

State of West Virginia

# Executive Budget

## Fiscal Year 2012



### Volume I

## Budget Report

Earl Ray Tomblin  
Governor





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January 12, 2011

To the Members of the 80th 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, 2012. 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 2012.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,015,621,000; for the Lottery Fund of \$163,764,000; for the State Excess Lottery Revenue Fund of \$325,166,848; and for the State Road Fund of \$1,172,323,065.

I look forward to working with the 80th Legislature of the State of West Virginia to meet the continuing challenges and opportunities so together we can move West Virginia forward in a rapidly changing international economy.

Sincerely,

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

Earl Ray Tomblin  
Governor



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**State of West Virginia**

For the Fiscal Year Beginning

**July 1, 2010**

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, 2010.

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:

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

***Volume I Budget Report*** contains:

“Executive Summary”

- Governor's Message that discusses the major goals and objectives addressed by the budget.
- “Six Year Financial Plan.”

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

“Budget Planning”—items such as:

- “Long-Range Issues”—an overview of how the State is addressing major long-range issues and concerns.
- “Budget Overview” 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”—a glossary of budgetary terms and 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:

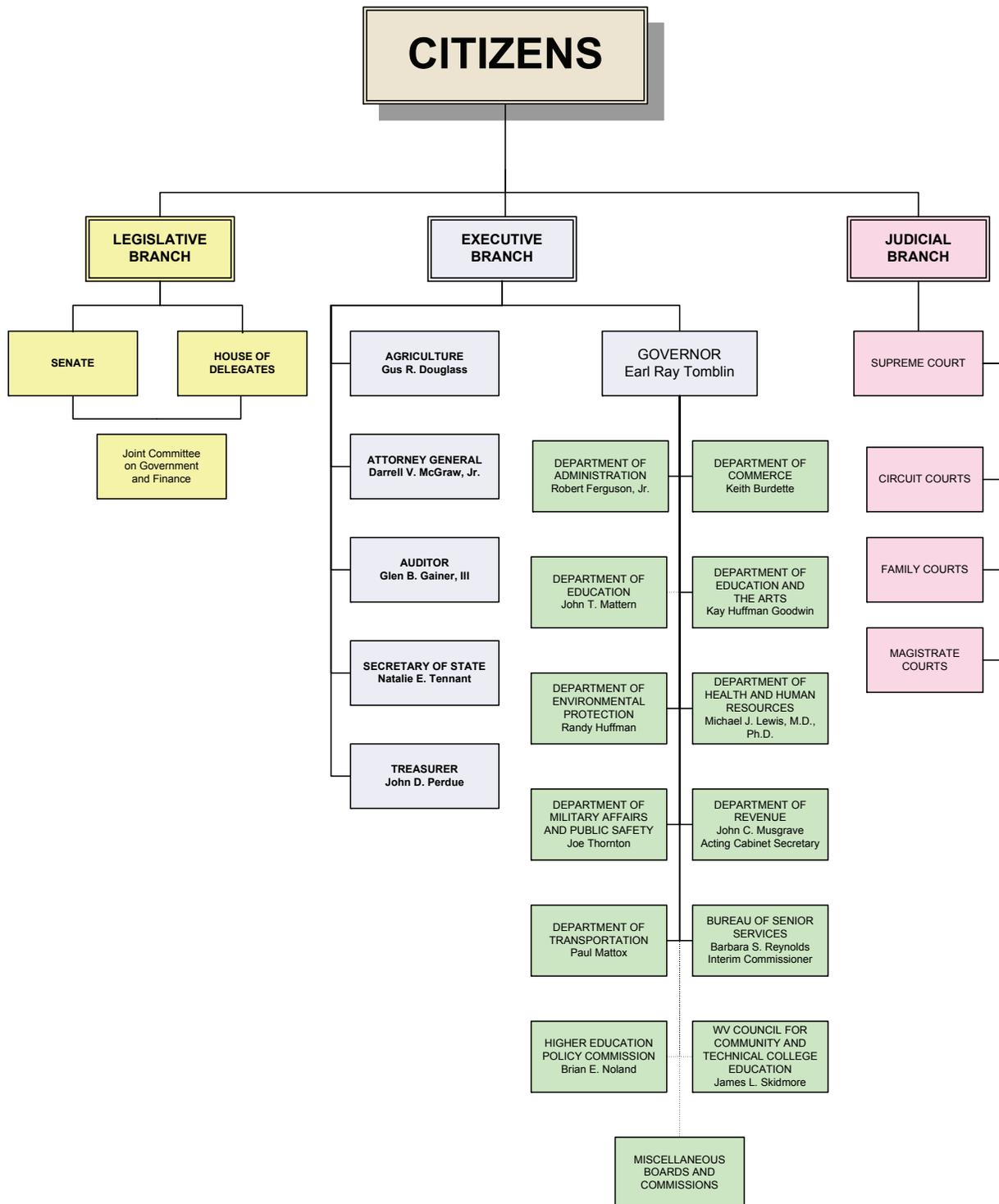
“Economic Forecast”—a comprehensive, up-to-date forecast and analysis of the economy as it relates to West Virginia and to the nation.

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

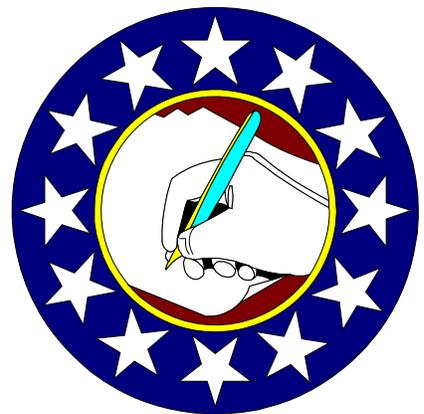
“Capital Projects”—projects/programs currently funded in FY 2011, recommended for FY 2012 (with brief descriptions), and projected for FY 2013 through FY 2016.

“Appendices” contain a glossary of commonly used budgetary terms; a glossary of acronyms; and an index that enables readers to quickly locate any department, bureau, agency, commission, division, or program information.

# State of West Virginia



# EXECUTIVE SUMMARY





# Governor's Executive Message



**Governor Earl Ray Tomblin  
State of West Virginia**

It is my honor to address you during these historic times. Although we may find ourselves in unique circumstances at this juncture, one thing has not changed—we all have an obligation to do the work of the people of our Great State. We must set aside our personal and political agendas and put West Virginia first. We have problems to solve, opportunities to create, and a future with great potential.

Join me in making this Legislative Session one to remember for the positive things we achieved, and how we all have come together for the betterment of our State.

In that spirit, I reaffirm my commitment to you that, as long as I am called upon to act as Governor, I will do all that I can to work with you to improve our State and to create economic opportunities for every part of our state and every citizen of West Virginia.

I provide not only an update on the State of our State and a budget recommendation for the next fiscal year, but a bold vision for the future of West Virginia.

West Virginia is poised for success. The building blocks are in place for unprecedented prosperity and job growth. It is our responsibility to follow through and make government an agent for change that assists the private sector in creating jobs—not our impediment to progress.

I have spent my entire public life trying to knock down barriers while building bridges between business and labor to create jobs. I firmly believe it is not the job of government to create government jobs, but rather to create the economic environment where the private sector is encouraged, attracted, and locally grown.

As Governor, I will make jobs my number one priority. I will go anywhere, do anything, and spend every waking moment focused on expanding the number of jobs for the people of our state.

## *Executive Summary Governor's Message*

I have no illusions; there are many impediments structurally, politically, and economically to West Virginia reaching its full potential. It is my hope that we can agree on these three priorities as we move forward.

- Our top priority must be to continue to improve our business climate to attract, retain, and create good-paying private sector jobs.
- We must improve and reform our entire educational system to better prepare our citizens for the jobs of tomorrow.
- We must reinvent, simplify, and make government more efficient and responsible to the people and businesses of our state.

I am happy to report we have made progress on all three of these areas—but there is much more to be done.

### **Budget Summary**

The past three years have been difficult for our citizens, our state, and our country. The hardships that resulted from the destructive and deep worldwide recession that we endured are real, and the effects long lasting.

But make no mistake—the choices we have made during the past several years have allowed us to weather this economic storm better than most states.

Together we made the tough decisions, tightened our belt, and we are the better for it. I am proud to present a General Revenue Fund budget that is balanced.

- Not only is it balanced—but the budget I will submit contains no tax increases. It raises no fees.
- It furloughs no teachers or state employees.
- What I submit neither cuts nor creates entitlement programs.
- What I submit does not rely on any Rainy Day Funds.
- What I submit does not rely on any onetime stimulus funding from the Federal government as a backfill to State operations.

West Virginia has seen great improvements over the past 25 years. However, the simple fact remains that our future is far from certain, and the battle for a better West Virginia is far from over. I believe our best days are yet to come. But, a positive outcome is not guaranteed. When it comes to the future, there are three kinds of people: those who make it happen, those who let it happen, and those who wonder what happened.

Let us use the lessons of our past to lay the foundation for making our dreams for a prosperous West Virginia a reality. Now is the time for us to make it happen.

### **JOBS JOBS JOBS**

I am so proud of the fact that the world is finally starting to understand that West Virginia is a great place to do business, with a stable government, a talented workforce, and a business climate that continues to improve on multiple fronts. It has taken a lot of hard work, but we are finally starting to right our economic ship.

## *Executive Summary Governor's Message*

Indeed, the efforts we have made to improve West Virginia's business climate are making a difference. When we reformed our workers' compensation system in the 1990s and privatized it in 2006, we always believed that we could improve the system. We focused on helping employees to get back on the job quicker and making sure employers paid premiums in a timely manner. We fostered a system where our focus was on getting injured workers healthy and back to work—and it has been a huge success for our state. Our system is much more efficient than it has ever been.

I am pleased to report that, in November 2010, workers' compensation rates dropped by another 2.7%. Premiums are down a staggering 43.7%. And, we are paying down the long-term debt that existed in the old workers' compensation program.

Because of these and other successes, businesses continue to stay, continue to expand, and continue to locate here in West Virginia.

During 2010, we saw increased investment and jobs created all over the state, from companies such as Caiman Energy in Marshall and Wetzel Counties, Brookfield Renewable Power in Glen Ferris, Mechel OAO in McDowell County, Cleveland Cliffs in Logan County, and Armstrong World Industries, in Jackson County. Collectively, these West Virginia companies created new jobs and invested approximately one billion dollars in West Virginia this past year.

Last and certainly not least, I am proud that Macy's Inc. has decided to come to West Virginia. Two years ago, Macy's began a nationwide search, beginning with approximately 160 sites for its new on-line fulfillment center. Through all of its due diligence, it came down to New York and West Virginia. At the end of the day, because of the costs of doing business here, the great location in the eastern panhandle along I-81, and the availability of a world-class workforce—Macy's decided to come to West Virginia and invest over \$100 million. The investment will bring a new, state-of-the-art 1.3 million square foot fulfillment center, that will mean 900 full-time, 300 part-time, and an additional 700 seasonable jobs to Berkeley County.

At the end of the day, I believe that the key to economic growth begins with an appropriate, business-oriented mentality by our state government. As one of my colleagues recently stated, "Government cannot be a substitute for citizenship. It can never replace the power of the individual, the power of individual creativity, the power of choices responsibly and courageously made."

I will go even further, government's primary function is not to create jobs—but it can encourage job creation. And nothing is more important than the sense of self-fulfillment and pride that comes with running a business or enjoying the fruits of a good paying job and good paying benefits.

In everything I do as Governor, I will create a renewed focus on putting the government in a position that creates a favorable environment for the private sector to create good paying-jobs with benefits—right here in West Virginia.

To that end, I will submit a number of reform proposals aimed at focusing our State on job creation and economic development.

For example, I believe there are steps we can take to make West Virginia more attractive to businesses that want to expand in or come to West Virginia. We lack, for example, a sales tax credit to assist distribution and fulfillment businesses with some of the up-front costs on expanding in or locating in West Virginia. I will therefore submit legislation to provide those additional enhancements to recruit such businesses to West Virginia.

I also believe we need to overhaul our tax increment financing program. This program allows local communities to use future gains in taxes to finance current economic development projects. Tax increment financing has great potential in West Virginia, and I believe we can make better use of this program. I will therefore submit legislation that will refine and refocus our efforts at creating these job-creating districts.

## *Executive Summary*

### *Governor's Message*

Moreover, our Department of Commerce has made great strides in recent years with an award-winning marketing department and huge successes in recruiting new businesses to West Virginia.

But I believe we can still do more. And we will.

I have therefore challenged the Department of Commerce and the Development Office to take a close look at their operations and make sure they are properly structured to recruit and keep businesses here. I will personally be involved in these discussions and intend to have specific recommendations in the coming months.

As many of you know, unemployment compensation programs around the country have been in a financial crisis. Since the current recession began, 32 states have borrowed more than \$40 billion from the federal government. Moreover, 35 states have already increased the rate of business taxes this year to help alleviate the problem.

The good news is that West Virginia has not had to take any of these measures. And to make sure that we do not have to do so in the future, I will propose legislation to allow the Unemployment Compensation Fund to borrow up to \$20 million from our Rainy Day Funds. This will give employers an added assurance that they will not be subject to tax increases during this time and let employees know that the State is serious about making sure that their benefits will be there while our economy recovers.

### ***Use of Our Natural Resources***

And as we move to diversify and expand our economy, we cannot forget one of the cornerstones of our state—the production of our natural resources. The appropriate use of natural resources can serve as a strong foundation for West Virginia's economic future.

We all know that coal keeps the lights on. But we cannot forget—or let others outside our borders ignore—that coal is vital to the economic and national security of our country to take advantage of West Virginia's natural resources.

According to recent studies, coal means 63,000 jobs to West Virginia and over \$25 billion to our state's economy.

And it's not just about West Virginia. Our country relies on coal for almost half—HALF—of all its electric generation. Coal-fired electricity costs one-third that of other forms of generation. In these tough economic times, we should be looking for more ways to use coal, not less. It is hard to understand why some people want to turn their back on and vilify such a precious resource with such potential—and a proven track record—for our country.

Do not misunderstand my message—the fact that coal has such a positive impact for West Virginia and our country does not mean that we should turn a blind eye to safety or environmental concerns. I firmly believe that we can mine coal in an environmentally safe manner. And I firmly believe that we will develop ways to burn coal in a carbon-friendly manner.

But what we cannot stand for is a mentality that ignores the realities of the world we live in. While the rest of the world moves toward industrialization and the use of coal-fired generation, our own federal government seems focused on bringing a crushing halt to one of the cheapest, most reliable forms of energy we have ever known. And if we turn our back on coal while other nations use it, all we are doing is continuing to give other nations additional economic advantages over America.

Let's not only put West Virginia First—Let's put America First.

## *Executive Summary Governor's Message*

That is why I intend to aggressively pursue our state's lawsuit against the U.S. Environmental Protection Agency. We should be working together to solve our nation's energy problems—not taking dogmatic approaches that turn a blind eye to any form of reasonable regulation. West Virginians want to play a part in solving our nation's energy problems, and all we are asking for is a meaningful seat at the table.

If the goal is to reduce carbon emissions and search for energy sources for the future—then we should take a more sensible approach to achieving that end.

America put a man on the moon. We invented semiconductors and started the Internet.

I believe we can find ways to make coal a more carbon friendly resource. When we unlock that door, it will lead to a more energy independent America—one where we are no longer beholden to oil sheiks in the Middle East, but by using natural resources that lie right beneath us in the United States, forging our own future.

Advancements in carbon friendly technologies have already begun in earnest. At American Electric Power's Mountaineer Plant in Mason County, an aggressive program is in development to capture and store underground the CO<sub>2</sub> equivalent of a 200 megawatt power plant. This is the only power plant in the world where CO<sub>2</sub> is being captured and stored on site.

As a state, we must continue to encourage and assist the development of solutions that keep coal relevant in today's world. That is why I have added an additional \$200,000 to the Division of Energy's budget. We will use the additional moneys to enhance our efforts and to find ways to keep West Virginia as an energy leader.

And as we look for ways to use coal in a more environmentally friendly manner, we must also keep a vigilant eye on making sure that our mines are safe. We have had too many disasters—places such as Sago, Aracoma, and Upper Big Branch should be known for their coal production, and not disasters. Right now, investigators are working hard to determine the cause of the horrific tragedy that struck the Upper Big Branch mine.

When we determine the causes that contributed to that accident, we will do all that is necessary to make sure it never happens again.

- If it means changing the way our Office of Mine, Health, Safety, and Training is structured, we will.
- If it means changing regulations, we will.

We will not rest until we know that we have done all that we can to keep our miners safe, each and every shift.

West Virginia's economic future lies not only in its continued use of coal as a resource. Laying just a mile below the surface of much of our state is a rock formation called the Marcellus Shale. This formation is rich in natural gas and new technology, and techniques have made it possible for the oil and gas industry to access it.

In 2008, the oil and gas industry reported more than five billion cubic feet of production from Marcellus wells. One year later, in 2009, the industry reported four times that amount with more than 20 billion cubic feet reported. Encouraging the increased production of natural gas in West Virginia directly impacts severance taxes, which help county governments balance their budgets and keep taxes lower for everyone.

The development of the Marcellus Shale formation for natural gas production is an economic development opportunity for the state, and we need to embrace it. Billions of dollars of private capital have already been invested in this activity, and with it has come many jobs.

## *Executive Summary Governor's Message*

As we seek to maximize the economic opportunities that will arise from this area, we need to make sure that we develop a reasonable regulatory structure that provides clear rules concerning water use, waste water disposal, and surface disturbance and reclamation. If we develop a clear statutory scheme and reasonable rules, we can protect our environment and let industry know the rules of the game so that they may invest and create jobs here in West Virginia. We all win.

### **Education**

And while we must do all we can to foster the creation of good-paying jobs in West Virginia, it all goes for naught if we do not have a world-class, educated workforce to fill those jobs.

We have worked so hard over the years to create a consistent, comprehensive system of education. Our community and technical colleges now have the independence to focus on teaching the skills needed for so much of our workforce. Again, providing West Virginians with the skills needed not only to compete, but to succeed in today's economy.

Last year, West Virginia embarked on yet another effort to reform our primary and secondary education system.

We need, on so many fronts, to improve our education system. We need to refocus our emphasis on creating an environment where our children can and do learn the skills necessary to be productive citizens that compete in our global economy. Simply put, a good education today means a better job tomorrow.

I have several specific goals in mind.

- We must make sure that we are using our resources efficiently and appropriately. I am therefore proceeding with an audit of our education system.
- We must decrease our dropout rate in high school and in college. I will therefore submit legislation focused on community involvement in making sure our at-risk children stay in school.
- We must find ways to eliminate the high level of teacher vacancies we have in certain areas of the state. I will therefore submit legislation creating student loan incentives for teachers who agree to teach in high vacancy areas.

And as we move forward, we must remember that it will not take breaking the bank to improve our system of education. Instead, we must break the current mold.

I know that our teachers deserve a higher salary. That is one of the reasons why I supported our efforts in 2005 to fill in all of the steps in the teacher salary scale in statute. When we filled in those steps, we ensured that every teacher in West Virginia gets an approximate 1.5% pay raise every single year. This year will be the same, and the budget I will submit contains funding for those increases.

And although I would like to do more, the fact is that I do not believe at this moment we can afford additional base building payraises that will add to the state budget forever. Our economy is too fragile, and our budget is too constrained.

Instead, we need to start thinking about pay the same way that the private sector does. In the private sector, businesses often have programs for onetime additional compensation.

## *Executive Summary*

### *Governor's Message*

Accordingly, I am proposing a onetime, \$800 across-the-board salary enhancement for our teachers. This recognizes the hard work our teachers put into our system, while at the same time does not add to our base budget. Frankly, it should be more, and we all need to continue to point toward a day when our teachers are paid at a rate equivalent to the important role they play in our lives.

I am also proposing a similar enhancement for our school service personnel and our state employees. During these hard economic times, I know that these dedicated public servants have worked hard, and need to be recognized for their efforts.

### **Health Care**

Just as we need an educated workforce, we must also work to improve our health care system. I know that we can make a difference. And I am proud that the state has previously stepped up to the plate to improve the health care environment in West Virginia.

Last decade we faced a medical malpractice crisis—doctors were leaving, insurers were refusing to do business in West Virginia. So we acted. I was proud to lead the fight to create the West Virginia Physicians' Mutual Insurance Co.

Look at where we are today. Malpractice premiums in 2005 were approximately \$117,000 per year for \$1 million in coverage for OB-GYNs. Today, that same coverage is cut almost in half. Doctors now believe that West Virginia is a great and stable place to do business. And we need to keep them here.

We succeeded then, and I know we can come together now to improve our health care system.

Regardless of the debate over the federal health care bill, we need to continue to improve our health care system, and I know that all of our state agencies are working on that goal. One focal point of my administration will be to find ways to foster the creation of health insurance for our working uninsured.

I am proud to report that, through WV Connect, we have been able to provide access to health care for 10,000 working, uninsured West Virginians and their spouses. This pilot program, over the next five years, will reduce emergency room visits and avoidable hospitalizations, resulting in a healthier workforce. This is just one example of steps we are taking to improve the delivery of health care in West Virginia.

And we must also make sure that we provide tools that will assist our senior citizens. I am pleased to announce that I have recommended an appropriation of \$200,000 for our Bureau of Senior Services to use in conjunction with the AARP to continue the West Virginia Helpline—a toll-free number designed to help seniors in need of federal and state programs that can help them and can keep them in their homes. So far, this program has helped attract in excess of \$7 million in federal dollars for our seniors.

### **Modern Government**

As we focus on jobs, education, and healthcare, we cannot forget that we have a duty to run an efficient, trustworthy, ethical, and fiscally responsible government.

Indeed, I believe that being a good steward of the people's money is one of the most basic and fundamental components of public service. And the easiest way to lose the confidence of our citizens is to violate that fundamental trust.

In all of my years in the Senate, I am most proud of the fact that we always kept a watchful and cautious eye over the State's finances. As your acting Governor, I pledge that will continue.

## *Executive Summary*

### *Governor's Message*

And it is important to note that the responsible work of the past is paying off. We can now see the tangible results from our good financial management.

Consider, if you will, the improvements made to our pension funds. In 1992, when I was first chairman of the Senate Finance Committee, our retirement systems were on life support. For too long the State had failed to fund our pension programs—and many of the programs were unsustainable. So we took action. We modified our pension systems and—over the past six years, we have shored them up.

What does that mean for us today? I have some very good news to report. In this year's budget, the amount of money we need to put into our pension programs has decreased over last year.

Let me say that again—this year, because of our hard work and good investment returns we have achieved, we will need to put less into our pension systems than we did previously—an \$8 million savings thanks to smart fiscal management.

However, our pension problems are not over, but our steadfast dedication to refusing additional benefits we could not afford and our efforts at using extra moneys when possible to fill our pension trust funds is exactly the type of fiscally sound mentality that must continue in our state in everything we consider.

Our fiscal responsibility has paid other dividends. For the second year in a row, the State has seen its credit rating increase. Moody's elevated the State's credit rating to "Aa1" [which is just one notch below the highest possible rating of Aaa]. They cited the State's continued fiscal discipline, strong financial performance, and continued progress in addressing long-term liabilities. This has real, tangible benefits to every West Virginia taxpayer.

The increase to the State's credit rating means that the State has the ability to obtain better interest rates. The better the interest rate, the better the deal the State can obtain when it issues debt to provide money to build schools and roads and sewers. We get more bang for our buck with better credit. Many folks deserve accolades for their work to save taxpayer money and to make it easier for us to build a better future for West Virginia.

### **Veterans**

Finally, let me thank a patriotic West Virginian, General Allen Tackett. He has served as adjunct general in West Virginia since 1995. General Tackett is the longest serving adjunct general in the nation. He has commanded more than 6,000 of our citizen soldiers. He and all of the West Virginia National Guard deserve our respect and gratitude for their sacrifice to the country and our state.

When thinking of our military, one cannot help but think of our veterans and all they have done for West Virginia. We have recently made significant strides to improving care for our veterans with our new Veterans Nursing Facility. We finally were able to secure a cemetery to honor our departed veterans, right here in West Virginia. I have requested an additional \$300,000 dollars in funding to make sure that the final resting place for our veterans is properly managed and cared for.

The fact remains, however, that our veterans need a more prominent place in our government. I am therefore pleased to announce that I will submit legislation creating a new department—the Department of Veterans Affairs. For the first time, Veterans Affairs will have an official place in the Governor's Cabinet.

## *Executive Summary Governor's Message*

I would be remiss in speaking of our people if I did not recognize the brave West Virginians we have lost this past year.

- We need to remember those we have lost protecting our country.
- We need to remember those we lost at the Upper Big Branch mining disaster.
- And we need to remember our beloved Senator and West Virginian of the 20th Century, Robert C. Byrd.

In their own way, each of these individuals sacrificed in ways to make West Virginia a better place. And we are so grateful for their service and commitment to their families, to their friends, and to West Virginia.

### **Conclusion**

The past twelve months have been a year of significant transition in West Virginia. One of the great things about our democracy is that we are a society governed by the rule of law, and not by the rule of men. The people who represent us may change, but our system of governance continues. During these turbulent economic times, our citizens deserve stability and to be assured that their representatives are focused on fulfilling their missions as public servants.

I hope you will join me in focusing on improving the lives of all West Virginians. If we do so—and remember to put **West Virginia First**—I know that we can have great success during this Legislative session.

Let's get to work, and remember the message of U.S. President Theodore Roosevelt who said:

“Far better it is to dare mighty things, to win glorious triumphs even though checkered by failure, than to remain with those poor spirits who neither enjoy much nor suffer much because they live in the gray twilight that knows not victory nor defeat.”

As Teddy said, we have too much to do to sit on the sidelines. We need to step out of the gray twilight into the bright sunshine so that we can all see the dawn of a new day.

I believe that the dawning of a new era has begun in West Virginia. Join me in daring mighty things and winning glorious triumphs for West Virginia.

- Making it a place where opportunity abounds and jobs are plentiful,
- Making it a place where our children will stay and flourish, and
- Making it a place where the American Dream is achievable every single day.

## **Six Year Financial Plan**

West Virginia has weathered the “Great Recession” better than most other states and is in good financial position to tackle the anticipated upcoming budget challenges in the next few years. Unlike many other states, we did not furlough or layoff state employees or teachers. We maintain a strong cash flow, continue to pay our bills on time, received bond rating upgrades from Wall Street, and have one of the strongest rainy day funds in the country.

The State’s current, relatively strong, financial position did not occur by accident. The use of long-term budget planning, through the State’s Six Year Financial Plan, highlighted the need for conservative budget planning even during prerecessionary periods of revenue surge. Our budgets have used onetime surpluses and federal stimulus dollars over the last two years to fund onetime needs and to assist in short-term revenue shortfalls.

Five years ago, West Virginia initiated this comprehensive, easy-to-follow, “Six Year Financial Plan.” It’s used as a planning tool for analyzing future budgets, and any budget gaps shown must be balanced. This year’s “Six Year Financial Plan” includes information on anticipated revenues and expenditures through FY 2016. 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 2012 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 2013), 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 continue, as in recent fiscal years, to 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 projected to rise in the short term by an annual average of 3.4% between FY 2010 and FY 2012 and in the longer term nearly 3.9% per year between FY 2010 and FY 2016. This trend of rising revenues reverses a two year period of revenue decline (due to the impact of the “Great Recession”) totaling nearly \$170 million between FY 2008 and FY 2010. Actual year-to-date FY 2011 General Revenue Fund collections through December 31, 2010, are 8.4% higher than collections for the same period in the prior year. The increase in revenue is largely attributable to renewed income growth and consumption growth in an environment with stabilizing employment. After losing nearly 30,000 payroll jobs between peak employment during the third quarter of 2008 and through employment during the first quarter of 2010, the State’s economy will add roughly 10,000 payroll jobs by the end of 2010. Personal income withholding tax revenues are 6.0% above prior year collections, and sales and use tax receipts are up by 6% through the end of December. Payroll employment is forecasted to continue growing at an average rate of 1.3% per year during the six year forecast.

In addition to a rebound in employment and consumer spending, the State is also benefiting from foreign trade growth and growth in coal prices. The value of West Virginia based foreign good exports through October 2010 is more than \$5.3 billion, an amount 35% higher than the prior year. Both the manufacturing and mining sectors are benefiting from growth in foreign trade. Metallurgical coal exports are roughly double the prior year level. An increase in demand for metallurgical coal leads to higher average coal prices with the average overall price rising from roughly \$68 per ton in 2009 to roughly \$75 per ton in 2010. A stable to rising demand for metallurgical coal is a key factor in the economic forecast for the State. Steam coal production and prices are likely to soften over time due to increased competition from other producing states and lower demand by large industrial consumers of electricity. State coal production is forecast to average little more than 140 million tons per year, a level significantly below the 160 million ton average of the past decade. Increased development of natural gas from the Marcellus Shale formation is forecast to result in a trend of higher natural gas production and modest rises in price during the forecast period. Most sources

## *Executive Summary Six Year Financial Plan*

of revenue are forecast to grow during the six-year forecast period. However, revenues collected in the Excess Lottery Fund are anticipated to decline during the first half of the forecast period before stabilizing due to the impact of additional competition from neighboring states. Overall revenue growth over the six-year period will be significantly better than the prior two years, but still a bit lower than the average annual revenue growth of 4.7% achieved over the prior 20 years.

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 declines of 0.7% in FY 2009 and 3.7% in FY 2010, collections are anticipated to only decrease by 0.4% in FY 2011 before rebounding from the “Great Recession” with growth of 7.3% in FY 2012 and 3.6% in FY 2013. By FY 2012, total collections should finally exceed the previous revenue peak of more than \$3.9 billion set in FY 2008. General Revenue Fund growth for the FY 2014 to FY 2016 period averages roughly 3.8% in comparison with the long-term average growth rate of 4.1%.

### **Expenditures**

After two years of minor budget reductions and the State’s relatively good financial position, state agencies were asked to submit their FY 2012 General Revenue appropriation requests at 100% of their FY 2011 budgeted levels. The overall FY 2012 General Revenue budget will be funded at about the FY 2008 level. Various onetime supplementals are also being requested by the Governor to be funded, using previous years’ cash surpluses currently on hand.

Beginning with FY 2013, projected expenditures begin 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 a goal of Governor Tomblin to work to contain the growth of these key budget drivers in order to be able to fund other priorities in education 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 was implemented in FY 2010 due to the slowing of revenue collections. West Virginia remains on track for a balanced budget for FY 2011, and no adjustments are anticipated. While continuing to use our conservative budgeting approach, the budget for FY 2012 includes onetime salary enhancements for all state employees, teachers, and service personnel. Although there will be challenges in future budgets, any 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 7.3% for FY 2012, 3.6% for FY 2013, and by an average of 3.8% per year for FY 2014 through FY 2016.

#### **General Revenue—Surplus from Previous Fiscal Years**

The \$0.843 million shown in the FY 2010 column are unappropriated funds that remain available for appropriation during FY 2011 if all recommended surplus supplements are approved. The Governor recommends general revenue surplus supplemental appropriations of \$52.064 million during FY 2011. These recommended appropriations are in

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**Six Year Financial Plan  
Through FY 2016  
General and Lottery Revenues**  
(in Thousands)

	Actual FY 2010	Budgeted FY 2011	Recommended FY 2012	Projected FY 2013	Projected FY 2014	Projected FY 2015	Projected FY 2016
<b>Estimated Revenue</b>							
General Revenue	\$3,758,372	\$3,741,680	<b>\$4,015,621</b>	\$4,159,151	\$4,339,451	\$4,500,951	\$4,640,171
General Revenue - Surplus from previous FYs	843	54,564	<b>0</b>	0	0	0	0
Lottery	177,927	167,007	<b>163,764</b>	163,321	163,797	164,278	164,278
Lottery - Surplus from previous FYs	5,507	0	<b>0</b>	0	0	0	0
Excess Lottery	207,485	182,965	<b>181,737</b>	143,149	143,149	143,149	143,149
Excess Lottery - Surplus from previous FYs	10,425	109,505	<b>15,530</b>	0	0	0	0
<b>Total Available</b>	<b>\$4,160,559</b>	<b>\$4,255,721</b>	<b>\$4,376,652</b>	<b>\$4,465,621</b>	<b>\$4,646,397</b>	<b>\$4,808,378</b>	<b>\$4,947,598</b>
<b>Estimated Expenditures</b>							
Previous Year's Base Budget			<b>\$4,286,765</b>	\$4,324,523	\$4,531,125	\$4,857,373	\$5,017,887
<b>(Base Budget FY 2011) and (Base Budget Growth for out-years): *</b>							
Legislature and Court of Claims		26,699	<b>0</b>	58	2,285	1,192	266
Supreme Court		109,189	<b>0</b>	133	5,258	2,744	612
Public Defender		31,614	<b>0</b>	14,260	0	0	0
PERS Employer Contribution		50,724	<b>8,015</b>	6,080	8,103	0	0
PEIA Premiums		322,450	<b>1,534</b>	33,324	31,617	38,000	42,000
Teachers' Retirement Savings Realized		32,772	<b>2,628</b>	3,000	3,000	3,000	3,000
Teachers' Retirement System		470,759	<b>(17,759)</b>	0	0	0	0
State Aid to Schools (PEIA and Retirement included above)		1,166,395	<b>18,093</b>	9,735	4,720	11,068	17,774
Public Ed - Teacher Shortage Incentive Pay		0	<b>5,777</b>	0	121	245	372
Public Education - All Other		186,198	<b>(6,862)</b>	7,284	1,588	1,611	1,635
Medicaid		370,619	<b>0</b>	69,644	200,765	32,889	15,161
DHHR - Non-Medicaid		423,481	<b>7,498</b>	5,000	5,000	5,000	5,000
Correctional Facilities		136,003	<b>9,916</b>	8,557	9,000	9,000	9,000
State Police		63,992	<b>831</b>	477	458	411	450
Public Safety Retirement Plan A / State Police Plan B		29,641	<b>(1,465)</b>	0	0	0	0
Higher Education		471,743	<b>2,711</b>	0	0	0	0
All Other Items (net)		394,486	<b>6,591</b>	900	0	0	0
Salary Enhancements **		0	<b>250</b>	250	49,333	50,354	51,398
Unanticipated Expenditures		0	<b>0</b>	47,900	5,000	5,000	5,000
<b>Total Ongoing Base Budget ***</b>	<b>\$4,167,163</b>	<b>\$4,286,765</b>	<b>\$4,324,523</b>	<b>\$4,531,125</b>	<b>\$4,857,373</b>	<b>\$5,017,887</b>	<b>\$5,169,555</b>
Onetime Expenditures, Expirations and Adjustments	64,511	3,950	<b>4,530</b>	57,400	5,000	5,000	5,000
Onetime Salary Enhancements							
Public Education ****			<b>31,657</b>				
State Employees and Higher Education *****			<b>15,942</b>				
Proposed Onetime Supplementals		<b>78,165</b>					
Onetime Reductions	(152,627)	(115,438)					
Transfer to Rainy Day Fund	51,314						
<b>Estimated Balance (Gaps)</b>	<b>\$30,198</b>	<b>\$2,279</b>	<b>\$0</b>	<b>(\$122,904)</b>	<b>(\$215,976)</b>	<b>(\$214,509)</b>	<b>(\$226,957)</b>

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

\* FY 2012-FY 2016 Expenditure Growth is the additional amount required annually to fund existing programs.

\*\* Includes base building pay raises - FY 2014 2.1%, FY 2015 2.1%, FY 2016 2.1%.

\*\*\* Includes no funding of OPEB Unfunded Liability.

\*\*\*\* Includes onetime salary enhancement for FY 2012 - professional educators \$800, service personnel \$500.

\*\*\*\*\* Includes onetime salary enhancement for FY 2012 - state employees (2.0% w/floor of \$500).

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addition to the \$2.5 million that has already been appropriated from surplus funds for a new total of \$54.564 million of surplus appropriations (which is the amount shown in the FY 2011 budgeted column).

### **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 2016.

### **Lottery—Surplus from Previous Fiscal Years**

Unappropriated Lottery Surplus from previous fiscal years at the end of FY 2010 is \$5.5 million. These funds, along with unappropriated funds of \$13.4 million from FY 2010 activity, total \$18.9 million, and are available for appropriation during FY 2011.

### **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 decrease through FY 2013, then remain relatively flat through FY 2016.

### **Excess Lottery—Surplus from Previous Fiscal Years**

The Excess Lottery Fund surplus at the end of FY 2010 was \$135.5 million, of which \$83.405 million was used to balance the FY 2011 budget, \$26.1 million is recommended by the Governor in excess lottery supplemental appropriations, and \$15.53 million is recommended to be used to balance the FY 2012 budget (for onetime items). As shown in the FY 2010 column, \$10.425 million of these funds will remain unobligated. The \$109.505 million shown in the FY 2011 column consists of the \$83.405 million used to balance FY 2011 plus the \$26.1 million recommended for supplemental appropriations. The FY 2012 amount of \$15.53 million is the amount of surplus excess lottery cash needed to balance the FY 2012 recommended appropriations. Note that FY 2012's ongoing base budget is \$4,324,523,000 which is less than the amount of revenues expected to be collected from general, lottery, and excess lottery funds during FY 2012.

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

### **Previous Year's Base Budget**

The previous year's base budget is the base operating budget for ongoing expenditures for current programs and services provided to the citizens of West Virginia. The base budget does not contain items of a onetime nature. Each fiscal year begins with the base budget as reflected from the previous fiscal year. Each year's total 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.

### **(Base Budget FY 2011) and (Base Budget Growth for Out-Years)**

The various items that comprise Expenditure Growth are the "budget drivers" that have the greatest impact on increases to expenditures, or they may be items of a less significant amount but continue to increase over time. The amounts listed for Base Budget FY 2011 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth for out-years (FY 2012–2016) 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 current Base Budget in FY 2011 to determine that particular fiscal year's Total Ongoing Base Budget. For FY 2012, several items have been recommended to be increased while others are recommended for decrease.

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

**Legislature and Court of Claims.** The Legislature requested their FY 2012 appropriation at their FY 2011 level, therefore, there is no increase for FY 2012. The Legislature’s future budgets are estimated to grow each year at the same growth rate as the total available revenues.

**Supreme Court.** The Constitution requires that the Governor fund the Supreme Court as requested. The Supreme Court requested no increase in appropriations for FY 2012. The Supreme Court’s future budgets are estimated to grow each year at the same growth rate as the total available revenues. The funded ratio of the Judges Retirement System at the end of FY 2010 is projected to be over 103%.

**Public Defender.** The Public Defender office continues to require increased funding each year. In addition to the FY 2011 appropriation of \$31.614 million, the Governor recommends a supplemental surplus appropriation of \$11.5 million (included in the “Proposed Onetime Supplementals” line of the Six Year Financial Plan). Early projections for FY 2013 show an additional \$14.26 million will be needed above the current level of funding.

**PERS Employer Contribution.** Although investments earned over 16% during FY 2010, the “smoothing” of the losses in investments that occurred during FY 2009 will require an increase in the employer match contribution from 12.5% to 14.5% of salary costs in FY 2012, costing the General and Lottery funds an additional \$8.015 million in FY 2012. The FY 2013–FY 2016 estimates assume investments return to the annual 7.5% gains required in the long-term funding plan, but additional increases in the employer match rate will continue until FY 2014.

**PEIA (Public Employees Insurance Agency) Premiums.** PEIA is not raising the employers’ premium match for FY 2012. However, due to the School Aid Formula allowing for the funding of additional employees, \$1.534 million additional funding is required. 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 \$33 million of additional funding will be needed for FY 2013, while FY 2014 through FY 2016 will require additional funding of over \$111 million. 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.** 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 2012 of an additional \$2.628 million, bringing the total funding for FY 2012 to \$35.4 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 through FY 2010, an additional \$748 million was used to help pay down the unfunded liability in the Teachers’ Retirement System, drastically reducing the unfunded liabilities of that system. During the 2007 Legislative Regular Session, legislation was approved that authorized the sale of Tobacco Settlement Bonds. The bonds were sold in June 2007 and netted over \$807 million in proceeds for the State’s Teachers’ Retirement System. These bond proceeds, along with additional extra retirement contributions made over the last six fiscal years, result in total additional deposits of \$1.555 billion being deposited into the pension system.

The efforts to pay down the State’s massive retirement debt has resulted in the Teachers’ Retirement System’s percentage funded increasing from 22% funded at the end of FY 2004 to an estimated 46.6% funded at the end of FY 2010.

## *Executive Summary Six Year Financial Plan*

Due to investment gains of over 16% occurring in FY 2010, the current amortization schedule for the Teachers' Retirement System will require funding in FY 2012 of \$17.759 million less than the FY 2011 funding level. If earnings are more than 7.5% per year, the funding level can be lowered, if earnings are less than 7.5%, the funding level must be raised. FY 2013 through FY 2016 assumes future investment earnings of 7.5%.

**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 \$18.093 million for FY 2012. The increase is mostly due to lower property tax collections at the local level (local share). Local Share in the School Aid Formula usually grows each year, thereby reducing the amount of State funds required. However, estimates for the FY 2012 Local Share show an overall decrease in the Local Share amount. Budget projections for the out-years are based on projected student enrollments and cost estimates relating to school aid formula changes with the passage of HB 4588 in the 2008 Regular Legislative Session.

**Public Education—Teacher Shortage Incentive Pay.** The Governor has included \$5.777 million in the FY 2012 budget for teacher shortage incentive pay in areas where county school systems are having trouble hiring qualified teachers.

**Public Education—All Other.** The Department of Education and Schools for the Deaf and the Blind's employees are statutorily paid at the same county pay scales as professional educators and service personnel. Employees' salaries increase with additional years of service. Adjustments in increased enrollment, high acuity special needs, School Access Safety, Student Enrichment Program, and other statutory requirements are also accounted for here.

**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 health care 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.

Several other factors will influence the increase in the Medicaid program, including medical inflation, the economy, and how health care continues to 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.

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Due to a host of factors, the State is projecting that it will not need any increases to the Medicaid program from the General Revenue Fund in FY 2012. In FY 2013, however, the increase of new funding is projected to exceed \$69 million with an additional increase of over \$200 million in FY 2014, over \$32 million in FY 2015, and \$15 million in FY 2016.

**DHHR—Non-Medicaid.** The Governor recommends an increase of \$7.498 million in the FY 2012 budget for DHHR non-Medicaid related items. These changes include over \$3.6 million in additional funding for psychiatric diversions, \$1.3 million increase in Child Protection Services, \$1.35 million more for Specialized Foster Care Programs, and an \$850,000 increase in Indigent Burials funding. The out-years mostly reflect the estimated increases required for psychiatric diversions.

**Correctional Facilities.** Payments to federal, county, and/or regional jails continue to rise each year and require an additional \$6 million for FY 2012 over the FY 2011 base funding level. Additional inmates, increased aged inmate population, increased chronic medical illnesses, and the rising cost of medical care in general continue to place pressure on correctional funding. The FY 2012 budget also expands the day reporting centers funding by \$1.5 million and provides \$2.4 million to open a new Parkersburg Work Release Center.

**State Police.** These funds are for statutory increases for longevity and career progression.

**Public Safety Retirement Plan A /State Police Plan B.** Due to investment gains during FY 2010, the current amortization schedule for the Public Safety Retirement Plan A will require less funding in FY 2012. The employer contribution for the State Police Retirement Plan B will allow the employers' match to decrease from 19.5% to 17.5% of employees salaries. Total funding needs will decrease \$1.465 million in FY 2012. FY 2013–FY 2016 assumes investment earnings of 7.5%.

**Higher Ed.** Higher Education's FY 2012 base budget begins at the FY 2009 funding level. Two years of budget cuts (FY 2010 and FY 2011) in Higher Education resulted in less State funding for Higher Ed, but funding was made whole by backfilling with Federal Stimulus Stabilization Funds, allowing Higher Education to be funded at the FY 2009 level for FY 2010 and FY 2011.

For FY 2012, the Higher Education Grant Fund (W.Va. Code §18C-5-3) calls for no change in funding. The PROMISE Scholarship requires a statutory decrease of \$500,000 in FY 2012. Funding of \$1.25 million each for Marshall and Fairmont State universities is also included in FY 2012 for costs associated with the decoupling of the community and technical schools from these universities. This \$2.5 million funding will be the final round of decoupling funding.

**All Other Items (Net).** These include increases to base expenditures not already included in other lines of the "Six Year Financial Plan." For FY 2012, additional funding is included for 12 new underground mine inspectors, West Virginia Veterans Cemetery operations, Volunteer Fire Department Workers' Compensation Premium Subsidy, and other small increases.

**Salary Enhancements.** FY 2012, as well as all out-years, includes \$250,000 for the pay equity initiative. The out-years of the State's Six Year Financial Plan have included pay raises of 2.1% in FY 2014 through FY 2016 based on the estimated growth of inflation (CPI).

**Unanticipated Expenditures.** FY 2013 includes estimated funding needs for the Department of Environmental Protection of \$4 million due to the ending of the synfuel tax, an estimated \$20 million for the Division of Personnel's new pay classification program PLANS, if implemented, \$15 million to reinstate TRAFFIC, \$3.9 million to reinstate funding for the Governor's Contingency Fund, and \$5 million for other unanticipated needs.

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**Onetime Expenditures, Expirations and Adjustments.** In addition to the Total Ongoing Base Budget, an amount of Onetime Expenditures has been included. These expenditures are not included in the Total Ongoing Base Budget because they do not require ongoing funding in future years, but the amount will be expended during the current fiscal year and, therefore, must be reduced from the revenue available in that fiscal year to arrive at the estimated balance. Onetime expenditures in FY 2011 totaled \$3.95 million. FY 2012 funding includes \$4.53 million for the increase in the Court of Claims costs above the FY 2011 funding level. FY 2013 includes estimates for ERP, Underground Storage Tank remediation, possible expansion of correctional facilities, and other miscellaneous items.

**Onetime Salary Enhancements – Public Education.** For FY 2012 the Governor proposes across-the-board, onetime salary enhancements of \$800 for teachers costing \$23.1 million and \$500 for school service personnel costing \$8.5 million.

**Onetime Salary Enhancements – State Employees and Higher Education.** For FY 2012, the Governor proposes an across-the-board, onetime salary enhancement of two percent (with a floor of \$500) for all state employees costing \$15.9 million.

**Proposed Onetime Supplementals.** This line contains the Governor's recommended supplemental appropriations that will be introduced during the 2011 Legislative Regular Session. Major items include \$4 million for armory projects, \$6 million for Regional Jail payments, \$11.5 million for the Public Defender private counsel billings, \$15 million for Enterprise Resource Planning (ERP), and \$5 million for Higher Education capital and deferred maintenance. Recommended supplemental appropriations total \$78.165 million.

**Onetime Reductions.** Onetime reductions included in FY 2010 are amounts reduced in Public and Higher Education accounts that were backfilled with Federal Stabilization funds and other funds reduced in the 3.4% midyear budget reduction for FY 2010. Included in FY 2011 is \$87.8 million in Public Education (backfilled with Federal Stabilization funds) and \$27.6 million in Higher Education (backfilled with Federal Stabilization funds). These onetime reductions are included in the beginning base budget for FY 2012 and beyond.

**Transfer to Rainy Day Fund.** A statute requires that half of any General Revenue surplus be transferred to the Rainy Day Fund to be used to offset any projected shortfall in the future, used for paying unfunded retirement/benefit liabilities, or used for other onetime expenditures. At the end of FY 2010, the General Revenue Fund had a surplus of \$102.628 million, which amounted to a \$51.314 million transfer to the Rainy Day Fund.

**Estimated Balance (Gaps).** The Estimated Balance is strictly the excess or deficit (gap) of revenues versus expenditures on an annual basis. The balance is not carried forward to the following fiscal year, but may be used to soften any future budget gaps. As is clearly seen in the "Six Year Financial Plan" beginning in FY 2013, budget gaps are predicted. These future 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 2012, is still 18 months into the future from the date the projections were completed. The General Revenue Fund estimate is over \$4.0 billion for FY 2012. Just a one percent deviation from the estimate will result in a \$40 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$80 plus million (\$40 million under estimate to \$40 million over estimate).

The same may be said regarding expenditures. Although we have included all known expenditures with the best projections available for future increases, many unknowns obviously exist. What will happen with the national economy? Will the stock market continue its current pace? How will federal health care legislation affect West

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

Virginia? A large portion of the budget is expended for health care—both Medicaid and public employees' health insurance expenditures. Small fluctuations in the projected cost of health care can result in large dollar differences in the required expenditures for these services. For Medicaid, a one percent change in the federal match rate results in a difference in state funding of approximately \$30 million.

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

### **Budget Summary**

#### **FY 2010**

The end of FY 2010 again saw surpluses for the General Revenue and Lottery funds—the General Revenue Fund ended the year with a surplus of over \$102 million. One half, or \$51 million, was transferred to the Rainy Day Fund. The Rainy Day Funds totalled over \$632 million at December 31, 2010.

Surpluses at the end of FY 2010 in the Excess Lottery Fund totaled more than \$135 million — \$83.4 million of these revenue surpluses were used to balance the FY 2011 budget, while \$15.53 million is recommended to be used to balance the FY 2012 budget, and \$26.1 million is recommended (during the 2011 Regular Legislative Session) to be used to fund onetime FY 2011 supplemental appropriations. Surpluses in the Regular Lottery Fund at the end of FY 2010 totaled almost \$19 million.

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. However, due to the slowing of the economy in the first half of FY 2010, West Virginia did implement a 3.4% mid-year budget cut for FY 2010 resulting in budget reductions totaling \$119 million. All of the cuts to public and higher education were backfilled with Federal Education Stabilization funds and resulted in “net zero” cuts to public and higher education for FY 2010. Reductions to the State's Medicaid program were offset with an enhanced Federal Medical Assistance Percentages (FMAP) rate which required no program benefit reductions.

#### **FY 2011**

FY 2011's General Revenue collections are officially estimated to be 4.75% less than the record setting FY 2008 revenue collections, 4.1% below FY 2009 actual revenue collections, and 0.4% below FY 2010's actual collections. However, through the first five months of the fiscal year, collections were more than \$121 million, or eight percent ahead of official estimates.

Lottery and Excess Lottery revenues available for appropriation are estimated to decrease by one percent below FY 2010 actual collections. Lottery collections through the first five months of FY 2011 were \$4 million, or 0.68% below estimates.

FY 2011's major budget expenditure driver increases include increased funding of \$128 million for the retirement systems due to the downturn in the national economy and the associated investment losses during FY 2009 and a four percent increase in the employers' share of PEIA premiums.

#### **FY 2012**

General revenues for FY 2012 are predicted to grow a healthy 7.3% above the FY 2011 official revenue estimate. Lottery and Excess Lottery revenues are expected to remain somewhat flat.

*Executive Summary  
Six Year Financial Plan*

Major budget expenditures recommended for FY 2012 are a proposed onetime salary enhancement of \$800 for public school teachers, \$500 for school service personnel, and a onetime two percent salary enhancement (with a floor of \$500) for all other state employees, all costing over \$47 million in General and Lottery funds. Also, the Public Employees Retirement System's employers' match will increase from 12.5% in FY 2011 to 14.5% in FY 2012 due to the smoothing of investment losses that occurred during FY 2009. This will require increased funding in General and Lottery revenue funds of over \$8 million in FY 2012. Public Education's School Aid Formula will require an estimated \$15 million of state funding due to decreases in local property valuations, while the Teachers' Retirement required funding will decrease by an estimated \$17.8 million due to investment gains in FY 2010.

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.



# SUMMARY FINANCIAL STATEMENTS

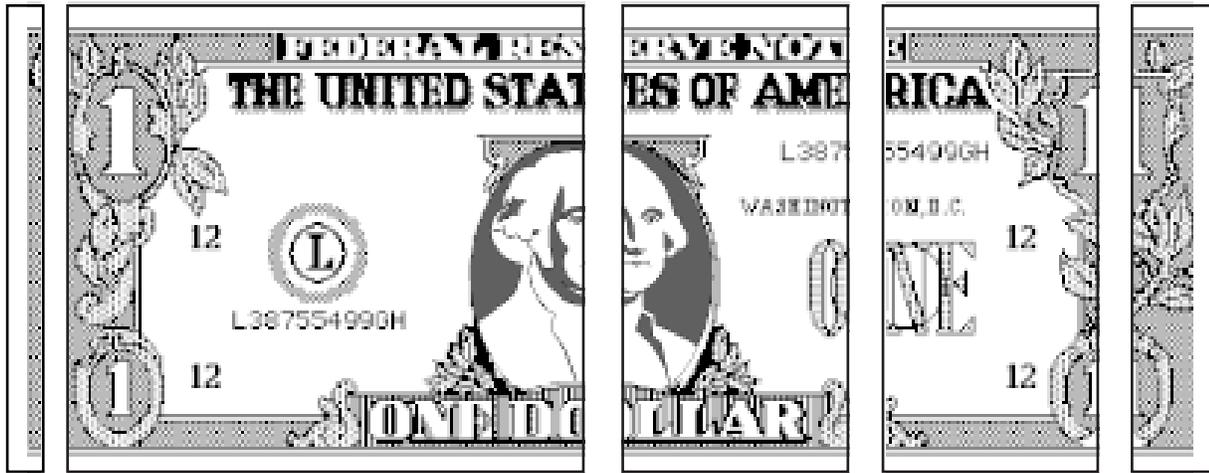




# Summary Financial Statements

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

- Summary of Total FY 2012 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, 2010
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2010
- General Revenue Fund — Statement of Revenues by Source FY 2008 through FY 2014
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund — Overview by Functional Category FY 2010 through FY 2012
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2011
- General Revenue Fund Major Constitutional and Statutory Requirements FY 2012
- Lottery Fund — Overview by Functional Category FY 2010 through FY 2012
- 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 2010 through FY 2012
- State Road Fund — Statement of Revenues by Source FY 2008 through FY 2014
- State Road Fund — Statement of Revenues, Expenditures and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2010
- Major Reserve/Stabilization Accounts



**Lottery  
Funds  
2.2¢**

**Special  
Revenue  
Funds  
54.4¢**

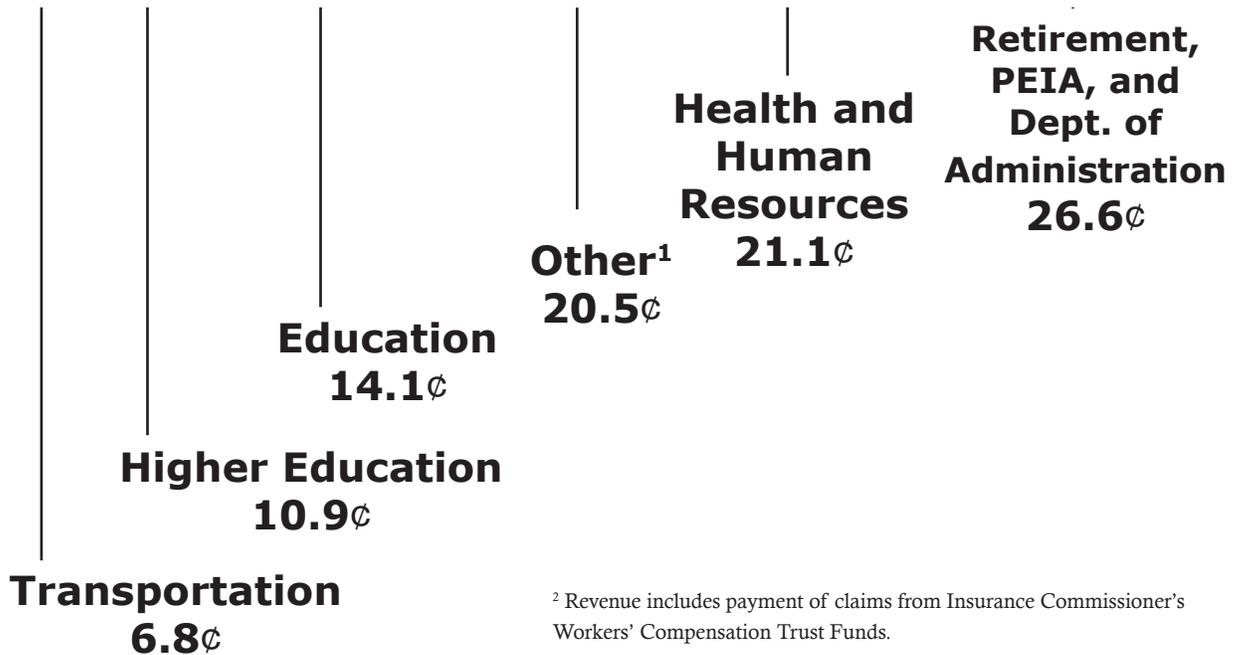
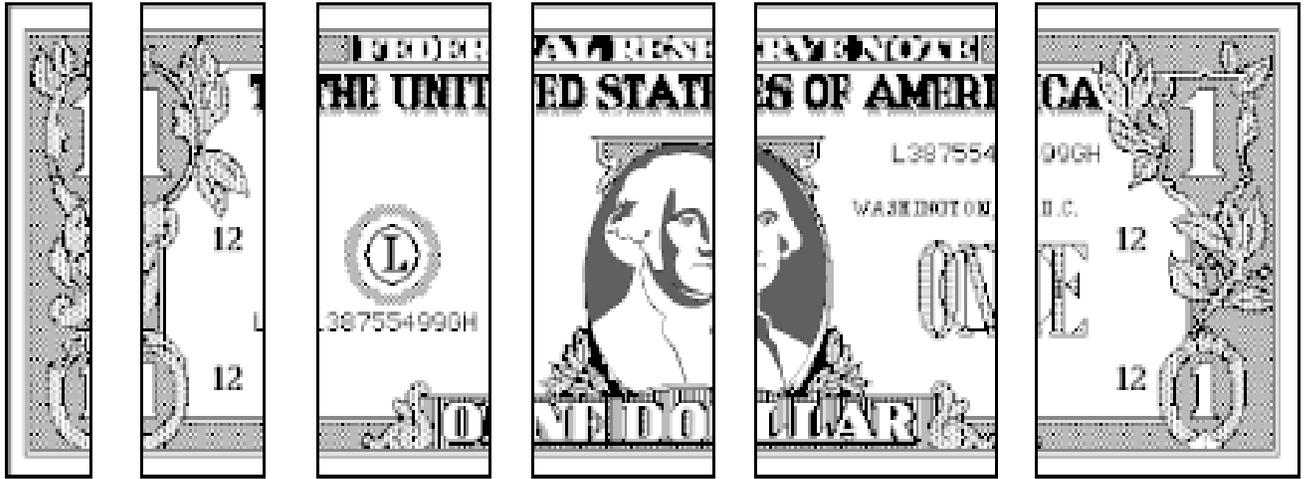
**Federal  
Funds  
19.6¢**

**General  
Revenue  
Funds  
18.5¢**

**State  
Road  
Funds  
5.3¢**

**TOTAL REVENUE  
\$21.7 Billion  
(All Funding Sources)**

# Where The State Dollar Comes From (FY 2012 Estimate)



<sup>2</sup> Revenue includes payment of claims from Insurance Commissioner's Workers' Compensation Trust Funds.

<sup>1</sup> Other	20.52¢	
Legislature		0.20¢
Judicial		0.70¢
Executive		3.42¢
Commerce		2.11¢
Education & the Arts		0.93¢
Environment		2.19¢
Military Affairs & Public Safety		3.99¢
Revenue <sup>2</sup>		5.24¢
Senior Services		0.53¢
Misc. Boards & Commissions		1.21¢

**TOTAL EXPENDITURES**  
**\$18.8 Billion**  
**(All Funding Sources)**

## Where The State Dollar Goes (Governor's Recommended FY 2012 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 2010, FY 2011, and FY 2012, respectively, for all funds 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 2010 Actuals** are the total actual revenues and expenditures for all appropriated funds including expenditures from regular, supplemental, surplus, and reappropriated appropriations.

**The FY 2011 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 June 16, 2010, and March 8, 2010, respectively. The Governor provides the official revenue estimates for the budget, and those estimates do not require legislative approval.

**FY 2011 Budgeted expenditures** reflect the amounts budgeted prior to the beginning of the 2011 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 2012. Although the FY 2011 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 fiscal year. Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2011 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 2011 expenditures include \$418.7 million and the Appropriated Special Revenue funds (includes Lottery funds) include \$291.8 million in reappropriated amounts.

Because these reappropriated funds are included in the FY 2011 Budgeted expenditures, it may appear that these Budgeted expenditures are not in line with the actual FY 2010 expenditures or the FY 2012 recommendations.

**FY 2012 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 2010	Budgeted FY 2011	Recommended FY 2012	Actuals FY 2010	Budgeted FY 2011	Recommended FY 2012
Beginning Fund Balance	\$454,753	\$521,286	\$50,402	\$58,534	\$65,196	\$112,567
Transfer to Rainy Day Fund	(11,068)	(51,314)	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	-	-	-
Prior Year Refunds/Redeposits	581	210	-	-	-	-
<b>Revenues</b>						
Taxes						
Consumer Sales & Use	1,095,686	1,125,000	1,178,500	-	-	-
Personal Income	1,446,852	1,491,000	1,646,600	-	-	-
Business and Occupation	133,386	127,000	122,700	-	-	-
Severance	400,591	351,080	445,400	-	-	-
Corporation Net Income and Business Franchise Tax	232,859	209,500	173,500	-	-	-
Highway Litter Control	-	-	-	-	-	-
Gasoline and Motor Fuel	-	-	-	-	-	-
Automobile (Privilege) Sales	-	-	-	-	-	-
Other	231,924	229,600	234,300	-	-	-
Intergovernmental	-	-	-	3,597,811	4,686,207	4,152,528
Licenses, Permits & Fees	10,896	9,900	9,270	-	-	-
Departmental Collections	14,807	14,500	16,500	-	-	-
Interest Income	11,907	16,000	31,000	-	-	-
Other	179,464	168,100	157,851	-	-	-
Industrial Access Road Transfer	-	-	-	-	-	-
<b>Total Revenues</b>	<b>3,758,372</b>	<b>3,741,680</b>	<b>4,015,621</b>	<b>3,597,811</b>	<b>4,686,207</b>	<b>4,152,528</b>
<b>Expenditures</b>						
Legislature	23,974	119,498	31,228	2,135	3,000	3,000
Judicial	109,459	142,949	120,484	887	5,500	5,500
Executive	51,002	114,880	47,414	143,209	456,510	230,689
Administration	63,779	95,004	72,773	37,645	38,030	38,038
Commerce	63,986	113,567	67,015	74,550	158,946	169,048
Education	1,764,209	1,805,575	1,993,021	386,152	576,820	519,139
Education and the Arts	35,604	38,411	32,918	60,209	69,041	104,391
Environment	7,854	8,153	8,111	113,428	219,680	178,299
Health and Human Resources	787,025	845,568	803,290	2,654,768	2,847,386	2,663,895
Military Affairs & Public Safety	331,570	392,533	359,696	77,395	191,058	182,701
Revenue **	31,647	48,860	30,176	3	11,910	14,210
Transportation	6,887	15,859	7,151	26,884	43,149	42,739
Senior Services	2,623	185	-	12,707	14,515	14,534
Higher Education	401,733	420,418	442,344	-	-	-
Misc. Boards & Commissions	-	-	-	1,177	3,291	3,435
<b>Total Expenditures</b>	<b>3,681,352</b>	<b>4,161,460</b>	<b>4,015,621</b>	<b>3,591,149</b>	<b>4,638,836</b>	<b>4,169,618</b>
<b>Ending Fund Balance</b>	<b>\$521,286</b>	<b>\$50,402</b>	<b>\$50,402</b>	<b>\$65,196</b>	<b>\$112,567</b>	<b>\$95,477</b>

\* 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 2010	Budgeted FY 2011	Recommended FY 2012	Actuals FY 2010	Budgeted FY 2011	Recommended FY 2012	Actuals FY 2010	Budgeted FY 2011	Recommended FY 2012
\$127,911	\$154,955	\$84,772	\$1,661,665	\$1,834,435	\$1,588,535	\$2,302,863	\$2,575,872	\$1,836,276
-	-	-	-	-	-	(11,068)	(51,314)	-
-	-	-	-	-	-	-	-	-
-	-	-	6,949	-	-	7,530	210	-
-	-	-	-	-	-	1,095,686	1,125,000	1,178,500
-	-	-	-	-	-	1,446,852	1,491,000	1,646,600
-	-	-	-	-	-	133,386	127,000	122,700
-	-	-	-	-	-	400,591	351,080	445,400
-	-	-	-	-	-	232,859	209,500	173,500
1,539	1,699	1,680	-	-	-	1,539	1,699	1,680
390,916	380,000	380,700	-	-	-	390,916	380,000	380,700
148,314	155,492	151,114	-	-	-	148,314	155,492	151,114
54,544	31,120	39,110	-	-	-	286,468	260,720	273,410
495,266	576,000	493,000	(6,774)	-	-	4,086,303	5,262,207	4,645,528
87,388	88,995	88,988	-	-	-	98,284	98,895	98,258
-	-	-	1,613,433	1,943,656	1,892,660	1,628,240	1,958,156	1,909,160
-	-	-	-	-	-	11,907	16,000	31,000
-	-	-	-	-	-	179,464	168,100	157,851
(3,000)	(3,000)	(3,000)	-	-	-	(3,000)	(3,000)	(3,000)
1,174,967	1,230,306	1,151,592	1,606,659	1,943,656	1,892,660	10,137,809	11,601,849	11,212,401
-	-	-	990	23,928	3,943	27,099	146,426	38,171
-	-	-	752	1,163	1,000	111,098	149,612	126,984
-	-	-	21,735	32,525	32,913	215,946	603,915	311,016
-	-	-	70,440	125,438	92,589	171,864	258,472	203,400
-	-	-	50,171	85,148	50,260	188,707	357,661	286,323
-	-	-	125,542	213,137	129,759	2,275,903	2,595,532	2,641,919
-	-	-	19,623	25,142	21,395	115,436	132,594	158,704
-	-	-	30,170	64,104	64,257	151,452	291,937	250,667
-	-	-	300,238	347,982	364,766	3,742,031	4,040,936	3,831,951
-	-	-	29,922	42,929	33,654	438,887	626,520	576,051
-	-	-	521,384	889,428	817,499	553,034	950,198	861,885
1,147,923	1,300,489	1,172,323	4,227	12,207	20,342	1,185,921	1,371,704	1,242,555
-	-	-	73,204	85,347	83,749	88,534	100,047	98,283
-	-	-	108,860	153,041	108,698	510,593	573,459	551,042
-	-	-	83,580	88,037	89,000	84,757	91,328	92,435
1,147,923	1,300,489	1,172,323	1,440,838	2,189,556	1,913,824	9,861,262	12,290,341	11,271,386
<b>\$154,955</b>	<b>\$84,772</b>	<b>\$64,041</b>	<b>\$1,834,435</b>	<b>\$1,588,535</b>	<b>\$1,567,371</b>	<b>\$2,575,872</b>	<b>\$1,836,276</b>	<b>\$1,777,291</b>

## Cash and Investment Balances of All Funds Fiscal Year Ending June 30, 2010 (Nearest Dollar)

	Fund No.	Cash Balance	Investments	Total Balance
General Revenue Fund	01	\$551,888,480	\$0	\$551,888,480
State Road Fund	02	8,257,197	174,284,341	182,541,538
Natural Resources Fund	03	5,651,967	56,685,014	62,336,981
Consolidated Pool and Investments	09	(1,774,928,857)	2,075,385,647	300,456,790
Consolidated Federal Funds (Special Revenue)	12	35,498,285	9,427,467	44,925,752
Special Revenue Funds (Departments and Institutions)	13	1,132,315,752	4,175,586,774 <sup>1</sup>	5,307,902,526
Special Revenue Funds (Higher Education)	14	24,029,898	339,246,855	363,276,753
Human Services Fund	16	238,096,330	135,696,012	373,792,342
Public Employees' Retirement System	17	183,608	3,716,120,320	3,716,303,928
Teachers' Retirement System	18	5,877,913	4,139,488,852	4,145,366,765
West Virginia University - Medical School Fund	20	4,607	5,314,725	5,319,332
<b>Total</b>		<u>\$226,875,180</u>	<u>\$14,827,236,007</u>	<u>\$15,054,111,187</u>

1) See next page for detail.

**Detailed Investments Fund 13**  
**Fiscal Year Ending June 30, 2010**  
**(Nearest Dollar)**

Attorney General	\$663,923
Auditor's Office	7,055,255
Board of Risk and Insurance Management	149,079,408
Building Commission	10,337,574
Court of Claims	6,295,011
Consolidated Public Retirement Board	657,452,768
Criminal Justice	11,673,560
Culture and History	2,130,859
Department of Administration	480,536,798
Department of Education	9,216,676
Higher Education Policy Commission	47,273,863
Department of Education and the Arts	1,970,744
Department of Revenue	556,022,690
Department of Transportation	5,413,119
Development Office	0
Division of Human Services	4,882,099
Division of Labor	7,982,553
Division of Natural Resources	5,448,881
Environmental Protection	231,619,672
Governor's Office	0
Insurance Commissioner	1,164,766,664
Lottery Commission	224,727,450
Municipal Bond Commission	162,808,069
Public Employees Insurance Agency	200,462,269
Regional Jail Authority	34,016,559
State Police	12,687,680
State Rail Authority	4,075,006
Treasurer's Office	111,671,779
Water Development Authority	14,315,057
Division of Forestry	1,441,740
Secretary of State	1,921,302
Economic Development Authority	47,637,746
<b>Total Detail Fund 13</b>	<b><u><u>\$4,175,586,774</u></u></b>

**General Revenue Fund**  
**Statement of Revenues by Source**  
**FY 2008 Through FY 2014**  
**(Expressed in Thousands)**

Source of Revenue	FY 2008 Actual Collections	FY 2009 Actual Collections	FY 2010 Actual Collections	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Business and Occupation Tax	\$150,822	\$150,293	\$133,386	\$127,000	\$122,700	\$120,500	\$116,900
Consumers Sales and Use Tax	1,109,822	1,110,017	1,095,686	1,125,000	1,178,500	1,203,500	1,234,100
Personal Income Tax	1,518,746	1,557,403	1,446,852	1,491,000	1,646,600	1,715,400	1,814,100
Liquor Profit Transfers	15,211	16,961	14,558	13,000	15,300	15,300	15,300
Racing Fees	994	480	336	0	0	0	0
Beer Tax and Licenses	8,666	8,638	8,435	8,500	8,600	8,600	8,600
Tobacco Products Tax (Cigarette & Other)	114,669	115,095	114,128	112,000	112,500	111,600	110,600
Estate Tax	46	29	100	0	0	0	0
Business Franchise Fees	2,292	1,936	2,125	1,400	670	300	300
Charter Tax	3,951	424	176	0	0	0	0
Property Transfer Tax	11,699	8,537	7,933	8,000	8,100	8,800	10,000
Property Tax	5,350	5,616	5,834	6,100	6,000	6,200	6,400
Insurance Tax	103,196	103,322	103,677	103,500	107,700	109,800	112,000
Departmental Collections	16,220	14,597	14,807	14,500	16,500	16,800	17,100
Corporate Income/Business Franchise Tax	388,017	270,237	232,859	209,500	173,500	177,900	215,500
Miscellaneous Transfers	643	130	239	700	700	700	700
Interest Income	52,713	21,855	11,907	16,000	31,000	52,000	58,000
Severance Tax	338,177	359,578	400,591	351,080	445,400	469,900	478,000
Telecommunication Tax	303	230	76	0	0	0	0
Miscellaneous Receipts	1,209	19,853	5,884	10,500	3,500	3,500	3,500
HB102 - Lottery Transfers	77,900	127,900	127,900	127,900	127,900	127,900	127,900
Video Lottery Transfers	318	1,049	969	0	0	0	0
Liquor License Renewal	0	0	21,544	6,000	451	451	451
Senior Citizen Tax Credit Reimbursement	7,325	7,372	8,371	10,000	10,000	10,000	10,000
<b>Total</b>	<b>\$3,928,289</b>	<b>\$3,901,552</b>	<b>\$3,758,373</b>	<b>\$3,741,680</b>	<b>\$4,015,621</b>	<b>\$4,159,151</b>	<b>\$4,339,451</b>

# General Revenue Fund

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

(Nearest Dollar)

	Actual Beginning Cash Balance July 1, 2010	\$551,888,480
Less:	31 Day Disbursements (July 1, 2010 - July 31, 2010)	(30,602,412)
	Accumulated Prior Year Reimbursements (July 1, 2010 - July 31, 2010)	16,933
	Prior Year Appropriations Forwarded	<u>(418,674,351)</u>
	Accumulated Surplus from FY 2010 @ July 31, 2010	\$102,628,650
Less:	Transfer one-half to Revenue Shortfall Reserve Fund (Statutory)	(51,314,325)
Less:	Surplus Supplemental Appropriation (HB 202 - 2010 2nd Extraordinary Session)	(2,500,000)
Plus:	Accumulated Prior Year Reimbursements (August 1, 2010 - December 31, 2010)	193,285
Less:	Recommended Surplus Supplemental Appropriations (2011 Regular Session)	(48,164,685)
Plus:	Recommended Expirations to General Revenue	3,900,000
Less:	Recommended Surplus Supplemental Appropriations from Expired Accounts	<u>(3,900,000)</u>
	Estimated Unappropriated Surplus Balance @ June 30, 2011	<b>\$842,925</b>
Plus:	Revenue Estimate FY 2011	\$3,741,680,000
Less:	Regular Appropriations FY 2011	<u>(3,740,285,483)</u>
	Estimated Unappropriated Balance from FY 2011 @ June 30, 2011	<b>\$1,394,517</b>
Plus:	Revenue Estimate FY 2012	\$4,015,621,000
Less:	Regular Appropriations FY 2012	<u>(4,015,621,000)</u>
	Estimated Unappropriated Balance from FY 2012 @ June 30, 2012	<u><b>\$0</b></u>
	Estimated Unappropriated Balance @ June 30, 2012	<u><b>\$2,237,442</b></u>

# General Revenue Fund

## Overview by Functional Category

### FY 2010 through FY 2012

(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2010	Total Appropriations FY 2011 *
<b>LEGISLATURE</b>			
Senate	0165	\$5,326,036	\$6,452,206
House of Delegates	0170	8,820,109	9,404,031
Joint Expenses/Claims against State	0175	9,827,908	10,842,417
<b>Subtotal</b>		<b>23,974,053</b>	<b>26,698,654</b>
<b>JUDICIAL</b>			
Supreme Court	0180	<b>109,458,599</b>	<b>118,906,192</b>
<b>EXECUTIVE</b>			
Office of the Governor	0101	4,799,762	5,283,328
Custodial Fund	0102	628,362	597,099
Civil Contingent Fund	0105	6,785,187	0
State Auditor's Office	0116	3,582,931	3,658,485
State Treasurer's Office	0126	4,110,420	3,844,639
Department of Agriculture	0131	11,848,998	11,591,166
WV Conservation Agency	0132	13,352,905	10,954,262
Meat Inspection	0135	691,433	700,433
Agricultural Awards	0136	58,650	58,650
WV Agricultural Land Protection Auth	0607	102,065	102,743
Attorney General's Office	0150	4,165,369	5,309,989
Secretary of State	0155	874,201	2,780,358
State Election Commission	0160	2,189	9,761
<b>Subtotal</b>		<b>51,002,472</b>	<b>44,890,913</b>
<b>ADMINISTRATION</b>			
Office of the Secretary	0186	14,301,450	16,910,055
Division of Finance	0203	897,796	911,641
General Services Division	0230	2,892,277	2,933,776
Purchasing Division	0210	1,044,840	1,147,872
Travel Management	0615	0	1,800,000
Comm on Uniform State Laws	0214	44,032	46,550
Public Employees Grievance Board	0220	1,022,181	1,064,882
Ethics Commission	0223	605,042	665,694
Public Defender Services	0226	31,435,100	31,826,606
Comm Purchase for Handicapped	0233	2,177	5,055
Public Employees Insurance Agency	0200	0	3,500,000
WV Prosecuting Attorneys Institute	0557	245,735	235,887
Childrens' Health Insurance Agency	0588	10,599,637	10,425,628
Real Estate Division	0610	688,521	982,964
<b>Subtotal</b>		<b>63,778,788</b>	<b>72,456,610</b>

Plus: Reappropriated FY 2011	Total Available FY 2011	Total Request FY 2012 **	Governor's Recommendations FY 2012	Percentage of Total
26,426,816	32,879,022	\$6,452,206	\$6,452,206	0.16%
6,083,704	15,487,735	9,404,031	9,404,031	0.23%
60,289,045	71,131,462	15,372,265	15,372,265	0.38%
<b>92,799,565</b>	<b>119,498,219</b>	<b>31,228,502</b>	<b>31,228,502</b>	<b>0.78%</b>
<b>24,042,517</b>	<b>142,948,709</b>	<b>118,906,192</b>	<b>120,483,624</b>	<b>3.00%</b>
3,348,973	8,632,301	5,283,328	5,381,211	0.13%
22,118	619,217	597,099	606,795	0.02%
51,923,954	51,923,954	0	0	0.00%
227,107	3,885,592	3,658,485	6,258,688	0.16%
331,667	4,176,306	4,094,639	3,935,483	0.10%
2,181,411	13,772,577	12,816,166	11,968,546	0.30%
10,136,282	21,090,544	11,304,262	11,111,184	0.28%
0	700,433	700,433	718,402	0.02%
0	58,650	58,650	58,650	0.00%
29,174	131,917	102,743	102,743	0.00%
625,312	5,935,301	6,025,447	5,953,342	0.15%
1,163,191	3,943,549	1,280,358	1,308,841	0.03%
0	9,761	9,761	9,761	0.00%
<b>69,989,189</b>	<b>114,880,102</b>	<b>45,931,371</b>	<b>47,413,646</b>	<b>1.18%</b>
22,266,713	39,176,768	16,910,055	16,926,908	0.42%
17,507	929,148	911,641	922,089	0.02%
0	2,933,776	2,933,777	2,997,779	0.07%
0	1,147,872	1,147,872	1,178,874	0.03%
0	1,800,000	1,800,000	1,824,016	0.05%
0	46,550	46,550	46,550	0.00%
57,010	1,121,892	1,064,882	1,091,381	0.03%
0	665,694	740,694	756,333	0.02%
144,211	31,970,817	46,086,886	31,853,181	0.79%
0	5,055	5,055	5,055	0.00%
0	3,500,000	3,500,000	3,500,000	0.09%
61,389	297,276	235,887	239,767	0.01%
0	10,425,628	10,425,628	10,429,095	0.26%
0	982,964	982,964	1,001,599	0.02%
<b>22,546,830</b>	<b>95,003,440</b>	<b>86,791,891</b>	<b>72,772,627</b>	<b>1.81%</b>

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

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2010	Total Appropriations FY 2011 *
<b>COMMERCE</b>			
Office of the Secretary	0606	435,846	1,442,440
Tourism	0246	204,953	0
Forestry	0250	4,355,146	4,349,623
Geological & Economic Survey	0253	3,209,964	3,461,734
Development Office	0256	22,928,403	23,228,693
Division of Labor	0260	3,151,467	3,344,448
Division of Natural Resources	0265	16,962,749	16,999,755
Miners' Health, Safety & Training	0277	10,670,575	10,847,319
Board of Coal Mine Health & Safety	0280	166,911	385,548
Mine Safety & Technical Review	0285	66,391	78,000
WorkForce West Virginia	0572	96,592	95,000
Division of Energy	0612	1,737,036	1,721,002
<b>Subtotal</b>		<b>63,986,033</b>	<b>65,953,562</b>
<b>EDUCATION</b>			
School Lunch Program	0303	2,455,215	2,444,184
FFA-FHA Camp & Conference Center	0306	1,057,335	1,062,041
State Department of Education	0313	35,437,537	46,172,837
Aid for Exceptional Children	0314	27,712,081	27,393,501
State Aid to Schools	0317	1,658,228,581	1,682,912,089
State Board of Ed-Vocational Division	0390	26,011,662	26,635,395
Education Performance Audits	0573	655,048	709,452
WV Schools for the Deaf & the Blind	0320	12,651,153	12,716,474
<b>Subtotal</b>		<b>1,764,208,612</b>	<b>1,800,045,973</b>
<b>EDUCATION AND THE ARTS</b>			
Office of the Secretary	0294	6,142,251	6,188,536
Culture and History	0293	7,662,101	5,386,396
Library Commission	0296	1,790,552	2,129,229
Educational Broadcasting Authority	0300	6,201,565	5,505,553
Division of Rehabilitation Services	0310	13,808,028	13,316,496
<b>Subtotal</b>		<b>35,604,497</b>	<b>32,526,210</b>
<b>ENVIRONMENTAL PROTECTION</b>			
Environmental Quality Board	0270	137,519	143,478
Environmental Protection	0273	7,620,037	7,681,746
Air Quality Board	0550	96,025	100,367
<b>Subtotal</b>		<b>7,853,581</b>	<b>7,925,591</b>

Plus: Reappropriated FY 2011	Total Available FY 2011	Total Request FY 2012 **	Governor's Recommendations FY 2012	Percentage of Total
0	1,442,440	1,442,440	389,685	0.01%
458,793	458,793	0	0	0.00%
0	4,349,623	4,639,623	4,461,084	0.11%
1,031,845	4,493,579	3,461,734	3,538,836	0.09%
41,074,995	64,303,688	23,228,693	23,165,936	0.58%
0	3,344,448	4,118,881	3,418,885	0.09%
5,048,129	22,047,884	16,995,659	17,467,531	0.43%
0	10,847,319	11,831,559	12,083,791	0.30%
0	385,548	385,548	390,253	0.01%
0	78,000	78,000	78,000	0.00%
0	95,000	420,000	95,000	0.00%
0	1,721,002	2,021,002	1,926,567	0.05%
<b>47,613,762</b>	<b>113,567,324</b>	<b>68,623,139</b>	<b>67,015,568</b>	<b>1.67%</b>
0	2,444,184	2,467,948	2,473,776	0.06%
0	1,062,041	1,071,686	1,084,835	0.03%
3,829,261	50,002,098	49,777,326	43,128,914	1.07%
1,531,503	28,925,004	29,232,972	28,401,246	0.71%
0	1,682,912,089	1,861,317,431	1,876,727,413	46.74%
105,429	26,740,824	27,004,302	27,411,627	0.68%
0	709,452	709,452	719,619	0.02%
62,500	12,778,974	12,891,846	13,073,923	0.33%
<b>5,528,693</b>	<b>1,805,574,666</b>	<b>1,984,472,963</b>	<b>1,993,021,353</b>	<b>49.63%</b>
2,948,149	9,136,685	7,998,536	6,139,007	0.15%
2,747,432	8,133,828	10,862,924	5,632,909	0.14%
0	2,129,229	4,489,539	1,923,558	0.05%
164,239	5,669,792	5,505,554	5,638,740	0.14%
25,000	13,341,496	13,316,496	13,583,494	0.34%
<b>5,884,820</b>	<b>38,411,030</b>	<b>42,173,049</b>	<b>32,917,708</b>	<b>0.82%</b>
0	143,478	143,478	145,022	0.00%
227,038	7,908,784	12,881,746	7,864,672	0.20%
0	100,367	100,367	101,783	0.00%
<b>227,038</b>	<b>8,152,629</b>	<b>13,125,591</b>	<b>8,111,477</b>	<b>0.20%</b>

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

<b>DEPARTMENT/Agency</b>	<b>Fund #</b>	<b>Actual Expenditures FY 2010</b>	<b>Total Appropriations FY 2011 *</b>
<b>HEALTH AND HUMAN RESOURCES</b>			
Office of the Secretary	0400	582,701	631,217
Division of Health-Central Office	0407	76,209,552	80,504,274
Consolidated Medical Service Fund	0525	148,242,823	153,174,108
WV Drinking Water Treatment	0561	700,000	700,000
Human Rights Commission	0416	1,409,432	1,368,322
Human Services	0403	559,880,683	554,511,454
<b>Subtotal</b>		<b>787,025,191</b>	<b>790,889,375</b>
<b>MILITARY AFFAIRS &amp; PUBLIC SAFETY</b>			
Office of the Secretary	0430	4,646,100	1,990,542
Adjutant General - State Militia	0433	22,593,764	17,849,357
Adjutant General - Military Fund	0605	52,668	200,000
Parole Board	0440	965,593	1,113,309
Homeland Security Emergency Mgmt	0443	3,191,644	3,296,187
Corrections Central Office	0446	696,697	678,404
Correctional Units	0450	156,585,763	154,454,585
WV State Police	0453	81,446,702	101,334,752
Veterans Affairs	0456	9,966,645	9,764,174
Veterans Home	0460	1,094,859	1,123,144
Fire Commission	0436	77,533	81,156
Justice and Community Services	0546	5,554,485	5,571,464
Juvenile Services	0570	42,589,145	43,284,449
Protective Services Division	0585	2,108,764	2,263,889
<b>Subtotal</b>		<b>331,570,362</b>	<b>343,005,412</b>
<b>REVENUE</b>			
Office of the Secretary	0465	1,065,549	828,483
Tax Division	0470	29,146,468	26,975,106
State Budget Office	0595	729,702	847,257
Athletic Commission	0523	18,012	85,723
Office of Tax Appeals	0593	687,350	652,101
<b>Subtotal</b>		<b>31,647,081</b>	<b>29,388,670</b>
<b>TRANSPORTATION</b>			
State Rail Authority	0506	2,443,712	3,572,002
Public Transit	0510	3,017,121	2,786,009
Public Port Authority	0581	313,074	401,185
Aeronautics Commission	0582	1,112,911	1,368,688
<b>Subtotal</b>		<b>6,886,818</b>	<b>8,127,884</b>

Plus: Reappropriated FY 2011	Total Available FY 2011	Total Request FY 2012 **	Governor's Recommendations FY 2012	Percentage of Total
126,023	757,240	631,176	645,525	0.02%
11,819,959	92,324,233	80,646,936	81,025,660	2.02%
42,727,599	195,901,707	158,406,294	159,339,312	3.97%
0	700,000	700,000	700,000	0.02%
0	1,368,322	1,368,322	1,399,019	0.03%
5,050	554,516,504	564,814,208	560,180,108	13.95%
<b>54,678,631</b>	<b>845,568,006</b>	<b>806,566,936</b>	<b>803,289,624</b>	<b>20.00%</b>
8,307,116	10,297,658	1,990,542	2,030,325	0.05%
18,151,313	36,000,670	28,441,597	18,035,291	0.45%
0	200,000	200,000	200,000	0.00%
0	1,113,309	1,244,867	1,145,907	0.03%
1,608,301	4,904,488	3,296,187	3,342,552	0.08%
104,808	783,212	678,404	693,455	0.02%
11,395,204	165,849,789	178,646,258	165,346,898	4.12%
1,418,991	102,753,743	100,760,951	101,919,862	2.54%
1,971,853	11,736,027	10,100,468	10,399,517	0.26%
0	1,123,144	1,121,096	1,158,387	0.03%
0	81,156	81,156	81,156	0.00%
1,245,271	6,816,735	7,571,464	7,089,434	0.18%
2,118,772	45,403,221	55,188,766	45,931,364	1.14%
3,205,568	5,469,457	2,263,889	2,321,696	0.06%
<b>49,527,197</b>	<b>392,532,609</b>	<b>391,585,645</b>	<b>359,695,844</b>	<b>8.96%</b>
159,188	987,671	828,483	790,108	0.02%
17,945,772	44,920,878	28,959,064	27,511,389	0.69%
1,250,016	2,097,273	1,097,257	1,118,994	0.03%
0	85,723	85,723	85,973	0.00%
116,622	768,723	652,101	670,009	0.02%
<b>19,471,598</b>	<b>48,860,268</b>	<b>31,622,628</b>	<b>30,176,473</b>	<b>0.75%</b>
165,757	3,737,759	2,572,002	2,580,751	0.06%
4,214,860	7,000,869	2,786,009	2,786,009	0.07%
1,231,999	1,633,184	401,185	409,038	0.01%
2,119,035	3,487,723	1,368,688	1,375,129	0.03%
<b>7,731,651</b>	<b>15,859,535</b>	<b>7,127,884</b>	<b>7,150,927</b>	<b>0.18%</b>

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

<b>DEPARTMENT/Agency</b>	<b>Fund #</b>	<b>Actual Expenditures FY 2010</b>	<b>Total Appropriations FY 2011 *</b>
<b>SENIOR SERVICES</b>			
Bureau of Senior Services	0420	<b>2,623,019</b>	<b>0</b>
<b>HIGHER EDUCATION</b>			
HEPC-Administration	0589	58,102,345	62,274,354
HEPC-System	0586	278,463,310	276,862,113
Council for C&T College Education	0596	65,167,376	62,833,970
<b>Subtotal</b>		<b>401,733,031</b>	<b>401,970,437</b>
<b>MISCELLANEOUS BOARDS &amp; COMMISSIONS</b>			
National Coal Heritage Area Authority		0	0
Coal Heritage Highway Authority		0	0
<b>Subtotal</b>		<b>0</b>	<b>0</b>
<b>TOTAL GENERAL REVENUE</b>		<b>\$3,681,352,137</b>	<b>\$3,742,785,483</b>

\* Total Appropriations FY 2011 include surplus appropriations of \$2,500,000.

\*\* Total Request FY 2012 is Current-Level Request plus General Revenue Improvement Requests.

<b>Plus: Reappropriated FY 2011</b>	<b>Total Available FY 2011</b>	<b>Total Request FY 2012 **</b>	<b>Governor's Recommendations FY 2012</b>	<b>Percentage of Total</b>
<b>184,918</b>	<b>184,918</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
5,299,877	67,574,231	90,099,354	64,162,842	1.60%
1,404,053	278,266,166	301,083,246	309,759,655	7.71%
11,744,013	74,577,983	71,503,272	68,421,130	1.70%
<b>18,447,943</b>	<b>420,418,380</b>	<b>462,685,872</b>	<b>442,343,627</b>	<b>11.02%</b>
0	0	200,000	0	0.00%
0	0	200,000	0	0.00%
<b>0</b>	<b>0</b>	<b>400,000</b>	<b>0</b>	<b>0.00%</b>
<b>418,674,351</b>	<b>4,161,459,834</b>	<b>\$4,091,241,663</b>	<b>\$4,015,621,000</b>	<b>100.00%</b>

**General Revenue Fund  
Recommended Surplus Supplemental Appropriations  
FY 2011  
(Nearest Dollar)**

Governor's Office - Transition Papers	\$150,000
Auditor's Office - Volunteer Fire Dept Workers Compensation Premium Subsidy	2,500,000
Agriculture - New laboratory relocation	100,000
Agriculture - Chesapeake Bay watershed monitoring (2 FTEs)	125,000
Agriculture - New Warehouse relocation/renovation	500,000
Soil Conservation - Island Creek Flood Reduction Project	2,500,000
Soil Conservation - Lost River watershed	1,500,000
Soil Conservation - Dunlop Creek Watershed Floodplain Project	1,400,000
Ethics Commission - add 1 FTE	75,000
Forestry - Replace 39 vehicles	819,000
Public Education - Increased Enrollment (new total for FY 2011 \$6,472,718)	2,062,718
Public Education - High Acuity Special Needs - Enhancement	526,522
Culture and History - Renovations at Camp Washington Carver	750,000
Library - Public library construction and renovation grants	250,000
DHHR - Indigent Burials - Enhancement	850,000
DHHR - EMS Technical Assistance FCC equipment upgrades	1,262,990
DHHR - Psychiatric Diversions - Enhancement	3,961,964
Adjutant General - State match for planning and design of projects	4,000,000
Parole Board - Office Moving Expense	18,991
Parole Board - Ninth Board member appointed - vehicle, travel, computer	8,500
Parole Board - Update staff computers	4,000
Corrections - Regional Jail Payments (new total for FY 2011 \$26,000,000)	6,000,000
Veterans Affairs - Placing Low Income Veterans' grave markers - Enhancement	300,000
Higher Education - First year of WV Education, Research and Technology Park operations	3,500,000
Enterprise Resource Planning (ERP)	15,000,000
<b>Recommended Surplus Supplementals - FY 2011</b>	<b><u><u>\$48,164,685</u></u></b>

**General Revenue Fund  
Recommended Surplus Supplemental Appropriations  
From Expired Accounts<sup>1</sup>  
FY 2011  
(Nearest Dollar)**

Governor's Office - Civil Contingency Fund	<b>\$3,900,000</b>
<sup>1</sup> Expired from Governor's Office - May 2009 Flood Recovery - Surplus	

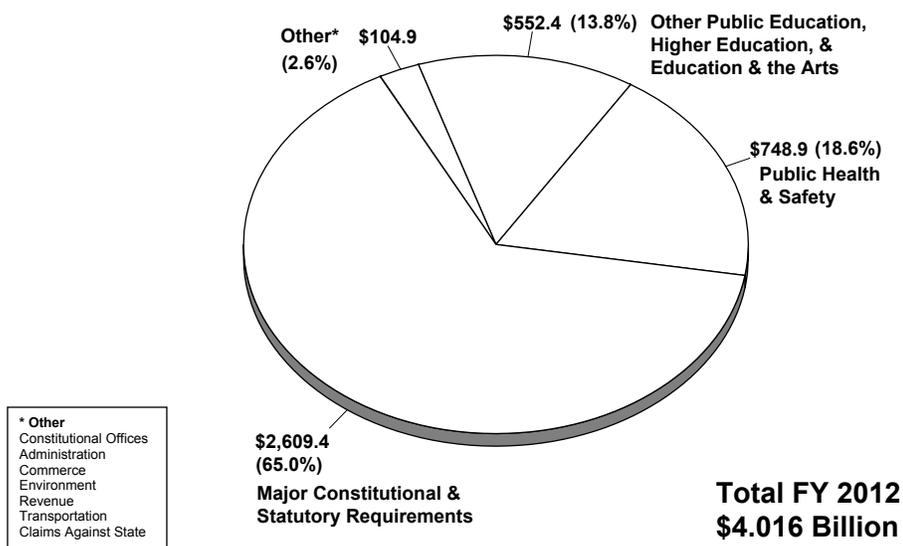
# General Revenue Major Constitutional and Statutory Requirements Fiscal Year 2012

Each year there are several major constitutional or statutory requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2012 Executive Budget recommendations include expenditures of \$2.61 billion of these major requirements and make up 65.0% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 35.0% of the total General Revenue funds available, are considered necessary for public health, safety, and education of West Virginia citizens may include but are not limited to: Division of Corrections, West Virginia State Police, Behavioral Health, Rehabilitation Services, Children's Health Insurance Program, Schools for the Deaf and the Blind, and Higher Education that supports public universities and colleges and provides student financial aid.

		<b>Appropriations</b> (in millions)
<b>LEGISLATIVE BRANCH</b>		\$31.2
<b>JUDICIAL BRANCH</b>		116.5
<b>DEPARTMENT OF EDUCATION</b>		
State Aid to Schools	1,194.5	
Public Employees Insurance Agency (School Aid Formula)	224.7	1,419.2
<b>DEBT SERVICE</b>		
School Building Authority	23.3	
Lease Rental Payments for debt service on correctional facilities	16.0	39.3
<b>SOCIAL SECURITY MATCHING</b>		39.3
<b>PUBLIC EMPLOYEES INSURANCE AGENCY</b>		83.5
<b>RETIREMENT</b>		
Judges' Retirement	4.0	
Public Employees Retirement	61.6	
Teachers' Retirement	434.3	
Trooper Retirement	28.2	528.1
<b>PUBLIC DEFENDER SERVICES</b>		31.6
<b>MEDICAID</b>		320.7
<b>Total</b>		<b>\$2,609.4</b>

(Expressed in Millions)



# Lottery Fund

## Overview by Functional Category

### FY 2010 through FY 2012

(Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2010	Total Appropriations FY 2011
<b>ADMINISTRATION</b>			
Education, Arts, Sciences, & Tourism			
Debt Service Fund	2252	\$8,240,000	\$10,000,000
Subtotal		<b>8,240,000</b>	<b>10,000,000</b>
<b>COMMERCE</b>			
Division of Tourism	3067	7,617,183	7,273,098
Division of Natural Resources	3267	13,707,747	3,317,408
Subtotal		<b>21,324,930</b>	<b>10,590,506</b>
<b>EDUCATION</b>			
State Department of Education	3951	33,001,561	30,274,941
School Building Authority	3963	17,996,623	18,000,000
Subtotal		<b>50,998,183</b>	<b>48,274,941</b>
<b>EDUCATION AND THE ARTS</b>			
Office of the Secretary	3508	1,126,116	1,087,155
Culture and History	3534	5,576,779	5,599,432
Library Commission	3559	10,888,514	10,726,283
Subtotal		<b>17,591,409</b>	<b>17,412,870</b>
<b>SENIOR SERVICES</b>			
Bureau of Senior Services	5405	57,028,018	63,731,417
<b>HIGHER EDUCATION</b>			
Community & Technical College			
Capital Improvement Fund	4908	3,496,622	5,000,000
Higher Education Policy Commission	4925	14,876,020	11,112,120
Subtotal		<b>18,372,642</b>	<b>16,112,120</b>
<b>TOTAL LOTTERY</b>		<b>\$173,555,183</b>	<b>\$166,121,854</b>

\* Total Request FY 2012 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2011	Total Available FY 2011	Total Request FY 2012 *	Governor's Recommendation FY 2012	Percentage of Total
\$0	\$10,000,000	\$10,000,000	\$10,000,000	6.11%
<b>0</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>6.11%</b>
4,368,653	11,641,751	7,273,098	7,360,038	4.49%
13,084,621	16,402,029	3,317,408	3,389,500	2.07%
<b>17,453,274</b>	<b>28,043,780</b>	<b>10,590,506</b>	<b>10,749,538</b>	<b>6.56%</b>
14,258,458	44,533,399	\$30,283,291	30,356,641	18.54%
0	18,000,000	18,000,000	18,000,000	10.99%
<b>14,258,458</b>	<b>62,533,399</b>	<b>48,283,291</b>	<b>48,356,641</b>	<b>29.53%</b>
456,721	1,543,876	1,237,155	1,089,795	0.67%
2,450,977	8,050,409	5,792,025	5,601,668	3.42%
306,366	11,032,649	10,726,283	10,995,326	6.71%
<b>3,214,064</b>	<b>20,626,934</b>	<b>17,755,463</b>	<b>17,686,789</b>	<b>10.80%</b>
<b>2,165,584</b>	<b>65,897,001</b>	<b>\$63,731,417</b>	<b>63,796,878</b>	<b>38.96%</b>
5,000,000	10,000,000	5,000,000	5,000,000	3.05%
5,205,987	16,318,107	12,153,199	8,174,154	4.99%
<b>10,205,987</b>	<b>26,318,107</b>	<b>17,153,199</b>	<b>13,174,154</b>	<b>8.04%</b>
<b>\$47,297,367</b>	<b>\$213,419,221</b>	<b>\$167,513,876</b>	<b>\$163,764,000</b>	<b>100.00%</b>

# Lottery Fund

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

(Nearest Dollar)

	Balance @ July 1, 2010	\$58,929,919
Less:	Reserve for Cash Flow / Contingencies	<u>(40,000,000)</u>
	Unappropriated Balance @ July 1, 2010	\$18,929,919
Plus:	Revenue Estimate FY 2011	167,807,000
Less:	Veterans Fund	<u>(800,000)</u>
	Revenue Available for FY 2011 Appropriations	\$185,936,919
Less:	Regular Appropriations FY 2011	<u>(166,121,854)</u>
	Estimated Unappropriated Balance @ June 30, 2011	\$19,815,065
Plus:	Revenue Estimate FY 2012	164,564,000
Less:	Veterans Fund	<u>(800,000)</u>
	Revenue Available for FY 2012 Appropriations	\$183,579,065
Less:	Regular Appropriations FY 2012	<u>(163,764,000)</u>
	Estimated Unappropriated Balance @ June 30, 2012	<u><u><b>\$19,815,065</b></u></u>

# Excess Lottery Fund

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

(Nearest Dollar)

	Balance @ July 1, 2010	\$140,260,005
Less:	Reserve for Cash Flow / Contingencies	<u>(4,800,000)</u>
	Unappropriated Balance @ July 1, 2010	\$135,460,005
Plus:	Revenue Estimate FY 2011	340,865,000
Less:	Catastrophic Event Contingency	<u>(30,000,000)</u>
	Available for FY 2011 Appropriations	\$446,325,005
Less:	Regular Appropriations FY 2011	(394,269,503)
Less:	Recommended Supplemental Appropriations (2011 Regular Session):	
	Public Defender - Private counsel billings are exceeding FY 2011 appropriations	(11,500,000)
	Higher Education - Capital and Deferred Maintenance	(5,000,000)
	Corrections - Mt. Olive - completion of a new electrical substation	(3,000,000)
	Corrections - Various Capital Outlays and Maintenance Projects	(3,000,000)
	DEP - Underground Storage Tank Insurance Fund - Needed for Remediation through FY 2012	(3,000,000)
	Racing - SB 337 (10-10-10 fund) - Funding needed to complete the project	<u>(600,000)</u>
	Estimated Unappropriated Balance @ June 30, 2011	\$25,955,502
Plus:	Revenue Estimate FY 2012	339,637,000
Less:	Catastrophic Event Contingency	<u>(30,000,000)</u>
	Available for FY 2012 Appropriations	\$335,592,502
Less:	Regular Appropriations FY 2012	<u>(325,166,848)</u>
	Estimated Unappropriated Balance @ June 30, 2012	<u><u><b>\$10,425,654</b></u></u>

**Excess Lottery Fund  
Overview by Functional Category  
FY 2010 through FY 2012  
(Nearest Dollar)**

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2010	Total Appropriations FY 2011
<b>STATUTORY APPROPRIATIONS:</b>			
<b>DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)</b>			
Economic Development Authority	9065	\$19,000,000	\$19,000,000
Higher Education Improvement Fund	4297	10,000,000	15,000,000
School Building Authority	3514	19,000,000	19,000,000
Division of Natural Resources	3277	3,520,793	5,000,000
Infrastructure Council	3390	40,000,000	40,000,000
Subtotal		<b>91,520,793</b>	<b>98,000,000</b>
<b>TRANSFERS</b>			
Refundable Credit	7207	8,370,988	10,000,000
General Revenue	7206	65,000,000	65,000,000
PROMISE Scholarship	4295	29,000,000	29,000,000
Racing Commission-Special Breeders Compensation	7308	0	2,000,000
Subtotal		<b>102,370,988</b>	<b>106,000,000</b>
<b>TOTAL STATUTORY APPROPRIATIONS:</b>		<b>193,891,781</b>	<b>204,000,000</b>
<b>APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:</b>			
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	2,232	0
Teachers' Retirement Fund-Unfunded Liability	3517	30,530,000	89,597,503
Public Defender Services	2422	20,131,344	0
Transfer to School Access Safety	3517	10,000,000	5,000,000
Transfer to Teachers' Retirement Savings Realized	7208	6,688,000	32,772,000
Transfer to Environmental Protection	7208	2,000,000	0
WV Development Office	3170	4,249,527	0
Department of Education	3517	4,967,007	0
Division of Health	5219	405,556	0
Secretary of Military Affairs and Public Safety- Interoperable Communications	6005	6,088,313	0
Division of Corrections-Capital	6283	0	0
Tax Division-Remittance Processor	7082	12,000	0
Higher Education-Administration	4932	377,495	0
<b>TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:</b>		<b>148,351,474</b>	<b>190,269,503</b>
<b>GRAND TOTAL</b>		<b>\$342,243,255</b>	<b>\$394,269,503</b>

\* Total Request FY 2012 is Current-Level Request plus Improvement Requests.

<b>Plus: Reappropriated FY 2011</b>	<b>Total Available FY 2011</b>	<b>Total Request FY 2012*</b>	<b>Governor's Recommendation FY 2012</b>	<b>Percentage of Total</b>
\$0	\$19,000,000	\$19,000,000	\$19,000,000	5.84%
0	15,000,000	15,000,000	15,000,000	4.61%
0	19,000,000	19,000,000	19,000,000	5.84%
9,316,247	14,316,247	8,000,000	5,000,000	1.54%
0	40,000,000	40,000,000	40,000,000	12.30%
<b>9,316,247</b>	<b>107,316,247</b>	<b>101,000,000</b>	<b>98,000,000</b>	<b>30.14%</b>
0	10,000,000	10,000,000	10,000,000	3.08%
0	65,000,000	65,000,000	65,000,000	19.99%
0	29,000,000	29,000,000	29,000,000	8.92%
0	2,000,000	2,000,000	2,000,000	0.62%
<b>0</b>	<b>106,000,000</b>	<b>106,000,000</b>	<b>106,000,000</b>	<b>32.60%</b>
<b>9,316,247</b>	<b>213,316,247</b>	<b>207,000,000</b>	<b>204,000,000</b>	<b>62.74%</b>
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	19.34%
29,959,253	29,959,253	0	0	0.00%
0	89,597,503	0	22,866,848	7.03%
7,360,775	7,360,775	0	0	0.00%
0	5,000,000	5,000,000	0	0.00%
0	32,772,000	35,400,000	35,400,000	10.89%
0	0	0	0	0.00%
6,701,339	6,701,339	0	0	0.00%
32,993	32,993	0	0	0.00%
481,574	481,574	0	0	0.00%
3,911,687	3,911,687	0	0	0.00%
8,875,000	8,875,000	0	0	0.00%
0	0	0	0	0.00%
29,761,060	29,761,060	0	0	0.00%
<b>107,247,030</b>	<b>297,516,533</b>	<b>103,300,000</b>	<b>121,166,848</b>	<b>37.26%</b>
<b>\$116,563,277</b>	<b>\$510,832,780</b>	<b>\$310,300,000</b>	<b>\$325,166,848</b>	<b>100.00%</b>

**State Road Fund**  
**Statement of Revenues by Source**  
**FY 2008 Through FY 2014**  
**(Expressed in Thousands)**

Source of Revenue	FY 2008 Actual Collections	FY 2009 Actual Collections	FY 2010 Actual Estimate	Revised FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Gasoline and Motor Carrier Road Tax	\$404,223	\$384,539	\$390,916	\$380,000	\$380,700	\$397,000	\$420,800
Registration Fees	86,396	89,428	87,388	88,995	88,988	87,742	90,020
Registration Fee: Highway Litter Control	1,878	1,673	1,539	1,699	1,680	1,658	1,688
Sales (Privilege) Tax	169,463	150,794	148,314	155,492	151,114	154,373	158,374
Less Transfer to Industrial Access Road Fund	(3,352)	(3,010)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income	38,428	43,589	54,544	31,120	39,110	37,250	36,336
Federal Reimbursement:							
Interstate Construction	74,887	124,652	80,556	144,000	135,000	108,000	108,000
Other Federal Aid Programs	206,910	245,192	235,946	260,000	246,000	300,000	312,000
Appalachian Program	75,356	84,713	78,893	92,000	92,000	56,000	52,000
Federal Economic Stimulus	0	5,034	99,871	80,000	20,000	0	0
<b>Total</b>	<b>\$1,054,189</b>	<b>\$1,126,604</b>	<b>\$1,174,967</b>	<b>\$1,230,306</b>	<b>\$1,151,592</b>	<b>\$1,139,023</b>	<b>\$1,176,218</b>

# State Road Fund

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

(Nearest Dollar)

	Balance @ July 1, 2010	\$154,954,832	
Plus:	Revised Revenue Estimate FY 2011	<u>1,230,305,943</u>	
	Available for FY 2011 Appropriations	\$1,385,260,775	
Less:	Regular Appropriations FY 2011 - Division of Highways	(1,351,495,000)	
	Regular Appropriations FY 2011 - Division of Motor Vehicles	(37,828,717)	
	Regular Appropriations FY 2011 - Office of Administrative Hearings	(1,400,000)	
	Claims Against the State Road Fund	(1,565,283)	
Less:	Recommended FY 2011 Supplemental Appropriations (2011 Regular Session):		
	Supplemental Appropriation FY 2011 - Division of Highways	92,000,000	
	Supplemental Appropriation FY 2011 - Office of Administrative Hearings	<u>(200,000)</u>	
	Estimated Unappropriated Balance @ June 30, 2011	\$84,771,775	
Plus:	Revenue Estimate FY 2012	1,151,591,998	
Less:	Regular Appropriations FY 2012 - Division of Highways	(1,126,293,311)	
	Regular Appropriations FY 2012 - Division of Motor Vehicles	(40,579,901)	
	Regular Appropriations FY 2012 - Office of Administrative Hearings	(1,949,853)	
	Claims Against the State Road Fund	<u>(3,500,000)</u>	
	Estimated Unappropriated Balance @ June 30, 2012	<u><u>\$64,040,708</u></u>	

# Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2010 (Expressed in Thousands)

	Actual 6/30/08	Actual 6/30/2009	Actual 6/30/10	Estimated 6/30/11	Estimated 6/30/12
<b>General Obligation Debt</b>					
Road Bonds	\$401,190	\$371,105	\$339,515	\$305,460	\$270,595
Infrastructure Bonds	277,949	269,272	260,141	250,517	240,370
SUBTOTAL	679,139	640,377	599,656	555,977	510,965
<b>Revenue Bonds</b>					
School Building Authority	215,675	214,125	201,045	187,380	173,090
School Building Authority (Lottery)	99,040	85,650	71,715	57,130	41,790
School Building Authority (Excess Lottery)	0	102,145	99,310	120,940	116,590
School Building Authority, QSCBs (Excess Lottery)	0	0	78,200	150,480	150,480
Tobacco Settlement Finance Authority	1,156,088	890,287	887,373	877,542	866,713
Highways, Commissioner of	98,875	165,160	144,315	122,795	100,370
1997 EAST Fund (Lottery)	25,465	16,805	7,690	0	0
2010 (FY 2011) EAST Fund (Lottery)	0	0	0	153,705	151,020
Economic Development Authority (Lottery)	214,125	206,480	198,590	190,415	181,920
WV Infrastructure and Jobs Development Council	124,530	122,875	120,565	118,175	115,710
SUBTOTAL	1,933,798	1,803,527	1,808,803	1,978,562	1,897,683
<b>Capital Leases &amp; Notes Payable</b>					
Governmental Funds	321,998	307,862	306,158	294,823	283,232
Internal Service	16,605	14,914	29,986	22,233	14,031
SUBTOTAL	338,603	322,776	336,144	317,056	297,263
<b>TOTAL</b>	<b>\$2,951,540</b>	<b>\$2,766,680</b>	<b>\$2,744,603</b>	<b>\$2,851,595</b>	<b>\$2,705,911</b>

# 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. As of December 31, 2010, the fund contained \$334.7 million, nine percent of FY 2011 appropriations.

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, \$504.7 million has been deposited into the fund, which includes transfers in and interest; \$170 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects.

The 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

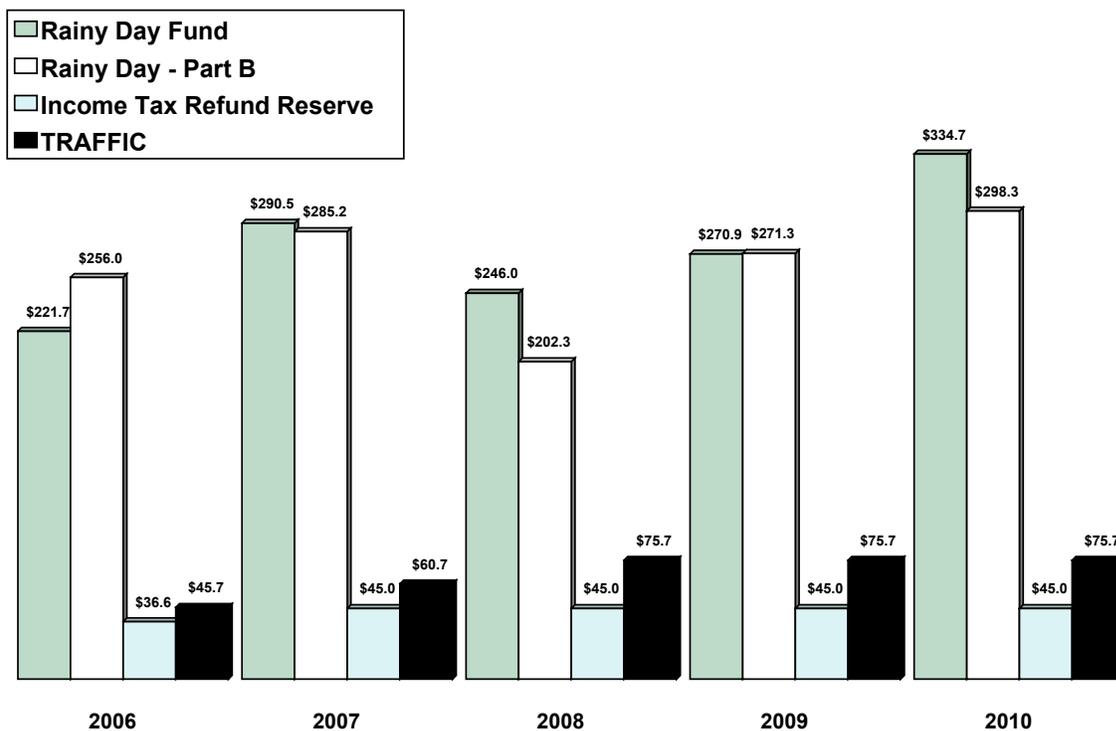
**Revenue Shortfall Reserve Fund - Part B (Rainy Day Fund—Part B)**

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, 2010, the balance in the Rainy Day Fund—Part B was \$298.3 million.

**Reserve Balances\***  
(Expressed in Thousands)



\* Balance as of December 31 each year

## *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, 2010, the balance in the Income Tax Refund Reserve Fund was \$45 million which represents about 1.2% of the total FY 2011 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, 2010, \$75.7 million remains available for use as the Legislature and Governor may determine.



# BUDGET PLANNING





# Long-Range Issues

## Introduction

At the beginning of the last decade, the State was faced with several major issues that had immediate and long-term implications. The State has been focused on its highway infrastructure, correctional facilities, water and sewer systems, school facilities, 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

The greatest issue facing the Department of Transportation is the lack of sufficient funds in the State Road Fund. That fund, which provides funding to the Divisions of Highways and Motor Vehicles and the Office of Administrative Hearings, receives its revenue almost entirely from dedicated tax revenues. Those tax revenues changed little between FY 2009 and FY 2010, increasing only \$1,722,000 (.27%). While Motor Fuel Excise Tax collections exceeded the revenue collected in FY 2009 by \$6,377,000 (1.66%); Sales (Privilege) Tax, Registration Fees, and Litter Control Fees respectively were \$2,480,000 (1.64%), \$2,040,000 (2.28%), and \$135,000 (8.06%) below FY 2009 revenues. Due to the lingering effects of the recession, fewer miles are being driven, and individuals and companies continue to delay vehicle purchases; many of the vehicles that are being purchased are less costly and more fuel-efficient, which further erodes revenues. Neither the Department of Revenue (DOR) nor the Division of Motor Vehicles (DMV) projects any substantial growth in revenues through FY2016. The long-term forecast provided by the DOR predicts a continued decline in fuel consumption, which is offset somewhat by projected yearly increases in the variable component of the Motor Fuel Excise Tax rate.

The projected revenues are inadequate to permit the Division of Highways to satisfactorily achieve its mission of maintaining a safe and efficient highway system. System preservation needs are not being met, and as a result, highways are deteriorating. The cost of replacing all state-maintained bridges that are over 60 years old is approximately \$1 billion, and highway slips and slides totaling tens of millions of dollars have been identified. The Division's current goal of resurfacing roadways on a twelve-year average cycle requires approximately 1,880 miles to be paved annually. Based upon an average cost of \$220,000 per mile, nearly \$414 million will need to be committed annually to achieve that goal, which is significantly more than the \$200 million 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.

Reimbursement from the federal Highway Trust Fund is another concern. First, current federal projections are that the fund will be insolvent in federal fiscal year (FFY) 2013. 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. To prevent or delay the shutdown of active federal projects, State Road Fund dollars will be diverted from non-federal functions. The Highway Trust Fund would have been insolvent in FFY 2010, but a transfer of funds from the federal General Revenue Fund forestalled that event. Secondly, the Safe, Accountable, Flexible, and Efficient Transportation Equity – A Legacy for Users (SAFETEA-LU), which provided federal funding through FFY 2009 expired in August 2009, and funding is being continued under Congressional resolutions. While there seems to be bi-partisan support to increase funding in the next six-year appropriation, there is little appetite for increasing the federal fuel tax to provide the additional revenue needed for the increase. 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, more funds or insolvency, preservation of the highways and bridges maintained purely with state dollars will continue to decline.

## *Long-Range Issues*

Wilbur Smith Associates recently updated West Virginia's Long Range Transportation Plan. Long range estimates in the plan 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, it 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, it will be forced to reduce future construction and maintenance to levels that the public will not find acceptable which could create an unsafe highway system.

### **Public Transportation**

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.

The future of public transit and the addition of new service areas in West Virginia will be heavily dependent upon the investment that the state and federal governments make. Public transit funding is provided under the same legislation that funds highways. Funding issues concerning both the highway and mass transit trust funds make it unlikely that the program will be reauthorized until 2013. 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.

### **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 not only the authority itself, but also for the Division of Corrections and the Division of Juvenile Services.

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

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

## *Long-Range Issues*

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

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

In 1998, the Public Employees Retirement System (PERS), under the direction of the Investment Management Board, invested \$150 million for continued construction of correctional and detention facilities. The Legislature created a special revenue fund (from up to \$20 million per year of current insurance taxes) to repay PERS for the capital invested and investment earnings. The amount of payment was calculated every year by averaging the previous five years' interest returned on PERS' fixed income investments.

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

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

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), renovate and add to the Eastern Regional Juvenile Detention Center (which reopened as the Vickie V. Douglas Juvenile Center), build additions to Huttonsville Correctional Center, provide additional funds for the dormitory and Prison Industries construction at the Lakin Correctional Center for Women, and make 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 \$2.6 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 \$723 million from other sources of funding resulting in close to \$1 billion of investment in the State of West Virginia.

## *Long-Range Issues*

A selected, defined portion of repayments from loans has been dedicated to pay debt service for the bond issue. The bond issue closed in January 2004 in the amount of \$249,895,000 that generated funds to cover the entire \$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. This 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 Fund. The Legislature allocated \$10 million per year for FY 2008, FY 2009, and FY 2010, and allocated \$5 million in FY 2011. Thirty million of the \$35 million is being distributed to each county based on their net enrollment. Five million of the \$35 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.

## *Long-Range Issues*

Since the inception of the SBA, over \$1.486 billion in state dollars and \$1.027 billion in local dollars have been dedicated to West Virginia school facilities. This equates to 31 new high schools, 27 new middle schools, 63 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 (2007), West Virginia has the highest crude death rate per 100,000 population of all states (including the District of Columbia) for the following major disease/injury groups: all causes of death combined, cancer, diabetes, heart disease, accidental injuries, and chronic lower respiratory disease. West Virginia also ranked in the top five in stroke, influenza/pneumonia, and nephritis and other related kidney syndromes. Even when adjusted for West Virginia's aged population, the state remains ranked in the worst five states on diabetes and chronic lower respiratory diseases.

Maternal smoking during pregnancy continues to be a major issue in West Virginia. The latest available U.S. figures show 10.0% of mothers smoked during pregnancy in 2006. West Virginia's percentage (highest in U.S.) was over two and a half 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 Prevention and the West Virginia Health Statistics Center, data from the 2009 Behavioral Risk Factor Surveillance System indicate that West Virginia also ranks high in the nation in the prevalence of several chronic diseases and risk factors for disease. West Virginia had the second highest prevalence of diabetes in 2009 at 12.4% compared to a national average of 9.0%, first in the prevalence of hypertension at 37.6% compared to 29.3% nationally, and first in the prevalence of cardiovascular disease at 12.6% compared to 7.7% nationally. West Virginia was also first in current smoking at 25.6% compared to 18.1% nationally; sixth in obesity at 31.7% compared to 27.4% nationally; and second in fair or poor health status at 22.8% compared to 16.1% 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.

The West Virginia Medicaid Program provides insurance coverage to approximately 405,000 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 64% of total Medicaid expenditures during FY 2010. These services are nursing home, home and community-based services provided under waiver authority, inpatient hospital (includes outpatient services and supplemental payments; excludes DSH payments), capitated service agreements, and prescription drugs (net of rebate collections). The largest increases in FY 2010 occurred in capitated service agreements and home and community-based services provided under waiver authority.

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

## *Long-Range Issues*

Unlike the PEIA program (which is financed with all state dollars), the Medicaid program is financed at an approximate 25% state and 75% federal match, meaning that for every dollar the State invests, we are able to match that with approximately three federal dollars. With the passage of the American Reinvestment and Recovery Act of 2009 (P.L. 111-5) and the Education Jobs and Medical Assistance Act (P.L. 111-226), the federal match rate has increased through June 30, 2011.

State 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 \$554 million in 2011.

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

It is currently estimated that without any program changes the cost for the Medicaid program will increase at a rate of approximately three percent per year. It is also assumed that as West Virginia's economy continues to improve, the federal match will decline by approximately 0.5% per year beginning in SFY 2013. Assuming that the Provider Tax, trust fund, and lottery sources of State match remain relatively constant, the General Revenue fund will have to supply the additional funds to cover future increases in cost. Any future increase or decrease in non-general revenue funding sources will impact the amount of General Revenue required to cover the total State match cost.

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

WVCHIP provides full-range health insurance coverage to children of working families, with incomes up to 250% of the federal poverty level. At September 30, 2010, 24,535 children were enrolled, about the same as the enrollment level the previous 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 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 in FY 2002, the finance board must develop annual financial plans that generate revenues sufficient to fund a reserve of at least ten percent of projected total plan costs. The financial plan must be submitted to the Governor and the Legislature by January 1 of the preceding year with an effective date for the financial plan of July 1 of each plan year.

PEIA and its Finance Board continue to struggle with the rising costs of healthcare. Increasing healthcare costs continue in all aspects of healthcare. The current rate of healthcare inflation continues to trend approximately five

## *Long-Range Issues*

times greater than the annual increase in average hourly earnings, which was 1.8% as of July 2010. The rate of healthcare cost inflation is also eight times greater than the consumer price index which was 1.2% as of July 2010. The information below indicates the most recent medical and prescription drug trend assumptions for PEIA. This information indicates that the plan anticipates increases in healthcare costs of over 40% in five fiscal years. The current financial plan forecasts increases in drug trends of 9% to 11% and medical trends of 5.5% to 7.5 % over the next five years.

The 2011 Segal Health Plan Cost Trend Survey indicates the 2011 trend projection for preferred provider organizations with prescription drug benefits is 10.6%. This trend assumption includes the impact of the Patient Protection and Affordable Care Act (PPACA), or health care reform. In the survey, 78% of respondents indicate the PPACA would be an additional increase of 1.1%. For comparison purposes, PEIA's combined trend projection for fiscal year 2011 equals 7.7% with no impact due to the PPACA, as PEIA will not be implementing the PPACA requirements until plan year 2012. A more comprehensive discussion of PEIA trends is available in the PEIA Medical Trends Report at <http://www.peia.wv.gov> under financial reports. The above trend assumptions result in estimated claim expenses for FY 2011 through 2015 of \$444 million, \$467 million, \$504 million, \$547 million, and \$597 million.

Based on the above trend assumptions, PEIA can expect to see an aggregate increase of \$122 million in medical and \$72 million in drug costs over the next five years. In order to offset these scheduled increases in costs, the board has proposed premium increases totaling \$242 million.

In aggregate, the board has proposed \$177 million in State employer premium increases, \$25 million for non-State employers and \$40 million for State employees. In addition to premium increases, the board is also proposing utilization of over \$50 million in existing reserves to offset healthcare cost inflation. Special attention should be paid to the above premium increases as all of the participants are reaching their revenue limitations and abilities to meet these scheduled increases.

The board has not included benefit plan changes in the current financial plan proposal. The board's financial plan proposal does include the required adoption of an estimated \$9 million of increased costs due to the PPACA. The changes include the elimination of lifetime limitations on plan benefits and coverage of dependent children up to age 26.

The above trend assumptions in claim expenses, benefit changes, and scheduled premium increases based on the current financial plan result in year end results of \$23 million, -\$25 million, -\$20 million, -\$7.3 million, and \$4.3 million.

### **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 to 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 (MAPD) program 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.

## Long-Range Issues

Not including the Annual Required Contribution (ARC) to fully fund the OPEB, the current financial plan projects positive net assets through FY 2015. The Trust completed FY 2010 with total net assets of \$423 million and total claim expenses of \$109 million. Current claim expense trend assumptions for FY 2011 through FY 2015 go from 5.5% for medical and 9% for drugs to 7% for medical and 10.5% for drugs. These trend assumptions result in increases of \$128 million in expenses for the Trust over the next five fiscal years. Fiscal year results remain positive; however, the board anticipates interest revenue and premium increases to offset these increases. The Trust is forecast to have an ending reserve of \$563 million by fiscal year end 2015.

### Insurance Reform

#### Board of Risk and Insurance Management Insurance Programs

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

In December 2001, as a result of a medical malpractice insurance crisis in the state, the West Virginia Legislature passed House Bill 601 (the House Bill 601 Program) 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. All policies have been terminated as of June 30, 2004, and the program is in runoff mode only for any claims that may be submitted on any tail policies that were purchased.

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

As a result of the feasibility study, the Patient Injury Compensation Fund (PICF) was created by passage of House Bill 4740 in March 2004. The revenue appropriated to the PICF is not reflected in BRIM financial statements, but rather in the State financial statements. The State financial statements reflect total retained earnings in the PICF of \$5,388,891 at June 30, 2008; \$5,346,281 at June 30, 2009, and \$4,522,538 at year end June 30, 2010. There was one claim, with related expenses, assessed against the PICF in 2010, and there were no FY 2008 or FY 2009 expenditures.

Beginning July 1, 2011, BrickStreet is no longer required to provide workers' compensation coverage for state agencies. The orderly transition from BrickStreet will require instituting a program that mandates all state agencies obtain coverage through a BRIM central program; and which optimally transfers the majority of the risk to an insurer, while simultaneously managing/overseeing the activities of the insurer. More than likely, BrickStreet will want to write coverage for a few state agencies. However, to allow that option will produce adverse risk selection for the remaining state agencies not deemed profitable to BrickStreet. Potential legislative initiatives will be needed to allow for this transition. These include but are not limited to:

- Legislative mandate for all state agencies to obtain coverage through central BRIM program, including Higher Education.
- Policy and procedure manual.
- Actuarially determined premiums administered by BRIM to eliminate the possibility of an unfunded liability.
- A budget line item for base premium.
- A separate budget line item for premium debits due to poor risk performance to be paid from agency resources.

## *Long-Range Issues*

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, 2010, 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, 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. At year end June 30, 2010, BRIM's total retained earnings were \$192,207,000.

### **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, 2010, the fund deficit in the Old Fund was estimated to be \$1.11 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's Office, and the Insurance Commissioner serves as the administrator. Several sources of revenue were dedicated to pay the liabilities of the Old Fund, including the following:

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

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

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

## *Long-Range Issues*

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. The Public Employees' Retirement System (PERS) was found to be well-funded. The State committed to a plan to increase the funding of the underfunded plans as shown in the 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:

	<b>July 1, 2009, Actuarial Valuation Unfunded Actuarial Liability</b>		<b>2009 Results Projected UAAL to July 1, 2010</b>	
PERS	\$999,457,000	(79.7% funded) <sup>1</sup>	\$1,331,616,000	(74.9% funded)
TRS	\$5,053,098,000	(41.3% funded) <sup>1</sup>	\$4,744,402,000	(46.6% funded)
JRS	\$4,875,000	(94.8% funded) <sup>1</sup>	(\$3,294,000)	(103.3% funded)
Public Safety—Plan A	\$210,652,000	(63.3% funded) <sup>1</sup>	\$185,133,000	(68.6% funded)
State Police—Plan B	\$21,307,000	(65.4% funded) <sup>1</sup>	\$18,639,000	(73.9% funded)

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

The 2009 Results Projected UAAL to July 1, 2010, project the 2009 Actuarial Valuation results to 2010 recognizing actual investment return rate experience for each plans' trust fund as reported by the Investment Management Board for the year ending June 30, 2010. The July 1, 2010, 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, 2010.

The projected July 1, 2010 result for PERS includes the impact of a 2010 Experience Study on the actuarial assumptions to be applied to the July 1, 2010, actuarial valuation for PERS. Asset smoothing adopted effective July 1, 2009, was projected based on the second year implantation of the phase in the four year smoothing period for PERS.

### Summary

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

- Imposed fiscal discipline in funding the state's retirement systems, health care plans, and workers' compensation costs;
- Performed a statewide overhaul of school facilities and established measurable performance standards for all grade levels;
- Replaced an inefficient, costly, and outdated system of county jails with a modern, efficient, and effective system of regional jails, along with the renovation and construction of prisons and juvenile facilities;
- Addressed water and sewer project needs through bond financing and cost-sharing with federal grant and loan programs;
- 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 (roads, schools, workforce, and health care systems) are the key to accomplishing that transition. The Governor and Legislature share a commitment to making those improvements.

# Budget Overview

## ***The Executive Budget Process Policy***

The budget process begins approximately one year prior to the beginning of the fiscal year for which appropriations are being made. The state fiscal year begins July 1 and ends on June 30.

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 "current level" is defined as the same amount of funds the department/bureau/commission/division has for the current fiscal year (FY 2011) less any one time appropriations. For the FY 2012 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 2012, agencies were asked to submit their requests at FY 2011 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.

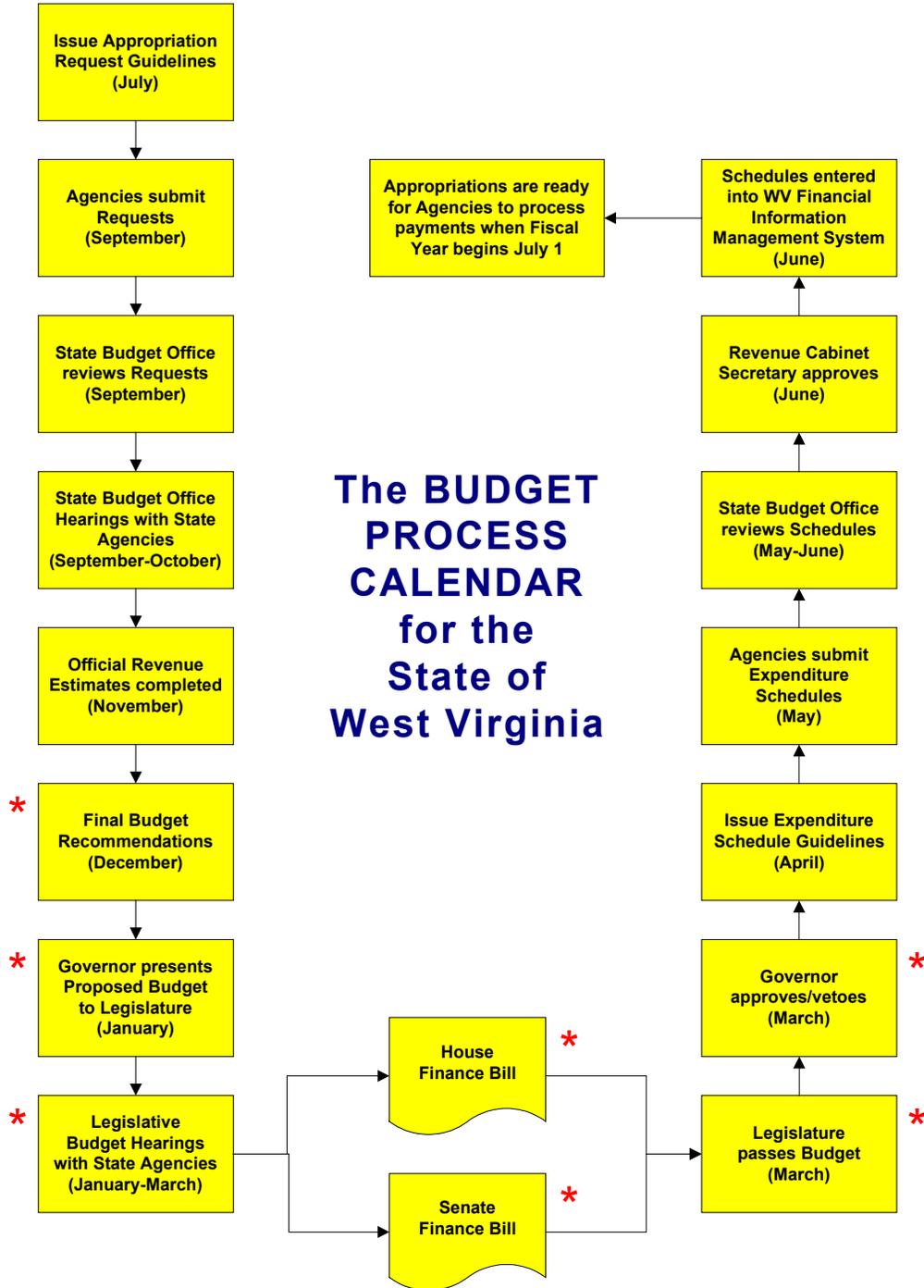
## **Balanced Budget**

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 *Budget Report*, the *Operating Detail*, 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 requested appropriations by program and by fund, an economic forecast, a profile of the state, and capital projects.



## *Budget Overview*

For FY 2012 the Department of Administration is submitting goals and performance measures to help West Virginia begin a Performance Based Budgeting Process that should provide greater transparency and accountability. The *Budget Report* contains the executive message; financial statements that include the official revenue estimates for the State along with available fund balances, actual prior year expenditures, current year budgeted amounts, and the Governor's recommendations for the next fiscal year; and the budget plan. The Budget Bill includes the language required to legally enact the budget or appropriations bill.

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

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

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

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

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

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

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

### **Budget Amendment Policy**

#### **Supplemental Appropriation Bills**

The Budget Act may be amended at a later date by the Legislature by the introduction of a supplementary 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 use of the additional funds. If the Governor intends to authorize the additional spending, notification of the intent is provided to the President of the Senate, the Speaker of the House, and the Chairmen of the Senate and the House Finance committees providing them a three week opportunity for review and concurrence. If there are any questions

## *Budget Overview*

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 auditor's 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 post-audits of the revenues and expenditures of the spending units of the State government; reports any misapplication of State funds or erroneous, extravagant, or unlawful expenditures by any spending unit; and makes recommendations to the Legislature concerning the post-audit findings, the revenues, and expenditures of the State and the organization and functions of the State and

## *Budget Overview*

its spending units. A copy of each audit report, when completed and certified by the Legislative Auditor, is filed with the Department of Administration as a public record and with the Attorney General for any action he may deem necessary.

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

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

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

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

The Governor's Executive Budget documents do not include quasigovernmental entities (e.g., West Virginia Parkways, Economic Development, and Tourism Authority; West Virginia Investment Management Board) 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 (short-term funds) of the state which are referred to as the Consolidated Fund. The State Treasurer is chairperson of this five-member board. The BTI maintains ten investment pools. Three main pools are utilized for investing excess state cash and local government monies. The West Virginia Money Market Pool and the West Virginia Government Money

## *Budget Overview*

Market Pool are both rated AAAM by Standard and Poor's. The West Virginia Short-Term Bond Pool is a bond mutual fund used for investments that have a perceived longer investment horizon.

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

### **Evaluation and Monitoring Procedures**

In addition to the evaluation undertaken as part of the budgetary process, the State Budget Office conducts special analyses of the operations of State agencies. There are also reviews undertaken by the Legislative Auditor, who is appointed by the State 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 (e.g., State Aid to Schools and Human Services) are controlled on a monthly or daily basis for cash flow and control purposes. After review and approval, the schedules become the basis for expenditures by each agency during the upcoming fiscal year. The State Budget Office is responsible, during the year, for evaluating all proposed payroll changes, encumbering all planned expenditures, and preventing expenditures from exceeding appropriations for each agency. The State Auditor and State Treasurer are prohibited by law from issuing a State check that exceeds the amount appropriated for any particular account. They also maintain accounts of the revenue collected and expenditures made pursuant to appropriation and reconcile their accounts on a monthly basis. Because of these records, the State Budget Office's encumbrance control is extended to cash control by the Auditor and Treasurer.

### **Risk Management**

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

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.

The State has obtained health coverage for its employees through its participation in West Virginia Public Employees Insurance Agency (PEIA) which provides the following basic employee benefit coverage to all participants: hospital,

## *Budget Overview*

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 (BRIM) to obtain coverage for general liability, property damage, business interruption, error and omissions, and natural disasters. Coverage is offered in exchange for an annual premium.

### **Asset Inventory Management**

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

Removable property is defined as equipment, machinery, furniture, and fixtures 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 that employee's post employment health care insurance premiums. If this option is not selected, the leave amount may be applied toward an increase in that employee's retirement benefits, with such sick leave counting as additional credited service in computation of such benefits. Any employee enrolled in the West Virginia Public Employees Retirement System after June 30, 2001, may not apply accumulated sick leave toward the cost of premiums for extended insurance coverage.

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

State agencies are required to submit division-level performance measures as part of the appropriation request process. For FY 2012 the Department of Administration is again submitting goals and performance measures in a newly developed pilot 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.

The focus for the FY 2012 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2008 to FY 2010) and the performance-level objectives the program is trying to achieve in FY 2011 and FY 2012 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.

## *Budget Overview*

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: 1) Agency Review; 2) Compliance Review; and 3) 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 agencies that are under the oversight responsibility of a Department. Therefore, any of the agencies within the department's oversight can be reviewed for its performance. Agency Reviews are required to be conducted on department agencies 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:

- 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?

## *Budget Overview*

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 the Performance Review Act in upcoming years are listed below.

- \* 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 in the current and upcoming years are listed below.

- \* 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.

# 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.

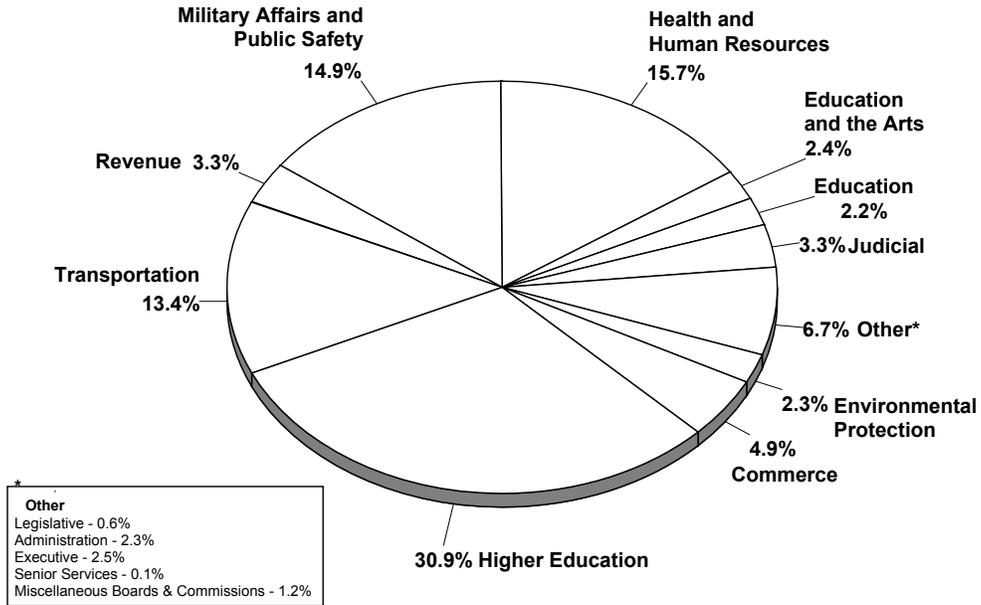
The **Organization and Human Resource Development Section** provides training and development programs for all state employees. In addition to providing advice and services for agency-specific training and development programs, the section administers the supervisor/manager training program policy.

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. This 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.

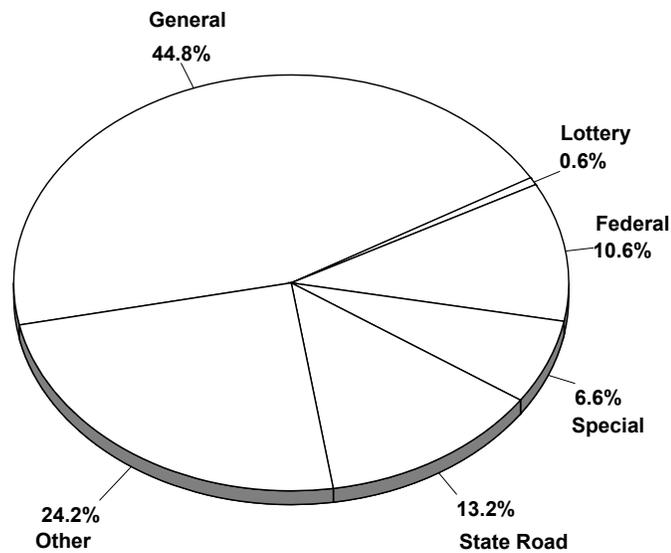
As of November 30, 2010, the State had approximately 37,229 filled, permanent, full-time equivalent employees, including approximately 10,850 employed by the Higher Education Policy Commission and approximately 1,147 employed by the Council for Community and Technical College Education. Public school 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 2012 40,158.50 FTEs

## By Department



## By Fund



# Schedule of Budgeted Full-Time Equivalents All Funds

## Permanent Positions FY 2010 through FY 2012

Department/Agency	FY 2010 11-30-2009	FY 2011 11-30-2010	FY 2012 Recommended
<b>TOTAL BUDGETED FTE PERMANENT POSITIONS</b>	<b>39,514.02</b>	<b>39,994.03</b>	<b>40,158.50</b>
<b>LEGISLATURE</b>			
Senate	41.00	41.00	41.00
House of Delegates	59.00	59.00	59.00
Joint Expenses	132.00	137.00	137.00
<b>TOTAL - LEGISLATURE</b>	<b>232.00</b>	<b>237.00</b>	<b>237.00</b>
<b>TOTAL - JUDICIAL</b>	<b>1,313.35</b>	<b>1,334.60</b>	<b>1,334.60</b>
<b>EXECUTIVE</b>			
Governor's Office	93.00	96.25	96.25
Auditor's Office <sup>1</sup>	176.90	184.75	184.75
Treasurer's Office	137.55	136.85	136.85
Agriculture, Department of <sup>2</sup>	356.75	357.75	359.75
Attorney General's Office <sup>3</sup>	176.73	178.66	203.66
Secretary of State	57.00	57.50	57.50
<b>TOTAL - EXECUTIVE</b>	<b>997.93</b>	<b>1,011.76</b>	<b>1,038.76</b>

<sup>1</sup> Chief Inspector Division added eight FTEs on January 1, 2010.

<sup>2</sup> FY 2012 added two FTEs for the Chesapeake Bay Watershed.

<sup>3</sup> FY 2012 added 13 FTEs for the Criminal Convictions and Habeas Corpus Appeals and 12 FTEs for the statutory change that requires the Attorney General's Office to be prosecutors in DMV hearings.

### DEPARTMENT OF ADMINISTRATION

Office of the Secretary	8.10	7.40	7.40
Consolidated Public Retirement Board	81.60	84.00	84.00
Finance, Division of	13.35	13.00	13.00
Information Services & Communications, Division of	384.30	388.93	388.93
General Services, Division of	127.10	127.25	127.25
Purchasing, Division of	37.16	40.65	40.65
Surplus Property	15.00	15.55	15.55
Travel Management	17.04	14.00	14.00
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 <sup>1</sup>	6.50	6.50	7.50
Public Defender Services	16.00	16.00	16.00
Personnel, Division of	66.12	66.62	66.62
Public Employees Insurance Agency	41.20	41.20	41.20
Prosecuting Attorneys Institute	7.00	7.00	7.00
Children's Health Insurance Agency	9.00	9.00	9.00
Office of Technology	9.00	4.00	4.00
Retiree Health Benefits Trust Fund	19.66	19.66	19.66
Real Estate Division	9.90	10.15	10.15
<b>TOTAL - ADMINISTRATION</b>	<b>904.63</b>	<b>907.51</b>	<b>908.51</b>

<sup>1</sup> FY 2012 added one FTE to address increased complaints in a timely manner.

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2010 11-30-2009</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 Recommended</b>
<b>DEPARTMENT OF COMMERCE</b>			
Office of the Secretary	5.00	3.00	3.00
Tourism, Division of	66.80	66.80	66.80
Forestry, Division of	117.75	118.00	118.00
Geological and Economic Survey	56.10	54.00	53.70
Development Office	111.00	105.00	105.00
Labor, Division of <sup>1</sup>	118.00	113.00	113.00
Natural Resources, Division of	851.44	823.95	823.95
Miners' Health, Safety and Training, Division of <sup>2</sup>	138.00	146.00	158.00
Board of Coal Mine Health and Safety	1.60	2.00	2.00
WorkForce West Virginia	518.87	501.57	501.57
Energy, Division of <sup>3</sup>	12.00	11.00	13.00
<b>TOTAL - COMMERCE <sup>4</sup></b>	<b>1,996.56</b>	<b>1,944.32</b>	<b>1,958.02</b>

<sup>1</sup> FY 2011 deleted five FTEs because of the Undocumented Worker Pilot program ended.

<sup>2</sup> FY 2011 included eight FTEs for Coal Dust and Rock Dust technicians; FY 2012 added 12 FTEs for Underground Mine Inspectors.

<sup>3</sup> FY 2012 added two FTEs for the Office of Energy Development.

<sup>4</sup> FY 2010 deleted over 30 FTE vacancies departmentwide which are reflected in the FY 2011 numbers for Development Office, Division of Natural Resources, and WorkForce West Virginia.

**DEPARTMENT OF EDUCATION**

Education, State Department of <sup>1</sup>	595.20	598.90	607.55
WV Schools for the Deaf & the Blind	217.70	217.70	217.70
State FFA-FHA Camp & Conference Center	37.80	34.30	34.30
School Building Authority	11.00	11.00	11.00
<b>TOTAL - EDUCATION</b>	<b>861.70</b>	<b>861.90</b>	<b>870.55</b>

<sup>1</sup> FY 2012 added four FTEs for the Kenneth Honey Rubenstein Juvenile Center and five FTEs for the Davis Center for Girls.

**DEPARTMENT OF EDUCATION AND THE ARTS**

Office of the Secretary	27.60	28.60	27.60
Culture and History, Division of <sup>1</sup>	117.57	120.00	122.00
Library Commission	54.00	54.00	54.00
Educational Broadcasting Authority	97.50	96.70	96.70
Rehabilitation Services, Division of	655.50	655.50	655.50
<b>TOTAL - EDUCATION AND THE ARTS</b>	<b>952.17</b>	<b>954.80</b>	<b>955.80</b>

<sup>1</sup> FY 2011 included one FTE for a Cultural Facility Manager; FY 2012 added two FTEs for Camp Washington Carver.

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2010 11-30-2009</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 Recommended</b>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			
Air Quality Board	1.30	1.30	1.30
Environmental Protection, Division of	894.38	894.63	894.63
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
<b>TOTAL - ENVIRONMENTAL PROTECTION</b>	<b>911.88</b>	<b>912.13</b>	<b>912.13</b>
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
Office of the Secretary	7.52	7.52	7.52
Health, Division of <sup>1</sup>	2,716.60	2,714.34	2,719.27
Health Care Authority <sup>2</sup>	48.80	48.00	54.00
Human Rights Commission	31.00	31.00	31.00
Human Services, Division of <sup>3</sup>	3,460.83	3,465.63	3,516.38
<b>TOTAL - HEALTH AND HUMAN RESOURCES</b>	<b>6,264.75</b>	<b>6,266.49</b>	<b>6,328.17</b>
<b>DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY</b>			
Office of the Secretary	25.00	26.00	26.00
Adjutant General <sup>1</sup>	319.00	378.00	378.00
State Armory Board <sup>1</sup>	50.00	0.00	0.00
WV Board of Parole	16.00	16.00	16.00
Homeland Security and Emergency Management	53.00	53.00	53.00
Corrections, Division of <sup>2</sup>	1,970.75	1,991.75	2,037.06
WV State Police <sup>3</sup>	1,072.50	1,080.00	1,080.00
Veterans' Affairs, Division of (includes Veterans' Home) <sup>4</sup>	276.69	279.89	284.89
Regional Jail and Correctional Facility Authority	1,034.00	1,034.00	1,034.00
Fire Commission <sup>5</sup>	43.00	47.00	47.00
Justice and Community Services, Division of <sup>6</sup>	38.50	41.50	44.50
Juvenile Services <sup>7</sup>	849.00	910.00	936.00
Division of Protective Services	42.00	40.00	40.00
<b>TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY</b>	<b>5,789.44</b>	<b>5,897.14</b>	<b>5,976.45</b>

<sup>1</sup> FY 2011 moved positions from State Amory Board to Adjutant General.

<sup>2</sup> FY 2011 includes 21 FTEs for the Beckley Work Release and Charleston Work Release; FY 2012 added 43 FTEs for Parkersburg Correctional Center and 2.31 FTEs for the Accelerated Parole program.

<sup>3</sup> FY 2011 added nine FTEs for Crimes Against Children Unit and Cadet Class.

<sup>4</sup> FY 2011 added eight FTEs for the Veterans Nursing Home, four FTEs for counselors at VA hospitals, one FTE for the Veterans Cemetery, and deleted eight FTEs from vacancies; FY 2012 added five FTEs for the Veterans Cemetery.

<sup>5</sup> FY 2011 included two FTEs for Fire Safety Plans Examiners.

<sup>6</sup> FY 2011 included three FTEs for the Office of Research and Strategic Planning; FY 2012 added three FTEs for the community corrections program.

<sup>7</sup> FY 2011 included 15 FTEs for three new Day Reporting Centers and 47 FTEs for the Jones Building Treatment Center; FY 2012 added 26 FTEs for the Davis Center for the Girls.

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2010 11-30-2009</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 Recommended</b>
<b>DEPARTMENT OF REVENUE</b>			
Office of the Secretary	9.00	9.00	9.00
Tax Division	482.00	478.00	478.00
State Budget Office	10.00	10.00	10.00
Insurance Commissioner	399.60	400.10	400.10
Lottery Commission	231.00	230.75	230.75
Racing Commission	40.50	44.76	44.76
Alcohol Beverage Control Administration	112.12	112.12	112.12
Office of Tax Appeals	9.00	9.00	9.00
Municipal Bond Commission	4.00	4.00	4.00
Banking, Division of	32.50	32.00	32.00
<b>TOTAL - REVENUE</b>	<b>1,329.72</b>	<b>1,329.73</b>	<b>1,329.73</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Motor Vehicles, Division of <sup>1</sup>	604.00	609.00	588.00
Highways, Division of <sup>2</sup>	4,667.50	4,744.00	4,744.00
State Rail Authority	24.00	24.00	24.00
Public Transit, Division of	10.00	10.00	10.00
Public Port Authority	4.00	4.00	4.00
Aeronautics Commission	3.00	3.00	3.00
Office of Administrative Hearings	0.00	30.00	30.00
<b>TOTAL - TRANSPORTATION</b>	<b>5,312.50</b>	<b>5,424.00</b>	<b>5,403.00</b>
<b>TOTAL - BUREAU OF SENIOR SERVICES</b>			
	<b>36.40</b>	<b>36.20</b>	<b>36.20</b>
<b>HIGHER EDUCATION POLICY COMMISSION</b>			
HEPC - Administration <sup>1</sup>	68.63	73.63	72.30
West Virginia University	6,729.12	6,781.86	6,781.39
Marshall University	1,712.14	1,749.82	1,749.82
Osteopathic School of Medicine	230.88	251.28	251.28
Bluefield State College	212.54	213.18	213.18
Concord University	282.76	283.47	283.47
Fairmont State University	466.06	468.73	468.73
Glenville State College	197.19	204.20	197.19
Shepherd University	428.28	438.59	438.59
West Liberty University	273.66	288.34	288.34
West Virginia State University	380.24	385.56	385.56
WVNET	45.73	43.66	43.66
<b>TOTAL - HIGHER EDUCATION POLICY COMMISSION <sup>2</sup></b>	<b>11,027.23</b>	<b>11,182.32</b>	<b>11,173.51</b>

<sup>1</sup> FY 2012 reflects the reduction of positions moved to the new Office of Administrative Hearings during FY 2011.

<sup>2</sup> FY 2011 and FY 2012 have approved quota slots of up to 5,347 for Division of Highways, State Road Fund.

<sup>1</sup> FY 2011 included increased FTEs from additional grant revenue resulting in additional administrative staff.

<sup>2</sup> FY 2011 included increased FTEs for institutions related to faculty due to increased enrollment.

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2010 11-30-2009</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 Recommended</b>
<b>COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION</b>			
Council - Administration	8.00	12.00	12.00
Mountwest Community and Technical College	104.00	107.00	107.00
New River Community and Technical College	109.66	132.00	132.00
Pierpont Community and Technical College	87.92	94.84	94.84
Blue Ridge Community and Technical College	67.07	85.75	85.75
Kanawha Valley Community and Technical College	73.53	93.28	93.28
Bridgemont Community and Technical College	60.12	72.37	72.37
West Virginia University at Parkersburg	206.68	214.01	214.01
Southern West Virginia Community and Technical College	239.19	237.27	237.27
West Virginia Northern Community and Technical College	144.00	150.56	150.56
West Virginia Eastern Community and Technical College	30.60	32.60	32.60
<b>TOTAL - COUNCIL FOR C&amp;T COLLEGE EDUCATION <sup>1</sup></b>	<b>1,130.77</b>	<b>1,231.68</b>	<b>1,231.68</b>

<sup>1</sup> FY 2011 included increased FTEs for administrative support after separation from four year institutions and grant management.

**MISCELLANEOUS BOARDS AND COMMISSIONS**

Barbers and Cosmetologists, Board of	9.00	9.00	9.00
Board of Medicine <sup>1</sup>	12.00	12.00	13.00
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	329.67	333.22	333.22
Real Estate Commission <sup>2</sup>	11.00	11.00	12.00
Registered Nurses	9.50	9.50	9.50
Water Development Authority <sup>3</sup>	13.00	20.06	20.00
West Virginia Economic Development Authority	9.88	9.88	9.88
Other Boards	51.94	50.79	50.79
<b>TOTAL - MISC. BOARDS AND COMMISSIONS</b>	<b>452.99</b>	<b>462.45</b>	<b>464.39</b>

<sup>1</sup> FY 2012 added one FTE for records management.

<sup>2</sup> FY 2012 added one FTE as investigator.

<sup>3</sup> FY 2011 included eight FTEs due to business reorganization.

# Schedule of Budgeted Full-Time Equivalents By Source of Funds

## Permanent Positions FY 2010 through FY 2012

By Department/Funding Source	FY 2010 11-30-2009	FY 2011 11-30-2010	FY 2012 Recommended
<b>ALL DEPARTMENTS/AGENCIES</b>			
General	17,754.21	17,834.29	18,006.67
Federal	4,686.51	4,676.96	4,254.24
Lottery	268.70	267.49	238.74
Special	2,637.56	2,628.45	2,647.94
State Road Fund	5,215.50	5,324.00	5,304.00
Nonappropriated Special	8,951.54	9,262.84	9,706.91
<b>TOTAL</b>	<b>39,514.02</b>	<b>39,994.03</b>	<b>40,158.50</b>
<b>LEGISLATURE</b>			
General	226.00	231.00	231.00
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
<b>TOTAL</b>	<b>232.00</b>	<b>237.00</b>	<b>237.00</b>
<b>JUDICIAL</b>			
General	1,313.35	1,334.60	1,334.60
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	0.00	0.00	0.00
<b>TOTAL</b>	<b>1,313.35</b>	<b>1,334.60</b>	<b>1,334.60</b>
<b>EXECUTIVE</b>			
General	584.12	585.33	612.33
Federal	55.93	52.31	52.31
Lottery	0.00	0.00	0.00
Special	213.89	222.23	222.23
Nonappropriated Special	143.99	151.89	151.89
<b>TOTAL</b>	<b>997.93</b>	<b>1,011.76</b>	<b>1,038.76</b>
<b>DEPARTMENT OF ADMINISTRATION</b>			
General	121.97	130.18	131.18
Federal	7.00	7.00	7.00
Lottery	0.00	0.00	0.00
Special	456.37	455.25	472.72
Nonappropriated Special	319.29	315.08	297.61
<b>TOTAL</b>	<b>904.63</b>	<b>907.51</b>	<b>908.51</b>

*FTE Schedule by Source of Funds (Continued)*

<b>By Department/Funding Source</b>	<b>FY 2010 11-30-2009</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 Recommended</b>
<b>DEPARTMENT OF COMMERCE</b>			
General	754.03	726.27	740.12
Federal	655.34	637.38	171.80
Lottery	131.80	128.80	128.80
Special	275.04	265.41	265.62
Nonappropriated Special	180.35	186.46	651.68
<b>TOTAL</b>	<b>1,996.56</b>	<b>1,944.32</b>	<b>1,958.02</b>
<b>DEPARTMENT OF EDUCATION</b>			
General	607.21	603.95	612.60
Federal	139.04	143.80	143.80
Lottery	45.92	49.92	49.92
Special	36.10	33.45	33.45
Nonappropriated Special	33.43	30.78	30.78
<b>TOTAL</b>	<b>861.70</b>	<b>861.90</b>	<b>870.55</b>
<b>DEPARTMENT OF EDUCATION AND THE ARTS</b>			
General	442.06	442.57	447.57
Federal	458.10	458.42	458.42
Lottery	17.38	17.38	17.38
Special	4.08	5.08	4.08
Nonappropriated Special	30.55	31.35	28.35
<b>TOTAL</b>	<b>952.17</b>	<b>954.80</b>	<b>955.80</b>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			
General	99.82	97.55	97.55
Federal	343.47	347.62	347.62
Lottery	0.00	0.00	0.00
Special	272.30	269.44	269.44
Nonappropriated Special	196.29	197.52	197.52
<b>TOTAL</b>	<b>911.88</b>	<b>912.13</b>	<b>912.13</b>
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
General	3,560.94	3,603.04	3,619.01
Federal	2,393.21	2,367.75	2,412.41
Lottery	0.00	0.00	0.00
Special	118.00	118.00	117.50
Nonappropriated Special	192.60	177.70	179.25
<b>TOTAL</b>	<b>6,264.75</b>	<b>6,266.49</b>	<b>6,328.17</b>
<b>DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY</b>			
General	4,208.75	4,332.54	4,409.54
Federal	322.95	351.76	351.76
Lottery	0.00	0.00	0.00
Special	110.57	114.61	116.92
Nonappropriated Special	1,147.17	1,098.23	1,098.23
<b>TOTAL</b>	<b>5,789.44</b>	<b>5,897.14</b>	<b>5,976.45</b>

*FTE Schedule by Source of Funds (Continued)*

<b>By Department/Funding Source</b>	<b>FY 2010 11-30-2009</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 Recommended</b>
<b>DEPARTMENT OF REVENUE</b>			
General	441.00	437.00	437.00
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	614.72	618.98	618.98
Nonappropriated Special	274.00	273.75	273.75
<b>TOTAL</b>	<b>1,329.72</b>	<b>1,329.73</b>	<b>1,329.73</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
General	12.50	12.50	12.50
Federal	16.00	16.00	15.00
Lottery	0.00	0.00	0.00
Special	49.00	52.00	52.00
State Road Fund <sup>1</sup>	5,215.50	5,324.00	5,304.00
Nonappropriated Special	19.50	19.50	19.50
<b>TOTAL</b>	<b>5,312.50</b>	<b>5,424.00</b>	<b>5,403.00</b>
<sup>1</sup> The Division of Highways, State Road Fund has approved quota slots of up to 5,347 for FY 2011 and FY 2012.			
<b>BUREAU OF SENIOR SERVICES</b>			
General	0.00	0.00	0.00
Federal	12.06	12.51	12.51
Lottery	3.21	3.13	3.13
Special	1.91	1.99	1.99
Nonappropriated Special	19.22	18.57	18.57
<b>TOTAL</b>	<b>36.40</b>	<b>36.20</b>	<b>36.20</b>
<b>HIGHER EDUCATION POLICY COMMISSION</b>			
General	4,461.26	4,392.85	4,416.76
Federal	249.93	243.72	242.92
Lottery	70.39	68.26	39.51
Special	126.79	112.47	111.47
Nonappropriated Special	6,118.86	6,365.02	6,362.85
<b>TOTAL</b>	<b>11,027.23</b>	<b>11,182.32</b>	<b>11,173.51</b>
<b>COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION</b>			
General	921.20	904.91	904.91
Federal	8.50	10.91	10.91
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	201.07	315.86	315.86
<b>TOTAL</b>	<b>1,130.77</b>	<b>1,231.68</b>	<b>1,231.68</b>
<b>MISCELLANEOUS BOARDS AND COMMISSIONS</b>			
Federal	24.98	27.78	27.78
Lottery	0.00	0.00	0.00
Special	352.79	353.54	355.54
Nonappropriated Special	75.22	81.13	81.07
<b>TOTAL</b>	<b>452.99</b>	<b>462.45</b>	<b>464.39</b>



# REVENUE SOURCES





# Revenue Sources

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

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

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

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

The **General Revenue Fund** (or General Fund) consists primarily of the major tax revenue of the state such as Consumer Sales Tax and Use Tax, Personal Income Tax, Business and Occupation Tax, Corporate Net Income Tax/Business Franchise Tax, Tobacco Products Tax, and Severance Tax. These taxes comprise approximately 92% percent of the General Revenue Fund. The remaining eight percent of the General Revenue Fund is a combination of lesser taxes along with fees such as Liquor Profit Transfers and transfers from lottery revenues.

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

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

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

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

## Revenue Sources

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, and 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, the Economic Development Project Fund, the Higher Education Improvement Fund, the State Park Improvement Fund, and the General Purpose Account.

The Table Games Fund may be used to enable the aged and disabled citizens of West Virginia to stay in their homes through the provision of home and community-based services received from annual license fees. 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 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

## *Revenue Sources*

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 the Department of Revenue, the Tax Research Division develops revenue estimates for the State. The estimates are derived from economic forecasts provided by IHS Global Insight, the West Virginia University Bureau of Business and Economic Research, and the U.S. Department of Energy. Revenue forecast simulations include changes due to economic factors and tax law changes. The forecast incorporates the results of economic modeling, trend analysis, time series modeling, and expert judgment.

The final forecast for an upcoming fiscal year is derived from the November economic forecasts approximately seven months prior to the beginning of a fiscal year. The forecast is adjusted at the conclusion of each Regular Legislative Session to incorporate any fiscal changes associated with tax law modifications. Even though numerous economic events and other changes occur seven to nineteen months after the development of the final fiscal year forecast, the official revenue estimates seldom change. However, staff monitors actual revenue collections on a daily and monthly basis. If the revenue estimates ever appear to be too optimistic given tax collection trends and economic conditions, such determinations are immediately forwarded to policymakers. Projected revenue shortfalls do result in mid-year budget reductions, as was the case for FY 2010. Based upon results over the past two decades, the probability of a revenue shortfall issue in any given year is less than 30%.

### **Additional Revenue Information**

The following pages contain graphs and explanations of the sources of estimated revenues and areas of expenditure for General, State Road, Lottery, and Federal Funds. Due to the multitudinal sources of revenue, only the area of estimated expenditures is depicted for the Special Revenue Funds. The Medicaid State Share Fund is included in the Special Revenue Funds. 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.

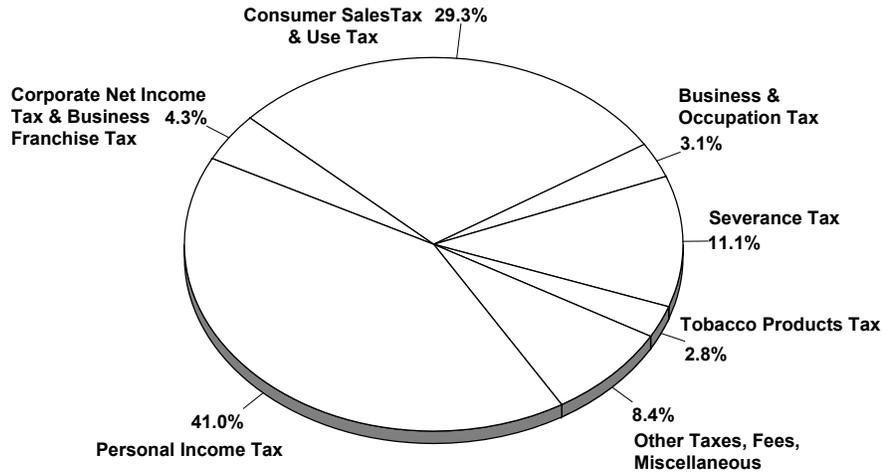
# General Revenue Fund

## Sources of Revenue

Fiscal Year 2012

\$4.016 Billion

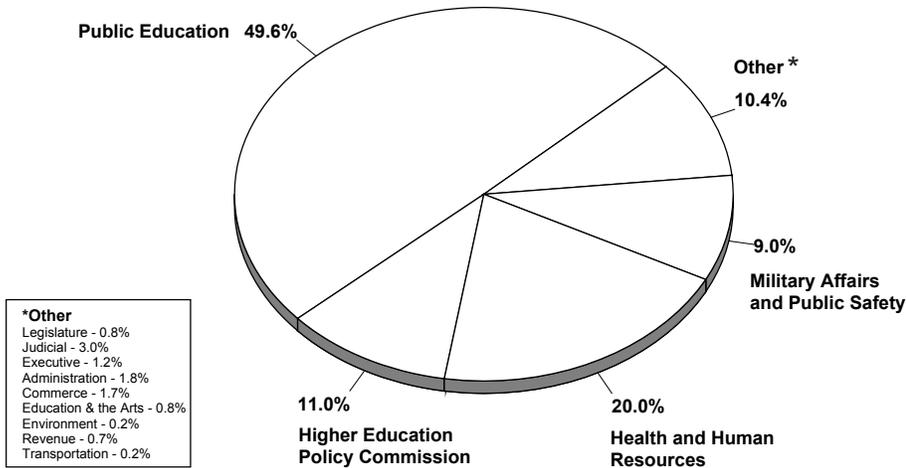
(Estimated)



## Recommended Expenditures

Fiscal Year 2012

\$4.016 Billion



# Personal Income Tax

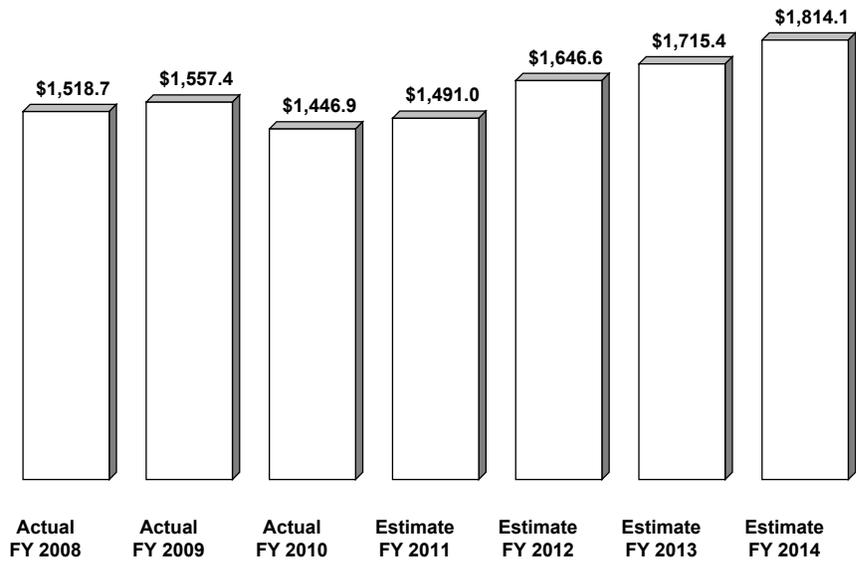
Personal Income Tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 70% of all Personal Income Tax receipts. After increasing at an average annual rate of 0.9% between 2003 and 2008, the West Virginia economy shed payroll employment jobs at an annual pace of 2.4% in 2009 and 0.5% in 2010, according to the most recent forecasts from IHS Global Insight. Employment is expected to rebound with an annual growth rate averaging roughly 1.3% between 2010 and 2016. For the same periods, personal income is projected to increase at an average annual rate of three percent in 2010 and rise by roughly four percent annually between 2010 and 2016.

Income tax collections are projected to rise at an average annual rate of roughly 6.1% during the FY 2011–FY 2016 forecast period. However, there will be significant variance from average growth trends. Revenue growth is forecast to rise at an average annual rate of 7.3% between FY 2011 and FY 2013 due to growth in employment and earnings, business profits, capital gains, and other income. For the FY 2014 to FY 2016 period, revenue growth is anticipated to rise at lower average annual rate of 5.2%.

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 41.0% 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 (55%) and taxable services (24%) 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 three percent) 50% of the value of food for home consumption.

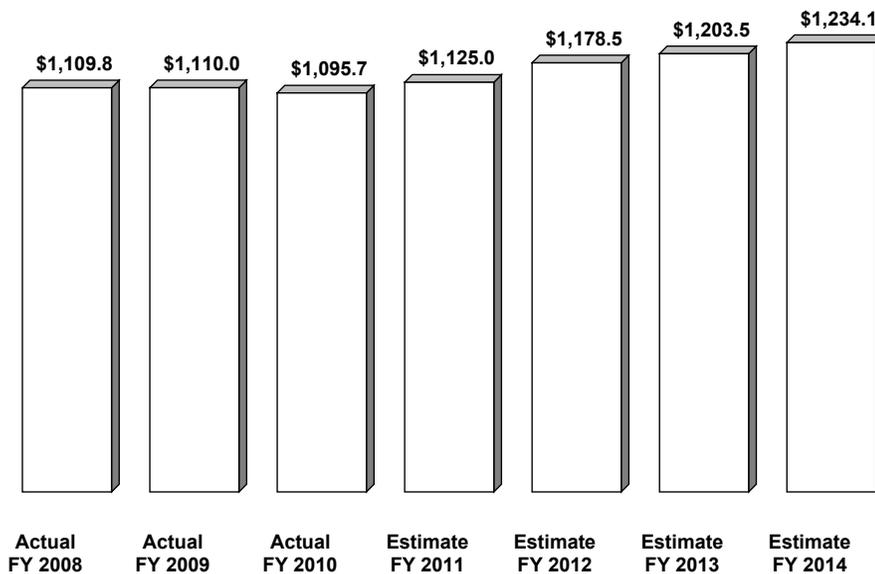
Retail sales growth depends upon changes in population, disposable personal income, inflation rates, interest rates, consumer debt, and consumer confidence. Disposable income growth is forecast to fall from three percent in FY 2010 to 2.1% in FY 2011. Thereafter, disposable personal income is forecast to rise by an average annual rate of 3.8% between FY 2011 and FY 2016.

After rising by an estimated 5.2% in FY 2011, Consumer Sales and Use Tax collections are forecast to slow to an average annual growth rate of 3.4% during the FY 2011–FY 2016 forecast period.

In addition to the General Revenue Fund, some Consumer Sales Tax collections go into special revenue accounts for the benefit of school construction, highway maintenance, and E-911 funded programs (i.e., \$46.2 million in FY 2010, \$46.2 million in FY 2011, \$46.7 million in FY 2012, \$47.2 million in FY 2013, and \$47.7 million in FY 2014).

- **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 29.3% of total General Revenue Fund.**

### Consumer Sales Tax and Use Tax (Expressed in Millions)



*General Revenue Fund*  
**Severance Tax**

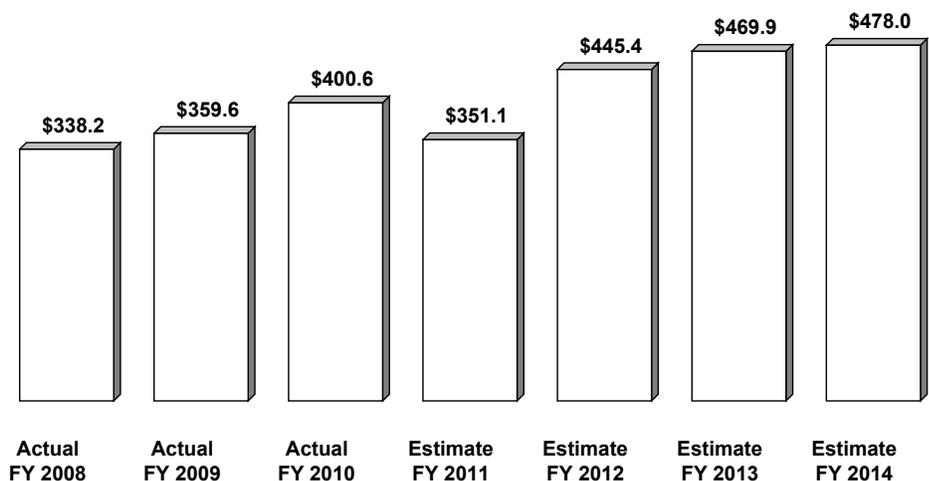
Severance Tax collections are attributable to coal production (86.2%), natural gas production (11.8%), and the production of various other natural resource products (2.0%). Other natural resources products include timber, oil, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2010, Severance Tax receipts were deposited in the State General Revenue Fund (85.9%), the State Infrastructure Fund (5.2%), local government funds (8.9%), and the State Division of Forestry (0.1%). 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 per ton in 2003 to more than \$75 per ton in 2010. Severance Tax receipts grew by more than 200% between FY 2004 and FY 2010 in response to these higher prices. An improving economy and continued exports of metallurgical coal will lead to an increase in coal prices through the forecast period. Additionally, coal production is expected to increase slightly during the first part of the forecast period before a marginal decline through the second part of the period. The value of West Virginia coal, and the Severance Tax on coal, attributable to the combined price and production projections will result in an increase in tax receipts throughout the forecast period. Additionally, natural gas prices and production are expected to also increase throughout the forecast period to contribute to an increase in total Severance Tax yield. The increase in natural gas production is attributable in part to continuing development of Marcellus Shale deposits.

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 11.1% of total General Revenue Fund.**

**Severance Tax**  
 (Expressed in Millions)



# Corporation Net Income Tax and Business Franchise Tax

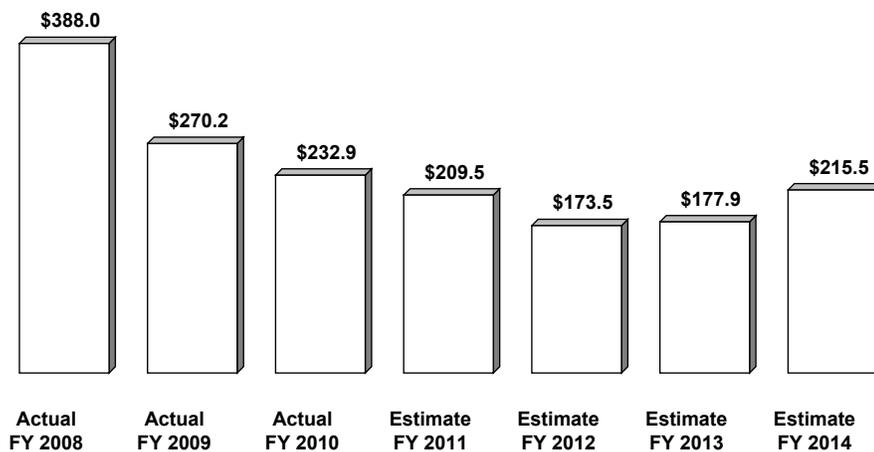
The Corporation Net Income Tax taxes net profits of incorporated entities doing business in West Virginia. The Business Franchise Tax taxes the net equity component (defined as the value of capital stock, preferred stock, paid-in capital, and retained earnings) of business balance sheets and applies to most corporations, partnerships, and limited liability companies. Domestic corporate profits fell in 2007 and 2008 after an extended period of above average growth. However, after a mild recovery in 2010, domestic corporate profits are projected to continue growing during the forecast period at an average annual rate of roughly three percent. In addition, retained earnings, a component of balance sheet net equity, are at high levels following a 50.9% growth in 2009, and are forecast to increase 96.2% in 2010 as corporations seek to continue improving their balance sheets. Retained earnings are predicted to decline at an average annual rate of roughly six percent, but are expected to remain above the 2009 level through 2016.

Since remittances of the Corporation Net Income Tax and Business Franchise Tax may lag the associated economic period by up to 18 months, the decline in corporate profits through 2008 will result in reduced tax collections through 2011. Thereafter, the combined effect of scheduled decreases in both tax rates will offset projected increases in corporate profits. Recent proposed changes in federal tax policy regarding depreciation allowances for new investment placed in service between 2010 and 2012 will significantly reduce Corporation Net Income Tax income tax receipts during the first two or three years of the forecast period before recovering in the latter part of the forecast period. The revenue forecast assumes that legislation will be enacted to conform West Virginia Corporation Net Income Tax law with federal law, including the allowances for new investment.

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 0.34%.**
- **The Corporation Net Income Tax rate will decrease from 8.5% to 6.5% effective January 1, 2014.**
- **The Business Franchise Tax rate will decrease from 0.34% to 0.0% by January 1, 2015.**
- **Accounts for 4.3% of total General Revenue Fund.**

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



## Business and Occupation Tax

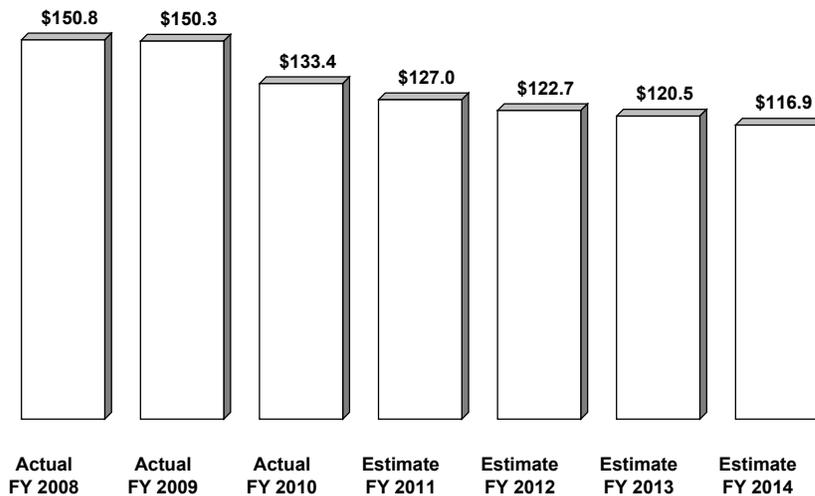
The Business and Occupation Tax (B&O Tax) consists of three distinct components: a capacity or unit-based tax on electric power generation and distribution, a gross receipts tax on nonelectric public utilities, and a per unit tax on gas storage operators. During the forecast period, B&O Tax collections will decline sharply in 2012 and continue to decline for the first half of the period. For the second half of the period, B&O Tax collections will gradually increase.

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. Installation of fuel gas desulphurization systems at existing plants is expected to be finished by the end of 2010; tax credits attributable to these projects will also lower future tax collections. The lower tax rate and additional tax credits attributable to these projects will result in a decline in FY 2012 revenue. Revenue begins to rise toward the end of the forecast period as tax credits expire.

The tax on natural gas receipts applies only to public utility sales. Exempt non-utility sales represent roughly 42.5% of all natural gas sales in West Virginia. In addition to the tax on public utilities, West Virginia imposes a tax on natural gas storage activities. Revenue from this source should remain fairly stable during the forecast period. Although the U.S. Energy Information Administration projects a slight increase in natural gas prices at the beginning of the forecast period, natural gas prices will stay fairly stable for the remainder of the forecast period.

- **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 3.1% of total General Revenue Fund.**

**Business and Occupation Tax**  
(Expressed in Millions)

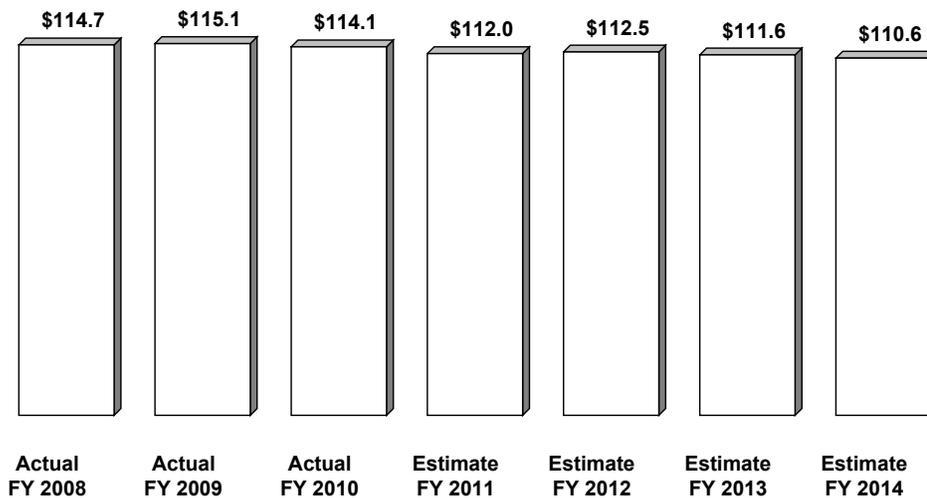


# Tobacco Products Tax

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 0.6% per year during the FY 2011–FY 2016 forecast period 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 2.8% of total General Revenue Fund.

## Tobacco Products Tax (Expressed in Millions)



## Other Taxes and Fees

These other taxes, licenses, fees, and receipts consist of Insurance Premiums Tax, Liquor Profit Transfers, 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.

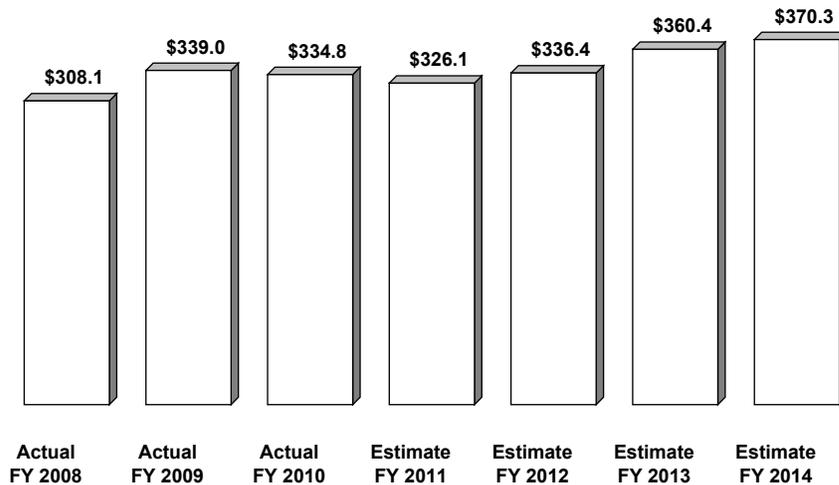
Although the Telecommunications Tax is included in this group, no net collections from this source is anticipated during the forecast period. In addition, enacted tax modernization legislation to eliminate the Charter Tax and Business Franchise Registration renewal fees will result in the gradual loss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

The annual appropriated Excess Lottery Transfer to the State General Revenue Fund is expected to be \$127.9 million per year for the forecast period. Most of the forecasted revenue from the ten-year retail liquor establishment license renewal program was collected during FY 2010, and the remainder of forecasted revenue will spread out over a period of up to six years.

The forecast assumes that the Insurance Premiums Tax collections related to medical malpractice insurance premiums will be redirected to the General Revenue Fund beginning in FY 2012. Most of the other taxes, licenses, and fees in this category will have few changes through the forecast period.

- **Accounts for 8.4% of total General Revenue Fund.**

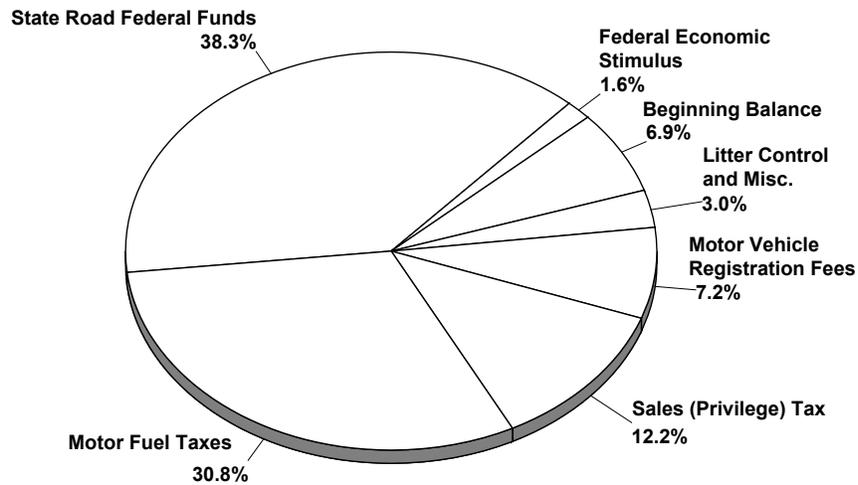
### Other Taxes and Fees (Expressed in Millions)



# State Road Fund

## Sources of Revenue

Fiscal Year 2012  
\$1.236 Billion\*  
(Estimated)



\*Includes Beginning Cash Balance plus FY 2012 Revenue.

## Recommended Expenditures

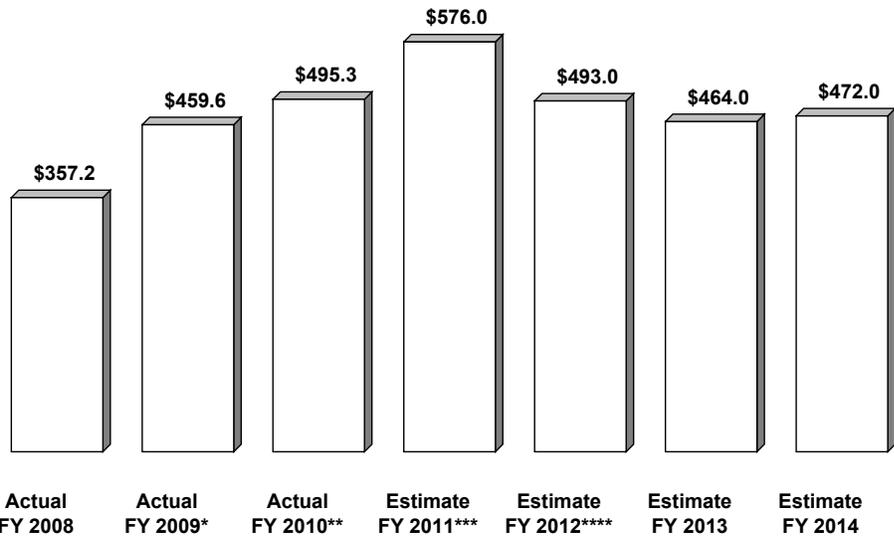
Fiscal Year 2012  
\$1.172 Billion



# 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 \$99.9 million for Federal Economic Stimulus  
 \*\*\*Includes \$80.0 million for Federal Economic Stimulus  
 \*\*\*\*Includes \$20.0 million for Federal Economic Stimulus

# Motor Fuel Taxes

## Motor Fuel Excise Tax

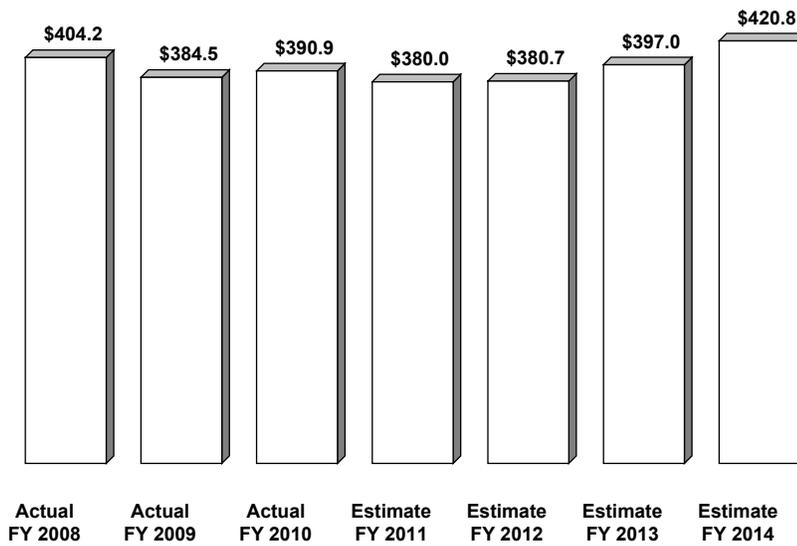
- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to five percent of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from 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 \$0.117 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 Tax

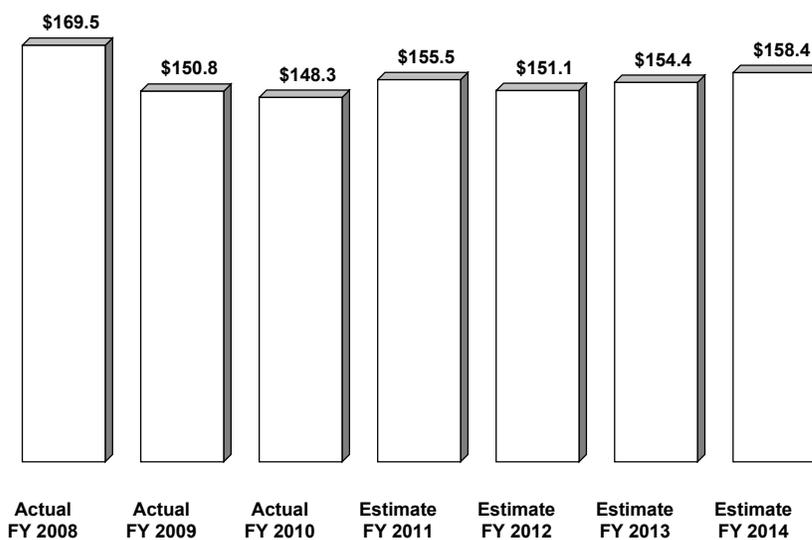
(formerly Privilege Tax)

The Sales Tax is imposed for obtaining the certificate of title on a vehicle at the time of purchase or lease.

- Tax amounts to five percent of the value of the vehicle at the time of such certification.
- Accounts for 13.0% of the total State Road Fund.

## Sales (Privilege) Tax

(Expressed in Millions)

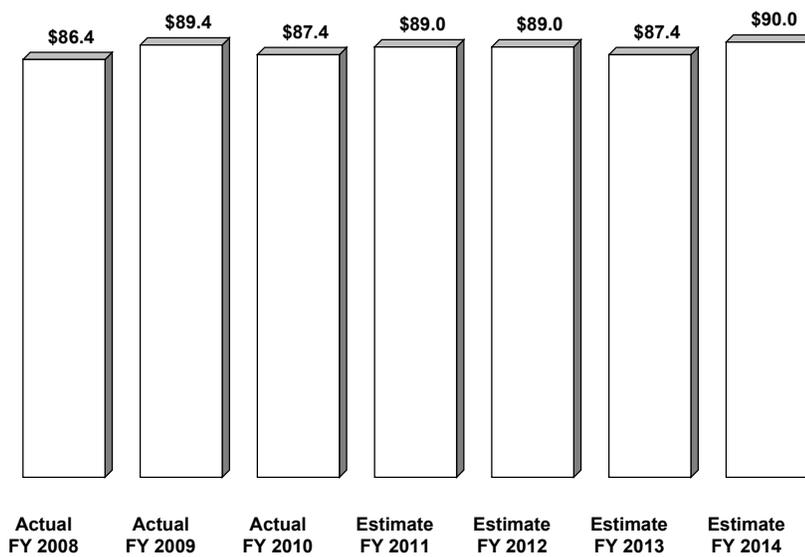


State Road Fund  
**Registration Fees**

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

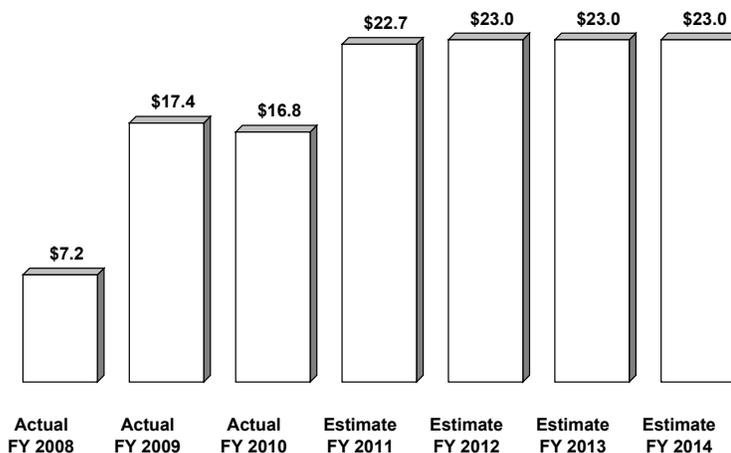
West Virginia Lottery gross revenue (including Historic Resort Hotel revenues) decreased 2.0% in FY 2009 and 9.0% in FY 2010. The decrease is primarily the result of increased competition in neighboring states and the downturn in the overall economy. Gross revenues include ticket sales of on-line and instant games, Racetrack Video Lottery, Limited Video Lottery revenue, Table Games, And Historic Resort Hotel revenues. (On April 10, 2009, Senate Bill 575 took effect, allowing for video lottery and table games at licensed historic resort hotels. Voters in Greenbrier County passed a local referendum in November 2008.) Correspondingly, net revenue decreased by 3.9% and 7.7% for FY 2009 and FY 2010, respectively. Racetrack Video Lottery decreased by 5.5% during FY 2009 and 12.0% percent during FY 2010. Limited Video Lottery increased by 0.2% in FY 2009 and decreased by 3.7% in FY 2010.

The official estimate for FY 2011 reflects an increase in gross revenue of five percent from the prior year. Racetrack Video Lottery is projected to increase five percent, and Limited Video Lottery is projected to decrease four percent due to increased competition in bordering states. On-line sales are projected to increase by 1.6%, and instant ticket sales are projected to increase by three percent. Table Games is 100% statutorily distributed and should provide \$22.14 million in net revenue to the State's Debt Reduction Fund. Historic Resort Hotel revenues is 100% statutorily distributed and should provide \$509,000 in net revenue to the State's Debt Reduction Fund and \$1.7 million to the State's General Revenue Fund.

The gross revenue estimate for FY 2012 and FY 2013 is expected to have a five percent and two percent decrease, respectively. On-line game sales are projected to decrease by 1.5% in FY 2012 and remain level for FY 2013. Instant game sales are projected to increase by 1.0% in FY 2012 and remain level for FY 2013. Racetrack Video Lottery revenue is projected to decrease 8.8% in FY 2012 and decrease 3.5% in FY 2013. Limited Video Lottery revenue is expected to decrease one percent in FY 2012 and remain level for FY 2013. Table Games should provide \$22.5 million in net revenue to the State's Debt Reduction Fund in FY 2012 and FY 2013. Historic Resort Hotel revenues games should provide \$509,000 to the State's Debt Reduction Fund in FY 2012 and FY 2013 and provide \$1.7 million to the State's General Revenue Fund for both FY 2012 and FY 2013.

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)



# West Virginia Lottery

## Sources of Revenue

Fiscal Year 2012  
\$504.2 Million \*  
(Estimated)

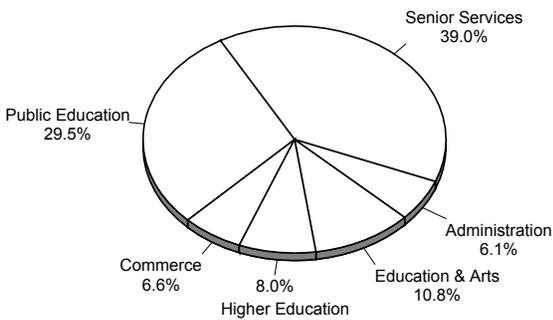


\* Does not include beginning cash balance.

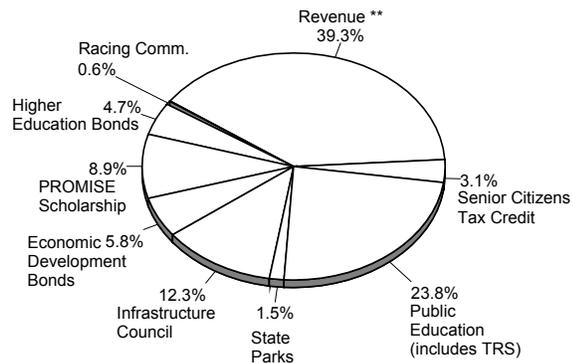
## Recommended Expenditures

Fiscal Year 2012  
\$489.0 Million

**Lottery Fund**  
\$163.8 Million

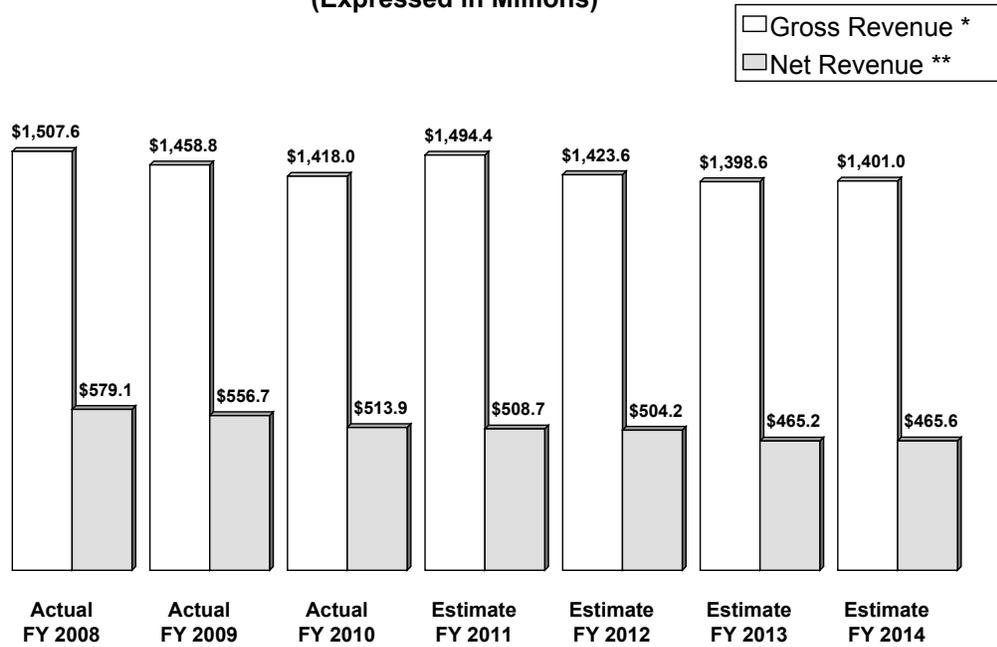


**Excess Lottery Fund \***  
\$325.2 Million



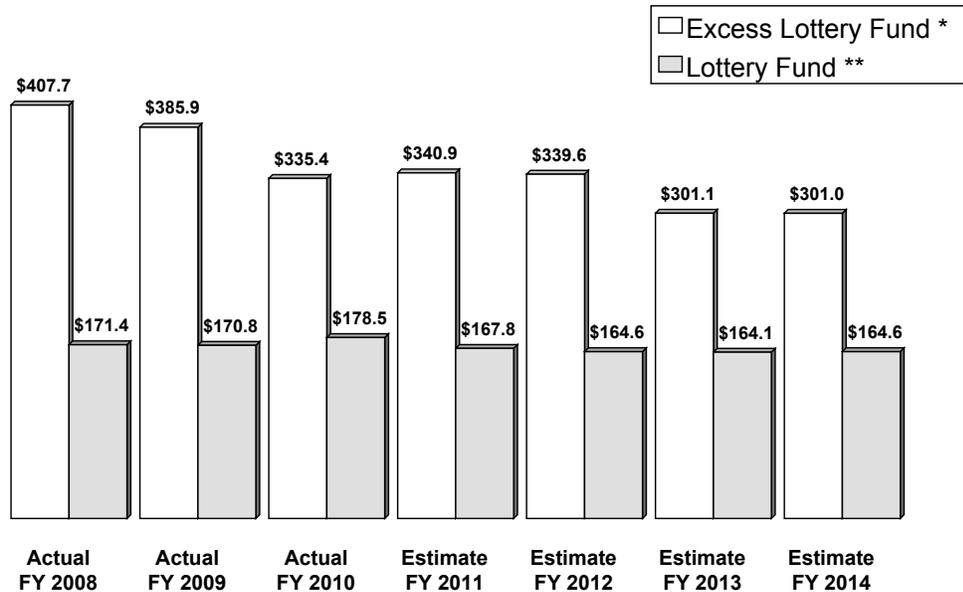
\* Expenditures include FY 2012 revenues and beginning balance.  
\*\* Transfer to General Revenue Fund.

### 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 Hotel revenues.  
 \*\* Includes \$800,000 for Veterans Lottery Fund.

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

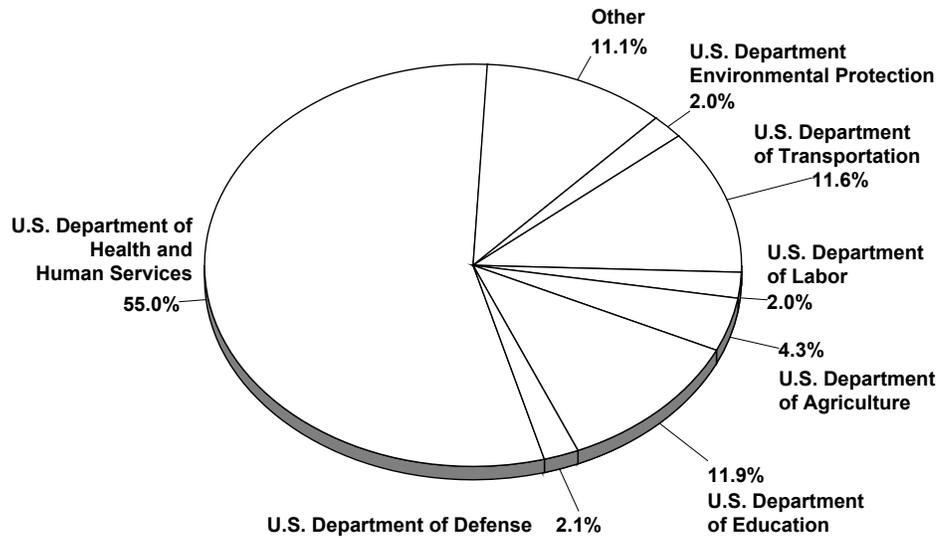


\* Includes \$30 million for catastrophic events and cash flow which is not available for appropriation.  
 \*\* Includes \$800,000 for Veterans Lottery Fund.

# Federal Funds

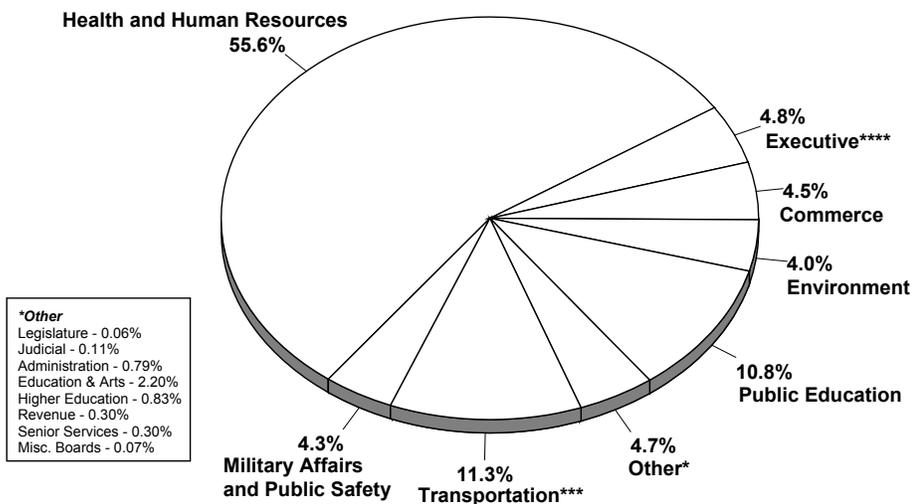
## Sources of Revenues

Fiscal Year 2012  
\$4.760 Billion  
(Estimated)



## Recommended Expenditures\*\*

Fiscal Year 2012  
\$4.789 Billion



**\*Other**  
 Legislature - 0.06%  
 Judicial - 0.11%  
 Administration - 0.79%  
 Education & Arts - 2.20%  
 Higher Education - 0.83%  
 Revenue - 0.30%  
 Senior Services - 0.30%  
 Misc. Boards - 0.07%

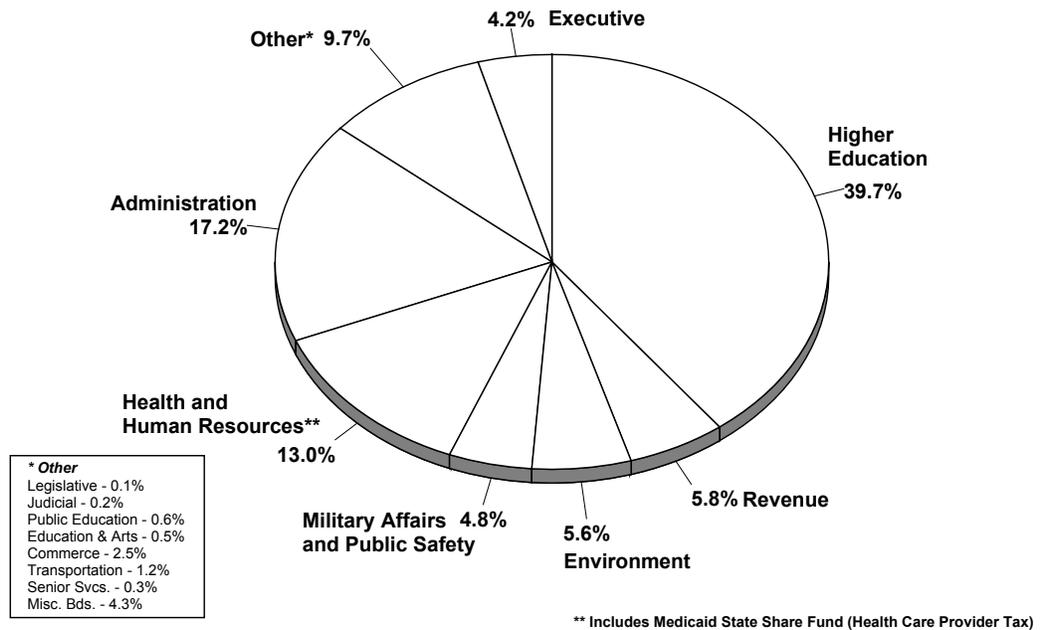
\*\* Expenditures include FY 2012 revenues and beginning balances.  
 \*\*\*Includes Federal Funds that are appropriated as part of the State Road Fund.  
 \*\*\*\*Includes Education Stabilization and Ed Jobs funds.

# 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 2012 \$3.81 Billion



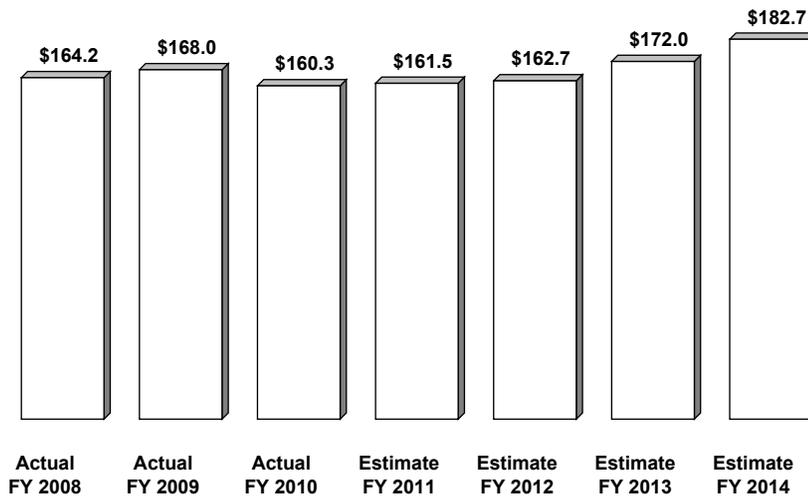
# Medicaid State Share Fund

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 \$2.57 billion in FY 2010 (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 76% of the Medicaid Program in West Virginia through a match of roughly \$3 per every \$1 of State funds appropriated for the program. The American Recovery and Reinvestment Act of 2009 increased the ratio to roughly \$4 per every \$1 of State funds between October 2008 and December 2010. Subsequent federal legislation extended the higher matching rate and provided for a gradual return to the previous \$3 to \$1 ratio. In FY 2010, the Medicaid State Share Fund generated nearly \$160 million or roughly 24% of the State matching funds for the Medicaid Program. Based upon long-term trends, Medicaid Program costs are rising by approximately 11% per year while General Revenue Fund collections are increasing by an average of roughly three to four percent per year.

Legislation enacted in 2001 phased out various individual provider taxes over a ten-year period with full phase-out as of July 1, 2010. The legislative change had anticipated a roughly one-third reduction in total provider tax collections. However, even with the phase-out of tax on certain provider groups, increases in utilization and gross receipts (as it related to other taxed provider groups) provide some net growth in overall tax collections. As of July 1, 2011, the tax applies to services of ambulatory surgical centers, independent laboratory and x-ray facilities, inpatient and outpatient hospitals, intermediate care facilities for mentally handicapped, nursing homes, and behavioral health centers.

- **1.75% to 5.50% tax on gross receipts from various medical service providers in West Virginia.**
- **Accounts for 24% 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 either the ultimate user of the proceeds of the bonds is the State or any of its agencies, boards, commissions, or departments or the issuance or refunding of the bonds implicates the State's credit rating.

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

## Ratings and Ratios

As of June 30, 2010, West Virginia's general obligation bond rating was Aa2/AA/AA by Moody's Investors Service, Standard & Poor's, and Fitch Ratings respectively. Subsequent to June 30, 2010, Moody's upgraded the State's rating to Aa1 which is only one "notch" below the highest possible rating of Aaa (triple-A). The upgrade was revealed by Moody's in a July 9, 2010, rating report in conjunction with the State's issuance of General Obligation refunding bonds. According to the report, the upgrade was given because of the State's ". . . ongoing trend to fiscal conservatism and favorable General Fund financial performance. . .". The report detailed the credit strengths of the State, which included a trend of fiscal conservatism evidenced by healthy GAAP balances; a Budget Reserve Fund of more than 15% (which provides the state with a cushion during periods of weakened revenue); and strong executive power to make midyear spending adjustments.

In May 2010, Moody's released its "2010 State Debt Medians Report" which compares states on various debt ratios. At the time of this report, West Virginia was rated Aa2; therefore the following tables compare West Virginia with other states of that same rating. These states, of course, differ from West Virginia in their fiscal composition, debt issuance practices, population, income levels, and other economic indicators. However, a comparison of debt ratios demonstrates that West Virginia is within the moderate range of these key indicators as shown.

## Debt Summary

**Net Tax Supported Debt as a Percentage of Personal Income and Per Capita  
of Similarly Rated States (Rated Aa2 by Moody's Investors Service)  
(taken from Moody's Investors Service, 2010 State Debt Medians, May 2010)**

<u>% of Personal Income</u>		<u>Per Capita</u>	
Oklahoma	1.6%	Oklahoma	\$570
Michigan	2.1%	Arizona	\$736
Maine	2.2%	Michigan	\$748
Arizona	2.3%	Maine	\$760
West Virginia	3.5%	West Virginia	\$1,079
Louisiana	3.6%	Louisiana	\$1,271
Wisconsin	4.6%	Mississippi	\$1,478
Mississippi	5.0%	Wisconsin	\$1,720
Rhode Island	5.2%	Rhode Island	\$2,127
New York	6.5%	New York	\$3,135
New Jersey	7.2%	New Jersey	\$3,669
Connecticut	8.7%	Connecticut	\$4,859

### 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 polices 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

## *Debt Summary*

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.

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

*Debt Summary*

# General Obligation Bonds

General obligation bonds pledging the full faith and credit of the State may be authorized only by constitutional amendment. Each amendment must be approved by two-thirds of both houses of the Legislature before submission to the voters. Enabling legislation is then required for amendments receiving voter approval. As of June 30, 2010, \$599,656,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

### General Obligation Bonds Outstanding June 30, 2010

Amendment	Principal Outstanding June 30, 2010 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$260,141	First \$24 million of Severance Tax
Safe Roads Amendment of 1996	(net) \$339,515	Road Fund

### General Obligation (GO) Debt Various Ratios as of June 30th

Ratio	2008	2009	2010	Notes for June 30, 2010, Ending (figures listed in thousands)
GO Debt Service as a percent of the General Revenue Fund (GRF)	1.9%	1.9%	1.9%	GO Debt Service of \$76,513 GRF of \$3,901,552
GO Debt as a percent of Personal Income (PI)	1.3%	1.1%	1.0%	GO Debt of \$599,656 PI of \$55,941,000
GO Debt per Capita	\$375	\$353	\$329	GO Debt of \$599,656 Population of 1,819

## Issued General Obligation Bonds

### 1950 Veterans Bonus Amendment

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

### 1956 Korean Veterans Bonus Amendment

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

*Debt Summary*  
**General Obligation Bonds**

**1972 Better School Building Amendment**

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

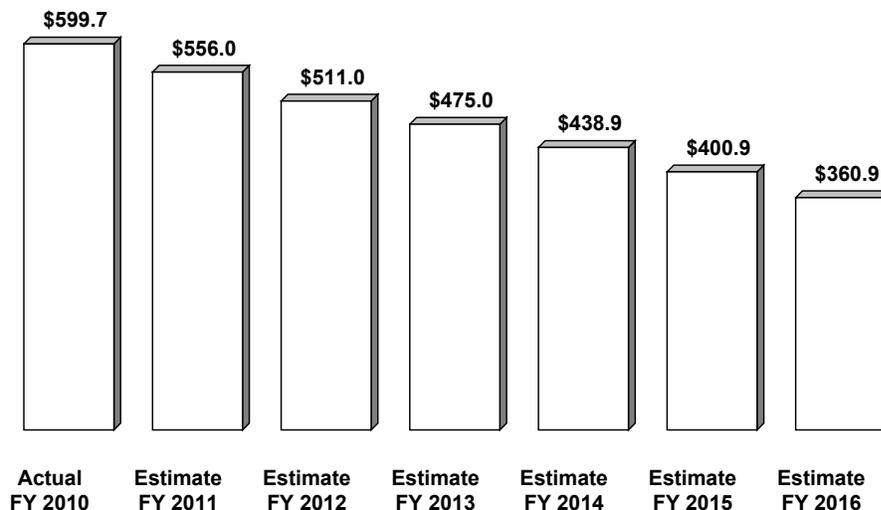
**1973 Better Highways Amendment**

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

**1994 Infrastructure Improvement Amendment**

The 1994 amendment authorized \$300 million in general obligation bonds for construction, repair, and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction, and improvement of economic development sites. Severance taxes have been dedicated to fund repayment of the bonds. Enabling legislation was enacted in 1995. Litigation challenging the passage of the amendment was decided on December 14, 1995, by the West Virginia Supreme Court of Appeals validating the amendment. The initial issue of \$60 million was sold May 22, 1996, and the second issue of \$57 million was sold December 10, 1996. An issuance of approximately \$92 million occurred in February 1998. The final issue of approximately \$91 million was issued in May 1999, 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 2010 - 2016**  
**As of June 30, 2010**  
**(Expressed in Millions)**



## *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, 2010 was \$ 260,141,000 (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, 2010, \$339,515,000 (net of advance refunded bonds) were outstanding. The bonds will be fully retired by 2025.

Subsequent to June 30, 2010, the State priced a bond issue which refunded more than \$37 million of previously issued Safe Road General Obligation Bonds. The bonds were issued at a true interest cost of 3.16% which provided a net present value savings of more than \$4 million.

#### ***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, 2010 (Expressed in Thousands)

	<u>Final Maturity Date</u>	<u>Interest Rate(s) %</u>	<u>06/30/10 Balance</u>
<b>Road Bonds</b>			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment (net)	2025	4.25 - 5.00	339,515
SUBTOTAL			339,515
 <b>Infrastructure Bonds</b>			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	4.25 - 7.625	260,141
TOTAL			\$599,656

### Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2010, were as follows (expressed in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Amount to be accrued</b>	<b>Total</b>
2011	47,173	25,724	117	73,014
2012	48,937	23,617	458	73,012
2013	39,377	21,450	808	61,635
2014	39,105	19,759	1,135	59,999
2015	40,520	18,055	1,440	60,015
2016-2020	168,894	65,248	12,011	246,153
2021-2025	181,679	29,111	21,876	232,666
2026-2030	33,971	1,280	10,779	46,030
<b>TOTAL</b>	<b>\$599,656</b>	<b>\$204,244</b>	<b>\$48,624</b>	<b>\$852,524</b>

## **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, 2010. 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 between participating tobacco product manufacturers, 46 states, and six other U.S. jurisdictions. In June 2007, the authority issued \$1.1 billion (accrued value) in two different series of bonds that are anticipated to mature in 2029. The proceeds of the first two series of bonds were directed to the West Virginia Teachers' Retirement System. At June 30, 2010, the principal outstanding on the bonds totaled \$868 million.

### **West Virginia Commissioner of Highways**

In October 2006, April 2007, and March 2009, the commissioner of highways issued special obligation notes in the form of Grant Anticipation Revenue Vehicles or GARVEEs, as they have become known. The issuance of GARVEEs requires that a highway project be approved as a federal-aid debt-financed (bond, certificate, note, or other debt instrument) project in order to receive payments for eligible debt-related costs. Once a project is selected for bond financing, the project is submitted to the Federal Highway Administration for approval as an advance construction project. The advance construction designation will ensure that the project follows federal-aid procedures and will preserve the eligibility to reimburse debt-related costs with future federal-aid funds. At June 30, 2010, the principal outstanding on the three series of notes totaled \$144 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, 2010, \$121 million were outstanding.

### **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, 2010, approximately \$8 million was outstanding. All of the bonds matured on July 1, 2010.

## *Debt Summary* *Revenue Bonds*

### **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, 2010, \$199 million were outstanding.

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

The School Building Authority Capital Improvement Revenue bonds which utilize General Revenue appropriations for repayment consists of two refunding issuances. The principal outstanding on these bonds totaled \$201 million as of June 30, 2010. No “new money” bonds may be issued utilizing General Revenue appropriations for repayment.

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

The West Virginia School Building Authority was the first West Virginia state agency to issue bonds backed by revenues from the West Virginia Lottery. The first Lottery Revenue Bonds were issued in 1994 in the amount of \$135.6 million. Those bonds matured in 2004. The School Building Authority then issued another series of bonds in 2004 which will mature in FY 2015. The principal outstanding on these Lottery Bonds was \$72 million at June 30, 2010.

During FY 2009, the School Building Authority issued \$102.1 million in revenue bonds which were backed by certain funds from the Excess Lottery Revenue Fund. The principal outstanding on these bonds totaled \$99 million as of June 30, 2010. Two additional series of Excess Lottery Revenue Bonds were issued during FY 2010 as qualified school construction bonds (QSCBs), which are federal tax credit bonds. This means that in lieu of receiving interest, purchasers of the bonds receive a tax credit in the amount established by the Internal Revenue Service. The School Building Authority will only be repaying the principal on the bonds, not any interest. The principal outstanding on all QSCBs which are backed by the West Virginia Excess Lottery Revenue Fund was \$78 million (net of debt service sinking funds). Subsequent to June 30, 2010, the School Building Authority issued \$97 million of Excess Lottery Revenue Bonds of which \$72 million were issued as QSCBs.

*Debt Summary*

## Revenue Bonds

### Summary of Debt Service Requirements Outstanding at June 30, 2010 (Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2002 & 2007	2022	3.75-5.00	201,045
School Building Authority (Lottery)	2004	2014	5.00-5.25	71,715
School Building Authority (Excess Lottery)	2008	2028	3.00-5.25	99,310
School Building Authority QSCBs (Excess Lottery)	2009	2024 & 2026	0	78,200
Tobacco Settlement Finance Authority*	2007	2047	7.467-8.5	887,373
Highways, Commissioner of	2006-2009	2015	4.00-5.00	144,315
WV Infrastructure and Jobs Development Council	2003-2007	2045	3.00-5.00	120,565
Education, Arts, Sciences, and Tourism Fund (Lottery)	1997	2011	5.25	7,690
Economic Development Authority (Lottery)	2004	2026	3.57-6.07	198,590
Subtotal				1,808,803
Less:				
School Building Authority Debt Service Reserve Fund				(23,021)
School Building Authority Debt Service Reserve Fund (Lottery)				(14,180)
School Building Authority Debt Service Sinking Fund - QSCBs (Excess Lottery)				(3,566)
Economic Development Authority Debt Service Reserve Fund (Lottery)				(18,990)
Net revenue bonds outstanding				<u>\$1,749,046</u>

#### Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2010, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Amount to be accrued	Total
2011	92,071	99,466	7,279	198,816
2012	90,152	95,123	7,911	193,186
2013	94,852	90,579	8,598	194,029
2014	100,052	85,695	9,344	195,091
2015	96,422	80,699	10,155	187,276
2016-2020	368,501	340,466	65,632	774,599
2021-2025	358,361	237,440	99,509	695,310
2026-2030	369,289	116,413	150,872	636,574
2031-2035	121,690	14,797	166,613	303,100
2036-2040	107,868	4,955	53,286	166,109
2041-2045	8,655	1,189	0	9,844
2046-2050	890	21	0	911
	<u>\$1,808,803</u>	<u>\$1,166,843</u>	<u>\$579,199</u>	<u>\$3,554,845</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:

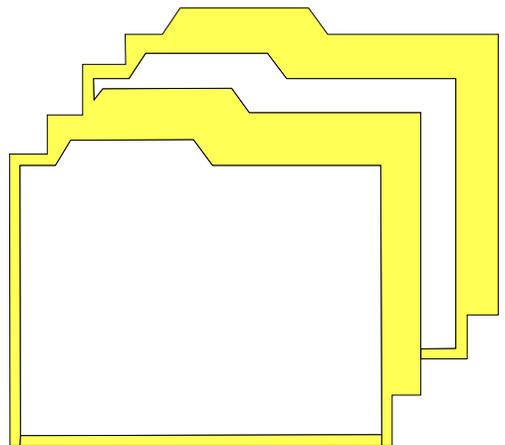
- The lease transfers ownership of the leased asset at the end of the lease term.
- The lease terms and conditions contain a bargain purchase option which allows the state to buy the leased asset for substantially less than the estimated value of the leased item.
- The term of the lease is 75% or more 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 \$336 million at June 30, 2010.



# 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 2012, the "current level" is defined as 100% of the FY 2011 base budget for the General Revenue Fund and Regular Lottery fund appropriation.

## 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, Other Postemployment Benefits (OPEB), 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), additional transfers to General Revenue to support the ongoing operations of the General Revenue Fund (which had included an FY 2002 pay raise), and additional items as may be appropriated by the Legislature.

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

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

## F

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

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

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

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

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

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

## G

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

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

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

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

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

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

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

## I

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

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

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

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

## L

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

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

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

## M

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

## N

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

## O

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

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

**Operations** - As used in the agency 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 emergencies such as natural disasters. Additional details are located in the Financial Statements 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 Financial Statements 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, Division of Motor Vehicles, and Office of Administrative Hearings. All federal funds received for road construction, reconstruction, and maintenance are also deposited into and become part of the State Road Fund.

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

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

## 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
AFRC	Armed Forces Reserve Center
AIDS	Acquired immunodeficiency syndrome
AP	Advanced Placement
ARC	Appalachian Regional Commission
ARRA	American Recovery and Reinvestment Act of 2009
ATM	Asynchronous transfer mode
	Automated teller machine
ATV	All-terrain vehicle

## B

B&O	Business and Occupation
bbl	Barrel
BCSE	Bureau for Child Support Enforcement
BHHF	Behavioral Health and Health Facilities
BLS	Bureau of Labor Statistics
BMPs	Best management practices
BMRC	Biomedical Research Center
BMS	Bureau for Medical Services
BRFSS	Behavior Risk Factor Survey
BRIM	Board of Risk and Insurance Management
BTI	West Virginia Board of Treasury Investments

## C

CAC	Creative Arts Center
CAFR	Comprehensive Annual Financial Report
CAFO	Concentrated animal feeding operations

CAPS	Cooperative Agricultural Pest Survey
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
CHIP	Children's Health Insurance Program
CJSAC	Criminal Justice Statistical Analysis Centers
CLE	Continuing Legal Education
COG	Continuity of government
CON	Certificate of Need
COOP	Continuity of operations plan
COPS	Community-oriented policing services
CPD	Center for Professional Development
CPI	Consumer Price Index
CPRB	Consolidated Public Retirement Board
CPS	Child Protective Services
CPTED	Crime prevention through environmental design
CPU	Central processing unit
CRTS	Coal Resource Transportation System
CSR	Code of State Regulations
CTC	Community and Technical College
CTE	Career and technical education
CTO	Chief technology officer
CV	Crime victims
CVISN	Commercial Vehicles Information Systems Network
CWSRF	Clean Water State Revolving Fund
CY	Calendar year

## D

DARE	Drug Abuse Resistance Education
DASD	Direct access storage device
DCJS	Division of Criminal Justice Services
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

## Appendix B/Glossary of Acronyms

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

FEMA ..... Federal Emergency  
                   Management Agency  
 FFY ..... Federal fiscal year  
 FHWA ..... Federal Highway Administration  
 FLEP ..... Stewardship and Forest Land  
                   Enhancement Program  
 FLOW ..... Future Leaders of Watershed  
 FMAP ..... Federal Medical Assistance Percentage  
 FMRS ..... Fayette, Monroe, Raleigh,  
                   Summers counties  
 FOIA ..... Freedom of Information Act  
 FPL ..... Federal Poverty Level  
 FPY ..... Federal program year  
 FRN ..... Family Resource Network  
 FSIS ..... Food Safety and Inspection Service  
 FTA ..... Federal Transit Administration  
 FTE ..... Full-time equivalent  
 FY ..... Fiscal year

### E

E & G ..... Education and General  
 EAST ..... Education, Arts, Science, and Tourism  
 EBA ..... Educational Broadcasting Authority  
 EDA ..... Economic Development Authority  
 EDGE ..... Earn A Degree-Graduate Early  
 EEO ..... Equal employment opportunity  
 EEOC ..... U.S. Equal Employment  
                   Opportunity Commission  
 EFT ..... Electronic fund transfers  
 EHR ..... Electronic Health Records  
 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

### G

GAAP ..... Generally accepted accounting principles  
 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  
 GRDAC ..... Gus R. Douglas Agricultural Center  
 GPS ..... Global positioning satellite system  
                   ..... Global positioning system  
 GRF ..... General Revenue Fund  
 GSD ..... General Services Division  
 GSP ..... Gross State Product

### F

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

### 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  
 HRIS..... Human Resource Information System  
 HRSA..... Health Resources and Services  
 Administration  
 HSC..... Health Science Center  
 HSIPR..... High-Speed Intercity Passenger Rail  
 HSTW..... High Schools That Work  
 HUD..... U.S. Housing and Urban Development  
 HVAC..... Heating, ventilation, and air-  
 conditioning

### I

ID..... Identification  
 IDEA..... Individuals with Disabilities Education  
 Act  
 I-DOC..... A payment made in the form of a  
 check  
 IEP..... Individual education plan  
 IFLOWS..... Integrated Flood Observing and Warning  
 System  
 IFTA..... International Fuel Tax Agreement  
 IMCinROADS..... Information Network for Resident On-  
 line Access and Delivery of Services  
 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

JFHQ..... Joint facilities headquarters  
 JRS..... Judges Retirement System

### K

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

### L

LAN..... Local area network  
 LATA..... Local access transport area  
 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 company  
 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  
 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  
 NAICS.....North American Industry  
 Classification System  
 NCIC.....National Crime Information Center  
 NCLB.....No Child Left Behind  
 NEA.....National Endowment for the Arts  
 NHS.....National Highway System  
 NHTSA.....National Highway Traffic  
 Safety Administration  
 NMVTIS.....National Motor Vehicle Title  
 Information System  
 NOAA.....National Oceanic and Atmospheric  
 Administration  
 NPDES.....National Pollutant Discharge  
 Elimination System  
 NPS.....Nonpoint pollution source  
 NRAO.....National Radio Astronomy Observatory

PDF.....Portable document format  
 PDS.....Public Defender Services  
 PDL.....Preferred drug list  
 PDS.....West Virginia Public Defender Services  
 PEIA.....Public Employees Insurance Agency  
 PERD.....Performance Evaluation and Research  
 Division (section of the West Virginia  
 Legislative Auditor’s Office)  
 PERS.....Public Employees Retirement System  
 PI.....Personal income  
 PICF.....Patient Injury Compensation Fund  
 PIMS.....Position Information  
 Management System  
 P.L.....Public Law  
 PLC.....Public Land Corporation  
 PM 2.5.....Particulate matter less than 2.5 microns  
 in diameter  
 PPOD.....Pollution Prevention and Open Dump  
 Cleanup  
 PROMISE.....Providing Real Opportunities for  
 Maximizing In-State Student Excellence  
 PSC.....Public Service Commission  
 .....Potomac State College  
 PY.....Program year

**O**

OAH.....Office of Administrative Hearings  
 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  
 OMB.....U.S. Office of Management and Budget  
 OMHS&T.....Office of Miners’ Health Safety  
 and Training  
 OPEB.....Other postemployment benefits  
 OSHA.....Occupational Safety and  
 Health Administration  
 OT.....Office of Technology

**Q**

QSCBs.....Qualified school construction bonds

**R**

**P**

PAI.....Prosecuting Attorney’s Institute  
 PASS.....Partnerships to Assure Student Success  
 PBS.....Public Broadcasting Service  
 P-card.....State purchasing card  
 PC.....Personal computer  
 PCP.....Primary care physician/provider  
 PCR.....Polymerase chain reaction  
 PD.....Public defender

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

## Appendix B/Glossary of Acronyms

### S

SAFETEA .....	Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003
SAFETEA-LU .....	Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users
SAS 70 .....	Statement on Audit Standards No. 70
SB .....	Senate Bill
SBA .....	School Building Authority
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
SLA .....	Service level agreements
SME .....	Society of Manufacturing Engineers
SOP .....	Standard operating procedures
SRA .....	State Rail Authority
SREB .....	Southern Regional Education Board
SRIC .....	Snow removal and ice control
SSI .....	Supplemental Security Income
SSDI .....	Social Security Disability Insurance
STARBASE .....	Science and Technology Academics Reinforcing Basic Aviation and Space Exploration
STD .....	Sexually transmitted disease
STEM .....	Science, technology, engineering and math
STS .....	Slow the Spread
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

### 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
USDA-FSIS .....	Food Safety and Inspection Service
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
VISTA .....	Vendor Inquiry System to the Auditor
	Volunteers in Service to America
VITA .....	Volunteer Income Tax Assistance
VOI/TIS .....	Violent offender incarceration/Truth in sentencing
VoIP .....	Voice over Internet Protocol
VPN .....	Virtual private network

### W

WCF .....	Workers' Compensation Fund
WDA .....	Water Development Authority
WESTEST 2 .....	West Virginia Educational Standards Test, version from 2009
WIA .....	Workforce Investment Act
WIC .....	Women, Infants, and Children

Appendix B/Glossary of Acronyms

Y

WIP .....	Watershed Implementation Plan	
WISER .....	World Institute for Strategic Economic Research	
WMA.....	Wildlife management area	
W.Va. ....	West Virginia	YTD ..... Year to Date
WV .....	West Virginia	
WV REDI.....	West Virginia Responder Emergency Deployment Information System	
WV WORKS.....	West Virginia’s welfare reform initiative	
WVABCA.....	West Virginia Alcohol Beverage Control Administration	
WVaPR.....	West Virginia Public Radio	
WVCA.....	West Virginia Commission on the Arts ..... West Virginia Conservation Agency	
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	