



State of West Virginia
Executive Budget
Fiscal Year 2011



Volume I
Budget Report

Joe Manchin III
Governor





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January 13, 2010

To the Members of the 79th 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, 2011. It details a complete plan for proposed expenditures and estimated revenue 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 2011.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$3,741,680,000; for the Lottery Fund of \$167,007,000; for the State Excess Lottery Revenue Fund of \$379,357,082; and for the State Road Fund of \$1,250,976,469.

I look forward to working with the 79th Legislature of the State of West Virginia to meet the continuing challenges and opportunities so together we can move West Virginia forward in a rapidly changing international economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Manchin III".

Joe Manchin III
Governor



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

State of West Virginia

For the Fiscal Year Beginning

July 1, 2009

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the State of West Virginia for its annual budget for the fiscal year beginning July 1, 2009.

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

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

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Reader's Guide to the Executive Budget

The Executive Budget

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

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

The budget is presented in three separate documents:

Volume I Budget Report contains:

"Governor's Executive Message"—major goals and objectives addressed by the budget.

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

"Budget Planning"—items such as:

- The Six Year Financial Plan
- "Long-Range Issues"—an overview of how the State is addressing major long-range issues and concerns
- Budget overview that includes the budget process, including the budget calendar and financial policies
- Schedules of budgeted, full-time equivalent permanent positions

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

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

"Appendices"—two items:

- A glossary of budgetary terms
- A list of the commonly used acronyms

Volume II Operating Detail contains narrative and financial information on all the departments, bureaus, commissions, agencies, divisions, and programs of state government. It also contains:

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

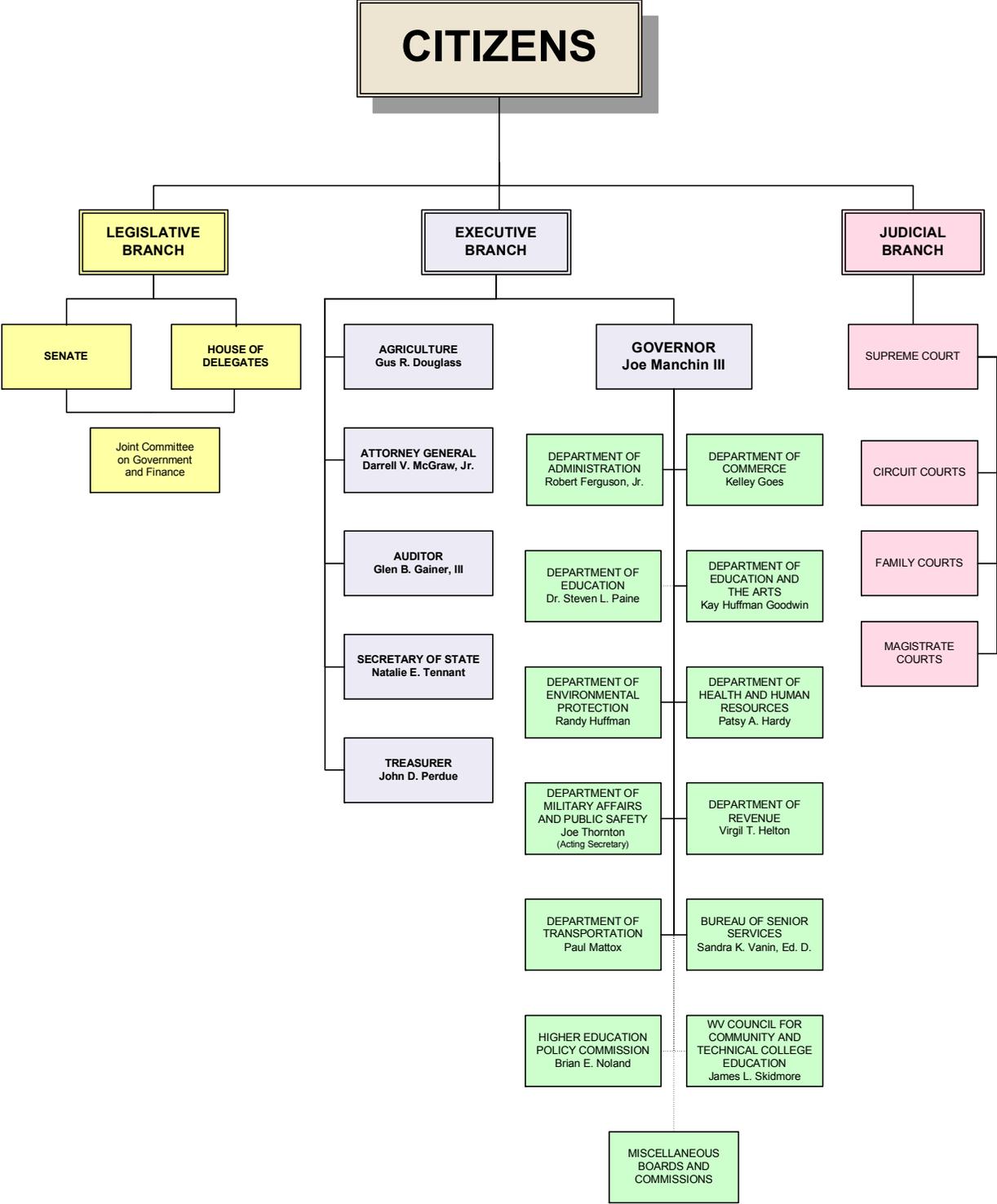
"Capital Projects"—projects/programs currently funded in FY 2010, recommended for FY 2011 (with brief descriptions), and projected for FY 2012 through FY 2015.

"Appendices"—three items:

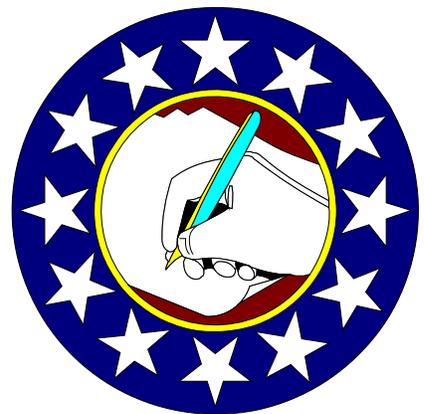
- "State Profile"—a profile of West Virginia with relevant information concerning state history, form of government, geography, demographics and economics, and miscellaneous information
- A glossary of budgetary terms
- A list of the commonly used acronyms

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.

State of West Virginia



EXECUTIVE MESSAGE



Governor's Executive Message



Governor Joe Manchin III
State of West Virginia

While 2009 was a difficult year for many of us, our path toward continued success is going to be even more challenging.

Last February, I said West Virginia was more prepared than just about any state to face the worst recession our nation has faced in seven decades. Our preparation has served the people of the Mountain State very well.

I said we are in a planning mode and not a panic mode. That remains true today.

Economy

West Virginia is leading the nation in economic recovery. Our jobless rate is lower than the national average, and our economic growth rate is higher than the national average. The work and cooperation of our state leaders has provided economic stability in a wildly unstable time.

The Index of State Economic Momentum ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth, and population growth. The most recent index ranks West Virginia number two overall, and, for the second consecutive quarter, West Virginia led the nation in personal income growth.

Private investment continues in our state. Since 2005, more than 200 companies have located or expanded here, and together they have invested more than nine billion dollars in the Mountain State. Last year, our West Virginia Development Office announced 30 new businesses or private expansions.

Our cost of living remains 6.3% lower than the national average, and our Rainy Day Fund is strong. Although our financial institutions were not immune from the recession, all 61 banks headquartered in West Virginia are sound, well-managed, and well-capitalized.

In a recession and an election year, some might say we should slow down and avoid tackling the tough issues. This is not the path we have chosen in the last five years and it will not be the path we take today.

Governor's Executive Message

The national headlines describe employee furloughs, shutdowns of essential government services, and even increased taxes to balance budgets. Although our budget may be more slender than in recent years, West Virginia is in the best cash position in its history.

While we cannot afford to add any base-building salary increases in FY 2011, we are still able to provide employee increments and are fully funding teacher and school service personnel step increases. This is something many other states either have or are looking to curtail.

Our highway welcome centers and rest stops have stayed open, our state offices have normal operating hours, our social services continue, and we are paying our bills on time.

Twenty-six states are laying off or furloughing workers. At least 19 states have raised taxes or cut aid to local governments—drastic measures we have carefully avoided.

I recently required executive agencies to reduce their current year General Revenue budgets by 3.4%. It is the first time I've had to do a midyear budget reduction. I strongly believe we can achieve these reductions by identifying efficiencies wherever they may be found and not making across-the-board cuts.

I want to especially thank our Supreme Court and Legislature for stepping up and taking voluntary action to reduce their budgets, as well. All branches of government have come together and understand the hardships our families are facing.

Infrastructure Investment

Last July, West Virginia became the first state to use the Qualified School Construction Bonds program statewide, which is letting us build or improve dozens of schools at a substantially reduced cost.

We currently have \$540 million in school construction projects, and, for every \$1 million spent on school construction, we're creating 60 jobs.

We also recently completed a \$78 million bond issue to improve our community and technical colleges. Most of the investors in these bonds are in-state which shows the confidence we have in our own state's financial condition.

Infrastructure will continue to pave our path to success. When you build a school, construct a road, install a water line, expand broadband, or raise a bridge, you're building something that has a lasting and direct impact. Through responsible management of existing programs and with the infusion of stimulus funds, we are undertaking significant investments in our infrastructure.

West Virginia is a top state for putting stimulus dollars to work on our highways and for building water and sewer lines in our rural communities. The stimulus funding was a much-needed shot in the arm, but by no means could address all of West Virginia's transportation needs. We have changed how our State Road Fund is funded to ensure its solvency, and we have planned a \$530 million construction program for 2010.

The Division of Highways is involved in the largest number of projects since the interstate highway system was constructed. This year marks the tenth consecutive year we have budgeted over a billion dollars for roads.

Our state Clean Water Revolving Fund, which finances public water and sewer projects, is ranked among the top in the nation. Last year alone, we funded 18 different projects to provide wastewater treatment for an additional 12,400 West Virginians.

Governor's Executive Message

In addition, using federal Abandoned Mine Lands funds, the Department of Environmental Protection constructed 155 miles of water line to serve more than 2,300 new customers. Using Appalachian Regional Commission funds, we provided 965 West Virginia households with new or improved water and sewer service. Our sewer and water infrastructure are the building blocks to the future of our state, and we are providing this crucial infrastructure to more West Virginians than ever.

The Small Cities Block Grant program develops our cities by providing housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. In FY 2009, we leveraged \$38.5 million in state, federal, and local dollars to benefit 53,000 West Virginians through this block grant program. By investing in our communities, West Virginia is investing in its future.

Economic Development

We also have the results to prove we are improving West Virginia's business climate.

In the last four years, we have reduced the tax burden on businesses and consumers. Last year, we reconvened the Comprehensive Tax Modernization Group to analyze the steps we have taken and to see what our next responsible steps should be.

However, this is about more than cutting taxes—it's about fair and progressive taxation that meets our state's revenue needs.

The privatization of workers' compensation has dramatically lowered premiums, and the Aircraft Valuation Tax Credit and the High-Technology Business Property Valuation Act are helping to create jobs that pay well and diversify our economy.

Our changes have received the attention of Wall Street and even our former cynics in the national media are taking notice. *Forbes* magazine ranked the Huntington and Charleston metro areas in the top 25% on its list of "Best Places for Business and Careers in 2009." And last year, West Virginia moved up four notches in the magazine's ranking of "The Best States For Business."

Responsible Government

However, tougher times remain ahead. We are taking action now to ensure we can continue to pay our bills.

We have begun to consolidate our state's outdated financial management system. A comprehensive new enterprise resource planning project, or ERP, will let us better track revenue and assets, as well as purchases, payroll, and payments. The long-term savings will be tremendous.

West Virginia is one of three states working with The Pew Center on the States to implement a budgeting system that will make our agencies more accountable and help us to achieve more measurable results. This coming fiscal year is the pilot year for this project.

One longstanding challenge we face is attracting and retaining young people. I am proud to offer them a seat at the table when it comes to charting this state's course.

That's why I formed the Governor's Council of Young Professionals. This group meets with me to discuss current issues affecting our state. In May 2010, we will conduct the first Governor's Summit on Young Talent to connect our youth with top businesses and industries. By harnessing the talent already inside our borders, we have a greater chance to bring back home those who yearn to live, work, and play in our beautiful state.

Governor's Executive Message

Educated Workforce

We need to continue to evaluate our PROMISE scholarship program. Last year, we took the necessary measures to ensure the program's viability, but I remain committed to find ways to encourage our young people to stay here after they graduate.

And we can battle job loss by retooling our workforce to meet current and future employer needs by investing in our community and technical colleges. More than 90 new technical programs leading to skill sets, certificates, and associate degrees have been implemented the past three years by our community and technical colleges. Last fall, community and technical college enrollment increased more than 16%. Adult student enrollment increased more than 25%. Many of those students are dislocated workers upgrading their skills.

Enrollment in allied health programs, which are high-demand occupations critically needed in West Virginia, increased 30% the past three years.

WorkForce West Virginia is another way dislocated workers are getting help to improve their skills and find new jobs. In October, we surpassed the 10,000 mark in issuing WorkKeys Career Readiness Certificates. WorkKeys lets potential employers know you have the skills they need. Its success is paying off for job seekers and employers.

We must continue to transform our economy into one that is innovation-driven, technology-based, and piloted by a highly skilled West Virginia workforce.

The "Bucks for Brains" program already is seeing great results at WVU, Marshall and other universities. As a result of this \$50 million state venture and other forward-thinking investments we have made together, West Virginia is seeing increased research and development, higher enrollment in college, higher graduation rates, more faculty, more advanced degrees, and more science and math students.

Energy Leadership

West Virginia will continue to play a crucial role in our nation's energy future. Our state ranks second in the nation in exporting electricity, and most of our coal and natural gas is sent out of state. There is a balance between coal and the environment, and West Virginia is a worldwide leader in finding that balance.

Our alternative and renewable energy portfolio was a major step toward a comprehensive energy policy. It encourages the development of environmentally friendly energy sources by requiring 25% of the energy consumed in our state to come from an alternative or renewable energy source by the year 2025.

Incentives such as this are already paying off. We've seen investment in new technologies, and we hope to see even more. Two pilot projects in carbon capture and sequestration are leading the way for implementation of this technology at coal-fired power plants across the globe.

Plans are moving ahead on the TransGas coal-to-liquids project in Mingo County, a facility that will incorporate state-of-the-art clean coal technologies. Through new technology such as this, West Virginia coal will be our primary energy source as we make the transition to the fuels of the future.

West Virginia is a leader in renewable energy projects, as well. We have more than 1,000 megawatts of wind power in service or in development—that's enough to power more than 250,000 homes! We have the third-largest wind capacity of any state in the eastern United States, and the largest wind farm east of the Mississippi. In 2009, the Mountain State was 11th in the country in growth of renewable electric generation.

Governor's Executive Message

We are advancing wood and coal co-firing plants as part of our energy mix, and virtually all of our state's hydropower capacity is being used. And, with newfound ways to recover massive natural gas reserves from the Marcellus Shale, we are poised to power our nation for the next century.

Last year, we also passed a post-mining land use bill that requires surface mine operators to have a plan for how the land they're mining will be restored and used after mining is complete.

Adventure in West Virginia

West Virginia is not only a leader in energy—we are also a leader in adventure!

This past year, the Boy Scouts of America selected a southern West Virginia site for a high-adventure base which will be the centerpiece for the next 100 years of Scouting in America. The Summit: Bechtel Family National Scout Reserve in the New River Gorge will be the permanent site of the National Scout Jamboree and a premier destination for scouts and their families from across the globe. It gives us an unprecedented opportunity to showcase West Virginia to business leaders and tourists, as well.

Each jamboree will bring 250,000 visitors to the area and the Boy Scouts' initial investment will exceed \$150 million. It will create 100 full-time jobs and more than 1,200 seasonal jobs.

Public Safety

Like all states in the nation, West Virginia is facing a dramatically increasing prison population we simply cannot sustain. We need to continue to protect our communities, yet find an efficient way to punish nonviolent offenders and then return them to society as productive citizens.

Following through on our "Commission on Prison Overcrowding" recommendations, we are renovating the Jackie Withrow Hospital in Beckley to expand the Work Release Program. By using existing state facilities, we're addressing the prison problem and saving money.

We are being smart on crime—not soft on crime.

One of the worst blights on our communities is illegal drugs. When I became Governor, we began dedicating additional funding and resources to combat the drug problem.

We are seeing results. In 2008, the Bureau of Criminal Investigations unit alone took nearly \$13.7 million in drugs off the streets, up from \$910,000 just a few years before. Felony drug arrests nearly tripled from 2004 to 2008.

Last July, we announced Operation Eviction, which pools state resources with county and city agencies to get the drugs out of our communities. We have a simple message to all drug dealers in West Virginia: Get out of our state now!

Last year, I established the Independent Commission on Judicial Reform. Considering that the state's system of courts had not undergone significant change since 1974, the Independent Commission examined the structure of West Virginia's judicial system and made recommendations about reforms that will improve West Virginia's judiciary and bolster public confidence in the system.

I want to thank the members of the commission, including Honorary Chair Justice Sandra Day O'Connor, for their thorough review. They have laid the groundwork with their recommendations, and we are working with the judiciary and the Legislature to determine the best plan to implement them.

Governor's Executive Message

Education

Our single largest budget item is education, and it makes sense because our most important challenge is educating our children. We have a lot of work ahead of us.

Last year, U.S. Education Secretary Arne Duncan said our nation is in danger of falling behind in education systems and in job skills, especially considering the progress being made in countries such as China and India. He said our school days, our school weeks, and our school year are all too short if we expect our country to compete for jobs in the 21st century.

Too many of our students do not have the critical math and language skills they need to move up in grade levels, let alone college. We should already be adopting ways to increase the school instructional time our children receive. As Secretary Duncan has said, we must be much more open and honest about what works in the classroom and what doesn't.

We must not be afraid to make the changes that are needed to compete!

As part of the Stimulus bill, more than \$40 billion is available for states and schools to lay the foundation for a generation of education reform. To qualify for funding, states must act on information about the quality of teachers, student improvements, college readiness, and the effectiveness of state standards and assessments, removing charter caps and turning around underperforming schools.

The Race to the Top fund includes \$5 billion that will go to the states that most aggressively pursue reforms. Secretary Duncan is challenging every state to push harder to do more for our children. If West Virginia is not selected in the first round of Race to the Top funding, we must act immediately to make the changes necessary to compete. We have a lot of ground to cover in West Virginia, but let me assure you—I will push for dramatic changes that will let us compete for this funding.

Quality of Life

Since 2005, funds dedicated to Senior Services have increased by more than \$26 million—this is the highest amount ever committed in our state's history.

Our older citizens have spent their lives giving—to their employers, families, friends and to West Virginia's history, culture, economic development, and overall success. It is our responsibility to give something back to them and to provide the tools needed to maintain a healthy, happy independent lifestyle.

Last year, our Bureau of Senior Services funded services to more than 80,000 seniors, including more than 600,000 hours of care to West Virginians who didn't qualify for Medicaid programs. We also signed the Silver Alert Bill that helps locate missing seniors by quickly notifying emergency responders.

In 2008, I committed to providing each county senior service agency with a hot/cold food delivery truck so they can broaden the reach and quality of their meal delivery programs. To date, we have provided 35 delivery trucks, and we are well on our way to reaching our goal to equip every county.

As our nation continues to debate health care reform, it's important for us to note that West Virginia is a leader in expanding health care coverage for our children. Last January, the West Virginia Children's Health Insurance Program (WVCHIP) expanded its health coverage for children by increasing the upper income limit for participation to 250% of the federal poverty level. This \$46 million program has benefited from the support on a national level from Senator Rockefeller and has served about 118,000 children since it began.

Governor's Executive Message

We have also joined with local businesses, food vendors, volunteers, and the Department of Education in a pilot project in Cabell County Schools to include more freshly prepared local foods on the school menu. This initiative was begun through the efforts of Chef Jamie Oliver, and, if the program works, West Virginia could become a model for the rest of our nation.

Beginning in October, the West Virginia Women, Infant and Children (WIC) program started providing fresh fruits and vegetables to qualified families each month, helping children eat properly and grow, as it improves access to health care. Children up to age five are eligible for WIC, and 53% of all infants born in West Virginia qualify for this vital program.

WIC also is distributing more than 155,000 free books from the First Book National Book Bank. These books teach our children about the joys of physical activity and eating healthful foods.

Last year, the Department of Education and the Arts added seven additional counties to its Imagination Library. This program, started by Dolly Parton, provides free books to children from birth until their fifth birthday and, since 2007, has mailed more than 115,000 books to thousands of eager children. This fiscal year, the Imagination Library will expand into 14 northern counties, adding another 23,500 eligible children. All of our counties will have the program by July. This program, along with our other early childhood education programs and healthy lifestyles initiatives, will provide various tools that give our children the chance they deserve.

West Virginia's most famous author, Pearl S. Buck, best summed up the importance of children when she wrote, "If our American way of life fails the child, it fails us all."

Working Together

When I was first inaugurated and in every year since I have been Governor, I have spoken about the five promises we should keep to every child. At the heart of those promises is the principle that every child should have a safe place and a healthy start.

Many of the bold initiatives I have discussed are tailored toward our smallest citizens because they deserve that opportunity to succeed, and we have a responsibility to provide it.

We are all in this together, and we must continue to work together to ensure our children are ambitious, healthy, and happy. For our children and grandchildren to grow up and be competitive adults, they must have a strong start.

We must do our part now to make a positive impact on our future. Our future depends on it and so does theirs.

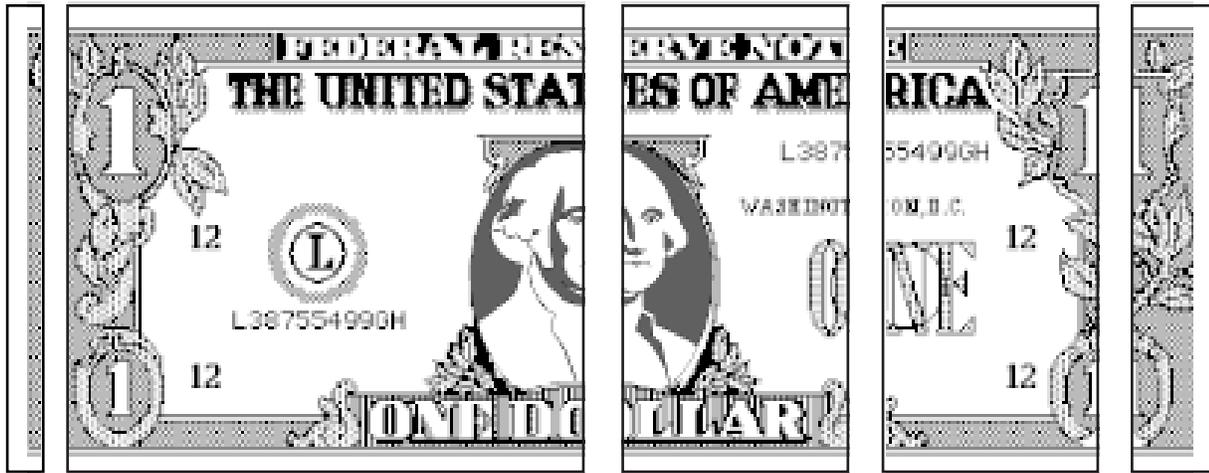
SUMMARY FINANCIAL STATEMENTS



Summary Financial Statements

The following pages contain general summary financial information and statements related to all funds of the State. Statements included are:

- Summary of Total FY 2011 Budget — All Funds (Where the State Dollar Comes From and Where the State Dollar Goes)
- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for Appropriated Funds (narrative and statement)
- Cash and Investment Balances of All Funds Fiscal Year Ending June 30, 2009
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2009
- General Revenue Fund — Statement of Revenues by Source FY 2007 through FY 2013
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund — Overview by Functional Category FY 2009 through FY 2011
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2010
- General Revenue Fund Major Constitutional and Statutory Requirements FY 2011
- Lottery Fund — Overview by Functional Category FY 2009 through FY 2011
- 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 2009 through FY 2011
- State Road Fund — Statement of Revenues by Source FY 2007 through FY 2013
- State Road Fund — Statement of Revenues, Expenditures and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2009



**Lottery
Funds
2.3¢**

**Special
Revenue
Funds
51.9¢**

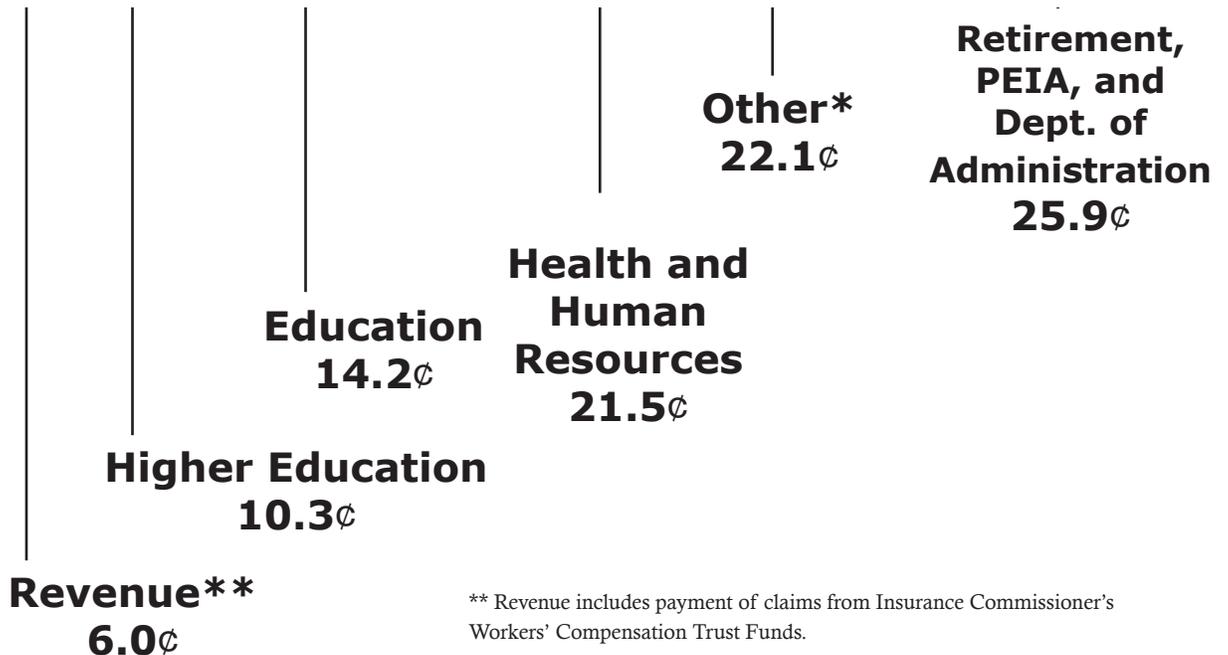
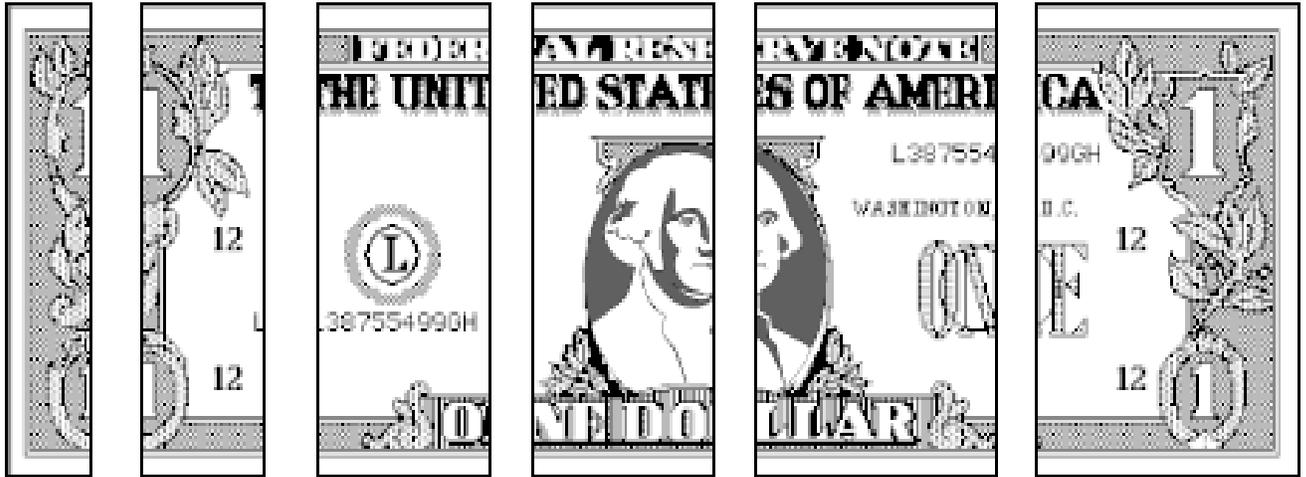
**Federal
Funds
21.7¢**

**General
Revenue
Funds
18.3¢**

**State
Road
Funds
5.8¢**

**TOTAL REVENUE
\$20.5 Billion
(All Funding Sources)**

Where The State Dollar Comes From (FY 2011 Estimate)



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

*Other	22.13¢	
Legislature		0.18¢
Judicial		0.69¢
Executive		2.89¢
Commerce		2.05¢
Education & the Arts		0.74¢
Environment		2.41¢
Military Affairs & Public Safety		3.91¢
Transportation		7.37¢
Senior Services		0.48¢
Misc. Boards & Commissions		1.41¢

<p>TOTAL EXPENDITURES \$18.3 Billion (All Funding Sources)</p>

Where The State Dollar Goes (Governor's Recommended FY 2011 Budget)

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

The following Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for Appropriated Funds reflects actual, budgeted, and recommended revenues and expenditures for FY 2009, 2010, and 2011, respectively, for all funds that are specifically appropriated by the Legislature and included in the Budget Act. The revenues are listed by source of funds, 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 containing from approximately 20 individual appropriations for the State Road Fund to hundreds of individual appropriations for the Special Revenue Fund.

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

The Federal Fund and the Special Revenue Fund 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.

As mentioned above, 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 2009 Actuals are the total actual revenues and expenditures for all appropriated funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

The FY 2010 Budgeted revenue estimate for the General Revenue Fund and State Road Fund reflects the Governor’s official revenue estimate as submitted to the Legislature on March 19, 2009 and May 26, 2009 respectively. The Governor provides the official revenue estimates for the budget and those estimates do not require legislative approval.

FY 2010 Budgeted expenditures reflect the amounts budgeted prior to the beginning of the 2010 Legislative session and include amounts that have been reappropriated from prior year unexpended appropriations.

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

Why Budgeted Expenditures Appear Significantly Different from Actual and Recommended Expenditures

While the Actuals may have included reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended expenditures do not reflect any anticipated reappropriations being available during FY 2011. Although the FY 2010 Budgeted amounts are available to spend during the fiscal year, the likelihood of expending the entire amount is extremely remote. Generally, a significant amount of the authorized expenditures remains unspent at the end of each fiscal year and is reappropriated to the next ensuing fiscal year. Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2010 will be less than the total authorized budgeted amounts.

For General Revenue and Special Revenue funds, the prior year reappropriated amounts are significant. The General Revenue Fund budgeted FY 2010 expenditures include \$432.6 million and the Appropriated Special Revenue funds (includes Lottery funds) include \$210.2 million in reappropriated amounts.

Because these reappropriated funds are included in the FY 2010 Budgeted expenditures, it may appear that these Budgeted expenditures are not in line with the actual FY 2009 expenditures or the FY 2011 recommendations.

FY 2011 Recommendations are the amounts that the Governor is proposing to the Legislature for appropriation. As discussed above, the recommendations do not include any amounts that will ultimately be available for expenditure as a reappropriated or surplus expenditure.

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

	General Fund			Appropriated Federal Fund		
	Actuals FY 2009	Budgeted FY 2010	Recommended FY 2011	Actuals FY 2009	Budgeted FY 2010	Recommended FY 2011
Beginning Fund Balance	\$444,876	\$454,753	\$11,021	\$32,812	\$42,679	\$13,354
Transfer to Rainy Day Fund	(17,639)	(11,068)	-	-	-	-
Transfer from Rainy Day Fund	26,500	-	-	-	-	-
Transfer from Special Revenue	-	-	-	-	-	-
Prior Year Refunds/Redeposits	333	434	-	-	-	-
Revenues						
Taxes						
Consumer Sales & Use	1,110,017	1,144,000	1,141,000	-	-	-
Personal Income	1,557,403	1,522,000	1,504,500	-	-	-
Business and Occupation	150,293	136,500	130,000	-	-	-
Severance	359,578	288,500	305,400	-	-	-
Corporation Net Income and						
Business Franchise Tax	270,237	230,800	209,500	-	-	-
Highway Litter Control	-	-	-	-	-	-
Gasoline and Motor Fuel	-	-	-	-	-	-
Automobile (Privilege) Sales	-	-	-	-	-	-
Other	240,625	248,600	245,280	-	-	-
Intergovernmental	-	-	-	3,029,159	4,563,794	4,349,449
Licenses, Permits & Fees	11,054	11,450	10,400	-	-	-
Departmental Collections	14,597	14,100	14,500	-	-	-
Interest Income	21,855	25,000	23,000	-	-	-
Other	165,893	167,050	158,100	-	-	-
Industrial Access Road Transfer	-	-	-	-	-	-
Total Revenues	3,901,552	3,788,000	3,741,680	3,029,159	4,563,794	4,349,449
Expenditures						
Legislature	26,558	117,652	27,129	1,212	1,663	1,663
Judicial	107,385	135,501	118,506	830	1,500	5,500
Executive	48,850	117,185	43,682	25,561	343,001	330,070
Administration	116,932	87,816	70,463	37,432	38,030	38,030
Commerce	67,667	114,208	65,979	53,221	162,361	152,541
Education	1,830,904	1,832,105	1,808,458	345,215	639,020	576,820
Education and the Arts	40,216	42,652	32,907	43,261	65,123	65,123
Environment	7,889	8,492	8,147	53,005	218,177	202,281
Health and Human Resources	863,649	870,561	781,864	2,339,774	2,832,761	2,726,310
Military Affairs & Public Safety	327,711	392,260	345,533	88,546	216,204	191,058
Revenue **	31,242	52,540	30,586	-	4,210	4,210
Transportation	6,768	14,883	7,156	16,202	52,396	40,599
Senior Services	192	2,808	-	13,203	15,122	14,515
Higher Education	424,906	432,435	401,270	-	-	-
Misc. Boards & Commissions	-	-	-	1,830	3,551	3,291
Total Expenditures	3,900,869	4,221,098	3,741,680	3,019,292	4,593,119	4,352,011
Ending Fund Balance	\$454,753	\$11,021	\$11,021	\$42,679	\$13,354	\$10,792

* Appropriated Special Revenue Funds include Lottery and Excess Lottery Funds.

** Expenditures for the Department of Revenue include appropriated special revenue funds for "Old Fund" Workers' Compensation.

For a total summary of all revenues and expenditures including nonappropriated funds, see "Where The State Dollar Comes From" and "Where The State Dollar Goes" in this section.

State Road Fund			Appropriated Special Revenue Fund *			Total All Appropriated Funds		
Actuals FY 2009	Budgeted FY 2010	Recommended FY 2011	Actuals FY 2009	Budgeted FY 2010	Recommended FY 2011	Actuals FY 2009	Budgeted FY 2010	Recommended FY 2011
\$208,606	\$127,911	\$104,176	\$1,486,532	\$1,661,665	\$1,434,044	\$2,172,826	\$2,287,008	\$1,562,595
-	-	-	-	-	-	(17,639)	(11,068)	-
-	-	-	-	-	-	26,500	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	333	434	-
-	-	-	-	-	-	1,110,017	1,144,000	1,141,000
-	-	-	-	-	-	1,557,403	1,522,000	1,504,500
-	-	-	-	-	-	150,293	136,500	130,000
-	-	-	-	-	-	359,578	288,500	305,400
-	-	-	-	-	-	270,237	230,800	209,500
1,673	1,691	1,699	-	-	-	1,673	1,691	1,699
384,539	380,000	380,000	-	-	-	384,539	380,000	380,000
150,794	160,550	155,492	-	-	-	150,794	160,550	155,492
43,589	57,986	33,120	-	-	-	284,214	306,586	278,400
459,591	684,087	536,000	(60,447)	-	-	3,428,303	5,247,881	4,885,449
89,428	89,407	88,995	-	-	-	100,482	100,857	99,395
-	-	-	1,635,700	1,841,927	1,936,023	1,650,297	1,856,027	1,950,523
-	-	-	-	-	-	21,855	25,000	23,000
-	-	-	-	-	-	165,893	167,050	158,100
(3,010)	(3,000)	(3,000)	-	-	-	(3,010)	(3,000)	(3,000)
1,126,604	1,370,721	1,192,306	1,575,253	1,841,927	1,936,023	9,632,568	11,564,442	11,219,458
-	-	-	2,002	24,135	3,928	29,772	143,450	32,720
-	-	-	-	1,163	1,000	108,215	138,164	125,006
-	-	-	19,167	29,529	32,138	93,578	489,715	405,890
-	-	-	119,498	81,728	83,246	273,862	207,574	191,739
-	-	-	42,557	95,397	50,079	163,445	371,966	268,599
-	-	-	87,205	140,539	193,462	2,263,324	2,611,664	2,578,740
-	-	-	21,301	23,321	21,483	104,778	131,096	119,513
-	-	-	30,740	60,167	64,104	91,634	286,836	274,532
-	-	-	321,895	359,778	347,500	3,525,318	4,063,100	3,855,674
-	-	-	20,361	43,630	30,142	436,618	652,094	566,733
-	-	-	471,283	894,038	897,428	502,525	950,788	932,224
1,207,299	1,394,456	1,250,976	4,200	10,006	12,207	1,234,469	1,471,741	1,310,938
-	-	-	66,333	66,523	70,796	79,728	84,453	85,311
-	-	-	110,072	149,492	103,074	534,978	581,927	504,344
-	-	-	83,506	90,102	87,757	85,336	93,653	91,048
1,207,299	1,394,456	1,250,976	1,400,120	2,069,548	1,998,344	9,527,580	12,278,221	11,343,011
\$127,911	\$104,176	\$45,506	\$1,661,665	\$1,434,044	\$1,371,723	\$2,287,008	\$1,562,595	\$1,439,042

Cash and Investment Balances of All Funds
Fiscal Year Ending June 30, 2009
(Nearest Dollar)

	<u>Fund No.</u>	<u>Cash Balance</u>	<u>Investments</u>	<u>Total Balance</u>
General Revenue Fund	01	\$480,786,872	\$0	\$480,786,872
State Road Fund	02	9,092,020	182,761,153	191,853,173
Natural Resources Fund	03	5,058,683	49,361,623	54,420,306
Consolidated Pool and Investments	09	(1,676,320,854)	1,992,183,616	315,862,762
Consolidated Federal Funds	12	34,409,079	2,685,014	37,094,093
Special Revenue Funds (Departments and Institutions)	13	1,376,679,109	3,603,443,310 ¹	4,980,122,419
Special Revenue Funds (Higher Education)	14	33,182,841	284,531,231	317,714,072
Human Services Fund	16	131,687,375	103,267,998	234,955,373
Public Employees' Retirement System	17	24,160	3,212,624,845	3,212,649,005
Teachers' Retirement System	18	5,425,599	3,483,992,069	3,489,417,668
West Virginia University - Medical School Fund	20	7,220	3,978,669	3,985,889
Total		<u>\$400,032,104</u>	<u>\$12,918,829,528</u>	<u>\$13,318,861,632</u>

¹⁾ See next page for detail.

Detailed Investments Fund 13
Fiscal Year Ending June 30, 2009
(Nearest Dollar)

Attorney General	\$643,353
Auditor's Office	7,751,329
Board of Risk and Insurance Management	138,581,910
Building Commission	10,721,500
Court of Claims	5,370,071
Consolidated Public Retirement Board	563,221,306
Criminal Justice	15,946,579
Culture and History	2,065,049
Department of Administration	383,699,087
Department of Education	3,114,638
Higher Education Policy Commission	55,291,840
Department of Education and the Arts	3,757,799
Department of Revenue	416,625,575
Department of Transportation	6,358,657
Development Office	0
Division of Human Services	4,991,639
Division of Labor	7,481,130
Division of Natural Resources	5,525,435
Environmental Protection	226,030,959
Governor's Office	0
Insurance Commissioner	923,034,243
Lottery Commission	273,068,199
Municipal Bond Commission	170,972,618
Public Employees Insurance Agency	162,560,200
Regional Jail Authority	38,457,334
State Police	16,245,040
State Rail Authority	3,185,188
Treasurer's Office	96,277,316
Water Development Authority	18,997,547
Secretary of State	1,101,165
Economic Development Authority	42,366,604
Total Detail Fund 13	<u><u>\$3,603,443,310</u></u>

**General Revenue Fund
Statement of Revenues by Source
FY 2007 Through FY 2013
(Expressed in Thousands)**

Source of Revenue	FY 2007 Actual Collections	FY 2008 Actual Collections	FY 2009 Actual Collections	FY 2010 Official Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate
Business and Occupation Tax	\$180,748	\$150,822	\$150,293	\$136,500	\$130,000	\$130,500	\$130,500
Consumers Sales & Use Tax	1,129,531	1,109,822	1,110,017	1,144,000	1,141,000	1,185,000	1,225,000
Personal Income Tax	1,360,511	1,518,746	1,557,403	1,522,000	1,504,500	1,565,000	1,660,000
Liquor Profit Transfers	13,211	15,211	16,961	16,000	16,000	16,300	16,800
Racing Fees	1,118	993	480	1,000	500	475	450
Beer Tax and Licenses	8,434	8,666	8,638	8,650	8,700	8,730	8,760
Tobacco Products Tax (Cigarette & Other)	111,393	114,669	115,095	114,500	114,800	114,400	114,100
Estate Tax	199	46	29	0	0	0	0
Business Franchise Fees	1,291	2,292	1,936	1,800	1,700	400	100
Charter Tax	6,918	3,951	424	0	0	0	0
Property Transfer Tax	12,249	11,699	8,537	10,300	8,200	8,500	9,500
Property Tax	4,794	5,350	5,616	5,800	6,280	6,300	6,400
Insurance Tax	97,576	103,196	103,322	108,000	106,000	107,600	109,500
Departmental Collections	14,702	16,220	14,597	14,100	14,500	14,600	15,000
Corporate Income/Business Franchise Tax	358,388	388,017	270,237	230,800	209,500	229,400	198,300
Miscellaneous Transfers	2,817	643	130	700	700	700	700
Interest Income	52,837	52,713	21,855	25,000	23,000	44,000	50,000
Severance Tax	312,246	338,177	359,578	288,500	305,400	310,000	301,000
Telecommunication Tax	(380)	303	230	0	0	0	0
Miscellaneous Receipts	1,155	1,209	19,853	5,150	10,000	6,500	6,500
HB102 - Lottery Transfers	77,900	77,900	127,900	127,900	127,900	127,900	127,900
Video Lottery Transfers	1,091	318	1,049	0	0	0	0
Liquor License Renewal	0	0	0	17,300	3,000	1,250	1,250
Senior Citizen Tax Credit Reimbursement	3,992	7,325	7,372	10,000	10,000	10,000	10,000
Total	\$3,752,721	\$3,928,288	\$3,901,552	\$3,788,000	\$3,741,680	\$3,887,555	\$3,991,760

General Revenue Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Actual Cash Balance July 1, 2009	\$480,786,872	
Less:	31 Day Disbursements (July 1, 2009 - July 31, 2009)	(26,034,028)	
	Accumulated Prior Year Reimbursements (July 1, 2009 - July 31, 2009)	4,519	
	Prior Year Appropriations Forwarded	<u>(432,621,481)</u>	
	Accumulated Surplus from FY 2009 @ July 31, 2009	\$22,135,882	
Less:	Transfer one-half to Revenue Shortfall Reserve Fund (Statutory)	(11,067,941)	
Plus:	Accumulated Prior Year Reimbursements (August 1, 2009 - December 31, 2009)	429,749	
Less:	Surplus Supplemental Appropriation (HB 410 - 2009 4th Extraordinary Session)	(2,500,000)	
	Recommended Surplus Supplemental Appropriations (2010 Regular Session)	<u>(3,670,317)</u>	
	Estimated Unappropriated Surplus Balance @ June 30, 2010		\$5,327,373
Plus:	Revenue Estimate FY 2010	\$3,788,000,000	
Less:	Regular Appropriations FY 2010	<u>(3,785,976,953)</u>	
	Estimated Unappropriated Balance from FY 2010 @ June 30, 2010		\$2,023,047
Plus:	Revenue Estimate FY 2011	\$3,741,680,000	
Less:	Regular Appropriations FY 2011	<u>(3,741,680,000)</u>	
	Estimated Unappropriated Balance from FY 2010 @ June 30, 2011		<u>\$0</u>
	Estimated Unappropriated Balance @ June 30, 2011		<u><u>\$7,350,420</u></u>

General Revenue Fund

Overview by Functional Category

FY 2009 through FY 2011

(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2009	Total Appropriations FY 2010 *
LEGISLATURE			
Senate	0165	\$5,462,925	\$6,791,796
House of Delegates	0170	9,106,517	9,898,980
Joint Expenses/Claims against State	0175	11,989,156	9,209,642
Subtotal		26,558,597	25,900,418
JUDICIAL			
Supreme Court	0180	107,385,025	117,963,668
EXECUTIVE			
Office of the Governor	0101	5,244,615	5,511,858
Custodial Fund	0102	627,516	623,816
Civil Contingent Fund	0105	5,065,319	0
State Auditor's Office	0116	3,612,708	3,794,796
State Treasurer's Office	0126	4,022,500	4,014,440
Department of Agriculture	0131	11,958,597	12,014,818
WV Conservation Agency	0132	11,741,811	13,341,784
Meat Inspection	0135	684,808	691,433
Agricultural Awards	0136	58,650	58,650
WV Agricultural Land Protection Auth	0607	83,234	108,150
Attorney General's Office	0150	4,847,462	4,650,446
Secretary of State	0155	898,671	1,324,193
State Election Commission	0160	3,861	10,275
Subtotal		48,849,752	46,144,659
ADMINISTRATION			
Office of the Secretary	0186	60,388,052	16,950,052
Consolidated Public Retirement Board	0195	3,449,213	0
Public Employees Insurance Agency	0200	0	0
Division of Finance	0203	1,244,593	951,090
General Services Division	0230	2,976,612	3,051,851
Purchasing Division	0210	1,251,323	1,191,072
Comm on Uniform State Laws	0214	42,694	49,000
Public Employees Grievance Board	0220	1,073,218	978,593
Ethics Commission	0223	633,688	693,886
Public Defender Services	0226	34,086,239	31,813,108
Comm Purchase for Handicapped	0233	7,863	5,055
WV Prosecuting Attorneys Institute	0557	213,062	246,364
Childrens' Health Insurance Agency	0588	10,971,688	10,972,709
WV Retiree Health Benefit Trust Fund	0611	0	0
Real Estate Division	0610	593,403	643,807
Subtotal		116,931,647	67,546,587

Plus: Reappropriated FY 2010	Total Available FY 2010	Total Request FY 2011 **	Governor's Recommendations FY 2011	Percentage of Total
\$25,191,977	\$31,983,773	\$6,452,206	\$6,452,206	0.17%
5,341,397	15,240,377	9,404,031	9,404,031	0.25%
61,217,687	70,427,329	11,272,265	11,272,265	0.30%
91,751,061	117,651,479	27,128,502	27,128,502	0.73%
17,537,448	135,501,116	117,963,668	118,506,192	3.17%
3,289,142	8,801,000	5,236,265	5,404,503	0.14%
50,372	674,188	592,625	607,553	0.02%
58,709,142	58,709,142	0	0	0.00%
206,241	4,001,037	3,609,806	3,764,238	0.10%
613,935	4,628,375	3,818,468	4,117,701	0.11%
1,452,736	13,467,554	11,381,323	11,802,522	0.32%
5,377,150	18,718,934	12,674,695	11,153,084	0.30%
0	691,433	691,433	720,260	0.02%
0	58,650	58,650	58,650	0.00%
26,766	134,916	102,743	102,743	0.00%
298,350	4,948,796	5,004,046	4,622,286	0.12%
1,016,178	2,340,371	2,012,733	1,318,691	0.04%
0	10,275	9,761	9,761	0.00%
71,040,013	117,184,672	45,192,548	43,681,992	1.17%
19,955,183	36,905,235	16,901,663	16,933,425	0.45%
0	0	0	0	0.00%
0	0	0	3,500,000	0.09%
57,492	1,008,582	903,535	931,010	0.02%
0	3,051,851	2,899,259	3,002,552	0.08%
0	1,191,072	1,131,518	1,187,465	0.03%
0	49,000	46,550	46,550	0.00%
164,600	1,143,193	978,593	1,019,545	0.03%
0	693,886	659,192	681,715	0.02%
23,306	31,836,414	42,092,458	31,857,072	0.85%
0	5,055	5,055	5,055	0.00%
69,136	315,500	234,045	240,320	0.01%
0	10,972,709	10,424,074	10,429,873	0.28%
0	0	0	0	0.00%
0	643,807	611,616	628,764	0.02%
20,269,717	87,816,304	76,887,558	70,463,346	1.88%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2009	Total Appropriations FY 2010 *
COMMERCE			
Office of the Secretary	0606	454,564	459,047
Tourism	0246	3,985	0
Forestry	0250	4,643,049	4,508,435
Geological & Economic Survey	0253	3,336,501	3,596,754
Development Office	0256	24,926,921	24,629,275
Division of Labor	0260	3,249,639	3,473,793
Division of Natural Resources	0265	17,693,083	17,605,557
Miners' Health, Safety & Training	0277	10,720,194	10,885,644
Board of Coal Mine Health & Safety	0280	160,783	166,912
Mine Safety & Technical Review	0285	84,994	78,515
WORKFORCE West Virginia	0572	624,054	100,000
Division of Energy	0612	1,769,661	1,808,691
Subtotal		67,667,426	67,312,623
EDUCATION			
School Lunch Program	0303	2,524,357	2,530,215
FFA-FHA Camp & Conference Center	0306	1,053,080	1,057,335
State Department of Education	0313	38,110,802	37,204,092
Aid for Exceptional Children	0314	27,520,096	28,096,254
State Aid to Schools	0317	1,721,791,061	1,717,083,663
State Board of Ed-Vocational Division	0390	26,230,956	26,313,199
Education Performance Audits	0573	652,008	733,081
WV Schools for the Deaf & the Blind	0320	13,021,316	13,061,369
Subtotal		1,830,903,677	1,826,079,208
EDUCATION AND THE ARTS			
Office of the Secretary	0294	7,102,455	6,385,489
Culture and History	0293	11,129,050	5,270,584
Library Commission	0296	1,834,786	1,857,698
Educational Broadcasting Authority	0300	5,828,823	5,721,306
Division of Rehabilitation Services	0310	14,321,039	13,830,718
Subtotal		40,216,153	33,065,795
ENVIRONMENTAL PROTECTION			
Environmental Quality Board	0270	131,235	142,359
Environmental Protection	0273	7,667,439	8,000,730
Air Quality Board	0550	90,406	99,406
Subtotal		7,889,080	8,242,495

Plus: Reappropriated FY 2010	Total Available FY 2010	Total Request FY 2011 **	Governor's Recommendations FY 2011	Percentage of Total
0	459,047	436,095	457,839	0.01%
663,746	663,746	0	0	0.00%
0	4,508,435	4,283,013	4,480,861	0.12%
888,194	4,484,948	3,416,916	3,565,511	0.10%
40,282,173	64,911,448	23,397,811	23,655,405	0.63%
0	3,473,793	3,854,220	3,434,747	0.09%
5,061,453	22,667,010	16,725,279	17,548,118	0.47%
0	10,885,644	10,886,362	10,772,913	0.29%
0	166,912	158,566	166,440	0.00%
0	78,515	74,589	74,589	0.00%
0	100,000	325,000	95,000	0.00%
0	1,808,691	1,718,256	1,727,640	0.05%
46,895,566	114,208,189	65,276,107	65,979,063	1.76%
0	2,530,215	2,442,704	2,444,184	0.07%
0	1,057,335	1,057,335	1,062,041	0.03%
4,228,325	41,432,417	36,938,360	40,653,833	1.09%
1,771,801	29,868,055	28,212,611	27,393,501	0.73%
0	1,717,083,663	1,864,732,205	1,696,943,353	45.35%
26,060	26,339,259	26,465,936	26,535,395	0.71%
0	733,081	708,572	709,452	0.02%
0	13,061,369	12,658,391	12,716,474	0.34%
6,026,185	1,832,105,393	1,973,216,114	1,808,458,233	48.33%
2,922,029	9,307,518	7,216,122	6,147,342	0.16%
5,345,132	10,615,716	11,195,584	5,444,966	0.15%
0	1,857,698	3,346,558	1,918,726	0.05%
841,067	6,562,373	7,436,040	5,669,182	0.15%
478,296	14,309,014	13,139,182	13,726,960	0.37%
9,586,523	42,652,318	42,333,486	32,907,176	0.88%
0	142,359	142,359	145,917	0.00%
250,000	8,250,730	16,288,606	7,898,348	0.21%
0	99,406	99,406	102,327	0.00%
250,000	8,492,495	16,530,371	8,146,592	0.22%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2009	Total Appropriations FY 2010 *
HEALTH AND HUMAN RESOURCES			
Office of the Secretary	0400	561,489	645,442
Division of Health-Central Office	0407	77,445,479	80,597,398
Consolidated Medical Service Fund	0525	145,307,012	152,369,030
WV Drinking Water Treatment	0561	700,000	700,000
Human Rights Commission	0416	1,448,647	1,275,698
Human Services	0403	638,186,009	580,676,242
Subtotal		863,648,637	816,263,810
MILITARY AFFAIRS & PUBLIC SAFETY			
Office of the Secretary	0430	9,213,130	2,009,468
Adjutant General - State Militia	0433	22,605,392	19,021,218
Adjutant General - Military Fund	0605	49,315	200,000
Parole Board	0440	942,665	1,095,534
Homeland Security Emergency Mgmt	0443	4,220,095	3,389,866
Corrections Central Office	0446	642,465	670,647
Correctional Units	0450	156,119,290	158,754,185
WV State Police	0453	77,369,330	84,118,015
Veterans Affairs	0456	11,082,070	9,943,126
Veterans Home	0460	1,133,119	1,157,847
Fire Commission	0436	87,853	85,427
Criminal Justice Services	0546	4,125,750	5,330,645
Juvenile Services	0570	38,068,355	42,571,861
Protective Services Division	0585	2,052,077	2,337,309
Subtotal		327,710,905	330,685,148
REVENUE			
Office of the Secretary	0465	892,123	860,220
Tax Division	0470	28,736,796	29,017,441
State Budget Office	0595	906,188	1,144,549
Athletic Commission	0523	6,829	89,935
Office of Tax Appeals	0593	700,173	677,300
Subtotal		31,242,109	31,789,445
TRANSPORTATION			
State Rail Authority	0506	2,820,807	2,701,315
Public Transit	0510	1,820,704	2,932,642
Public Port Authority	0581	362,294	418,041
Aeronautics Commission	0582	1,763,804	1,437,815
Subtotal		6,767,608	7,489,813

Plus: Reappropriated FY 2010	Total Available FY 2010	Total Request FY 2011 **	Governor's Recommendations FY 2011	Percentage of Total
143,298	788,740	623,524	649,638	0.02%
8,989,363	89,586,761	77,710,690	78,944,245	2.11%
43,860,357	196,229,387	151,783,256	155,773,463	4.16%
0	700,000	700,000	700,000	0.02%
0	1,275,698	1,275,698	1,326,938	0.04%
1,304,278	581,980,520	541,250,925	544,469,882	14.55%
54,297,296	870,561,106	773,344,093	781,864,166	20.90%
11,043,749	13,053,217	1,809,468	1,880,499	0.05%
22,915,323	41,936,541	19,760,657	18,073,914	0.48%
0	200,000	200,000	200,000	0.01%
0	1,095,534	1,057,487	1,082,991	0.03%
1,475,377	4,865,243	3,220,373	3,296,098	0.09%
150,258	820,905	670,647	698,126	0.02%
13,335,427	172,089,612	162,167,400	156,988,554	4.20%
1,282,339	85,400,354	97,174,842	100,000,731	2.67%
2,673,525	12,616,651	9,445,970	9,868,127	0.26%
0	1,157,847	1,099,955	1,155,668	0.03%
0	85,427	81,156	81,156	0.00%
1,653,286	6,983,931	6,813,237	5,339,979	0.14%
3,889,056	46,460,917	41,283,076	44,532,126	1.19%
3,156,172	5,493,481	2,230,413	2,334,631	0.06%
61,574,512	392,259,660	347,014,681	345,532,600	9.23%
364,517	1,224,737	817,209	855,526	0.02%
19,119,255	48,136,696	26,825,894	27,599,755	0.74%
1,125,712	2,270,261	1,087,321	1,372,862	0.04%
0	89,935	85,438	86,402	0.00%
140,730	818,030	643,435	671,732	0.02%
20,750,214	52,539,659	29,459,297	30,586,277	0.82%
0	2,701,315	2,566,249	2,583,761	0.07%
4,399,049	7,331,691	2,786,009	2,786,009	0.07%
1,142,836	1,560,877	397,139	409,805	0.01%
1,850,929	3,288,744	1,365,925	1,375,849	0.04%
7,392,814	14,882,627	7,115,322	7,155,424	0.19%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2009	Total Appropriations FY 2010 *
SENIOR SERVICES			
Bureau of Senior Services	0420	192,063	2,500,000
HIGHER EDUCATION			
HEPC-Administration	0589	62,277,420	56,310,079
HEPC-System	0586	296,126,870	285,553,838
Council for C&T College Education	0596	66,501,746	65,629,367
Subtotal		424,906,036	407,493,284
MISCELLANEOUS BOARDS & COMMISSIONS			
National Coal Heritage Area Authority		0	0
Coal Heritage Highway Authority		0	0
Subtotal		0	0
TOTAL GENERAL REVENUE		\$3,900,868,716	\$3,788,476,953

* Total Appropriations FY 2010 include surplus appropriations of \$2,500,000.

** Total Request FY 2011 is Current-Level Request plus General Revenue Improvement Requests.

Plus: Reappropriated FY 2010	Total Available FY 2010	Total Request FY 2011 **	Governor's Recommendations FY 2011	Percentage of Total
307,937	2,807,937	0	0	0.00%
7,279,681	63,589,760	85,607,196	62,174,354	1.66%
4,149,072	289,702,910	271,000,139	276,662,113	7.39%
13,513,441	79,142,808	66,534,464	62,433,970	1.67%
24,942,195	432,435,479	423,141,799	401,270,437	10.72%
0	0	200,000	0	0.00%
0	0	360,000	0	0.00%
0	0	560,000	0	0.00%
\$432,621,481	\$4,221,098,434	\$3,945,163,546	\$3,741,680,000	100.00%

General Revenue Fund
Recommended Surplus Supplemental Appropriations
FY 2010
(Nearest Dollar)

Agriculture - Elkwater Fork Watershed Dam Mitigation	\$875,000
Agriculture - Island Creek Flood Damage Reduction Project	1,000,000
Agriculture - Lost River Flood Control	1,000,000
Agriculture - New Creek Dam Rehab	200,000
Agriculture - Dunlop Creek Watershed Floodplain	150,000
Education - Tax Assessment Error - McDowell Co.	395,317
Education - Honey Rubenstein Center - Vocational Education Equipment	<u>50,000</u>
	<u><u>\$3,670,317</u></u>

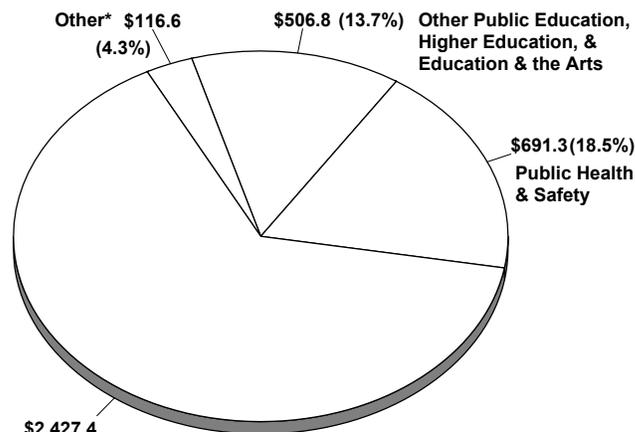
General Revenue Major Constitutional and Statutory Requirements Fiscal Year 2011

Each year there are several major constitutional or statutory requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2011 Executive Budget recommendations include expenditures of \$2.43 billion for these major requirements and make up 64.9% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 35.1% of the total General Revenue funds available, are considered necessary for the public health, safety, and education of West Virginia citizens. These include: 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 which supports public universities and colleges and provides student financial aid.

		Appropriations (in millions)
LEGISLATIVE BRANCH		\$27.1
JUDICIAL BRANCH		114.6
DEPARTMENT OF EDUCATION		
State Aid to Schools	1,064.1	
Public Employees Insurance Agency (School Aid Formula)	223.1	1,287.2
DEBT SERVICE		
School Building Authority	23.3	
Lease Rental Payments for debt service on correctional facilities	16.0	39.3
SOCIAL SECURITY MATCHING		39.4
PUBLIC EMPLOYEES INSURANCE AGENCY		81.5
RETIREMENT		
Judges' Retirement	4.0	
Public Employees Retirement	65.7	
Teachers' Retirement	386.4	
Trooper Retirement	29.5	485.6
PUBLIC DEFENDER SERVICES		31.9
MEDICAID		320.8
Total		\$2,427.4

(Expressed in Millions)



* Other
Constitutional Offices
Administration
Commerce
Environment
Revenue
Transportation
Claims Against State

**Total FY 2011
\$3.742 Billion**

**Lottery Fund
Overview by Functional Category
FY 2009 through FY 2011
(Nearest Dollar)**

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2009	Total Appropriations FY 2010
ADMINISTRATION			
Education, Arts, Sciences, & Tourism			
Debt Service Fund	2252	\$9,997,263	\$8,240,000
Subtotal		9,997,263	8,240,000
COMMERCE			
Division of Tourism	3067	8,029,464	7,606,448
Division of Natural Resources	3267	5,760,515	3,449,943
Subtotal		13,789,979	11,056,391
EDUCATION			
State Department of Education	3951	38,643,980	34,342,786
School Building Authority	3963	17,999,768	18,000,000
Subtotal		56,643,747	52,342,786
EDUCATION AND THE ARTS			
Office of the Secretary	3508	1,152,698	1,191,627
Culture and History	3534	6,689,595	5,880,894
Library Commission	3559	11,775,461	11,194,881
Subtotal		19,617,754	18,267,402
SENIOR SERVICES			
Bureau of Senior Services	5405	60,847,491	57,187,039
HIGHER EDUCATION			
Community & Technical College			
Capital Improvement Fund	4908	0	5,000,000
Higher Education Policy Commission	4925	10,563,804	13,916,382
Subtotal		10,563,804	18,916,382
TOTAL LOTTERY		\$171,460,037	\$166,010,000

* Total Request FY 2011 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2010	Total Available FY 2010	Total Request FY 2011 *	Governor's Recommendation FY 2011	Percentage of Total
\$0	\$8,240,000	\$10,000,000	\$10,000,000	5.99%
0	8,240,000	10,000,000	10,000,000	5.99%
4,380,383	11,986,831	7,226,125	7,376,805	4.42%
23,342,425	26,792,368	3,277,446	3,400,134	2.04%
27,722,809	38,779,200	10,503,571	10,776,939	6.45%
12,917,233	47,260,019	33,945,191	32,804,225	19.64%
0	18,000,000	18,000,000	18,000,000	10.78%
12,917,233	65,260,019	51,945,191	50,804,225	30.42%
391,210	1,582,837	1,157,027	1,062,312	0.64%
2,147,829	8,028,723	5,623,320	5,320,211	3.19%
0	11,194,881	11,553,392	10,585,317	6.34%
2,539,039	20,806,441	18,333,739	16,967,840	10.16%
2,085,783	59,272,822	54,327,690	62,345,876	37.33%
5,000,000	10,000,000	5,000,000	5,000,000	2.99%
6,165,624	20,082,006	13,475,909	11,112,120	6.65%
11,165,624	30,082,006	18,475,909	16,112,120	9.65%
\$56,430,487	\$222,440,487	\$163,586,100	\$167,007,000	100.00%

Lottery Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2009	\$40,000,000
Less:	Reserve for Cash Flow / Contingencies	<u>(40,000,000)</u>
	Unappropriated Balance @ July 1, 2009	\$0
Plus:	Revenue Estimate FY 2010	166,812,000
Less:	Veterans Fund	<u>(800,000)</u>
	Revenue Available for FY 2010 Appropriations	\$166,012,000
Less:	Regular Appropriations FY 2010	<u>(166,010,000)</u>
	Estimated Unappropriated Balance @ June 30, 2010	\$2,000
Plus:	Revenue Estimate FY 2011	167,807,000
Less:	Veterans Fund	<u>(800,000)</u>
	Revenue Available for FY 2011 Appropriations	\$167,009,000
Less:	Regular Appropriations FY 2011	<u>(167,007,000)</u>
	Estimated Unappropriated Balance @ June 30, 2011	<u><u>\$2,000</u></u>

Excess Lottery Fund Statement of Revenues, Expenditures, and Changes in Cash Balance (Nearest Dollar)

	Balance @ July 1, 2009	\$159,848,973
Less:	Reserve for Cash Flow / Contingencies	(3,720,843)
		\$156,128,130
	Unappropriated Balance @ July 1, 2009	\$156,128,130
Plus:	Revenue Estimate FY 2010	342,118,000
Less:	Catastrophic Event Contingency	(30,000,000)
		\$468,246,130
	Revenue Available for FY 2010 Appropriations	\$468,246,130
Less:	Regular Appropriations FY 2010	(312,118,000)
Less:	Recommended Supplemental Appropriations (2010 Regular Session):	
	Administration - Public Defender Services - Appointed Counsel Fees	(11,000,000)
	MAPS - Corrections - Three 80 Bed Work Release Centers	(3,750,000)
	MAPS - Corrections - Mt Olive - Maintenance	(325,000)
	MAPS - Corrections - Mt Olive - Upgrades	(1,300,000)
		(15,375,000)
	Estimated Unappropriated Balance @ June 30, 2010 *	\$139,753,130
Plus:	Revenue Estimate FY 2011	340,865,000
Less:	Catastrophic Event Contingency	(30,000,000)
		\$450,618,130
	Revenue Available for FY 2011 Appropriations	\$450,618,130
Less:	Regular Appropriations FY 2011	(379,357,082)
		\$71,261,048
	Estimated Unappropriated Balance @ June 30, 2011 **	\$71,261,048

* The Governor recommends, if surplus balance from FY 2010 is available, up to \$25,000,000 be appropriated for the State's ERP system.

** The Governor recommends that this Unappropriated Balance be used to help fill the anticipated FY 2012 budget gap.

Excess Lottery Fund Overview by Functional Category FY 2009 through FY 2011 (Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2009	Total Appropriations FY 2010
STATUTORY APPROPRIATIONS:			
DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)			
Economic Development Authority	9065	\$19,000,000	\$19,000,000
Higher Education Improvement Fund	4297	10,000,000	10,000,000
School Building Authority	3514	19,000,000	19,000,000
Division of Natural Resources	3277	5,493,702	5,000,000
Infrastructure Council	3390	40,000,000	40,000,000
Subtotal		93,493,702	93,000,000
TRANSFERS			
Refundable Credit	7207	7,371,723	10,000,000
General Revenue	7206	65,000,000	65,000,000
Subtotal		72,371,723	75,000,000
HIGHER EDUCATION			
PROMISE Scholarship	4295	27,000,000	29,000,000
Subtotal		27,000,000	29,000,000
TOTAL STATUTORY APPROPRIATIONS:		192,865,425	197,000,000
APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:			
Joint Expenses (TRAFFIC)	1736	0	0
Office of the Governor	1046	0	0
Transfer to General Revenue	7208	62,900,000	62,900,000
Division of Finance-ERP	2208	38,515	0
Public Defender Services	2422	4,507,881	0
Transfer to General Services	7208	18,200,000	0
Transfer to Retiree Health Benefits (OPEB)	7208	46,600,000	0
Transfer to School Access Safety	7208	8,000,000	0
Transfer to Teachers' Retirement Savings Realized	7208	0	6,688,000
Office of Technology	2532	1,101,836	0
WV Development Office	3170	3,099,134	0
Department of Education	3517	0	45,530,000
Division of Health	5219	154,724	0
Secretary of Military Affairs and Public Safety- Interoperable Communications	6005	0	0
Division of Corrections-Capital	6283	0	0
Tax Division-Remittance Processor	7082	48,800	0
Higher Education-Administration	4932	15,016,343	0
TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:		159,667,233	115,118,000
GRAND TOTAL		\$352,532,658	\$312,118,000

* Total Request FY 2011 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2010	Total Available FY 2010	Total Request FY 2011*	Governor's Recommendation FY 2011	Percentage of Total
\$0	\$19,000,000	\$19,000,000	\$19,000,000	5.01%
0	10,000,000	10,000,000	10,000,000	2.64%
0	19,000,000	19,000,000	19,000,000	5.01%
7,837,040	12,837,040	5,000,000	5,000,000	1.32%
0	40,000,000	40,000,000	40,000,000	10.54%
7,837,040	100,837,040	93,000,000	93,000,000	24.52%
0	10,000,000	10,000,000	10,000,000	2.64%
0	65,000,000	65,000,000	65,000,000	17.13%
0	75,000,000	75,000,000	75,000,000	19.77%
0	29,000,000	29,000,000	29,000,000	7.64%
0	29,000,000	29,000,000	29,000,000	7.64%
7,837,040	204,837,040	197,000,000	197,000,000	51.93%
20,000,000	20,000,000	0	0	0.00%
163,349	163,349	0	0	0.00%
0	62,900,000	62,900,000	62,900,000	16.58%
4,961,485	4,961,485	0	0	0.00%
16,492,119	16,492,119	0	0	0.00%
0	0	0	0	0.00%
0	0	0	0	0.00%
0	0	0	0	0.00%
0	6,688,000	0	27,900,000	7.35%
0	0	0	0	0.00%
10,950,866	10,950,866	0	0	0.00%
0	45,530,000	15,000,000	91,557,082	24.13%
887,170	887,170	0	0	0.00%
10,000,000	10,000,000	0	0	0.00%
3,500,000	3,500,000	0	0	0.00%
12,000	12,000	0	0	0.00%
30,138,555	30,138,555	0	0	0.00%
97,105,544	212,223,544	77,900,000	182,357,082	48.07%
\$104,942,584	\$417,060,584	\$274,900,000	\$379,357,082	100.00%

State Road Fund
Statement of Revenues by Source
FY 2009 Through FY 2011
(Expressed in Thousands)

Source of Revenue	FY 2007 Actual Collections	FY 2008 Actual Collections	FY 2009 Actual Collections	FY 2010 Revised Official Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate
Gasoline and Motor Carrier Road Tax	\$349,172	\$404,223	\$384,539	\$380,000	\$380,000	\$362,100	\$380,000
Registration Fees	87,058	86,396	89,428	89,407	88,995	88,657	87,498
Registration Fee: Highway Litter Control	1,549	1,878	1,673	1,691	1,699	1,677	1,655
Sales (Privilege) Tax	173,306	169,463	150,794	160,550	155,492	158,394	161,293
Less Transfer to Industrial Access Road Fund	(3,034)	(3,352)	(3,010)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income	12,623	38,428	43,589	57,986	33,120	31,507	31,562
Federal Reimbursement:							
Interstate Construction	49,027	74,887	124,652	103,500	112,500	90,000	85,500
Other Federal Aid Programs	246,360	206,910	245,192	286,415	266,500	282,900	299,300
Appalachian Program	94,257	75,356	84,713	89,600	92,000	68,000	52,000
Federal Economic Stimulus	0	0	5,034	204,572	65,000	0	0
Total	\$1,010,318	\$1,054,189	\$1,126,604	\$1,370,721	\$1,192,306	\$1,080,235	\$1,095,808

State Road Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Cash and Investment Balance @ July 1, 2009		\$127,910,989
Plus:	Revised Revenue Estimate FY 2010		<u>1,370,721,528</u>
	Total Estimated Receipts and Balance		\$1,498,632,517
Less:	Regular Division of Highways Appropriations FY 2010	\$1,329,147,000	
	Highways Supplemental Appropriation FY 2010 (passed November 2009)	27,319,224	
	Highways Supplemental Appropriation FY 2010	0	
	Regular Division of Motor Vehicles Appropriation FY 2010	37,481,469	
	Motor Vehicles Supplemental Appropriation FY 2010	0	
	Claims Against the State Road Fund	<u>508,746</u>	<u>(1,394,456,439)</u>
	Estimated Balance @ June 30, 2010		\$104,176,078
Plus:	Revenue Estimate FY 2011		<u>1,192,305,943</u>
	Estimated Balance		\$1,296,482,021
Less:	Recommended Division of Highways Appropriation FY 2011	\$1,211,495,000	
	Recommended Division of Motor Vehicles Appropriation FY 2011	37,481,469	
	Recommended Claims Against the State Road Fund FY 2011	<u>2,000,000</u>	<u>(1,250,976,469)</u>
	Estimated Cash and Investments Balance @ June 30, 2011		<u><u>\$45,505,552</u></u>

Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2009 (Expressed in Thousands)

	6/30/07	6/30/08	6/30/09	Estimated 6/30/10	Estimated 6/30/11
General Obligation Debt					
Road Bonds	\$429,845	\$401,190	\$371,105	\$339,515	\$306,350
Infrastructure Bonds	286,177	277,949	269,272	260,141	250,517
SUBTOTAL	716,022	679,139	640,377	599,656	556,867
Revenue Bonds					
School Building Authority	231,475	215,675	214,125	201,045	187,380
School Building Authority (Lottery)	111,700	99,040	85,650	71,715	57,130
School Building Authority (Excess Lottery)	0	0	102,145	127,310	121,940
Tobacco Settlement Finance Authority	1,176,828	1,156,088	890,287	864,212	835,132
Highways, Commissioner of	109,160	98,875	165,160	144,315	122,795
EAST Fund (Lottery)	33,675	25,465	16,805	7,690	0
Economic Development Authority (Lottery)	221,565	214,125	206,480	198,590	190,415
WV Infrastructure and Jobs Development Council	126,140	124,530	122,875	120,565	118,175
Education	2,069	0	0	0	0
SUBTOTAL	2,012,612	1,933,798	1,803,527	1,735,442	1,632,967
Capital Leases					
Governmental Funds	331,779	322,003	307,868	295,006	284,192
Internal Service	12,035	16,605	6,496	3,283	31
SUBTOTAL	343,814	338,608	314,364	298,289	284,223
TOTAL	\$3,072,448	\$2,951,545	\$2,758,268	\$2,633,387	\$2,474,057

BUDGET PLANNING



Six Year Financial Plan

Four years ago, Governor Manchin initiated the comprehensive, easy-to-follow, “Six Year Financial Plan.” This is a planning tool for analyzing future budgets, and any budget gaps shown must be balanced. This year’s “Six Year Financial Plan” includes information on anticipated revenues and expenditures through FY 2015. 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 2011 budget, but also, the larger, long-term implications of the decisions made today on the future fiscal outlook. The “Six Year Financial Plan” does not reflect Special or Federal funds, although the funding and planning processes of these types of funds are definitely a major driver of total state revenue and spending. This plan is developed with extensive review of the major financial impacts of Special and Federal cash flows and reflects their impact. Using this plan, it is easy to see where the projected expenditures begin to outpace projected revenues (beginning in FY 2012), and it becomes obvious that the surplus revenues from previous fiscal years should not be expended for items that would add new obligations to the “base budget,” but rather should be used for “onetime” needs or held for use to assist in offsetting anticipated future shortfalls.

Revenue

As shown in the “General Revenue Fund—Statement of Revenues by Source” (see the “Financial Statements” chapter), revenue collections are declining in the short term due to the impact of the “Great Recession.” In fact, actual year-to-date FY 2010 General Revenue Fund collections thru November 30, 2009, are 7.4% lower than collections for the same period in the prior year. This decline follows a 0.7% decrease in FY 2009 collections from a peak of more than \$3.9 billion collected in FY 2008. During the early stages of the Great Recession, West Virginia fared better than its neighboring states due to a strong energy sector with above normal energy prices. However, the Great Recession took its toll on West Virginia employment beginning in late 2008 and throughout 2009 with a cumulative loss of more than 24,000 payroll jobs. The Great Recession also began taking its toll on the energy sector during the second half of FY 2009 as energy prices fell sharply, several mines closed, and workers lost their jobs. The mining sector was the last sector to enter the recession and will likely be one of the last sectors to emerge from recession. More mine closures and job losses are likely in 2010 in response to lower demand for coal-fired electricity, growing coal stockpiles at power plants, and more stringent environmental oversight of the mining permit process. Income tax collections decline in response to lower employment, lower business profits, and lower capital gain realizations. Revenues collected in the Excess Lottery Fund also decrease due to both the impact of the recession and additional competition from neighboring states. These economic conditions result in a pattern of below normal revenue growth or even revenue decline between FY 2008 and FY 2012 due to the impact of a lengthy recession and a trend of declining energy prices, lower coal production, declining corporate income tax revenues, slow growing personal income and sales tax revenues, and the continuing emergence of video gaming competition from surrounding states.

Economic conditions resulted in a small revenue deficit (when compared to the estimated revenues) of less than \$1.2 million at the end of FY 2009. Following revenue increases in excess of ten percent in FY 2005 and FY 2006, General Revenue Fund collections rose by a more modest 2.5% in FY 2007 and 4.7% in FY 2008. Following a decline of 0.7% in FY 2009, collections are anticipated to decrease by six percent in FY 2010 before rebounding slowly from the Great Recession with growth of two percent in FY 2011 and 3.9% in FY 2012. By FY 2012, total collections should come close to equaling the previous revenue peak of more than \$3.9 billion set in FY 2008. General Revenue Fund growth for the FY 2012 to FY 2015 period averages roughly 3.6% in comparison with the long-term average growth rate of 4.1%.

Expenditures

Due to the effects of the current national economy on West Virginia’s General Revenue collections and investment losses in the state’s retirement systems (which will require increased funding in FY 2011) state agencies were asked to submit their FY 2011 General Revenue appropriation requests at 95% (Public Education at 96%) of their FY 2010 budgeted levels. These relatively small reductions will help agencies ease into the FY 2011 budgets. The FY 2011

Six Year Financial Plan

General Revenue budget will be funded below FY 2007 levels. Federal stabilization funds and enhanced FMAP rates will backfill the reductions to education (public and higher) and Medicaid programs, which will allow these programs to continue to operate at current levels. West Virginia is positioned very well to handle the upcoming budget challenges with cash surpluses on hand, much of its federal stabilization funding still unobligated, and a relatively large Rainy Day Fund.

Beginning with FY 2012, projected expenditures continue to outpace projected revenues. The main cost drivers in the “Six Year Financial Plan” include providing health care through the Medicaid and Public Employees Insurance Agency programs and increasing costs of maintaining adequate correctional facilities for juveniles and adults. It is the ongoing goal of the Manchin administration to work to contain the growth of these key budget drivers in order to be able to fund other priorities in education, tax modernization, and economic development.

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 has been implemented for FY 2010 due to the slowing of revenue collections. West Virginia remains on track to implement a balanced budget for FY 2011 and, while continuing to use our conservative budgeting approach, all future budget gaps will be addressed and balanced. Policymakers are dedicating most of the surpluses associated with higher energy prices and strong gaming revenues toward necessary onetime improvements and future anticipated budgetary shortfalls. Careful budgetary planning and responsible government initiatives will continue to serve West Virginia well in these unique economic times.

While much has been accomplished to make state government more responsible, such as controlling the cost of providing services and reducing unfunded liabilities, more work remains. Greater efficiencies must be achieved, programs must be evaluated to ensure the outcomes meet the original intent, and new ways of doing business must be explored in order to continue to provide the citizens with the services they expect and deserve.

Revenue Assumptions in the “Six Year Financial Plan”

General Revenue

The General Revenue collection amounts are projected to increase approximately two percent for FY 2011, 3.9% for FY 2012, and by an average of 3.6% per year for FY 2013 through FY 2015.

General Revenue adjustment

It is anticipated that General Revenue collections will not meet the official estimate for FY 2010. Estimated shortfall is \$120.8 million.

General Revenue - Surplus from previous FYs

General Revenue funds available for appropriation during FY 2009 include surpluses from previous fiscal years and a transfer from the Rainy Day Fund, which funded flood recovery efforts. \$5.33 million of these funds remain unobligated and are included in the “Estimated Balance” line of FY 2009. The FY 2010 amount shown is the total anticipated surplus appropriations to be made during FY 2010.

Lottery

The regular Lottery funds are dedicated by statute for use for senior citizens, education, and tourism. 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. Lottery revenues are projected to remain flat through FY 2015.

Lottery - Surplus from previous FYs

Lottery Revenue surplus at the end of FY 2008 was \$1.9 million and was available for appropriation in FY 2009. The total \$1.9 million was appropriated during FY 2009, leaving no unobligated regular Lottery funds.

Six Year Financial Plan FY 2009 through FY 2014 General and Lottery Revenues (Estimated in Thousands)

	Actual 2009	Budgeted 2010	Recommended 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Estimated Revenue							
General Revenue	\$3,901,552	\$3,788,000	\$3,741,680	\$3,887,555	\$3,991,760	\$4,210,815	\$4,324,610
General Revenue adjustment	0	(120,800)	0	0	0	0	0
General Revenue - Surplus from previous FYs	47,158	6,170	0	0	0	0	0
Lottery	170,068	166,012	167,007	167,816	167,816	167,816	167,816
Lottery - Surplus from previous FYs	1,929	0	0	0	0	0	0
Excess Lottery	257,998	184,218	182,965	207,183	180,183	180,183	180,183
Excess Lottery - Surplus from previous FYs	34,434	16,375	68,492	0	0	0	0
Total Available	4,413,139	4,039,975	4,160,144	4,262,554	4,339,759	4,558,814	4,672,609
Estimated Expenditures							
Base Budget		\$4,197,891	\$4,185,253	\$4,294,309	\$4,449,497	\$4,760,215	\$4,985,618
Expenditure Growth: *							
Legislature & Court of Claims		(1,041)	1,228	755	769	784	799
Supreme Court		2,146	0	2,244	2,286	2,328	2,371
Judges Retirement - Unfunded Liabilities		0	0	0	0	0	0
Higher Ed - PROMISE /Hi Ed Grant / Other		6,557	8,463	2,000	0	0	0
PERS - Increase in Employer Contribution %		1,581	19,960	0	0	0	0
Public Employees Insurance Agency Premiums		15,654	16,146	48,507	53,842	59,765	66,339
Teachers' Retirement Savings Realized		2,862	21,212	3,000	3,000	3,000	3,000
Teachers' Retirement System		41,673	89,428	0	0	0	0
State Aid to Schools		(3,668)	1,948	(1,436)	148	(7,982)	5,000
Public Education - Other Statutory Changes/Enhancements		1,797	(9,263)	1,264	1,274	1,735	2,000
Other Postemployment Benefits (OPEB) **		(30,730)	0	0	0	0	0
Medicaid ***		(45,167)	(28,514)	0	177,375	98,085	38,310
DHHR Health		3,013	(1,712)	2,000	2,000	2,000	2,000
DHHR Other Changes		(8,532)	(2,657)	1,000	1,000	1,000	1,000
Correctional Facilities Operations		3,704	(5,512)	8,509	8,557	9,000	9,000
State Police Longevity & Career Progression		413	486	450	477	458	411
Public Safety Retirement Plan A - Unfunded Liabilities		8,605	13,729	0	0	0	0
State Police Retirement B - Increase Employer Contribution		471	1,060	0	0	0	0
Program Enhancements/Unanticipated Expenditures		7,322	5,460	29,525	5,000	5,000	5,000
Salary Enhancements (Pub Ed included above for FY09) ****		3,357	250	57,370	54,990	50,230	50,230
Other Base Changes (net)		(22,656)	(22,656)				
Total Ongoing Base Budget	4,197,891	4,185,253	4,294,309	4,449,497	4,760,215	4,985,618	5,171,078
One Time Expenditures	138,735	25,261		5,000	5,000	5,000	5,000
One Time Reductions		(51,764)	(134,165)				
Midyear One Time Reductions (-3.4%)		(119,531)					
Transfer to Rainy Day Fund (1/2 Gen. Rev. surplus)	17,639						
Expirations	(17,715)						
Estimated Balance (Gaps)	\$76,589	\$756	\$0	(\$191,943)	(\$425,456)	(\$431,804)	(\$503,469)

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

* FY 2009 - FY 2015 Expenditure Growth is the additional amount required annually to fund existing programs.

** Includes no funding of OPEB Unfunded Liability.

*** Includes Federal Stimulus enhancement in Medicaid FMAP of 6.2% (three quarters FY 2009, all FY 2010, two quarters FY 2011).

**** Includes base building pay raises (estimated CPI growth) of 2.4% FY 2012, 2.3% FY 2013, 2.1% FY 2014 and 2.1% FY 2015.

Six Year Financial Plan

Excess Lottery

The Excess Lottery Fund will continue to be a major source of funding, although increased lottery sales competition from other states could affect collections in the out-years. Revenues are projected to remain relatively flat through FY 2015.

Excess Lottery - Surplus from previous FYs

The Excess Lottery Fund surplus at the end of FY 2009 was \$156.1 million of which \$16.375 million is anticipated to be appropriated during the 2010 Regular Legislative Session for onetime items and \$68.492 million is used to balance the FY 2011 budget. \$71.26 million of these funds remain unobligated and is included in the "Estimated Balance" line of FY 2009.

Expenditure Assumptions in the "Six Year Financial Plan"

Base Budget

The 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 budget is the amount required to maintain the current level of service, including any new amount of funding required to maintain that current level, plus any new funding required for necessary service or salary enhancements.

Expenditure Growth

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 under Expenditure Growth 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 from the prior year to determine that particular fiscal year's Total Ongoing Base Budget. For FY 2011, several items have been recommended to be increased while many others are recommended for decrease.

The following is a brief explanation of the FY 2011 expenditure growth and program enhancements as detailed in the "Six Year Financial Plan."

Legislature and Court of Claims. The Legislature requested five percent less than their FY 2010 appropriation, and \$2.5 million more has been requested by the Court of Claims for FY 2011 compared to the FY 2010 budget level. The Legislature's future budgets are estimated to increase by less than two percent.

Supreme Court. The Constitution requires that the Governor fund the Supreme Court as requested. The Supreme Court requested no increase in appropriations for FY 2011. Based upon past history, future expenditure growth should continue to be in line with an annual growth rate of approximately 1.85%.

Judges Retirement - Unfunded Liabilities. There is no additional recommended funding for FY 2011, and although investment losses occurred in FY 2009, the funded ratio of the Judges Retirement System is still over 80%.

Higher Ed - PROMISE /Hi Ed Grant / Other. The Higher Education Grant Fund (W.Va. Code §18C-5-3) calls for a two percent statutory increase of \$686,664. This two percent statutory requirement is no longer required after FY 2011. The PROMISE Scholarship requires a statutory increase (pursuant to W.Va. Code §18C-7-7) of \$3 million in FY 2011 and a decrease of \$500,000 in FY 2012. Funding of \$2.5 million each for Marshall and Fairmont State universities (two years of base building) is also included in FY 2011 for costs associated with the decoupling of the community and technical schools from these universities. An additional \$1.25 million is also included in FY 2012 for each of these universities, which will be the final round of funding associated with the decoupling of the community and technical schools from these universities. Federal Stabilization funds of approximately \$28 will be used in FY 2011 to offset any budget reductions that cause Higher Education institutions to fall below the funding levels of FY 2009.

Six Year Financial Plan

PERS - Increase in Employer Contribution %. Due to additional losses in investments during FY 2009, the employer contribution in FY 2011 will require an estimated increase in the employer match from 11% to over 17% of salary costs, costing the General and Lottery funds \$19.96 million. The FY 2012–15 estimates assume investments return to the annual 7.5% gains required in the long-term funding plan.

Public Employees Insurance Agency Premiums. To maintain current level insurance coverages in PEIA, an additional employer premium increase of about 9% in the FY 2011 budget would have been required, costing the General and Lottery funds over \$44 million. The Governor's FY 2011 recommendation funds an additional employer premium increase of four percent and a \$3.5 million employer subsidy payment to help offset any reductions in employee benefits. Significant double digit percentage increases are projected over the course of the next four fiscal years if current levels of benefits continue to be offered to employees and retirees, requiring multimillion dollar increases in the General and Lottery funds' share of premiums. Over \$48 million of additional funding will be needed for FY 2012, while FY 2013 through FY 2015 will require additional funding of over \$50 million each year. Thus, PEIA's outlook for the future continues to be a major concern and represents another of the major financial challenges facing West Virginia. PEIA cannot assume the economic conditions of the state will continue to permit increased premium revenues for the agency, nor can PEIA assume trend results will continue to be lower than anticipated.

Teachers' Retirement Savings Realized. The 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 required employer contributions that would have been required into the Teachers' Defined Contribution System and the required employer contribution for normal cost into the State Teachers' Retirement System—shall be deposited into the Employee Pension and Health Care Benefits Fund. This estimated calculation requires funding in FY 2011 of an additional \$21.212 million, bringing the total funding for FY 2011 to \$27.9 million.

Teachers' Retirement System. The State has made significant strides toward the long-term funding of the State's retirement systems. Of the additional surplus revenues available during FY 2005–2009, an additional \$719 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 made over the last five fiscal years, result in total additional deposits of \$1.5 billion being deposited into the pension system.

The Governor's "Responsible Government" 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 50% funded at the end of FY 2008.

Due to unrealized investment losses occurring in FY 2008 and FY 2009, the current amortization schedule for the Teachers' Retirement System will require estimated additional funding in FY 2011 of \$89.428 million above the FY 2010 level to maintain the current amortization plan through the year 2034. 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 2012–15 assumes future investment earnings of 7.5%. The increases in funding required for FY 2011 would have been much larger without the recent excess contributions made by the Legislature and the Governor to pay down unfunded pension debt by using the recent surplus monies and the securitization of Tobacco Master Settlement Agreement proceeds.

State Aid to Schools. The Basic State Aid to Schools Formula for public education (excluding PEIA and retirement costs shown in other lines) requires an increase of \$1.948 million for FY 2011. The Governor's FY 2011 budget reduces the required Step 1 funding level in the school aid formula by \$87.071 million and uses remaining available Federal Stabilization funds to back fill this reduction. Budget projections for the outgoing years are based on cost estimates relating to school aid formula changes with the passage of HB 4588 in the 2008 Regular Legislative Session.

Six Year Financial Plan

Federal Stabilization funds usage summary (estimated):

Total Available Federal Stabilization Funds		\$217,970,970
Public Education	FY 2010	(80,588,188)
Public Education	FY 2011	(87,071,400)
Higher Education	FY 2010	(22,117,432)
Higher Education	FY 2011	(28,193,950)
Remaining Federal Stabilization Funds		\$0

Public Education - Other Statutory Changes/Enhancements. The Department of Education and Schools for the Deaf and the Blind's employees are statutorily paid at the same county pay scales as professional educators and service personnel. Employees' salaries increase with additional years of service. Adjustments in increased enrollment, national certification, high acuity special needs, and other statutory requirements are also accounted for here.

Other Postemployment Benefits (OPEB). Exacerbating the financial problem with PEIA are changes by the Government Accounting Standards Board requiring greater disclosure (GASB 43 and 45) of the costs of providing health benefits to both current and retired employees—other postemployment benefits (OPEB). During the 2006 Regular Legislative Session, the West Virginia Retiree Health Benefits Trust Fund was established to account for OPEB and comply with GASB 43 and 45. Currently, there is no permanent funding mechanism for OPEB. The unfunded liability for OPEB at June 30, 2009, was estimated to be \$6.7 billion. The major cost driver in West Virginia's OPEB is the subsidization of retirees' health care premiums. It is estimated that agencies subsidize over 70% of the retirees' premiums, and retirees contribute less than 30% in actual premium costs. The PEIA Finance Board has taken the first steps in addressing this part of the OPEB problem by requiring any employees hired after July 1, 2010, to pay the full cost of premiums when they retire. This change will not have a substantial impact on the unfunded liability in the short term but will virtually eliminate the unfunded liability in the long run. However, other major fundamental changes still need to occur in the offering of benefits related to retiree health care. Current level offerings are not sustainable in the long run unless major, new funding sources are found.

Medicaid. State Medicaid funding is dependent primarily on four funding sources—General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. Controlling the growth of this program is critical to both the fiscal health of the state and the people who depend on the Medicaid program for vital services. To restrain the future growth of the program, the Department of Health and Human Resources will continue to focus on managing Medicaid like other health insurance programs. Medicaid is confronted with a fundamental problem—how to design an appropriate benefit package for the poorest and most disabled citizens of West Virginia and ensure access to Medicaid services, yet still meet cost containment and program integrity goals. The administration is committed to containing the burgeoning costs of this program. Beginning in FY 2013, Medicaid costs will put a heavy burden on State revenues, and program changes are inevitable to avoid future funding crises.

Developing changes in this program is 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, however, cannot be controlled through budget restrictions and appropriation caps without changes to the eligibility criteria, the types of services covered, or the rates paid for services. Reducing program eligibility, eliminating covered services, and reducing payments for services will shift the burden to other social service providers as clients seek other sources of assistance. The healthcare industry in general (hospitals, physicians, clinics, etc.) may also experience the possibility of decreased revenues from the Medicaid program and an increase in uncompensated care as clients seek medical care without coverage. Since Medicaid revenue has become a significant factor in the health care industry, any reductions will cause cost shifting and other reductions throughout the State's health care system.

Six Year Financial Plan

Several other factors will influence the increase in the Medicaid program, including medical inflation, the economy, and how health care will be addressed at the federal level. If the Medicaid Provider Tax, trust fund, and lottery sources of the State match remain relatively constant, the General Revenue Fund will have to supply the additional funds to cover future increases in cost.

Due to a host of factors, including responsible management and the current Federal Stimulus that includes an FMAP increased enhancement of about 6.2%, the State is projecting for the next two fiscal years that it will not need any increases to the Medicaid program from the General Revenue Fund. In FY 2013, however, the increase of new funding is projected to exceed \$177 million with an additional increase of over \$98 million in FY 2014 and over \$38 million in FY 2015.

DHHR Health. The Governor recommends a reduction of \$1.7 million in the FY 2011 budget for DHHR health-related items. These minor reductions in funding should not cause changes to program services. Alternative funding sources and prior year reappropriations will be used to replace General Revenue funding.

DHHR Other Changes. It is recommended that other DHHR budget changes of net (\$2.657) million be made in the FY 2011 budget. These reductions in funding should not cause changes to program services. Alternative funding sources and prior year reappropriations will be used to replace General Revenue funding.

Correctional Facilities Operations. Inmate medical costs at the correctional facilities rise each year. Additional inmates, increased aged inmate population, increased chronic medical illnesses, and the rising cost of medical care in general places pressure on medical expense funding. The FY 2011 budget maintains the Inmate Medical Expenses and the Payments to Federal, County, and/or Regional Jails at the FY 2010 funding levels. Improvements of over \$2 million are recommended in FY 2011 for additional and new employees in work release centers, work camps, and parole services to address some of the issues in the report to the Governor from “The Governor’s Commission on Prison Overcrowding.”

State Police Longevity & Career Progression. These funds are for statutory increases for longevity and career progression.

Public Safety Retirement Plan A - Unfunded Liabilities. Due to unrealized investment losses occurring in FY 2009, the current amortization schedule for the Public Safety Retirement Plan A will require additional funding in FY 2011 of \$13.729 million above the FY 2010 level to maintain the current amortization plan. Fiscal Year 2012–15 assumes investment earnings of 7.5% in the future.

State Police Retirement B - Increase Employer Contribution. Due to losses in investments during FY 2009, the employer contribution for the State Police Retirement Plan B will require the employers’ match to increase from 15% to 19.5% of employees salaries, costing the General Fund over \$1 million in additional funding. FY 2012–15 assumes investment earnings of 7.5% in the future.

Program Enhancements/Unanticipated Expenditures. These include unanticipated expenditures not already included in other lines of the “Six Year Financial Plan.” For FY 2011, additional funding is included for the operation of the newly constructed Jones Building Treatment Center, three additional new youth day reporting centers, and other small unanticipated increases.

Salary Enhancements. FY 2011 includes \$250,000 for the pay equity initiative. We have assumed pay raises in the out years based on the growth of inflation (CPI). FY 2012 allows for a 2.4% base building pay raise, FY 2013 shows costs of a 2.3% raise, FY 2014 the cost of a 2.1% raise, and FY 2015 the cost of a 2.1% raise.

Six Year Financial Plan

Other Base Changes (net). Due to anticipated decreases in General Revenues for FY 2011, agencies were asked to submit their FY 2011 budget requests at 95% (96% for Public Education) of their FY 2010 base budget appropriations. This line in the Six Year Financial Plan shows the net total of all other base changes not already included in other sections of the plan.

Onetime Expenditures. In addition to the Total Ongoing Base Budget, an amount of Onetime Expenditures has been included. These expenditures are not included in the base 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 Reductions. Onetime reductions in TRAFFIC of \$15 million, \$3.9 million in the Governor's Contingency Fund, \$87 million in Public Education (back filled with Federal Stabilization funds) and \$28 million in Higher Education (back filled with Federal Stabilization funds). All these onetime reductions are included in the beginning base budget for FY 2012 and beyond because they are backed out of only the FY 2011 base funding.

Midyear One Time Reductions (-3.4%). Onetime FY 2010 midyear budget reductions. All FY 2010 midyear reductions are considered onetime and are included in the beginning base budget for FY 2011 and beyond.

Transfer to Rainy Day Fund (1/2 Gen. Rev. surplus). A statute requires that half of any General Revenue surplus be transferred to the Rainy Day Fund. At the end of FY 2008, the General Revenue Fund had a surplus of \$35.278 million; that amounted to a \$17.638 million transfer to the Rainy Day Fund during FY 2009.

Expirations. Expirations at the end of FY 2009 totaled \$17.715 million. These are funds that were not used by agencies and were not reappropriated to FY 2010.

Estimated Balance (Gaps). The Estimated Balance is strictly the excess or deficit (gap) of revenues vs expenditures on an annual basis. The balance is not carried forward to the following fiscal year. One half of any excess balance of General Revenue is put into the Rainy Day Fund for savings to be used to offset the projected shortfall in the future, used for paying unfunded retirement/benefit liabilities, or used for other onetime expenditures. The other half of any excess balance, plus any surpluses from Lottery funds, becomes available for appropriation in the subsequent fiscal year. As is clearly seen in the "Six Year Financial Plan" beginning in FY 2012, substantial budget gaps must, and will, be addressed and balanced.

Six Year Plan Summary

The "Six Year Financial Plan" includes the best estimate of revenues and expenditures based on currently known facts and are the best assumptions we can make on a future basis. The further into the future we project revenues and expenditures, the greater the chance of deviation from the projections. For example, the end of the next budget year, FY 2011, is still 18 months into the future from the date the projections were completed. The General Revenue Fund estimate is over \$3.7 billion for FY 2011. Just a one percent deviation from the estimate will result in a \$37 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$74 plus million (\$37 million under estimate to \$37 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? Will there be an additional Federal Stimulus Package? How will federal health care legislation affect West Virginia? A large portion of the budget is expended for health care—both Medicaid and public employees' health insurance expenditures. Small fluctuations in the projected cost of health care can result in large dollar differences in the required expenditures for these services. For Medicaid, a one percent change in the federal match rate results in a difference in state funding of approximately \$30 million.

Six Year Financial Plan

Not included in the projected expenditures is any additional funding for inflationary expenses to cover the rising cost of energy consumption for State-owned buildings and vehicles, OPEB funding, nor funding for any major new program.

Budget Summary

FY 2009

The end of FY 2009 again saw surpluses for the General Revenue and Lottery funds—the General Revenue Fund ended the year with a surplus of over \$22 million. One half, or \$11 million, was transferred to the Rainy Day Fund. The Rainy Day Fund balances total over \$542 million at December 31, 2009.

Surpluses from FY 2009 activity in the Excess Lottery Fund totaled more than \$57 million. The revenue surpluses are recommended (during the 2010 Regular Legislative Session) to be used to fund major, onetime supplemental appropriations for the West Virginia Public Defender Services and the Division of Corrections. These surpluses are also recommended to be used to fill the remaining budget gap in FY 2011 and to help to make up some of the FY 2012 funding shortfall.

Beginning in FY 2009 and continuing into FY 2010, the national economy changed, and West Virginia, along with every other state, experienced unrealized losses in their long-term investment portfolios. While other states had to make midyear revisions to their revenue estimates and budget cuts to their FY 2008 and FY 2009 budgets, West Virginia remained among a handful of states that did not have to implement budget reductions for these fiscal years.

FY 2010

General Revenue was originally predicted to decrease by 2.9% below FY 2009 revenue collections. Lottery and Excess Lottery revenues were estimated to decrease by 1.8% below FY 2009 actual collections. Major budget expenditure driver increases for FY 2010 include a 6% increase in the employers' share of PEIA premiums and increased funding for the retirement systems due to the downturn in the national economy and the associated investment losses.

While General Revenue collections continue to slightly outpace estimates during the first six months of FY 2010, economic conditions have caused collections to slow in the major revenue sources of consumer sales and use tax and in the personal income taxes. Total General Revenue collections are now expected to be about \$120 million less than originally predicted. This anticipated shortfall in FY 2010 revenues has required the State to implement a 3.4% midyear budget reduction for General Revenue accounts. All the midyear adjustments will be considered onetime reductions and most will be offset with Federal Stimulus funding. Lottery revenues appear to be on track for the current fiscal year.

FY 2011

General revenues are predicted to grow two percent above FY 2010 revenues. Lottery and Excess Lottery revenues are expected to remain flat. Major budget expenditure drivers for FY 2011 are a four percent increase in the employers' share of PEIA premiums and increased funding for the retirement systems due to the downturn in the national economy and the associated investment losses. The retirement funding alone accounts for \$145 million of additional base building costs in FY 2011.

Careful budgetary planning, with an eye on future budget requirements, will continue to be a fundamental part of West Virginia's approach to maintaining balanced budgets while providing necessary services to her citizens.

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.)

The original legislation creating the Rainy Day Fund was contained in W.Va. Code §5A under the Department of Administration. Senate Bill 149 (passed March 13, 2004) moved budget responsibilities from the Department of Administration to the Department of Revenue and incorporated the responsibility for the Rainy Day Fund into the newly created W.Va. Code §11B.

The 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 exceeds ten percent of the total appropriations from the General Revenue Fund for the fiscal year just ended.

Originally, the Revenue Shortfall Reserve Fund could be used only to offset a shortfall in revenues that would otherwise require the Governor to impose expenditure reductions. In July 1996, the West Virginia Code was amended to allow the Legislature to make appropriations from the fund for emergency revenue needs caused by acts of God or natural disasters or for other fiscal needs as determined by the Legislature.

In October 1996, additional legislation was passed that directed the balance of funds in the Broker Litigation Recoveries Fund be transferred to the Rainy Day Fund. The monies in the Broker Litigation Recoveries Fund were generated from proceeds of court actions against brokerage firms responsible for previous investment losses for the State.

During the 2006 Regular Session, legislation was passed to change the aggregate amount of the fund from five percent to ten percent of the General Revenue Fund budget for fiscal year just ended, while still requiring the first 50% of all surplus revenues to be deposited into the fund. The new legislation, which became effective June 9, 2006, also permits the fund to be invested and to retain those earnings. The first \$100 million is invested by the West Virginia Board of Treasury Investments and any amounts over \$100 million is invested by the West Virginia Investment Management Board.

Since the fund was created in 1994, \$440.9 million has been deposited into the fund, which includes transfers in and interest; \$170 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects. On December 31, 2009, the balance in the Rainy Day Fund was \$270.9 million.

The Legislature also authorized the Governor, by executive order, to borrow funds from the Rainy Day Fund when revenues are inadequate to make timely payments of the State's obligations. The amount borrowed may not exceed 1.5% of the General Revenue Fund estimate for the fiscal year in which the funds are borrowed and shall be repaid to the fund within 90 days of its withdrawal.

Because of an expected cash flow shortfall experienced each year in the first quarter of the fiscal year, the Governor has borrowed from the fund each year since August 1996 in order to pay obligations in a timely manner. The loans were repaid before September 30 of each year, all within the 90 day limit allowed by law.

Major Reserve/Stabilization Accounts

Revenue Shortfall Reserve Fund - Part B (Rainy Day Fund-Part B)

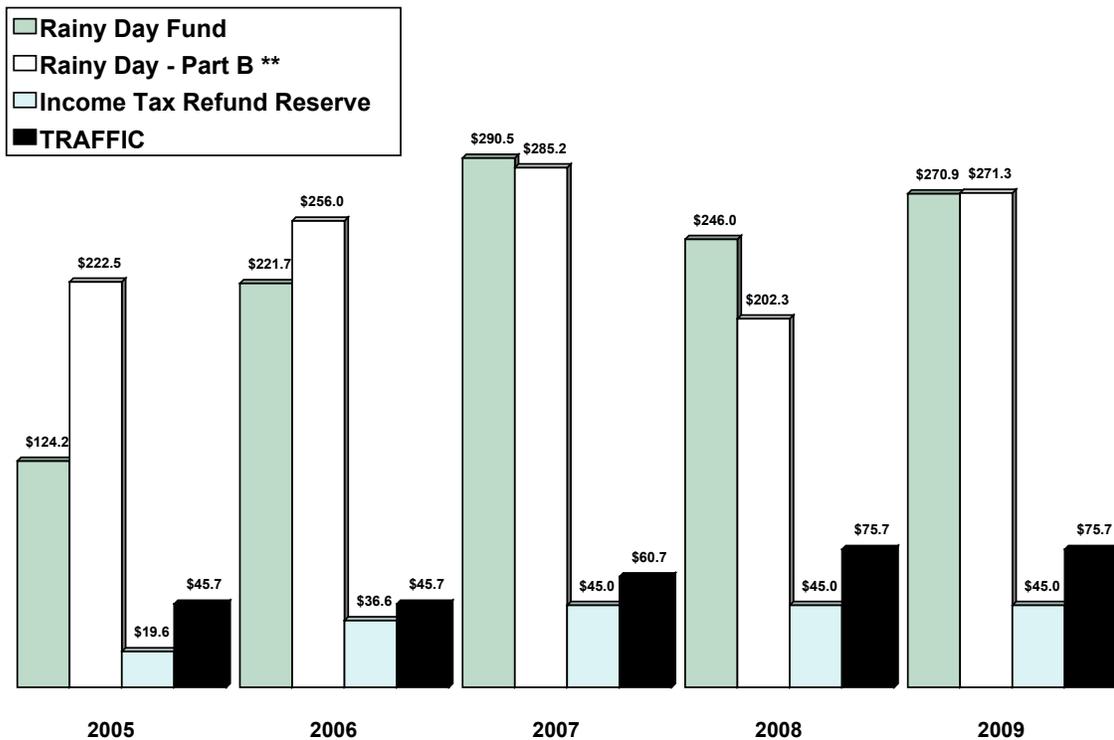
The State established a Revenue Shortfall Reserve Fund-Part B (Rainy Day Fund-Part B) that began with the cash balance of the West Virginia Tobacco Settlement Medical Trust Fund on June 9, 2006, the effective date of the bill (W.Va. Code §11B-2-20 was passed March 11, 2006). The fund is invested by the West Virginia Investment Management Board.

The Physician's Mutual Insurance Company loan in the amount of \$24 million, originally made from the West Virginia Tobacco Settlement Medical Trust Fund, is to be deposited in the Rainy Day Fund-Part B. On January 26, 2009, the last principal and interest payment for this loan was made.

Expenditures may not be made from the Rainy Day Fund-Part B unless all moneys in the Rainy Day Fund have been first expended. After June 30, 2025, interest and other return earned on moneys in the Rainy Day Fund-Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health program, services, and agencies; funding for any State owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On December 31, 2009, the balance in the Rainy Day Fund-Part B was \$271.3 million.

Reserve Balances*

(Expressed in Thousands)



* Balance as of December 31 each year
 ** 2005 balance is from the West Virginia Tobacco Settlement Medical Trust Fund.

Major Reserve/Stabilization Accounts

Income Tax Refund Reserve Fund

An Income Tax Refund Reserve Fund was established during FY 1990 (W.Va. Code §11-27-93) to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires.

The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds. On December 31, 2009, the balance in the Income Tax Refund Reserve Fund was \$45 million which represents about 1.2% of the total FY 2010 General Revenue Fund.

Tax Reduction and Federal Funding Increased Compliance (TRAFFIC)

During the 1995 session of the West Virginia Legislature, an initial \$20 million was set aside by appropriation in an account titled Tax Reduction and Federal Funding Increased Compliance (TRAFFIC). This appropriation was made to the Joint Expense account of the legislative branch and was intended for possible general state tax reductions, to offset any reductions in federal funding for state programs, or to have funds available for other unanticipated needs. It was not intended as an operational appropriation for expenditure by the Legislature.

Since the inception of the TRAFFIC account, \$156.7 million has been deposited into the account, and \$81.0 million has been appropriated from the account (mostly for meeting shortfalls in Medicaid match funds, for flood victim assistance, or additional payments to unfunded liabilities in the State retirement systems). As of December 31, 2009, \$75.7 million remains available for use as the Legislature and Governor may determine.

Long-Range Issues

Introduction

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

Infrastructure Projects/Improvements

Highway Infrastructure

State tax revenues declined in FY 2009. Sales (Privilege) Tax and Motor Fuel Excise Tax collections respectively were \$17,689,000 (11.39%) and \$19,684,000 (4.87%) below FY 2008 revenues. Both the Department of Revenue and Division of Motor Vehicles project lower revenues for the foreseeable future. Due to the recession, fewer miles are being driven, and many of the vehicles that are being purchased are less costly and more fuel-efficient, further driving down revenues. The long-term forecast provided by the Department of Revenue predicts a continued decline in consumption. Vehicle sales are expected to stagnate for at least another year.

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

The federal Highway Trust Fund is also a concern. First, current federal projections show the fund will be insolvent in federal fiscal year 2010. Should that occur, reimbursement for expenditures on approved federal projects will be delayed, conceivably for an extended period, and federal funding of new projects will cease. Secondly, the current six-year transportation legislation expired on September 30, 2009. There seems to be bipartisan support to increase the funding available in the next six-year appropriation. If Congress resolves the Trust Fund's solvency problem and provides additional funding, the Division of Highways will need to obligate more State Road Fund matching dollars in order to take advantage of the federal funds. In either scenario, preservation of the highways and bridges maintained purely with State dollars will continue to decline.

Wilbur Smith Associates is currently updating the State's Long Range Transportation Plan. Although the study has not been finalized, preliminary estimates indicate that the Division of Highways will need to invest \$1.2 billion annually to address needs on the existing highway and bridge system (exclusive of routine maintenance), which is approximately \$489 million more per year than the division is currently forecasting it will be able to invest. To address the long list of desired expansion efforts will require even more funding. Without a major increase in revenues, through a rapid and lasting exit from the recession, higher tax and fee rates, alternative funding sources, or a combination of all three, the Division of Highways will not be able to maintain even the current level of funding. Instead, the agency will be forced to reduce future budgets to levels that the public will not find acceptable and which could create an unsafe highway system.

Long-Range Issues

West Virginia Regional Jail and Correction Facility Authority

The West Virginia Regional Jail and Correctional Facility Authority have two fundamental missions—operating the regional jails and constructing the State's secure facilities for itself, the Division of Corrections, and the Division of Juvenile Services.

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

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

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

The West Virginia Legislature appropriated in FY 1995 \$10 million from the General Revenue Fund 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 continued construction of correctional and detention facilities. The Legislature created a Special Revenue Fund (from up to \$20 million per year of current insurance taxes) to repay PERS for the capital invested and investment earnings. The amount of payment was calculated every year by averaging the previous five years' interest returned on PERS' fixed income investments.

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

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

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

Long-Range Issues

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

Infrastructure Improvement Amendment

The Infrastructure and Jobs Development Council reports that approximately \$2.5 billion in projects have been funded to date by leveraging council funds with federal and other sources. Projects approved by the committee range from traditional infrastructure including water, sanitary sewer, storm water facilities, and roadways for industrial parks to revitalization projects that will result in economic development in some of the state’s larger cities. The approved projects leverage approximately \$700 million from other sources of funding resulting in close to \$1 billion of investment in the State of West Virginia.

Nineteen million dollars a year from the Excess Lottery Fund has been dedicated to pay debt service for the bond issue. The bond issue closed in January 2004 in the amount of \$249,895,000 that generated funds to cover the entire \$225,855,802 needed to fund the 48 approved projects, \$18,989,900 to the debt service reserve account, \$4,904,054 to fund the cost of issuance, and \$145,244 deposited to the bridge loan fund to be administered by the Council for Community and Economic Development.

School Building Authority

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

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

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

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

In 2007, Governor Manchin rolled out his School Access Safety Act that was then introduced and passed by both houses of the Legislature. This legislation established a School Access Safety Fund into which funding would be placed for school access safety grants by the SBA. So far, \$30 million has been provided to the School Access Safety

Long-Range Issues

Fund. The Legislature allocated \$10 million for FY 2008, FY 2009 and FY 2010. Twenty-five million of the \$30 million is being distributed to each county based on their net enrollment. Five million of the \$30 million has been dedicated to tactical surveys of West Virginia schools.

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

Since the inception of the SBA, over \$1.375 billion in state dollars and \$987.5 million in local dollars have been dedicated to West Virginia school facilities. This equates to 31 new high schools, 36 new middle schools, 48 new elementary schools, 80 major school addition/renovation projects, and over 1,200 minor renovation projects.

Health Care

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

In addition to these national trends, West Virginia faces other obstacles unique to the Mountain State. According to the most recent report of residential deaths by state reported by the National Center for Health Statistics (2006), West Virginia has the highest crude death rate per 100,000 population of all states (including the District of Columbia) for the following major disease/injury groups: all causes of death combined, cancer, diabetes, heart disease, nephritis and other related kidney syndromes and chronic lower respiratory disease. West Virginia also ranked in the top five in stroke, influenza/pneumonia, and accidental injuries. Even when adjusted for West Virginia's aged population, the state remains ranked in the worst five states on diabetes and chronic lower respiratory diseases.

Maternal smoking during pregnancy continues to be a major issue in West Virginia. The latest available U.S. figures show ten percent of mothers smoked during pregnancy in 2006. West Virginia's percentage (highest in the U.S.) was over 2.5 times higher at 27.4% in 2006. The latest available West Virginia data shows a decrease to 26.8% in 2007.

According to the Center for Disease Control and the latest behavioral risk factor survey, West Virginia had the second highest prevalence of diabetes in 2008 at 11.9% compared to a national average of 8.3%. West Virginia was also second in current smoking at 26.5% compared to 18.3% nationally; third in obesity at 31.9% compared to 26.6% nationally; and second in fair or poor health status at 24.1% compared to 15% nationally.

Medicaid

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

Long-Range Issues

The West Virginia Medicaid Program provides insurance coverage to approximately 386,000 West Virginia citizens. Children comprise 51% of the Medicaid population, while 27% are categorized as blind and disabled, 14% are adults, and the remaining 8% defined as the elderly.

Five categories of services accounted for approximately 67% of total Medicaid expenditures during FY 2009. These services are nursing home, inpatient hospital (includes outpatient services), capitated service agreements, home and community-based services provided under waiver authority, and prescription drugs. The largest increases in FY 2009 occurred in inpatient hospital (includes outpatient services) and capitated service agreements.

Medicaid offers a comprehensive benefit package to the state's poorest and most disabled citizens. These benefits include 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 not offered in the private insurance market. Financial support for this program comes from federal and state revenues. Unlike the PEIA program which is financed with all state dollars, the Medicaid program is financed at an approximate 25% state and 75% federal match which means that for every dollar the State invests, we are able to match that with approximately three federal dollars. With the passage of the American Reinvestment and Recovery Act of 2009, the federal match rate has increased through December 31, 2010.

Medicaid funding is dependent primarily on four funding sources: General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. Medicaid appropriated funding has increased from approximately \$334 million in 1995 to over \$510 million in 2010.

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

It is currently estimated that without any program changes, the cost for the Medicaid program will increase at a rate of approximately 4.8% per year. It is also assumed that as West Virginia's economy continues to improve, the federal match will decline by approximately 0.5% per year. 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 250% of the federal poverty level. At September 30, 2009, 24,778 children were enrolled, an increase of 2.2% over last year. Targeted outreach efforts are focused on the goal of enrolling all eligible children. 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.

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

Long-Range Issues

takes into account all projected revenues and apportions costs equitably among participating employers, employees, and retired employees and providers of health care services. The plan has been solvent since FY 1990, ensuring timely payments of PEIA obligations.

Effective January 1, 2000, the Finance Board must submit a prospective financial plan encompassing five fiscal years. Beginning with FY 2002, the finance board must develop annual financial plans that generate revenues sufficient to fund a reserve of at least ten percent of projected total plan costs. The financial plan must be submitted to the Governor and the Legislature by January 1 of the preceding year with an effective date for the financial plan of July 1 of each plan year.

OPEB

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 43 and 45.

Rising drug costs, increasing costs of health care costs, state budget constraints, funding of the plan, and the new reporting requirement for the OPEB liability are all issues the PEIA Finance Board must consider in preparing the agency's five-year financial plan. The State adopted a Medicare Advantage Prescription Drug effective July 1, 2007, to reduce the OPEB liability. The savings from this action has reduced significantly but still provide the plan savings.

The retiree plan must still be subsidized by the active policy premiums. The current rate of subsidization for the fund is approximately 70%. Determining a long-range solution to the West Virginia OPEB Plan's unfunded liability is of utmost importance.

Not including the Annual Required Contribution to fully fund the OPEB, the current financial plan projects positive net assets through FY 2013. PEIA and the Trust completed FY 2009 with total net assets of \$489 million and total claim expense of \$714 million. Current claim expense trend assumptions for FY 2010 and FY 2011 are as follows:

Eligibility	FY 2010		FY 2011	
	Medical	Drugs	Medical	Drugs
Non-Medicare	6.0%	11.0%	6.5%	11.5%
Medicare	6.0%	11.0%	6.5%	11.5%

Insurance Reform

Medical Malpractice

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

In December 2001, as a result of a medical malpractice insurance crisis in the state, the West Virginia Legislature passed House Bill 601 (the House Bill 601 Program) which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers. In 2003, House Bill 2122 was passed which provided a mechanism for those private physicians who were being insured through BRIM to novate to the newly formed West Virginia Physicians' Mutual Insurance Company (WVPMIC), effective July 1, 2004. BRIM still maintains the hospital and facilities in the House Bill 601 Program that did not novate to WVPMIC. However, all policies have been terminated as of June 30, 2004, and the program is in runoff mode only for any claims that may be submitted on any tail policies that were purchased.

Long-Range Issues

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

As a result of the feasibility study, the Patient Injury Compensation Fund (PICF) was created by passage of House Bill 4740 in March 2004. The revenue appropriated to the PICF is not reflected in BRIM financial statements, but rather in the State financial statements. The State financial statements reflect total retained earnings in the PICF at \$5,148,918 at year end June 30, 2007; \$5,388,891 at June 30, 2008; and \$5,346,281 at year end June 30, 2009. There have been no claims assessed against the PICF, and there were no FY 2008 or FY 2009 expenditures.

Overall, BRIM management has eliminated its net asset deficiency. This deficiency had occurred in prior years due to unanticipated losses and adverse loss development in each of the state agency and Senate Bill 3 (nonprofit) programs in the areas of general liability and medical malpractice claims. In FY 2004, BRIM management adopted a financial stability plan that enabled the deficiency in net assets to be eliminated over several years. As a result, as of June 30, 2009, BRIM reported positive net assets in every program that it administers. Management anticipates that it should be able to adequately maintain a level of net assets to support the insurance programs that it administers for the foreseeable future while continuing to provide quality cost-effective coverage within those programs.

BRIM's financial position has steadily improved in recent years. A combination of comprehensive rating programs, effective claims administration processes, refinements in BRIM's actuarially determined claims reserves and targeted loss control practices have all contributed to this improvement. At year end June 30, 2007, BRIM's total retained earnings were \$97,546,897. At year end June 30, 2008, BRIM's total retained earnings were \$127,630,000. At year end June 30, 2009, BRIM's audited financials show total retained earnings of \$150,958,000.

Unfunded Liabilities

Workers' Compensation

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

The State retained all liabilities incurred prior to July 1, 2005, and those liabilities, as well as certain assets, were transferred into the Workers' Compensation Old Fund (“Old Fund”). As of June 30, 2009, the fund deficit in the Old Fund was estimated to be \$1.29 billion (liabilities discounted at five percent). Senate Bill 1004 included a plan to address the outstanding deficit formerly in the Workers' Compensation Fund and now residing in the Old Fund. The custodian of the Old Fund is the Treasurer Office, and the Insurance Commissioner serves as the administrator of the Old Fund. Several sources of revenue were dedicated to pay the liabilities of the Old Fund, including the following:

Long-Range Issues

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

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

The privatization of the system and the dedication of new revenues for the Old Fund have provided the State with an opportunity to properly manage the residual liabilities and eventually eliminate the deficit currently in the Old Fund.

It is important to note that several steps toward eliminating the deficit were previously taken in 2003 when the Legislature enacted major workers' compensation reform that has affected and will continue to affect the actuarially determined estimated liability for unpaid claims of the Old Fund. The legislation, approved as Senate Bill 2013:

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

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

State Retirement Systems

The Consolidated Public Retirement Board (CPRB) was created by legislation passed in 1990, effective July 1, 1991, to administer all of the state's public retirement plans.

In 1992, CPRB completed actuarial studies on the various retirement systems of the State of West Virginia to determine the amount of the systems' unfunded liabilities. At that time, the Teachers' Retirement System (TRS), the Judges' Retirement System (JRS), and the Public Safety Retirement System (Plan A) were found to have unfunded liabilities of \$2.89 billion, \$23.20 million, and \$107.30 million, respectively. PERS was found to be well-funded. The State committed to a plan to increase the funding of the underfunded plans as shown in the chart below. Contributions to the various retirement plans are made in such a manner as to satisfy the unfunded liabilities as follows:

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

Long-Range Issues

The unfunded actuarial liability for each plan is as follows:

	July 1, 2008, Actuarial Valuation Unfunded Actuarial Liability		2008 Results Projected UAAL to July 1, 2009	
PERS	\$737,968,000	(84.2% funded)*	\$1,636,473,000	(66.5%)
TRS	\$4,134,695,000	(50.0% funded)*	\$5,042,935,000	(41.0%)
JRS	(\$2,221,000)	(102.3% funded)*	\$20,650,000	(80.4%)
Public Safety—Plan A	\$88,441,000	(83.9% funded)*	\$197,412,000	(65.0%)
State Police—Plan B	\$9,824,000	(80.9% funded)*	\$20,489,000	(65.6%)

*Per plan, funded percentage of plan assets as a percent of actuarial accrued liabilities, including projected salary increases.

Note: State Police—Plan B was enacted March 12, 1994.

The 2008 Results Projected UAAL to July 1, 2009, project the 2008 Actuarial Valuation results to 2009 recognizing actual investment return rate experience for each plans' trust fund as reported by the Investment Management Board for the year ending June 30, 2009. The July 1, 2009, Actuarial Valuations will include the remaining actual experience for each plan when the valuations become available, including actual contributions, benefit payments, salary increases, mortality, retirement, and turnover experience for the year ending June 30, 2009.

The projected July 1, 2009, results for TRS include the full impact of the transfer of 14,925 active Teachers' Defined Contribution (TDC) members and 289 inactive TDC members into TRS, effective on July 1, 2008, and August 1, 2008, assuming 100% make up contribution purchases. Actual make-up contribution purchases will be reflected in the July 1, 2009 Actuarial Valuation.

During 2005, pension reform legislation was passed to limit certain benefit improvements and to require adequate funding for any improvements that are granted. In addition to the limitations noted above, PERS and State Police—Plan B may not improve benefits for active members unless the funded percentage is 85% or higher on their last actuarial valuation. Retiree improvements are also limited to one percent of actuarial liabilities. When determining the adequacy of the employer contribution rate to fund these plans, any active member improvements must be amortized over ten years, and retiree improvements must be funded over six years.

Summary

Over the last 15 years, 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;
- Focused state transportation network improvements in areas that leverage the state's proximity to thriving markets such as Columbus, Ohio, and Washington, D.C.

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

Transportation Economic Trends

Highway Infrastructure

The need for an effective highway network touches every citizen of West Virginia and the United States. Virtually every aspect of daily life depends on adequate roadways being in place. Whether it is for transporting children to school, getting to work, or delivering goods and materials across the country, an adequate highway network enables individuals to experience a higher quality of life by improving access to social, economic, educational, and recreational opportunities.

In West Virginia, the responsibility for building and maintaining approximately 92% of the highway system falls on the West Virginia Division of Highways (WVDOH), whose primary funding source is the State Road Fund. The state revenues that support that fund are inadequate. Due to the ongoing recession, fewer miles are being driven, and many individuals and companies are delaying motor vehicle purchases. In many of the instances in which consumers have acquired vehicles, those vehicles have been more fuel-efficient, which further reduces revenue from the Motor Fuel Excise Tax. At the same time, maintenance and construction costs continue to grow. As costs rise, the amount of work that can be undertaken with projected revenues decreases. At currently projected revenue levels, the fund's purchasing power, when adjusted for inflation, will shrink roughly 15% from FY 2010 to FY 2015. This loss will make it difficult to make significant gains in highway programs.

Funding from the Federal Highway Administration could change substantially over the next few years. The Safe, Accountable, Flexible, and Efficient Transportation Equity: A Legacy for Users (SAFETEA-LU), which was a six-year bill, expired at the end of FFY 2009, and Congress must pass a new multiyear funding act. There seems to be bipartisan support to increase the funding available in the next six-year appropriation. At the same time, the federal Highway Trust Fund, the source of that funding, is suffering from the same problems that face the State Road Fund. Massive declines in fuel consumption, caused by higher fuel prices, more fuel-efficient vehicles, and the national recession, have vastly reduced federal fuel tax revenues and future revenue forecasts. If Congress resolves the Trust Fund's solvency problem and provides additional funding, the Division of Highways will need to obligate more State Road Fund matching dollars in order to take advantage of the federal funds. As the State Road Fund attempts to match these federal funds, preservation of the highways and bridges maintained purely with state dollars will continue to decline.

According to the Bureau of Business and Economic Research at West Virginia University, "Road, bridge, and tunnel construction impacts businesses in every sector of the state economy. For every \$1 million of highway construction, there are 15 jobs created, with \$485 thousand in employee compensation, and an additional \$900 thousand of business sales in the state. These impacts do not include any benefits or lower costs associated with reduced travel time, reduced accident rates, etc. that are realized from an improved transportation network."

The Division of Highways plans to partner with the West Virginia Public Port Authority during FY 2010 to develop a financial strategy to build the remaining 13.5 miles in Mason County of an expanded US 35. Completion of this segment of highway will provide many of the economic and safety benefits referenced by the Bureau of Business and Economic Research.

Unfortunately, every need can't be funded in such a fashion. The inability to fund programs adequately affects the quality of highway infrastructure. Existing roads and bridges deteriorate, and construction of new infrastructure is delayed. Since the condition of highway infrastructure is often a major factor in economic growth, the state faces a potential loss in development. Additionally, declines in the WVDOH's various construction and paving programs will reduce the number of projects awarded to private contractors and consulting firms. This could result in a reduction in their workforces, which also would have a negative impact on the state's overall economy.

Transportation Economic Trends

Unless the State Road Fund is able to substantially increase its revenues, the long-term forecast is for reduced construction and maintenance, accompanied by a decline in the condition of the state's highway infrastructure and a negative impact on the overall economic condition of the state.

Rail Transportation

Over 3,500 jobs are directly impacted by the rail service provided by the South Branch Valley Railroad (SBVR). Due to the state and national recessions, freight hauling decreased 410 cars in FY 2009; associated revenue decreased accordingly. Allegheny Wood had the highest percentage loss from FY 2008, decreasing shipments by 65%. Greer Limestone reduced shipments by 18%. SBVR's largest customer, Pilgrim's Pride, experienced a decrease of 278 cars, which was an eight percent decrease from FY 2008. This customer, which had been experiencing a tremendous decline in the value of its stock during FY 2008, had a noticeable increase in its stock value in FY 2009, and the company seems to be showing a positive turnaround in its financial position. An increase in demand for chicken on the open market makes SBVR optimistic that rail shipments will be stable or increase in FY 2010. Since this company directly employs over 2,800 individuals in its local processing plants, its financial wellbeing is critical to the economy of the region.

The new car repair facility, Appalachian Railcar Service, opened in Petersburg but did not see an increase in car receipts as originally anticipated. This was due to the rail industry nationwide having a decrease in car shipments. Long-term, this business still expects to repair over 700 railcars yearly. As business grows, over 30 new jobs with benefits will be created, generating economic growth for the area and increasing SBVR's revenues as it continues to pull the cars to and from the shop.

The amount of freight hauled on the West Virginia Central Railroad (WVCR) increased in FY 2009 as it hauled highway salt shipments to the J. F. Allen quarry near Elkins. This salt will be used by the Division of Highways within 14 counties for the treatment of snow-covered roads. While the continuation of this business is uncertain, WVCR's operator continues to meet with other potential shippers, and additional freight shipments (e.g., coal, aggregates and merchandise) are still viable growth options.

The rail lines also contribute to the tourism industry. The SBVR track is used by the Potomac Eagle, a tourist train operation that continues to work with the local communities to expand tourism business in the valley. The WVCR's operator promotes and markets that line. In FY 2009, the number of tourist passengers on the WVCR increased once again. The rehabilitation of the Elkins Depot and the Elkins Railroad Yard is a testament to what this train service has done for the community. New and established businesses in downtown Elkins continue to prosper from the thousands of tourists that visit each year to ride the train. Combined, they provide more jobs and more tax revenue in the area.

While both rail lines contribute significantly to economic growth, at this time neither generates enough freight revenue to pay for needed capital improvements and large continual maintenance projects. If the tracks are allowed to deteriorate, shippers will be forced to seek alternative transportation. Their increased costs will threaten operations and the overall economy of the regions will decline, dramatically so in the South Branch Valley. The costs associated with unemployment, loss of tax revenues, and the "ripple effect" will significantly impact the state's revenue collections. Consequently, it is critical that the State of West Virginia continue to provide funding support so the track rehabilitation and maintenance programs can continue.

Public Transportation

The National Business Coalition for Rapid Transit indicates that transit access is essential for the nation's economic health and prosperity. It connects workers to jobs, relieves traffic congestion, reduces energy consumption, and

Transportation Economic Trends

generates jobs and a significant return on investment. In FY 2009 over 6.3 million passengers used public transit statewide, resulting in an 8.5% increase from the previous year. The volatility of gasoline prices makes it likely that the demand for these services will increase.

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 for the state. The U.S. Census Bureau estimates that by the year 2030, 20% of the U.S. population will be 65 or older. A United States Government Accountability Office report (GAO-04-971) on transportation-disadvantaged seniors indicated that state governments must plan for alternatives to driving as seniors age and must work toward accommodating seniors' varied mobility needs. Community transportation systems that benefit all individuals are critical to the state's citizens who either do not have the income level to own a vehicle or are not legally permitted or physically able to drive a vehicle.

In spite of the critical link between public transportation and community vitality, public transportation's role in creating economic opportunity and economic development is often overlooked. The presence of mobility options that connect people to jobs, shopping, medical appointments, and other quality of life destinations greatly affects a community's health, wellbeing, and potential. Providing viable transit opportunities is critical to the growth and quality of life of West Virginia's citizens.

The future of transit and the addition of new service areas in West Virginia will be heavily dependent upon the investment that the state and federal governments make. The Safe, Accountable, Flexible, and Efficient Transportation Equity: A Legacy for Users (SAFETEA-LU), which provided federal funding through FFY 2009, expired in August but is operating under continuing resolutions. Funding issues concerning both the highway and mass transit trust funds make it unlikely that the program will be reauthorized until 2010. Significant changes are being proposed in the federal transit programs but given increased fuel costs, the renewed interest in public transit, and the emphasis on global warming, it is anticipated that transit will experience a significant increase in funding in reauthorization. How the program will be reconfigured is still being considered, but it is likely that some programs will be combined with others and new ones created.

Under the reauthorization of the federal transit program, there is great potential for expansion of existing services or development of new ones that will contribute to the economic vitality of the state. These federal funds, however, require state or local matching dollars. While the local programs have been creative in reducing costs and securing matching funds, increasing costs, particularly fuel prices, make reductions rather than expansions of public transit service a continuing possibility.

Aviation

Aviation is a critical part of West Virginia's and the nation's transportation system. General aviation and commercial service airports provide jobs and contribute to the growth of West Virginia's economy. By leasing hangar space, selling aviation fuel, and providing maintenance on aircraft, airports provide additional taxes to the state and local economy. Aviation Solutions, an aviation company, will open in January 2010 in Martinsburg. This company will repair private and military aircraft and employ over 300 workers. The local and state economies will receive a boost, and the Eastern West Virginia Regional Airport should realize an increase in fuel sales and other services.

With the high cost of aviation fuel, airline fares continue to increase. Airlines are charging customers for checked baggage, snacks, pillows, and blankets. In spite of these chaotic times, West Virginia has experienced an increase in passengers as a result of new and expanded air service. Due to increased airline fares and industry turbulence, however, there is no assurance that West Virginia will retain an increase in passengers. Airline mergers, soaring fuel prices, and the state of the economy will determine the future of air service throughout the state.

A recent development bodes well for air service in southwestern West Virginia and the state's overall economy. The Boy Scouts of America recently selected Fayette County as the site for the new Boy Scout Center. This high

Transportation Economic Trends

adventure four-season camp is expected to increase Yeager Airport's passenger boardings by 20,000 a year. Airports in Lewisburg and Beckley are also likely to experience an increase. Every fourth year, the Boy Scouts of America will host a Jamboree that will increase passenger boardings further. Along with the increase in passenger boardings, an increase in rental cars and other airport services will also be realized.

The West Virginia Aeronautics Commission provides matching funds to airports for Federal Aviation Administration (FAA) airport improvement projects and other federal aviation grants. Under current federal legislation, West Virginia annually receives over \$30 million that requires more than \$1.5 million in state matching funds. Many of the projects involve extended construction or maintenance of runways, taxiways, approaches, and terminals as well as the construction of aircraft rescue and firefighting buildings, the purchase of firefighting and snow removal equipment, and consultant design and planning services. Congress continues to debate the FAA Reauthorization Bill, which will establish funding levels for the next three to five years. (This number continues to be part of the debate.) The FAA expects the Reauthorization Bill to have a funding level of at least the current yearly \$30 million, so continued economic benefits are anticipated. In the meantime, the FAA is operating under an extension that expires on March 31, 2010.

Airports are critical to the state and to the communities they serve. West Virginia must continue to provide support and financial assistance to airports if they are to survive. If Congress provides less funding for airports in 2010, the Aeronautics Commission will need to provide additional funds to airports to assist with the completion of ongoing projects and undertaking of new projects. Business and leisure travelers and commerce depend on air service and airports. If the Aeronautics Commission is unable to provide continued funding assistance to maintain and improve West Virginia's system of airports, the state and the counties will be negatively impacted.

Intermodal Transportation

The operation of inland intermodal container ports stimulate local economic growth through private investment in warehousing distribution centers and associated activities, (e.g., efficient freight flow). Depending on the industry sector, supply chain logistics costs account for five percent to 50% of a product's delivered cost. The ability to ship from West Virginia storage facilities has enabled local and regional businesses to save annually in shipping costs, which are then available for reinvestment.

The West Virginia Public Port Authority is negotiating the acquisition of the Point Pleasant Rail Terminal from the United States General Services Administration. The multimodal port facility will allow nonrail or barge-served industries the opportunity to ship via rail or barge, thus enhancing the region's economic competitiveness.

The authority is also proceeding with the development of a port at Prichard, West Virginia, as a rail intermodal freight distribution center for the markets served by the Heartland Corridor. It will provide direct double-stack rail access to the Port of Virginia to the east and the Port of Los Angeles to the west. The Prichard Intermodal Terminal's intermodal marketplace includes 60 counties in three states. It is within this intermodal marketplace that the potential to create 2,000 warehousing and distribution jobs exists.

Through these transportation-based economic development activities, the State of West Virginia's global market presence will be greatly enhanced. Each of these port facilities, however, is not stand-alone but is part of a larger, global logistic supply chain that depends on a fully integrated transportation system of maritime, rail, and highways. US 35 is a National Freight Corridor that provides direct connectivity to the major metropolitan markets of the Midwest. The authority views the completion of US 35 as critical to the development of the Global Logistic Intermodal Marketplace and is partnering with the WVDOH during FY 2010 to develop a financial strategy to build the remaining 13.5 miles in Mason County of an expanded US 35. With the completion of US 35, freight mobility will be vastly improved throughout the region, the nation, and globally. The authority's involvement in this project may also lead to the identification and development of much needed distribution centers and manufacturing facilities.

Transportation Economic Trends

All of these projects will provide the necessary transportation infrastructure to enable West Virginia companies to better compete in the global marketplace and provide economic growth in the region.

The WVDOH has long-term debt associated with the financing of highway and bridge construction. In FY 2005, the WVDOH refinanced approximately \$320 million of Safe Road bonds as an advance refunding. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$19.689 million and resulted in an economic gain of \$18.821 million. As of June 30, 2009, WVDOH had the following outstanding General Obligation bonds (principal and interest), payable from the State Road Fund:

	Final Maturity	Balance
1998 Safe Roads Bonds (\$220 mil)	2023	\$ 55,621,375
2001 Safe Roads Bonds (\$110 mil)	2013	40,684,513
2005 Safe Roads Bonds Refinancing	2025	414,870,500
	Total Debt	\$ 511,176,388

Although the debt service associated with the issuance of Special Obligation notes to expedite construction on US 35 is not a WVDOH debt, it is prudent to present information regarding their issuance. The commissioner of highways, under authority granted in W.Va. Code §17-17A, can issue up to \$200 million in special obligation notes. In October 2006, WVDOH issued \$75.97 million of these notes, and in April 2007, another \$33.19 million was issued. Both of these sales provided funds for US 35 projects in Putnam County. In March 2009, WVDOH issued \$76.835 million for US 35 projects in Mason County. All three issuances have a final maturity in FY 2016. Through two innovative federal financing mechanisms—Grant Anticipation Revenue Vehicle (GARVEE) financing and federal toll credits—WVDOH will pay the debt service associated with the notes (\$223.5 million) with 100% federal funds. The GARVEE financing mechanism permits the debt service to be paid with future federal-aid highway funds that GARVEE expects to receive. Although WVDOH fully anticipates that sufficient future federal-aid highway funding will be available to make all payments, the debt service remains a contingent liability of the State Road Fund. If future federal-aid funds are insufficient, WVDOH will be required to commit cash from the State Road Fund to cover any shortfall in debt service funding.

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.

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 by law on September 1. These guidelines establish a "current level" or base budget for each department/bureau/commission/division.

For all appropriated accounts, the requested "current level" is defined as the same amount of funds the department/bureau/commission/division has for the current fiscal year (FY 2010) less any onetime appropriations. For the budget request, the department/bureau/commission/division is permitted to move funds between appropriations, programs, or agencies within the department; however, there can be no increase in the total request over the current year's appropriation with the exception of the legislative and judicial budgets and statutory increases (such as for the Department of Education). The "current level" request allows department/bureau/commission/division heads to redirect their limited amount of resources to the highest priority areas without an increase in their total budget. For FY 2011, agencies were asked to submit their requests at 95% (96% for public education) of FY 2010 funding levels.

All appropriation requests that are above the "current level" must be submitted as a separate "improvement package" stating the purpose, benefits and needs of the additional funding. Each such improvement above the "current level" is considered individually.

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

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

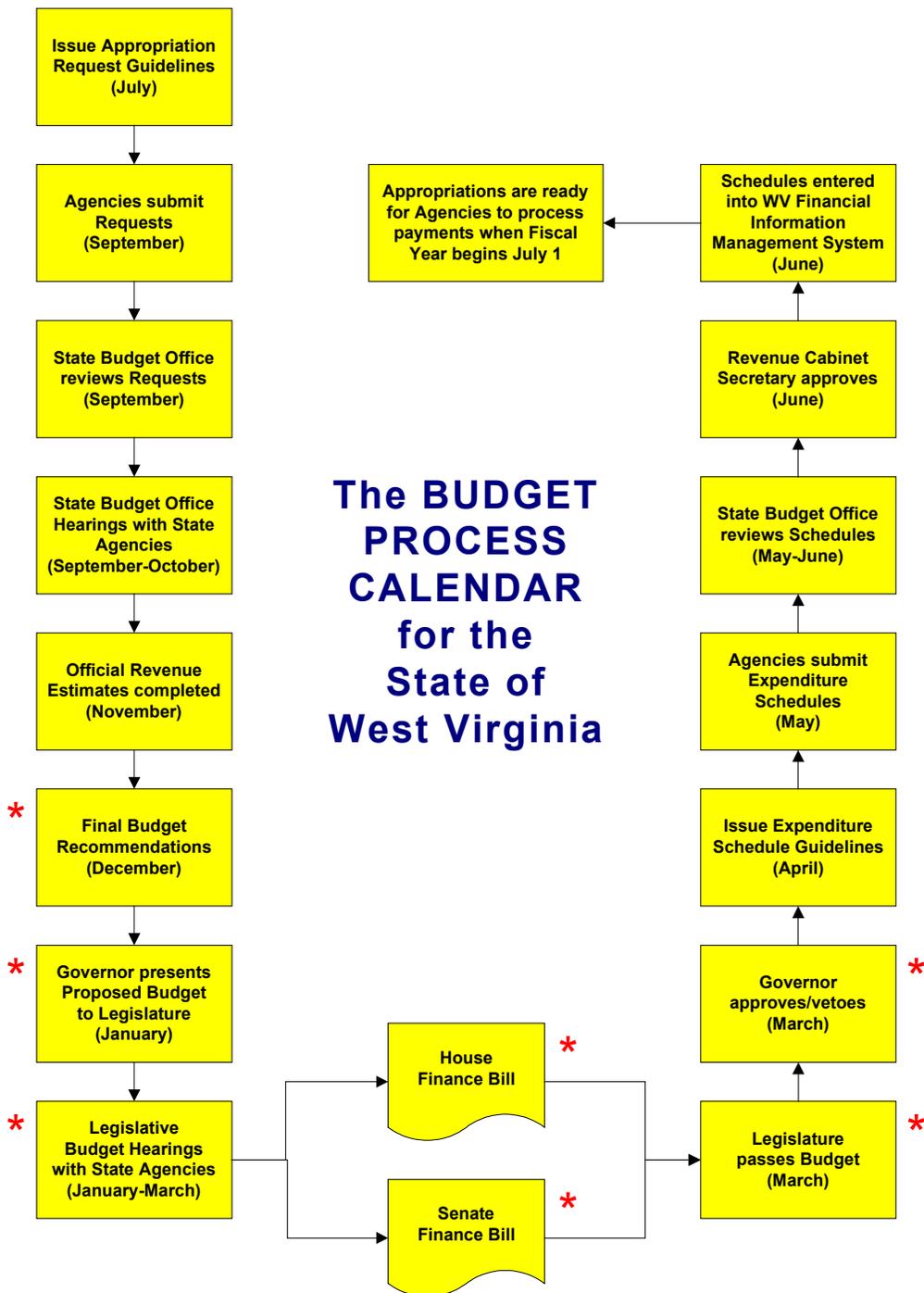
Balanced Budget

After the budget hearings, the official revenue estimates for the upcoming budget year are finalized. The Governor then makes budget recommendations based upon program priorities, requirements, court orders, and the availability of funds. The Governor, under the authority of the Constitution of West Virginia, has the sole responsibility to establish the official revenue estimates of the State. The budget is developed on a cash basis, including only revenues and expenditures expected to be realized during the fiscal year plus any surplus balance from 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.

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 gubernatorial election, at which time the budget is to be submitted on the second Wednesday of February.

Budget Overview

The Governor's Executive Budget consists of the Operating Detail, the Budget Report, and the Budget Bill. The Operating Detail contains organizational charts, descriptive narrative information for every department/bureau/ commission, division, and program, detailed financial information related to actual expenditures, current budget, and



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

Budget Overview

requested appropriations by program and by fund, economic forecast, capital projects, and a profile of the State. For FY 2011, with the help and guidance of The Pew Center on the States, the Department of Administration, as a pilot program, is submitting goals and performance measures in a newly developed format to help West Virginia begin a Performance Based Budgeting Process that will provide greater transparency and accountability. The Budget Report contains the executive message, financial statements, and the budget plan. The Budget Bill includes the language required to legally enact the budget or appropriations bill.

The Operating Detail and the Budget Report both contain summary 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.

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

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

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

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

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

Any Budget Act items or parts thereof which have been vetoed by the Governor may be restored by two-thirds vote of each house of the Legislature. The Budget Act must be approved or disapproved within five days (Sundays excepted) after it has been presented to the Governor. Should the Governor fail to approve or disapprove it within the allotted five-day period, the Budget Act will become law as if the Governor had signed it.

Budget Amendment Policy

Supplemental Appropriation Bills

The Budget Act may be amended at a later date by the Legislature by the introduction of a supplementary 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

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

In addition to the legislative amendment process, the Budget Act contains specific language allowing:

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

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

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

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

Legislative and Judicial Amendments

The Legislative and Judicial branches of government may make other 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 which 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

Budget Overview

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

Federal Revenue

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

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

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

Financial Related Policies

Accounting and Auditing Procedures

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

The modified cash basis of accounting is the budgetary basis of accounting followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year end; however, appropriations for buildings, land, and capital outlays remain in effect until three years after the passage of the act by which the appropriations were made. The State Auditor reviews all transactions of all funds to insure 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,

Budget Overview

or unlawful expenditures by any spending unit; and makes recommendations to the Legislature concerning the postaudit findings, the revenues, and expenditures of the State and the organization and functions of the State and its spending units. A copy of each audit report, when completed and certified by the Legislative Auditor, is filed with the Department of Administration as a public record and with the Attorney General for any action he may deem necessary.

Basis for Budgeting All Funds

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

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

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

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

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

Cash Management and Investment Procedures

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

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

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

The West Virginia Board of Treasury Investments (BTI) is responsible for investing the operating funds of the state which are referred to as the Consolidated Fund. The State Treasurer is chairperson of this five-member board. The BTI maintains eleven investment pools. Three main pools are utilized for investing excess state cash and local

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government monies. The West Virginia Money Market Pool and the West Virginia Government Money Market Pool are both rated AAAM by Standard & Poor's. The West Virginia Short Term Bond Pool is a bond mutual fund and is used for investments which have a perceived longer investment horizon.

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

Evaluation and Monitoring Procedures

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

The budget is predicated on estimates of revenues by sources that are evaluated on a monthly basis. Subsequent to the passage of the Budget Bill, the Department of Revenue monitors and forecasts revenues to evaluate their flow and the accuracy of the estimates that have been made. The State Budget Office issues monthly revenue reports that reflect collections compared to the estimate and to the prior fiscal year. Various monitoring techniques are used to make sure that the revenue collections are sufficient to support the appropriations made by the Legislature. If the Governor believes the revenues may fall short of estimates, he must direct the State Budget Office to reduce pro rata all expenditures within his control in such degree as may be necessary to prevent a deficit, or he may convene the Legislature to request a supplementary appropriation from the Revenue Shortfall Reserve Fund. If the Governor determines that a pro rata reduction will dangerously impair essential services of government, he can instruct the State Budget Office to reduce expenditures from separate appropriations in accordance with a statutorily defined method. In addition, the Governor can, by executive action, institute certain other selective spending reduction measures as may be necessary to prevent a deficit.

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

Risk Management

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

The State has obtained coverage for job-related injuries of employees by its participation in the private, employer-owned mutual insurance company BrickStreet Insurance. In exchange for the payment of premiums the State has transferred its risk related to job-related injuries for employees.

Budget Overview

The State has obtained health coverage for its employees through its participation in West Virginia Public Employees Insurance Agency 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.

The State participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, property damage, business interruption, error and omissions, and natural disasters. Coverage is offered in exchange for an annual premium.

Asset Inventory Management

Agencies are responsible for all property under its jurisdiction, regardless of its state (removable or fixed), origin, or acquisition cost. Agencies are responsible for maintaining equipment from date of purchase to date of retirement and must ensure that equipment is secure, asset information is entered into the WVFIMS Fixed Asset system, conduct physical inventories, submit annual certification, and retire assets properly.

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

Reportable property has been established at a capitalization figure of \$1,000 and useful life of one year or more. The exceptions are all firearms and computers which must be entered in the WVFIMS Fixed Asset system regardless of the cost.

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

Compensated Absences

Accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. State employees earn sick leave benefits which 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 an employee's postemployment health care insurance premiums. If this option is not selected, the leave amount may be applied toward an increase in the 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. For FY 2011, with the help and guidance of The Pew Center on the States, the Department of Administration, as a pilot program, is submitting goals and performance measures in a newly developed format to help West Virginia begin a Performance Based Budgeting Process that will provide greater transparency and accountability.

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

Budget Overview

The focus for the FY 2011 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2007 to FY 2009) and the performance-level objectives the program is trying to achieve in FY 2010 and FY 2011 based on current level funding. For the most recently completed year, both projected and actual performance data is shown to provide information on the success of the agency in meeting their goals.

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

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

Many grants, federal 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 Legislative Auditor's Office, operates under the authority of the West Virginia Performance Review Act, W.Va. Code §4-10-1. PERD also conducts performance reviews under authority of West Virginia Code §4-2-5, which gives the Legislative Auditor discretionary authority to examine the performance of every spending unit of the State. The division conducts evaluations of executive agencies in compliance with generally accepted government auditing standards. Results of the evaluations are reported to the Joint Committee on Government Operations during interim sessions of the Legislature.

The performance review process begins each year when the Legislature passes a bill that sets a schedule of agencies to be statutorily reviewed by PERD. Also, performance reviews can be initiated by the Joint Committee on Government Operations or the Legislative Auditor. There are three basic types of reviews under the Performance Review Act: agency review, compliance review, and regulatory board review.

Agency reviews may address the following issues:

- Do activities of the agency duplicate or overlap those of other agencies?
- Does the agency effectively and efficiently carry out its statutory duties?
- Perform a cost-benefit analysis on privatization of an agency's function if necessary.
- Should the agency be continued, consolidated or terminated?
- Would there be significant and discernible adverse effects on the public, health, safety, or welfare if the agency were abolished?

Agency reviews are on departments that have oversight over several agencies (divisions). Therefore, any of the agencies within the department's oversight can be reviewed for its performance. Agency reviews are required to be conducted on departments at least once every six years.

Regulatory board reviews are conducted on regulatory boards of Chapter 30 of the State Code that regulate certain professions. A regulatory board must be reviewed at least once every 12 years. There are three primary determinations the evaluation must make:

Budget Overview

- Does the board comply with the general policies and provisions of Chapter 30 of the State Code and other applicable laws and rules?
- Does the board follow a disciplinary procedure that observes due process rights and protects the public interest?
- Does public health and safety require that the board be continued or have there been changes since the initial creation of the board that warrant increased, decreased or the same degree of regulation?

Compliance reviews determine if an agency has complied with recommendations made in previous agency review or regulatory board evaluation. However, a compliance review must be requested by the Joint Committee on Government Operations specifying in writing the reasons for the compliance review and its expected completion date.

Upon receiving the evaluation report from PERD, the Joint Committee on Government Operations makes one of several possible recommendations.

- First, the reviewed agency may be terminated.
- Second, the reviewed agency may be continued and reestablished.
- Third, the statutes governing the reviewed agency may be amended in specific ways.

Corrective legislation might address ineffective practices or procedures, burdensome rules and regulations, lack of protection of public interest, overlapping or duplicating jurisdictions, unwarranted exercise of authority either in law or in fact, or any other deficiencies.

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

- * 2010, the Department of Revenue and the Department of Commerce.
- * 2011, the Department of Environmental Protection and the Department of Military Affairs and Public Safety.
- * 2012, the Department of Health and Human Resources and the Bureau of Senior Services.
- * 2013, the Department of Transportation.

Agencies subject to Regulatory Board Reviews are listed below.

- * 2010, Board of Dental Examiners; Board of Medicine; and Board of Pharmacy.
- * 2011, Board of Chiropractic Examiners; Board of Osteopathy; and Board of Physical Therapy.
- * 2012, Board of Occupational Therapy; Board of Examiners for Speech-Language Pathology and Audiology; and Medical Imaging and Radiation Therapy Board of Examiners.
- * 2013, Board of Professional Surveyors; Board of Registration for Foresters; and Board of Registration for Professional Engineers.
- * 2014, Board of Examiners for Licensed Practical Nurses; Board of Examiners for Register Professional Nurses; and Massage Therapy Licensure Board.

Human Resources

The Division of Personnel was created within the Department of Administration by statute in 1989 to provide leadership in human resource management for the executive operating agencies of state government, including administration of a merit system (i.e., civil service). A comprehensive system of personnel management is achieved through the integration of five functional areas administered by the director of personnel with oversight by a six-member State Personnel Board.

The Classification and Compensation Section establishes and maintains class specifications and classification plans based on job analysis and develops and maintains compensation plans that consider responsibility and difficulty of work, labor market competition, and internal equity.

The Employee Communications and Information Section provides human resource information to employees, administrators, and the public, serves as liaison to the State Personnel Board, and provides administrative and fiscal support services for the division. It also establishes and maintains employee information systems and records for all employees and assures compliance with merit system standards and other applicable rules, policies, and procedures through a system of audits.

The Employee Relations Section formulates and interprets consistent personnel policies and procedures for employees and employers and provides technical assistance and consultation in grievance and disciplinary matters.

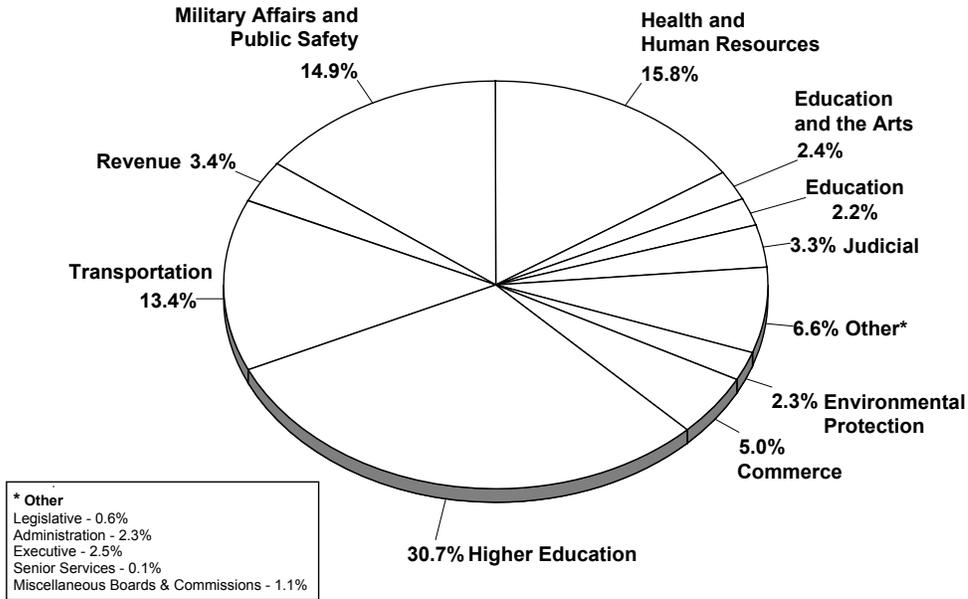
The Organization and Human Resource Development Section provides training and development programs for all state employees. In addition to providing advice and services for agency-specific training and development programs, the section administers the supervisor/manager training program policy.

The Staffing Services Section provides information for individuals seeking employment with the state and administers an integrated system for recruiting, screening, and referring applicants for merit system and other employment in state government. The section has oversight responsibilities for assuring that promotions and interagency transfers comply with merit system standards, as well as responsibility for research and development of job-related employment examination procedures.

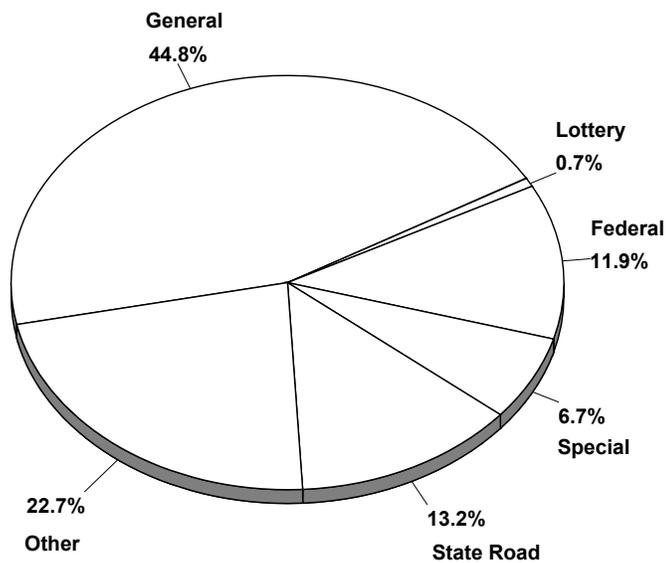
As of November 30, 2009, the State had approximately 36,812 filled, permanent, full-time equivalent employees, including approximately 10,755 employed by the Higher Education Policy Commission and approximately 1,074 employed by the Council for Community and Technical College Education. Public school 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 2011 39,585.65 FTEs

By Department



By Fund



Schedule of Budgeted Full-Time Equivalents All Funds

Permanent Positions FY 2009 through FY 2011

<u>Department/Agency</u>	<u>FY 2009 11-30-2008</u>	<u>FY 2010 11-30-2009</u>	<u>FY 2011 Recommended</u>
TOTAL BUDGETED FTE PERMANENT POSITIONS	38,916.07	39,514.02	39,585.65
LEGISLATURE			
Senate	39.00	41.00	41.00
House of Delegates	58.00	59.00	59.00
Joint Expenses ¹	127.00	132.00	142.00
TOTAL - LEGISLATURE	224.00	232.00	242.00
¹ Recommended as requested.			
TOTAL - JUDICIAL	1,277.85	1,313.35	1,313.35
EXECUTIVE			
Governor's Office	94.50	93.00	92.50
Auditor's Office ¹	174.90	176.90	185.44
Treasurer's Office	143.15	137.55	136.55
Agriculture, Department of	355.75	356.75	355.29
Attorney General's Office	189.07	176.73	173.40
Secretary of State ²	55.00	57.00	52.00
TOTAL - EXECUTIVE	1,012.37	997.93	995.18
¹ Chief Inspector Division added eight FTEs on January 1, 2010.			
² Recommended as requested.			
DEPARTMENT OF ADMINISTRATION			
Office of the Secretary	9.00	8.10	8.10
Consolidated Public Retirement Board	82.00	81.60	82.00
Finance, Division of	13.35	13.35	13.35
Information Services & Communications, Division of	384.60	384.30	384.30
General Services, Division of	122.15	127.10	123.10
Purchasing, Division of	69.00	69.20	69.20
Board of Risk and Insurance Management	25.60	25.60	25.60
Education & State Employees' Grievance Board	11.00	11.00	11.00
Ethics Commission	5.75	6.50	6.50
Public Defender Services	16.00	16.00	16.00
Personnel, Division of	66.08	66.12	66.12
Public Employees Insurance Agency	41.90	41.20	41.20
WV Prosecuting Attorneys Institute	6.00	7.00	7.00
Children's Health Insurance Agency	8.60	9.00	9.00
Office of Technology	8.00	9.00	9.00
WV Retiree Health Benefits Trust Fund	18.96	19.66	19.66
Real Estate Division	7.85	9.90	9.90
TOTAL - ADMINISTRATION	895.84	904.63	901.03

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2009 11-30-2008	FY 2010 11-30-2009	FY 2011 Recommended
DEPARTMENT OF COMMERCE ¹			
Office of the Secretary	5.00	5.00	3.00
Tourism, Division of	72.30	66.80	66.80
Forestry, Division of	119.75	117.75	117.75
Geological and Economic Survey	59.50	56.10	54.00
WV Development Office	118.00	111.00	107.00
Labor, Division of ²	112.00	118.00	118.00
Natural Resources, Division of	854.44	851.44	851.44
Miners' Health, Safety and Training, Division of ³	133.00	138.00	138.00
Board of Coal Mine Health and Safety	1.60	1.60	2.00
WorkForce WV ⁴	465.07	518.87	518.87
Energy, Division of	12.00	12.00	12.00
TOTAL - COMMERCE	1,952.66	1,996.56	1,988.86

¹ FY 2010 deleted 30.2 FTE vacancies department wide.

² FY 2010 added six FTEs for new Plumber's Licensing division.

³ FY 2010 added five FTEs for additional mine inspectors.

⁴ FY 2010 added 57.5 FTEs related to the Federal Economic Stimulus Act of 2009.

DEPARTMENT OF EDUCATION

Education, State Department of ¹	597.20	595.20	597.15
WV Schools for the Deaf & the Blind	217.70	217.70	217.70
State FFA-FHA Camp & Conference Center	37.80	37.80	37.80
School Building Authority ²	10.00	11.00	11.00
TOTAL - EDUCATION	862.70	861.70	863.65

¹ FY 2011 recommendation added four FTEs for the Honey Rubenstein Center.

² FY 2010 added one FTE for architectural services section.

DEPARTMENT OF EDUCATION AND THE ARTS ¹

Office of the Secretary	28.10	27.60	27.60
Culture and History, Division of	115.17	117.57	116.37
Library Commission	56.00	54.00	54.00
Educational Broadcasting Authority	98.50	97.50	98.50
Rehabilitation Services, Division of ²	613.50	655.50	655.50
TOTAL - EDUCATION AND THE ARTS	911.27	952.17	951.97

¹ FY 2010 deleted 8.4 FTE vacancies department wide.

² FY 2010 added 42 FTEs for the Disability Determination section (a federal contract).

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2009 11-30-2008	FY 2010 11-30-2009	FY 2011 Recommended
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Air Quality Board	1.30	1.30	1.30
Environmental Protection, Division of ¹	902.65	894.38	892.85
Environmental Quality Board	1.70	1.70	1.70
Solid Waste Management Board	13.00	13.00	13.00
Oil and Gas Conservation Commission	1.50	1.50	1.50
TOTAL - ENVIRONMENTAL PROTECTION	920.15	911.88	910.35

¹ FY 2010 deleted FTEs from vacancies.

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Office of the Secretary	7.52	7.52	7.52
Barbers and Cosmetologists, Board of ¹	9.00	0.00	0.00
Health, Division of ²	2,662.12	2,716.60	2,713.05
Health Care Authority	50.80	48.80	49.80
Human Rights Commission	31.00	31.00	31.00
Human Services, Division of ³	3,496.63	3,460.83	3,462.78
TOTAL - HEALTH AND HUMAN RESOURCES	6,257.07	6,264.75	6,264.15

¹ Board moved to Miscellaneous Boards and Commissions for FY 2010.

² FY 2010 added five FTEs for Chief Medical Examiner and 63 FTEs for Mildred-Bateman Hospital redesign; deleted 11 FTEs from vacancies.

³ FY 2010 deleted 36 FTEs from vacancies.

DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY

Office of the Secretary ¹	20.00	25.00	25.00
Adjutant General ²	411.00	319.00	317.25
State Armory Board	50.00	50.00	50.00
WV Board of Parole	16.00	16.00	15.00
Homeland Security & Emergency Management	53.00	53.00	53.00
Corrections, Division of ³	1,970.75	1,970.75	2,010.75
WV State Police ⁴	1,056.50	1,072.50	1,061.00
Veterans' Affairs, Division of (includes Veterans' Home) ⁵	272.00	276.69	269.80
Regional Jail and Correctional Facility Authority	1,034.00	1,034.00	1,034.00
Fire Commission	43.00	43.00	43.00
Criminal Justice, Division of ⁶	34.40	38.50	41.50
Juvenile Services ⁷	849.00	849.00	914.00
Division of Protective Services	42.00	42.00	42.00
TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY	5,851.65	5,789.44	5,876.30

¹ FY 2010 added five FTEs for the Fusion Center.

² FY 2010 deleted 16.75 FTEs per agency request for federally funded positions and deleted three FTEs from vacancies.

³ FY 2011 added five FTEs for Substance Abuse Unit at Charleston Work Release Center; 20 FTEs for Huttonsville Correctional Center Work Camp; 10 FTEs for Parole Services; and 16 FTEs for the new Beckley Work Release Center.

⁴ FY 2011 added six FTEs for Crimes Against Children Unit and Cadet Class.

⁵ FY 2010 added one FTE for Veterans Cemetery and four FTEs for counselors at VA hospitals; FY 2011 deleted eight FTEs from vacancies to budget reductions.

⁶ FY 2011 added three FTEs for the Office of Research and Strategic Planning.

⁷ FY 2011 added 15 FTEs for three new Day Reporting Centers; and 50 FTEs for the Jones Building Treatment Center.

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2009 11-30-2008	FY 2010 11-30-2009	FY 2011 Recommended
DEPARTMENT OF REVENUE			
Office of the Secretary	9.00	9.00	9.00
Tax Division ¹	480.00	482.00	478.00
State Budget Office	10.00	10.00	10.00
Insurance Commissioner	400.10	399.60	399.60
Lottery Commission ²	187.00	231.00	231.00
Racing Commission	40.50	40.50	40.00
Alcohol Beverage Control Administration	118.12	112.12	112.50
Office of Tax Appeals	9.00	9.00	9.00
Municipal Bond Commission	4.00	4.00	4.00
Banking, Division of	32.50	32.50	31.50
TOTAL - REVENUE	1,290.22	1,329.72	1,324.60
¹ FY 2010 added two FTEs for disaster recovery site.			
² FY 2010 added 44 FTEs to monitor table games.			
DEPARTMENT OF TRANSPORTATION			
Motor Vehicles, Division of	596.00	604.00	603.00
Highways, Division of ¹	4,618.50	4,667.50	4,667.50
State Rail Authority	24.00	24.00	24.00
Public Transit, Division of	10.00	10.00	10.00
Public Port Authority	4.00	4.00	4.00
Aeronautics Commission	3.00	3.00	3.00
TOTAL - TRANSPORTATION	5,255.50	5,312.50	5,311.50
¹ FY 2010 and FY 2011 have approved quota slots of up to 5,321 for Division of Highways, State Road Fund.			
TOTAL - BUREAU OF SENIOR SERVICES	36.40	36.40	36.40
HIGHER EDUCATION POLICY COMMISSION			
HEPC - Administration	61.10	68.63	62.39
West Virginia University	6,490.60	6,729.12	6,728.47
Marshall University	1,684.88	1,712.14	1,715.36
Osteopathic School of Medicine	205.18	230.88	230.88
Bluefield State College	217.03	212.54	213.03
Concord University	276.51	282.76	280.22
Fairmont State University	451.31	466.06	465.25
Glenville State College	188.01	197.19	199.20
Shepherd University	414.85	428.28	425.45
West Liberty State University	253.67	273.66	273.59
West Virginia State University	379.46	380.24	379.98
WVNET	45.73	45.73	45.73
TOTAL - HIGHER EDUCATION POLICY COMMISSION	10,668.33	11,027.23	11,019.55

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2009 11-30-2008	FY 2010 11-30-2009	FY 2011 Recommended
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
Council - Administration	7.00	8.00	8.00
Marshall Community and Technical College	84.75	104.00	103.00
New River Community and Technical College	87.60	109.66	99.20
Pierpont Community and Technical College ¹	88.83	87.92	86.50
Blue Ridge Community and Technical College	64.41	67.07	64.24
Kanawha Valley Community and Technical College	67.94	73.53	68.41
Bridgemont Community and Technical College	47.00	60.12	50.59
WVU at Parkersburg	198.50	206.68	225.80
Southern West Virginia Community and Technical College	249.27	239.19	249.01
West Virginia Northern Community and Technical College	142.82	144.00	145.82
West Virginia Eastern Community and Technical College	28.60	30.60	30.20
TOTAL - COUNCIL FOR C&T COLLEGE EDUCATION	1,066.72	1,130.77	1,130.77

¹ A division of Fairmont State University in FY 2009.

MISCELLANEOUS BOARDS AND COMMISSIONS

Barbers and Cosmetologists, Board of ¹	0.00	9.00	9.00
Courthouse Facilities Improvement Authority	2.00	2.00	2.00
Hospital Finance Authority	1.00	1.00	1.00
Licensed Practical Nurses	4.00	4.00	4.00
Public Service Commission ²	331.67	329.67	334.67
Real Estate Commission	11.00	11.00	11.00
Registered Nurses	9.50	9.50	9.50
Water Development Authority	12.00	13.00	12.00
West Virginia Economic Development Authority	9.88	9.88	10.00
Other Boards	52.29	63.94	62.82
TOTAL - MISC. BOARDS AND COMMISSIONS	433.34	452.99	455.99

¹ Board moved from DHHR for FY 2010.

² FY 2010 deleted five FTEs from vacancies.

Schedule of Budgeted Full-Time Equivalents By Source of Funds

Permanent Positions FY 2009 through FY 2011

By Department/Funding Source	FY 2009 11-30-2008	FY 2010 11-30-2009	FY 2011 Recommended
ALL DEPARTMENTS/AGENCIES			
General	17,751.92	17,754.21	17,742.69
Federal	4,684.55	4,686.51	4,717.49
Lottery	275.20	268.70	261.51
Special	2,627.90	2,637.56	2,657.02
State Road Fund	5,158.50	5,215.50	5,215.50
Nonappropriated Special	8,418.00	8,951.54	8,991.44
TOTAL	38,916.07	39,514.02	39,585.65
LEGISLATURE			
General	218.00	226.00	236.00
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	6.00	6.00	6.00
Nonappropriated Special	0.00	0.00	0.00
TOTAL	224.00	232.00	242.00
JUDICIAL			
General	1,277.85	1,313.35	1,313.35
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	0.00	0.00	0.00
TOTAL	1,277.85	1,313.35	1,313.35
EXECUTIVE			
General	605.97	584.12	574.99
Federal	56.90	55.93	57.10
Lottery	0.00	0.00	0.00
Special	176.79	213.89	220.99
Nonappropriated Special	172.71	143.99	142.10
TOTAL	1,012.37	997.93	995.18
DEPARTMENT OF ADMINISTRATION			
General	126.50	121.97	121.97
Federal	6.60	7.00	7.00
Lottery	0.00	0.00	0.00
Special	454.63	456.37	456.37
Nonappropriated Special	308.11	319.29	315.69
TOTAL	895.84	904.63	901.03

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2009 11-30-2008	FY 2010 11-30-2009	FY 2011 Recommended
DEPARTMENT OF COMMERCE ¹			
General ²	771.24	754.03	724.54
Federal ³	599.08	655.34	655.68
Lottery	137.30	131.80	130.80
Special	279.44	275.04	280.49
Nonappropriated Special	165.60	180.35	197.35
TOTAL	1,952.66	1,996.56	1,988.86
¹ FY 2010 deleted 30.2 FTEs vacancies department wide.			
² FY 2010 added five FTEs for Mine Inspectors.			
³ FY 2010 added 57.5 FTEs related to the Federal Economic Stimulus Act of 2009.			
DEPARTMENT OF EDUCATION			
General	605.21	607.21	604.14
Federal	140.06	139.04	138.56
Lottery	47.92	45.92	47.92
Special	35.50	36.10	37.00
Nonappropriated Special	34.01	33.43	36.03
TOTAL	862.70	861.70	863.65
DEPARTMENT OF EDUCATION AND THE ARTS			
General	444.85	442.06	442.06
Federal	410.41	458.10	458.10
Lottery	21.58	17.38	17.38
Special	4.18	4.08	4.08
Nonappropriated Special	30.25	30.55	30.35
TOTAL	911.27	952.17	951.97
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
General	100.57	99.82	97.89
Federal	333.37	343.47	342.72
Lottery	0.00	0.00	0.00
Special	287.74	272.30	272.77
Nonappropriated Special	198.47	196.29	196.97
TOTAL	920.15	911.88	910.35
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
General	3,514.56	3,560.94	3,539.53
Federal	2,413.76	2,393.21	2,416.69
Lottery	0.00	0.00	0.00
Special	140.05	118.00	118.00
Nonappropriated Special	188.70	192.60	189.93
TOTAL	6,257.07	6,264.75	6,264.15
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
General	4,182.50	4,208.75	4,294.16
Federal	414.82	322.95	324.45
Lottery	0.00	0.00	0.00
Special	107.28	110.57	110.02
Nonappropriated Special	1,147.05	1,147.17	1,147.67
TOTAL	5,851.65	5,789.44	5,876.30

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2009 11-30-2008	FY 2010 11-30-2009	FY 2011 Recommended
DEPARTMENT OF REVENUE			
General ¹	439.00	441.00	437.00
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	621.22	614.72	613.60
Nonappropriated Special ²	230.00	274.00	274.00
TOTAL	1,290.22	1,329.72	1,324.60
¹ FY 2010 added two FTEs for Tax Division disaster recovery site.			
² FY 2010 added 44 FTEs for Lottery Commission to monitor table games.			
DEPARTMENT OF TRANSPORTATION			
General	12.50	12.50	12.50
Federal	16.00	16.00	16.00
Lottery	0.00	0.00	0.00
Special	49.00	49.00	49.00
State Road Fund ¹	5,158.50	5,215.50	5,215.50
Nonappropriated Special	19.50	19.50	18.50
TOTAL	5,255.50	5,312.50	5,311.50
¹ The Division of Highways, State Road Fund has approved quota slots of up to 5,321 for FY 2010 and FY 2011.			
BUREAU OF SENIOR SERVICES			
General	0.00	0.00	0.00
Federal	14.52	12.06	12.06
Lottery	2.83	3.21	3.21
Special	1.00	1.91	1.91
Nonappropriated Special	18.05	19.22	19.22
TOTAL	36.40	36.40	36.40
HIGHER EDUCATION POLICY COMMISSION			
General	4,585.07	4,461.26	4,455.45
Federal	247.75	249.93	256.15
Lottery	65.57	70.39	62.20
Special	130.88	126.79	131.00
Nonappropriated Special	5,639.06	6,118.86	6,114.75
TOTAL	10,668.33	11,027.23	11,019.55
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
General	868.10	921.20	889.11
Federal	6.00	8.50	8.00
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	192.62	201.07	233.66
TOTAL	1,066.72	1,130.77	1,130.77
MISCELLANEOUS BOARDS AND COMMISSIONS			
Federal	25.28	24.98	24.98
Lottery	0.00	0.00	0.00
Special	334.19	352.79	355.79
Nonappropriated Special	73.87	75.22	75.22
TOTAL	433.34	452.99	455.99

REVENUE SOURCES



Revenue Sources

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

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

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

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

The **General Revenue Fund** (or General Fund) consists primarily of the major tax revenue of the state such as Consumer Sales Tax and Use Tax, Personal Income Tax, Business and Occupation Tax, Corporate Net Income Tax/Business Franchise Tax, Tobacco Products Tax, and Severance Tax. These taxes comprise approximately 91% percent of the General Revenue Fund. The remaining 9% of the General Revenue Fund is a combination of lesser taxes along with fees such as Racing Fees, Liquor Profit Transfers, and transfers from lottery revenues.

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

The **State Road Fund** consists of revenues from gasoline and other motor fuel excise and license taxes, sales tax (formerly privilege tax), motor vehicle registration and license tax, and all other revenue derived from motor vehicles or motor fuel that are solely dedicated to this fund. The State Road Fund is appropriated by the Legislature and used solely for construction, reconstruction, repair and maintenance of public highways, the payment of the interest and principal on all road bonds, and the administrative expenses of the Division of Highways 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, recetrack video lottery, limited video lottery, and table games. House Bill (HB) 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, HB 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 allows for table games at West Virginia Racetracks (if approved by local option election).

Revenue Sources

In 2009, the Legislature passed Senate Bill 575 which permits video lottery and table games at a licensed historic resort hotel (defined as “a resort hotel registered with the United States Department of the Interior as a national historic landmark in its National Registry of Historic Places having not fewer than five hundred guest rooms under common ownership and having substantial recreational guest amenities in addition to the gaming facility”).

Lottery Funds are, by law, considered Special Revenue Funds and are included in the Appropriated Special Revenue Fund column on the “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for Appropriated Funds” in the “Summary Financial Statements” chapter of this document.

The Lottery Funds 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, tourism, and parks.

The Excess Lottery Fund may be used for a variety of purposes including PROMISE scholarships, senior citizen tax credits, the School Building Debt Service Fund, the West Virginia Infrastructure Fund, Economic Development Project Fund, Higher Education Improvement Fund, State Park Improvement Fund, and the General Purpose Account.

The Table Games Fund may be used for the purpose of enabling the aged and disabled citizens of the state to maintain their residency in the community-based setting through the provision of home and community-based services from annual license fees. State revenues can 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

Revenue Sources

agencies, or non-state governmental entities. These accounts are generally “from collections” and the spending is limited to the amount collected or the amount appropriated by the Legislature, whichever is less. Proprietary funds and trust funds are included in the budget as Special Revenue Funds.

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

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

Revenue Estimates

Under the guidance of the deputy Secretary of Revenue, the Tax Research Division develops revenue estimates for the State. The estimates are derived from economic forecasts provided Global Insight, the West Virginia University Bureau of Business and Economic Research and the U.S. Department of Energy. Revenue forecast simulations include both 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 some seven months prior to the beginning of a fiscal year. The forecast is adjusted at the conclusion of each Regular Legislative Session to incorporate any fiscal changes associated with tax law modifications. Even though numerous economic events and other changes occur seven to nineteen months after the development of the final fiscal year forecast, the official revenue estimates seldom change. However, staff monitors actual revenue collections on a daily and monthly basis. If the revenue estimates ever appear to be too optimistic given tax collection trends and economic conditions, such determinations are immediately forwarded to policymakers. Projected revenue shortfalls do result in midyear budget reductions, as is the case for FY 2010. Based upon results over the past two decades, the probability of revenue shortfall issue in any given year is less than 30%.

Additional Revenue Information

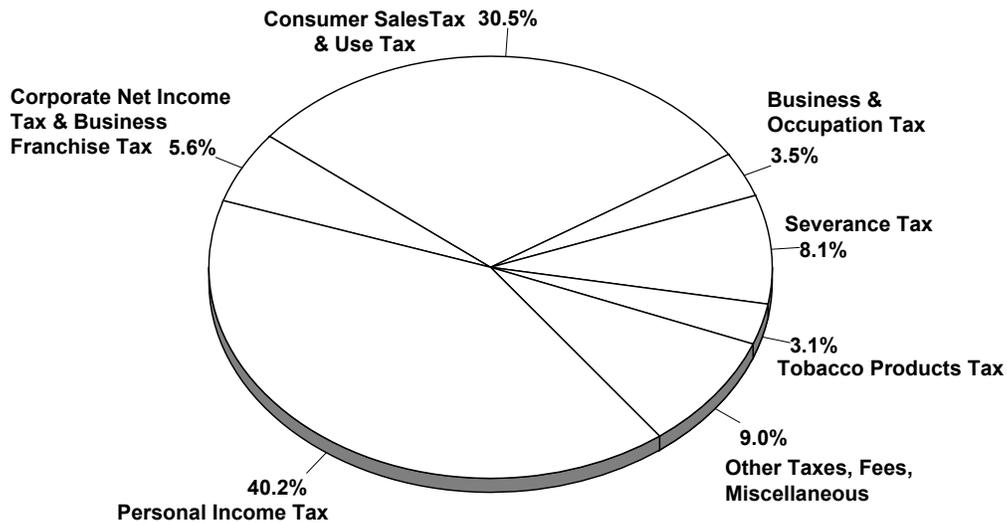
The following pages contain graphs and explanations of the sources of estimated revenues and areas of expenditure for General, State Road, Lottery, and Federal Funds. Due to the multitudinal sources of revenue, only the area of estimated expenditures is depicted for the Special Revenue Funds. The Medicaid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

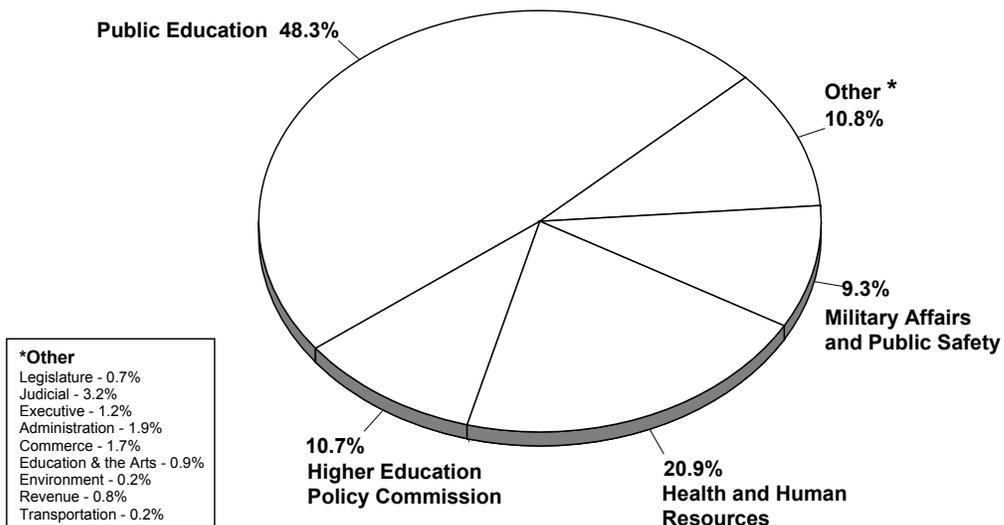
Sources of Revenue

Fiscal Year 2011
\$3.742 Billion
(Estimated)



Recommended Expenditures

Fiscal Year 2011
\$3.742 Billion



Personal Income Tax

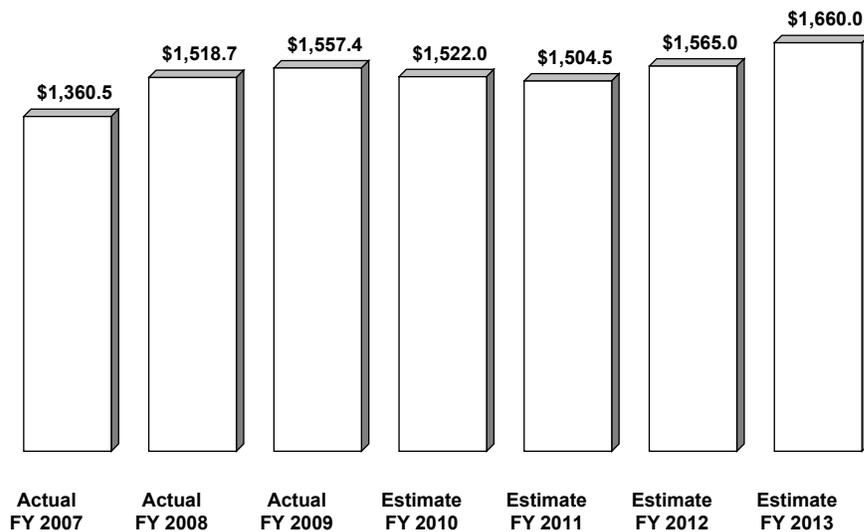
Personal Income Tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 69% of all Personal Income Tax receipts. After increasing at an average annual rate of 0.9% between 2003 and 2008, the West Virginia economy is projected to shed payroll employment jobs at an annual pace of 2.8% in 2009 and 0.6% in 2010, according to the most recent forecasts from IHS Global Insight, before rebounding with an annual growth rate averaging roughly 1.0% between 2010 and 2015. For the same periods, personal income is projected to increase at an average annual rate of less than 2% between 2008 and 2010 and by roughly 4% between 2010 and 2015.

Income tax collections are projected to rise at an average annual rate of roughly 2.9% during the FY 2009–FY 2015 forecast period. However, there will be significant variance from average growth trends, particularly during the next couple years. Revenue growth is forecast to fall at an annual rate of 1.7% between FY 2009 and FY 2011 due to recessionary conditions with lower employment, lower business profits, and lower capital gain income. Thereafter, revenue growth is anticipated to gradually accelerate to an annual rate of more than 5.2%. Projected growth rates are attributable to growth in employment and earnings, business profits, capital gains, and other income.

The State annually dedicates \$95.4 million of Personal Income Tax collections toward the payment of the old workers' compensation debt. Remaining collections are deposited in the State General Revenue Fund.

- 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 40.2% of total General Revenue Fund.

Personal Income Tax (Expressed in Millions)



Consumer Sales Tax and Use Tax

Consumer Sales and Use Tax collections depend heavily upon retail sales (54%) and taxable services (25%) activities. The tax base includes most retail sales except for automobiles, gasoline, prescription drugs, purchases made with food stamps, and, due to a reduced tax rate of 3%, 50% of the value of food for home consumption.

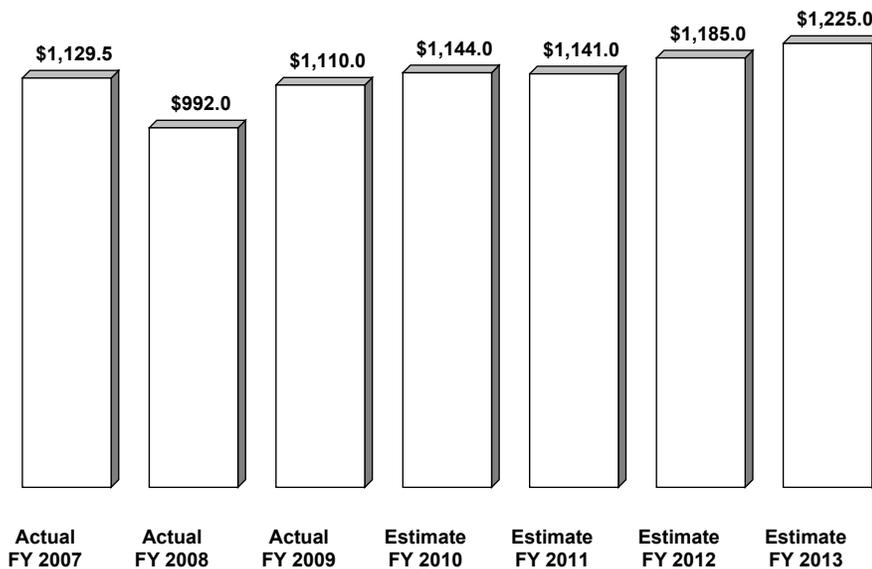
Retail sales growth depends upon changes in population, disposable personal income, inflation rates, interest rates, consumer debt, and consumer confidence. Disposable income growth is forecast to fall from more than 4.5% in FY 2009 to less than 1% in FY 2010. Thereafter, disposable personal income is forecast to rise by an average annual rate of 3.4% between FY 2010 and FY 2015.

After decreasing by an estimated 2.4% in FY 2010, Consumer Sales and Use Tax collections are forecast to rise at an average annual rate of 2.5% during the FY 2010–FY 2015 forecast period. Annual revenue growth should accelerate following the recessionary conditions during 2010 and 2011 to roughly three percent by the end of the forecast period.

In addition to the General Revenue Fund, some Consumer Sales Tax collections go into special revenue accounts (i.e., \$47.5 million in FY 2009, \$47.7 million in FY 2010, \$47.2 million in FY 2011, \$45.2 million in FY 2012, and \$44.7 million in FY 2013).

- **6% Sales and Use Tax on most goods and services.**
- **3% Sales and Use Tax on food and food ingredients that are not prepared.**
- **Total Sales and Use Tax accounts for 30.5% of total General Revenue Fund.**

Consumer Sales Tax and Use Tax
(Expressed in Millions)



General Revenue Fund
Severance Tax

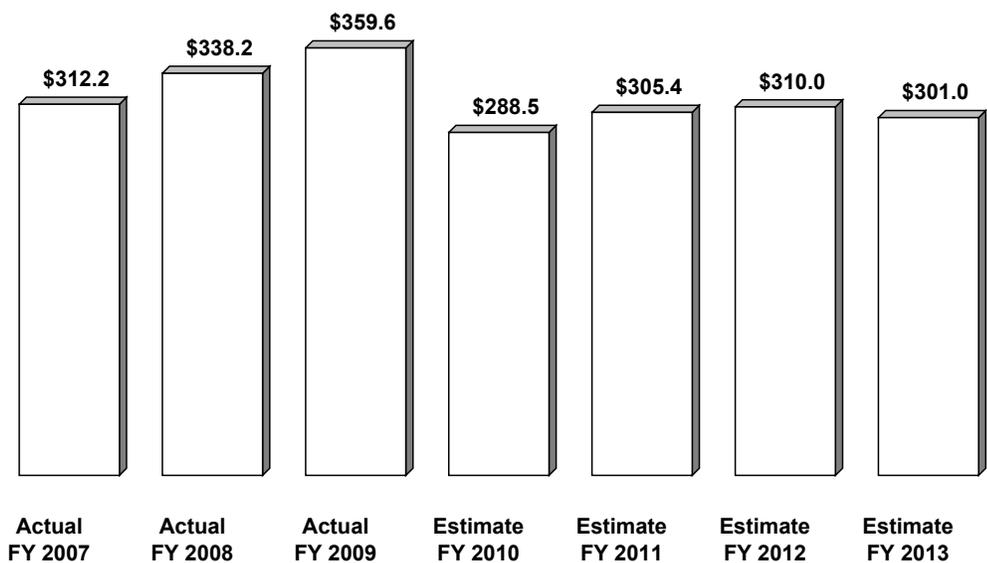
Severance Tax collections are attributable to coal production (81.3%), natural gas production (16.3%), and the production of various other natural resource products (2.4%). Other natural resources products include timber, oil, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2009, Severance Tax receipts were deposited in the State General Revenue Fund (77.1%), the State Infrastructure Fund (5.2%), local government funds (9.8%), the State Division of Forestry (0.3%), and the Worker’s Compensation Debt Reduction Fund (7.6%). The first \$24 million of annual receipts is dedicated to the Infrastructure Fund.

Severance Tax collection growth largely depends upon changes in coal and natural gas production and their respective prices. Energy prices rose dramatically over the past four years due primarily to growing global demand and supply limitations in the world market. The average price per ton of West Virginia coal rose from slightly less than \$30 in 2003 to nearly \$64 per ton in 2008. Severance Tax receipts grew by more than 100% between FY 2004 and FY 2009 in response to these higher prices. Due to a global recession with a significant drop in demand for industrial use electricity, coal prices are expected to gradually decline throughout most of the forecast period to roughly \$52 per ton by FY 2012 and FY 2013. The continuing decline in prices and future challenges related to environmental regulation policies will result in declining overall collections through the forecast period.

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

- **Privilege tax on gross receipts with a base rate of 5.0%. (Reduced rates for underground thin seam coal, waste coal, and timber.)**
- **Applies to natural resources (coal, gas, oil, other) production.**
- **Accounts for 8.1% of total General Revenue Fund.**

Severance Tax
 (Expressed in Millions)



Corporation Net Income Tax and Business Franchise Tax

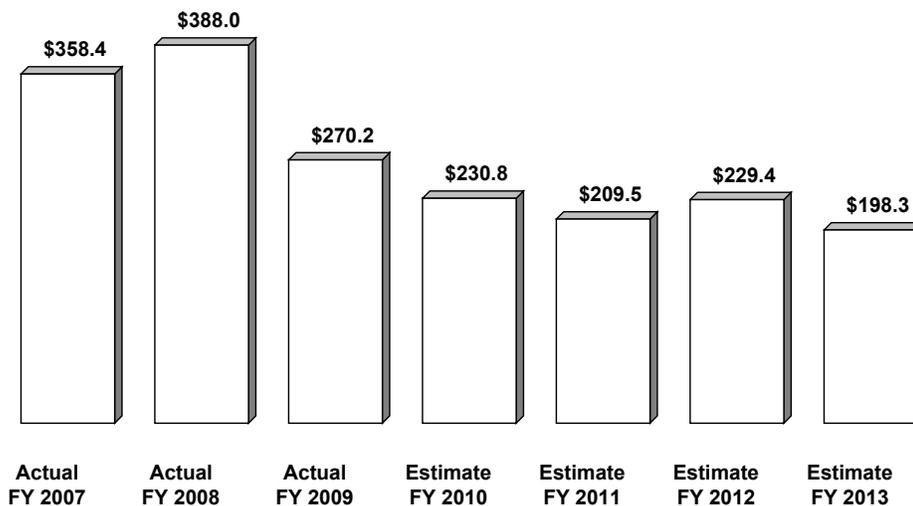
The Corporation Net Income Tax is a tax on net profits of incorporated entities doing business in West Virginia. The Business Franchise Tax is a tax on the net equity component (defined as the value of capital stock, preferred stock, paid-in capital, and retained earnings) of business balance sheets and applies to most corporations, partnerships, and limited liability companies. Collection trends for these taxes largely depend upon the overall health of the U.S. economy, corporate profits, interest rates, inflation rates, and changes in federal tax policy. Following an extended period of above average growth, corporate profits fell in 2007, 2008, and 2009. Over the forecast period, corporate profits are projected to grow at an average annual rate of roughly four percent. However, in the first half of the forecast period, growth will be fairly robust.

Since remittances of the Corporation Net Income Tax and Business Franchise Tax may lag the associated economic period by as much as 18 months, the decline in corporate profits through 2009 will result in reduced tax collections through 2011. Thereafter, the combined effect of scheduled declines in the Corporation Net Income Tax rate and the Business Franchise Tax rate and a new Manufacturing Property Tax Adjustment Credit will offset projected increases in corporate profits. During the forecast period, Corporation Net Income Tax and Business Franchise Tax are projected to decline at an average annual rate of five percent.

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

- **Corporation Net Income Tax applies to C corporations. The tax base is modified federal taxable income apportioned to West Virginia with a current tax rate of 8.5%.**
- **Business Franchise Tax applies to most corporations, partnerships, and limited liability companies. The tax base is net equity apportioned to West Virginia with a current tax rate of 0.41%.**
- **Under current law, the Corporation Net Income Tax rate will decrease from 8.5% to 6.5% effective January 1, 2014.**
- **Under current law, the Business Franchise Tax rate will decrease from 0.41% to 0.0% by January 1, 2015.**
- **Accounts for 5.6% of total General Revenue Fund.**

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



Business and Occupation Tax

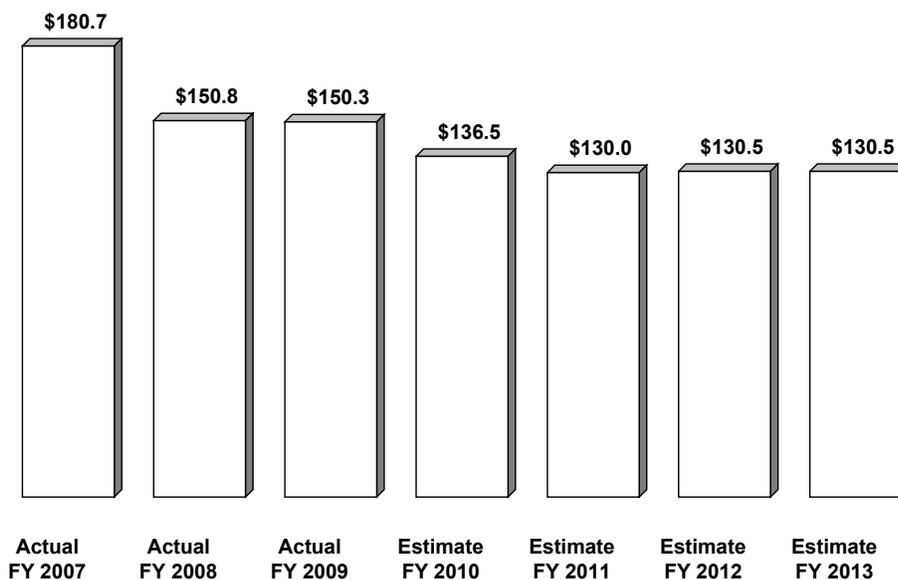
The Business and Occupation Tax (B&O Tax) consists of three distinct components: a capacity or unit-based tax on electric power generation and distribution, a gross receipts tax on nonelectric public utilities, and a per unit tax on gas storage operators. During the forecast period, Business and Occupation Tax collections will decline sharply in 2011 and then remain flat through the remainder of the period.

For electric power producers, the general tax rate is \$22.78 per kilowatt of taxable capacity. Plants with flue gas desulphurization systems are subject to a lower tax rate of \$20.70 per kilowatt. The continued installation of fuel gas desulphurization systems at existing power plants will result in the shift of a large portion of the tax base to the lower tax rate. In addition, tax credits attributable to the investment will also lower future tax collections. Previously announced projects at electric power plants should be completed in 2010. The lower tax rate and additional tax credits attributable to these projects will result in a decline in FY 2011 revenue. Over the remainder of the forecast period, little or no change in collections is anticipated.

The tax on natural gas receipts applies only to public utility sales. Exempt nonutility sales represent roughly 43% 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. Increased domestic production, the weak economy, and declining oil prices have resulted in a decline in natural gas prices and reduced tax collections from natural gas utilities. Although the US Energy Information Administration projects a slight increase in natural gas prices during the forecast period, the net price will be below recent levels.

- **Privilege tax on units of activity or gross receipts.**
- **Applies to public utilities, electric power generators, natural gas storage.**
- **Tax rates and base vary.**
- **Accounts for 3.5% of total General Revenue Fund.**

Business and Occupation Tax (Expressed in Millions)

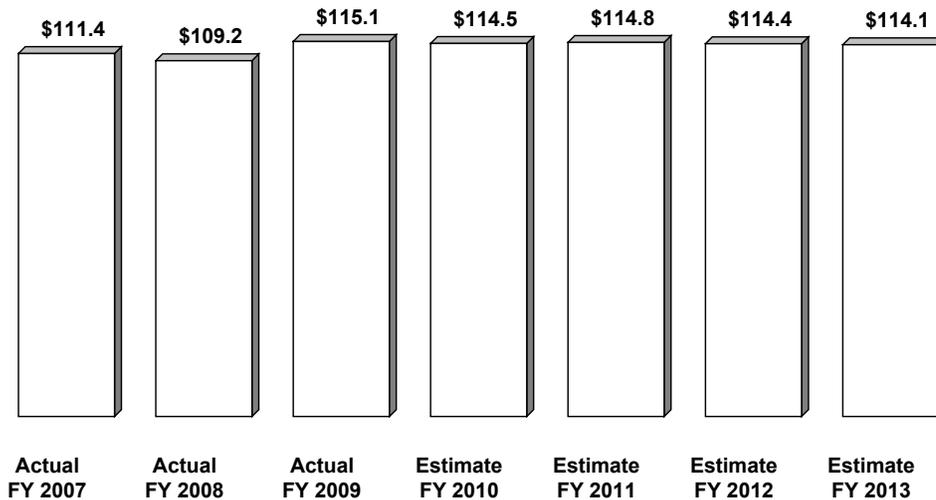


Tobacco Products Tax

The Tobacco Products Tax consists of a per pack tax on cigarettes and a percentage tax on the wholesale price of other tobacco products. Programs continuing to discourage tobacco usage will dampen the outlook for long-term revenue growth for this tax. However, tax rate increases that are implemented in the states surrounding West Virginia can result in short-term increases in revenue. Tobacco Products Tax collections are forecast to decline by an average of 0.16% per year during the FY 2010–FY 2015 forecast period. The forecast assumes a slight increase in FY 2011 collections attributable to projected tax rate hikes in neighboring states followed by gradual declines due to reduced consumption.

- Tax of \$0.55 per pack of twenty cigarettes.
- Tax of 7% of the wholesale price on tobacco products other than cigarettes.
- Accounts for 3.1% of total General Revenue Fund.

Tobacco Products Tax (Cigarette and Other Tobacco) (Expressed in Millions)



Other Taxes and Fees

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

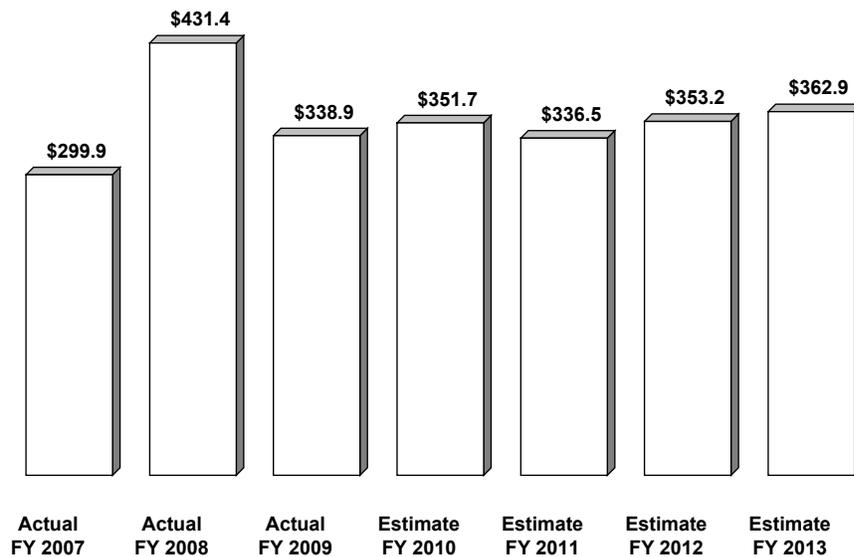
Although the Telecommunications Tax and the Estate Tax are included in this group, no net collections from these taxes are expected during the forecast period. In addition, enacted tax modernization legislation to eliminate the Charter Tax and Business Franchise Registration renewal fees will result in the gradual loss of these minor revenue sources.

Beginning in FY 2009, the annual appropriated Excess Lottery Transfer to the State General Revenue Fund rose from \$77.9 million to \$127.9 million. In addition, the ten-year retail liquor establishment license renewal program was forecast to generate an additional \$25.3 million in total revenue spread out over a period of up to six years.

Most of the other taxes, licenses, and fees in this category will have few changes through the forecast period.

- **Accounts for 9.0% of total General Revenue Fund.**

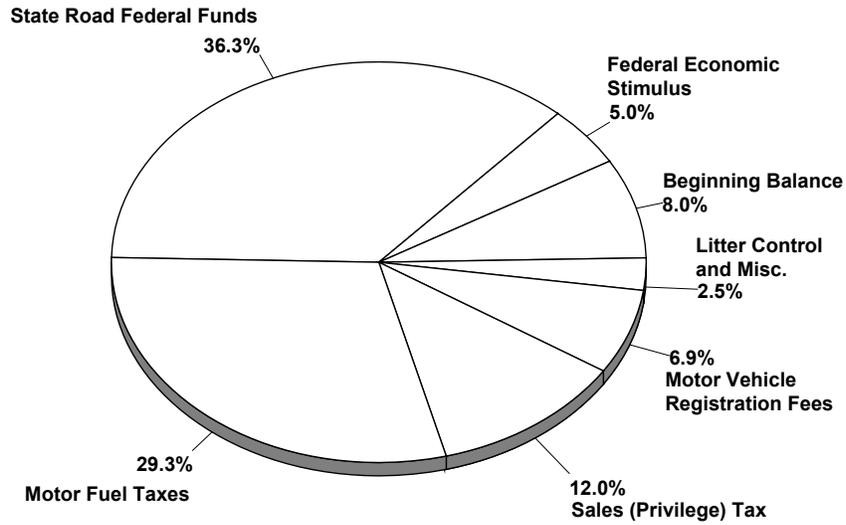
Other Taxes and Fees (Expressed in Millions)



State Road Fund

Sources of Revenue

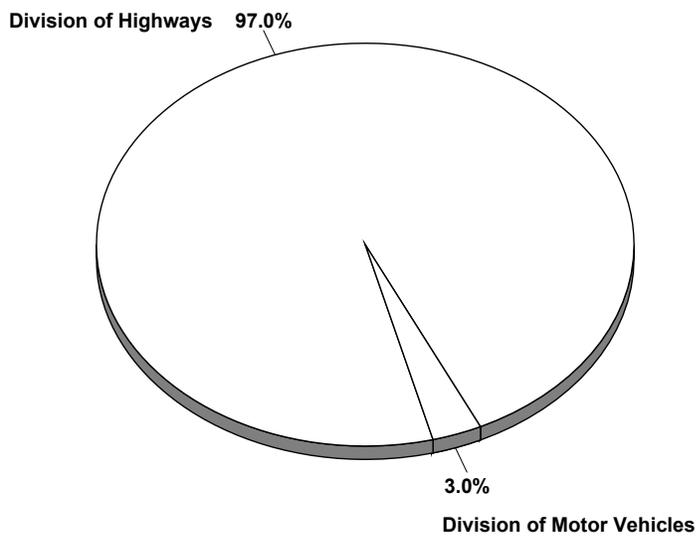
Fiscal Year 2011
\$1.296 Billion*
(Estimated)



*Includes Beginning Cash Balance plus FY 2011 Revenue.

Recommended Expenditures

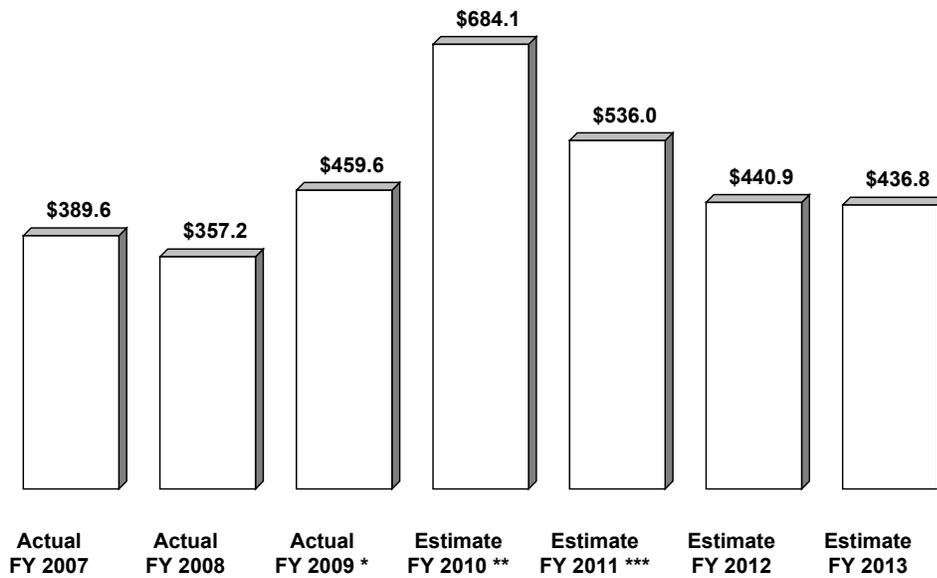
Fiscal Year 2011
\$1.251 Billion



State Road Federal Funds

- Federal funds are received by the Division of Highways for Interstate Construction, Appalachian Programs, Other Federal Aid programs, and Federal Economic Stimulus.
- These funds become part of the State Road Fund or Coal Resource Transportation Road Fund and are included in the amounts budgeted for each fund.
- Accounts for 45.0% of the total State Road Fund.

State Road Federal Funds (Expressed in Millions)



* Includes \$5.0 million for Federal Economic Stimulus
** Includes \$204.6 million for Federal Economic Stimulus
***Includes \$65.0 million for Federal Economic Stimulus

State Road Fund

Motor Fuel Taxes

Motor Fuel Excise Tax

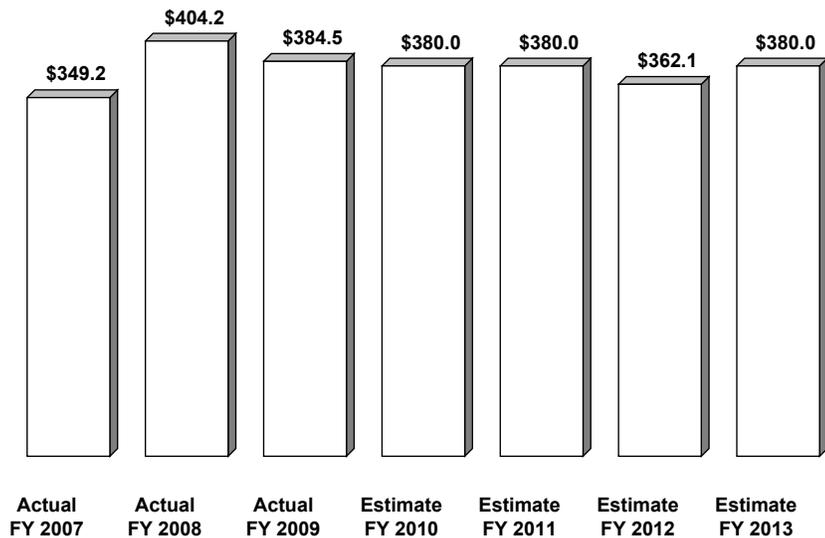
- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to five percent of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from a terminal in another state for delivery in this state.
- The average wholesale price shall not be less than \$2.34 per gallon, which generates a minimum tax rate of \$0.0117 per gallon.
- By December 1st of each year, the tax commissioner must calculate the average wholesale price and variable rate from sales data from the previous July through October. Calculated rate is effective for the next calendar year. The calculated price and calculated rate may not deviate by more than ten percent from the prior year.

Motor Carrier Road Tax

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

• Accounts for 31.9% of the total State Road Fund.

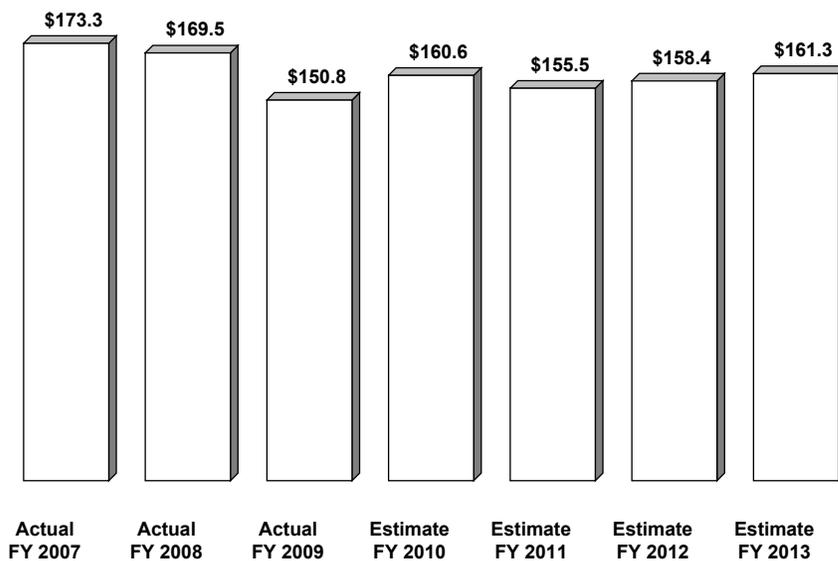
**Motor Fuel Taxes
(Expressed in Millions)**



State Road Fund
Sales (Privilege) Tax

- The Sales Tax is imposed for obtaining the certificate of Title on a vehicle at the time of purchase or lease.
- Tax amounts to 5% of the value of the vehicle at the time of such certification.
- Accounts for 13.0% of the total State Road Fund.

Sales (Privilege) Tax
(Expressed in Millions)



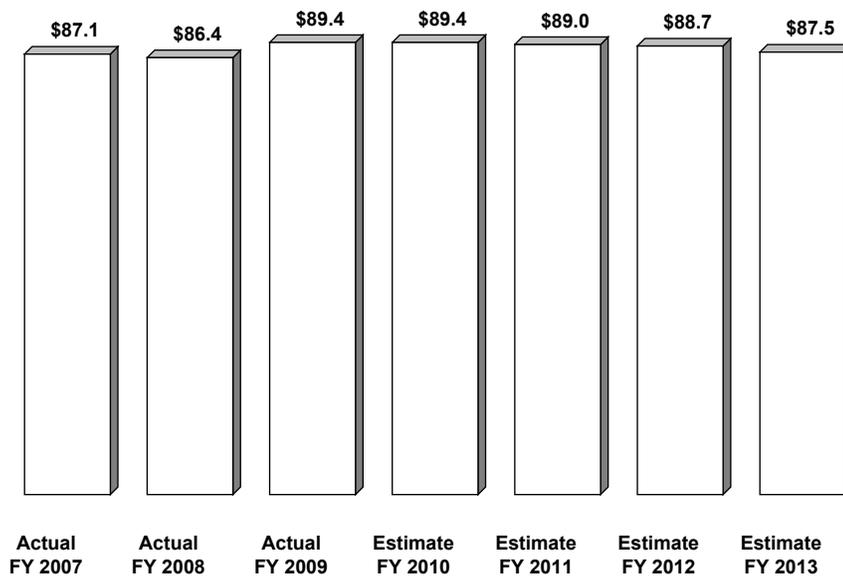
State Road Fund

Registration Fees

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

• Accounts for 7.5% of the total State Road Fund.

Motor Vehicle Registration Fees (Expressed in Millions)



West Virginia Lottery

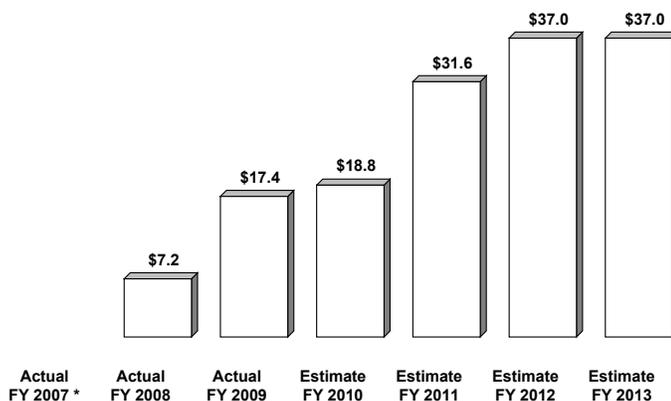
West Virginia Lottery gross revenue (including table games) decreased 2.5% in FY 2008 and 2.0% in FY 2009. The decrease is primarily the result of increased competition in neighboring states and the downturn in the overall economy. Gross revenues include ticket sales of on-line and instant games, racetrack video lottery, limited video lottery revenue, and table games*. Correspondingly, net revenue decreased by 2.1% and 3.9% for FY 2008 and FY 2009, respectively. Racetrack Video Lottery decreased by 7.7% during FY 2008 and 5.5% percent during FY 2009. Limited Video Lottery increased by 3.7% in FY 2008 and 0.2% in FY 2009.

The official estimate for FY 2010 reflects a decrease in gross revenue of six percent from the prior year. Racetrack Video Lottery is projected to decrease 6.2%, and Limited Video Lottery is projected to decrease 10.5% due to increased competition in bordering states. On-line sales are projected to decrease by 1.7%, and instant ticket sales are projected to decrease by 7.5%. Table Games is 100% statutorily distributed and should provide \$18.8 million in net revenue to the State's debt reduction fund.

The estimate for FY 2011 and FY 2012 is expected to have a six percent and four percent increase, respectively. On-line game sales are projected to increase by 2.7% in FY 2011 and 2.4% in FY 2012. Instant game sales are projected to increase by 2.7% in FY 2011 and 2.1% in FY 2012. Racetrack Video Lottery revenue is projected to decrease slightly in FY 2011 and FY 2012. Limited Video Lottery revenue is expected to increase in FY 2011 and FY 2012 by 3.3% and 2.7%, respectively. Table games should provide \$29.9 million and \$35.3 million in net revenue to the State's Debt Reduction Fund in FY 2011 and FY 2012, respectively. Historic resort games should provide \$1.7 million to the State's Debt Reduction Fund in FY 2011 and FY 2012 and \$5.5 million to the State's General Revenue Fund for both FY 2011 and FY 2012.

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 appropriations.

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

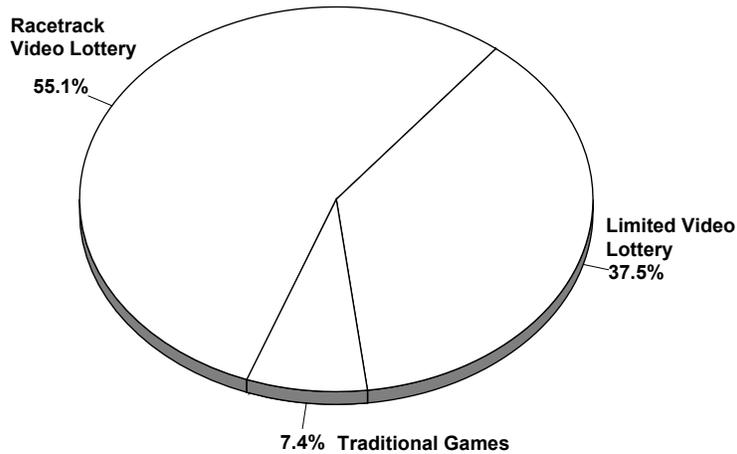


*Table games legislation passed on March 8, 2007, per HB 2718. Voters in Ohio and Hancock counties passed table game referendums in June 2008. Voters in Kanawha County passed the referendum in August 2008, while voters in Jefferson County passed the referendum in December 2009. Table games privilege tax is 35% of adjusted gross receipts.

West Virginia Lottery

Sources of Revenue

Fiscal Year 2011
\$508.7 Million *
(Estimated)

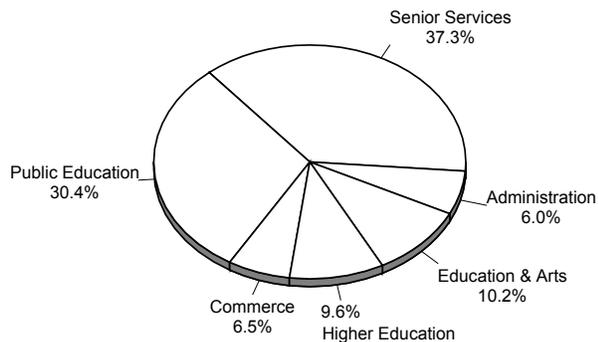


* Does not include beginning cash balance.

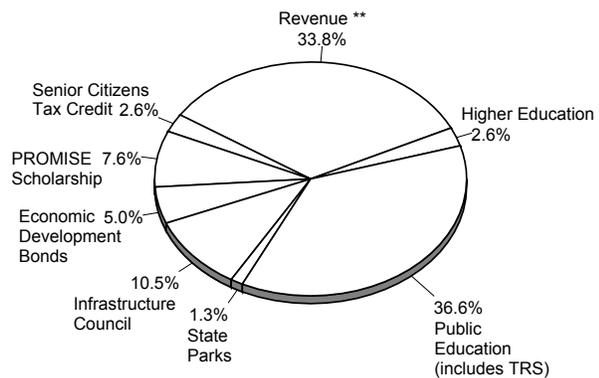
Recommended Expenditures

Fiscal Year 2011
\$546.4 Million

Lottery Fund
\$167.0 Million

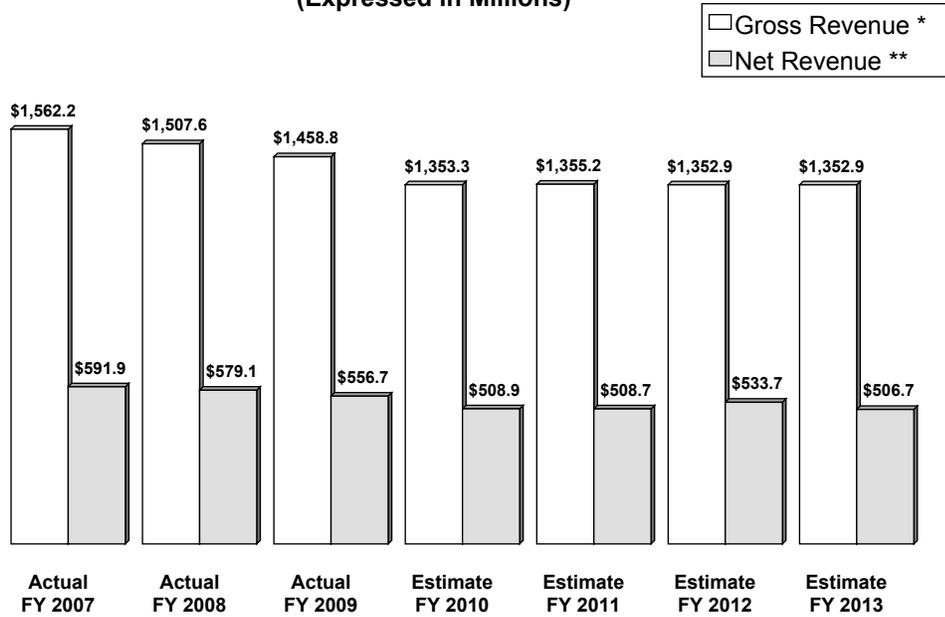


Excess Lottery Fund *
\$379.4 Million



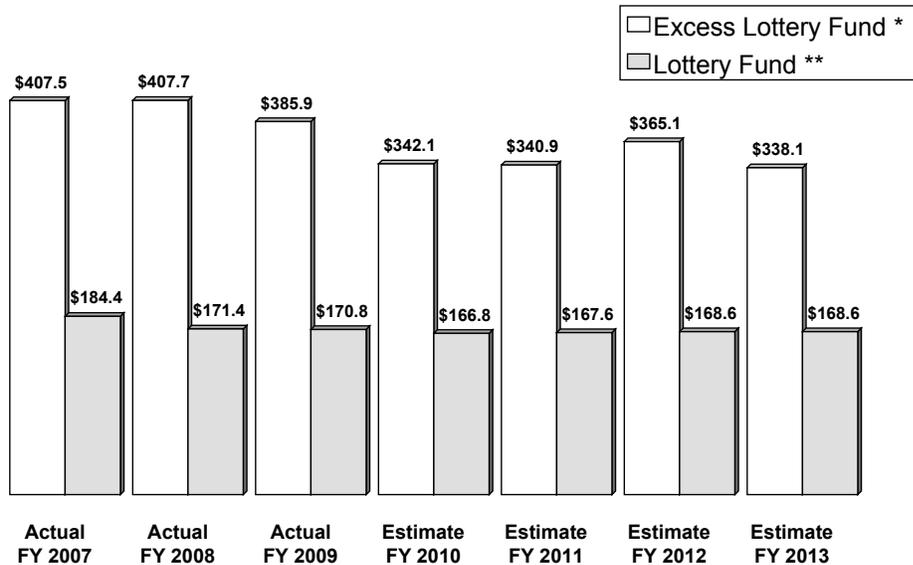
* Expenditures include FY 2011 revenues and beginning balance.
** Transfer to General Revenue Fund.

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



* Includes \$30 million for catastrophic events and cash flow which are not available for appropriation. Excludes table games and historic resort revenues.
 ** Includes \$800,000 for Veterans Lottery Fund.

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

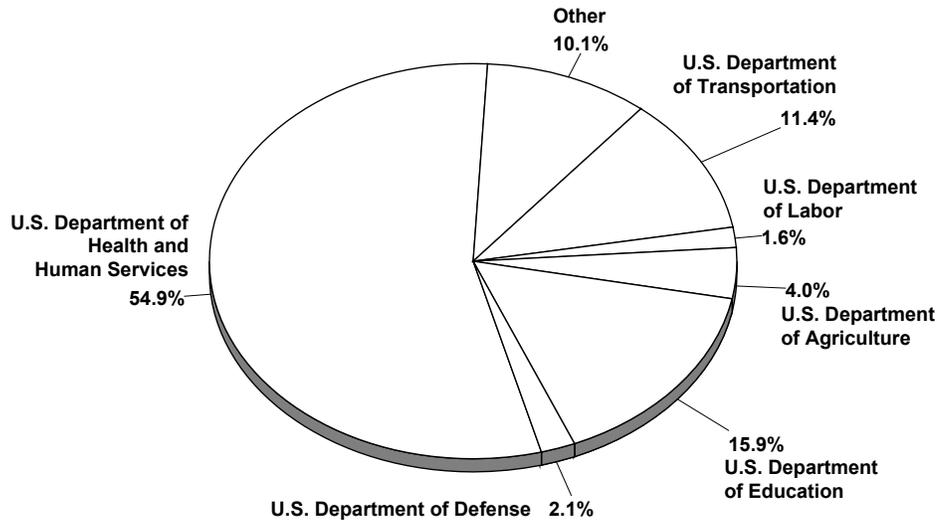


* Includes \$30 million for catastrophic events and cash flow which is not available for appropriation.
 ** Includes \$800,000 for Veterans Lottery Fund.

Federal Funds

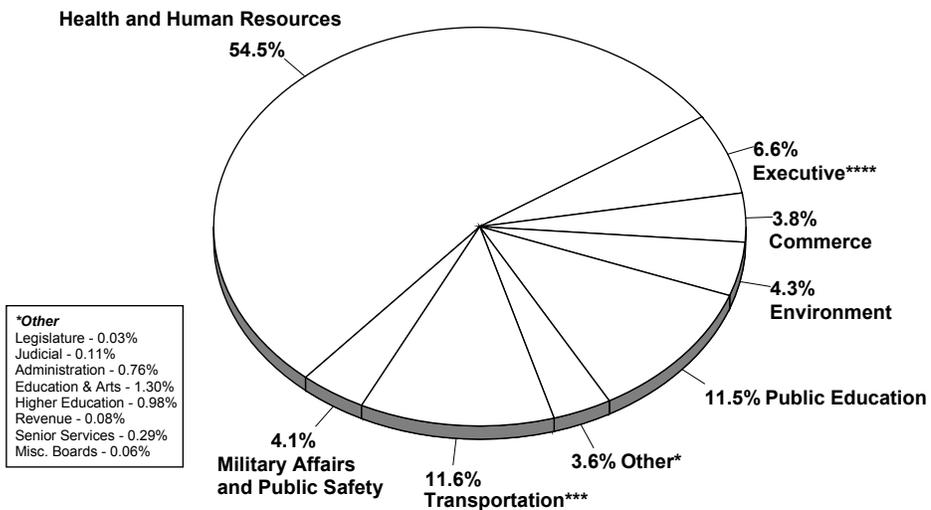
Sources of Revenues

Fiscal Year 2011
\$4.990 Billion
(Estimated)



Recommended Expenditures**

Fiscal Year 2011
\$5.004 Billion



** Expenditures include FY 2011 revenues and beginning balances.

***Includes Federal Funds that are appropriated as part of the State Road Fund.

****Includes Education Stabilization Funds (Economic Stimulus).

Special Revenue Funds

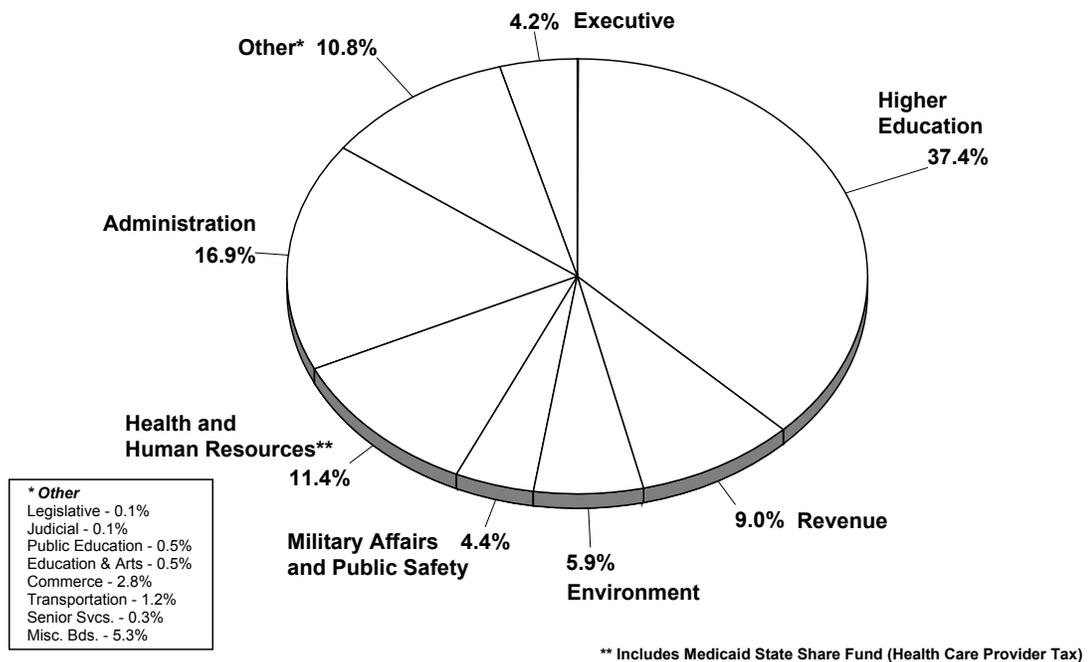
Does not include:

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

Recommended Expenditures

Fiscal Year 2011

\$3.70 Billion



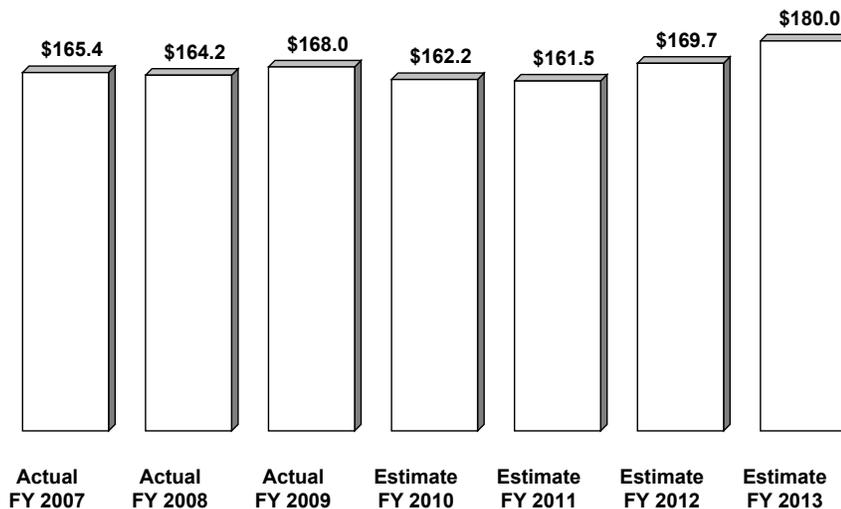
Medicaid State Share Fund

The Medicaid State Share Fund consists of provider taxes, paid by the various health care providers, to be utilized as matching funds for the Federal-State Medicaid Program. The provider taxes were initially enacted in 1993 as a funding mechanism to help supplement the general fund appropriation for the Medicaid Program. The Federal-State Medicaid Program grew significantly from roughly \$300 million in FY 1989 to nearly \$2.43 billion in FY 2009 (based on Legislative Oversight Commission on Health and Human Resources Accountability reports, which do not include prior period adjustments), a rate of growth that was more than two times greater than the growth rate for the State General Revenue Fund. The federal government funds roughly 77% of the Medicaid Program in West Virginia through a match of roughly \$3 per every \$1 of State funds appropriated for the program. Between October 2008 and December 2010, the federal match rate is temporarily increased to a ratio of roughly \$4 per every \$1 of State funds per the provisions of the American Recovery and Reinvestment Act of 2009. In FY 2009, the Medicaid State Share Fund generated nearly \$168 million or roughly 30.3% of the State matching funds for the Medicaid Program. Based upon long-term trends, Medicaid Program costs are rising by approximately 11.0% per year while General Revenue Fund collections are increasing by an average of roughly three to four percent per year.

Legislation enacted in 2001 phases out various individual provider taxes over a ten-year period with full phase-out as of July 1, 2010. The legislative change will eventually reduce total provider tax collections by one-third. However, even with the phase out of tax on certain provider groups, increases in utilization and gross receipts (as it relates to other taxed provider groups) provides some net growth in overall tax collections.

- **0.175% to 5.5% tax on gross receipts from various medical service providers in West Virginia.**
- **Accounts for 30.3% of State match for Medicaid Program.**

Medicaid State Share Fund (Expressed in Millions)



DEBT SUMMARY



Debt Summary

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

State Indebtedness

In 1997, in order to provide a mechanism by which necessary information may be provided to the Governor and the Legislature so that they may prudently manage the State's financial resources by attempting to keep within an average to low range of nationally recognized debt limits, the Legislature created the Debt Capacity Advisory Division within the State Treasurer's Office. The division is required to annually review the size and condition of the State's tax-supported debt and submit to the Governor and the Legislature an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next fiscal year, together with a report explaining the basis for the estimate. The division is also authorized to conduct ongoing reviews of the amount of bonds, notes, and other security obligations of the State's spending units.

Approval of State Bond Issues

Senate Bill 1002, enacted in January 2005, provides that on and after February 1, 2005, bonds may not be issued or refunded by the State or any of its agencies, boards, or commissions without the express written direction of the Governor if (1) the ultimate user of the proceeds of the bonds is the State or any of its agencies, boards, commissions, or departments, or (2) the issuance or refunding of the bonds implicated 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

The State's general obligation bond rating was upgraded to AA by Standard & Poor's Corporation in August 2009. The upgrade was based on, "...the state's continued strong financial performance and continued commitment to address its long-term liabilities through this most recent period of economic weakness." Fitch Investors Service rates the state AA- and the Moody's Investors Service rating is Aa3. There are ten other states which carry a Aa3 rating on their general obligation debt from Moody's Investors Service (Arizona's Aa3 rating is actually an issuer rating since they do not have general obligation debt). These states, of course, differ from West Virginia in their fiscal composition, debt issuance practices, population, income levels, and other economic indicators. However, a comparison of debt ratios demonstrates that West Virginia is within the moderate range of these key indicators as shown below.

**Net Tax Supported Debt as a Percentage of Personal Income and Per Capita
of Similarly Rated States (Rated Aa3 by Moody's Investors Service)
(taken from Moody's Investors Service, 2009 State Debt Medians, July 2009)**

% of Personal Income		Per Capita	
Oklahoma	1.5%	Oklahoma	\$511
Maine	2.2%	Maine	\$743
Arizona	2.2%	Michigan	\$766
Michigan	2.5%	Arizona	\$807
West Virginia	3.6%	West Virginia	\$1,050
Wisconsin	4.0%	Wisconsin	\$1,429
Rhode Island	4.5%	Mississippi	\$1,478
Mississippi	5.2%	Rhode Island	\$1,812
New York	6.3%	New York	\$2,921
Connecticut	7.3%	New Jersey	\$3,621
New Jersey	8.2%	Connecticut	\$4,490

Debt Summary

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.

West Virginia has various debt policies which are set forth in the West Virginia State Code; however, there is currently no centralized debt management policy. Instead, each policy is specific to each bonding authority.

Neither the West Virginia Constitution nor its statutes establish a general limit on all types of debt. For general obligation bonds, the limits are established in the amendment authorizing the debt. For revenue bonds and mortgages, debt limits are established at the individual issuer level, either by establishing a dollar ceiling on the total outstanding principal or setting the amount of the appropriation for debt service. While no limits are placed on the other debt instruments, all agreements for installment purchases or capital leases must be approved in advance by the Department of Administration. That review encompasses the entire transaction, including the repayment ability of the agency.

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

Debt Summary

State of West Virginia Bond Issuing Authorities	
Issuing Authority	Debt Limit (Cap)
Governor	Per amendment
Armory Board	Per available revenues
Community Infrastructure Authority	Per available revenues
Division of Natural Resources, Director	Per available revenues
Economic Development Authority	N/A
Economic Development Authority Grant Committee	Per authorized projects
Education, Board of	Per available revenues
Governing Board of Higher Education	Per available revenues
Hatfield-McCoy Regional Recreation Authority	Per available revenues
Higher Education Policy Commission	Various—Per available revenues
Highway Commissioner	Per available revenues
Hospital Finance Authority	N/A
Housing Development Fund	N/A
Independent Higher Education Loan Bond Program	\$30 million
Infrastructure and Jobs Development Council	Per available revenues
Outdoor Heritage Conservation Board	Per available revenues
Parkway Authority	\$200 million
Public Energy Authority	N/A
Public Port Authority	Per revenues
Rail Authority	Per revenues
Regional Jail & 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. At June 30, 2009, \$640,377,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

General Obligation Bonds Outstanding June 30, 2009

Amendment	Principal Outstanding June 30, 2009 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$269,272	First \$24 million of Severance Tax
Safe Roads Amendment of 1996	(net) \$371,105	Road Fund

General Obligation Debt Various Ratios as of June 30:

Ratio	2007	2008	2009	Notes for June 30, 2009, Ending (figures listed in thousands)
GO Debt Service as a percent of the General Revenue Fund (GRF)	1.7%	1.9%	1.9%	GO Debt Service of \$74,927 GRF of \$3,901,552
GO Debt as a percent of Personal Income (PI)	1.3%	1.3%	1.1%	GO Debt of \$640,377 PI of \$55,941,000
GO Debt per Capita	\$394	\$375	\$353	GO Debt of \$640,377 Population of 1,814

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.

Debt Summary
General Obligation Bonds

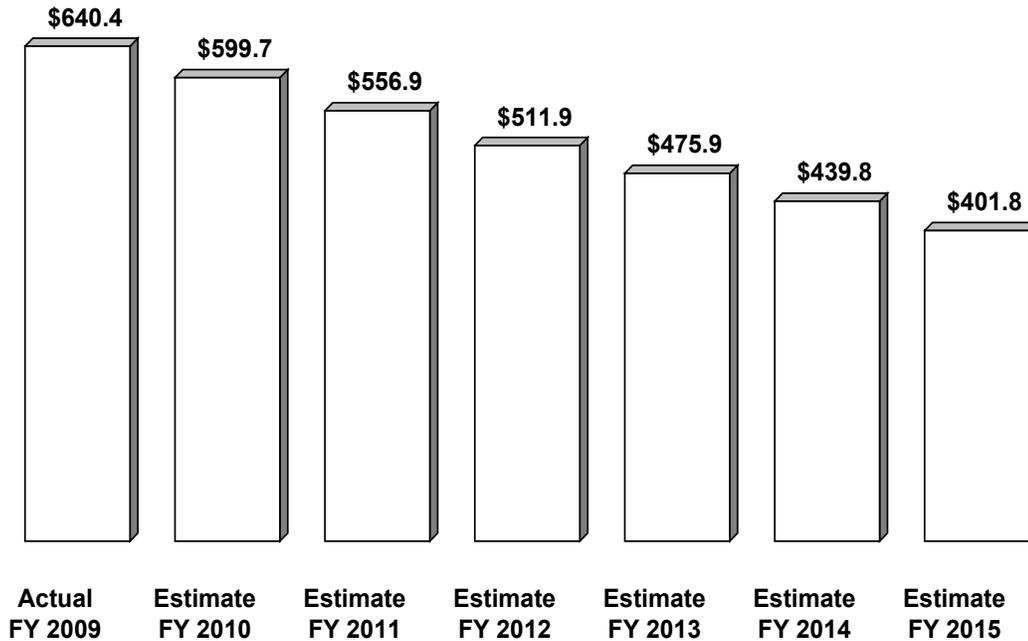
1973 Better Highways Amendment

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

1994 Infrastructure Improvement Amendment

The 1994 amendment authorized \$300 million in general obligation bonds for construction, repair, and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction, and improvement of economic development sites. Severance taxes have been dedicated to fund repayment of the bonds. Enabling legislation was enacted in 1995. Litigation challenging the passage of the amendment was decided on December 14, 1995, by the West Virginia Supreme Court of Appeals validating the amendment. The initial issue of \$60 million was sold May 22, 1996, and the second issue of \$57 million was sold December 10, 1996. An issuance of approximately \$92 million occurred in February 1998. The final issue of approximately \$91 million was issued in May 1999, bringing the aggregate amount of bonds to the authorized \$300 million amount. By structuring one of the issues with

General Obligation Debt Outstanding
Fiscal Years 2009 - 2015
As of June 30, 2009



Debt Summary *General Obligation Bonds*

capital appreciation bonds to minimize debt service over the next seven years, an additional \$50 million was available for projects. In November 2006, the West Virginia Infrastructure and Jobs Development Council issued \$94.2 million of refunding bonds which refunded more than \$95 million of outstanding bonds. The principal outstanding at June 30, 2009 was \$ 269,272,000 (net of advance refunded bonds). All of the bonds will be fully retired in FY 2027.

1996 Safe Roads Amendment

The 1996 amendment authorized \$550 million in general obligation bonds to match available federal funds for highway construction and general highway construction or for improvements in each of the 55 counties. The legislation authorizing the amendment specified the bonds to be sold over a five-year period in increments of \$110 million each. The bonds are payable from the State Road Fund. Enabling legislation was passed during the 1997 legislative session. \$220 million in Road Bonds were issued in July 1998 and another \$110 million were issued in July 1999, July 2000, and July 2001, respectively. In May 2005, the State issued \$321.4 million of refunding bonds which refunded approximately \$320 million of the previously issued bonds. At June 30, 2009, \$371,105,000 (net of advance refunded bonds) were outstanding. The bonds will be fully retired by 2025.

Authorized But Unissued General Obligation Bonds

1973 Vietnam Veterans Bonus Amendment

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

1992 Veterans Bonus Amendment

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

2004 Veterans Bonus Amendment

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

Debt Summary

General Obligation Debt Outstanding at June 30, 2009 (Expressed in Thousands)

	Final Maturity Date	Interest Rate(s) %	06/30/09 Balance
Road Bonds			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment (net)	2025	4.25 - 5.00	\$371,105
SUBTOTAL			371,105
 Infrastructure Bonds			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	4.25 - 7.625	269,272
TOTAL			\$640,377

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2009, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Amount to be accrued	Total
2010	\$45,216	\$27,687	\$114	\$73,017
2011	46,836	25,724	454	73,014
2012	48,614	23,616	781	73,011
2013	39,060	21,450	1,125	61,635
2014	38,801	19,759	1,439	59,999
2015-2019	175,128	73,155	11,352	259,635
2020-2024	174,619	36,581	21,461	232,661
2025-2029	72,103	3,959	16,507	92,569
TOTAL	\$640,377	\$231,931	\$53,233	\$925,541

Debt Summary

Revenue Bonds

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

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

Approximately \$1.8 billion in revenue bonds were outstanding at June 30, 2009. A brief review of each issuer follows.

Tobacco Settlement Finance Authority

The Tobacco Settlement Finance Authority was created to issue special revenue obligation bonds which 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 (MSA) between participating tobacco product manufacturers (PMs), 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 which 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, 2009, the principal outstanding on the bonds totaled \$890 million.

West Virginia Commissioner of Highways

In October 2006, April 2007, and March 2009, the Commissioner of Highways issued special obligation notes in the form of Grant Anticipation Revenue Vehicles or GARVEEs, as they have become known. The issuance of GARVEEs requires that a highway project be approved as a federal-aid debt-financed (bond, certificate, note, or other debt instrument) project in order to receive payments for eligible debt-related costs. Once a project is selected for bond financing, the project is submitted to the Federal Highway Administration (FHWA) for approval as an advance construction project. The advance construction designation will ensure that the project follows federal-aid procedures and will preserve the eligibility to reimburse debt-related costs with future federal-aid funds. At June 30, 2009, the principal outstanding on the three series of notes totaled \$165 million. The notes are expected to mature in September 2015.

West Virginia Infrastructure and Jobs Development Council

The West Virginia Infrastructure and Jobs Development Council was created to review the preliminary application for waste water facilities, water facilities or combination projects, or infrastructure projects seeking State funding. The council is to make a written recommendation as to the infrastructure project financing in terms of the kind, amount, and source of funding, which the project sponsor should pursue and which the state infrastructure agency or agencies should consider an appropriate investment of public funds. In the alternative, the council may make a determination that the project or infrastructure project is not eligible for funding assistance from any state infrastructure agency or the project or that the infrastructure project is not otherwise an appropriate or prudent investment of State funds, and 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, 2009, \$123 million was outstanding.

*Debt Summary
Revenue Bonds*

State Building Commission Lottery Revenue Bonds

The State Building Commission issued bonds secured by a pledge of revenues appropriated by the Legislature from certain net profits of the West Virginia Lottery and deposited in the debt service fund. Bond proceeds were used to provide financial support for constructing, equipping, improving, and maintaining capital improvement projects promoting education, arts, sciences, and tourism (EAST Fund) in West Virginia. At June 30, 2009, \$17 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, 2009, \$206 million were outstanding.

Debt Summary

Revenue Bonds

Summary of Debt Service Requirements Outstanding at June 30, 2009 (Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2002 & 2007	2022	3.75-5.00	\$214,125
School Building Authority (Lottery)	2004	2014	5.00-5.25	85,650
School Building Authority (Excess Lottery)	2008	2028	3.00-5.25	102,145
Tobacco Settlement Finance Authority*	2007	2047	7.467-8.5	890,287
Highways, Commissioner of	2006-2009	2015	4.00-5.00	165,160
WV Infrastructure and Jobs Development Council	2003-2007	2045	3.00-5.00	122,875
Education, Arts, Sciences, and Tourism Fund (Lottery)	1997	2011	5.25	16,805
Economic Development Authority (Lottery)	2004	2026	3.57-6.07	<u>206,480</u>
Subtotal				<u>\$1,803,527</u>
Less:				
School Building Authority Debt Service Reserve Fund				(23,770)
School Building Authority Debt Service Reserve Fund (Lottery)				(14,180)
Economic Development Authority Debt Service Reserve Fund (Lottery)				(18,990)
Education, Arts, Sciences, and Tourism Debt Service Reserve Fund (Lottery)				<u>(2,400)</u>
Net revenue bonds outstanding				<u><u>\$1,744,187</u></u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2009, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount to be accreted</u>	<u>Total</u>
2010	\$96,085	\$102,888	\$6,659	\$205,632
2011	100,475	97,956	7,239	205,670
2012	98,780	92,671	7,874	199,325
2013	105,175	87,048	8,545	200,768
2014	112,460	80,451	9,289	202,200
2015-2019	477,760	312,241	60,052	850,053
2020-2024	580,495	164,184	91,058	835,737
2025-2029	172,082	24,793	63,595	260,470
2030-2034	21,985	12,067	0	34,052
2035-2039	25,375	6,156	0	31,531
2040-2044	10,895	1,654	0	12,549
2045-2049	2,260	96	0	2,356
	<u>\$1,803,827</u>	<u>\$982,205</u>	<u>\$254,311</u>	<u>\$3,040,343</u>

*Balance represents accreted value of bonds.

Debt Summary

Capital Leases

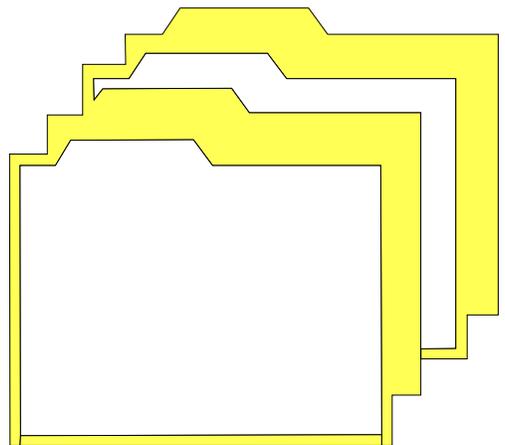
A capital lease is a lease in which the lessee (entity leasing from another) assumes substantially all the risks and benefits associated with the asset, which must meet one or more of the following criteria:

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

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

The outstanding balance of primary government capital leases was \$308 million at June 30, 2009.

APPENDICES



Glossary

A

- Accrual** - An accounting method that reports income when earned and expenses when incurred.
- Activity** - The individual item of appropriation as listed in the budget bill, such as Personal Services, Employees' Benefits, and Capital Outlay.
- Agency** - An organizational unit of state government, usually a department, bureau, commission, board, or a subdivision within a department or bureau.
- Annual Increment** - Funds appropriated for eligible employees and paid at the rate of \$60 per full year of service with a minimum of three years of service.
- Appropriation** - A legal authorization to incur obligations and to make expenditures for specific purposes.
- 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.

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 are primarily 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

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

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

Civil Contingent Fund - The civil contingent fund is appropriated by the Legislature to the Governor to be available for payment of expenses incurred when executing a law for which there is no specific appropriation or any other expenses for which the Governor deems necessary or proper, such as unanticipated emergencies.

Appendix A/Glossary

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

Current Expenses - Expenditures for operating costs other than personal services and shall not include equipment, repairs and alterations, buildings, or lands.

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 2011, the "current level" is defined as 95% of the FY 2010 base budget for the General Revenue Fund and Regular Lottery fund appropriation (96% for the Department of Education).

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 an cabinet secretary or department head, such as the Department of Administration, Department of Education, or Department of Revenue.

Disbursement - The expenditure of monies from an account.

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

E

Employee Benefits - Expenditures for social security matching, workers' compensation, unemployment compensation, pension and retirement contributions, public employees' insurance matching, personnel fees, or any other benefit normally paid by the employer as 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), General Revenue transfer to support FY 2002 pay raises, 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, benefits, contractual services, commodities, and supplies of a consumable nature, current obligations, fixed charges, and capital outlay. Payments to other funds or local, state, or federal agencies may be included in this budget classification of expenditures.

F

Federal Fiscal Year - October 1 through September 30.

Appendix A/Glossary

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

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

Full-time Equivalent Position (FTE) - A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time typist working for 20 hours per week would be the equivalent to 0.5 of a full-time position.

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

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

G

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

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

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

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

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

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

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

I

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

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

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

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

L

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

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

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

M

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

N

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

O

Object of Expenditure - An expenditure classification, referring to the lowest and most detailed level of classification, such as vehicle rental, association dues, and office equipment.

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

Operations - As used in the agency 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.

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 emergency revenue needs such as natural disasters. Additional details are located in the Budget Planning chapter in Volume I of the *Executive Budget*.

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 Budget Planning chapter in Volume I of the *Executive Budget*.

S

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

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

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

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

State Road Fund - Consists of revenues from gasoline and other motor fuel excise and license taxes, motor vehicle registration and license tax, and all other revenue derived from motor vehicles or motor fuel. Used solely for construction, reconstruction, repair, and maintenance of public highways, the payment

of the interest and principal on all road bonds, and the administrative expenses of the Division of Highways 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.

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.

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, other disbursements, and other extraordinary disbursements.

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

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

Glossary of Acronyms

A

AARP	American Association of Retired Persons
ABCA	Alcohol Beverage Control Administration
ABE	Adult basic education
ACH	Automated Clearing House
ACA	American Correctional Association
ACT	American College Test
	Association of Classroom Teachers
ACT EXPLORE	A test for eighth graders
ACT PLAN	A test for tenth graders
ADA	Americans with Disabilities Act of 1990
AFIS	Automated Fingerprint Identification System
AIDS	Acquired immunodeficiency syndrome
AML&R	Abandoned Mine Lands and/ Reclamation
AP	Advanced Placement
APS	Adult Protective Services
ARC	Appalachian Regional Commission
ARRA	American Recovery and Reinvestment Act of 2009
ATM	Asynchronous transfer mode
ATV	All-terrain vehicle

B

B&O	Business and Occupation
bbf	barrel
BCSE	Bureau for Child Support Enforcement
BHHF	Behavioral Health and Health Facilities
BLS	Bureau of Labor Statistics
BMPs	Best management practices
BMS	Bureau for Medical Services
BRIM	Board of Risk and Insurance Management
BTI	West Virginia Board of Treasury Investments

C

CAFR	Comprehensive Annual Financial Report
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CCTCE	Council for Community and Technical College Education
CD or CD-ROM	Compact disc (read-only memory)
CDC	Center for Disease Control
CDL	Commercial Driver's License
CEO	Chief executive officer
CERT	Community Emergency Response Team
	Computer Emergency Response Team
CFO	Chief financial officer
CFR	Code of Federal Regulations
CJSAC	Criminal Justice Statistical Analysis Centers
CLE	Continuing Legal Education
CMV	Commercial motor vehicle
CNA	Certified Nursing Assistants
CNP	Child Nutrition Program
CON	Certificate of Need
COOP	Continuity of operations plan
COPS	Community-oriented policing services
CPD	Center for Professional Development
CPI	Consumer Price Index
	Cost per Inquiry
CPR	Cardiopulmonary resuscitation
CPRB	Consolidated Public Retirement Board
CPS	Child Protective Services
CPU	Central processing unit
CRTS	Coal Resource Transportation System
CSR	Code of State Regulations
CTC	Community and Technical College
CTE	Career technical education
CV	Crime victims
CVISN	Commercial Vehicles Information Systems Network
CWSRF	Clean Water State Revolving Fund
CY	Calendar year

D

DARE	Drug Abuse Resistance Education
DCJS	Division of Criminal Justice Services
DDS	Disability Determination Services
DEA	U.S. Drug Enforcement Administration
DEP	Department/Division of Environmental Protection
DHHR	Department of Health and Human Resources
DHSEM	Division of Homeland Security and Emergency Management
DJS	Division of Juvenile Services
DMV	Division of Motor Vehicles

Appendix B/Glossary of Acronyms

DNA.....Deoxyribonucleic Acid
 DNR.....Division of Natural Resources
 DOC.....Division of Corrections
 DOH.....Division of Highways
 DOJ.....U.S. Department of Justice
 DOL.....Division of Labor
 DOT.....Department of Transportation
 DSRS.....Deputy Sheriff’s Retirement System
 DUI.....Driving under the influence
 DVD.....Digital video disk
 DWTRF.....Drinking Water Treatment Revolving
 Fund

E

EAST.....Education, Arts, Science, and Tourism
 EBA.....Educational Broadcasting Authority
 EBT.....Electronic benefits transfer
 EDA.....Economic Development Authority
 EDGE.....Earn A Degree-Graduate Early
 EDMS.....Electronic document management
 system
 EEO.....Equal employment opportunity
 EEOC.....U.S. Equal Employment Opportunity
 Commission
 EFT.....Electronic fund transfers
 EMS.....Emergency Medical Services
 EPA.....U.S. Environmental Protection Agency
 EPICS.....Employees Payroll Information Control
 System
 EPSCoR.....Experimental Program to Stimulate
 Competitive Research
 EPSCoT.....Experimental Program to Stimulate
 Competitive Technology
 E-Rate.....Schools and Libraries Universal Service
 Program (electronic rate)
 EPSDT.....Early and Periodic Screening,
 Diagnosis, and Treatment
 ERP.....Enterprise Resource Planning
 ESL.....English as a Second Language

F

FAA.....Federal Aviation Administration
 FARS.....Financial Accounting and Reporting
 Section
 FBI.....Federal Bureau of Investigation
 FCC.....Federal Communications Commission
 FDIC.....Federal Deposit Insurance Corporation

FEMA.....Federal Emergency Management
 Agency
 FFY.....Federal fiscal year
 FHWA.....Federal Highway Administration
 FLEP.....Stewardship and Forest Land
 Enhancement Program
 FLOW.....Future Leaders of Watershed
 FMAP.....Federal Medical Assistance Percentages
 FOIA.....Freedom of Information Act
 FPL.....Federal Poverty Level
 FPY.....Federal program year
Federal performance year
 FRM.....Forest resources management
 FRN.....Family Resource Network
 FTA.....Federal Transit Administration
 FTE.....Full-time equivalent
 FY.....Fiscal year

G

GAAP.....Generally accepted accounting
 principles
 GAO.....Government Accountability Office
 GARVEE.....Grant Anticipation Revenue Vehicle
 GASB.....Governmental Accounting Standards
 Board
 GDP.....Gross Domestic Product
 GED.....General Equivalency Diploma
 GFOA.....Government Finance Officers
 Association of the United States and
 Canada
 GIS.....Geographical information system
 GO.....General Obligation
 GOHELP.....Governor’s Office of Health
 Enhancement and Lifestyle Planning
 GPS.....Global positioning satellite system
Global positioning system
 GRF.....General Revenue Fund
 GSP.....Gross State Product

H

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

Appendix B/Glossary of Acronyms

HIDTA.....High intensity drug trafficking area
 HIPAA.....Health Insurance Portability and
 Accountability Act
 HIT.....Health information technology
 HIV.....Human immunodeficiency virus
 HMO.....Health maintenance organization
 HMVMT.....Hundred million vehicle miles traveled
 HOPE.....Helping Others Pursue Excellence
 HPI.....Housing Price Index
 HRIS.....Human Resource Information System
 HRSA.....Health Resources and Services
 Administration
 HSTW.....High Schools That Work
 HUD.....U.S. Housing and Urban Development
 HVAC.....Heating, ventilation, and air-
 conditioning

I

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

J

JTPA.....Job Training Partnership Act
 JRS.....Judges Retirement System

K

K-3.....Kindergarten through 3rd grade
 K-12.....Kindergarten through 12th grade

L

LAN.....Local area network
 LATA.....Local access transport area
 LEAs.....Local educational agencies
 LEAP.....Leveraging Education Assistance
 Partnerships
 LIFE.....Legislative Initiatives for the Elderly
 LiHEAP.....Low Income Home Energy Assistance
 Program
 LIMS.....Laboratory Information Management
 System
 LLC.....Limited liability companies
 LPN.....Licensed Practical Nurse
 LVL.....Limited video lottery

M

MAPD.....Medicare Advantage Prescription Drug
 MAPP.....Matching Advertising Partnership
 Program
 MAPS.....Department of Military Affairs and
 Public Safety
 MATRIC.....Mid-Atlantic Technology, Research, and
 Innovation Center
 MHC.....Mountain Health Choices
 MIP.....Major improvements program
 MLMP.....Mineral Lands Mapping Project
 MMIS.....Medicaid Management Information
 system
 M.P.H.....Master of Public Health degree
 MPMP.....Mineral parcel mapping project
 MR/DD.....Mental retardation/developmental
 disabilities
 MR/DD.....Mentally retarded/developmentally
 disabled
 MSA.....Metropolitan statistical area
 MSHA.....Mine Safety and Health Administration
 (federal)

Appendix B/Glossary of Acronyms

N

N/A.....Not available
Not applicable
 NAAQS.....National ambient air quality standards
 NCAANational Collegiate Athletic Association
 NAICS.....North American Industry Classification System
 NASCARNational Association for Stock Car Auto Racing
 NCIC.....National Crime Information Center
 NEA.....National Endowment for the Arts
 NHS.....National Highway System
 NHTSANational Highway Traffic Safety Administration
 NOAANational Oceanic and Atmospheric Administration
 NPDES.....National Pollutant Discharge Elimination System
 NPS.....Nonpoint pollution source
 NRCS.....Natural Resources Conservation Service (USDA)

PDFPortable document format
 PDLPreferred drug list
 PEIA.....Public Employees Insurance Agency
 PERDPerformance Evaluation and Research Division (section of the West Virginia Legislative Auditor’s Office)
 PERS.....Public Employees Retirement System
 PIPersonal Income
 PICF.....Patient Injury Compensation Fund
 PIMS.....Position Information Management System
 PLCPublic Land Corporation
 PM 2.5.....Particulate matter less than 2.5 microns in diameter
 PPODPollution Prevention and Open Dump Cleanup
 PROMISE.....Providing Real Opportunities for Maximizing In-State Student Excellence
 PSCPublic Service Commission
 PYProgram year

R

R&D.....Research and development
 RAPIDS.....Recipient Automated Payment and Information Data System
 RCL.....Regulated consumer lenders
 RCRA.....Resource Conservation Recovery Act
 REAPRehabilitation Environmental Action Plan
 REDI.....Responder Emergency Deployment Information
 REIS.....Regional Economic Information System
 RESAs.....Regional educational service agencies
 RFP.....Request for proposals
 RFQ.....Request for quotations
 ROMA.....Results oriented management and accountability
 RSP.....Responsible Student Program
 RVRecreational vehicle

O

OASDI.....Old-Age, Survivors, and Disability Insurance (Social Security)
 OBHS.....Office of Behavioral Health Services
 OEPA.....Office of Education Performance Audit
 OIC.....Offices of Insurance Commissioner
 OMBU.S. Office of Management and Budget
 OMHS&T.....Office of Miners’ Health Safety and Training
 OPEB.....Other postemployment benefits
 OSCAR.....On-line Support Collections and Reporting System
 OSHA.....Occupational Safety and Health Administration

P

PAC.....Political action committee
 PASS.....Partnerships to Assure Student Success
 PBSPublic Broadcasting Service
 P-card.....State purchasing card
 PCPersonal computer
 PCP.....Primary care physician/provider
 PCR.....Polymerase chain reaction

S

SACWIS.....Statewide automated child welfare information system
 SAFETEA.....Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003

Appendix B/Glossary of Acronyms

SAFETEA-LU Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users

SAS 70 Statement on Audit Standards No. 70

SB Senate Bill

SBA School Building Authority

SBDC Small Business Development Center

SBIC Small Business Investment Corporation

SBIR Small Business Innovation Research

SBIRT Screening, brief intervention, and referral to treatment

SBVR South Branch Valley Railroad

SCORE Service Corps of Retired Executives

SCSEP Senior Community Service Employment program

SHARES Saving History and Reaching Every Student

SHINE Senior Health Insurance Network

SHP State Health Insurance Assistance Program

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

SRA State Rail Authority

SREB Southern Regional Education Board

SSI Supplemental Security Income

SSDI Social Security Disability Insurance

STARBASE Science and Technology Academics Reinforcing Basic Aviation and Space Exploration

STD Sexually transmitted disease

STEM Science, technology, engineering and math

STS Slow the Spread

STTR Small Business Technology Transfer

T

TANF Temporary Assistance for Needy Families

TARP Troubled Asset Relief Program

TCE Tax Counseling for the Elderly

TCR Telecommunication change request

TDC Teachers' Defined Contribution Retirement System

TEA-21 Transportation Equity Act for the 21st Century

TEAM Team effort for acquisition management

TEFAP The Emergency Food Assistance Program

TMDL Total maximum daily load

TRS Teachers' Retirement System

TRAFFIC Tax Reduction and Federal Funding Increased Compliance

TSA Transportation Security Administration

TTY/TDD Telecommunications device for the deaf

TV Television

U

U&CF Urban and Community Forestry

UAAL Unfunded Actuarial Accrued Liability

UCC Uniform Commercial Code

U.S. United States

USDA United States Department of Agriculture

USDC United States Department of Commerce

USDOE United States Department of Energy

USFDA United States Food and Drug Administration

V

VA Veterans Administration

VHF Very high frequency

VIP Voting Is Powerful

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

VITA Volunteer Income Tax Assistance

VOI/TIS Violent offender incarceration/Truth in sentencing

VoIP Voice over Internet Protocol

W

WCF Workers' Compensation Fund

WCIS® Workers' Compensation Insurance System

WDA Water Development Authority

WESTEST West Virginia Educational Standards Test

WIA Workforce Investment Act

WIC Women, Infants, and Children

WISH Workflow and Imaging Solution System

WMA Wildlife management area

WTI West Texas Intermediate

W.Va. West Virginia

WV West Virginia

WV REDI West Virginia Responder Emergency Deployment Unformation System

Appendix B/Glossary of Acronyms

WV WORKS.....	West Virginia’s welfare reform initiative
WVaPR.....	West Virginia Public Radio
WVCA.....	West Virginia Commission on the Arts
WVCHIP.....	Children’s Health Insurance Program
WVCR.....	West Virginia Central Railroad
WVCTCS.....	West Virginia Community and Technical College System
WVDA.....	West Virginia Department of Agriculture
WVDE.....	West Virginia Department of Education
WVDO.....	West Virginia Development Office
WVDOC.....	West Virginia Division of Corrections
WVDOH.....	West Virginia Division of Highways
WVEIS.....	West Virginia Educational Information System
WVFAIR.....	West Virginia Financial Aid Information and Resources
WVFIMS.....	West Virginia Financial Information Management System
WVIHY.....	West Virginia Industrial Home for Youth
WVIJDC.....	West Virginia Infrastructure and Jobs Development Council
WVIOF.....	West Virginia Industries of the Future
WVLC.....	West Virginia Library Commission
WVMEP.....	West Virginia Manufacturing Extension Partnership
WVNET.....	West Virginia Network for Educational Telecomputing
WVPASS.....	West Virginia Partnership to Assure Student Success
WVPBS.....	West Virginia Public Broadcasting Service
WVPMIC.....	West Virginia Physician’s Mutual Insurance Company
WVPPA.....	West Virginia Public Port Authority
WVRC.....	West Virginia Rehabilitation Center
WVRDC.....	West Virginia Rural Development Council
WVREDI.....	West Virginia Responder Emergency Deployment Information system
WVSU.....	West Virginia State University
WVU.....	West Virginia University
WVUIT.....	West Virginia University Institute of Technology

Y

YTD.....	Year to Date
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