,994	9,551,994	0.21%
0	159,127	8,115,498	7,956,371	7,956,371	0.18%
0	231,760	11,819,778	11,588,018	11,588,018	0.26%
1,635,232	141,208	8,836,833	19,060,393	7,061,061	0.16%
0	111,391	5,680,924	5,569,533	5,569,533	0.12%
0	109,983	5,609,116	5,499,133	5,499,133	0.12%
0	146,476	7,470,286	7,323,810	7,323,810	0.16%
0	99,602	5,079,713	4,980,111	4,980,111	0.11%
0	190,435	9,712,206	9,521,771	9,521,771	0.21%
0	159,836	8,151,614	7,991,778	7,991,778	0.18%
0	137,969	7,036,428	6,898,459	6,898,459	0.15%
0	36,693	1,871,340	1,834,647	1,835,300	0.04%
0	150,019	7,650,944	7,500,925	7,500,925	0.17%
<b>8,363,868</b>	<b>6,747,047</b>	<b>415,319,196</b>	<b>417,070,727</b>	<b>390,211,308</b>	<b>8.66%</b>
<b>\$283,014,937</b>	<b>\$59,766,296</b>	<b>\$4,620,654,520</b>	<b>\$4,530,983,917</b>	<b>\$4,505,350,000</b>	<b>100.00%</b>

**General Revenue Fund**  
**Recommended Surplus Supplemental Appropriations**  
**FY 2017**  
**(Nearest Dollar)**

Public Defender - Appointed Counsel billings are exceeding FY 2017 appropriations	\$15,300,000
ERP Board - Estimated cash needed to finish FY 2017	3,300,000
DHHR - Birth to Three Program - Continues to experience increases in enrollment	2,089,176
DHHR - WV Children's Home - Maintenance and electrical needs	263,640
DHHR - Chief Medical Examiner - Increase in number of cases handled	499,045
<b>Recommended General Revenue Surplus Supplementals - FY 2017</b>	<b>\$21,451,861</b>

Note: Governor Justice recommends expiring Rainy Day funds of \$21,300,000 to the FY 2017 unappropriated surplus balance to help fund the above surplus supplemental.

**General Revenue Fund**  
**Recommended Supplemental Appropriations**  
**FY 2017**  
**(Nearest Dollar)**

**Recommended General Revenue Supplementals - FY 2017** **\$0**

Note: Governor Justice recommends expiring Rainy Day funds of \$101,700,000 to the FY 2017 unappropriated balance to help close the FY 2017 budget gap.

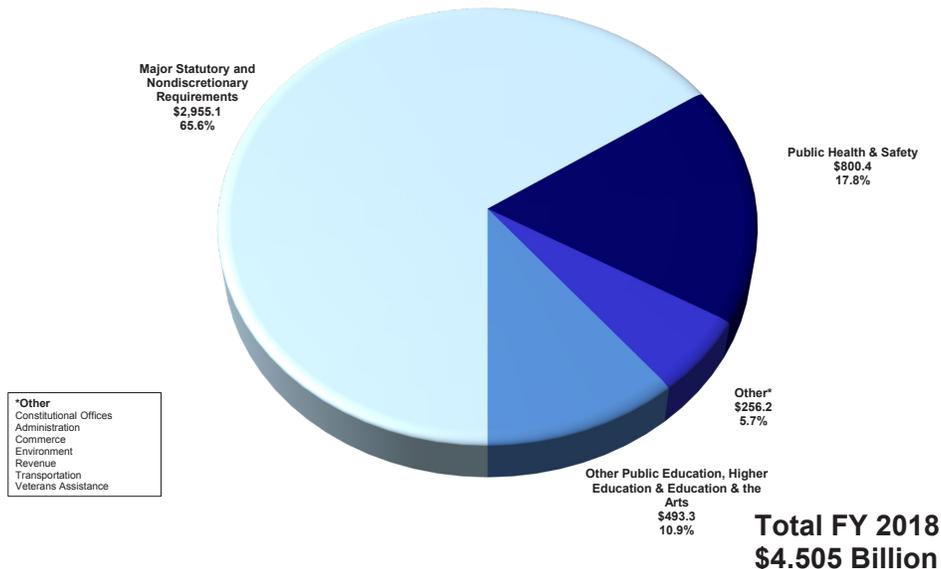
# General Revenue Major Statutory and Nondiscretionary Requirements Fiscal Year 2018

Each year there are several major statutory and nondiscretionary requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2018 Executive Budget recommendations include expenditures of \$2.9 billion of these major requirements and make up 67% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 33% of the total General Revenue funds available, are considered necessary for the public health, safety, and education of West Virginia citizens and may include but are not limited to: Division of Corrections, West Virginia State Police, Behavioral Health, Rehabilitation Services, Children's Health Insurance Program, Schools for the Deaf and the Blind, and Higher Education that supports public universities and colleges and provides student financial aid.

		<b>Appropriations</b> (in millions)
<b>LEGISLATIVE BRANCH</b>		\$24.0
<b>JUDICIAL BRANCH</b>		116.7
<b>DEPARTMENT OF EDUCATION</b>		
State Aid to Schools	1,120.7	
Public Employees Insurance Agency (School Aid Formula)	242.7	1,363.4
<b>DEBT SERVICE</b>		
School Building Authority	23.4	
Lease Rental Payments for debt service on correctional facilities	15.0	38.4
<b>SOCIAL SECURITY MATCHING</b>		51.1
<b>PUBLIC EMPLOYEES INSURANCE AGENCY</b>		110.7
<b>RETIREMENT</b>		
Judges' Retirement	0.9	
Public Employees Retirement	50.1	
Teachers' Retirement	461.6	
Trooper Retirement	29.3	
Higher Education Retirement	15.2	557.1
<b>PUBLIC DEFENDER SERVICES</b>		31.6
<b>MEDICAID</b>		662.1
<b>Total</b>		<b>\$2,955.1</b>

(Expressed in Millions)



# Lottery Fund

## Overview by Functional Category

### FY 2016 through FY 2018

(Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2016	Total Appropriations FY 2017
<b>ADMINISTRATION</b>			
Education, Arts, Sciences, & Tourism Debt Service Fund	2252	<b>\$9,994,196</b>	<b>\$10,000,000</b>
<b>COMMERCE</b>			
Division of Tourism	3067	7,397,498	6,216,150
Division of Natural Resources	3267	3,757,027	3,095,713
<b>Subtotal</b>		<b>11,154,525</b>	<b>9,311,863</b>
<b>EDUCATION</b>			
State Department of Education	3951	15,629,895	18,006,206
School Building Authority	3963	18,000,000	18,000,000
<b>Subtotal</b>		<b>33,629,895</b>	<b>36,006,206</b>
<b>EDUCATION AND THE ARTS</b>			
Office of the Secretary	3508	2,047,514	1,186,644
Culture and History	3534	4,943,599	4,331,944
Library Commission	3559	11,420,993	11,428,662
<b>Subtotal</b>		<b>18,412,106</b>	<b>16,947,250</b>
<b>SENIOR SERVICES</b>			
Bureau of Senior Services	5405	<b>69,555,443</b>	<b>59,139,062</b>
<b>HIGHER EDUCATION</b>			
CTC - Capital Improvement Fund	4908	5,019,790	5,000,000
Higher Education Policy Commission	4925	3,120,148	3,012,104
West Virginia University	4185	4,804,125	3,558,748
Marshall-School of Medicine	4896	661,153	585,886
<b>Subtotal</b>		<b>13,605,216</b>	<b>12,156,738</b>
<b>TOTAL LOTTERY</b>		<b>\$156,351,381</b>	<b>\$143,561,119</b>

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

Plus: Reappropriated FY 2017	Total Available FY 2017	Total Request FY 2018 *	Governor's Recommendation FY 2018	Percentage of Total
\$0	\$10,000,000	\$10,000,000	\$10,000,000	7.64%
3,518,382	9,734,532	6,216,150	11,456,359	8.75%
1,788,078	4,883,791	3,095,713	3,080,619	2.35%
<b>5,306,460</b>	<b>14,618,323</b>	<b>9,311,863</b>	<b>14,536,978</b>	<b>11.10%</b>
19,084,961	37,091,167	18,006,206	18,006,206	13.75%
	18,000,000	18,000,000	18,000,000	13.75%
<b>19,084,961</b>	<b>55,091,167</b>	<b>36,006,206</b>	<b>36,006,206</b>	<b>27.50%</b>
164,313	1,350,957	950,228	948,354	0.72%
1,279,277	5,611,221	4,331,944	0	0.00%
774,233	12,202,895	11,428,662	11,423,076	8.73%
<b>2,217,823</b>	<b>19,165,073</b>	<b>16,710,834</b>	<b>12,371,430</b>	<b>9.45%</b>
<b>1,963,108</b>	<b>61,102,170</b>	<b>51,139,062</b>	<b>46,028,145</b>	<b>35.16%</b>
1,453,820	6,453,820	5,000,000	5,000,000	3.82%
1,546,407	4,558,511	3,012,104	3,012,104	2.30%
783,622	4,342,370	3,558,748	3,402,163	2.60%
54,398	640,284	585,886	560,107	0.43%
<b>3,838,247</b>	<b>15,994,985</b>	<b>12,156,738</b>	<b>11,974,374</b>	<b>9.15%</b>
<b>\$32,410,599</b>	<b>\$175,971,718</b>	<b>\$135,324,703</b>	<b>\$130,917,133</b>	<b>100.00%</b>

# Lottery Fund

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

(Nearest Dollar)

Balance @ July 1, 2015		\$59,823,801
Less: Reserve for Cash Flow / Contingencies		(40,000,000)
Plus: FY 2016 Actual Revenue		158,881,859
Less: Veterans Fund - Actual Transfers		(744,513)
Less: FY 2016 Appropriations (FY 2016 Budget Bill)		(136,326,000)
Plus: FY 2016 Appropriations (FY 2016 Budget Bill) vetoes		0
Less: FY 2016 Surplus Supplemental Appropriation (FY 2016 Budget Bill)		(10,000,000)
Less: FY 2016 Supplemental Appropriation (2016 Regular Session - SB357)		(9,810,000)
Plus: Cash not needed for FY 2016 Appropriations		6,425
Unappropriated Balance @ June 30, 2016		21,831,572
Plus: FY 2017 Revenue Estimate		\$135,961,119
Less: Veterans Fund		(400,000)
Revenue Available for FY 2017 Appropriations		157,392,691
Less: FY 2017 Appropriations (FY 2017 Budget Bill) (2016 1st Special Session)		(135,561,119)
Plus: FY 2017 Appropriations (FY 2017 Budget Bill) vetoes		0
Less: FY 2017 Surplus Appropriation (FY 2017 Budget Bill) (2016 1st Special Session)		(8,000,000)
Less: FY 2017 Cash Expiration (2016 Flood) (2016 2nd Special Session)		(13,700,000)
Plus: Cash not needed for FY 2017 Appropriations		3,675
Estimated Unappropriated Balance @ June 30, 2017		\$135,247
Plus: FY 2018 Revenue Estimate		\$131,317,133
Less: Veterans Fund		(400,000)
Revenue Available for FY 2018 Appropriations		\$131,052,380
Less: <b>Recommended</b> FY 2018 Appropriations (FY 2018 Budget Bill) (2017 Regular Session)		(130,917,133)
Estimated Unappropriated Balance @ June 30, 2018		<b>\$135,247</b>

Note: The Governor also recommends Lottery FY 2018 Surplus Appropriations of up to \$6,000,000 for Medicaid from any unappropriated balance remaining at the end of FY 2017.

# Excess Lottery Fund

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

(Nearest Dollar)

	Balance @ July 1, 2015	\$64,015,332
Less:	Reserve for Cash Flow / Contingencies	(5,900,000)
Less:	Catastrophic Event Contingency	(30,000,000)
Plus:	FY 2016 Actual Revenue	337,796,159
Less:	FY 2016 Appropriations (FY 2016 Budget Bill)	(300,381,000)
Plus:	FY 2016 Appropriations (FY 2016 Budget Bill) vetoes	2,000,000
Less:	FY 2016 Surplus Supplemental Appropriation (FY 2016 Budget Bill)	(20,000,000)
Less:	FY 2016 Supplemental Appropriation (2016 Regular Session - SB360)	(10,090,000)
Plus:	Cash not needed for FY 2016 Appropriations	19,897
	Unappropriated Balance @ June 30, 2016	\$37,460,388
Plus:	FY 2017 Revenue Estimate	284,459,230
	Available for FY 2017 Appropriations	321,919,618
Less:	FY 2017 Appropriations (FY 2017 Budget Bill) (2016 1st Special Session)	(284,459,230)
Plus:	FY 2017 Appropriations (FY 2017 Budget Bill) vetoes	0
Less:	FY 2017 Surplus Appropriation (FY 2017 Budget Bill) (2016 1st Special Session)	(30,000,000)
Less:	FY 2017 Cash Expiration (2016 Flood) (2016 2nd Special Session)	(7,300,000)
Plus:	Cash not needed for FY 2017 Appropriations	21,121
	Estimated Unappropriated Balance @ June 30, 2017	\$181,509
Plus:	FY 2018 Revenue Estimate	292,187,415
Less:	<b>Recommended</b> FY 2018 Appropriations (2018 Budget Bill) (2017 Regular Session)	(292,187,415)
	Estimated Unappropriated Balance @ June 30, 2018	<b>\$181,509</b>

Note: The Governor also recommends Excess Lottery FY 2018 Surplus Appropriations of up to \$16,900,000 for Medicaid from any unappropriated balance remaining at the end of FY 2017.

**Excess Lottery Fund**  
**Overview by Functional Category**  
**FY 2016 through FY 2018**  
 (Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2016	Total Appropriations FY 2017
<b>STATUTORY APPROPRIATIONS:</b>			
<b>DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)</b>			
Economic Development Authority	9065	\$18,988,326	\$19,000,000
Higher Education Improvement Fund	4297	15,000,000	15,000,000
School Building Authority	3514	18,990,374	19,000,000
Division of Natural Resources	3277	6,487,969	5,000,000
Infrastructure Council	3390	36,000,000	26,000,000
<b>Subtotal</b>		<b>95,466,669</b>	<b>84,000,000</b>
<b>TRANSFERS</b>			
Refundable Credit	7207	10,000,000	10,000,000
General Revenue	7206	65,000,000	65,000,000
PROMISE Scholarship	4295	29,000,000	29,000,000
Racing Commission-Special Breeders Compensation	7308	2,000,000	2,000,000
<b>Subtotal</b>		<b>106,000,000</b>	<b>106,000,000</b>
<b>TOTAL STATUTORY APPROPRIATIONS:</b>		<b>201,466,669</b>	<b>190,000,000</b>
<b>APPROPRIATIONS ABOVE EXCESS LOTTERY STATUTORY REQUIREMENTS:</b>			
Office of the Governor	1046	30,058	0
Transfer to General Revenue	7208	18,355,000	0
Distributions to Statutory Funds and Purposes	7213	61,338,794	63,081,245
WV Development Office	3170	30,000	0
Division of Health	5219	0	0
Division of Corrections-Capital	6283	311,720	0
Human Services-Medical Services	5365	44,512,140	61,377,985
Higher Education-Advanced Technology Centers	4932	3,279,005	0
<b>TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:</b>		<b>127,856,717</b>	<b>124,459,230</b>
<b>TOTAL EXCESS LOTTERY</b>		<b>\$329,323,386</b>	<b>\$314,459,230</b>

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

Plus: Reappropriated FY 2017	Total Available FY 2017	Total Request FY 2018*	Governor's Recommendation FY 2018	Percentage of Total
\$0	\$19,000,000	\$19,000,000	\$19,000,000	6.50%
0	15,000,000	15,000,000	15,000,000	5.13%
0	19,000,000	19,000,000	19,000,000	6.50%
9,879,077	14,879,077	5,000,000	5,000,000	1.71%
0	26,000,000	46,000,000	46,000,000	15.74%
<b>9,879,077</b>	<b>93,879,077</b>	<b>104,000,000</b>	<b>104,000,000</b>	<b>35.59%</b>
0	10,000,000	10,000,000	10,000,000	3.42%
0	65,000,000	65,000,000	65,000,000	22.25%
0	29,000,000	29,000,000	29,000,000	9.93%
0	2,000,000	2,000,000	2,000,000	0.68%
<b>0</b>	<b>106,000,000</b>	<b>106,000,000</b>	<b>106,000,000</b>	<b>36.28%</b>
<b>9,879,077</b>	<b>199,879,077</b>	<b>210,000,000</b>	<b>210,000,000</b>	<b>71.87%</b>
80,626	80,626	0	0	0.00%
0	0	27,600,000	0	0.00%
0	63,081,245	63,081,245	63,081,245	21.59%
3,837,548	3,837,548	0	0	0.00%
464,665	464,665	0	0	0.00%
1,233,689	1,233,689	0	0	0.00%
0	61,377,985	0	19,106,170	6.54%
2,723,852	2,723,852	0	0	0.00%
<b>8,340,380</b>	<b>132,799,610</b>	<b>90,681,245</b>	<b>82,187,415</b>	<b>28.13%</b>
<b>\$18,219,457</b>	<b>\$332,678,687</b>	<b>\$300,681,245</b>	<b>\$292,187,415</b>	<b>100.00%</b>

**State Road Fund**  
**Statement of Revenues by Source**  
**FY 2014 Through FY 2020**  
(Expressed in Thousands)

Source of Revenue	FY 2014 Actual Collections	FY 2015 Actual Collections	FY 2016 Actual Collections	Revised FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate
Gasoline and Motor Carrier Road Tax	\$441,096	\$434,854	\$396,397	\$388,200	\$510,100	\$538,200	\$555,000
Registration Fees	97,329	100,600	86,983	92,068	123,652	123,652	123,652
Registration Fee: Highway Litter Control	1,830	1,518	1,853	1,727	1,719	1,719	1,719
Sales (Privilege) Tax	194,463	206,027	206,247	189,575	190,288	190,288	190,288
Less Transfer to Industrial Access Road Fund	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income	17,515	21,391	23,111	36,310	26,495	26,495	26,495
Federal Reimbursement:							
Interstate Construction	97,877	58,865	93,728	109,900	82,000	77,900	82,000
Other Federal Aid Programs	248,307	243,540	267,363	337,400	296,840	276,443	293,612
Appalachian Program	57,571	47,256	35,335	62,300	98,400	90,200	90,200
Federal Economic Stimulus	1,207	0	0	0	0	0	0
<b>Total</b>	<b>\$1,154,195</b>	<b>\$1,111,051</b>	<b>\$1,108,017</b>	<b>\$1,214,480</b>	<b>\$1,326,494</b>	<b>\$1,321,897</b>	<b>\$1,359,966</b>

# State Road Fund

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

(Nearest Dollar)

	Cash and Investment Balance - July 1, 2016	\$73,301,041
Plus:	Revenue Estimate - FY 2017 (revised January 11, 2017)	1,214,480,000
	Total Estimated Receipts and Balance	\$1,287,781,041
Less:	FY 2017 Appropriations (FY 2017 Budget Bill) - Division of Highways	(\$1,209,076,000)
	FY 2017 Appropriations (FY 2017 Budget Bill) - Division of Motor Vehicles	(43,378,729)
	FY 2017 Appropriations (FY 2017 Budget Bill) - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund (FY 2017 Budget Bill)	(983,485)
	<b>Recommended</b> FY 2017 Supplemental Appropriation (2017 Regular Session)	(19,500,000)
	Estimated Balance - June 30, 2017	\$12,890,848
Plus:	Revenue Estimate - FY 2018	\$1,326,493,964
Less:	<b>Recommended</b> FY 2018 Appropriations (FY 2018 Budget Bill) - Division of Highways	(\$1,292,500,000)
	<b>Recommended</b> FY 2018 Appropriations (FY 2018 Budget Bill) - Division of Motor Vehicles	(43,378,729)
	<b>Recommended</b> FY 2018 Appropriations (FY 2018 Budget Bill) - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund (FY 2018 Budget Bill)	(1,500,000)
	Estimated Unappropriated Balance @ June 30, 2018	<b>\$54,104</b>

# Summary of Primary Government Long-Term Debt

## Outstanding as of June 30, 2016

(Expressed in Thousands)

	Actual 6/30/14*	Actual 6/30/15*	Estimated 6/30/16*	Estimated 6/30/17*	Estimated 6/30/18*
<b>General Obligation Debt</b>					
Road Bonds	\$220,525	\$168,845	\$166,385	\$151,160	\$135,170
Infrastructure Bonds	217,044	200,961	188,347	175,130	161,505
SUBTOTAL	<u>437,569</u>	<u>369,806</u>	<u>354,732</u>	<u>326,290</u>	<u>296,675</u>
<b>Revenue Bonds</b>					
School Building Authority	142,535	126,190	109,075	91,040	72,105
School Building Authority (Lottery)	84,725	74,840	92,025	87,735	82,270
School Building Authority (Excess Lottery)	108,060	103,520	162,420	157,470	152,210
School Building Authority, QSCBs (Excess Lottery)	150,480	150,480	150,480	150,480	150,480
Tobacco Settlement Finance Authority	857,125	855,075	853,707	836,077	827,523
Highways, Commissioner of	52,525	26,875	0	0	0
2010 EAST Fund (Lottery)	145,370	142,360	139,230	135,940	132,555
Economic Development Authority (Excess Lottery)	163,830	154,170	144,065	133,415	122,195
WV Infrastructure and Jobs Development Council	111,205	184,375	178,340	171,215	164,140
SUBTOTAL	<u>1,815,855</u>	<u>1,817,885</u>	<u>1,829,342</u>	<u>1,763,372</u>	<u>1,703,478</u>
<b>Capital Leases &amp; Notes Payable</b>					
Governmental Funds	252,031	238,073	224,797	210,155	195,046
Internal Service**	3,078	33,815	58,595	58,050	56,760
Notes Payable**	16,086	17,919	10,649	5,505	1,687
SUBTOTAL	<u>271,195</u>	<u>289,807</u>	<u>294,041</u>	<u>273,710</u>	<u>253,493</u>
<b>TOTAL</b>	<u><u>\$2,524,619</u></u>	<u><u>\$2,477,498</u></u>	<u><u>\$2,478,115</u></u>	<u><u>\$2,363,372</u></u>	<u><u>\$2,253,646</u></u>

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

\*\*6/30/16 figures are estimated for those items.

# Major Reserve/Stabilization Accounts

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

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

Current West Virginia Code requires the first 50% of all surplus General Revenue funds accrued during the fiscal year just ended be deposited into the fund until the aggregate amount of the fund is equal to 13% of the total appropriations from the General Revenue Fund for the fiscal year just ended. The first \$100 million in the fund is invested by the West Virginia Board of Treasury Investments and any amounts over \$100 million are invested by the West Virginia Investment Management Board. As of December 31, 2016, the fund contained \$285 million, 6.7% of FY 2017 appropriations. This amount includes \$50 million currently on loan, for cash flow purposes, to the Unemployment Fund and is to be repaid before June 2017.

Since the fund was created in 1994, \$778 million has been deposited into the fund, which includes transfers in and interest; \$225 million has been used for flood (including \$55 million appropriated during the 2016 2nd Legislative Special Session for costs related to the June 2016 flood) and drought victim assistance, infrastructure, snow removal, and other projects. For the first time, in FY 2015, the fund was accessed to help balance the budget, transferring \$100 million to the Medical Services Trust Fund to be used as state matching funds for West Virginia's Medicaid Program. In the FY 2016 Budget Bill, \$14.8 million was appropriated for transfer to the Medical Services Trust Fund. To help close the FY 2016 general revenue shortfall, an additional \$83.8 million was transferred to the General Fund. In the FY 2017 Budget Bill, \$70 million was appropriated for transfer to the Medical Services Trust Fund. The Governor recommends no transfer in his FY 2018 Budget from the Rainy Day Fund.

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

Because of an expected cash flow shortfall experienced each year in the first quarter of the fiscal year, the Governor has borrowed from the fund at the beginning of each fiscal 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. During FY 2017, \$60 million was borrowed, for cash flow purposes, and transferred to the General Revenue Fund and was repaid in September 2016.

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

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

Expenditures may not be made from the Rainy Day Fund—Part B unless all money in the Rainy Day Fund have been first expended. After June 30, 2025, interest and other return earned on money in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health program services and agencies; funding for any state-owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On December 31, 2016, the balance in the Rainy Day Fund—Part B was \$397 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

## Major Reserve/Stabilization Accounts

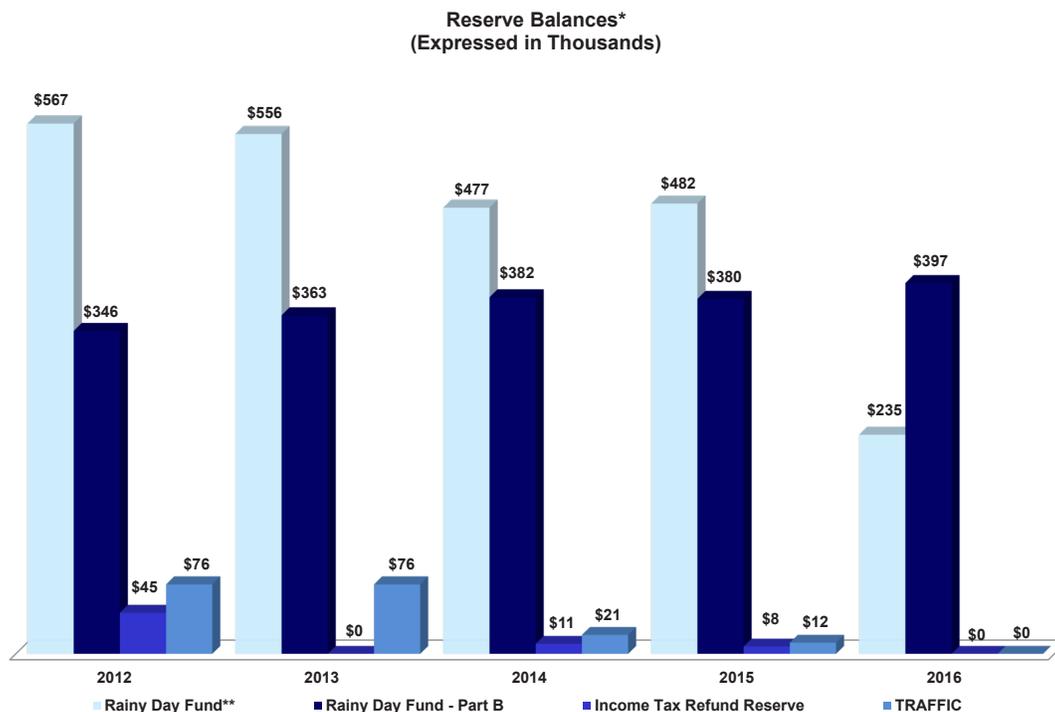
to address other items as the Legislature so desires. The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds.

The balance in the Income Tax Refund Reserve Fund at the beginning of FY 2017 was \$5 million. However, this \$5 million was used in December 2016 to help in closing the anticipated revenue shortfall for FY 2017. As of December 31, 2016, \$0 remains in the Income Tax Refund Reserve Fund.

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

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

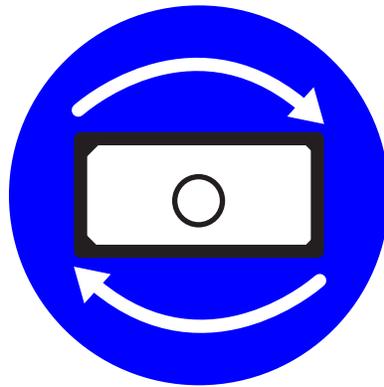
Since the inception of the TRAFFIC account, \$156.707 million has been deposited into the account and \$81.0 million has been appropriated from the account (mostly for meeting shortfalls in Medicaid match funds, for flood victim assistance, or additional payments to unfunded liabilities in the state retirement systems). In FY 2014, an additional \$55.057 million was expired to the General Revenue Unappropriated and Surplus balances to help fund supplemental appropriations. In FY 2015, \$7.5 million was expired to the General Revenue Unappropriated balance to help in balancing FY 2015's budget. In FY 2016, an additional \$12.15 million was expired to the General Revenue Unappropriated and Surplus balances to help fund supplemental appropriations and in balancing FY 2016's budget. As of December 31, 2016, \$0 remains.



\*Balances of December 31 each year

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

# BUDGET PLANNING





# Long-Range Issues

## **Introduction**

At the beginning of the last decade, the state faced 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 decreased between FY 2015 and FY 2016; in total, \$51.5 million (-6.93%). Motor Fuel Excise Tax collections fell during FY 2016 by \$38.5 million (-8.84%). In addition, Registration Fee collections also decreased in FY 2016 by \$13.6 million (-13.54%) from the previous year. Privilege Tax collections and Highway Litter Fee collections showed an increase in FY 2016 of \$22,000 (0.11%) and \$335,000 (22.08%), respectively. Neither the Department of Revenue nor the Department of Transportation projects any substantial growth in revenues through FY 2021. The long-term forecast provided by the Department of Revenue predicts a continued decline in fuel consumption in addition to the variable component of the Motor Fuel Excise Tax rate being at the statutory minimum for 2017.

The projected revenues are inadequate to permit the Division of Highways to satisfactorily achieve its mission of maintaining a safe and efficient highway system. System preservation needs are not being met and, as a result, highways are continuing to deteriorate. The cost of replacing all state-maintained bridges that are more than 60 years old is approximately \$1 billion, and highway slips and slides totaling tens of millions of dollars have been identified. The Division's current goal of resurfacing roadways on a 12-year average cycle requires approximately 1,880 miles to be paved annually. Based on an average cost of \$220,000 per mile, nearly \$414 million will need to be committed annually to achieve this goal, which is significantly more than the Division anticipates it can dedicate at present funding levels. Purchases of equipment used by maintenance forces is underfunded at least \$15 million each year. Finally, the Division has identified over \$16 billion in new construction that cannot be undertaken due to a lack of funds. Since it is more important to maintain existing infrastructure than to build new highways, most of these projects will never be constructed.

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

The FAST Act continued existing programs but also provided for a few policy changes, including an emphasis on freight movement with the creation of a National Highway Freight Program and the Nationally Significant Freight and Highway Projects Program. It includes provisions to help accelerate the delivery of highway improvements through streamlining the environmental review process. The FAST Act also includes provisions on enhancing the transparency of the federal investment to the public.

The FAST Act, however, does not fully address the long-term revenue needs of the Highway Trust Fund. A transfer of non-transportation resources was required to supplement existing revenue streams to fund the Act.

### **Public Transportation**

Public transportation systems that serve all individuals are critical to the state's citizens who are elderly, ill, economically disadvantaged, or for other reasons cannot or choose not to drive a vehicle. Nearly six million rides, equivalent to three times the state's population, were provided on West Virginia public transit in FY 2016, making public transit an often used, reliable, and safe alternative transportation option.

As the state's population continues to age and remain active, but is limited in its ability to drive, mobility issues loom as a major concern. The U.S. Census Bureau estimates that by the year 2030, 20% of the U.S. population will be 65 or older. A United States

## *Long-Range Issues (Continued)*

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

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

### **West Virginia Regional Jail and Correctional Facility Authority**

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

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

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

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

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

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

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

## *Long-Range Issues (Continued)*

Center, including the warden's residence located at the facility. The second series funded the \$6 million dormitory and Prison Industries construction at the Lakin Correctional Center for Women and the \$6 million James "Tiger" Morton Juvenile Center.

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

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

### **Infrastructure Improvement Amendment**

The Infrastructure and Jobs Development Council reports that approximately \$3.9 billion in projects have been funded to date by leveraging council funds with federal and other sources. Projects approved by the council range from traditional infrastructure including water, sanitary sewer, storm water facilities, and roadways for industrial parks to revitalization projects that will result in economic development in some of the state's larger cities. The approved projects leverage approximately \$2.8 billion from other sources of funding.

There are approximately \$494 million in wastewater and water projects that have been deemed technically feasible that are awaiting financing. Partially funded projects total \$80 million and are awaiting additional funding to begin construction.

The Infrastructure and Jobs Development Council currently has \$103,035,000 in bonds outstanding. A selected, defined portion of repayments from loans has been dedicated to pay debt service for the bond issues.

The Infrastructure Excess Lottery Revenue Bonds, closed in October 2014, has \$70,100,000 in bonds outstanding. This provided grants to fund a portion of the cost for 12 Chesapeake Bay/Greenbrier Watershed projects which total in excess of \$257 million. Excess lottery funds of \$6 million are dedicated to pay the annual debt service for this bond issue.

### **Public Education**

#### **School Building Authority**

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

To meet the immediate facility needs of county boards of education, the West Virginia Legislature authorized the School Building Authority (SBA) to issue four series of bonds. These four bond series produced approximately \$304 million for school construction, renovation, and repair. The annual debt service requirement for these bonds is approximately \$23.5 million funded from the General Revenue Fund through the fiscal year ending June 30, 2021. When these bonds are retired, the West Virginia Code mandates that \$24 million will be dedicated annually to the SBA pay-as-you-go program.

In the fiscal year ended June 30, 1995, the West Virginia Legislature authorized the SBA to issue additional bonds secured by the net profits of the regular lottery fund. This allocation of \$18 million per year has allowed the SBA to issue five series of bonds that have provided \$363 million for school construction, renovation, and repair through June 30, 2016.

Beginning in fiscal year 1996, the West Virginia Legislature initiated a "pay-as-you-go" program to continue funding school construction without continued issuance of debt. The SBA has received annual funding for both new school construction and major improvements to existing facilities. This funding, statutorily dedicated from Consumer Sales Tax revenues, currently provides the SBA with \$32 million per year.

## *Long-Range Issues (Continued)*

During the 2001 Legislative Session, additional annual funding was dedicated from the net profits of the Excess Lottery for the SBA's Debt Service Fund, but stipulated that this money was to be used for the "pay-as-you-go" program until the sale of bonds was authorized by the West Virginia Legislature. During the 2008 legislative session, the SBA was authorized to utilize these funds to sell additional bonds. This allocation of \$19 million per year has allowed the SBA to issue six series of bonds that have provided \$265 million for school construction, renovation, and repair through June 30, 2016.

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

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

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

### **Health Care**

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

In addition to these national trends, West Virginia faces other obstacles unique to the Mountain State. According to the most recent report of residential deaths reported to the National Center for Health Statistics by the West Virginia Health Statistics Center, in 2014 West Virginia had the highest mortality crude rate per 100,000 people of all states including the District of Columbia. West Virginia also had the highest mortality rates in cancer, chronic lower respiratory disease, all accidental deaths, diabetes, stroke, and drug overdose deaths (regardless of intent). West Virginia also ranked second in mortality from influenza and/or pneumonia as well as nephritis, nephrotic syndrome, and nephrosis, and fourth in heart disease. Finally, West Virginia ranked ninth in motor vehicle accidental deaths during 2014.

In 2001 there were 212 drug overdose deaths occurring in West Virginia, climbing steadily to a then record peak of 656 in 2011. There was a drop off in 2012, largely due to pressure of closing down "pill mills." Deaths, first led by heroin and later combined with fentanyl, climbed much higher in 2015, peaking at 730.

According to the Centers for Disease Control and Prevention and the West Virginia Health Statistics Center, which collects the data for the Behavioral Risk Factor Surveillance System (BRFSS), 2015 data indicate that West Virginia ranks very high among all states in the prevalence of several chronic diseases and risk factors for disease. West Virginia had the highest prevalence in the nation of fair or poor health (25.9%), disability (28.3%), high blood pressure (42.7%), heart attack (7.0%), heart disease (7.4%), stroke (4.7%), cardiovascular disease (14.0%), chronic obstructive pulmonary disease (13.3%), arthritis (38.0%) and smokeless tobacco use (9.3%). West Virginia had the second highest prevalence in the nation of diabetes (14.5%), current smoking (25.7%), and kidney disease (3.6%). The prevalence of cancer was 14.1%, which ranked West Virginia third highest in the nation. West Virginia had the fourth highest prevalence of obesity (35.6%) and depression (23.1%). West Virginia had the sixth highest prevalence of current asthma in the nation (10.8%). The prevalence of physical inactivity was 30.8%, making it the seventh highest in the nation. West Virginia had the eighth highest prevalence of high cholesterol (39.0%). On a positive note, the state's heavy drinking prevalence was 3.5%, the lowest in the nation, and the prevalence of binge drinking was 10.6%, or second lowest in the nation.

For 2014, approximately 17.1% of West Virginia adults reported poor physical health for at least 14 days in the past 30 days, and 15.5% reported poor mental health at least 14 days in the past 30 days. Additionally, the prevalence of reporting poor physical health in the past 14 days was significantly higher in West Virginia (17.1%) than the U.S. (12.1%), and was the highest among all 53 BRFSS

## Long-Range Issues (Continued)

participants. The prevalence of reporting poor mental health in the past 14 days was significantly higher in West Virginia (15.5%) than the national prevalence (11.4%), and was the 2nd highest among all 53 BRFSS participants.

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

In 2013, approximately 400,000 West Virginians smoked cigarettes. It is estimated by the West Virginia Bureau for Public Health that our extraordinarily high smoking rates cost West Virginia over \$1.8 billion each year. BPH conservatively estimates that if West Virginia's current smoking prevalence among adults is reduced just 1%, West Virginia could save \$26 million a year in preventable health care costs. This estimate does not factor in lost work productivity due to poor health stemming from cigarettes.

In 2015, West Virginia had the fourth highest rate of obesity (35.6%). Extrapolating from the American Journal of Public Health Research on Obesity in West Virginia, obesity-related health conditions are estimated to have cost \$668 million in 2008, \$1.1 billion in 2013, and is expected to grow to \$2.4 billion by 2018.

A George Washington University School of Public Health and Health Services Department of Health Policy study (Dor, Cost Per Person, 2010), estimates that if obesity in West Virginia is reduced by 1%, the state could save \$52,613,430 (2009 dollars) in direct and indirect expenses annually. The Bureau for Public Health has set a more aggressive obesity reduction target for 2020 of 33%. It is estimated that if West Virginia's 2020 target level of obesity is reduced to 33% from the 2013 rate of 35.1%, \$110,488,203 of costs attributable to obesity will be saved annually. These savings would be shared by public and private payers, employers, and individuals.

### Medicaid

The West Virginia Medicaid Program provides insurance coverage to approximately 650,000 West Virginians over the course of a year and approximately 550,000 at any point in time. Children comprise 44% of the Medicaid population, while 15% are categorized as blind and disabled, 36% as adults, and the remaining 5% defined as elderly. Effective January 1, 2014, the West Virginia Medicaid Program expanded coverage under the Affordable Care Act. In FY 2016, there were approximately 202,000 additional members due to expansion (included in the total above). Despite the higher than expected total enrollment in Medicaid expansion, in large part a consequence of the West Virginia economy, the Medicaid program has been able to reduce annual per capita costs by several hundred dollars below what independent actuaries originally projected. The expansion population consists of individuals aged 19 to 64 who earn up to 138% of the Federal Poverty Level (FPL). The expansion population represents the working poor, with over 60% of the expansion households having income. The Federal Medical Assistance Percentages (FMAP) for the expansion population will gradually decrease from 100% to 90% during calendar years 2017 through 2020.

To the state's poorest and most disabled citizens, Medicaid offers a benefit package that includes access to prescription drug coverage, long-term care options including community-based care, mental health services, primary care services, nonemergency medical transportation, as well as other benefits that are not traditionally offered through private insurance plans.

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

Financial support for this program comes from federal and state revenue. The majority of the Medicaid program is financed at an approximate 28% state and 72% federal match, meaning that every dollar the state invests, is matched that with approximately three federal dollars. The non-expansion FMAP readjusts annually based on economic indicators in the state relative to other states.

State Medicaid funding is dependent primarily on four funding sources: General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. State Medicaid appropriated funding has increased from approximately \$334 million in 1995 to more than \$1 billion in 2017.

## *Long-Range Issues (Continued)*

The cost of the Medicaid program is determined by the number of eligible individuals, how often they utilize health care services, and the cost of those services; therefore, the state must budget for all program costs that are incurred by the clients. Program costs have been aggressively controlled over the past two fiscal years through benefit curtailment, program elimination, and managed care contracting strategies. The Medicaid program has been able to operate below national health care inflationary trends and has been able to control cost much more successfully than other payers in West Virginia. DHHR will continue these aggressive cost containment strategies. Each program modification must secure federal approval before being enacted.

It is currently estimated that without any program changes, the cost for the Medicaid program will increase at a rate of approximately 3.3% per year. Should any of the Department's cost containment strategies be voided, including modifications to waiver programs and privatization efforts through managed care, the Medicaid budget would be at serious risk of dramatic increases. A few noteworthy long-term budgetary risks to the Medicaid program relate to inflationary health care costs, scenarios where increased utilization of services are unavoidable (pandemic flu), increased prescription drug costs, continued deterioration of the West Virginia economy resulting in more impoverished West Virginians, additional unfunded mandates by the judicial system, and changes in federal regulations that become unfunded mandates. Assuming that the Provider Tax, trust fund, and lottery sources of state match remain relatively constant, the General Revenue fund will have to supply the additional funds to cover future increases in cost. Any future increase or decrease in non-General Revenue funding sources will impact the amount of General Revenue required to cover the total state match cost.

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

WVCHIP provides full-range health insurance coverage to children of working families with incomes up to 300% of the FPL. As of September 30, 2016, 20,722 children were enrolled, a 4% increase in the enrollment level from the previous year. The WVCHIP Premium group that includes children in households with incomes between 211% and 300% FPL has shown the highest increase in enrollment, around 6%, and is now 25% 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.

Currently, CHIP is federally funded through Federal Fiscal Year 2017. In October 2015, there was a 23% increase (to the maximum of 100%) to the enhanced federal match rate for CHIP through Federal Fiscal Year 2019. This increase means WVCHIP is currently 100% federally funded and will continue to be unless West Virginia's enhanced federal match rate falls below 77%. Congress must revisit CHIP in 2017 to determine future structure and funding of the program.

### **Public Employees Insurance Agency**

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

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

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

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

## Long-Range Issues (Continued)

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

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

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

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

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

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

### **Retiree Health Benefits Trust Fund**

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

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

The retiree plan must be subsidized by the active policy premiums. The current rate of subsidization for the fund is approximately 69%. Determining a long-range solution to the West Virginia OPEB Plan's unfunded liability is of utmost importance. The PEIA Finance Board took steps in December 2011 to control the state's share contributed to retiree premium subsidies, allowing increases in subsidies of no more than 3% per year. Additionally, the 2012 regular session of the West Virginia Legislature passed Senate Bill 469 to provide supplemental funding to the OPEB liability. These changes resulted in a reduction in the unfunded liability by approximately \$4 billion.

Not including the annual required contribution to fully fund OPEB, the current financial plan projects positive net assets through FY 2021. The trust completed FY 2016 with total net assets of \$684 million, total claims expense of \$96 million, and capitations of \$150 million. Current claim expense trend assumptions for FY 2017 through FY 2021 go from 7.0% for medical and 11.0% for drugs to 9% for medical and 13% for drugs. These trend assumptions result in increases of \$96 million in expenses for the trust over the next four fiscal years. Fiscal year results remain positive, however, as the board anticipates interest revenue, benefit changes, and premium increases will offset these increases. The trust is forecast to have an ending reserve of \$1 billion by fiscal year end 2021. This represents a 26% funded status of the OPEB Accrued Actuarial Liability (AAL).

### **Insurance Reform**

#### **Workers' Compensation**

From 1913 until January 1, 2006, West Virginia was one of five states operating an exclusive, state-managed workers' compensation insurance system. The Workers' Compensation Commission (including its predecessors) was an agency of state government that operated

## Long-Range Issues (Continued)

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 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. 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"). The custodian of the Old Fund is the Treasurer's Office, and the Insurance Commissioner serves as the administrator. As of June 30, 2016, the fund deficit in the Old Fund was estimated to be \$51 million with liabilities discounted at 4.5%.

Senate Bill 1004 included a plan to address the outstanding deficit formerly in the Workers' Compensation Fund and now residing in the Old Fund. 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 of \$95.4 million.

When combined, these revenue sources were estimated to yield approximately \$250 million annually. On February 26, 2016, the West Virginia Legislature passed Senate Bill 419 which terminated the dedicated severance taxes on extraction industries on or after July 1, 2016 and eliminated the personal income tax proceeds to be dedicated to the Old Fund deficit reduction. Senate Bill 419 also authorized redirection by Executive Order of premium surcharges, self-insured assessments, and lottery revenues for periods prior to June 30, 2017. Subsequent to Fiscal Year 2017, the employer surcharges, assessments, and lottery revenues, estimated to yield approximately \$50 million annually, will remain statutorily dedicated to the Old Fund until the Old Fund debt is eliminated.

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 taken in 2003 prior to the 2005 privatization 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 2003 legislation, approved as Senate Bill 2013, did the following:

- 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. This decision upholding the application of Senate Bill 2013 had a significant and positive impact on eradicating the deficit.

## Pensions

### State Retirement Systems

The Consolidated Public Retirement Board (CPRB) was created by legislation passed in 1990 and effective July 1, 1991, to administer all of the state's public retirement plans. In 1992, CPRB completed actuarial studies on the various retirement systems of the state of West Virginia to determine the amount of the systems' unfunded liabilities. At the time, the Teachers' Retirement System (TRS), Judges' Retirement System (JRS), and Public Safety Retirement System (Plan A) were found to have unfunded liabilities of \$2.89 billion, \$23.20 million, and \$107.30 million, respectively. 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. Contributions to the various retirement plans are made in such a manner as to satisfy the unfunded liabilities as follows:

## Long-Range Issues (Continued)

- 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.
- Judges' Retirement System—Instituted a 25-year payment plan to be completed by June 30, 2018. 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.

The unfunded actuarial liability for each plan is as follows:

	<b>July 1, 2015, Actuarial Valuation Unfunded Actuarial Liability</b>		<b>July 1, 2016, Actuarial Valuation Unfunded Actuarial Liability</b>	
PERS	\$847,506,000	(86.8% funded) <sup>1</sup>	\$726,850,000	(89.0% funded)
TRS	\$3,507,563,000	(66.0% funded) <sup>1</sup>	\$4,061,190,000	(61.7% funded)
JRS	(\$63,027,000)	(158.8% funded) <sup>1</sup>	(\$59,420,000)	(155.1% funded)
Public Safety—Plan A	\$110,023,000	(84.7% funded) <sup>1</sup>	\$150,250,000	(79.4% funded)
State Police—Plan B	(\$1,546,000)	(101.2% funded) <sup>1</sup>	\$6,760,000	(95.4% funded)

### **PERS Settlement with Federal Government**

The State of West Virginia settled a lawsuit with the U.S. Department of Health and Human Services in 2011 to resolve a decades old employer contribution issue. The agreement calls for the state to contribute \$20 million per year for nine years (\$180 million total) to the Public Employees Retirement System. As of January 6, 2017, \$110 million has been applied to this settlement. The state's contribution is in addition to the statutorily required employer contributions that the state is otherwise required to make under state law. The state's contributions under this agreement shall be made from general revenue or special revenue and not from any federal funds. Funding of this agreement will be completed no later than July 2020.

### **Summary**

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

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

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

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

# Budget Overview

## **The Executive Budget Process Policy**

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

The Secretary of Revenue, along with the Governor's Office and the State Budget Office, develops guidelines to be used by the various spending units when submitting their appropriation (budget) requests that are due each year (W.Va. Code §11B-2-3) on September 1. These guidelines establish a "current level" or base budget for each department/bureau/commission/division. The FY 2018 budget requests were submitted electronically using the state's accounting system wvOASIS.

For all appropriated accounts, the "current level" is defined as the same amount of funds the department/bureau/commission/division has for the current fiscal year (FY 2017) less any onetime appropriations. For the FY 2018 budget request, the department/bureau/commission/division is permitted to move funds between appropriations, programs, or agencies within the department. However, there can be no increase in the total request over the current year's appropriation with the exception of the legislative and judicial budgets and statutory increases (such as for the Department of Education). The "current level" request allows department/bureau/commission/division heads to redirect their limited resources to the highest priority areas without an increase in their total budget. Consistent with our commitment to provide a balanced budget and long-term fiscal stability, we as a state must take measures to reduce the overall FY 2018 expenditure growth, and position the state to balance budgets in the years that follow. For the FY 2018 budget, the Governor has, generally speaking, recommended most agencies be funded at the FY 2017 base funding level, less the mid-year expenditure reduction called for in the Governor's Executive Order No. 9-16. However, some accounts are recommended at additional adjusted funding levels, helping to structurally balance the budget, not only for FY 2018, but also for years beyond.

All appropriation requests that are above the FY 2017 "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 2018, agencies were asked that any requests for improvements, or requests for FY 2017 supplemental appropriations, be submitted only after careful review. Due to funding constraints, only in rare cases were any 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.

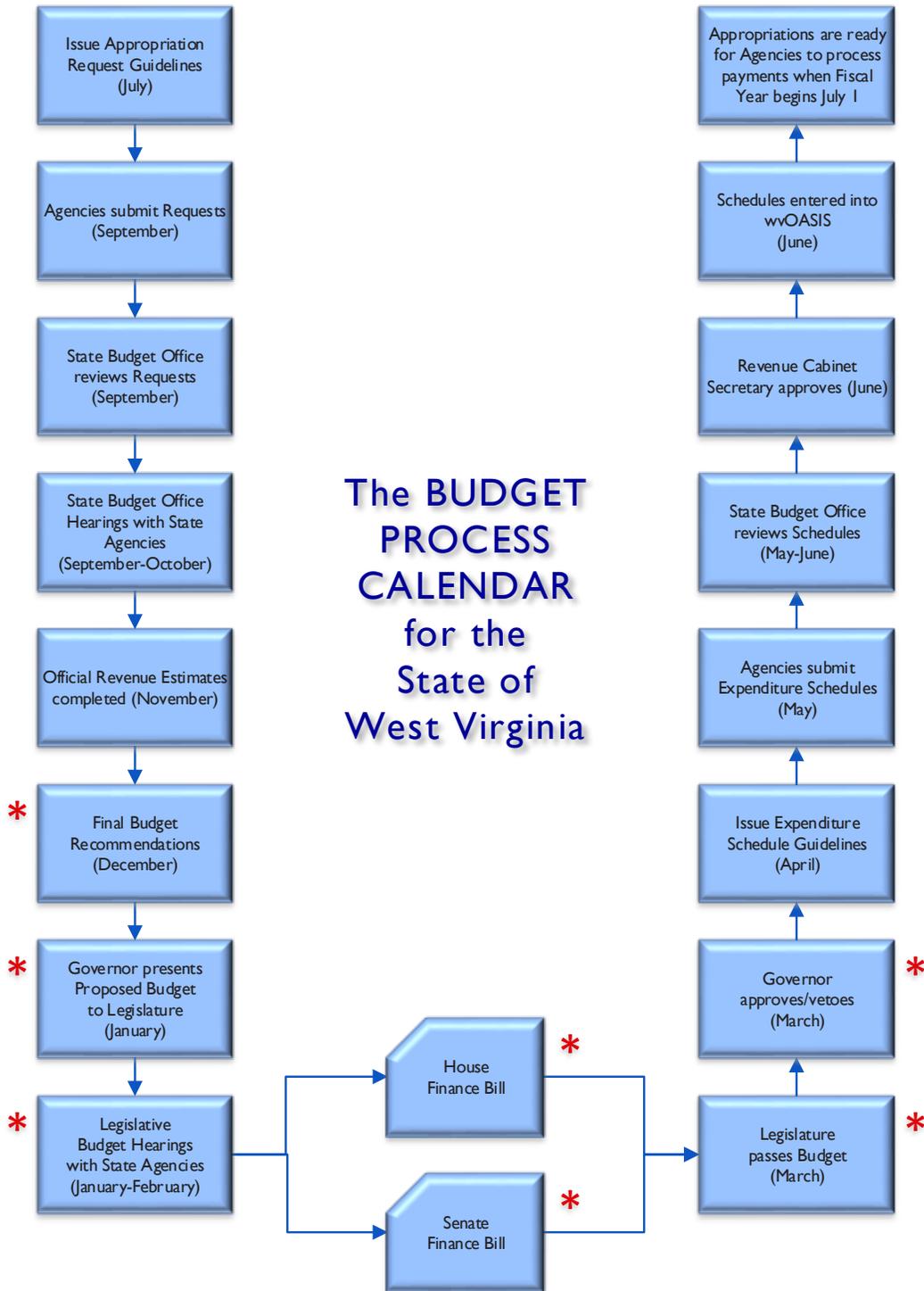
The budget hearings also provide the time to discuss, in general terms, any future capital projects and funding options. All the departments/bureaus/commissions/divisions are required to submit capital expenditure plans with their appropriation requests. These plans summarize projects budgeted for the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

## **Balanced Budget**

After the budget hearings, the official revenue estimates for the upcoming budget year (FY 2018) are finalized. The Governor then makes budget recommendations based upon program priorities, requirements, court orders, and the availability of funds. The Governor, under the authority of the Constitution of West Virginia, has the sole responsibility to establish the official revenue estimates of the state. The budget is developed on a cash basis, including only revenues and expenditures expected to be realized during the fiscal year plus any surplus balance from the previous fiscal year available for appropriation. The Governor is not legally required to submit a balanced budget; however, as a matter of practice, the Governor submits a budget that is balanced. A "balanced budget" recommends and appropriates only those revenues recognized in the "official revenue estimates" as provided by the Governor, and may also include any unappropriated surplus balances available from the prior year.

## Budget Overview (Continued)

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



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

## *Budget Overview (Continued)*

The budget is presented in four separate documents. The Budget Report contains the executive message; financial statements that include the official revenue estimates for the state along with available fund balances, actual prior year expenditures, current year budgeted amounts, and the Governor's recommendations for the next fiscal year; an economic forecast; and the budget plan. The Operating Detail contains organizational charts; descriptive narrative information for every department/bureau/commission, division, and program; summarized financial information related to actual expenditures, current budget, and requested appropriations by program and by fund; a profile of the state; and capital projects. The Budget Bill includes the language required to legally enact the budget or appropriations bill. The Account Detail provides the detailed budgetary information for FY 2016 Actual expenditures, FY 2017 Budgeted expenditures, FY 2018 Current-Level Request, and the Governor's FY 2018 Recommendation for all funds.

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

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

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

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

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

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

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

### **Budget Amendment Policy**

#### **Supplemental Appropriation Bills**

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

## *Budget Overview (Continued)*

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

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

The Budget Act contains specific language allowing:

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

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

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

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

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

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

### **Legislative and Judicial Amendments**

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

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

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

#### *Special Revenue*

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

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

If the Governor approves the plan of expenditure and justification statement and is satisfied the expenditure is required to defray the additional cost of the service or activity of the spending unit, the Governor may authorize the use of the additional funds. If the Governor intends to authorize the additional spending, notification of the intent is provided to the President of the Senate, the Speaker of the House, and the Chairmen of the Senate and the House Finance committees, providing them a three-week

## *Budget Overview (Continued)*

opportunity for review and concurrence. If there are any questions or issues regarding the need for additional spending authority, all parties work together to reach a mutual agreement on the issue. If the agreement is to proceed with the authorization, notices of such authorization are sent to the State Auditor, the State Treasurer, and the Legislative Auditor.

### *Federal Revenue*

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

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

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

## **Financial Related Policies**

### **Accounting and Auditing Procedures**

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

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

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.

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

## *Budget Overview (Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

## *Budget Overview (Continued)*

### **Evaluation and Monitoring Procedures**

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

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

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

### **Risk Management**

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

#### *Workers Compensation*

The state has obtained coverage for job-related injuries of employees by its participation in the private insurance market. In exchange for the payment of premiums, the state has transferred its risk related to job-related injuries for employees. The state 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.

#### *Public Employees Health Insurance*

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

#### *Casualty Insurance*

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

### **Asset Inventory Management**

Agencies are responsible for all property under its jurisdiction, regardless of its state (removable or fixed), origin, or acquisition cost. Agencies are responsible for maintaining equipment from date of purchase to date of retirement, ensuring that equipment is secure,

## *Budget Overview (Continued)*

entering asset information into the wvOASIS Fixed Assets Module, conducting physical inventories, submitting annual certification, and retiring assets properly.

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

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

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

### **Compensated Absences**

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

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

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

The focus for the FY 2018 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2014 to FY 2016) and the performance-level objectives the program is trying to achieve in FY 2017 and FY 2018 based on current level funding. For the most recently completed year, both projected and actual performance data is shown to provide information on the success of the agency in meeting their goals.

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

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

Many grants, federal revenue, and other sources currently require the use of performance measures as a condition to receive 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 the authority of W.Va. Code §4-2-5, which gives the Legislative Auditor discretionary authority to examine the performance of every spending unit of the state. In addition to performance evaluations of state agencies, PERD also conducts legislative research

## Budget Overview (Continued)

at the request of the Legislative Auditor or legislative leadership. PERD follows Generally Accepted Government Auditing Standards (GAGAS) in its evaluation of state agencies. PERD's reports are generally reported to the Joint Committee on Government Operations, the Joint Committee on Government Organization, and other appropriate legislative committees during interim sessions of the Legislature.

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

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

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

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

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

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

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

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

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

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

- \* 2017, Board of Accountancy, Board of Respiratory Care Practitioners, and Board of Social Work Examiners; and
- \* 2018, Board of Examiners of Psychologists, Board of Optometry, and Board of Veterinary Medicine.

# Human Resources

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

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

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

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

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

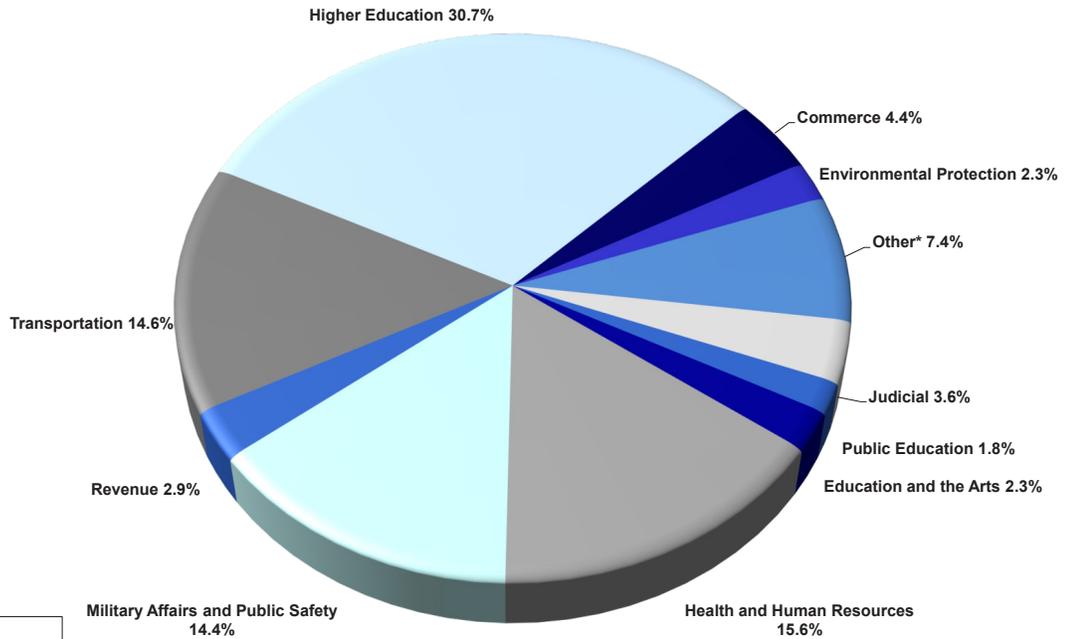
The **Organization and Human Resource Development** section works to increase the effectiveness and efficiency of state government through the development of a skilled workforce. To support this mission, the section provides training programs, development plans and strategies, and consulting services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

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

As of November 30, 2016, the state had approximately 37,267 filled, permanent, full-time equivalent employees, including approximately 11,099 employed by the Higher Education Policy Commission and approximately 1,221 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.

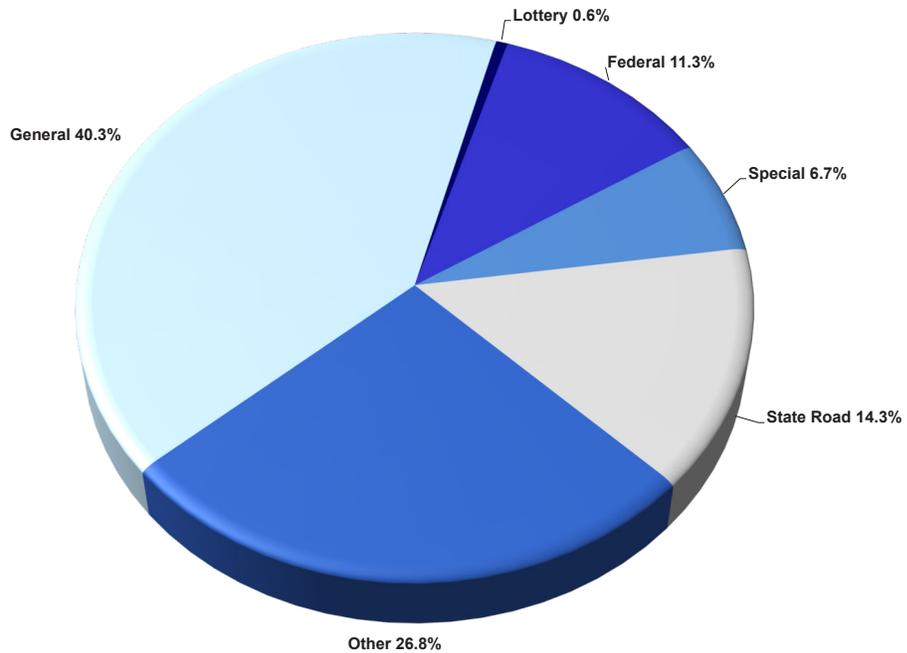
# Schedule of Recommended Budgeted Full-Time Equivalents (FTE) Permanent Positions FY 2018

## By Department



**\*Other**  
 Legislature - 0.8%  
 Executive - 2.2%  
 Administration - 2.4%  
 Veterans Assistance - 0.6%  
 Senior Services - 0.1%  
 Misc. Boards - 1.3%

## By Fund



# Schedule of Budgeted Full-Time Equivalents All Funds Permanent Positions FY 2016 through FY 2018

Department/Agency	FY 2016 11-30-2015	FY 2017 11-30-2016	FY 2018 Recommended
<b>TOTAL BUDGETED FTE PERMANENT POSITIONS</b>	<b>41,883.86</b>	<b>42,144.42</b>	<b>41,755.61</b>
<b>LEGISLATURE</b>			
Senate <sup>1</sup>	45.00	92.00	92.00
House of Delegates <sup>1</sup>	50.00	107.00	107.00
Joint Expenses	133.49	139.54	133.50
<b>TOTAL - LEGISLATURE</b>	<b>228.49</b>	<b>338.54</b>	<b>332.50</b>
<sup>1</sup> FY 2017 the transition to the wvOASIS HRM system added members as permanent positions.			
<b>TOTAL - JUDICIAL</b>	<b>1,451.00</b>	<b>1,471.00</b>	<b>1,489.00</b>
<b>EXECUTIVE</b>			
Governor's Office	56.50	56.50	56.50
State Auditor's Office	194.75	191.00	193.10
Treasurer's Office	131.40	133.80	129.90
Agriculture, Department of <sup>1</sup>	338.00	356.50	357.00
Attorney General's Office	197.22	195.53	196.50
Secretary of State	61.50	60.50	61.50
<b>TOTAL - EXECUTIVE</b>	<b>979.37</b>	<b>993.83</b>	<b>994.50</b>
<sup>1</sup> FY 2017 moved 21.00 FTEs from Department of Education for Cedar Lakes Camp and Conference Center.			
<b>DEPARTMENT OF ADMINISTRATION</b>			
Office of the Secretary	7.50	7.50	8.50
Consolidated Public Retirement Board	86.00	89.00	89.00
Finance, Division of	13.00	14.00	13.25
Information Services & Communications, Division of	392.50	394.50	389.80
General Services, Division of <sup>1</sup>	126.00	115.00	121.00
Purchasing, Division of	44.00	44.00	44.00
Surplus Property	15.00	15.00	15.00
Travel Management	17.00	17.00	19.50
Board of Risk and Insurance Management	26.00	26.00	25.60
Education & State Employees' Grievance Board	12.00	12.00	12.00
Ethics Commission	7.35	8.00	7.35
Public Defender Services	22.00	23.00	23.00
Personnel, Division of	67.00	71.00	67.00
Public Employees Insurance Agency	58.00	58.00	57.00
Prosecuting Attorneys Institute	6.00	6.00	5.00
Office of Technology	4.00	4.00	4.00
Retiree Health Benefits Trust Fund	3.00	3.00	4.00
Real Estate Division <sup>1</sup>	10.00	21.00	20.00
<b>TOTAL - ADMINISTRATION</b>	<b>916.35</b>	<b>928.00</b>	<b>925.00</b>
<sup>1</sup> FY 2017 moved 11.00 FTEs from General Services Division to Real Estate Division for parking enforcement.			

*FTE Schedule of All Funds (Continued)*

Department/Agency	FY 2016 11-30-2015	FY 2017 11-30-2016	FY 2018 Recommended
<b>DEPARTMENT OF COMMERCE</b>			
Office of the Secretary <sup>1</sup>	25.00	25.00	3.00
Tourism, Division of <sup>2</sup>	66.00	64.80	62.00
Forestry, Division of <sup>3</sup>	119.50	77.75	77.75
Geological and Economic Survey	46.60	43.60	43.60
Development Office <sup>4</sup>	99.00	106.00	129.50
Labor, Division of	108.00	101.00	101.00
Natural Resources, Division of	814.95	811.00	813.00
Miners' Health, Safety and Training, Division of <sup>5</sup>	160.00	157.00	157.00
Board of Coal Mine Health and Safety <sup>5</sup>	3.00	2.00	2.00
WorkForce West Virginia	462.23	460.60	462.95
Energy, Division of <sup>7</sup>	8.00	8.00	5.00
<b>TOTAL - COMMERCE</b>	<b>1,912.28</b>	<b>1,856.75</b>	<b>1,856.80</b>
<sup>1</sup> FY 2018 22.00 FTEs transferred from Secretary's Office to Development Office for the Office of Economic Opportunity. <sup>2</sup> FY 2018 eliminated 3.00 FTEs for Film Office. <sup>3</sup> FY 2017 3.00 FTEs transferred from Forestry to Development Office for central administrative office, deleted 38.00 FTEs due to budget reduction. <sup>3</sup> FY 2017 transferred 7.00 FTEs from other agencies for central administrative office. FY 2018 transferred 22.00 FTEs from Secretary's Office for the Office of Economic Opportunity and 2.00 FTEs from the Division of Energy for the Office of Coalfield Community Development. <sup>4</sup> FY 2017 3.00 FTEs transferred from Miners' Health, Safety and Training to Development Office for central administrative office. <sup>5</sup> FY 2017 1.00 FTE transferred from Board of Coal Mine Health and Safety to Development Office for central administrative office. <sup>6</sup> FY 2018 transferred 2.00 FTEs to the Development Office for the Office of Coalfield Community Development.			
<b>DEPARTMENT OF EDUCATION</b>			
Education, State Department of <sup>1</sup>	566.20	577.60	564.40
WV Schools for the Deaf & the Blind	190.90	190.00	192.00
State FFA-FHA Camp & Conference Center <sup>2</sup>	25.20	0.00	0.00
School Building Authority	11.00	11.00	11.00
<b>TOTAL - EDUCATION</b>	<b>793.30</b>	<b>778.60</b>	<b>767.40</b>
<sup>1</sup> FY 2017 added 1.00 FTE for the IT Academy; added 1.00 FTE for the Early Literacy Program; added 9.00 FTEs for Truancy Diversion Program. <sup>2</sup> FY 2017 moved to Department of Agriculture.			

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2016 11-30-2015</b>	<b>FY 2017 11-30-2016</b>	<b>FY 2018 Recommended</b>
<b>DEPARTMENT OF EDUCATION AND THE ARTS</b>			
Office of the Secretary	39.75	39.00	37.75
Culture and History, Division of	121.00	130.50	123.50
Library Commission	49.00	48.00	48.00
Educational Broadcasting Authority	90.50	86.50	86.50
Rehabilitation Services, Division of	655.50	659.50	655.50
<b>TOTAL - EDUCATION AND THE ARTS</b>	<b>955.75</b>	<b>963.50</b>	<b>951.25</b>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			
Air Quality Board <sup>1</sup>	1.10	0.00	0.00
Environmental Protection, Division of	933.08	934.70	933.70
Environmental Quality Board <sup>1</sup>	1.90	2.20	3.00
Solid Waste Management Board	13.00	13.00	13.00
Oil and Gas Conservation Commission	1.50	2.00	2.00
<b>TOTAL - ENVIRONMENTAL PROTECTION</b>	<b>950.58</b>	<b>951.90</b>	<b>951.70</b>
<sup>1</sup> FY 2017 transferred 1.10 FTEs from Air Quality Board to Environmental Quality Board.			
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
Office of the Secretary	9.00	9.00	9.00
Health, Division of	2,738.39	2,745.72	2,741.57
Health Care Authority	54.00	54.00	54.00
Human Rights Commission	31.00	31.00	31.00
Human Services, Division of <sup>1</sup>	3,574.78	3,707.10	3,695.92
<b>TOTAL - HEALTH AND HUMAN RESOURCES</b>	<b>6,407.17</b>	<b>6,546.82</b>	<b>6,531.49</b>
<sup>1</sup> FY 2017 added 29.00 FTEs for Youth Service Workers, 25.20 FTEs for the Bureau for Children and Families Centralized Intake, and 42.00 FTEs for Economic Service Workers; FY 2018 added 4.00 FTEs for the Home Finders Program			
<b>DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY</b>			
Office of the Secretary	27.00	27.00	27.00
Adjutant General	444.50	499.00	479.50
WV Board of Parole	18.00	21.00	18.00
Homeland Security and Emergency Management	53.00	58.00	58.00
Corrections, Division of	2,387.75	2,390.00	2,387.75
WV State Police	1,106.50	1,068.50	1,070.50
Regional Jail and Correctional Facility Authority	1,148.50	1,171.50	1,138.50
Fire Commission <sup>1</sup>	55.00	56.00	58.00
Justice and Community Services, Division of <sup>2</sup>	38.50	43.75	43.51
Juvenile Services, Division of <sup>3</sup>	674.00	683.60	691.00
Division of Protective Services	40.00	50.00	50.00
<b>TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY</b>	<b>5,992.75</b>	<b>6,068.35</b>	<b>6,021.76</b>
<sup>1</sup> FY 2018 added 3.00 FTEs to administer the expanded Fireworks program.			
<sup>2</sup> FY 2017 added 4.39 FTEs for the Victims of Crime grant, 2.00 FTEs for the Sexual Assault Kit grant, and 0.10 FTE for the Rural Violence Against Women grant.			
<sup>3</sup> FY 2017 added 18.00 FTEs for Youth Reporting Centers.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2016 11-30-2015	FY 2017 11-30-2016	FY 2018 Recommended
<b>DEPARTMENT OF REVENUE</b>			
Office of the Secretary	9.00	8.00	8.00
Tax Division <sup>1</sup>	470.50	434.00	433.00
State Budget Office	11.00	10.00	10.00
Insurance Commissioner <sup>2</sup>	383.10	343.00	343.00
Lottery Commission <sup>3</sup>	231.00	212.00	212.00
Racing Commission	46.90	47.41	46.90
Alcohol Beverage Control Administration	109.12	109.20	109.20
Office of Tax Appeals	6.00	6.00	6.00
Municipal Bond Commission	4.00	4.00	4.00
Financial Institutions, Division of	32.00	35.00	32.00
<b>TOTAL - REVENUE</b>	<b>1,302.62</b>	<b>1,208.61</b>	<b>1,204.10</b>
<sup>1</sup> FY 2017 deleted 36.00 FTEs in an effort to reduce vacant positions.			
<sup>2</sup> FY 2017 deleted 40.00 FTEs in an effort to reduce vacant positions.			
<sup>3</sup> FY 2017 deleted 19.00 FTEs in an effort to reduce vacant positions.			
<b>DEPARTMENT OF TRANSPORTATION</b>			
Motor Vehicles, Division of	635.00	644.00	634.00
Highways, Division of	5,434.25	5,411.00	5,387.00
State Rail Authority	23.00	23.00	23.00
Public Transit, Division of	10.00	10.00	10.00
Public Port Authority <sup>1</sup>	3.00	0.00	0.00
Aeronautics Commission	3.00	3.00	3.00
Office of Administrative Hearings	30.00	30.00	30.00
<b>TOTAL - TRANSPORTATION</b>	<b>6,138.25</b>	<b>6,121.00</b>	<b>6,087.00</b>
<sup>1</sup> FY 2017 deleted 3.00 FTEs to consolidate offices within the department.			
<b>DEPARTMENT OF VETERANS ASSISTANCE</b>			
Veterans Affairs	244.74	215.38	215.38
Veterans Home	47.29	50.00	47.29
<b>TOTAL - VETERANS ASSISTANCE</b>	<b>292.03</b>	<b>265.38</b>	<b>262.67</b>
<b>TOTAL - BUREAU OF SENIOR SERVICES</b>	<b>36.80</b>	<b>37.00</b>	<b>36.60</b>

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2016 11-30-2015	FY 2017 11-30-2016	FY 2018 Recommended
<b>HIGHER EDUCATION POLICY COMMISSION</b>			
HEPC - Administration	78.85	80.85	77.65
West Virginia University	6,889.30	6,940.00	6,809.00
Marshall University	1,953.94	1,999.78	1,966.98
Osteopathic School of Medicine	292.99	300.56	294.59
Bluefield State College	212.52	198.66	187.66
Concord University	293.16	303.68	296.04
Fairmont State University	473.19	515.60	503.00
Glenville State College	211.94	224.93	212.02
Shepherd University	492.61	497.90	487.58
West Liberty University	297.90	305.96	300.96
West Virginia State University	326.71	319.56	316.35
WVNET	60.00	57.20	57.20
<b>TOTAL - HIGHER EDUCATION POLICY COMMISSION <sup>1</sup></b>	<b>11,583.11</b>	<b>11,744.68</b>	<b>11,509.03</b>
<sup>1</sup> Changes in FTEs for institutions related to faculty and staffing levels due to changes in enrollment.			
<b>COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION</b>			
Council - Administration	16.00	18.00	18.00
Mountwest Community and Technical College	138.00	132.00	131.00
New River Community and Technical College	179.78	131.00	133.00
Pierpont Community and Technical College	126.90	130.00	128.00
Blue Ridge Community and Technical College	165.75	163.45	142.06
West Virginia University at Parkersburg	213.30	204.63	198.63
Southern West Virginia Community and Technical College	195.27	175.00	174.00
West Virginia Northern Community and Technical College	148.08	159.50	147.70
West Virginia Eastern Community and Technical College	44.41	43.50	38.60
BridgeValley Community and Technical College	196.39	190.45	196.39
<b>TOTAL - COUNCIL FOR C&amp;T COLLEGE EDUCATION <sup>1</sup></b>	<b>1,423.88</b>	<b>1,347.53</b>	<b>1,307.38</b>
<sup>1</sup> Changes in FTEs for institutions related to faculty and staffing levels due to enrollment changes.			
<b>MISCELLANEOUS BOARDS AND COMMISSIONS</b>			
Barbers and Cosmetologists, Board of	8.00	8.00	10.00
Board of Medicine	14.00	15.00	15.00
Courthouse Facilities Improvement Authority	1.60	1.60	1.60
Hospital Finance Authority	1.00	1.00	1.00
Licensed Practical Nurses	4.00	4.00	4.00
Public Service Commission	335.22	337.47	338.47
Real Estate Commission	12.00	7.00	13.00
Registered Nurses	13.50	14.00	14.00
Water Development Authority	20.53	20.60	20.06
West Virginia Economic Development Authority	9.88	11.00	10.00
Enterprise Resource Planning Board	41.00	42.00	41.00
Other Boards	59.40	61.26	59.30
<b>TOTAL - MISC. BOARDS AND COMMISSIONS</b>	<b>520.13</b>	<b>522.93</b>	<b>527.43</b>

Schedule of Budgeted Full-Time Equivalents  
By Source of Funds  
Permanent Positions  
FY 2015 through FY 2017

By Department/Funding Source	FY 2016 11-30-2015	FY 2017 11-30-2016	FY 2018 Recommended
<b>ALL DEPARTMENTS/AGENCIES</b>			
General	17,105.07	16,907.81	16,819.15
Federal	4,585.14	4,780.85	4,716.12
Lottery	232.66	234.33	242.29
Special	2,765.57	2,729.62	2,798.31
State Road Fund	6,033.25	6,022.00	5,978.00
Nonappropriated Special	11,162.17	11,469.81	11,201.74
<b>TOTAL</b>	<b>41,883.86</b>	<b>42,144.42</b>	<b>41,755.61</b>
<b>LEGISLATURE</b>			
General	221.49	327.79	325.50
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	7.00	10.75	7.00
Nonappropriated Special	0.00	0.00	0.00
<b>TOTAL</b>	<b>228.49</b>	<b>338.54</b>	<b>332.50</b>
<b>JUDICIAL</b>			
General	1,451.00	1,471.00	1,489.00
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	0.00	0.00	0.00
<b>TOTAL</b>	<b>1,451.00</b>	<b>1,471.00</b>	<b>1,489.00</b>
<b>EXECUTIVE</b>			
General	532.18	510.09	512.09
Federal	31.39	36.50	37.50
Lottery	0.00	0.00	0.00
Special	252.39	271.44	275.92
Nonappropriated Special	163.41	175.80	168.99
<b>TOTAL</b>	<b>979.37</b>	<b>993.83</b>	<b>994.50</b>
<b>DEPARTMENT OF ADMINISTRATION</b>			
General	140.10	141.10	148.10
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	488.55	494.60	485.90
Nonappropriated Special	287.70	292.30	291.00
<b>TOTAL</b>	<b>916.35</b>	<b>928.00</b>	<b>925.00</b>
<b>DEPARTMENT OF COMMERCE</b>			
General	776.41	722.56	678.23
Federal	615.79	620.61	615.26
Lottery	119.00	119.80	117.00
Special	248.40	241.31	283.08
Nonappropriated Special	152.68	152.47	163.23
<b>TOTAL</b>	<b>1,912.28</b>	<b>1,856.75</b>	<b>1,856.80</b>

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2016 11-30-2015	FY 2017 11-30-2016	FY 2018 Recommended
<b>DEPARTMENT OF EDUCATION</b>			
General	571.01	580.01	565.81
Federal	114.88	103.05	104.88
Lottery	51.67	54.67	59.67
Special	26.80	12.20	11.20
Nonappropriated Special	28.94	28.67	25.84
<b>TOTAL</b>	<b>793.30</b>	<b>778.60</b>	<b>767.40</b>
<b>DEPARTMENT OF EDUCATION AND THE ARTS</b>			
General	430.65	397.01	351.73
Federal	462.41	503.21	464.92
Lottery	19.98	20.35	19.98
Special	4.08	4.08	4.08
Nonappropriated Special	38.63	38.85	110.54
<b>TOTAL</b>	<b>955.75</b>	<b>963.50</b>	<b>951.25</b>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			
General	82.17	78.03	78.03
Federal	350.28	349.64	359.24
Lottery	0.00	0.00	0.00
Special	279.22	273.77	274.67
Nonappropriated Special	238.91	250.46	239.76
<b>TOTAL</b>	<b>950.58</b>	<b>951.90</b>	<b>951.70</b>
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
General	3,768.16	3,821.09	3,813.32
Federal	2,304.19	2,391.82	2,387.46
Lottery	0.00	0.00	0.00
Special	120.85	119.82	128.96
Nonappropriated Special	213.97	214.09	201.75
<b>TOTAL</b>	<b>6,407.17</b>	<b>6,546.82</b>	<b>6,531.49</b>
<b>DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY</b>			
General	4,275.81	4,253.90	4,261.78
Federal	382.54	445.23	424.87
Lottery	0.00	0.00	0.00
Special	131.35	140.17	134.42
Nonappropriated Special	1,203.05	1,229.05	1,200.69
<b>TOTAL</b>	<b>5,992.75</b>	<b>6,068.35</b>	<b>6,021.76</b>
<b>DEPARTMENT OF REVENUE</b>			
General	409.50	367.10	370.00
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	605.12	570.46	566.10
Nonappropriated Special	288.00	271.05	268.00
<b>TOTAL</b>	<b>1,302.62</b>	<b>1,208.61</b>	<b>1,204.10</b>

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2016 11-30-2015	FY 2017 11-30-2016	FY 2018 Recommended
<b>DEPARTMENT OF TRANSPORTATION</b>			
General	11.00	8.00	8.00
Federal	10.00	10.00	18.00
Lottery	0.00	0.00	0.00
Special	65.00	62.00	64.00
State Road Fund	6,033.25	6,022.00	5,978.00
Nonappropriated Special	19.00	19.00	19.00
<b>TOTAL</b>	<b>6,138.25</b>	<b>6,121.00</b>	<b>6,087.00</b>
<b>DEPARTMENT OF VETERANS ASSISTANCE</b>			
General	236.18	206.07	209.20
Federal	54.83	58.71	52.45
Lottery	0.00	0.00	0.00
Special	0.91	0.50	0.91
Nonappropriated Special	0.11	0.10	0.11
<b>TOTAL</b>	<b>292.03</b>	<b>265.38</b>	<b>262.67</b>
<b>BUREAU OF SENIOR SERVICES</b>			
General	0.00	0.00	0.00
Federal	11.92	12.28	11.90
Lottery	3.40	3.47	3.40
Special	2.50	2.40	2.50
Nonappropriated Special	18.98	18.85	18.80
<b>TOTAL</b>	<b>36.80</b>	<b>37.00</b>	<b>36.60</b>
<b>HIGHER EDUCATION POLICY COMMISSION</b>			
General	3,272.09	3,141.27	3,145.21
Federal	129.68	141.95	145.13
Lottery	38.61	36.04	42.24
Special	128.37	124.70	150.00
Nonappropriated Special	8,014.36	8,300.72	8,026.45
<b>TOTAL</b>	<b>11,583.11</b>	<b>11,744.68</b>	<b>11,509.03</b>
<b>COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION</b>			
General	927.32	882.79	863.15
Federal	89.52	76.00	63.86
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	407.04	388.74	380.37
<b>TOTAL</b>	<b>1,423.88</b>	<b>1,347.53</b>	<b>1,307.38</b>
<b>MISCELLANEOUS BOARDS AND COMMISSIONS</b>			
Federal	27.71	31.85	30.65
Lottery	0.00	0.00	0.00
Special	405.03	401.42	409.57
Nonappropriated Special	87.39	89.66	87.21
<b>TOTAL</b>	<b>520.13</b>	<b>522.93</b>	<b>527.43</b>

# REVENUE SOURCES





# Revenue Sources

The revenues necessary to finance state government are collected from a variety of sources. All sources are dedicated to a specific fund or account and may only be appropriated or used 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. For FY 2018, these taxes comprise approximately 92.6% of the General Revenue Fund. The remaining 7.4% 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, Motor Vehicle Registration and license tax, and all other revenue derived from motor vehicles or motor fuel that are solely dedicated to this fund. The State Road Fund is appropriated by the Legislature and used solely for construction, reconstruction, repair and maintenance of public highways, the payment of the interest and principal on all road bonds, and the administrative expenses of the Division of Highways, Office of Administrative Hearings, and the Division of Motor Vehicles.

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

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

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

## Revenue Sources

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

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

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

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

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

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

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

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

### Revenue Estimates

Under the guidance of the Deputy Secretary of the Department of Revenue, the Tax Research Division develops revenue estimates for the state. The estimates are derived from economic forecasts provided by IHS 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 19 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

## Revenue Sources

trends and economic conditions, such determinations are immediately forwarded to policymakers. Projected revenue shortfalls do result in midyear budget reductions, as was the case for FY 2010, FY 2013, FY 2014, FY 2015, FY 2016, and FY 2017. Based upon results over the past two decades, the probability of a revenue shortfall issue in any given year is less than 40%.

### **Economic Development Tax Expenditure Budget - FY 2018**

In addition to expenditures authorized by the State Legislature through annual budgetary appropriations, additional expenditures are authorized pursuant to various tax preferences within the State Tax Code. These additional expenditures are commonly called “tax expenditures.” This section includes budgetary information on specific business-related economic development tax expenditures and similarly structured individual tax preferences for FY 2018.

### **Overview of Tax Expenditures**

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

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

With the exception of tax credit programs, all consumer sales tax and personal income tax expenditures are excluded from the economic development tax expenditure budget section because such expenditures may be better classified as individual tax preferences.

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

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

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

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

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

In many cases, the full cost of a tax expenditure program may stretch out over several fiscal years. Therefore, prospective policy changes to eliminate such a program may only gradually decrease the expenditure or gradually increase revenue freed up for other expenditure programs. For example, legislation terminated the Strategic Research and Development Tax Credit Program at the end of 2014. However, due to credit carryover provisions, the FY 2018 budget still contains an allowance for this program more than three years after its expiration.

## Revenue Sources

For purposes of the FY 2018 budget, economic development tax expenditure programs were grouped in the following four categories:

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

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

### **Tax Credits**

For purposes of the tax expenditure budget, there are 24 active tax credit programs in the State Tax Code with a total FY 2018 value of \$115.2 million. Programs classified as economic development related account for \$67.9 million in value, an amount equal to roughly 59% of the total value of all tax credits. Some of the remaining tax credits may be classified as low income relief programs with a combined value of \$42.7 million.

The largest single tax credit in terms of cost (39% of the total) is the Industrial Expansion and Revitalization Tax Credit for electric power producers. This tax credit is largely tied to pollution abatement investment at coal-fired generating plants in the state. More than 80% of the investment associated with this tax credit occurred prior to CY 2012. Tax credit benefits for each year of investment are prorated for use over a 10-year period beginning with the year of investment. West Virginia uniquely taxes electric power generation rather than final sales to consumers. Public utilities pass on their costs to final consumers in a rate-regulated environment. Therefore, final consumers are the principal beneficiaries of the Industrial Expansion and Revitalization Tax Credit.

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

## Revenue Sources

Article	Tax Credit	Description	FY 2018 Estimate (in millions)
5B-2E	<b>Tourism Development</b>	25% of Approved Costs Over 10 Years	<b>\$3.0</b>
11-6D	<b>Alternative-Fuel Motor Vehicles</b>	35% Vehicles & 20% to 62.5% Infrastructure	<b>\$0.5</b>
11-13D	<b>Industrial Expansion/Revitalization</b>	10% Investment Credit – Electric Power Producers	<b>\$45.0</b>
11-13E	<b>Coal-Loading Facilities</b>	10% Investment Credit – Coal Loading Facilities	<b>\$1.5</b>
11-13F	Low-Income Electric, Gas & Water	Reimburses Utility for Low-Income Resident Discount	\$7.8
11-13G	Low-Income Telephone	Reimburses Utility for Low-Income Resident Discount	\$0.0
11-13J	Neighborhood Investment Program	50% Credit for Charitable Contributions	\$3.0
11-13K	Agricultural Equipment	25% up to \$2,500 – Environmental Equipment	Minimal
11-13L	<b>Natural Gas Jobs Retention</b>	\$1,000/Job – Natural Gas Storage Tax	<b>\$1.4</b>
11-13Q	<b>Economic Opportunity</b>	Investment Credit-New Jobs & Select Industries	<b>\$5.0</b>
11-13S	<b>Manufacturing Investment</b>	5% Investment Credit – Manufacturing	<b>\$3.0</b>
11-13W	<b>Apprenticeship Training</b>	\$2/hour or \$2,000/year – Training Tax Credit	<b>\$0.5</b>
11-13X	<b>West Virginia Film</b>	27% to 31% of Costs for making WV Film	<b>\$3.0</b>
11-13Y	<b>Manufacturing Property Adjustment</b>	Manufacturing Inventory Tax Credit	<b>\$4.0</b>
11-13BB	Mine Safety Technology	50% Investment Credit – Mine Safety Equipment	Minimal
11-13CC	<b>Energy Intensive Industrial Consumer</b>	Up to \$20 million – Coal Severance Tax	<b>\$0.0</b>
11-21-8a	<b>Rehabilitated Buildings</b>	10% of Qualified Costs	<b>\$1.0</b>
11-21-8g	Residential Rehabilitated Buildings	5% of Qualified Costs	\$0.2
11-21-10a	Nonfamily Adoption	\$2,000 per Qualified Adoption	\$1.4
11-21-21	Senior Citizen Homestead Credit	Local Tax paid on First \$20,000 of Taxable Valuation	\$12.5
11-21-22	Low-Income Family Tax Credit	Up to 100% of Pre-Credit Income Tax	\$20.0
11-21-23	Excess Property Tax Credit	Excess Over 4% of Gross Income Up to \$1,000	\$2.4
11-21-42 & 11-24-12	<b>Military Incentive</b>	30% of first \$5,000 of Wages Paid	<b>Minimal</b>
<i>Subtotal:</i>			<b>\$115.2</b>

### **Tax Increment Financing**

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

Nearly all states utilize TIF for economic development. Property taxes are generally imposed by counties, school boards, and municipalities in the state. The total value of TIF is roughly \$18 million in FY 2018 with more than half of the cost absorbed by local governments and nearly half absorbed by the state mainly through the state School Aid to Local Education Formula. The cost to local governments would be larger if not for the exclusion of school excess levies from the calculated TIF under state law.

The STIF Program is similar in cost to the TIF Program with a shift of an estimated \$16.0 million of state sales tax from the state General Revenue Fund to local retail development projects.

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

## Revenue Sources

### Miscellaneous Tax Preferences

Chapter	Tax Credit	Description	FY 2018 Estimate (in millions)
7-11B	<b>Property Tax Increment Financing Economic Development District</b>	Property Increment-State portion of \$18.0 mil total	<b>\$8.0</b>
7-22	<b>STIF</b>	6% state sales tax re-designated as local tax	<b>\$16.0</b>
<i>Subtotal:</i>			<b>\$24.0</b>

Most of the major miscellaneous tax preference programs involve exclusions, special valuation provisions, or tax rate preferences involving the local property tax. These property tax preferences account for nearly 88% of the value of tax expenditures in this section.

In terms of value, the largest tax expenditures in West Virginia relate to residential property taxes. The combined value of the Homestead Exemption and 50% tax rate preferences for owner-occupied residential and farm real property is \$525 million, and the state share of this combined value, mainly reflected in the state School Aid Formula, is \$157.5 million.

Several other types of mostly tangible personal property qualify for reduced “salvage” valuation at a combined value of \$104.9 million in property tax reductions with \$36.0 million of that value allocated to the state budget.

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

The largest non-property tax rate preference program offered in West Virginia is the Thin-Seam Coal Rates Program. Lower regular severance tax rates apply to most underground coal mines with average seam thickness of no more than 45 inches. This \$24.2 million tax preference is largely tied to metallurgical coal production in southern West Virginia. Thin-seam mines tend to employ more workers per unit of output than other mining operations.

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

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

Expired tax expenditure provisions with at least some cost in FY 2018 include costs associated with the Commercial Patents

Article	Tax Credit	Description	FY 2018 Estimated (in millions)
3-9	<b>PILOT-County</b>	Payment in Lieu of Tax – New Facilities	<b>Unknown</b>
6A	Pollution Control Salvage Value	State portion of \$73 million	\$19.2
6B	Homestead Exemption & Tax Rate	Over 65/Disabled – State Portion of \$105 million	\$31.5
6E	<b>Manufacturing Production Property</b>	Salvage Value – State Portion of \$1.3 million	<b>\$0.4</b>
6F	<b>Certified Capital Additions</b>	Salvage Value-Existing Mfg. – State Portion of \$32.8 million	<b>\$16.0</b>
6H	<b>Special Aircraft Property</b>	Salvage Value – State Portion of \$1.4 million	<b>\$0.4</b>
6j	<b>High-Technology Business Property</b>	Salvage Value – State Portion of minimal \$0.3	<b>\$0.0</b>
8-6b	Residential/Farm Preference	50% Tax Rate Preference – State Portion of \$420 million	\$126.0
13A-3(f)	<b>Thin-Seam Coal Rates</b>	Reduced Tax Rates on Thin-Seam Coal [60%-80%]	<b>\$24.2</b>
13A-3a(a)	<b>Natural Gas/Oil Exclusions</b>	Low-Volume/Shut-In Well Gross Receipt Exclusions	<b>\$2.5</b>
<i>Subtotal:</i>			<b>\$220.2</b>

## Revenue Sources

Credits and with the Strategic Research and Development Tax Credit. Even though it is not listed among the expired tax expenditure provisions, a large portion of the Alternative Fuel Motor Vehicles Tax Credit expenditure for FY 2018 is also attributable to various provisions that were either repealed as of April 14, 2013, or as of January 1, 2014.

The following is a list of inactive tax credits in either Chapter 11 of the West Virginia Code that were generally repealed, are now inactive, or are set to sunset prior to the beginning of FY 2018 with grandfathering provisions for credit claims attributable to periods prior to termination.

The sum total value of all tax expenditures listed above is \$359.9 million, including \$135.9 million in bolded Economic Development Tax Expenditures and \$224.0 million in various other tax expenditures.

Article	Tax Credit	Description	FY 2018 Estimate (in millions)
11-13AA	<b>Commercial Patents</b>	20%-30% of Royalties & 20%-30% of Net Profit	<b>Minimal</b>
11-13R	<b>Strategic Research and Development</b>	3% or 10% of Excess R & D Credit	<b>\$0.5</b>
<i>Subtotal:</i>			<u>\$0.5</u>

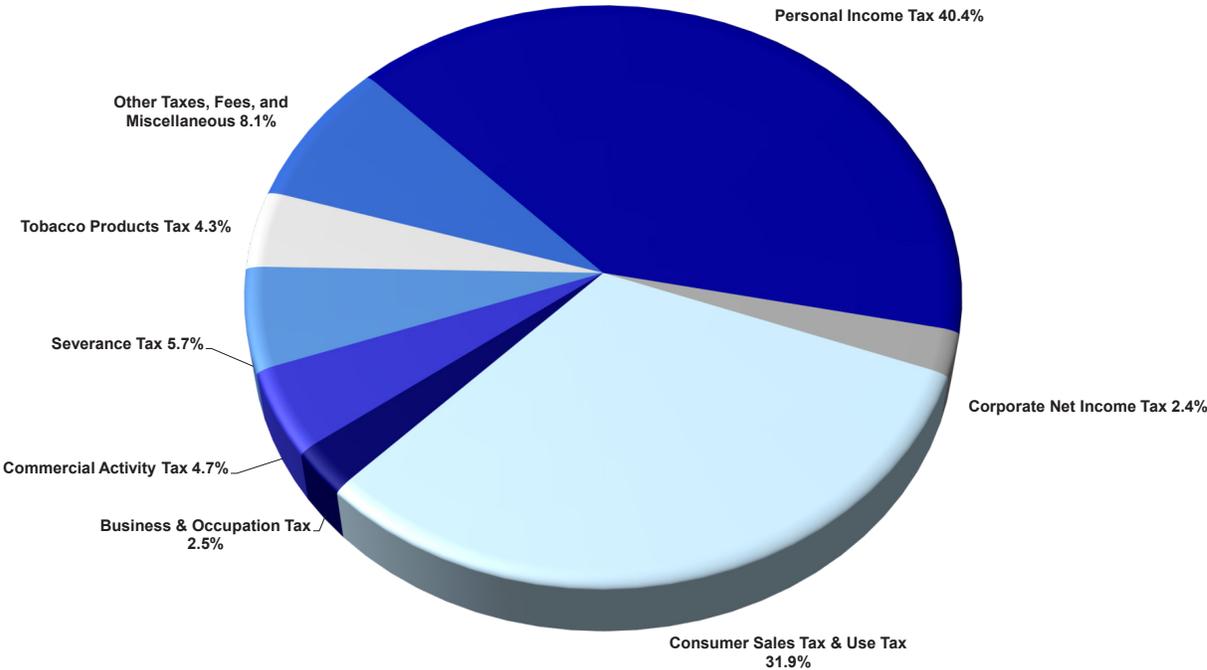
### **Additional Revenue Information**

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.

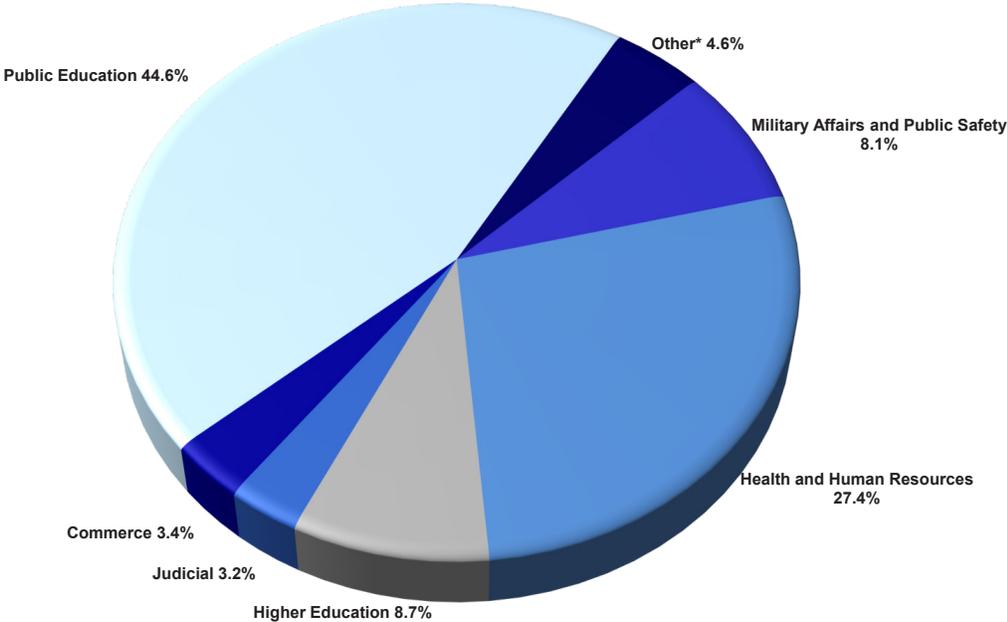
For a graphic presentation of the total state revenue by source and the expenditures by function, refer to “Where the State Dollar Comes From” and “Where the State Dollar Goes” in the “Summary Financial Statements” chapter.

# General Revenue Fund

**Sources of Revenue**  
**Fiscal Year 2018**  
**\$4.505 Billion**  
**(Estimated)**



**Recommended Expenditures**  
**Fiscal Year 2018**  
**\$4.505 Billion**



*Other	
Legislature	- 0.5%
Executive	- 0.8%
Administration	- 1.3%
Education & the Arts	- 0.6%
Environment	- 0.1%
Revenue	- 0.6%
Veterans Assistance	- 0.2%
Transportation	- 0.1%
Senior Services	- 0.4%

## General Revenue Fund

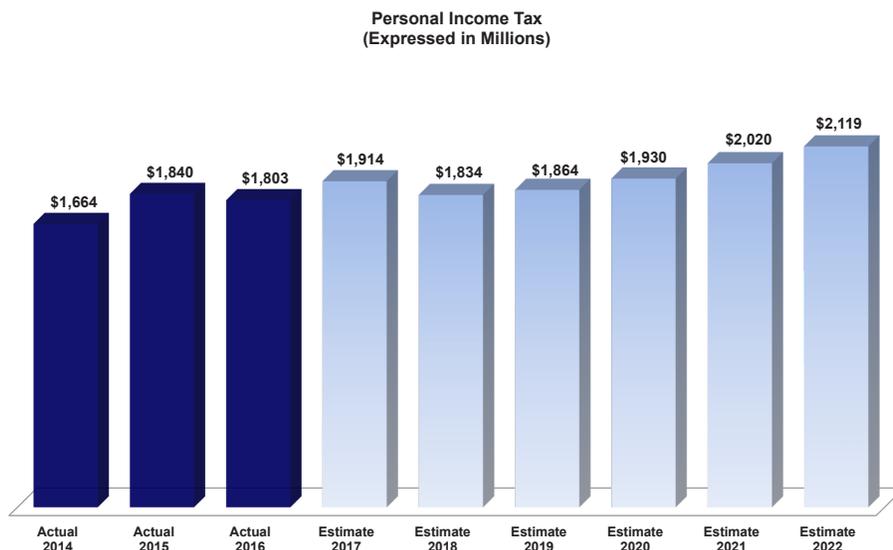
# Personal Income Tax

Personal Income Tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 70% of all Personal Income Tax receipts. After increasing at an average annual rate of nearly 1.0% between 2003 and 2008, the West Virginia economy shed payroll employment jobs at a rate of 2.2% during the Great Recession in 2009. Payroll employment then rebounded with an average annual growth rate of 0.9% between 2009 and 2012. Led by an average annual rate of decrease of nearly 6.6% in the construction, natural resources, and mining sectors, payroll employment has since decreased by an average annual rate of 0.4% between 2012 and 2016. The construction, natural resources, and mining sectors accounted for nearly all of the total employment decrease of roughly 11,400 between 2012 and 2016. According to the most recent forecasts from IHS Economics, payroll employment is expected to edge up by a meager 0.2% in 2017 and then continue rising by an average annual rate of 0.6% per year between 2017 and 2022. IHS Economics projects West Virginia personal income to increase by just 1.3% in 2016 and by 3.5% in 2017 and then to rise by slightly more than 4.1% annually between 2017 and 2022. Income from transfer payments such as social security is likely to grow faster than other income sources. Income from wages and salaries has been relatively flat since 2012. IHS Economics projects wage and salary income to grow by just 0.1% in 2016 following growth of just 0.5% in 2015. In addition to weak wage and salary growth, personal income associated with income from royalties and business profits decreased over the past two years largely due to the impact of lower coal demand and a significant drop in energy prices.

After decreasing by 4.5% in FY 2016, income tax collections are projected to rise by an average annual rate of just 0.5% between FY 2016 and FY 2018, and increase at an average annual rate of more than 4.6% during the FY 2018–FY 2022 forecast period. Tax collection growth is anticipated to gradually resume at a healthier pace due to improved wage and salary growth, higher energy prices, and employment increase. However, projected average annual growth is forecast to be less than the average 5.1% average growth rate experience in the prior decade between FY 2005 and FY 2015.

### Tax on West Virginia taxable income:

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



## General Revenue Fund

# Consumer Sales Tax and Use Tax

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

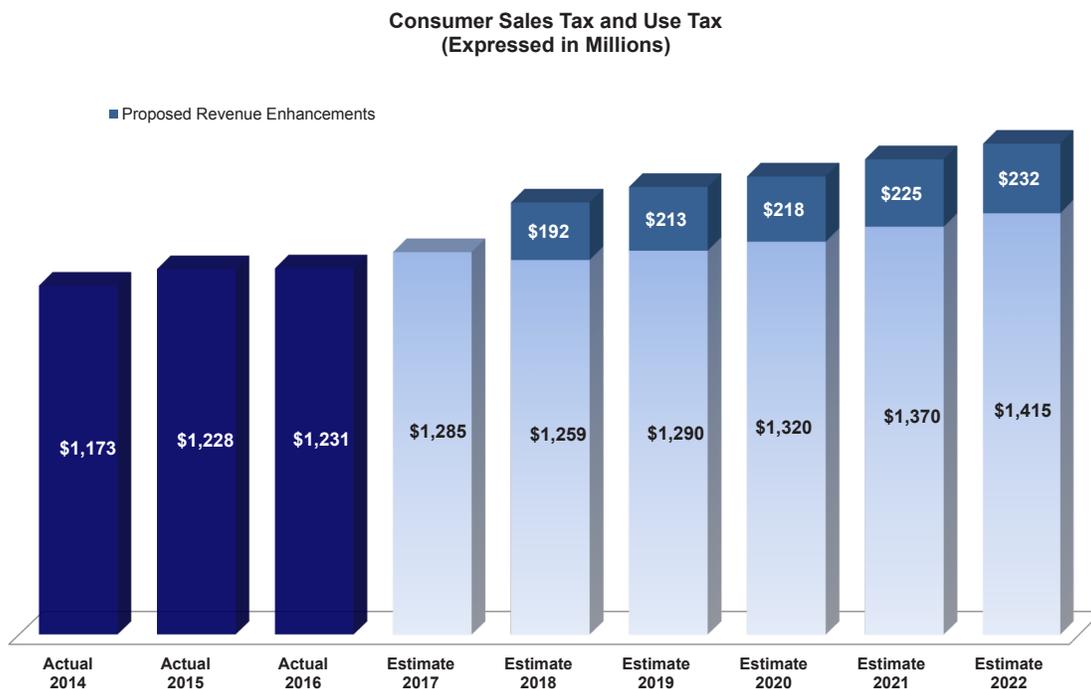
Fluctuations in retail sales are affected by several factors, including changes to population, consumer confidence and debt, inflation and interest rates, and disposable personal income. The West Virginia population has been in decline since 2012, falling more than 0.6% from 2012 to 2015. Disposable personal income growth fell 0.6% from 2014 to 2015 and lagged national growth by 1.7% in 2015 alone. IHS Economics forecasts West Virginia disposable personal income will grow by 4.7% per year on average from 2017 through 2023, an overall growth of more than 28% during this period. Continued economic uncertainty and sluggish consumer confidence could suppress some of this growth.

Consumer Sales Tax and Use Tax collections increased 4.7% in FY 2015 after a 1.7% decrease in FY 2014. Growth slowed in FY 2016 when collections increased a modest 0.2% over prior year. As of November 2016, revised FY 2017 collections are nearly 3.6% below original estimate for the year. The current forecast is largely based on uncertain economic conditions in the short term, with some recovery in consumer spending expected beginning in FY 2019. Absent any tax base broadening measures, collections are expected to grow at an average annual rate of 2.3% from FY 2017 through FY 2023.

Proposed revenue enhancements related to Consumer Sales Tax and Use Tax collections include increasing the state tax rate to 6.5%, removing current exemptions for professional services and advertising, and omitting the General Revenue Fund transfer to the Division of Highways. Such enhancements, if initiated, are expected to increase Consumer Sales Tax and Use Tax collections by \$192.0 million in FY 2018, \$213.0 million in FY 2019, and an average of nearly \$225.2 million per year from FY 2020 through FY 2022.

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.

- **6% Sales and Use Tax on most goods and services.**
- **Total Sales and Use Tax currently accounts for nearly 30% of total General Revenue Fund and roughly 32% with base broadening proposals.**



# General Revenue Fund Severance Tax

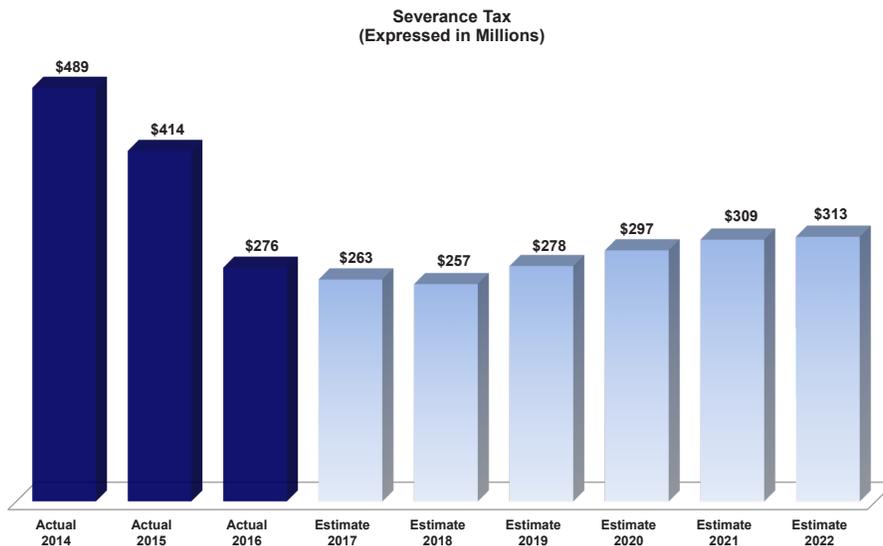
Severance Tax collections are attributable to coal production, natural gas production, and the production of various other natural resource products (5%). Other natural resources products include timber, oil, coal-bed methane, natural gas liquids, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2016, Severance Tax receipts were deposited in the State General Revenue Fund (80.4%), the State Infrastructure Fund (6.5%), and local government funds (13.1%). Under current law, the annual amount of debt service required up to a maximum of \$22.5 million is dedicated to the Infrastructure Fund.

Severance Tax collection growth depends upon changes in coal and natural gas production and their respective prices. Coal prices rose dramatically in the last decade due primarily to growing global demand and supply limitations in the world market. The average price per ton of West Virginia coal rose from slightly less than \$30 per ton in 2003 to roughly \$85 per ton in 2012. Severance Tax receipts grew by more than 250% between FY 2004 and FY 2012 in response to these higher prices. However, both a decline in coal sales and a decline in coal prices since the second half of 2012 contributed to a 52.5% reduction in coal severance tax receipts between FY 2012 and FY 2016. A weak global economy, the closure of a number of regional coal-fired power plants, and increased competition from natural gas will lead to an expected 10% to 12% additional decrease in coal production over the next five years. After rising by roughly 360% between 2010 and 2015, natural gas production is forecast to generally level out over the forecast period with average growth of just 2.1% per year between 2016 and 2022. Natural gas prices plunged from nearly \$4.00 per thousand cubic feet in mid CY 2014 to less than \$1.00 by the first half of 2016. As a result, natural gas severance tax collections fell by 61.1% between FY 2014 and FY 2016 and by more than 24% during the first five months of FY 2017. Overall severance tax collections were down by 7.7% through the first five months of FY 2017 in comparison with the prior year. Higher severance tax collections from oil and gas liquids helped offset the steep decline in natural gas severance tax receipts. In addition, the decline in coal severance tax receipts slowed to slightly more than 10% from the prior year with some production stabilization at period end.

Energy prices are anticipated to slowly rebound and energy markets will stabilize between FY 2017 and FY2021. However, revenue growth will generally average less than 5% per year. Significant headwinds for the coal industry will continue throughout the forecast period with both a difficult export environment partially attributable to a strong U.S. currency value and competition from natural gas in domestic markets.

Uncertain long-run energy prices and the potential impact of environmental regulations on coal production and electric power generation are risks to the forecast. Higher energy prices would lead to better collection results. Further federal restrictions upon carbon and nitrogen-oxide emissions would reduce 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 roughly 6% of total General Revenue Fund in FY 2017.**



# General Revenue Fund

## Corporation Net Income Tax

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

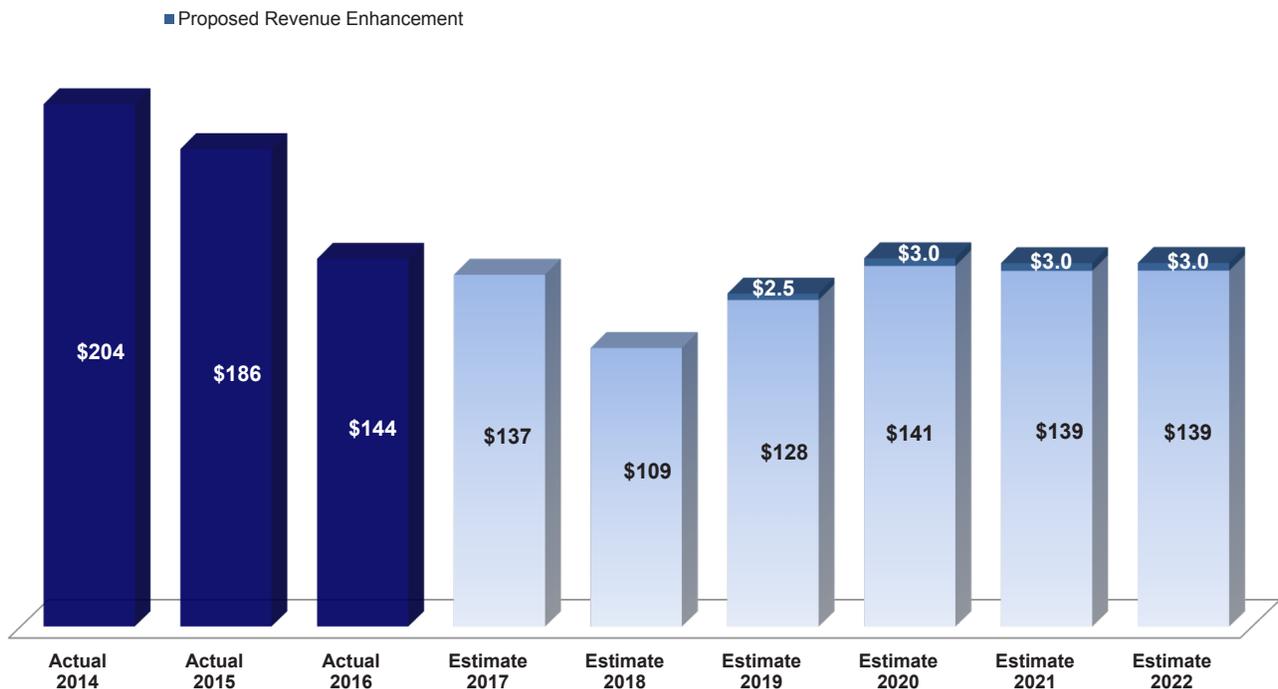
Domestic corporate profits fell 2.6% in 2015. Quarterly domestic corporate profits then fell at annualized rates of 6.6% and 6.2% during the first quarter of 2016 and second quarter of 2016, respectively. Third quarter 2016 domestic corporate profits rebounded slightly with an annualized growth rate of 0.9%. Allocated West Virginia corporate profits fell more significantly over the past couple of years due to a sharp downturn in both energy prices and goods exports. During the remainder of the forecast period, corporate profits are expected to increase at an average annual rate of slightly more than 2.0%. Remittances of the Corporation Net Income Tax may lag the associated economic period by up to 18 months.

Tax collections are expected to decrease by more than 25% between FY 2016 and FY 2018 primarily due to the impact of lower energy prices on corporate profits of both the mining sector and other sectors of the state's economy partially dependent on the mining sector. Collections are expected to rebound by an average annual rate of more than 6% during the final four years of the forecast in response to a gradual rebound in energy prices.

Collection patterns tend to be very volatile because the majority of Corporation Net Income Tax receipts are attributable to a small number of taxpayers. A change in the financial status of just a few taxpayers can have a dramatic impact upon tax collection trends. Most large taxpayers have multistate operations. The impact of potential future federal corporate tax reform policy is not incorporated in the current forecast.

- **Corporation Net Income Tax applies to C corporations. The tax base is the modified federal taxable income apportioned to West Virginia with a tax rate of 6.5%.**
- **Accounts for roughly 2% of total General Revenue Fund.**

**Corporation Net Income Tax and Business Franchise Tax  
(Expressed in Millions)**



General Revenue Fund

# Business and Occupation Tax

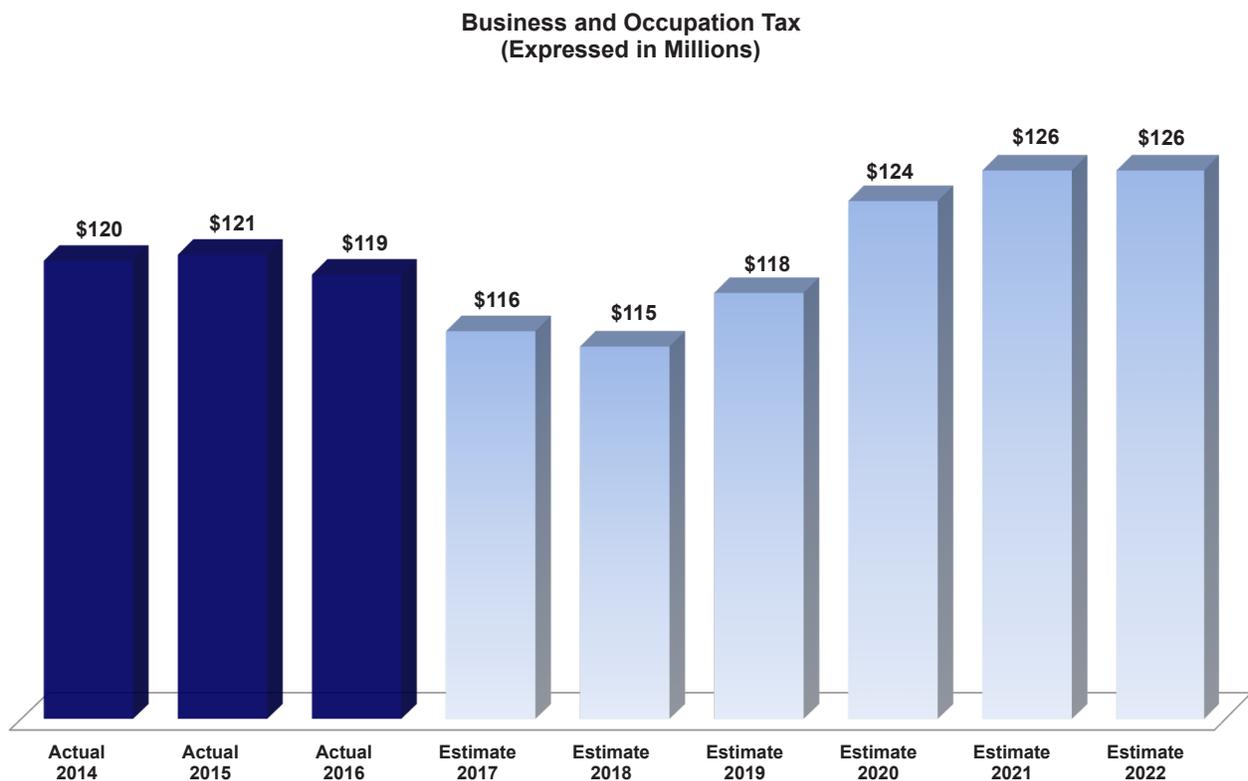
The Business and Occupation Tax (B&O Tax) consists of three distinct components: a capacity or unit-based tax on electric power generation and distribution, a gross receipts tax on nonelectric public utilities, and a per unit tax on gas storage operators.

For electric power producers, the general tax rate is \$22.78 per kilowatt of taxable capacity. Plants with flue gas desulfurization systems are subject to a lower tax rate of \$20.70 per kilowatt. The installation of flue gas desulfurization systems at existing power plants that were generally completed by the end of 2010 resulted in a shift of a large portion of the tax base to the lower tax rate. The shift to the lower tax rate along with an increase in investment tax credits due to capital investments for the installation of flue gas desulfurization systems 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 recently closed with the net reduction of roughly 15% in coal-fired generation capacity. Through the first five months of FY 2017, B&O Tax receipts were roughly 7% below prior year receipts with most of the decline associated with the removal of recently closed generation facilities from the tax base. The tax base is anticipated to grow slightly over the forecast period due to the gradual expiration of some pollution control related investment tax credits.

The tax on natural gas receipts applies only to public utility sales. Exempt non-utility sales represent more than 40% of all natural gas sales in West Virginia. In addition to the tax on public utilities, West Virginia imposes a tax on natural gas storage activities. Revenue from this source should remain fairly stable during the forecast period.

During the forecast period from FY 2016 to FY 2022, net B&O Tax collections are forecast to increase by an average annual rate of more than 0.9%.

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



*General Revenue Fund*

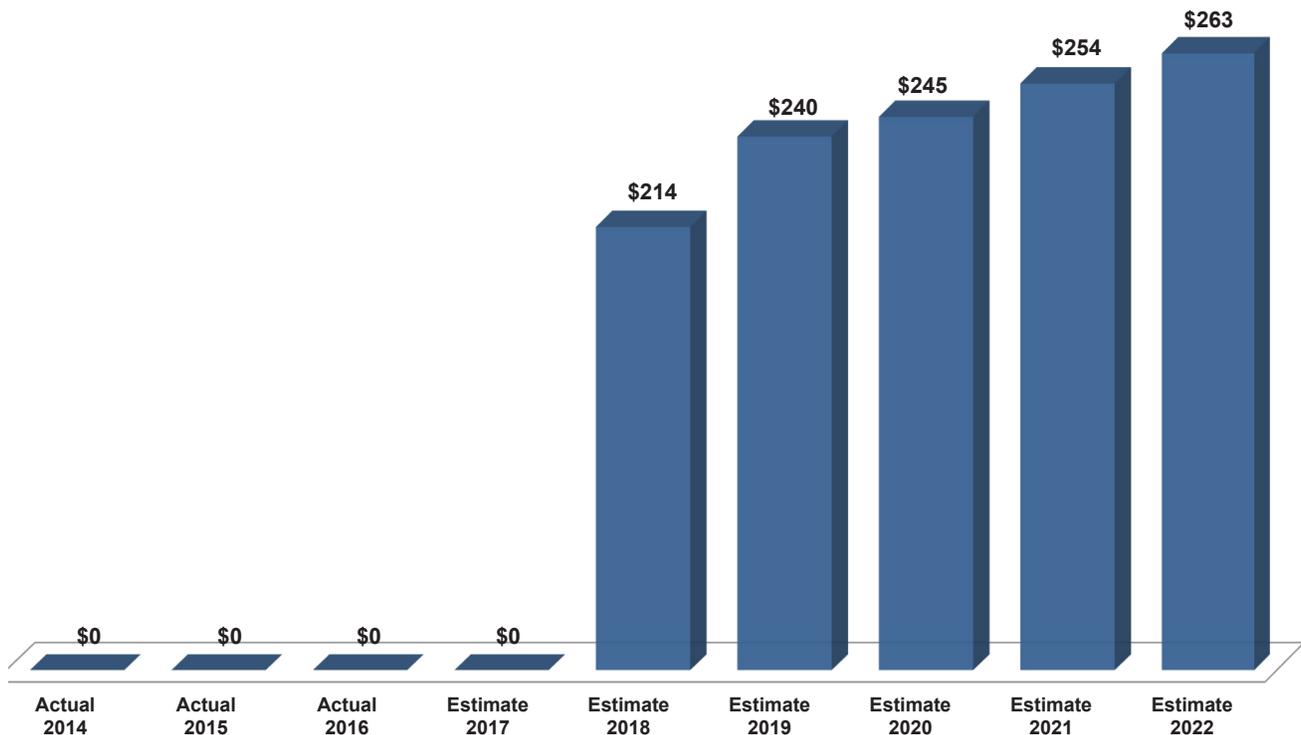
# Commercial Activity Tax

The proposed Commercial Activity Tax would place a 0.2% tax on the gross receipts of West Virginia business entities. The tax base would generally include all taxpayers that receive compensation for goods sold and services provided in the course of business, commerce, trade, and other eligible activities. Due to an overlap in this definition, gross receipts from some taxpayers, such as those taxpayers that already pay state Business and Occupation Taxes, Severance Taxes, and State Health Care Provider Taxes on gross receipts, would be allowed a credit against the Commercial Activity Tax of the amount paid in those other taxes.

The amount of revenue received for the Commercial Activity Tax will be affected by a number of economic variables, such as the level of monetary business transactions in the state and disposable income and confidence of consumers to purchase such goods and services. If placed in effect July 1, 2017, the West Virginia Commercial Activity Tax is expected to generate revenues of approximately \$214.3 million in FY 2018, \$239.5 million in FY 2019, and \$253.9 million per year on average from FY 2020 through FY 2022.

- **0.2% Commercial Activity Tax on gross receipts**
- **Could account for roughly 5% of total General Revenue Fund collections including other revenue-enhancing proposals**

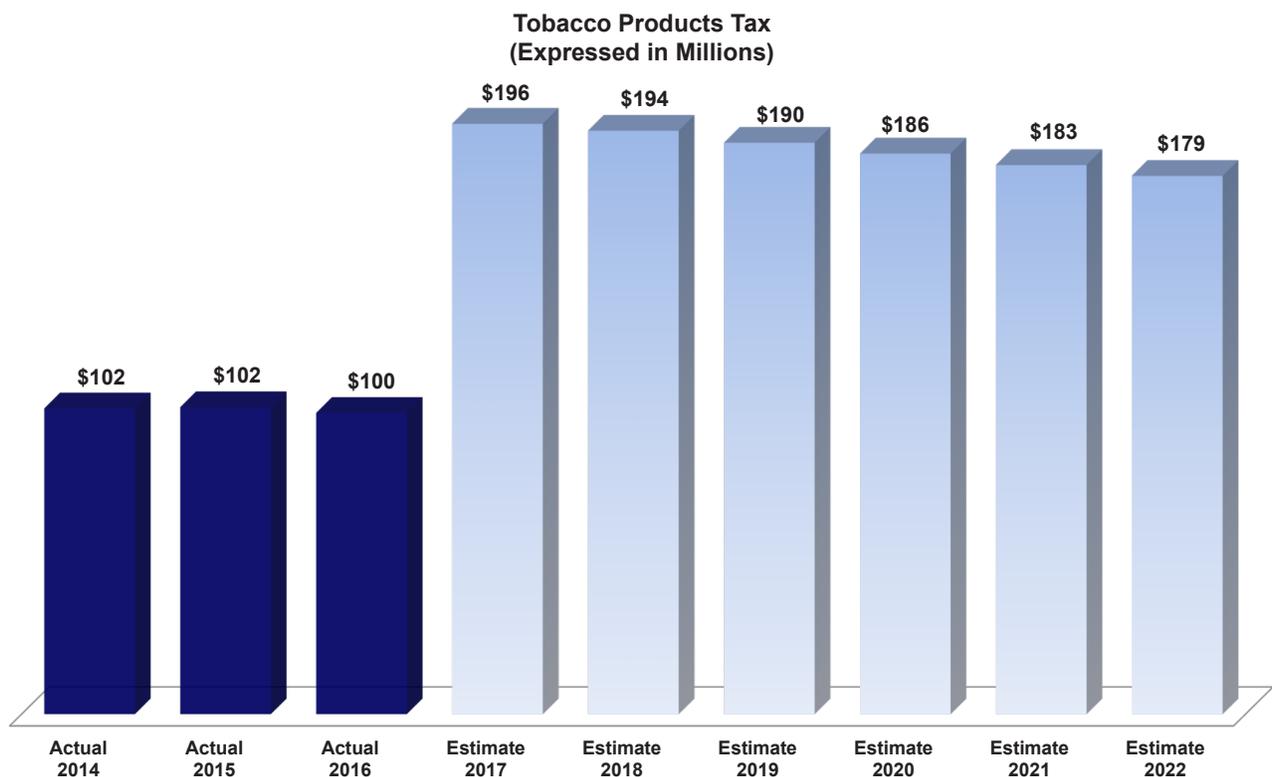
**Commercial Activity Tax (Proposed)**  
(Expressed in Millions)



*General Revenue Fund*  
**Tobacco Products Tax**

The Tobacco Products Tax consists of a unit excise tax per pack on cigarettes, a percentage tax on the wholesale price of other tobacco products, and a unit excise tax on e-cigarette liquid. An aging population and continuing efforts to discourage tobacco products consumption tend to create negative revenue growth for this tax over time. However, an increase in the cigarette and other tobacco products taxes and the creation of the tax on e-cigarette liquids during the 2016 Special Legislative Session have provided a temporary surge in Tobacco Product Tax collections beginning in FY 2017. FY 2016 collections decreased 1.8% over prior year after increasing a modest 0.4% in FY 2015. Estimated FY 2017 collections nearly doubled FY 2016 receipts. The collections forecast from FY 2017 through FY 2023 is expected to decrease at an average annual rate of nearly 1.8% to account for reduced consumption and shifts in consumer purchases.

- **Tax on cigarettes is currently \$1.20 per pack of 20.**
- **Tax on other tobacco products is currently 12% of the wholesale price.**
- **Tax on e-cigarette liquids is currently \$0.075 per milliliter.**
- **Accounts for roughly 4% of total General Revenue Fund.**



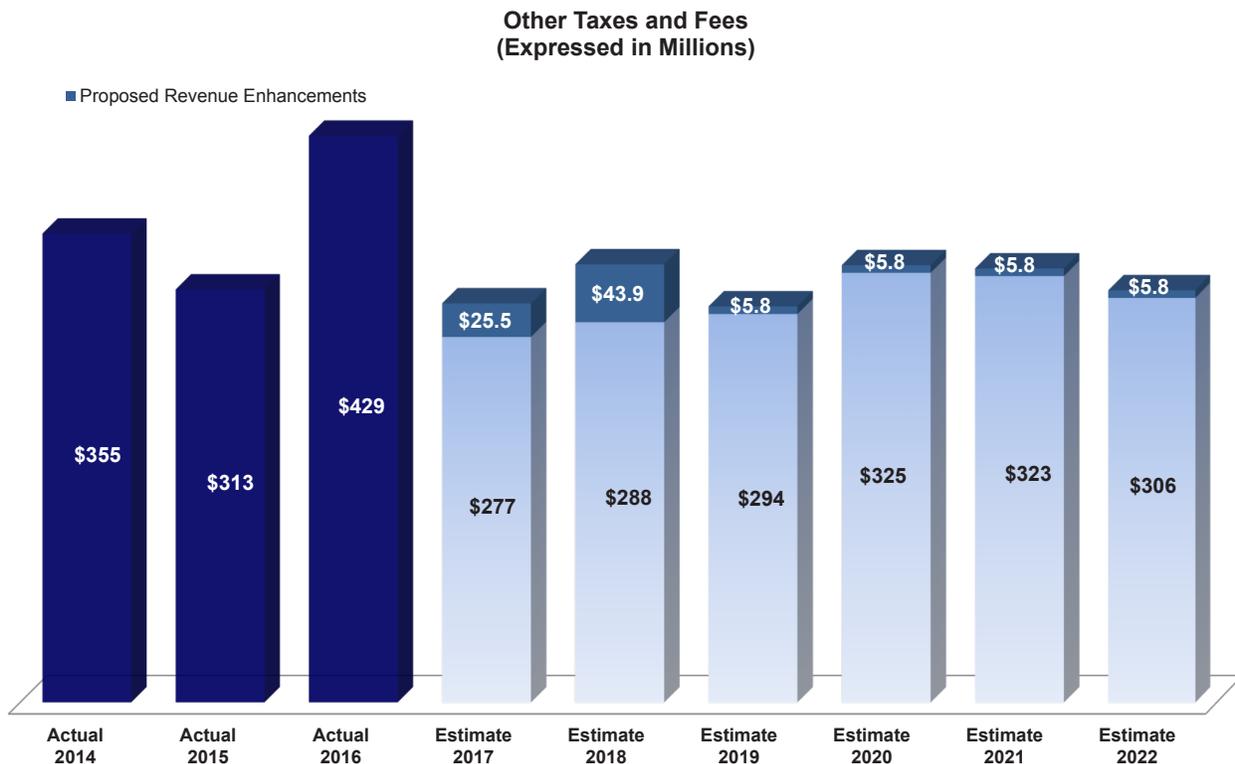
## General Revenue Fund

# Other Taxes and Fees

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

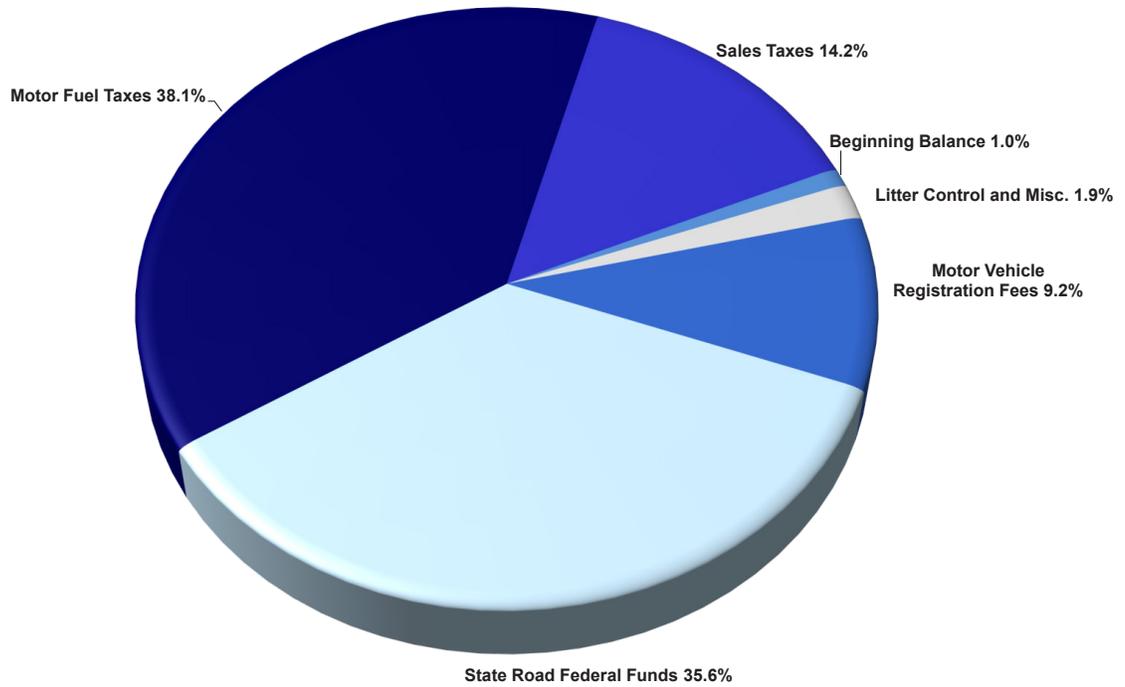
Estimated collections for these taxes and fees are \$287.7 million in FY 2018, \$293.9 million in FY 2019, and \$318 million per year on average from FY 2020 through FY 2022. Proposed changes to the current structure of these taxes, including raising the Beer Barrel Tax Rate to \$8 per barrel, raising the wholesale liquor mark-up to 32%, and redirecting Workers Compensation Debt Fund Revenue, would impact collections deposited in the General Revenue Fund. These changes are estimated to raise revenues by \$43.9 million in FY 2018 and \$5.8 million annually from FY 2019 through FY 2022.

• **Accounts for roughly 8% of total General Revenue Fund.**

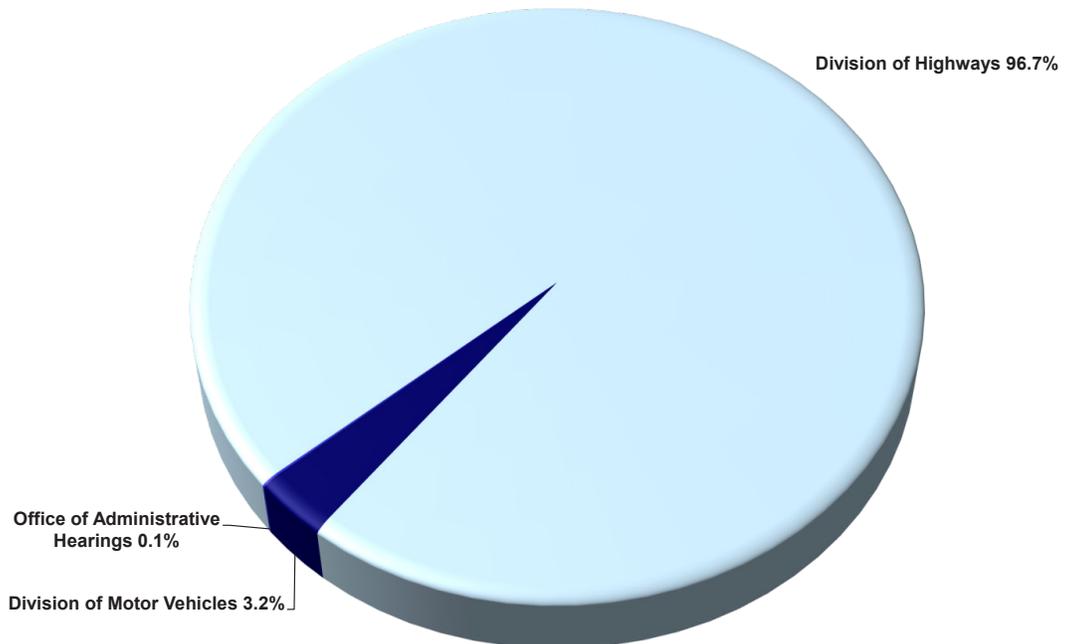


# State Road Fund

Sources of Revenue  
Fiscal Year 2018  
\$1.339 Billion  
(Estimated)



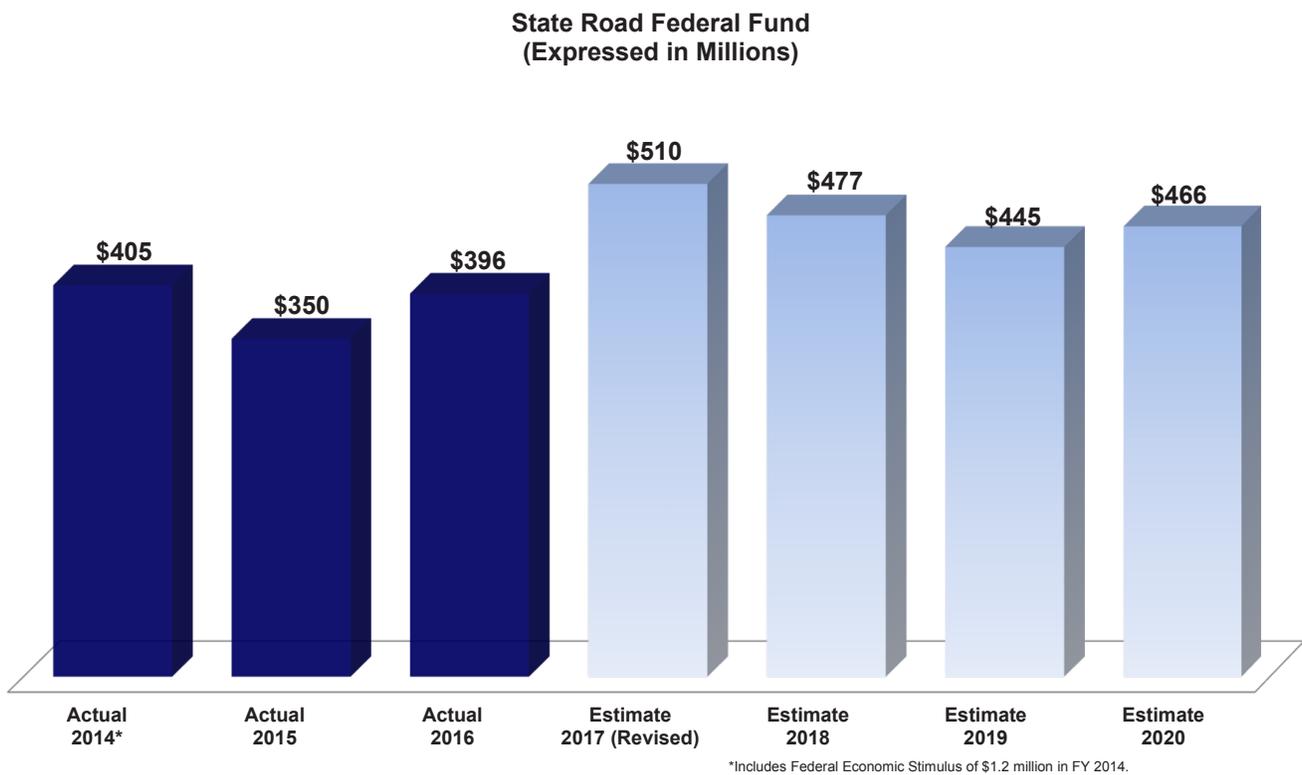
Recommended Expenditures  
Fiscal Year 2018  
\$1.339 Billion



*State Road Fund*

# 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 35.6% of the total State Road Fund.



# State Road Fund Motor Fuel Taxes

## Motor Fuel Excise Tax

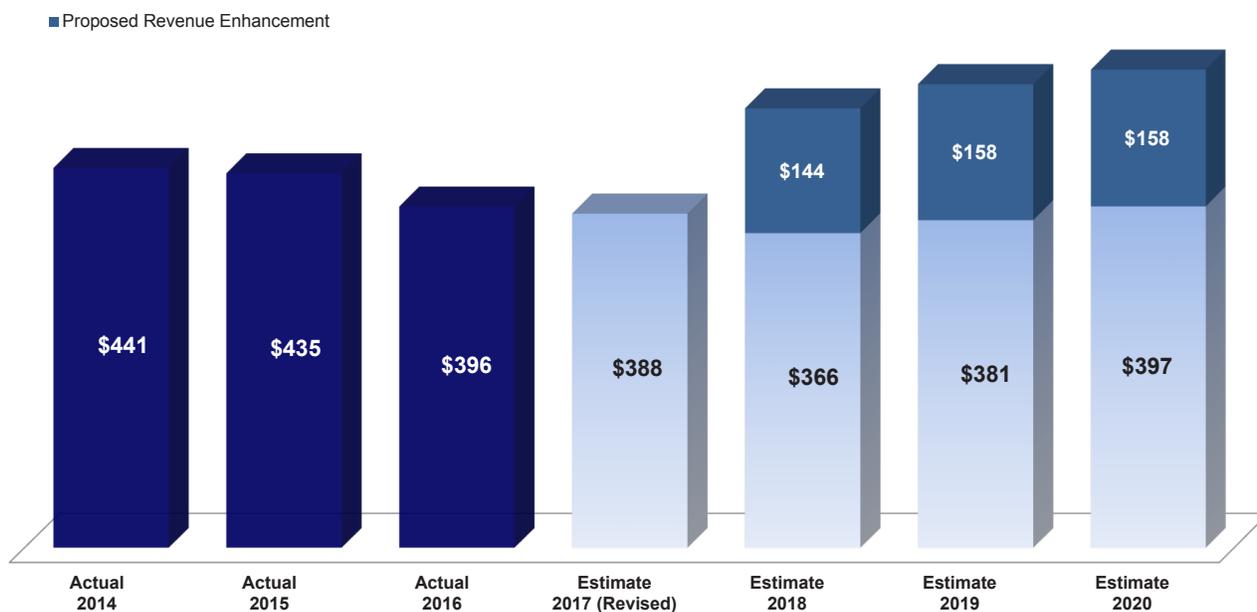
- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to 5% of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from a terminal in another state for delivery in this state.
- The average wholesale price shall not be less than \$2.34 per gallon, which generates a minimum tax rate of \$0.142 per gallon.
- By December 1st of each year, the tax commissioner must calculate the average wholesale price and variable rate from sales data from the previous July through October. Calculated rate is effective for the next calendar year. The calculated price and calculated rate may not deviate by more than 10% from the prior year.

## Motor Carrier Road Tax

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

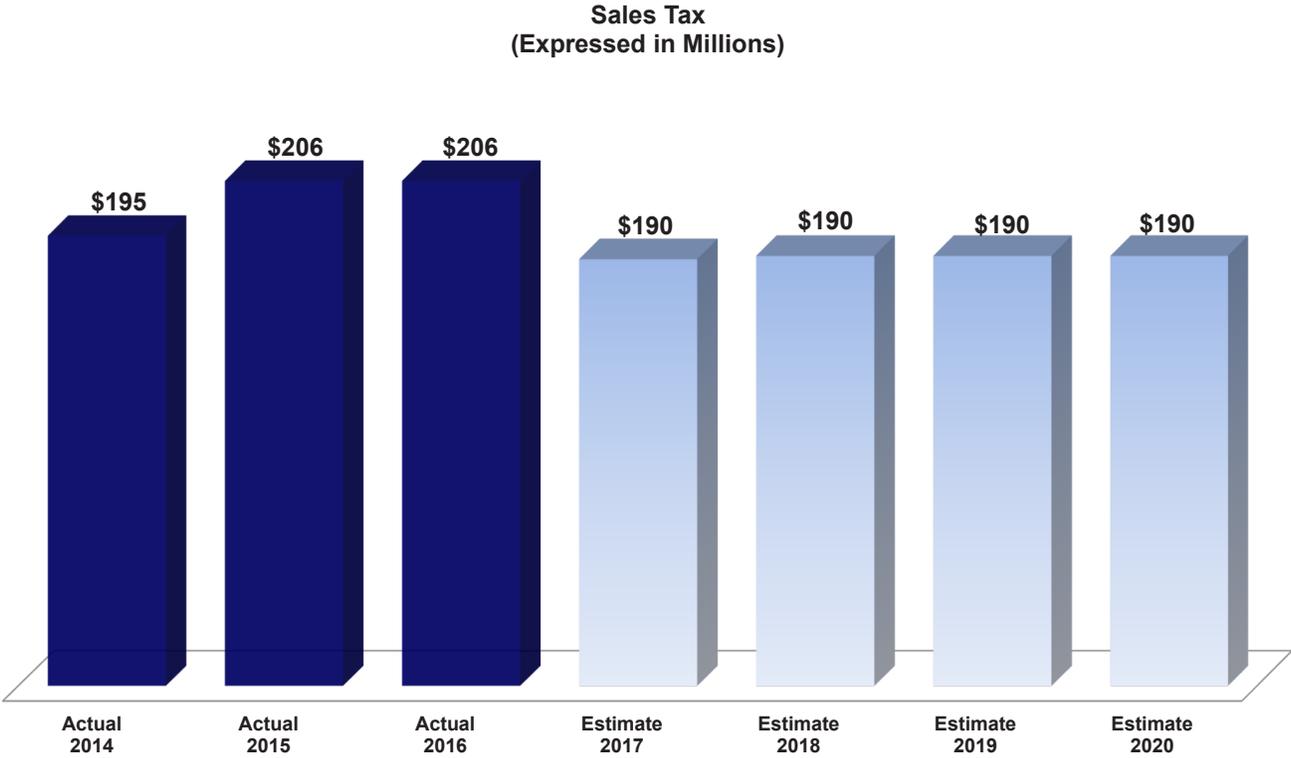
• **Accounts for 38.1% of the total State Road Fund with revenue enhancement proposals.**

**Motor Fuel Taxes  
(Expressed in Millions)**



State Road Fund  
**Sales Tax**

- The Sales Tax is imposed upon obtaining the Certificate of Title on a vehicle at the time of purchase or lease.
- Tax amounts to 5% of the value of the vehicle at the time of such certification.
- Accounts for 14.2% of the total State Road Fund.



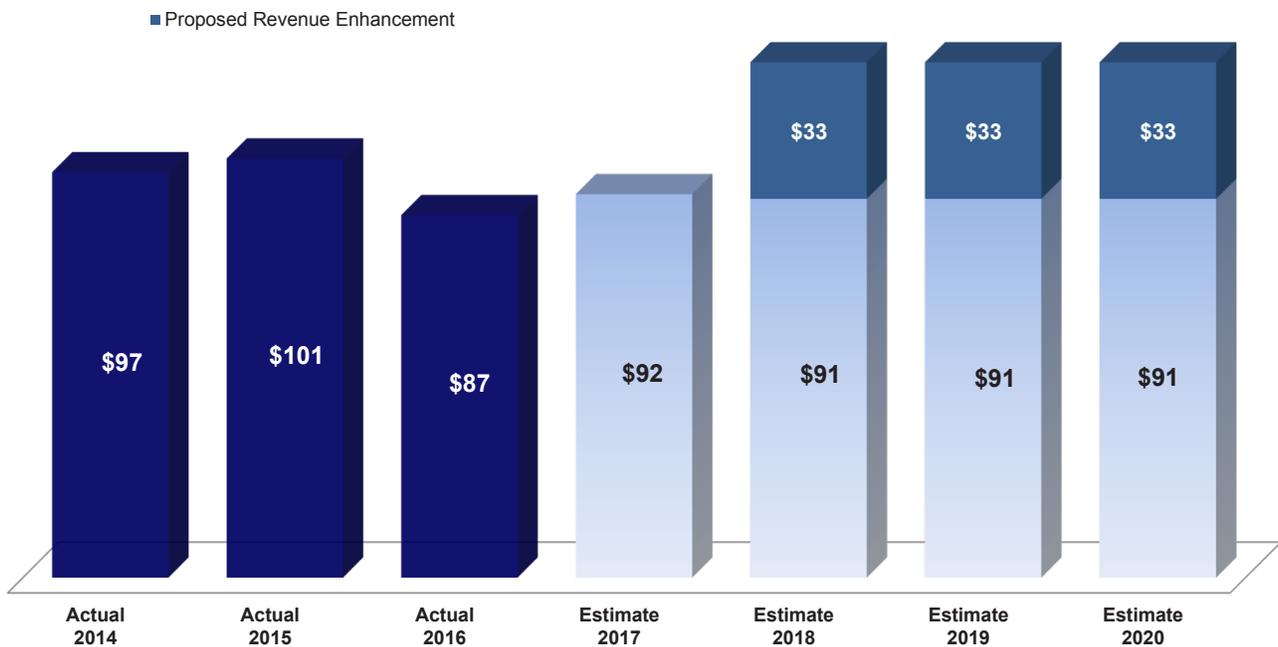
*State Road Fund*

# Motor Vehicle Registration Fees

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

- **Accounts for 9.2% of the total State Road Fund with revenue enhancement proposals.**

**Motor Vehicle Registration Fees  
(Expressed in Millions)**



# West Virginia Lottery

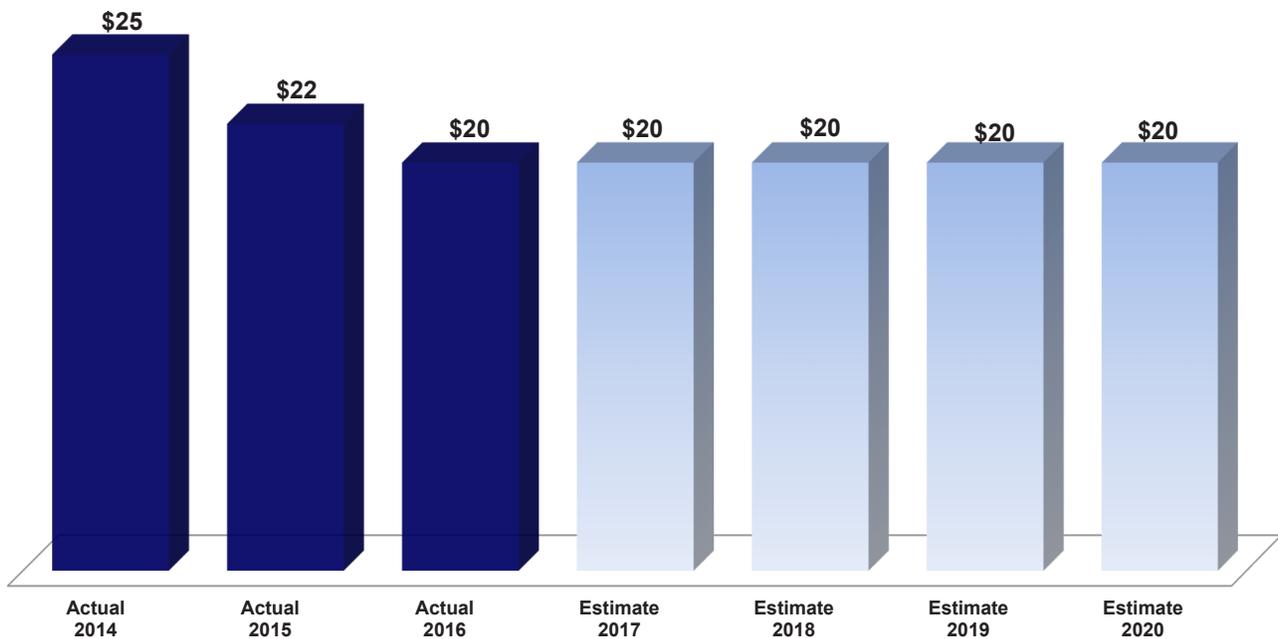
West Virginia Lottery gross revenue decreased 2.4% in FY 2016 and 4.1% in FY 2015. The decrease is primarily the result of increasing competition from casinos in surrounding states. Gross revenues include ticket sales of online and instant games, Racetrack Video Lottery, Limited Video Lottery revenue, table games, and Historic Resort Hotel revenues. Net revenues to the state decreased by 1.4% in response to declining gross revenues, however, due to the impact of House Bill 101 which was enacted in the first special session of 2014 and implemented in FY 2015, net revenues to the state increased by 2.0% in FY 2015 despite declines in gross revenue. Racetrack Video Lottery decreased by 5.6% during FY 2015 and by 3.6% during FY 2016. Limited Video Lottery decreased by 1.1% in FY 2015 and by 3.3% in FY 2016.

For FY 2017, the official estimate reflects a decrease in gross revenue of 11.7% from FY 2016. Racetrack Video Lottery is projected to decrease 15.9% due to increased competition in bordering states. Limited Video Lottery is projected to decrease 3.1%. Online sales are projected to decrease by 24.1%, and instant ticket sales are projected to decrease by 7.4%. Table games revenue is projected to decrease by 15.0% again due to competition in bordering states. Historic Resort Hotel revenue is projected to decrease by 13.3%.

In FY 2018, the gross revenue estimate is expected to remain relatively level. Online game sales are projected to remain level and instant game sales are projected to decrease by 3.2%. Racetrack Video Lottery revenue is projected to increase 1.8%. Limited Video Lottery revenue is expected to remain level, table games revenue is expected to decrease by 6.8%, and Historic Resort Hotel revenue is expected to remain level.

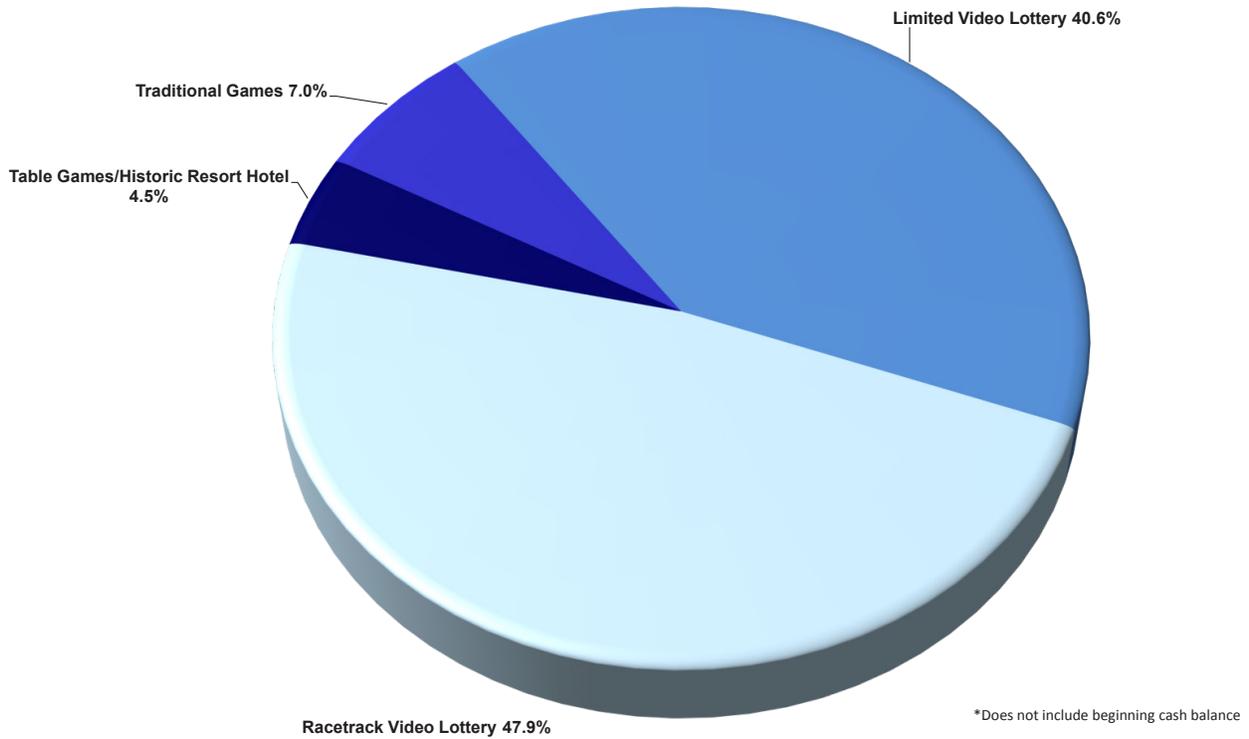
Net revenue, as indicated on the following pages, does not include the portion of lottery profits earmarked by statute for other purposes and not available for appropriation.

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

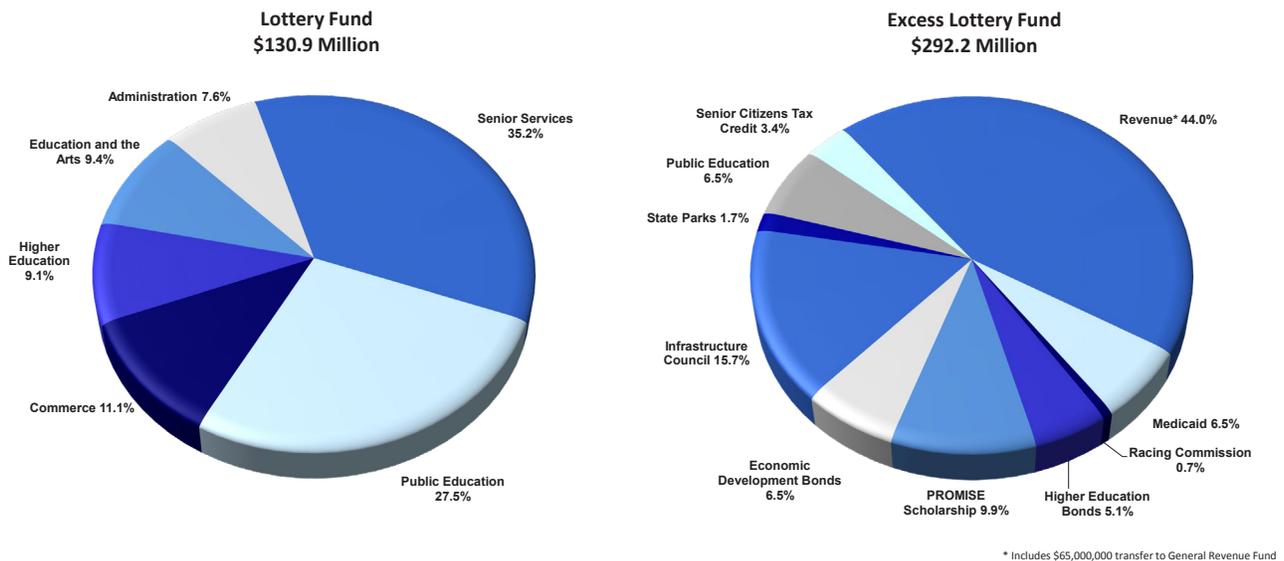


# West Virginia Lottery

Sources of Revenue  
Fiscal Year 2018  
\$423.5 Million\*  
(Estimated)

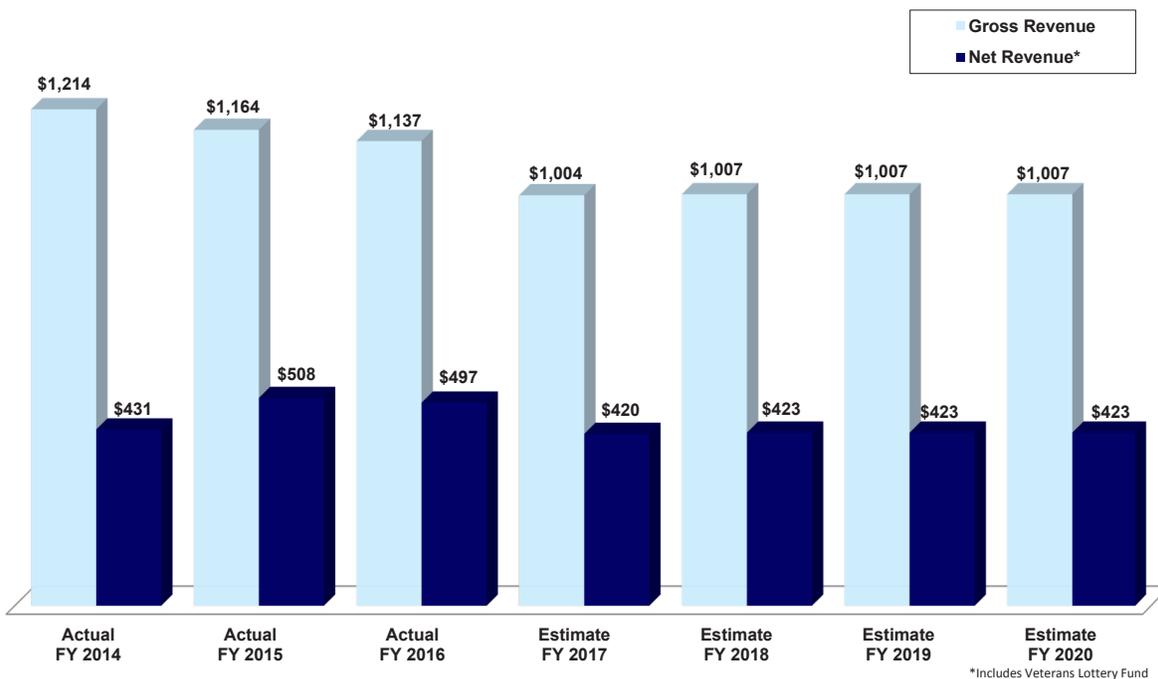


## Recommended Expenditures Fiscal Year 2018 \$423.1 Million

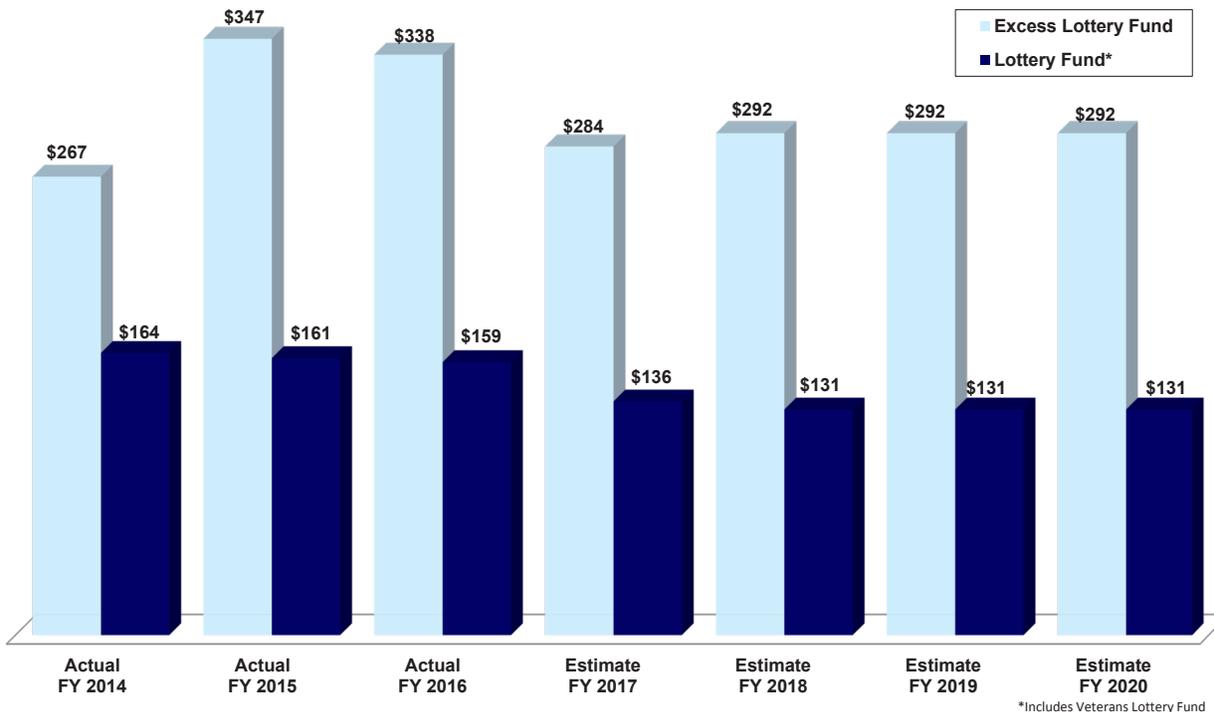


## West Virginia Lottery

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

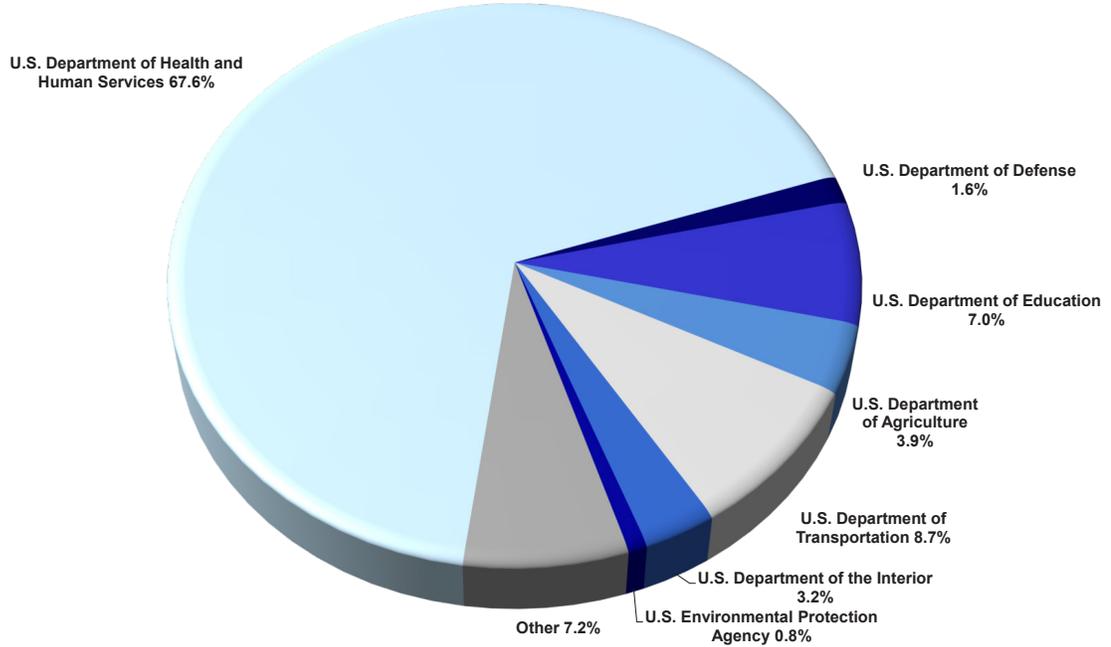


### West Virginia Lottery Net Revenue Distribution (Expressed in Millions)

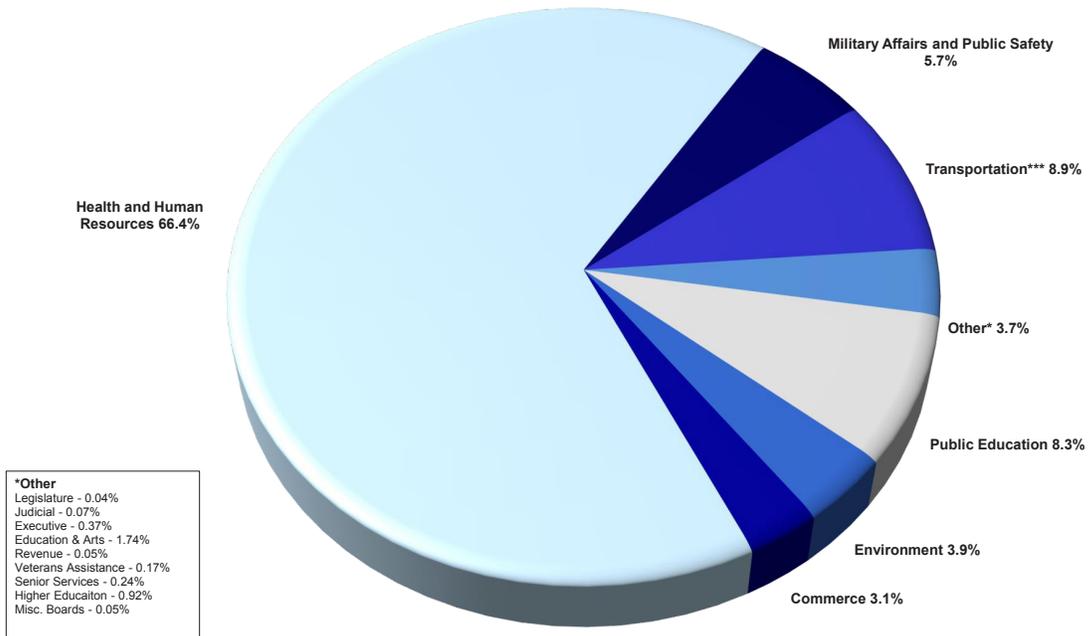


# Federal Funds

**Sources of Revenue**  
**Fiscal Year 2018**  
**\$6.212 Billion**  
**(Estimated)**



**Recommended Expenditures\*\***  
**Fiscal Year 2018**  
**\$5.964 Billion**



\*\*Expenditures include FY 2017 revenue and beginning balances.  
 \*\*\*Includes Federal Funds that are appropriated as part of the State Road Fund.

# Special Revenue Funds

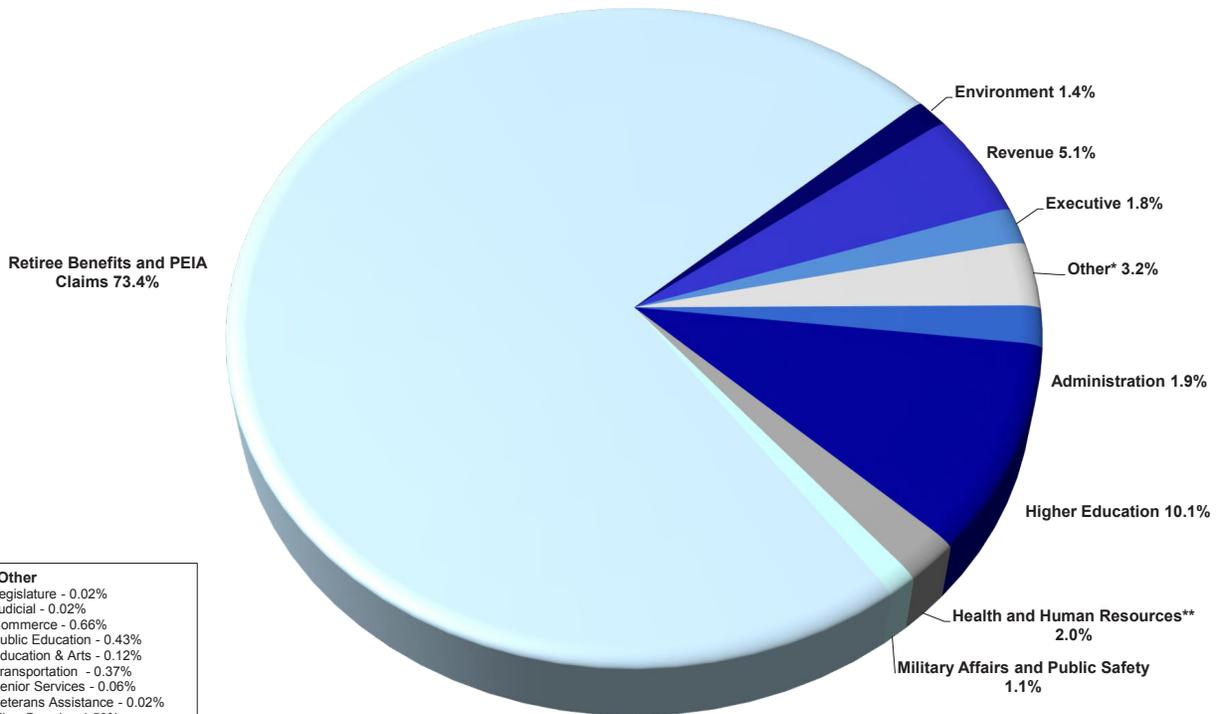
**Includes:**

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

**Does not include:**

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

**Recommended Expenditures  
Fiscal Year 2018  
\$21.745 Billion**



**\*Other**  
 Legislature - 0.02%  
 Judicial - 0.02%  
 Commerce - 0.66%  
 Public Education - 0.43%  
 Education & Arts - 0.12%  
 Transportation - 0.37%  
 Senior Services - 0.06%  
 Veterans Assistance - 0.02%  
 Misc. Boards - 1.53%

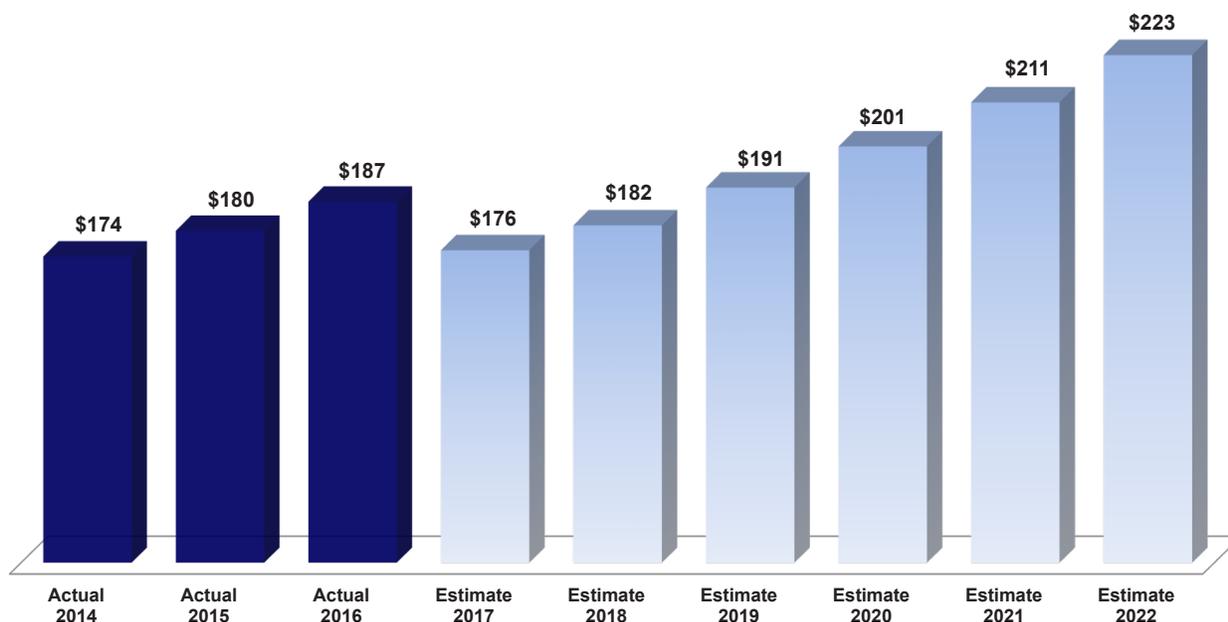
\*\*Includes Medicaid State Share Fund (Health Care Provider Tax)

# Medicaid State Share Fund

The Medicaid State Share Fund consists of provider taxes, paid by the various health care providers, to be utilized as matching funds for the Federal-State Medicaid Program. The provider taxes were initially enacted in 1993 as a funding mechanism to help supplement the State General Revenue Fund appropriation for the Medicaid Program. Current provider taxes apply to services of ambulatory surgical centers, independent laboratory and x-ray facilities, inpatient and outpatient hospitals, intermediate care facilities for mentally handicapped, and nursing homes. The estimates for FY 2017 through FY 2023 assume that current federal regulations will remain unchanged for the forecast period. It is anticipated that the federal government will maintain a funding level approximately equal to the FY 2015 federal share level of 76.8% of the base Medicaid Program in West Virginia. In addition, the estimates take into account that federal Affordable Care Act's expanded Medicaid Program, which the federal government fully funded from 2014 to 2016, will gradually phasedown federal share of support to 90% by 2020. In FY 2016, the Medicaid State Share Fund generated \$187.3 million, approximately 22% of the state matching funds for the Medicaid Program. FY 2017 estimates are anticipated to be approximately 6.2% less, accounting for the termination of the Behavioral Health Severance Tax on June 30, 2016 and the reduction of the tax on nursing homes to 5.5%. The state also imposes an additional temporary tax on acute care hospitals that provide inpatient or outpatient services with proceeds dedicated to the implementation of a hospital Medicaid upper payment limit program (this additional tax is scheduled to expire June 30, 2017). From FY 2018 through FY 2023, the Medicaid State Share Fund is expected to increase by an average annual rate of nearly 4.9%.

- **1.75% to 5.50% tax on gross receipts from various medical service providers in West Virginia.**
- **0.74% tax on gross receipts of acute care hospitals (expires June 30, 2017).**
- **Accounts for 19% of State match for Medicaid Program.**

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





# DEBT SUMMARY





# Debt Summary

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

## State Indebtedness

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

## Approval of State Bond Issues

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

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

## Ratings and Ratios

As of June 30, 2016, 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 6, 2016, Moody's released its "2016 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 of the states demonstrates that West Virginia is within a moderate range of these key indicators.

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

## Debt Summary

**Net Tax Supported Debt as a Percentage of Personal Income and Per Capita  
of Similarly Rated States (Rated Aa1 by Moody's Investors Service)  
(taken from Moody's Investors Service, 2016 State Debt Medians, May 2016)**

% of Personal Income		Per Capita	
North Dakota	0.3%	North Dakota	\$166
Montana	0.6%	Montana	\$247
Colorado	0.9%	Colorado	\$424
Idaho	1.2%	Idaho	\$455
New Hampshire	1.5%	Arkansas	\$628
Arkansas	1.7%	Michigan	\$719
Michigan	1.8%	New Hampshire	\$808
Alabama	2.3%	Alabama	\$849
Florida	2.5%	West Virginia	\$1,020
Ohio	2.6%	Florida	\$1,038
Alaska	2.7%	Ohio	\$1,091
West Virginia	2.8%	Alaska	\$1,422
Minnesota	3.2%	Minnesota	\$1,527
Oregon	4.6%	Oregon	\$1,907
New York	5.4%	Washington	\$2,791
Washington	5.7%	New York	\$3,021
Massachusetts	9.5%	Massachusetts	\$5,592

### Debt Limits

#### Short-Term Debt

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

#### Long-Term Debt

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

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

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

#### Debt Policy

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

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

## Debt Summary

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

<b>Issuing Authority</b>	<b>Debt Limit (Cap)</b>
Governor	Per constitutional amendment
Armory Board	Per available revenues
Community Infrastructure Authority	Per available revenues
Division of Natural Resources, Director	Per available revenues
Economic Development Authority	N/A
Economic Development Authority Grant Committee	Per authorized projects
Education, Board of	Per available revenues
Governing Board of Higher Education	Per available revenues
Hatfield-McCoy Regional Recreation Authority	Per available revenues
Higher Education Policy Commission	Various—Per available revenues
Highway Commissioner	Per available revenues
Hospital Finance Authority	N/A
Housing Development Fund	N/A
Independent Higher Education Loan Bond Program	\$30 million
Infrastructure and Jobs Development Council	Per available revenues
Outdoor Heritage Conservation Board	Per available revenues
Parkway Authority	\$200 million
Public Energy Authority	N/A
Public Port Authority	Per available revenues
Rail Authority	Per available revenues
Regional Jail and Correctional Facilities Authority	Various—per project and available revenues
Solid Waste Management Board	\$100 million
School Building Authority	Per appropriation and available revenues
Tobacco Settlement Finance Authority	Per available revenues
Water Development Authority	Per available revenues

## Debt Summary

# General Obligation Bonds

General obligation bonds pledging the full faith and credit of the state may be authorized only by constitutional amendment. Each amendment must be approved by two-thirds of both houses of the Legislature before submission to the voters. Enabling legislation is then required for amendments receiving voter approval. As of June 30, 2016, \$354,732,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

### General Obligation Bonds Outstanding June 30, 2016

<b>Amendment</b>	<b>Principal Outstanding June 30, 2016 (in thousands)</b>	<b>Payable From</b>
Infrastructure Improvement Amendment of 1994	(net) \$188,347	First \$22.5 million of Severance Tax
Safe Roads Amendment of 1996	(net) \$166,385	Road Fund

### **Issued General Obligation Bonds**

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

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

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

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

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

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

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

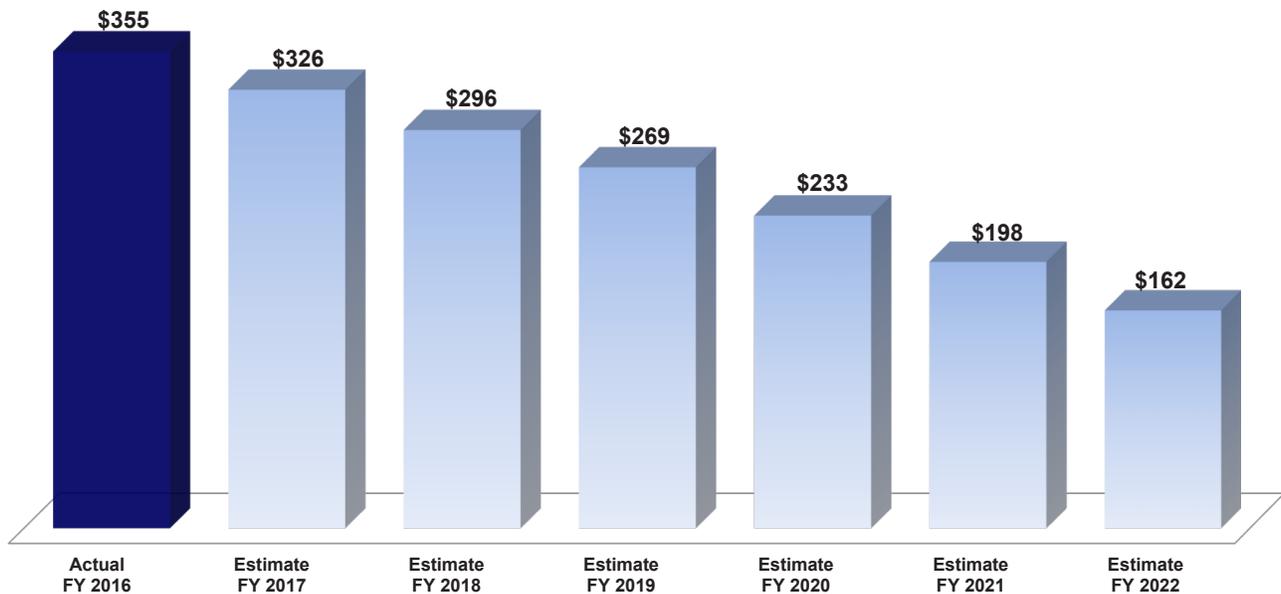
General obligation bonds were authorized to be issued in an amount not to exceed \$500 million, with \$230 million for bridge replacement and improvement, \$130 million for completion of the Appalachian Highway System, \$50 million for upgrading sections of trunkline and feeder systems, \$50 million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

## Debt Summary General Obligation Bonds

### 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, 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.

**General Obligation Debt Outstanding  
Fiscal Year 2016-2022  
(Expressed in Millions)**



## *Debt Summary*

### *General Obligation Bonds*

#### **1996 Safe Roads Amendment**

The 1996 amendment authorized \$550 million in general obligation bonds to match available federal funds for highway construction and general highway construction or for improvements in each of the 55 counties. The legislation authorizing the amendment specified the bonds to be sold over a five-year period in increments of \$110 million each. The bonds are payable from the State Road Fund. Enabling legislation was passed during the 1997 legislative session. Two hundred and twenty million dollars in Road Bonds were issued in July 1998, and another \$110 million 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 \$4 million. The state once again took advantage of favorable interest rates and issued more than \$133 million of refunding bonds in April 2015. The most recent refunding provided the state with a net present value savings of more than 13.9% of the refunded bonds. At June 30, 2016, \$166,385,000 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 \$4 million to pay a bonus to veterans who served in conflicts in the Persian Gulf, Lebanon, Grenada, and Panama. However, General Revenue Funds were appropriated to pay the bonuses in lieu of the issuance of the bonds.

##### **2004 Veterans Bonus Amendment**

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

*Debt Summary*  
**General Obligation Debt**  
**Outstanding at June 30, 2016**  
 (Expressed in Thousands)

	<b>Final Maturity Date</b>	<b>Interest Rate(s) %</b>	<b>06/30/16 Balance*</b>
<b>Road Bonds</b>			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment	2025	4.00 - 5.00	166,385
<b>Infrastructure Bonds</b>			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	2.00 - 7.625	188,347
<b>TOTAL</b>			<b>\$354,732</b>

### Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2016, were as follows (expressed in thousands):

	<b>Principal</b>	<b>Interest</b>	<b>Amount to be accrued</b>	<b>Total</b>
<b>Year Ending June 30</b>				
2017	31,935	13,188	125	45,248
2018	32,550	11,960	490	45,000
2019	33,504	10,656	836	44,996
2020	34,351	9,373	1,419	45,143
2021	35,248	8,077	1,807	45,132
2022-2026	169,305	19,090	14,905	203,300
2027-2031	17,839	307	4,056	22,202
<b>TOTAL</b>	<b>\$354,732</b>	<b>\$72,651</b>	<b>\$23,638</b>	<b>\$451,021</b>

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

## Debt Summary

# Revenue Bonds

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

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

Approximately \$1.8 billion in revenue bonds were outstanding at June 30, 2015. 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, 2016, the principal outstanding on the bonds totaled approximately \$854 million.

### **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. Alternatively, the council may make a determination that the project or infrastructure project is not eligible for funding assistance from any state infrastructure agency or that the infrastructure project is not otherwise an appropriate or prudent investment of state funds, and then make a recommendation that the project sponsor not seek funding from any state infrastructure agency. The primary source of repayment for the revenue bonds is the receipt of repayments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation bond proceeds. At June 30, 2016, \$178 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, 2016, \$144 million were outstanding.

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, 2016, approximately \$139 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 \$109 million as of June 30, 2016. No "new money" bonds may be issued utilizing General Revenue appropriations for repayment.

## *Debt Summary* *Revenue Bonds*

### **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 matured in FY 2015. Additional lottery revenue bonds were issued in May 2012, April 2013, May 2014, and February 2016. These bonds were issued at historically low true interest costs of 2.78%, 2.70%, 2.81%, and 2.58%, respectively. The proceeds of all issues were used to fund capital improvement projects at various primary and secondary schools throughout West Virginia. The principal outstanding on all Lottery Bonds of the School Building Authority was \$92 million at June 30, 2016.

The School Building Authority has also issued more than \$190 million in revenue bonds that are backed by certain funds from the Excess Lottery Revenue Fund. The principal outstanding on these bonds totaled approximately \$94 million (net) as of June 30, 2016.

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 \$92 million (net of debt service sinking funds).

*Debt Summary*  
**Revenue Bonds**  
**Outstanding at June 30, 2016**  
(Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2002 & 2007	2022	3.82 - 4.37	109,075
School Building Authority (Lottery)	2004, 2012, 2013 & 2014	2028	3.00 - 5.25	92,025
School Building Authority (Excess Lottery)	2008 & 2010	2030	2.00 - 5.25	162,420
School Building Authority QSCBs (Excess Lottery)	2009 & 2010	2027	0	150,480
Tobacco Settlement Finance Authority*	2007	2047	7.467 - 8.5	853,707
WV Infrastructure and Jobs Development Council	2006, 2007, 2012 & 2014	2046	2.00 - 5.00	178,340
Education, Arts, Sciences, and Tourism Fund (Lottery)	2010	2040	2.00 - 5.00	139,230
Economic Development Authority (Excess Lottery)	2004	2026	4.40 - 6.07	144,065
Subtotal				1,829,342
Less:				
School Building Authority Debt Service Reserve Fund				(23,021)
School Building Authority (Excess Lottery)				(63,220)
Debt Service Sinking Fund - QSCBs (Excess Lottery)				(58,463)
Economic Development Authority Debt Service Reserve Fund (Excess Lottery)				(25,192)
Net revenue bonds outstanding				\$1,659,446

**Summary of Debt Service Requirements**

Future amounts required to pay principal and interest on revenue bonds at June 30, 2016, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	Principal	Interest	Amount to be accrued	Total
2017	76,045	93,152	11,995	181,192
2018	71,285	88,765	13,036	173,086
2019	76,175	84,617	14,167	174,959
2020	86,390	80,092	15,397	181,879
2021	92,205	75,065	16,734	184,004
2022-20265	524,805	293,640	108,146	926,591
2027-2031	573,865	139,746	163,968	877,579
2032-2036	127,240	27,277	149,684	304,201
2037-2041	193,577	8,225	31,748	233,550
2042-2046	7,755	799	0	8,554
2047-2051	0	0	0	0
	\$1,829,342	\$891,378	\$524,875	\$3,245,595

*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 10 years were leased for eight years, it would meet this criterion.
- \* The present value of the future minimum lease payments at the beginning of the lease equals or exceeds 90% of the fair value of the asset.

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

The outstanding balance of primary government capital leases was \$272 million at June 30, 2015.



# ECONOMIC FORECAST





# WEST VIRGINIA ECONOMIC FORECAST

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

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# 2017 West Virginia Economic Forecast

## EXECUTIVE SUMMARY

West Virginia's economy has struggled dramatically over the past year, primarily driven by the state's energy sector, where continued losses in coal jobs have been coupled with a longer-than-expected slowdown in natural gas. Indeed, West Virginia as a whole fell into recession in 2015 and six counties have suffered "Great Depression" magnitude employment losses over the past few years. In this report we present a detailed discussion of the current state of the West Virginia economy along with our forecast for the likely path of economic activity over the next five years. Overall, this report provides a broad and detailed foundation to help you understand the long-run economic challenges and opportunities facing West Virginia.

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

- After consistent and healthy job growth between 2010 and early-2012, the state has seen employment decline for much of the last four years, with a cumulative loss of around 17,000 jobs.
- A significant portion of the state's job losses can be traced to the downturn in the coal industry, although weak levels of construction activity and weakness in natural gas employment over the last year have contributed. Over this period, job gains have been recorded in several of the state's largest service-providing industries, but these gains fail to offset the losses in coal.
- The state's unemployment rate has been volatile over recent years. Currently West Virginia's jobless rate is higher than around 45 other states.
- Only 53% of West Virginia's adult population is either working or looking for work. This is the lowest rate of labor force participation among all 50 states. This problem represents a significant hurdle for long-run economic prosperity.
- Per capita personal income in West Virginia grew in 2015. However, growth has failed to match that at the national level for each of the past four years. Overall, per capita personal income in West Virginia stands at 77% of the national average.
- West Virginia's real GDP fell in 2015. Real GDP growth in the state has fallen short of national GDP growth for each of the past four years. Overall, the value of economic output in West Virginia (inflation adjusted) is roughly equal to its 2011 level.

FIGURE ES.1: West Virginia and US Forecast Summary

	West Virginia		United States	
	2005-2015	2016-2021	2005-2015	2016-2021
Population (average annual growth, %)	0.1	-0.1	0.8	0.8
Employment (average annual growth, %)	0.0	0.6	0.6	1.0
Real GDP (average annual growth, %)	0.9	1.5	1.4	2.4
Unemployment Rate (annual average at end of time period, %)	6.7	5.7	5.3	5.0
Real Per Capita Personal Income (average annual growth, %)	1.7	2.0	1.2	2.0

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

- Export activity from West Virginia has been quite volatile over the past decade. Promoting the state's export potential is of vital importance to economic development in West Virginia in the long run.

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

- By the end of 2016, we expect that coal output will have fallen by around 55% since 2008, with the losses occurring in the state's southern coalfields.
- Natural gas output stabilized over the past year after tremendous growth for four years. Output is expected to again rise at a healthy pace in coming years.
- Total GDP from natural gas is expected to equal that of coal in the near future. GDP from natural gas was equivalent to around one-tenth of that of coal less than a decade ago.

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

- Employment in West Virginia is estimated to increase 0.6% per year on average through 2021, compared to an expectation of 1.0% for the nation as a whole.
- Our baseline forecast calls for job losses in coal to subside within the near term; however, the outlook is subject to considerable downside risk depending on the environmental regulatory climate and conditions in the global coal market.

## 2017 West Virginia Economic Forecast Executive Summary

- Low prices and regional infrastructure bottlenecks that have weighed on the natural gas industry will subside over the next year or so. We anticipate conditions will improve considerably in 2017/2018 thanks to new pipeline capacity and ever-growing natural gas use in baseload electricity generation. Overall, production and employment are expected to increase at average annual rates of around 9% and 4% to 5%, respectively, through 2021.
- Construction is expected to add jobs at the fastest rate going forward, but the service-providing segment will tend to pace the state's overall performance during the next five years, led by professional and business services, leisure and hospitality, and health care.
- The state's unemployment rate is expected to remain around 6% throughout the outlook period.
- Per capita personal income is expected to grow at an annual average rate of 2% over the next five years, equal to the national rate. Growth will be driven largely by non-wage income, such as Social Security benefits. Out-migration of young high school and college graduates, who have not previously been earning income, also affects the per capita income figure.

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

- West Virginia's population has declined by around 12,000 over the past three years, and we project the state to lose more than 20,000 residents over the next two decades.
- A positive shock to encourage in-migration is essential to lessen the severity of natural population decline.
- The state's population is significantly older than the nation as a whole, and will continue to age in coming years.
- The state's population is relatively unhealthy and ranks at or near the bottom among the 50 states along many basic health outcome measures.
- Economic development strategies should focus on ways to improve health, drug abuse, and education outcomes in the state to make West Virginia's workforce more attractive to potential businesses.

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

- While the state overall is expected to lose population in coming years, 19 counties are expected to remain stable or add residents. Population gains will be heavily concentrated in North-Central West Virginia and the Eastern Panhandle.
- Eight counties are expected to lose jobs in coming years and expected growth rates among the remaining counties vary widely. The highest rates of job growth tend to be in the northern half of the state.
- Policymakers should be keenly aware of significant economic differences across West Virginia and ensure that economic development strategies consider each region's specific strengths and weaknesses.

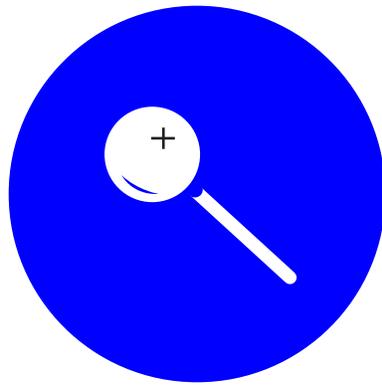
The economic recovery since the Great Recession nationally has been the most lethargic, by most measures, of any US economic recovery in the post-World War II era. Overall, we expect this slow but steady growth to continue for the coming years:

- US real GDP growth is expected to come in below the 30-year average of 2.7% over the coming five years.
- Employment growth nationally has been consistently stronger over the past three years, compared to during the early years of the recovery. Overall the US has added around 220,000 jobs during the typical month over the past three years, representing a significant improvement over growth observed through most of 2009 through 2013. However, total employment remains slightly below the economy's full-employment level when considering the decline in labor force participation that occurred during the recession.
- The US unemployment rate has settled around its long-run rate of around 5% and is expected to remain stable over the forecast period.
- Threats to our generally positive outlook for the US economy should be considered. These include the following: weaker economic outcomes in the economies of major US trading partners — particularly China and Europe — could threaten exports and global economic stability; the question of long-run sustainability of the US federal budget; and the coming rise in interest rates.

The complete West Virginia Economic Outlook 2017 is online at <http://www.be.wvu.edu/bber/index.htm>.



# APPENDICES





# Glossary

## A

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

**Activity** - (See “Appropriation.”)

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

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

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

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

## B

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

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

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

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

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

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

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

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

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

## C

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

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

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

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

## Appendix A/Glossary

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

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

### D

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

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

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

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

### E

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

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

**Enterprise Funds** - These funds are used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis, or where the State has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Examples include the West Virginia Lottery, Board of Risk and Insurance Management, Public Employees’ Insurance Agency, and the West Virginia Prepaid College Plan.

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

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

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

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

### F

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

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

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

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

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

## Appendix A/Glossary

**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.

## Appendix A/Glossary

**Objectives** - Detailed, quantifiable, time-specific statements of activities that are related to achieving the goals. They are targets for specific agency or program actions.

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

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

## P

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

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

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

**Proprietary Funds** - These funds account for the operations of state agencies that provide goods and/or services to the general public or state agencies and governmental units. (See “Enterprise Funds” and “Internal Service Funds.”)

## R

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

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

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

**Repairs and Alterations** - Expenditures for routine maintenance and repairs to structures and minor

improvements to property which do not increase the capital assets.

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

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

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

**Revenue Shortfall Reserve Fund—Part B** - A fund to be used by the Legislature to offset a shortfall in revenues or fiscal emergencies of an extraordinary nature. No moneys in the fund may be expended for any purpose unless all moneys in the Revenue Shortfall Reserve Fund have first been expended. Additional details are located in the Financial Statements chapter in *Volume I Budget Report*.

## S

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

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

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

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

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

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

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

## T

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

## U

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

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

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

# Glossary of Acronyms

## A

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

## B

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

## C

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

## D

DASIS	Drug and Alcohol Services Information System
DCKMSVC	Donel C. Kinnard Memorial State Veterans Cemetery

## Appendix B/Glossary of Acronyms

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

### E

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

### F

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

### G

GAAP..... Generally Accepted Accounting Principles  
 GAGAS..... Generally Accepted Government Auditing Standards  
 GARVEE ..... Grant Anticipation Revenue Vehicle  
 GASB ..... Governmental Accounting Standards Board  
 GDP ..... Gross domestic product  
 GEAR UP ..... Gaining Early Awareness and Readiness for Undergraduate Programs  
 GFOA ..... Government Finance Officers Association of the United States and Canada  
 GIS ..... Geographic Information Systems  
 GLOBE ..... Global Learning and Observation to Benefit the Environment  
 GO ..... General Obligation  
 GRC ..... Governance, Risk & Compliance  
 GRF ..... General Revenue Fund  
 GSD..... General Services Division

## Appendix B/Glossary of Acronyms

### H

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

### I

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

### J

JCEBP ..... Justice Center of Evidence-Based Practice  
 JRS ..... Judges' Retirement System

### K

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

### L

LCAP..... Landfill Closure Assistance Program

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

### M

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

### N

N/A..... Not Available  
 ..... Not Applicable  
 NAEP ..... National Assessment of Educational Progress  
 NAHLN..... National Animal Health Laboratory Network  
 NAIC..... National Association of Insurance Commissioners  
 NARIP..... National Act Record Improvement Program  
 NASA..... National Aeronautics and Space Administration  
 NBCT ..... National Board Certified Teachers  
 NCA..... National Cemetery Association  
 NCRDS ..... National Coal Resources Data System  
 NEO ..... New Employee Orientation  
 NFIP ..... National Flood Insurance Program  
 NHS..... National Highway System

## Appendix B/Glossary of Acronyms

NIAID .....	National Institute of Allergy and Infectious Diseases	PRAMS.....	Pregnancy Risk Assessment Monitoring System
NICS.....	National Instant Criminal Background Check System	PREA .....	Prison Rape Elimination Act
NPDES.....	National Pollutant Discharge Elimination System	PREP .....	Personal Responsibility Education Program
NRAO.....	National Radio Astronomy Observatory	PROMISE.....	Providing Real Opportunities for Maximizing In-State Student Excellence
NSF.....	National Science Foundation	PSC.....	Public Service Commission
			..... Potomac State College

### O

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

### P

PAAS .....	Physician Assured Access System
PASS .....	Partnerships to Assure Student Success
PBS .....	Public Broadcasting Service
P-Card.....	State Purchasing Card
PDC.....	Public Defender Corporations
PDS.....	West Virginia Public Defender Services
PEIA.....	Public Employees Insurance Agency
PERD .....	Performance Evaluation and Research Division
PERS .....	Public Employees Retirement System
PHMSA .....	Pipeline and Hazardous Material Safety Administration
PI .....	Personal Income
PIECES .....	Partners in Implementing an Early Care and Education System
PILOT.....	Payment In Lieu Of Tax
PIMS .....	Position Information Management System
PIRLS .....	Progress in International Reading Literary Study
PISA.....	Programme for International Student Assessment
PLC .....	Professional Learning Communities
PM2.5.....	Particulate Matter Less Than 2.5 Microns In Diameter
PPB .....	Preferred Provider Benefit Trust
PPS .....	Prospective Payment System

### Q

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

### R

RBA.....	Regents Bachelor of Arts
RCRA.....	Resource Conservation Recovery Act
REAP .....	Rehabilitation Environmental Action Plan
REIS .....	Regional Economic Information System
RESAs.....	Regional educational service agencies
RFA.....	Resource Family Approval Program
RFP .....	Request For Proposals
ROMA.....	Results-Oriented Management And Accountability
RPCPOs/IOs .....	Regional Public Comprehensive Planning Organizations And Interstate Organizations

### S

SACWIS .....	Statewide Automated Child Welfare Information System
SAFETEA-LU .....	Safe, Accountable, Flexible, Efficient Transportation Equity Act - a Legacy for Users
SAFRA .....	Student Aid and Fiscal Responsibility Act
SAMHSA .....	Substance Abuse and Mental Health Services Administration
SB .....	Senate Bill
SBA.....	School Building Authority
	..... Small Business Administration
SBVR .....	South Branch Valley Railroad
SCALES .....	Sportfish Consumption Advisory Limit System
SCC.....	State Conservation Committee
SED.....	Serious Emotional Disturbance
SEOG.....	Supplemental Education Opportunity Grant

## Appendix B/Glossary of Acronyms

SEOW..... State Epidemiological Outcome Workgroups  
 SHIP..... State Health Insurance Assistance Program  
 SHPO..... State Historic Preservation Office  
 SLIGP..... State and Local Implementation Grant  
                   Program  
 SME..... Society of Manufacturing Engineers  
 SMI..... Serious Mental Illness  
 SNAP..... Supplemental Nutrition Assistance Program  
 SREB..... Southern Regional Education Board  
 SRIC..... Snow Removal And Ice Control  
 S-STEM..... Scholarships in STEM  
 STAG..... State and Tribal Assistance Grant  
 STARBASE..... Science and Technology Academics Reinforcing  
                   Basic Aviation and Space Exploration  
 STD..... Sexually Transmitted Disease  
 STEAM..... Science, Technology, Engineering, Art And Math  
 STEM..... Science, Technology, Engineering And Math  
 STIF..... Sales Tax Increment Financing  
 SUD..... Substance Use Disorder  
 SVA..... Student Veterans of America  
 SWA..... Solid Waste Authority  
 SWCAP..... Statewide Cost Allocation Plan  
 SWMB..... Solid Waste Management Board  
 SY..... School Year

### T

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

### U

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

### V

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

### W

WDA..... Water Development Authority  
 WEAPON..... West Virginia Automated Police Network  
 WIC..... Women, Infants, and Children  
 WIP..... Watershed Implementation Plan  
 W.Va..... West Virginia  
 WV..... West Virginia  
 WVABCA..... West Virginia Alcohol Beverage  
                   Control Administration  
 WVAWC..... West Virginia American Water Company  
 WVBE..... West Virginia Board of Education  
 WVCA..... West Virginia Conservation Agency  
 WWCCTCE..... West Virginia Community and Technical  
                   College System  
 WVCHIP..... Children’s Health Insurance Program  
 WVCR..... West Virginia Central Railroad  
 WVDA..... West Virginia Department of Agriculture  
 WVDE..... West Virginia Department of Education  
 WVDO..... West Virginia Development Office  
 WVDOC..... West Virginia Division of Corrections  
 WVDVA..... West Virginia Department of Veterans  
                   Assistance  
 WVEBA..... West Virginia Educational Broadcasting  
                   Authority  
 WVEIS..... West Virginia Education Information System  
 WVFIMS..... West Virginia Financial Information  
                   Management System  
 WVGSA..... West Virginia General Summative Assessment  
 WVHIN..... West Virginia Health Information Network  
 WVICU..... West Virginia Independent Colleges and  
                   Universities  
 WVJDC..... West Virginia Infrastructure and Jobs  
                   Development Council  
 WVINBRE..... West Virginia Idea Network of Biomedical  
                   Research Excellence  
 WV-MAP..... West Virginia’s Measure of Academic  
                   Progress  
 WVNET..... West Virginia Network for Educational  
                   Telecomputing  
 wvOASIS..... West Virginia—Our Advanced Solution with  
                   Integrated Systems  
 WVPPA..... West Virginia Public Port Authority

## Appendix B/Glossary of Acronyms

WVROCKS .....	West Virginia's Remote Online Collaborative Knowledge System
WVSAO .....	West Virginia State Auditor's Office
WVSIS.....	West Virginia Statewide Immunization Information System
WVSP.....	West Virginia State Police
WVSU.....	West Virginia State University
WVTTI .....	West Virginia Technology Transformation Initiative
WVU.....	West Virginia University
WVUIT .....	West Virginia University Institute of Technology

