

**State of
West Virginia**

**Executive Budget
Fiscal Year 2016**

**Volume I
Budget Report**



**Earl Ray Tomblin
Governor**



*State of West Virginia
Earl Ray Tomblin
Governor*

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January 14, 2015

To the Members of the 82nd 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, 2016. It details a complete plan for proposed expenditures and estimated revenues for the fiscal year. The document includes statements of the following:

- 1) Bonded Indebtedness of the State of West Virginia;
- 2) Cash and investment balances of all funds of the State of West Virginia;
- 3) Revenues for all funds of the State of West Virginia; and
- 4) Revenues, expenditures, and changes in fund balances for Fiscal Year 2016.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,321,576,000; for the Lottery Fund of \$136,326,000; for the State Excess Lottery Revenue Fund of \$300,381,000; for the State Road Fund of \$1,174,391,708; for Appropriated Special Revenue funds of \$1,890,101,895; for Appropriated Federal funds of \$4,705,613,432; for Nonappropriated Federal funds of \$110,498,480; and for Nonappropriated Special Revenue funds of \$10,080,860,098, for a grand total of \$22,719,748,613.

I look forward to working with the 82nd 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, 2014

A handwritten signature in black ink, appearing to read "Jeffrey P. Evans".

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, 2014.

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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Table of Contents

<i>Governor's Transmittal Letter</i>	<i>i</i>
<i>GFOA Distinguished Budget Presentation Award</i>	<i>ii</i>
<i>State Budget Office Staff</i>	<i>iii</i>
<i>Table of Contents</i>	<i>iv</i>
<i>Reader's Guide to the Executive Budget</i>	<i>v</i>
<i>State of West Virginia Organizational Chart</i>	<i>vi</i>
 EXECUTIVE SUMMARY	
Governor's Executive Message	1
Six Year Financial Plan	8
 FINANCIAL STATEMENTS	
Financial Statements	21
<i>Where the State Dollar Comes From</i>	22
<i>Where the State Dollar Goes</i>	23
<i>Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds</i>	24
<i>Cash and Investment Balances of All Funds</i>	30
<i>Detailed Investments Fund 13</i>	31
<i>General Revenue Fund/Statement of Revenues by Source</i>	32
<i>General Revenue Fund/Statement of Revenues, Expenditures and Changes in Cash Balance</i>	33
<i>General Revenue Fund/Overview by Functional Category</i>	34
<i>General Revenue Fund/Recommended Surplus Supplemental Appropriations</i>	42
<i>General Revenue Major Statutory and Nondiscretionary Requirements</i>	43
<i>Lottery Fund/Overview by Functional Category</i>	44
<i>Lottery Fund/Statement of Revenues, Expenditures, and Changes in Cash Balance</i>	46
<i>Excess Lottery Fund/Statement of Revenues, Expenditures, and Changes in Cash Balance</i>	47
<i>Excess Lottery Fund/Overview by Functional Category</i>	48
<i>State Road Fund/Statement of Revenues by Source</i>	50
<i>State Road Fund/Statement of Revenues, Expenditures, and Changes in Cash Balance</i>	51
<i>Summary of Primary Government Long-Term Debt</i>	52
<i>Major Reserve/Stabilization Accounts</i>	53
 BUDGET PLANNING	
Long-Range Issues	55
Budget Overview	65
Human Resources	75
 REVENUE SOURCES	
Revenue Sources	87
General Revenue Fund	94
State Road Fund	102
West Virginia Lottery	107
Federal Funds	110
Special Revenue Funds	111
 DEBT SUMMARY	
Debt Summary	113
 ECONOMIC FORECAST	
Executive Summary	125
 APPENDICES	
Glossary	129
Glossary of Acronyms	134

Reader's Guide to the Executive Budget

The Executive Budget

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

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

The budget is presented in four separate documents:

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

Volume I Budget Report contains:

“Executive Summary”

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

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

“Budget Planning”—items such as:

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

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

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

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

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

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

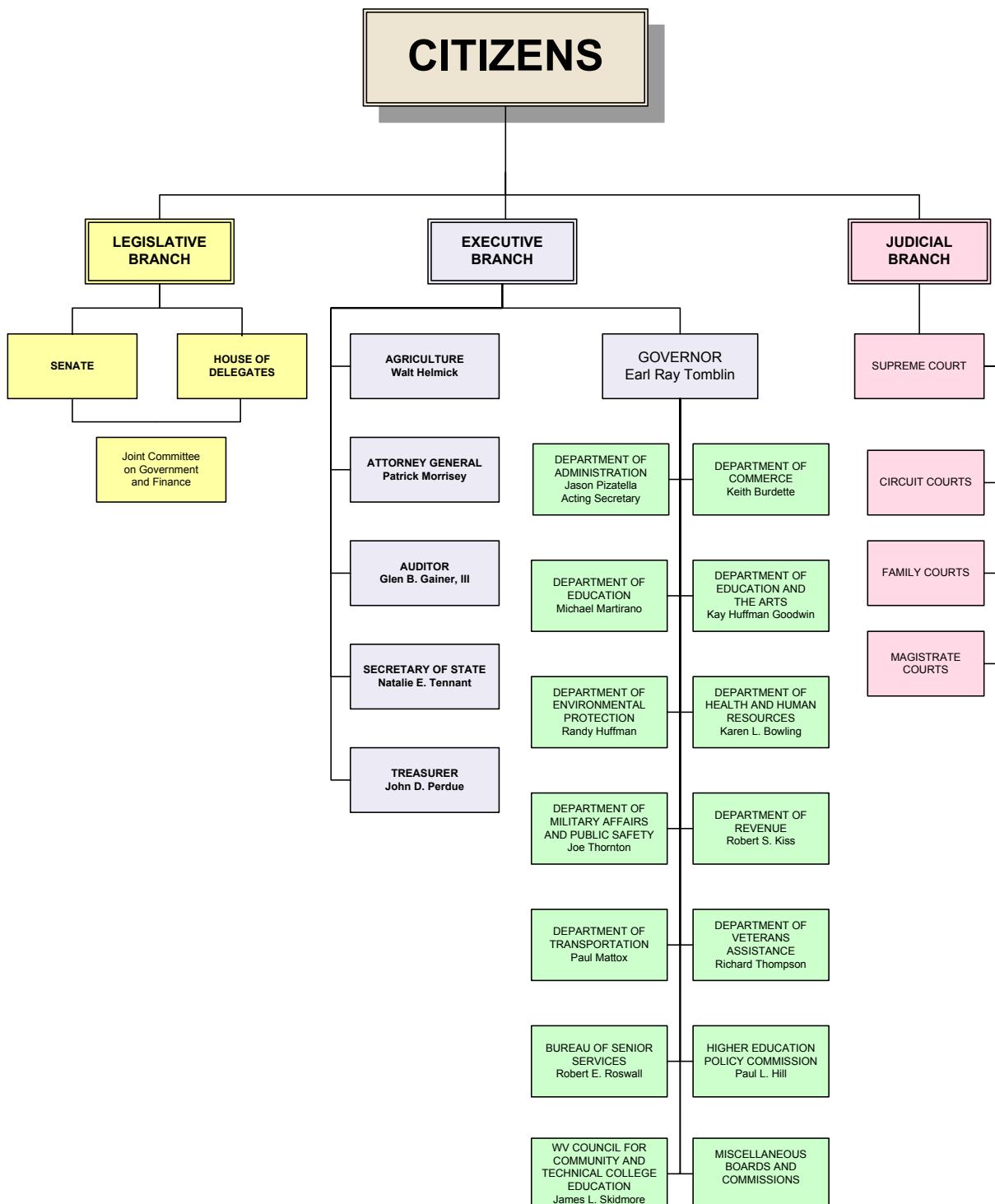
“State Profile”—presents relevant historical, statistical, geographical, demographical, and interesting information about West Virginia

“Capital Projects”—projects/programs currently budgeted in FY 2015, recommended for FY 2016, and projected for FY 2017 through FY 2020

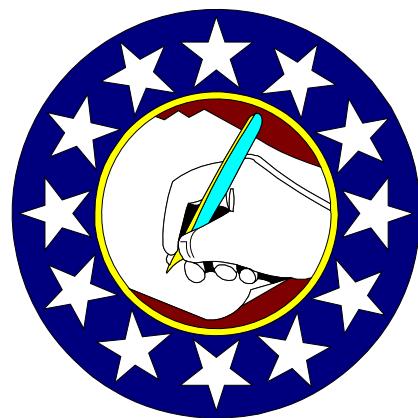
“Appendices”—a glossary of commonly used budgetary terms; a glossary of acronyms

The **Account Detail** provides the detailed budgetary information for FY 2014 Actual expenditures, FY 2015 Budgeted expenditures, FY 2016 Current-Level Request, and the Governor’s FY 2016 Recommendation for all funds.

State of West Virginia Organizational Chart



EXECUTIVE SUMMARY



Governor's Executive Message



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

Forty years ago I joined my fellow Legislators as a young man and a recent college graduate just elected to the House of Delegates and wondered what on earth I had gotten myself into. Armed with little more than a fresh perspective and a passion to make my home state the best it could be, I was eager to take on the challenges we faced as a state and to make West Virginia the greatest place it can be.

Serving our state and her people comes with great responsibility. We must work together—not as Democrats or Republicans—but as West Virginians, for the common good. This is West Virginia, not Washington, and we work together to meet the challenges we face as a state. I remain steadfast in my commitment to work with members of both parties to continue moving the Mountain State forward. Through the years I'm proud of the great progress we have made together. We have improved our business climate, launched meaningful reforms to our education system, addressed our long-term liabilities, and cut taxes for working families and small businesses.

Just two weeks ago we eliminated our state's business franchise tax, not only encouraging employers to continue to invest in our state and her people, but eliminating extra paperwork that made it more difficult to do business here. Eliminating the business franchise tax is just one of the recent steps we've taken to responsibly reduce taxes for employers—progress that continues to encourage investments in West Virginia jobs. This is not the only, or the last, hurdle we have to improve our state's business climate.

Nearly four decades ago our state was in danger of having the heat turned off in the Governor's Mansion because we couldn't pay our bills. We owed billions of dollars in unfunded pension liabilities. Our credit rating was quickly approaching junk bond status, our residents waited months to receive their tax refunds, and doctors weren't being paid for treating patients covered by PEIA.

While we can agree there are challenges that still lie ahead, the state of our state is much different, much BETTER than before.

Governor's Executive Message

We have one of the strongest Rainy Day Funds in the country. We are credited for being one of the most fiscally responsible states in the nation. Our bond ratings were recently reaffirmed—a move that saves our state's taxpayers hundreds of millions of dollars when building schools, roads, and making long-term investments to improve our infrastructure.

We've reformed our workers' compensation system, so businesses operating here pay more reasonable insurance rates and hardworking West Virginians receive the benefits they deserve in a timely manner. This year, businesses in West Virginia saw a reduction in workers' compensation premiums for the tenth consecutive year, a total of more than \$280 million in savings since 2005. We've worked together to make tough decisions and to build consensus. And next year we will pay off the remaining debt from the Old Workers' Compensation Fund. We have come too far and worked too hard to go back on the commitments we made years ago.

In the early 2000s, doctors were threatening to leave the state because of slow payments and unreasonable medical malpractice insurance premiums. We reformed our legal system and created the West Virginia Mutual Insurance Company, which serves as a model for states across the country by providing physicians with good coverage at reasonable and responsible rates. And just three years ago, we rolled up our sleeves to tackle our state's other postemployment benefits (OPEB) debt. While other states were only talking about eliminating debt related to other postemployment benefits, we took bold action. We were the first state in the country to address the concerns of local officials who were terrified of bankruptcy, and we found a way to pay it down in a fiscally responsible manner. Because of these steps, our state's \$5 billion OPEB debt will be paid off without any tax increases.

Responsible actions like workers' compensation reform, medical malpractice reform, and gradual reductions in our business and consumer taxes, help West Virginia employers; protect our residents; and are critical to our continued economic growth. We have worked together to make significant changes to improve our state's legal system, and I resent those who irresponsibly label us a judicial hellhole. Unreasonable and irrational labels drummed up by out-of-state interests do not help our efforts to engage potential investors and strengthen our economy. There is always more work to be done, and we can consider reasonable, responsible reforms to our legal system.

ECONOMIC DEVELOPMENT

We've worked hard to create an environment that allows us to compete for new and expanding businesses—projects like Diamond Electric, which recently relocated its North American headquarters to Putnam County; American Woodmark, which announced a \$30 million expansion project this November in Hardy County; and Sogefi in Wayne County, which has invested tens of millions of dollars in our state, employing hundreds of West Virginians. We look forward to adding Project Ascent, the proposed multibillion dollar ethane cracker in Wood County to this impressive and growing list.

This November, I traveled to Brazil to meet with senior officials from Odebrecht and Braskem to review their continued progress and to chart our next steps moving forward. This type of project will serve as an anchor for new value-added industries and chemical hubs that will be part of a manufacturing renaissance in America. Company officials are pleased with the progress they have made over the past year, and the tremendous welcome they've received from the number of West Virginians who have touched this project in one way or another. Our recent mission allowed us to demonstrate our firm commitment to bring this facility to the Mountain State. I am more confident than ever that this investment will usher in an era of unprecedented growth for our entire region.

Governor's Executive Message

In 2011, we were the first state to pass comprehensive legislation regulating the drilling of Marcellus Shale, and since then we've taken significant steps to ensure we remain the center of the Marcellus and Utica shale boom and help shape the future of this energy sector here at home. Companies are investing billions of dollars in our state to support the production, processing, and transportation of natural gas and are creating a number of new opportunities to develop these rich deposits. Southwestern Energy invested more than \$5 billion in West Virginia and areas of southwestern Pennsylvania to acquire Marcellus and Utica shale properties. This investment is one of the largest of its kind, not only in our state, but across the country. Tens of thousands of our residents are already benefiting from these developments, and I'm committed to ensuring our state continues to capitalize on this abundant natural resource and the opportunities it brings. With this in mind, I have directed the West Virginia Department of Revenue to launch a comprehensive review of our state's public lands to identify opportunities where West Virginia can take advantage of this energy revolution. We have the potential to secure hundreds of millions of dollars in bonus and royalty payments, monies that can be invested to improve our state parks, support tourism initiatives across the state, and finance a number of other worthy endeavors to diversify and strengthen job creation.

For generations, West Virginia has been one of our nation's leading energy producing states. As we continue to explore new opportunities to diversify our state's energy portfolio, we must take reasonable steps to ensure the safety of hardworking West Virginians. As we support those investing in the Mountain State we must also ensure the safety of our people at drilling sites, production facilities, and pipelines across the state. That's why I am requesting a study to determine how we can best protect workers at natural gas operations. We must ensure our workers have the proper training and skills to do their jobs in the most effective way possible, and return safely home to their families at night. Workforce safety must be the expectation for businesses operating in the Mountain State, not an afterthought.

We've created a business climate where companies are encouraged to innovate, expand, and create jobs. Companies across the country, and around the world, are noticing the changes we've made. When I became governor four years ago, I made a promise that I would go anywhere and sit down with anyone to bring jobs to the Mountain State. When investors knock on the door of our state's Development Office we ask, "How can we help?" These strong personal relationships are critical for our state and our economy. When companies investing here have unmet needs, we take action, and we must do the same for the small business owners who already call our state home. West Virginians make great products, and we need to make sure entrepreneurs can succeed and our state's innovators are allowed to put their skills to work without the burden of difficult state restrictions. That's why I am proposing legislation to give our state's craft brewers increased opportunities to succeed in the growing craft beer industry. We can continue to show those across the country, around the world, and here at home that West Virginia is the right place to make an investment and that the Mountain State is a great place to do business.

HIGHWAYS

Economic investments, as well as those we are making to improve our infrastructure, are important to all of us. But they come at a cost. Our state's highways and bridges are critical to our continued economic growth. This year the Division of Highways spent \$48.2 million more on maintenance, resurfacing projects, and bridge work than in 2013. We are making progress but we must find ways to do more. With the help of legislation we passed recently, our Division of Highways is now able to use more innovative financing options to build and maintain our roads and bridges. I have directed the Division of Highways to include the completion of U.S. 35 as part of its six year plan.

Governor's Executive Message

In recent years, inaction at the federal level has put construction at a standstill, and new highway projects have been difficult to complete. I will continue to work with our Congressional delegation to identify a stable federal funding source for our much-needed road improvements. This year, 84% of all tolls collected on the West Virginia Turnpike were collected from out-of-state drivers and commercial vehicles. When highway funding is hard to come by, eliminating millions of dollars in dedicated revenues to maintain our state's highways is unreasonable and irresponsible. We should work together to identify alternative ways to minimize the impact on our residents who travel the Turnpike each and every day.

WORKFORCE

Our continued economic growth and the enormous potential that lies ahead, place even more urgency on developing a skilled workforce. Our middle schools, high schools, community and technical colleges, and four-year colleges and universities help provide business and industry with a skilled workforce by adapting courses to meet their needs.

Recent studies show West Virginia will generate 30,000 new jobs each year through 2018, and nearly 60% of these jobs will require at least a two-year degree. These are good paying jobs in the manufacturing, construction, and natural gas industries, as well as health care and education.

Since 2007, West Virginia's community and technical colleges have developed 133 new programs specifically tailored toward workforce development and training. Many of these partnerships, like the Appalachian Petroleum Program Training Center, were created to strengthen our state's growing manufacturing, chemical, and natural gas sectors. This center, a joint partnership between Pierpont and West Virginia Northern Community and Technical Colleges, is one of only 14 programs of its kind in the country. It brings together industry representatives and the academic community to equip West Virginians with the skills they need to be part of these growing industries.

Recent investors have identified a critical need for instrumentation technology programs to support new and growing industries across the state. Blue Ridge and BridgeValley Community and Technical Colleges answered their call with specialized programs supported by private sector companies eager to hire West Virginia workers. Companies like Toyota, Gestamp, NGK, and Dow Chemical recognize the progress we've made and are working with us to train West Virginia's workforce for the jobs of today and tomorrow. The number of students now earning certificate degrees and two-year associate degrees has increased by 57%. That's an accomplishment we all can be proud of.

Preparing our future workforce doesn't start with our community and technical colleges.

Across the state, we are working with middle school and high school students to share the opportunities that await them after graduation. Over the past several months, I have traveled to a number of schools to meet our students and introduce a new education initiative called My State, My Life—designed to inspire and encourage them to embrace their bright future in the Mountain State. The West Virginia of today is not the same place it was decades ago. We are ushering in an era of change that will provide our students with opportunities for a great life here at home. In classrooms from Hancock to McDowell, Wayne to Berkeley counties, there are thousands of young, bright minds with untapped potential. There are endless possibilities for our students to succeed, and it doesn't matter which training or career path they choose—as long as they choose one. As we work to develop these programs, we understand we must expand our vision to prepare more than just the future members of our workforce.

Governor's Executive Message

In West Virginia, we continue to uphold the promises we've made to our coal miners. I know times have been tough and I will continue to fight against federal regulations that harm our state's energy industry and devastate our hardworking miners, their families, and our communities. Last month we filed comments related to the EPA's carbon pollution emission guidelines and urged the EPA to reconsider its proposed plan. Federal bureaucrats must fully understand the impact these new rules will have on families and communities in West Virginia and across the country. We must work together to develop reasonable, achievable goals that balance the environmental protection we all support with the economic growth we must maintain. While we remain hopeful the EPA will consider the effects current regulations are already having on our economy, we continue to offer programs to provide coal miners with the critical training they need to explore a different career path, if that's a choice they wish to make.

BridgeValley, New River, and Southern West Virginia Community and Technical Colleges all offer programs to prepare and retrain hardworking miners and their families with the skills they need to succeed. These accelerated training programs are based on fundamental skills that are valuable no matter what high demand field our miners choose, even if they are able to find reemployment underground. No matter how West Virginians have been affected by the downturn in our state's energy sector, retraining and job assistance are available. Over the past four years, WorkForce West Virginia has invested more than \$48 million in state and federal funds to retrain displaced workers and their families.

As West Virginia's military men and women return from serving around the world, we stand together to welcome them home with open arms. We are proud of our state's legacy of serving our country, and we must continue to honor them every chance we get. These men and women aren't just dedicated members of our military—they are also important members of our communities. When they return home, we owe it to them to provide the training they need to succeed. Last year, the Legislature passed a bipartisan bill to establish the Warriors and Veterans to Agriculture Program, which helps our state's veterans provide fresh produce for their families and develop small farms across the state.

EDUCATION

As a former teacher, a father, and the husband of a college president, I understand the importance of a good education. As Governor, I recognize improving educational programs and increasing opportunities for our kids and our teachers is fundamental to our state's continued growth and economic success. Over the past several years, we have made changes in our classrooms to put our kids on the right track for a bright future. Since becoming Governor, I have enjoyed traveling to schools and classrooms across the state to see firsthand some of the improvements we've made. From touring Edgewood Elementary School on Charleston's West Side to celebrating the newly-renovated Harpers Ferry Middle School in the Eastern Panhandle, I have had the opportunity to see changes we're making to help our students succeed. We are laying the groundwork to support our communities and develop future leaders and innovators of the next generation.

In 2013, business and industry in West Virginia identified a critical need for workers with strong math, technical, computer, and mechanical skills. As we compete in today's global economy we must start with our middle school and high school students by providing them with the high-tech skills they need. That's why this year I have set aside funding to establish a STEM network to review current STEM-related education initiatives and refine and expand local programs to better serve our students. With the help of the Dow Chemical Company Foundation and the Chemical Educational Foundation's You Be the Chemist initiative, students attending Kanawha County Schools are exploring the role science plays in our every day lives through hands-on activities. By supporting science

Governor's Executive Message

education at a young age, we are encouraging our students to take an interest in STEM-related fields and providing meaningful answers to all of those “why” questions I know so many of our teachers hear each and every day.

ALTERNATIVE CERTIFICATION

As we prepare our students to be successful members of our workforce, we must ensure they are being taught by great teachers, including those who may not have a traditional education degree. This year I will introduce legislation to open the door to qualified and skilled West Virginians who have a passion for teaching but may not have a teaching background. We need to do away with the excessive obstacles that prevent those with a passion to teach from sharing their knowledge with our kids. We must give local school systems the flexibility to train and hire subject-matter experts to fill long-term vacancies in critical subject areas.

SUBSTANCE ABUSE

A strong workforce is a drug-free workforce. Substance abuse is a heartbreak problem facing families across West Virginia each and every day. With the help of the Governor’s Council on Substance Abuse, we have taken bold action to stop the production of meth and increase practice standards for pain clinics to ensure our residents are using prescription drugs safely and responsibly. Over the past two years, we have worked together to draft legislation and approve new rules to regulate pain management clinics across the state.

Since July, the Department of Health and Human Resources has inspected seven pain clinics. Three of those have been ordered to close and denied licensure for violation of these new standards. Our residents must have access to pain management treatment options, but not at the expense of irresponsible prescription practices. I am proud of the steps we have taken to curb this epidemic—but we must do more. As we continue our efforts to address the abuse of prescription medications, we must also be prepared to combat the increased availability of illegal street drugs. Today, heroin use is on the rise in communities across West Virginia and we must stop this lethal drug from ruining the lives of our residents. I will introduce legislation to help our state’s emergency responders and families facing drug abuse save the lives of those who are addicted to heroin. Naloxone is critical to countering the effects of a heroin overdose. By expanding access to this life-saving drug, we can prevent overdose deaths and give those suffering from substance abuse the opportunity to seek help to overcome their addiction and return to their families, work places, and communities.

JUSTICE REINVESTMENT

The communities we live in are more than just places where we put down roots, start a new business, or watch our children grow. They are places we call home, and they must be places where we feel safe. In 2013, we passed the Justice Reinvestment Act and developed a research-based plan to rehabilitate those in our justice system, maximizing our corrections dollars and lowering the financial burden on our overextended prison system while protecting our state’s finances. Today we have more than 1,000 fewer inmates in our corrections system than what was projected just a few years ago, and we have decreased overcrowding by more than 700 inmates in our regional jails. These reforms are working.

JUVENILE JUSTICE

Through our landmark justice reinvestment efforts, we have learned data-driven programs do work. Most of our efforts have focused on addressing our corrections system. We must do all we can to meet the needs of our youth. We must do more to keep our kids out of the courtroom and in the classroom. Between 1997 and 2011, West Virginia saw the largest increase in youth confinements of any state in the country. This June, with bipartisan support from every level of our three branches of government, we embarked on a comprehensive review of our juvenile justice system. This task force, including law enforcement, prosecutors, public defenders, faith-based representatives, and West Virginia families, researched evidence-based programs and identified best practices that make the most sense for West Virginia. The future of every child matters. We must take action to create a smarter, more effective system for our children. I am recommending long-overdue legislation to reform our state's juvenile justice system. It will establish early intervention specialists in all 55 counties and increase the use of community-based services to help families mend and get our kids back on track. We will also increase the number of youth reporting centers across the state to produce better outcomes for children and their families by getting them the help they need. At a cost of \$4.5 million, this legislation is projected to reduce the number of DHHR residential placements and Division of Juvenile Services commitments by at least 40% over the next five years and will save taxpayers \$59 million.

We are also strengthening our National Guard's incredibly successful Mountaineer ChalleNGe Academy. The ChalleNGe Academy trains and mentors at-risk youth as part of a 22-week residential program. Since it was established in 1993, nearly 3,000 teens have graduated and gone on to be positive influences in their communities. This December, 131 cadets graduated from the Academy. Of the new graduates, 16% are pursuing their college degree with the help of PROMISE scholarships, 26% are receiving training at one of our state's vocational schools, 24% have chosen military careers, and the rest have successfully completed training programs to enter our workforce. We can make a difference in the lives of our state's children, and we can accomplish these life-changing and meaningful reform.

IN CLOSING

I challenge the members of the Legislature and West Virginians across the state to come together. Compromise is not always easy, but it can happen when we take time to listen and learn. Continuing to improve our state will take teamwork and collaboration from people who may not always agree. I am confident in our ability to accomplish great things. Among the mountains we call home, we are charting a new path—one built on collaboration and mutual respect, and one that places our state and her people, not our political differences, first.

I'm proud of the work we have done. I am proud of the progress we have made and confident that we can continue to move West Virginia forward.

Executive Summary
Six Year Financial Plan

Over the past two decades, West Virginia has tackled our large-scale financial challenges, as demonstrated by the progress made in addressing the unfunded pension, workers' compensation, and other postemployment benefits (OPEB) liabilities. West Virginia intends to continue this fiscal progress as evidenced in this year's Six Year Financial Plan.

The General Revenue Fund has maintained a strong cash flow, and we continue to pay our bills on time. During 2014, we retained our bond rating upgrades received in 2011. West Virginia's rainy day funds are among the best in the country, and we again funded 100% of our required retirement contributions. West Virginia continues to stay on track with the funding of its financial obligations. Our current FY 2015 General Revenue collections are expected to be \$80 million short of estimate (-1.9%) and will necessitate midyear budget adjustments to keep expenditures in line with anticipated revenues. Lottery Revenue collections for FY 2015 are again on pace to exceed their revenue estimates.

West Virginia remains in a strong position to address anticipated budget challenges that lie ahead, such as continued increases to state appropriations for the Medicaid Program and the West Virginia's Public Employees' Health Insurance Program. The expanding federal deficits will also stress the State's budget. Keeping an eye toward out-year budgets affected by current budget decisions, the Governor, in his FY 2016 budget recommendations, continues to address the state's largest budget driver—Medicaid.

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

Nearly a decade ago, West Virginia initiated this comprehensive, easy-to-follow, Six Year Financial Plan. It is used as a planning tool for analyzing future budgets, and any budget gaps shown must be balanced. This year's Six Year Financial Plan includes information on anticipated revenues and expenditures through FY 2020. 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 2016 budget, but also, the larger, long-term implications of the decisions made today on the future fiscal outlook. The Six Year Financial Plan does not reflect Special or Federal Funds, although the funding and planning processes of these types of funds definitely impact total state revenue and spending. This plan is developed with extensive review of the major financial implications of Special and Federal cash flows. Using this plan, it is easy to see where the projected expenditures outpace projected revenues (in FY 2017), and it becomes obvious that any surplus revenues from upcoming fiscal years should not be expended for items that would add new obligations to the "base budget," but rather should, as in recent fiscal years, be cautiously used mostly for one-time 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 roughly 2.6% between FY 2014 and FY 2016. In the longer term, revenues are projected to grow by an annual average of roughly 4.0% between FY 2014 and FY 2020. Absent the projected adoption of \$39.3 million in revenue enhancements, the projected revenue growth rate between FY 2014 and FY 2016 would be just 2.1% as opposed to 2.6%. The revenue enhancement proposals include (1) elimination of the diversion of general fund sales and use tax collections to the State Road Fund for a period of one year, (2) reduction of \$8 million in the annual amount of sales and use tax diverted to the School Building Authority's School Construction Fund, (3) elimination of the general fund corporation net income tax revenue diversion to the Public Port Authority, (4) reduction of \$0.5 million per year in the amount of severance tax diverted to the Infrastructure Bond Fund due to lower interest costs associated with a recent refunding effort, and (5) a one-time transfer of an additional \$15 million from the Abandoned and Unclaimed Property Account to General Revenue in FY 2016.

With the exception of a brief one year rebound of 8.1% in FY 2011, overall revenue growth has been very sluggish since the onset of the recent Great Recession. The average annual revenue growth rate between FY 2008 and FY 2014 is less

Executive Summary
Six Year Financial Plan

than 0.5%. Following two consecutive years of revenue decline absent the influx of one-time funds, revenues are now growing again in FY 2015. Actual year-to-date FY 2015 General Revenue Fund collections through December 31, 2014, are 3.5% higher than collections for the same period in the prior year. The increase in revenue is partially attributable to a 6.5% increase in personal income tax collections due to the combination of double digit gains in estimated tax payments, a sizeable decrease in tax refund payments and a rebound in payroll withholding tax receipts. The phase-out of a temporary motor vehicle tax credit program is a contributing factor to lower tax refunds and higher income tax collections. Sales tax collection growth is also gradually rebounding following the conclusion of the period of fiscal impact associated with the phase-out of sales tax on food for home consumption in July of this year. Higher income and sales tax collections have

Six Year Financial Plan
Through FY 2020
General and Lottery Revenues

(In Thousands)

	Actual FY 2014	Budgeted FY 2015	Recommended FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
Estimated Revenue							
General Revenue	\$4,106,105	\$4,253,951	\$4,321,576	\$4,599,205	\$4,827,255	\$5,019,975	\$5,207,955
General Revenue - estimated FY 2015 shortfall	0	(80,000)	0	0	0	0	0
General Revenue - expirations to FY 2015 General Revenue	0	31,901	0	0	0	0	0
General Revenue - (Surplus used/available from previous FYs)	(3,061)	18,693	0	0	0	0	0
General Revenue - (Surplus used/available from expirations)	36,144	31,083	0	0	0	0	0
Lottery	163,615	140,976	136,326	136,326	136,326	136,326	136,326
Lottery - (Surplus used/available from previous FYs)	36,473	46,800	0	0	0	0	0
Excess Lottery	173,575	226,318	217,026	203,844	203,844	203,844	203,844
Excess Lottery - (Surplus used/available from previous FYs)	86,871	19,673	0	0	0	0	0
Total Available	\$4,599,722	\$4,689,395	\$4,674,928	\$4,939,375	\$5,167,425	\$5,360,145	\$5,548,125
Estimated Expenditures							
Previous Year's Base Budget			\$4,808,435	\$4,769,398	\$4,974,994	\$5,100,906	\$5,250,918
(Base Budget FY15) and (Base Budget Growth for out-years): *							
Legislature	24,452	0	1,370	1,180	1,000	980	
Supreme Court	131,813	7,760	7,800	6,800	5,700	5,600	
Public Defender	31,870	0	2,000	15,000	0	0	
PERS Employer Contribution	58,988	0	0	0	0	0	
PEIA Premiums	341,726	(8,891)	48,750	26,650	27,950	29,250	
Teachers' Retirement Savings Realized	32,304	1,196	2,000	2,000	2,000	2,000	
Teachers' Retirement System	434,415	(26,881)	0	0	0	0	
State Aid to Schools (PEIA and Retirement included above)	1,210,967	(27,519)	(1,088)	(936)	(1,000)	(1,000)	
Public Education - All Other	187,364	4,949	1,411	1,438	1,700	1,700	
DHHR- Medicaid	672,625	18,779	54,995	53,952	43,882	56,814	
DHHR- All Other	588,759	5,784	11,973	12,828	13,780	14,846	
Correctional Facilities	194,521	1,898	2,000	2,000	2,000	2,000	
State Police	79,317	0	500	500	500	500	
Public Safety Retirement Plan A / State Police Plan B	25,446	(7,316)	0	0	0	0	
Higher Education	475,060	(12,168)	(2,500)	0	0	0	
All Other Items (net)	318,808	3,372	19,385	(500)	(5,000)	2,000	
Salary Enhancements **		0	52,000	0	52,500	0	
Unanticipated Expenditures		0	5,000	5,000	5,000	5,000	
Total Ongoing Base Budget	\$4,661,121	\$4,808,435	\$4,769,398	\$4,974,994	\$5,100,906	\$5,250,918	\$5,370,608
Onetime Expenditures	61,797	7,432		38,000	12,471	5,000	5,000
Recommended Supplements		38,419					
Onetime Reductions	(75,078)	(129,392)	(94,470)				
Expirations	(15,171)	(30)					
Surplus Transferred to Rainy Day Fund	0						
Onetime mid-year cut	(33,000)	(35,600)					
Estimated Balance (Gaps)	\$53	\$131	\$0	(\$73,619)	\$54,048	\$104,227	\$172,517

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

* FY 2016-FY 2020 Expenditure Growth is the additional amount required annually to fund existing programs.

** Includes base building pay raises of 2% for School Aid Formula professional educators and school service personnel, and State employees in FY 2017 and FY 2019.

Executive Summary *Six Year Financial Plan*

been partially offset by a sluggish severance tax collection trend. A trend of lower energy prices for both natural gas and coal is leading to reduced tax collections from coal and to very limited increases in severance tax collections from natural gas. The slow revenue growth trend is in spite of some recent stability in coal production levels and continuing production gains in excess of 20% for natural gas over the prior year. In the absence of colder than usual winter weather patterns in the Northeast, natural gas prices are projected to remain below prior year levels for the balance of this fiscal year due to high supplies relative to demand. Lower export demand for metallurgical coal, the ongoing retirement of a number of regional coal-fired generation plants, and increased price competition from natural gas are all factors leading to excess coal supplies and downward price pressure on coal. These energy sector headwinds will restrict economic growth and revenue growth for West Virginia over the next couple years.

However, signs of overall economic improvement to the broader economy remain on the horizon. After declining in 2013, payroll employment growth is gradually improving toward an annualized rate of nearly 1.0%. Wage and salary income withholding tax collection growth is gradually improving over time with collection growth of 2.9% in the first quarter of FY 2015 and 4.7% in the second quarter of FY 2015. Collections previously grew by just 0.7% in FY 2014. Improvements in both employment and income levels are resulting in renewed growth in retail sales and sales tax collections. Sales tax collections are up a robust 7.2% in the second quarter of FY 2015 following more modest growth of 1.4% during the first quarter. As of December 31st, year-to-date motor vehicle sales tax collections are 7.1% ahead of last year. The higher motor vehicle sales tax collections are also indicative of improvements in consumer confidence and underlying economic growth.

Due to the expectation of gradual stabilization in the coal industry, continued strong growth in the natural gas industry, improved growth in manufacturing, and rising health care industry activity, General Revenue Fund growth for the FY 2016 to FY 2020 period is forecast to average a much better 4.8% in comparison with the long-term average General Fund growth rate of 4.0%. A portion of the improved growth is tied to the anticipated reallocation of \$60.4 million in annual personal income tax receipts from the Old Workers' Compensation Debt Fund back to the General Revenue Fund as early as FY 2017.

Expenditures

The FY 2016 budget is the second budget that has been submitted using the State's new accounting system, *wvOASIS*. This new system is web-based and paperless. The implementation of this system has required many training hours for agency employees, and again this year all agencies successfully submitted their budgets in a timely manner. Budgets generally require information that is mostly preloaded to be revised, which is much more efficient than the procedure used in the past, and requires much less data entry.

In preparing the Governor's FY 2016 budget, the State faced an estimated budget gap of \$195 million for upcoming FY 2016. After two consecutive years of state agencies submitting their budget requests at reduced levels, they were asked to submit their FY 2016 General Revenue appropriation requests at 100% of the FY 2015 current base funding level. To help close the anticipated FY 2016 budget gap, the Governor has chosen to make targeted base budget reductions to selected areas of the budget instead of broad, across-the-board cuts to all agencies.

The FY 2016 General and Lottery Revenue base budget of \$4.769 billion as recommended by the Governor is \$39 million lower than the FY 2015 base budget funding level of \$4.808 billion, with the biggest base funding increase again attributable to the Medicaid program. Medicaid's General and Lottery Revenue base funding increases by \$18.779 million while all other base funding items in the FY 2016 budget decrease by a net \$57.816 million. Various one-time appropriations and adjustments are also being recommended by the Governor to be funded using previous years' cash surpluses and available excess cash in various special revenue accounts.

Only for FY 2017 is a future budget gap projected in the Six Year Financial Plan. The key to structurally balancing the out years' budgets lies in the targeted base budget cuts of over \$72 million to FY 2016's base budget. These reductions play a crucial role in aligning base expenditures with base revenues in the upcoming budgets.

Executive Summary Six Year Financial Plan

The main cost driver in the Six Year Financial Plan's out-years continues to be providing health care through the Medicaid program and the state's PEIA program. The Governor, in order to contain the growth of Medicaid, is proposing various budget adjustments to Medicaid in FY 2016's funding, which will help in the aligning of the State's future budgets.

West Virginia is one of a handful of states that did not make reductions to FY 2008 or FY 2009 budgets. However, a midyear budget reduction was implemented in FY 2010 due to the slowing of revenue collections. FY 2011 finished with a healthy General Revenue surplus of over \$338 million, and West Virginia ended FY 2012 with a \$102 million General Revenue surplus, of which \$28 million was transferred to the Rainy Day Fund and \$65 million appropriated for Medicaid. The FY 2013 budget year required midyear adjustments to General Revenue of \$45 million, but finished the year with over \$11 million in surplus, of which \$5.8 million was transferred to the Rainy Day Fund. Lottery Funds ended FY 2013 with cash balances totaling \$160 million, of which \$123 million was used to help balance FY 2014 budgets. The FY 2014 budget year also required midyear adjustments to General Revenue of \$33 million, but finished the year with a General Revenue Fund surplus of \$18.3 million. Lottery Funds ended FY 2014 with cash balances totaling \$36.5 million that will be used to help fill in the anticipated FY 2015 shortfalls.

The current FY 2015 General Revenue collections are expected to be about \$80 million short of estimates by year end. We anticipate closing this shortfall by using various funds' excess cash and implementing a midyear budget reduction. Lottery Revenue collections for FY 2015 are on pace to exceed their revenue estimates. The Governor recommends that up to \$30 million of any surpluses from the Lottery Funds at the end of FY 2015 be appropriated to help fund the state's portion of the FY 2016 Medicaid cost.

While continuing to use a conservative budgeting approach, the budget for FY 2016 does include increases for the required state's share of Medicaid funding, social services, major capital projects, early literacy education programs, and new dollars for juvenile justice programs. Funding is also included to fully fund Public Education's School Aid Formula (including proposed changes to the calculation of Local Share and Transportation lines) and all retirement system obligations. Although there will be challenges in closing FY 2017's budget gap, the out-years beyond show budget surpluses. Careful budgetary planning and responsible government initiatives will continue to serve West Virginia well in maintaining balanced budgets.

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

Estimated Revenue in the Six Year Financial Plan

General Revenue

Actual General Revenue collections for FY 2014 totaled \$4.106 billion. FY 2015 estimated collections total \$4.254 billion; however, they are expected to be about \$80 million short of estimate by year end. The General Revenue collection amounts are projected to increase by \$67 million for FY 2016 (over the FY 2015 initial estimate), then increase by 6.4% for FY 2017, and increase by an average of 4.2% per year for FY 2018 through FY 2020.

General Revenue—estimated FY 2015 shortfall

General Revenue collections at the end of December 2014 were \$34 million below estimate. The year end shortfall is anticipated to be about \$80 million.

General Revenue—expirations to FY 2015 General Revenue

The Governor proposes to expire \$20.901 million of available reappropriated funds into the FY 2015 General Revenue Fund to help address the anticipated FY 2015 collection shortfall. The Governor also has access to \$11 million in the Personal Income Tax Reserve Fund, if needed, to help balance the FY 2015 collection shortfall.

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

\$15.133 million of General Revenue surplus was appropriated during FY 2014. Also, various adjustments of surplus total \$0.499 million. \$2.300 million of surplus at the end of FY 2014 was appropriated in FY 2015. Further, the Governor recommends that \$16.393 million of currently unappropriated surplus General Revenue be used to fund various one-time needs in FY 2015.

Executive Summary Six Year Financial Plan

General Revenue—(Surplus used/available from expirations)

To provide for FY 2014 supplemental appropriations, \$36.144 million of excess cash in various General Revenue reappropriated and Special Revenue accounts was expired to the FY 2014 General Revenue surplus balance. To provide for a FY 2015 supplemental appropriation, \$31.083 million of excess cash in various General Revenue reappropriated and Special Revenue accounts is recommended to be expired to the FY 2015 General Revenue surplus balance.

Lottery

The regular Lottery Funds are dedicated by statute to be used for senior citizen, education, and tourism programs. Since General Revenue Funds are used for the same programs, Lottery Funds are included here as part of the total available, and program funding may be shifted between the two revenue sources for the above mentioned programs. Actual Lottery collections totaled \$163.615 million in FY 2014. Lottery Revenues are projected to fall about 14% from FY 2014 to FY 2015, and then remain relatively flat through FY 2020.

Lottery—(Surplus used/available from previous FYs)

Lottery Surplus available from previous fiscal years of \$14.591 million was used to balance FY 2014. An additional \$48.522 million of surplus funds was used for a FY 2014 supplemental appropriation in the Regular Lottery Fund. Additional adjustments total \$0.159 million and \$26.8 million is recommended to be used for FY 2015 supplementals. Also, an estimated \$20 million in surplus that may be available at the end of FY 2015 is recommended to be transferred to the Medical Services Trust Fund for the State's Medicaid Program.

Excess Lottery

The Excess Lottery Fund will continue to be a major source of funding, although increased competition of lottery sales from other states will continue to affect collections in FY 2016 and beyond. Revenues are projected to increase by about \$52.743 million from FY 2014 to FY 2015, due mostly to new legislation in 2014 that provided additional bond debt service coverage, and then remain relatively flat through FY 2020.

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

\$96.544 million of the unappropriated cash available at the beginning of FY 2014 was used to fund FY 2015 base funding requirements for the Medicaid Program, and \$9.673 million is recommended to be used for a FY 2015 supplemental. Also, an estimated \$10 million in surplus that may be available at the end of FY 2015 is recommended to be transferred to the Medical Services Trust Fund for the state's Medicaid Program.

Total Available

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

Estimated Expenditures in the Six Year Financial Plan

Previous 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 one-time nature. Each fiscal year begins with the base budget as reflected from the previous fiscal year. Each year's total base budget is the amount required to maintain the current level of services and any additional increases of funding required to continue an ongoing level of services.

(Base Budget FY 2015) 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 2015 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth for out-years (FY 2016–FY 2020) are the additional amounts necessary on an annual basis to maintain or

Executive Summary Six Year Financial Plan

enhance the services to the required level. These amounts are added to the Base Budget amounts in FY 2015 to determine that particular fiscal year's Total Ongoing Base Budget. For FY 2016, seven items shown on the Six Year Financial Plan have been recommended to be increased while five lines show decreases.

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

Legislature. The Constitution requires that the Governor recommend funding for the Legislature as they requested. The Legislature requested their FY 2016 base appropriation be the same as their FY 2015 base appropriation; therefore no change is shown in the FY 2016 column. The out-years reflect increases to base budgets at the same rate of increase as the rates of increases in revenues available.

Supreme Court. The Constitution requires that the Governor recommend funding for the Supreme Court as they requested. The Supreme Court requested \$7.760 million more than their appropriations for FY 2015. The out-years reflect increases to base budgets at the same rate of increase as the rates of increases in revenues available.

Public Defender. The Public Defender Services Office continues to require increased funding each year. In addition to the FY 2015 appropriation of \$31.87 million, the Governor recommends a supplemental surplus appropriation of \$12.7 million (included in the FY 2015 "Recommended Supplementals" line of the Six Year Financial Plan), bringing the total FY 2015 appropriations to over \$44.57 million. The out-years include base increases for possible rate structure changes and increased base funding to show actual ongoing cost of the Public Defender Program.

PERS Employer Contribution. Because investments earned more (about 17.9%) than the actuarial required 7.5% earnings during FY 2014, the employer match contribution remains at 14.0% of salary costs in FY 2016. The FY 2017–FY 2020 estimates assume investments return to the annual 7.5% gains required in the long-term funding plan.

PEIA Premiums. Funding is decreased as required by the School Aid Formula by \$8.891 million to cover PEIA employers' premium match for FY 2016, of which \$5.070 million consisted of a one-time adjustment due to a balance on deposit with PEIA for local school boards. Significant increases are projected over the course of the next four fiscal years if current levels of benefits continue to be offered to employees and retirees, requiring multimillion dollar increases in the General and Lottery funds' share of premiums. Thus, PEIA's outlook for the future continues to be a major concern and represents another of the major financial challenges facing West Virginia. PEIA cannot assume the economic conditions of the state will continue to permit increased premium revenues for the agency, nor can PEIA assume trend results will continue to be lower than anticipated. Additional funding increases averaging 8.8% are shown in the out-years.

Teachers' Retirement Savings Realized. W.Va. Code §18-7A-39 requires any savings realized from the reduction in employer contributions for current retirement benefits—being the difference between the calculated employer contributions that would have been required into the Teachers' Defined Contribution System and the required employer contribution for normal cost into the State Teachers' Retirement System—shall be deposited into the Employee Pension and Health Care Benefits Fund. This estimated calculation requires an additional \$1.196 million of funding in FY 2016, bringing the total funding for FY 2016 to \$33.5 million. The out-years assume increases of \$2 million in base funding each year.

Teachers' Retirement System. The state has made significant strides toward the long-term funding of the state's retirement systems. Of the additional surplus revenues available during FY 2005–FY 2010, an additional \$748 million was used to help pay down the unfunded liability in the Teachers' Retirement System, drastically reducing the unfunded liabilities of that system. During the 2007 Legislative Regular Session, legislation was approved that authorized the sale of Tobacco Settlement Bonds. The bonds were sold in June 2007 and netted over \$807 million in proceeds for the state's Teachers' Retirement System. These bond proceeds, along with additional extra retirement contributions (payments above the required amounts) made recently, result in total additional deposits of \$1.680 billion being placed into the pension system.

Executive Summary *Six Year Financial Plan*

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 64.4% funded at the end of FY 2014.

Due to investment gains estimated at 17.9% occurring in FY 2014, the current amortization schedule for the Teachers' Retirement System requires funding in FY 2016 of \$26.881 million less than the FY 2015 funding level bringing FY 2016's appropriation to \$408 million. If earnings are more than 7.5% per year, the funding level can be lowered; if earnings are less than 7.5%, the funding level must be raised. FY 2017–FY 2020 assumes future investment earnings of 7.5%.

State Aid to Schools (PEIA and Retirement included above). The State Aid to Schools Formula for public education (excluding PEIA and retirement costs shown in other lines on the six year plan) and various adjustments that the Governor recommends calls for a net decrease of \$27.519 million for FY 2016. Notable changes, called for by the School Aid Formula, from the prior year's base budget include increased funding in Local Share of \$8.5 million, decreased funding in the Professional Educators line (mostly due to changes in years of experience and decreased enrollment of 1,114). The Governor also proposes extending the bus replacement cycle called for in the School Aid Formula from 12 years to 15 years and to make minor adjustments to the local share calculation. Budget projections for the out-years remain flat.

Public Education - All Other. The Department of Education and Schools for the Deaf and the Blind's employees are statutorily paid at the same county pay rates as professional educators and service personnel. Employees' salaries increase with additional years of service. Also, the Governor proposes improvements of \$5.7 million for Early Literacy Education Programs, \$500,000 for continuing an IT Academy, and an additional \$2 million for School Based Truancy Prevention. Adjustments for increased enrollment and other statutory requirements are also accounted for here.

DHHR - Medicaid. State Medicaid funding is dependent primarily on four funding sources—General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. Controlling the growth of this program is critical to both the fiscal health of the state and the people who depend on the Medicaid program for vital services. To restrain the future growth of the program, the Department of Health and Human Resources will continue to focus on managing Medicaid like other health insurance programs. Medicaid is confronted with a fundamental problem—how to design an appropriate benefit package for the poorest and most disabled citizens of West Virginia and ensure access to Medicaid services, yet still meet cost containment and program integrity goals. The administration is committed to containing the burgeoning costs of this program and has recommended some adjustments in the Medicaid Program for FY 2016. Medicaid costs continue to put a burden on State revenues, and program changes are inevitable in order to avoid future funding crises.

Developing changes in this program are exceedingly difficult because Medicaid operates as an entitlement program for all citizens that meet the eligibility criteria, and the cost of the program is determined by the number of eligible individuals, how often they utilize health care services, and the cost of the health care services. Therefore, the State must budget for all program costs incurred by the clients. The program costs cannot be controlled through budget restrictions and appropriation caps without changes to the eligibility criteria, the types of services covered, or the rates paid for services. Reducing program eligibility, eliminating covered services, and reducing payments for services may shift the burden to other social service providers as clients seek other sources of assistance. Since Medicaid revenue has become a significant factor in the health care industry, any reductions will cause cost shifting and other adjustments throughout the state's health care system.

Several other factors also influence the increase in the Medicaid program, including medical inflation and the economy. If the Medicaid Provider Tax, Medical Services Trust Fund, and Lottery sources of the state match remain relatively constant and costs continue to climb, the General Revenue Fund will have to supply the additional funds. In recent years, West Virginia per capita income has been rising faster than national per capita income. Over time, this trend results in a lower federal match rate for Medicaid. The base match rate has decreased from 74.04% in FY 2010 to 71.35% in FY 2015. The difference in federal match level falling each one percent for a program that costs more than \$3.8 billion is roughly \$38 million in extra state funds.

Executive Summary *Six Year Financial Plan*

In FY 2015, Medicaid total expenditures (federal and state) are estimated to be approximately \$3.7 billion. Of this total, \$2.8 billion is the federal share, while \$957 million is the state share. Appropriations in FY 2015 from General Revenue, Lottery, Medical Services Trust Fund, the Provider Tax, and other State Certified Match make up the state share.

The Governor recommends increased base funding in the General and Lottery Funds for Medicaid of \$18.779 million, raising the total of General and Lottery Funds base funding to \$691 million.

DHHR – All Other. The Governor recommends a net increase of \$5.784 million in the FY 2016 base budget for all other DHHR related items. These changes include, among others, a \$6.8 million increase in Social Services, an additional \$3.6 million to support court-ordered pay raises at state hospitals, and a \$1.7 million increase for Source Water Protection. The out-years reflect additional funding for social service needs.

Correctional Facilities. To tackle the issue of prison overcrowding, a data-driven policy framework was presented to a bipartisan panel of state cabinet members, lawmakers, judges, prosecutors, and other state and local leaders, along with the results of a comprehensive analysis of West Virginia's criminal justice system. A plan was created to make West Virginia's communities safer and its criminal justice system run more effectively. This proposed policy framework is estimated to save taxpayers millions of dollars and reinvest millions in substance use and addiction treatment for people on community supervision. A public safety package has been developed that provides a set of solutions designed to change offender behavior and reduce recidivism. The framework maximizes correction dollars and improves public safety. The Legislature passed Senate Bill (SB) 371 in the 2013 Regular Session that provides for many solutions to the prison overcrowding problem.

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

The Governor recommends an additional \$1.898 million in funding to help reduce prison overcrowding. He is also recommending a FY 2015 supplemental of \$7.1 million for systemwide capital improvements.

State Police. No increase in base funding is recommended.

Public Safety Retirement Plan A /State Police Plan B. The current amortization schedule for the Public Safety Retirement Plan A requires \$6.928 million less funding in FY 2016 due to gains in investment value. The employer contribution for the State Police Retirement Plan B will decrease from 13.5% to 12.0% of employees' salaries which will reduce funding needs by \$0.388 million in FY 2016. FY 2017–FY 2020 assumes investment earnings of 7.5%.

Higher Education. Higher Education's FY 2016 base budget is reduced by \$12.168 million to \$462.892 million.

All Other Items (Net). These include all other changes to base expenditures not already included in other lines of the Six Year Financial Plan. For FY 2016, \$9 million in additional funding is included for major capital projects, \$10 million restored to the West Virginia Infrastructure Council's funding, and various targeted base funding reductions to help to structurally bring our budget back into balance.

Balancing the FY 2016 budget is again a challenge that requires fiscal discipline. Projections early in the budgeting process showed a significant funding gap of about \$195 million for FY 2016 that needed to be closed. Due to the recent sluggish national economy and a slowdown in the mining of coal, anticipated revenues are not expected to keep pace with costs for current programs. Moreover, as has long been expected, competition by bordering states continues to soften Lottery Revenues.

Executive Summary

Six Year Financial Plan

In the face of these revenue challenges, appropriations for expenditures at current program base levels for FY 2016 must be adjusted. The current Medicaid program alone requires additional funding of \$18 million above its FY 2015 base appropriation. Importantly, these costs are not related to any Medicaid expansion.

Our philosophy of conservative fiscal management continues to position us well to handle the challenges presented with the FY 2016 budget. Consistent with our commitment to provide a balanced budget and long-term fiscal stability, we as a state must take measures to reduce the overall FY 2016 expenditure growth and position the state to balance budgets in the years that follow. Therefore, targeted budgeted reductions for FY 2016 are required to align our base expenditures with our ongoing revenues.

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

Targeting these reductions as a one-size fits all approach is not appropriate at this time. Therefore, many programs were exempted from these budget cuts, and most Higher Education programs (excluding grant programs, which were held harmless) were only cut by 1.415%. Total targeted base budget cuts amounted to over \$72 million.

We must be committed to fiscal discipline over the long term. Therefore, agencies must be diligent in controlling spending and maintaining programs that are sustainable and not rely on additional state funding in the near future.

Salary Enhancements. FY 2016 includes no funding for across-the-board pay raises. The out-years include monies for possible pay raises of 2% in FY 2017 and FY 2019.

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

Total Ongoing Base Budget

The total ongoing base budget consists of the previous year's base budget plus all changes in funding required to continue on-going level of services. This amount is carried forward to the next fiscal year and becomes its beginning base budget.

Onetime Expenditures. In addition to the Total Ongoing Base Budget, One-time Expenditures are also included. These expenditures are not included in the Total Ongoing Base Budget because they do not require ongoing funding in future years, but the amount will be expended during the current fiscal year and, therefore, must be reduced from the revenue available in that fiscal year to arrive at the estimated balance. One-time expenditures in FY 2014 total \$61.797 million. FY 2015 appropriations contain only \$7.432 million of one-time expenditures.

Recommended Supplementals. Included in the Governor's proposal are FY 2015 one time supplementals for Public Defender private counsel payments of \$12.7 million, \$123,962 to restore expired funds for Mountwest Community and Technical College, \$180,248 to DHHR for costs associated with the Medical Command Center, \$7.1 million for Correctional systemwide capital improvements, and \$18.3 million to prefund part of the state's FY 2016 Medicaid Program match.

Onetime Reductions. Major items included in the FY 2014 number are one-time adjustments of \$2.5 million in the Volunteer Fire Departments' workers' compensation subsidy (there was sufficient balance available for FY 2014), a \$15.8 million onetime adjustment to the School Aid Formula's PEIA line due to excess balances on deposit for local boards of education, a \$20 million one-time adjustment to the School Aid Formula's Retirement Systems—Unfunded Liability line due to payment made from a special revenue account, a onetime \$36.2 million budget reduction to Medicaid, which was prefunded in FY 2014 supplementals.

Executive Summary *Six Year Financial Plan*

Major items in the FY 2015 amount include \$2.5 million for the Volunteer Fire Departments' workers' compensation subsidy (there was funding available for FY 2015 from other sources), a \$20 million one-time adjustment to the School Aid Formula's Retirement Systems – Unfunded Liability line due to partial payment made from a Special Revenue source, moved \$3.5 million of funding from the Institutional Facilities line in Corrections and paid from a Special Revenue account, \$3.4 million for PEIA that was backed out in the School Aid Formula because excess balances were on deposit for local school boards, and \$100 million of FY 2015 Medicaid state share base funding was funded from the Rainy Day Fund.

FY 2016 amounts include \$2.5 million for the Volunteer Fire Departments' workers' compensation subsidy (there is funding available for FY 2016 from other sources), \$27.4 million for Medicaid (\$9.1 million of which is shown above as FY 2015 base), \$5.07 million for PEIA backed out in the School Aid Formula because excess balances were on deposit for local school boards, and \$68.6 million for Medicaid (recommended to be partially funded in FY 2016 from the Rainy Day Fund).

Expirations. General Revenue expirations from FY 2014 totaled \$15.143 million. These funds were originally appropriated during FY 2014, but were not spent by the year's end and reverted back to the General Fund's surplus balance. \$8,340 of cash was not needed for appropriations made in the FY 2014 Regular Lottery Fund. Also, \$20,217 of cash was not required for appropriations made in the FY 2014 Excess Lottery Fund. Included in the FY 2015 column is the estimated cash not needed to fund FY 2015 Lottery and Excess Lottery Appropriations.

Surplus Transferred to Rainy Day Fund. Statute requires that half of any General Revenue surplus (up to 13% of the total appropriations from the General Revenue Funds for the fiscal year just ended) be transferred to the Rainy Day Fund A to be used to offset any projected shortfall in the future, used for paying unfunded retirement/benefit liabilities, or used for other expenditures. The General Revenue Fund ended FY 2014 with a surplus of \$18.338 million, of which half, or \$9.169 million would have normally been transferred to the Rainy Day Fund A. However, since at the end of FY 2014 Rainy Day Fund A was funded at 13.78% of FY 2014 total appropriations, no transfer was required.

Onetime mid-year cut. The Governor issued Executive Order 1-14 on January 3, 2014, that required targeted, one-time mid-year reductions of a minimum of \$33 million to help offset the FY 2014 year-end estimated budget shortfall. FY 2015 shows a possible \$35.6 million mid-year cut being implemented to help address some of the estimated FY 2015 General Revenue shortfall.

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, FY 2017 is the only year where a future budget gap is predicted. This future budget gap must be, and will be, addressed and balanced. Note that due to the use of long-term, conservative budget planning and to the implementation of base budget reductions over the last few years, our base budgets after FY 2017 show estimated positive bottom-line balances.

Six Year Plan Summary

The Six Year Financial Plan includes the best estimate of revenues and expenditures based on currently known facts and are the best assumptions we can make on a future basis. The further into the future we project revenues and expenditures, the greater the chance of deviation from the projections. For example, the end of the next budget year, FY 2016, is 18 months away from the date the projections were completed. The General Revenue Fund estimate is over \$4.3 billion for FY 2016. Just a one percent deviation from the estimate will result in a \$43 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be over \$86 million (\$43 million under estimate to \$43 million over estimate).

Executive Summary Six Year Financial Plan

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 new health care legislation affect West Virginia? A large portion of the budget is expended for health care—both Medicaid and public employees' health insurance expenditures. Small fluctuations in the projected cost of health care can result in large dollar differences in the required expenditures for these services. For example, in our Medicaid Program, just a one percent change in the federal match rate can result in a difference in required state funding of approximately \$38 million.

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

Budget Summary

FY 2014

West Virginia's General Revenue Fund's actual revenue collections totaled \$4.106 billion and, after mid-year budget cuts totaling \$33 million, again ended the fiscal year with surpluses of \$18.3 million.

Lottery Funds ended the year with unappropriated balances of \$36.5 million.

The General Revenue Fund maintained a strong cash flow throughout the year, and we paid our bills on time. We continue to maintain our strong bond ratings. We replenished \$11 million back into our Personal Income Tax Refund Reserve Fund and made 100% of our required retirement contributions in FY 2014. West Virginia's rainy day funds totaled \$956 million at the end of FY 2014 and were again among the best funded in the country (over 20% of General Revenue). The Workers' Compensation unfunded liability continues to be reduced and our OPEB Trust Fund balance has grown.

FY 2015

FY 2015's General Revenue collections are officially estimated to be \$4.254 billion or 3.6% more than the FY 2014 actual revenue collections. Through the first six months of FY 2015, collections were \$33.97 million below official estimate (-1.69%). Year-end collections in General Revenue are estimated to be about \$80 million short of estimates. To rectify this shortfall, the Governor has several options available including midyear budgets cuts, a current unappropriated General Revenue balance, and various funds' cash that could be expired to the unappropriated balance of General Revenue Fund.

Regular Lottery and Excess Lottery revenues estimates available for appropriation in FY 2015 increased from FY 2014 actual collections due mostly to statutory and budgetary action taken during the last Legislative session to address adequate debt service coverage ratios limits in our Excess Lottery Fund. Lottery collections through the first five months of FY 2015 were 7.03% above estimate.

On the expenditure side, FY 2015's major budget expenditure driver continues to be Medicaid. Additional major funding increases are also in place for Social Services, Correctional facilities, and pay raises. Targeted base budget cuts of 7.5% for many agencies were made.

FY 2015 expenditures from General and Lottery Funds, after all pending adjustments, are expected to total \$4.70 billion.

FY 2016

The FY 2016 General Revenue official estimate of \$4.322 billion is \$68 million above the FY 2015 official General Revenue estimate of \$4.254 billion. Lottery and Excess Lottery Revenues available for appropriations are expected to drop in FY 2016 by \$14 million below the FY 2015 collection estimates.

Major budget expenditures changes recommended for FY 2016 include an additional \$18.8 million in state Medicaid funding. Additional funding of almost \$6.8 million for Social Services is also included in the Governor's

*Executive Summary
Six Year Financial Plan*

recommendations, as is \$7.76 million of new base-building dollars for the Supreme Court, as requested. \$9 million in additional funding is recommended for major capital projects, \$10 million is restored to the West Virginia Infrastructure Council's funding, and various targeted base funding reductions are required to help to structurally bring our budget back into balance.

Due to increased investment value during FY 2014, the Teachers' Retirement System will require \$26.881 million less funding, and the State Police Retirement Plans call for \$7.316 million less. FY 2016 total expenditures from General and Lottery Funds, after all pending adjustments, are expected to total \$4.67 billion.

The positive effects of our efforts to align the base budget expenditures with ongoing revenues, which will bring our budget into structural balance, result in FY 2016's ongoing base budget expenditures being proposed at \$39 million lower than FY 2015's ongoing base budget expenditures.

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

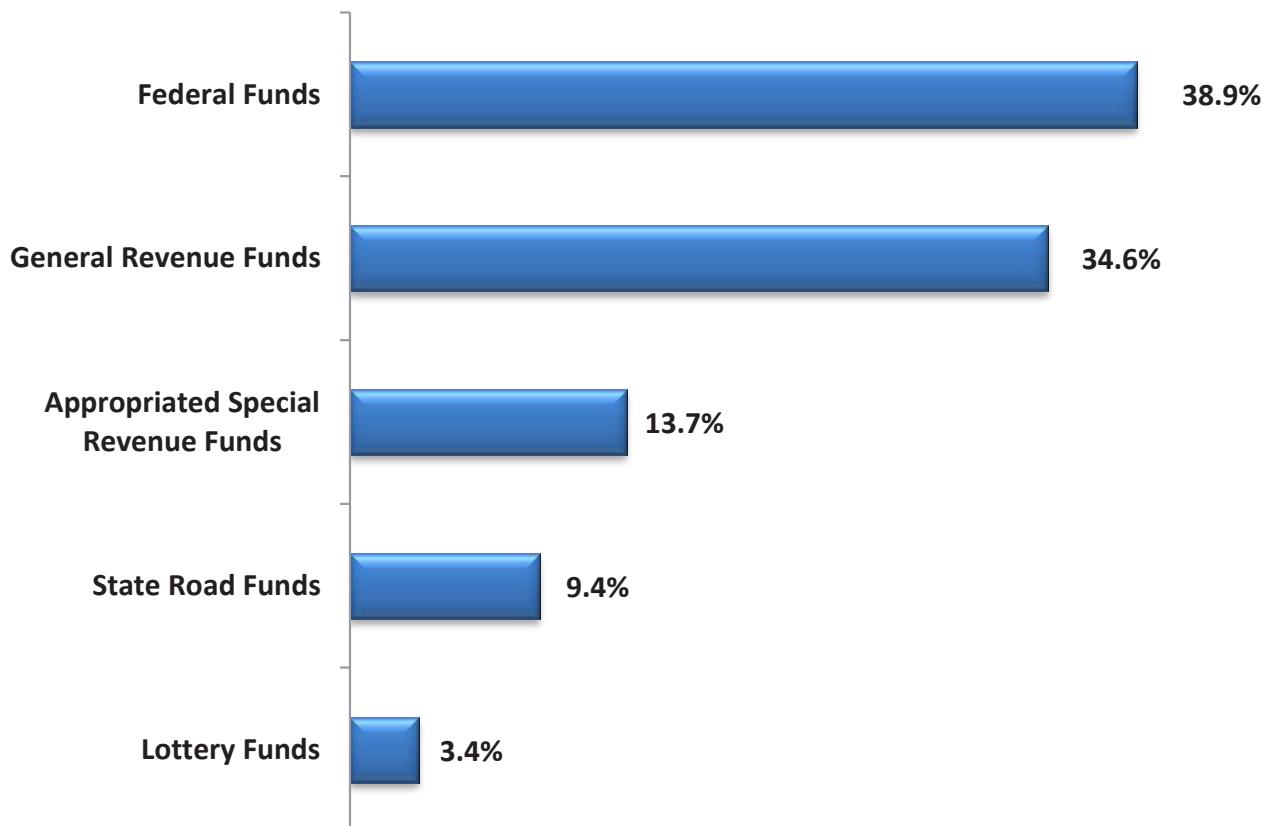


Financial Statements

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

- Graphics of the Total FY 2016 Budget — (Where the State Dollar Comes From and Where the State Dollar Goes)
- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds (narrative and statement)
- Cash and Investment Balances of All Funds Fiscal Year Ending June 30, 2014
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2014
- General Revenue Fund — Statement of Revenues by Source FY 2012 through FY 2020
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund — Overview by Functional Category FY 2014 through FY 2016
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2015
- General Revenue Fund — General Revenue Major Statutory and Nondiscretionary Requirements FY 2016
- Lottery Fund — Overview by Functional Category FY 2014 through FY 2016
- 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 2014 through FY 2016
- State Road Fund — Statement of Revenues by Source FY 2012 through FY 2018
- State Road Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2014
- Major Reserve/Stabilization Accounts

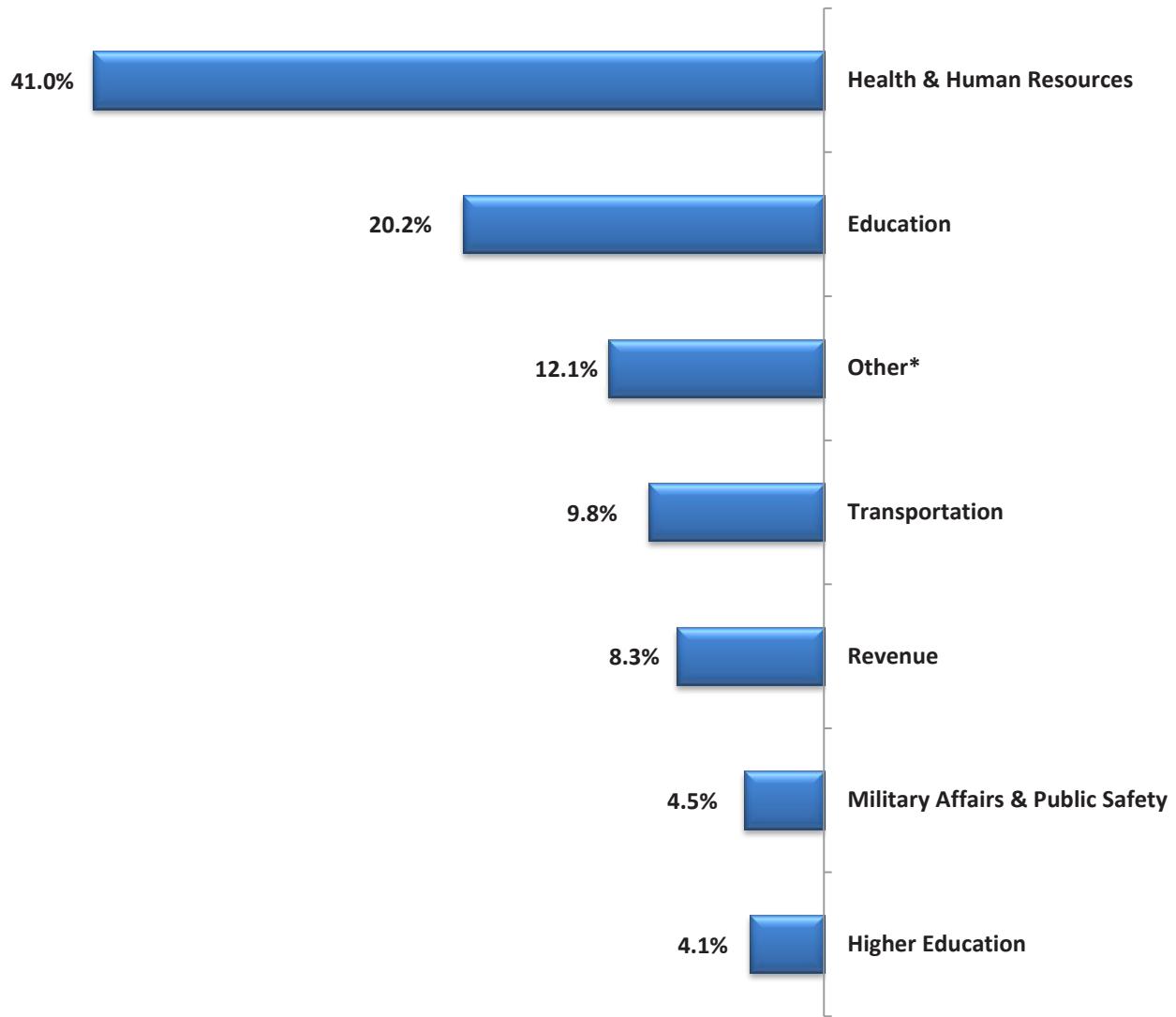
Where The State Dollar Comes From (FY 2016 Estimate)



TOTAL REVENUE
\$12.5 Billion
(Appropriated Funding Sources)

Where The State Dollar Goes

(Governor's Recommended FY 2016 Budget)



*Other	12.1%
Legislature	0.3%
Judicial	1.1%
Executive	0.7%
Administration	2.5%
Commerce	1.9%
Education & the Arts	1.3%
Environment	2.2%
Senior Services	0.7%
Veterans Assistance	0.2%
Misc. Boards & Commissions	1.2%

TOTAL EXPENDITURES
\$12.5 Billion
(Appropriated Funding Sources)

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

The following Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds reflects actual, budgeted, and recommended revenues and expenditures for FY 2014, FY 2015, and FY 2016, respectively, for all funds. The revenues and the disbursements are listed at the department/bureau level. See the “Revenue Sources” chapter for a more detailed explanation of each source of funds.

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

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

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

The Federal 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.

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

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

FY 2014 Actuals are the total actual revenues and expenditures for all funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

The FY 2015 Budgeted revenue estimate for the General Revenue Fund and State Road Fund reflects the Governor’s official revenue estimate (revised) as submitted to the Legislature on March 11, 2014. The Governor provides the official revenue estimates for the budget, and those estimates do not require legislative approval.

FY 2015 Budgeted expenditures reflect the amounts budgeted for FY 2015 prior to the beginning of the 2015 Legislative session and includes a separate line for reappropriations available for expenditure from previous fiscal years.

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

Why Budgeted Expenditures Appear Significantly Different from Actual and Recommended Expenditures

While the Actual FY 2014 amounts include reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended FY 2016 expenditures do not reflect any anticipated reappropriations being available during FY 2016. Although the FY 2015 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 (\$137 million at the end of FY 2014) and is reappropriated to the next ensuing fiscal year. The available reappropriated balance is included as a separate line.

For General Revenue and Special Revenue Funds, the prior year reappropriated amounts are significant. The General Revenue Fund budgeted FY 2015 expenditures include \$378.2 million and the Appropriated Special Revenue Funds include \$16.3 million, Lottery Fund includes \$32.0 million, and the Excess Lottery Fund includes \$31.3 million in reappropriated amounts. Details about the amounts available to each agency can be found in the “Overview by Functional Category.” Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2015 will be less than the total authorized budgeted amounts.

FY 2016 Recommendations are the amounts that the Governor is proposing to the Legislature for appropriation. As discussed above, the recommendations do not include any amounts that will ultimately be available for expenditure as a reappropriated or surplus expenditure.

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

(Expressed in Thousands)

	General Fund			State Road Fund		
	Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016	Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016
Beginning Fund Balance	\$467,991	\$396,523	\$155	\$88,621	\$81,255	\$33,769
Transfer to Rainy Day Fund	(5,751)	-	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	(1,427)	-	-	-	-	-
Prior Year Refunds/Redeposits	9,135	413	-	-	-	-
Cash Flow/Contingencies	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	20,902	-	-	-	-
Recom. Expirations to General Revenue Surplus	-	31,083	-	-	-	-
Revenues						
Revenue Collections/Estimate	4,106,105	4,253,951	4,321,576	1,154,195	1,156,518	1,171,154
Estimated Shortfall	-	(80,000)	-	-	-	-
Legislature	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Executive	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Commerce	-	-	-	-	-	-
Education	-	-	-	-	-	-
Education and the Arts	-	-	-	-	-	-
Environment	-	-	-	-	-	-
Health and Human Resources	-	-	-	-	-	-
Military Affairs & Public Safety	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Veterans Assistance	-	-	-	-	-	-
Senior Services	-	-	-	-	-	-
Higher Education	-	-	-	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
Total Revenues	4,106,105	4,173,951	4,321,576	1,154,195	1,156,518	1,171,154
Expenditures						
Legislature	25,560	27,372	24,652	-	-	-
Judicial	134,935	131,813	139,572	-	-	-
Executive	39,044	40,728	37,455	-	-	-
Administration	78,764	72,687	80,997	-	-	-
Commerce	65,470	63,698	59,489	-	-	-
Education	1,985,053	2,009,527	1,976,433	-	-	-
Education and the Arts	32,834	32,356	32,018	-	-	-
Environment	6,792	7,231	6,930	-	-	-
Health and Human Resources	948,792	1,011,433	1,141,989	-	-	-
Military Affairs & Public Safety	371,068	368,276	361,172	-	-	-
Revenue	31,458	28,322	25,391	-	-	-
Transportation	7,231	6,222	6,110	1,161,561	1,172,392	1,174,392
Veterans Assistance	10,511	11,532	10,794	-	-	-
Senior Services	11,131	15,958	13,938	-	-	-
Higher Education	430,763	416,496	404,636	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
Total Expenditures	4,179,406	4,243,651	4,321,576	1,161,561	1,172,392	1,174,392
Reappropriations Available	-	378,189	-	-	-	-
Recommended Supplemental	-	47,477	-	-	31,612	-
Recommended Surplus Supplemental	-	-	-	-	-	-
Mid-Year Budget Adjustments	-	(46,600)	-	-	-	-
Adjustments*	124	-	-	-	-	-
Ending Fund Balance	\$396,523	\$155	\$155	\$81,255	\$33,769	\$30,531

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

** Some revenue and expenditures may be double counted.

Appropriated Special Revenue Funds			Appropriated Lottery Fund			Appropriated Excess Lottery Fund		
Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016	Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016	Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016
\$2,596,883	\$2,702,435	\$2,540,688	\$103,272	\$26,800	\$9	\$132,444	\$9,673	\$20
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(40,000)	-	-	(35,900)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	163,615	140,976	136,326	266,174	318,918	300,381
1,526	1,526	1,448	-	-	-	-	-	-
1,000	1,200	1,200	-	-	-	-	-	-
37,484	40,277	42,327	-	-	-	-	-	-
147,702	168,168	168,700	-	-	-	-	-	-
24,262	27,116	24,740	-	-	-	-	-	-
3,343	3,734	1,770	-	-	-	-	-	-
1,253	3,277	4,649	-	-	-	-	-	-
48,951	65,376	59,273	-	-	-	-	-	-
375,725	537,351	380,667	-	-	-	-	-	-
36,341	29,632	33,052	-	-	-	-	-	-
549,959	870,565	888,859	-	-	-	-	-	-
5,942	11,465	7,375	-	-	-	-	-	-
1,802	3,052	3,550	-	-	-	-	-	-
10,500	10,500	10,500	-	-	-	-	-	-
43,944	45,693	15,936	-	-	-	-	-	-
35,373	56,603	63,820	-	-	-	-	-	-
1,325,107	1,875,535	1,707,866	163,615	140,976	136,326	266,174	318,918	300,381
-	-	-	-	-	-	-	-	-
3,071	4,097	4,897	-	-	-	-	-	-
1,000	1,200	1,200	-	-	-	-	-	-
29,289	46,987	45,508	-	-	-	5	-	-
144,107	174,502	172,202	9,997	10,000	10,000	-	-	-
19,057	34,974	32,729	19,159	11,256	11,058	5,247	5,000	5,000
31,632	40,951	39,287	47,099	37,633	35,953	18,993	23,051	19,000
1,370	4,108	4,108	18,893	17,876	17,757	-	-	-
31,624	71,249	71,449	-	-	-	-	-	-
437,854	547,833	473,028	-	-	-	96,544	27,097	14,422
23,432	35,406	35,406	-	-	-	993	200	-
371,850	886,418	833,250	-	-	-	122,122	174,570	162,959
7,198	21,491	15,492	-	-	-	-	-	-
1,329	3,130	3,130	-	-	-	-	-	-
8,659	10,500	10,500	95,451	47,327	49,344	-	-	-
43,504	48,766	58,759	14,769	12,329	12,214	51,807	44,000	44,000
64,579	89,326	89,157	-	-	-	64,987	45,000	55,000
1,219,555	2,020,938	1,890,102	205,368	136,421	136,326	360,698	318,918	300,381
-	16,344	-	-	31,997	-	-	31,286	-
-	-	-	-	31,355	-	-	9,673	-
-	-	-	-	-	-	-	-	-
-	-	-	(5,281)	(32,006)	-	(7,653)	(31,306)	-
\$2,702,435	\$2,540,688	\$2,358,452	\$26,800	\$9	\$9	\$9,673	\$20	\$20

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

	Appropriated Federal Funds			Total Appropriated Funds		
	Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016	Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016
Beginning Fund Balance	\$79,759	\$78,340	\$58,447	\$3,468,970	\$3,295,026	\$2,633,088
Transfer to Rainy Day Fund	-	-	-	(5,751)	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	(1,427)	-	-
Prior Year Refunds/Redeposits	-	-	-	9,135	413	-
Cash Flow/Contingencies	-	-	-	(75,900)	-	-
Recom. Expirations to General Revenue	-	-	-	-	20,902	-
Recom. Expirations to General Revenue	-	-	-	-	31,083	-
Revenues						
Revenue Collections/Estimate	-	-	-	5,690,089	5,870,363	5,929,437
Estimated Shortfall	-	-	-	-	-	-
Legislature	1,481	3,000	3,000	3,007	4,526	4,448
Judicial	1,454	2,000	2,000	2,454	3,200	3,200
Executive	41,237	8,659	7,830	78,721	48,936	50,157
Administration	40,531	47,957	47,957	188,233	216,125	216,657
Commerce	63,319	124,258	130,988	87,581	151,374	155,728
Education	349,149	459,627	459,662	352,492	463,361	461,432
Education and the Arts	59,702	103,962	103,856	60,955	107,239	108,505
Environment	95,700	197,165	190,572	144,651	262,541	249,845
Health and Human Resources	2,833,434	3,352,530	3,687,319	3,209,159	3,889,881	4,067,986
Military Affairs & Public Safety	71,435	160,670	161,509	107,776	190,302	194,561
Revenue	6,246	14,211	14,211	556,205	884,776	903,070
Transportation	27,341	33,622	33,522	33,283	45,087	40,897
Veterans Assistance	6,527	7,400	8,500	8,329	10,452	12,050
Senior Services	12,065	14,536	14,536	22,565	25,036	25,036
Higher Education	-	-	-	43,944	45,693	15,936
Misc. Boards & Commissions	2,233	3,100	2,750	37,606	59,703	66,570
Total Revenues	3,611,854	4,532,697	4,868,212	10,627,050	12,278,595	12,505,515
Expenditures						
Legislature	1,481	3,000	3,000	30,112	34,469	32,549
Judicial	1,453	2,000	2,000	137,388	135,013	142,772
Executive	40,841	9,706	9,217	109,179	97,421	92,180
Administration	44,512	47,957	47,957	277,380	305,146	311,156
Commerce	64,501	132,767	135,663	173,434	247,695	243,939
Education	342,770	459,627	464,663	2,425,547	2,570,789	2,535,336
Education and the Arts	60,103	103,962	103,962	113,200	158,302	157,845
Environment	97,275	196,298	196,298	135,691	274,778	274,677
Health and Human Resources	2,833,865	3,359,580	3,505,302	4,317,055	4,945,943	5,134,741
Military Affairs & Public Safety	71,411	161,448	162,042	466,904	565,330	558,620
Revenue	6,246	14,211	14,211	531,676	1,103,521	1,035,811
Transportation	27,198	33,622	33,722	1,203,188	1,233,727	1,229,716
Veterans Assistance	7,834	10,193	10,193	19,674	24,855	24,117
Senior Services	12,067	14,536	14,536	127,308	88,321	88,318
Higher Education	-	-	-	540,843	521,591	519,609
Misc. Boards & Commissions	1,716	3,683	2,848	131,282	138,009	147,005
Total Expenditures	3,613,273	4,552,590	4,705,614	10,739,861	12,444,910	12,528,391
Reappropriations Available	-	-	-	-	457,816	-
Recommended Supplemental	-	-	-	-	120,117	-
Recommended Surplus Supplemental	-	-	-	-	-	-
Mid-Year Budget Reduction	-	-	-	-	(46,600)	-
Adjustments*	-	-	-	(12,810)	(63,312)	-
Ending Fund Balance	\$78,340	\$58,447	\$221,045	\$3,295,026	\$2,645,586	\$2,610,212

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

** Some revenue and expenditures may be double counted.

Nonappropriated Federal Funds			Nonappropriated Special Revenue Funds			Total All Funds**		
Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016	Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016	Actuals FY 2014	Budgeted FY 2015	Recommended FY 2016
\$43,560	\$44,014	\$36,368	\$15,257,708	\$16,849,068	\$29,074,572	\$18,770,238	\$20,188,108	\$31,744,028
-	-	-	-	-	-	(5,751)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(1,427)	-	-
-	-	-	-	-	-	9,135	413	-
-	-	-	-	-	-	(75,900)	-	-
-	-	-	-	-	-	-	20,902	-
-	-	-	-	-	-	-	31,083	-
<hr/>								
-	-	-	-	-	-	5,690,089	5,870,363	5,929,437
-	-	-	-	-	-	-	(80,000)	-
-	-	-	-	-	-	3,007	4,526	4,448
-	-	-	1,257	2,070	2,070	3,711	5,270	5,270
-	-	-	500,732	320,961	319,415	579,453	369,897	369,572
-	-	-	5,627,590	18,262,665	18,515,342	5,815,823	18,478,790	18,731,999
26,594	32,298	32,307	63,138	82,041	72,097	177,313	265,713	260,132
-	-	-	63,665	86,970	25,659	416,157	550,331	487,091
-	-	-	6,442	16,443	19,927	67,397	123,682	128,432
49	80	80	125,734	175,110	204,857	270,434	437,731	454,782
-	-	-	19,111	28,584	26,693	3,228,270	3,918,465	4,094,679
7,538	34,201	18,541	177,660	152,372	156,142	292,974	376,875	369,244
-	-	-	1,489,731	902,767	773,764	2,045,936	1,787,543	1,676,834
1,013	600	600	11,287	28,025	10,769	45,583	73,712	52,266
-	-	-	1,327	877	1,677	9,656	11,329	13,727
-	-	-	2,292	1,900	1,900	24,857	26,936	26,936
33,252	62,253	50,036	1,392,349	2,167,102	2,158,336	1,469,545	2,275,048	2,224,308
-	-	-	165,962	271,863	257,138	203,568	331,566	323,708
68,446	129,432	101,564	9,648,277	22,499,750	22,545,786	20,343,773	34,827,777	35,152,865
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-	-	-	5,722	24	24	35,834	34,493	32,573
-	-	-	1,250	2,481	2,326	138,638	137,494	145,098
-	-	-	516,138	359,489	336,979	625,317	456,910	429,159
-	-	-	4,125,561	5,808,527	5,812,412	4,402,941	6,113,673	6,123,568
26,008	31,887	31,887	57,774	96,276	89,983	257,216	375,858	365,809
-	-	-	62,732	87,026	26,243	2,488,279	2,657,815	2,561,579
-	-	-	7,027	16,651	16,651	120,227	174,953	174,496
538	6,619	6,619	110,219	207,760	214,605	246,448	489,157	495,901
-	-	-	18,808	32,276	30,646	4,335,863	4,978,219	5,165,387
7,538	34,201	18,361	200,366	159,454	163,902	674,808	758,985	740,883
-	-	-	1,350,554	957,319	885,273	1,882,230	2,060,840	1,921,084
1,014	600	600	14,028	29,831	32,004	1,218,230	1,264,158	1,262,320
-	-	-	1,306	1,658	1,658	20,980	26,513	25,775
-	-	-	2,242	1,900	1,900	129,550	90,221	90,218
32,894	63,771	53,031	1,424,329	2,259,149	2,190,049	1,998,066	2,844,511	2,762,689
-	-	-	158,861	254,425	276,205	290,143	392,434	423,210
67,992	137,078	110,498	8,056,917	10,274,246	10,080,860	18,864,770	22,856,234	22,719,749
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-	-	-	-	-	-	-	457,816	-
-	-	-	-	-	-	-	120,117	-
-	-	-	-	-	-	-	(46,600)	-
-	-	-	-	-	-	-	(12,810)	(63,312)
\$44,014	\$36,368	\$27,434	\$16,849,068	\$29,074,572	\$41,539,498	\$20,188,108	\$31,676,526	\$44,177,144

Cash and Investment Balances of All Funds
Fiscal Year Ending June 30, 2014
(Nearest Dollar)

	Fund No.	Cash Balance	Investments	Total Balance
General Revenue Fund	01	\$412,362,278	\$0	\$412,362,278
State Road Fund	02	16,865,184	67,436,588	84,301,772
Natural Resources Fund	03	14,614,329	78,343,362	92,957,691
Consolidated Pool and Investments	09	(1,496,432,311)	1,650,882,962	154,450,651
Consolidated Federal Funds (Special Revenue)	12	53,308,953	2,727,634	56,036,587
Special Revenue Funds ¹ (Departments and Institutions)	13	1,074,144,917	5,690,768,448	6,764,913,365
Special Revenue Funds (Higher Education)	14	121,719,624	272,910,439	394,630,063
Human Services Fund	16	25,457,996	0	25,457,996
Public Employees' Retirement System	17	289,427	5,538,471,476	5,538,760,903
Teachers' Retirement System	18	5,764,590	6,549,732,009	6,555,496,599
West Virginia University - Medical School Fund	20	1,778,788	0	1,778,788
Total		\$229,873,775	\$19,851,272,918	\$20,081,146,693

¹ See next page for detail of investments.

Detailed Investments Fund 13
Fiscal Year Ending June 30, 2014
(Nearest Dollar)

Attorney General	\$697,321
Auditor's Office	7,403,889
Board of Risk and Insurance Management	157,507,503
Building Commission	2,851,053
Court of Claims	1,733,478
Consolidated Public Retirement Board	1,032,564,049
Division of Justice and Community Services	1,166,728
Culture and History	1,619,828
Secretary of State	3,925,228
Department of Administration	753,128,543
Department of Education	1,715,503
Division of Financial Institutions	108,178
Higher Education Policy Commission	530,601
Department of Education and the Arts	583,303
Secretary of Revenue	955,890,485
Department of Transportation	4,545,581
WV Economic Development Authority	62,678,840
Department of Health and Human Resources	7,619,399
Division of Labor	5,423,280
Division of Natural Resources	948,650
Department of Environmental Protection	327,996,574
Division of Forestry	2,851,262
Insurance Commission	1,497,434,216
Lottery Commission	129,407,677
Municipal Bond Commission	192,050,631
Municipal Pension Oversight Board	27,398,614
Public Employees Insurance Agency	296,217,762
Regional Jail Authority	41,282,645
State Police	2,256,249
State Rail Authority	5,600,173
Tax Department	0
Treasurer's Office	145,363,966
Water Development Authority	20,267,239
Total Detail Fund 13	<u>\$5,690,768,448</u>

General Revenue Fund
Statement of Revenues by Source
FY 2012 Through FY 2020
(Expressed in Thousands)

Source of Revenue	FY 2012 Actual Collections	FY 2013 Actual Collections ⁵	FY 2014 Actual Collections	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate
Business and Occupation Tax	\$121,031	\$127,112	\$120,143	\$107,000	\$117,000	\$104,000	\$121,000	\$122,000	\$122,000
Consumers Sales and Use Tax ¹	1,215,973	1,193,290	1,173,097	1,253,500	1,281,300	1,325,400	1,388,000	1,448,500	1,514,000
Personal Income Tax	1,688,963	1,700,547	1,664,066	1,809,600	1,860,500	2,009,000	2,104,400	2,199,200	2,294,500
Liquor Profit Transfers	15,358	16,321	15,155	16,000	16,050	16,100	16,150	16,200	16,200
Racing Fees	0	0	0	0	0	0	0	0	0
Beer Tax and Licenses	8,416	8,415	8,302	8,350	8,200	8,200	8,250	8,220	8,200
Tobacco Products Tax (Cigarette & Other)	109,609	107,022	101,780	105,000	100,400	100,100	99,400	98,700	98,000
Estate Tax	16	2	0	0	0	0	0	0	0
Business Franchise Fees	1,193	692	698	650	650	650	650	650	650
Charter Tax	74	62	228	0	0	0	0	0	0
Property Transfer Tax	8,128	8,776	10,392	12,500	13,400	13,300	13,500	14,200	14,800
Property Tax	6,051	6,149	6,652	6,700	6,850	7,000	7,100	7,250	7,400
Insurance Tax	109,665	112,747	115,763	117,600	120,200	122,700	123,600	127,300	128,100
Departmental Collections	16,541	16,374	17,511	17,600	18,100	18,700	19,300	19,900	20,400
Corporate Income/Business Franchise Tax ²	188,085	238,130	203,508	201,500	177,500	194,700	190,400	196,900	197,100
Miscellaneous Transfers	528	1,272	767	1,000	1,300	1,300	1,300	1,300	1,300
Interest Income	2,705	3,467	1,219	1,500	15,000	52,000	52,000	52,000	52,000
Severance Tax ³	467,902	409,673	488,686	474,600	471,700	524,800	580,900	606,300	631,900
Telecommunication Tax	96	61	(261)	0	0	0	0	0	0
Miscellaneous Receipts ⁴	3,483	5,038	30,013	17,800	20,000	7,900	7,950	8,000	8,050
HB102 - Lottery Transfers	127,900	92,600	92,600	92,600	83,355	83,355	83,355	83,355	83,355
Video Lottery Transfers	1,133	920	629	0	0	0	0	0	0
Liquor License Renewal	451	451	451	451	71	0	0	0	0
Senior Citizen Tax Credit Reimbursement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Special Revenue Transfer	0	0	44,707	0	0	0	0	0	0
Total	\$4,103,301	\$4,059,121	\$4,106,106	\$4,253,951	\$4,321,576	\$4,599,205	\$4,827,255	\$5,019,975	\$5,207,955

1. Includes an additional \$11.5 million in Consumer Sales and Use Tax in FY 2016 attributable to a proposed statutory change to temporarily suspend the annual Consumer Sales and Use Tax revenue transfer provided under W.Va. Code §11-15-9(b)(6) for FY 2015 related to an otherwise scheduled July 2015 transfer. Also includes an additional \$8.0 million each year between FY 2016 and FY 2020 attributable to a proposed statutory change to reduce the annual sales tax revenue allocation to the State School Building Authority by \$8.0 million.

2. Includes an additional \$4.3 million in Corporation Net Income Tax beginning in FY 2016 attributable to a proposed statutory change eliminating the annual General Revenue Fund transfers to the Public Port Authority.

3. Includes an additional \$0.5 million in Severance Tax receipts each year beginning in FY 2016 due to proposed legislation to reduce the amount annually transferred to the Infrastructure Bond Fund from \$23 million to \$22.5 million. The reduction in debt service needs is due to reduced interest costs associated with a refunding in 2015.

4. Includes \$15 million in Miscellaneous Revenues attributable to a onetime additional transfer of \$15 million from the Abandoned and Unclaimed Property Account to the General Revenue Fund in FY 2016.

5. Does not include the \$45 million transferred from the Income Tax Refund Reserve Account.

General Revenue Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

Actual Beginning Cash Balance @ July 1, 2014	\$412,362,278
Less: 31 Day Disbursements (July 1, 2014 - July 31, 2014)	(15,838,926)
Plus: Prior Year Reimbursements (July 1, 2014 - July 31, 2014)	3,670
Less: Prior Year Appropriations Forwarded	<u>(378,189,223)</u>
Accumulated Surplus from FY 2014 @ July 31, 2014	\$18,337,799
Less: Transfer to Revenue Shortfall Reserve Fund (Statutory)	0
Less: FY 2015 Surplus Appropriation (FY 2015 Budget Bill)	(2,300,000)
Plus: Prior Year Reimbursements (August 1, 2014 - December 31, 2014)	408,796
Plus: Recommended Expirations to General Revenue Surplus (2015 Regular Session)	31,082,665
Less: Recommended FY 2015 Surplus Supplemental Appropriations (2015 Regular Session)	<u>(47,476,084)</u>
Estimated Unappropriated Surplus Balance @ June 30, 2015	\$53,176
Plus: FY 2015 Revenue Estimate	\$4,253,951,000
Less: FY 2015 Appropriations (FY 2015 Budget Bill)	(4,253,951,000)
Plus: FY 2015 Appropriations (FY 2015 Budget Bill) vetos	12,600,000
Plus: Recommended Expirations to General Revenue (2015 Regular Session)	20,901,657
Less: Recommended FY 2015 Supplemental Appropriation (2015 Regular Session)	0
Less: FY 2015 Anticipated Revenue Shortfall (Estimated)	(80,000,000)
Plus: FY 2015 Mid-year Budget Reduction - Governor's Executive Order (Estimated)	20,000,000
Plus: FY 2015 Personal Income Tax Refund Reserve Fund (if necessary)	11,000,000
Plus: FY 2015 Other Mid-year Budget Adjustments (if necessary)	<u>15,600,000</u>
Estimated Unappropriated Balance from FY 2015 Activity @ June 30, 2015	\$101,657
Plus: FY 2016 Revenue Estimate	\$4,321,576,000
Less: Recommended FY 2016 Appropriations (FY 2016 Budget Bill) (2015 Regular Session)	<u>(4,321,576,000)</u>
Estimated Unappropriated Balance from FY 2016 Activity @ June 30, 2016	\$0
Total Estimated Unappropriated Balance @ June 30, 2016	<u>\$154,833</u>

General Revenue Fund
Overview by Functional Category
FY 2014 through FY 2016
(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Actual	Total
		Expenditures	Appropriations
		FY 2014	FY 2015*
LEGISLATURE			
Senate	0165	\$6,312,665	\$6,452,206
House of Delegates	0170	8,888,251	9,404,031
Joint Expenses/Claims against State	0175	10,359,331	11,516,191
Subtotal		25,560,247	27,372,428
JUDICIAL			
Supreme Court	0180	134,935,155	131,812,993
EXECUTIVE			
Office of the Governor	0101	4,835,429	4,623,786
Custodial Fund	0102	545,978	588,536
Civil Contingent Fund	0105	(529,829)	0
State Auditor's Office	0116	4,165,426	4,516,671
State Treasurer's Office	0126	3,613,980	3,405,091
Department of Agriculture	0131	11,980,697	10,850,573
WV Conservation Agency	0132	8,768,828	8,825,572
Meat Inspection	0135	677,709	729,494
Agricultural Awards	0136	54,250	54,250
WV Agricultural Land Protection Auth	0607	92,363	103,919
Attorney General's Office	0150	4,200,713	5,892,494
Secretary of State	0155	637,820	1,129,538
State Election Commission	0160	829	8,342
Subtotal		39,044,193	40,728,266
ADMINISTRATION			
Office of the Secretary	0186	15,497,239	15,917,752
Division of Finance	0203	629,165	854,778
General Services Division	0230	3,598,922	8,249,620
Purchasing Division	0210	1,064,637	1,108,024
Travel Management	0615	1,229,795	1,596,348
Comm on Uniform State Laws	0214	39,910	46,550
Public Employees Grievance Board	0220	1,187,272	1,096,415
Ethics Commission	0223	760,552	708,736
Public Defender Services	0226	43,629,888	31,870,231
Comm Purchase for Handicapped	0233	1,942	5,055
WV Prosecuting Attorneys Institute	0557	275,577	241,751
Children's Health Insurance Agency	0588	9,987,748	9,989,262
Real Estate Division	0610	861,732	1,002,220
Subtotal		78,764,379	72,686,742

Plus: Reappropriated FY 2015	Total Available FY 2015	Total Request FY 2016 **	Governor's Recommendations FY 2016	Percentage of Total
\$28,773,055	\$35,225,261	\$6,452,206	\$6,452,206	0.15%
8,031,991	17,436,022	9,404,031	9,404,031	0.22%
24,951,992	36,468,183	11,516,191	8,795,457	0.20%
61,757,038	89,129,466	27,372,428	24,651,694	0.57%
1,826,674	133,639,667	139,572,495	139,572,495	3.23%
2,611,067	7,234,853	4,623,786	4,465,258	0.10%
38,967	627,503	588,536	572,596	0.01%
22,857,173	22,857,173	0	0	0.00%
50,766	4,567,437	3,266,671	3,192,968	0.07%
236,752	3,641,843	3,405,091	3,235,562	0.07%
3,326,562	14,177,135	10,850,573	10,430,884	0.24%
4,908,467	13,734,039	11,825,572	8,356,470	0.19%
0	729,494	729,494	724,395	0.02%
0	54,250	54,250	54,250	0.00%
0	103,919	103,919	99,358	0.00%
3,797,243	9,689,737	6,233,856	5,186,705	0.12%
1,618,874	2,748,412	1,129,538	1,128,128	0.03%
0	8,342	8,342	8,342	0.00%
39,445,871	80,174,137	42,819,628	37,454,916	0.87%
136,845	16,054,597	15,917,752	15,870,928	0.37%
182,456	1,037,234	854,778	805,906	0.02%
0	8,249,620	8,492,488	17,154,271	0.40%
0	1,108,024	1,108,024	990,885	0.02%
100	1,596,448	1,596,348	1,441,412	0.03%
0	46,550	46,550	46,550	0.00%
445	1,096,860	1,226,415	1,094,592	0.03%
0	708,736	783,736	678,085	0.02%
2,123,385	33,993,616	46,870,231	31,742,938	0.73%
0	5,055	5,055	3,951	0.00%
21,228	262,979	241,751	239,482	0.01%
0	9,989,262	9,989,262	9,988,190	0.23%
1,500	1,003,720	1,002,220	939,363	0.02%
2,465,959	75,152,701	88,134,610	80,996,553	1.87%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2014	Total Appropriations FY 2015*
COMMERCE			
Office of the Secretary	0606	330,208	365,941
Forestry	0250	6,245,421	5,928,811
Geological & Economic Survey	0253	3,362,059	3,072,067
Development Office	0256	21,216,932	16,341,442
Division of Labor	0260	2,945,868	2,980,315
Division of Natural Resources	0265	16,447,578	19,386,785
Miners' Health, Safety & Training	0277	12,687,212	13,177,212
Board of Coal Mine Health & Safety	0280	366,470	429,711
WorkForce West Virginia	0572	87,877	81,286
Division of Energy	0612	1,576,998	1,651,604
Occupational Safety and Health	0616	85,495	173,097
Office of Economic Opportunity	0617	117,263	109,695
Subtotal		65,469,381	63,697,966
EDUCATION			
School Lunch Program	0303	2,390,078	2,509,511
FFA-FHA Camp & Conference Center	0306	1,045,815	750,000
State Department of Education	0313	60,657,460	79,851,878
Aid for Exceptional Children	0314	28,738,501	29,044,820
State Aid to Schools	0317	1,850,908,204	1,850,542,469
State Board of Ed-Vocational Division	0390	27,876,353	31,779,410
Education Performance Audits	0573	841,376	1,855,689
WV Schools for the Deaf & the Blind	0320	12,595,293	13,193,036
Subtotal		1,985,053,080	2,009,526,813
EDUCATION AND THE ARTS			
Office of the Secretary	0294	6,997,558	6,093,925
Culture and History	0293	4,859,747	5,149,795
Library Commission	0296	1,707,546	1,738,817
Educational Broadcasting Authority	0300	5,096,778	4,902,437
Division of Rehabilitation Services	0310	14,172,681	14,470,829
Subtotal		32,834,310	32,355,803
ENVIRONMENTAL PROTECTION			
Environmental Quality Board	0270	128,328	125,188
Environmental Protection	0273	6,562,199	7,017,380
Air Quality Board	0550	101,266	88,258
Subtotal		6,791,793	7,230,826

Plus: Reappropriated FY 2015	Total Available FY 2015	Total Request FY 2016 **	Governor's Recommendations FY 2016	Percentage of Total
0	365,941	365,941	361,702	0.01%
266	5,929,077	6,978,811	5,475,217	0.13%
435,796	3,507,863	3,317,037	3,009,653	0.07%
22,686,440	39,027,882	15,770,525	12,837,953	0.30%
0	2,980,315	2,980,315	2,865,808	0.07%
1,001,200	20,387,985	21,299,344	19,386,785	0.45%
0	13,177,212	13,177,212	13,177,212	0.30%
0	429,711	429,711	423,056	0.01%
0	81,286	81,286	65,538	0.00%
0	1,651,604	1,651,604	1,626,851	0.04%
0	173,097	173,097	156,382	0.00%
0	109,695	109,695	102,720	0.00%
24,123,702	87,821,668	66,334,578	59,488,877	1.38%
0	2,509,511	2,512,644	2,480,155	0.06%
0	750,000	503,750	475,684	0.01%
7,894,003	87,745,881	92,497,335	92,812,914	2.15%
2,388,676	31,433,496	29,946,414	28,514,140	0.66%
0	1,850,542,469	1,812,970,420	1,805,573,448	41.78%
1,014,776	32,794,186	32,413,822	31,581,189	0.73%
0	1,855,689	2,046,782	1,855,590	0.04%
237,500	13,430,536	17,151,847	13,139,961	0.30%
11,534,955	2,021,061,768	1,990,043,014	1,976,433,081	45.73%
1,842,410	7,936,335	6,093,925	6,519,280	0.15%
1,466,455	6,616,250	5,149,795	5,019,939	0.12%
0	1,738,817	1,738,817	1,669,121	0.04%
45,835	4,948,272	4,902,437	4,838,612	0.11%
0	14,470,829	14,470,829	13,970,829	0.32%
3,354,700	35,710,503	32,355,803	32,017,781	0.74%
0	125,188	125,188	105,092	0.00%
0	7,017,380	7,017,380	6,747,279	0.16%
0	88,258	88,258	77,974	0.00%
0	7,230,826	7,230,826	6,930,345	0.16%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2014	Total Appropriations FY 2015*
HEALTH AND HUMAN RESOURCES			
Office of the Secretary	0400	619,179	668,058
Division of Health-Central Office	0407	76,520,724	77,160,924
Consolidated Medical Service Fund	0525	183,350,830	187,818,776
WV Drinking Water Treatment	0561	647,500	647,500
Human Rights Commission	0416	1,282,698	1,218,744
Human Services	0403	686,370,675	743,918,944
Subtotal		948,791,606	1,011,432,946
MILITARY AFFAIRS & PUBLIC SAFETY			
Office of the Secretary	0430	1,903,451	2,170,240
Adjutant General - State Militia	0433	20,377,604	15,524,044
Adjutant General - Military Fund	0605	51,061	171,125
Parole Board	0440	1,105,155	1,158,391
Homeland Security Emergency Mgmt	0443	2,692,950	3,121,501
Corrections Central Office	0446	597,447	614,263
Correctional Units	0450	194,036,268	194,620,668
WV State Police	0453	106,957,949	104,762,987
Fire Commission	0436	75,069	69,439
Justice and Community Services	0546	7,612,485	10,218,238
Juvenile Services	0570	33,564,293	33,514,011
Protective Services Division	0585	2,094,500	2,331,654
Subtotal		371,068,232	368,276,561
REVENUE			
Office of the Secretary	0465	717,447	685,176
Tax Division	0470	26,500,661	26,257,109
State Budget Office	0595	3,736,089	752,116
Athletic Commission	0523	6,401	47,958
Office of Tax Appeals	0593	497,098	579,726
Subtotal		31,457,696	28,322,085
TRANSPORTATION			
State Rail Authority	0506	2,854,491	2,212,473
Public Transit	0510	2,787,807	2,476,279
Public Port Authority	0581	523,064	353,470
Aeronautics Commission	0582	1,065,643	1,179,475
Subtotal		7,231,005	6,221,697

Plus: Reappropriated FY 2015	Total Available FY 2015	Total Request FY 2016 **	Governor's Recommendations FY 2016	Percentage of Total
28,737	696,795	668,058	668,058	0.02%
16,944,829	94,105,753	77,997,715	71,798,022	1.66%
99,833,134	287,651,910	194,913,494	191,913,494	4.44%
0	647,500	647,500	647,500	0.01%
0	1,218,744	1,218,744	1,118,744	0.03%
315	743,919,259	901,688,510	875,843,312	20.27%
116,807,015	1,128,239,961	1,177,134,021	1,141,989,130	26.43%
4,826,709	6,996,949	2,170,240	2,101,592	0.05%
12,543,494	28,067,538	15,524,044	15,024,044	0.35%
0	171,125	171,125	171,125	0.00%
0	1,158,391	1,263,211	1,155,163	0.03%
812,840	3,934,341	3,121,501	2,815,754	0.07%
0	614,263	614,263	614,263	0.01%
47,559,077	242,179,745	306,283,382	196,418,562	4.55%
3,238,178	108,001,165	112,705,922	97,446,966	2.25%
0	69,439	69,439	69,439	0.00%
1,734,098	11,952,336	9,998,238	10,369,035	0.24%
1,776,638	35,290,649	35,614,011	32,787,484	0.76%
3,494,640	5,826,294	2,631,654	2,199,121	0.05%
75,985,674	444,262,235	490,167,030	361,172,548	8.36%
349,249	1,034,425	685,176	639,781	0.01%
11,569,638	37,826,747	23,957,109	23,457,109	0.54%
1,215,360	1,967,476	752,116	715,628	0.02%
0	47,958	47,958	39,164	0.00%
1	579,727	579,726	539,742	0.01%
13,134,248	41,456,333	26,022,085	25,391,424	0.59%
1,129,486	3,341,959	2,212,473	2,181,060	0.05%
3,454,851	5,931,130	2,526,279	2,476,279	0.06%
1,180,461	1,533,931	353,470	296,054	0.01%
2,534,021	3,713,496	1,179,475	1,156,196	0.03%
8,298,819	14,520,516	6,271,697	6,109,589	0.14%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2014	Total Appropriations FY 2015*
VETERANS ASSISTANCE			
Veterans Affairs	0456	9,380,805	10,339,443
Veterans Home	0460	1,129,609	1,192,404
Subtotal		10,510,414	11,531,847
SENIOR SERVICES			
Bureau of Senior Services	0420	11,131,368	15,957,690
HIGHER EDUCATION			
HEPC-Administration	0589	71,147,359	68,656,464
WVNET	0551	1,754,853	1,720,914
WVU-School of Medicine	0343	24,079,870	23,602,138
West Virginia University	0344	118,700,450	116,240,483
Marshall University-School of Medicine	0347	14,778,877	14,483,505
Marshall University	0348	50,635,479	50,640,193
WV School of Osteopathic Medicine	0336	7,932,725	7,813,679
Bluefield State College	0354	5,938,342	5,856,558
Concord University	0357	9,192,694	9,040,548
Fairmont State University	0360	16,104,114	15,842,394
Glenville State College	0363	6,418,710	6,318,177
Shepherd University	0366	10,112,854	9,941,104
West Liberty University	0370	8,396,273	8,255,151
West Virginia State University	0373	12,449,485	12,053,981
Council for C&T College Education	0596	13,457,526	7,417,192
Mountwest C&T College	0599	5,694,831	5,731,087
New River C&T College	0600	5,775,692	5,681,907
Pierpont C&T College	0597	7,734,209	7,584,426
Blue Ridge C&T College	0601	4,706,653	4,640,378
Kanawha Valley C&T College ***	0598	3,778,999	0
Bridgemont C&T College ***	0602	4,134,831	0
WVU at Parkersburg	0351	10,230,191	9,858,752
Southern WV C&T College	0380	8,453,274	8,321,687
WV Northern C&T College	0383	7,230,369	7,125,451
Eastern WV C&T College	0587	1,924,011	1,895,244
BridgeValley C&T College ***	0618	0	7,774,924
Subtotal		430,762,671	416,496,337
TOTAL GENERAL REVENUE		\$4,179,405,530	\$4,243,651,000

* Total Appropriations FY 2015 include surplus appropriations of \$2,300,000.

** Total Request FY 2016 is Current-Level Request plus General Revenue Improvement Requests.

*** Kanawha Valley and Bridgemont merged into BridgeValley C&T College for FY 2015.

Plus: Reappropriated FY 2015	Total Available FY 2015	Total Request FY 2016 **	Governor's Recommendations FY 2016	Percentage of Total
2,498,255	12,837,698	10,750,818	9,632,715	0.22%
0	1,192,404	1,292,404	1,161,272	0.03%
2,498,255	14,030,102	12,043,222	10,793,987	0.25%
0	15,957,690	15,957,690	13,937,701	0.32%
12,203,969	80,860,433	78,656,464	68,572,438	1.59%
0	1,720,914	1,720,914	1,696,561	0.04%
564,239	24,166,377	23,602,138	20,943,047	0.48%
101,903	116,342,386	116,240,483	111,661,126	2.58%
50,518	14,534,023	14,483,505	13,495,474	0.31%
1,217,191	51,857,384	50,640,193	49,664,174	1.15%
236,911	8,050,590	7,813,679	7,703,104	0.18%
0	5,856,558	5,856,558	5,773,680	0.13%
0	9,040,548	9,040,548	8,833,744	0.20%
0	15,842,394	15,842,394	15,618,202	0.36%
0	6,318,177	6,318,177	5,834,427	0.14%
0	9,941,104	9,941,104	9,721,556	0.22%
0	8,255,151	8,255,151	8,138,329	0.19%
0	12,053,981	12,053,981	11,883,400	0.27%
2,581,582	9,998,774	20,417,192	7,312,228	0.17%
0	5,731,087	5,731,087	5,649,984	0.13%
0	5,681,907	5,681,907	5,601,500	0.13%
0	7,584,426	7,584,426	7,477,096	0.17%
0	4,640,378	4,640,378	4,574,710	0.11%
0	0	0	0	0.00%
0	0	0	0	0.00%
0	9,858,752	9,858,752	9,719,237	0.22%
0	8,321,687	8,321,687	8,203,924	0.19%
0	7,125,451	7,125,451	7,024,616	0.16%
0	1,895,244	1,895,244	1,868,424	0.04%
0	7,774,924	7,774,924	7,664,898	0.18%
16,956,313	433,452,650	439,496,337	404,635,879	9.36%
\$378,189,223	\$4,621,840,223	\$4,560,955,464	\$4,321,576,000	100.00%

General Revenue Fund
Recommended Surplus Supplemental Appropriations
FY 2015
(Nearest Dollar)

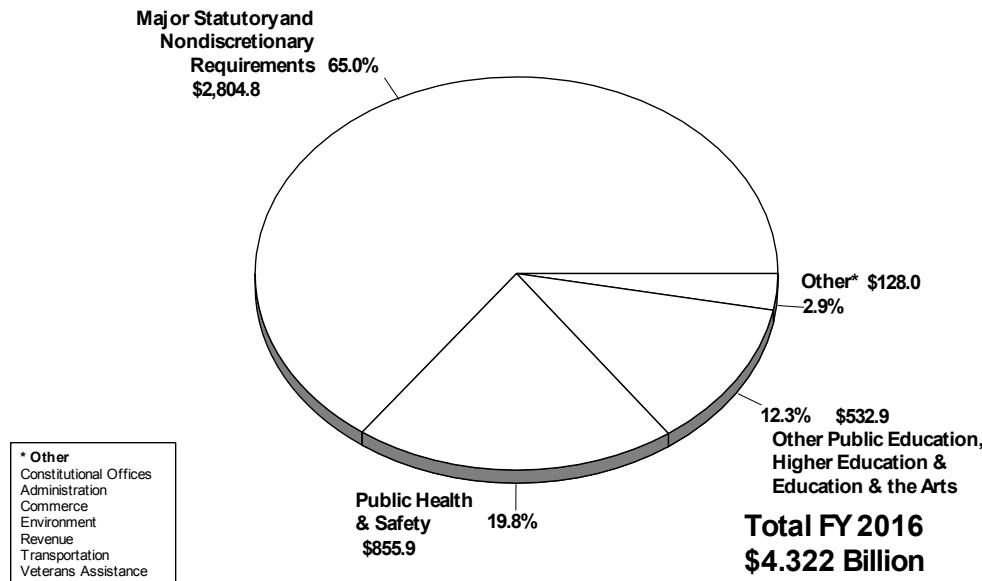
DHHR - Medicaid - Base Funding	\$27,371,874
Public Defender - Appointed Counsel billings are exceeding FY 2015 appropriations	12,700,000
Higher Education - Mountwest Community and Technical College - Accounting Error	123,962
DHHR - Medical Command Center	180,248
Corrections - Systemwide Improvements	<u>7,100,000</u>
Recommended General Revenue Surplus Supplements - FY 2015	<u>\$47,476,084</u>

General Revenue Major Statutory and Nondiscretionary Requirements Fiscal Year 2016

Each year there are several major statutory and nondiscretionary requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2016 Executive Budget recommendations include expenditures of \$2.8 billion of these major requirements and make up 65% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 35% 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.

	Appropriations (in millions)
LEGISLATIVE BRANCH	\$24.5
JUDICIAL BRANCH	111.1
DEPARTMENT OF EDUCATION	
State Aid to Schools	1,160.0
Public Employees Insurance Agency (School Aid Formula)	214.6
	1,374.6
DEBT SERVICE	
School Building Authority	23.4
Lease Rental Payments for debt service on correctional facilities	15.0
	38.4
SOCIAL SECURITY MATCHING	52.9
PUBLIC EMPLOYEES INSURANCE AGENCY	123.7
RETIREMENT	
Judges' Retirement	2.8
Public Employees Retirement	58.3
Teachers' Retirement	407.5
Trooper Retirement	18.1
	486.7
PUBLIC DEFENDER SERVICES	31.5
MEDICAID	561.4
	\$2,804.8
(Expressed in Millions)	



**Lottery Fund
Overview by Functional Category
FY 2014 through FY 2016
(Nearest Dollar)**

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2014	Total Appropriations FY 2015
ADMINISTRATION			
Education, Arts, Sciences, & Tourism Debt Service Fund	2252	\$9,996,788	\$10,000,000
COMMERCE			
Division of Tourism	3067	\$8,701,966	8,059,842
Division of Natural Resources	3267	\$10,457,558	3,196,491
Subtotal		\$19,159,524	11,256,333
EDUCATION			
State Department of Education	3951	\$29,103,378	19,632,752
School Building Authority	3963	\$17,995,460	18,000,000
Subtotal		\$47,098,838	37,632,752
EDUCATION AND THE ARTS			
Office of the Secretary	3508	\$1,640,283	1,672,985
Culture and History	3534	\$5,685,702	4,746,467
Library Commission	3559	\$11,567,281	11,456,864
Subtotal		\$18,893,266	17,876,316
SENIOR SERVICES			
Bureau of Senior Services	5405	\$95,451,149	47,326,880
HIGHER EDUCATION			
Community & Technical College			
Capital Improvement Fund	4908	\$6,436,667	5,000,000
Higher Education Policy Commission	4925	\$3,115,026	3,180,114
West Virginia University	4185	\$3,425,889	3,538,214
Marshall University	4267	\$1,155,362	21,911
Marshall-School of Medicine	4896	\$635,892	588,105
Subtotal		\$14,768,836	12,328,344
TOTAL LOTTERY		\$205,368,401	\$136,420,625

* Total Request FY 2016 is Current-Level Request plus Improvement Requests.

Lottery Fund
Overview by Functional Category
FY 2014 through FY 2016
(Nearest Dollar)

Plus: Reappropriated FY 2015	Total Available FY 2015	Total Request FY 2016 *	Governor's Recommendation FY 2016	Percentage of Total
\$0	\$10,000,000	\$10,000,000	\$10,000,000	7.34%
2,564,255	10,624,097	6,821,634	7,861,657	5.77%
3,410,456	6,606,947	3,151,511	3,196,491	2.34%
5,974,711	17,231,044	9,973,145	11,058,148	8.11%
13,889,786	33,522,538	27,353,703	17,952,526	13.17%
0	18,000,000	18,000,000	18,000,000	13.20%
13,889,786	51,522,538	45,353,703	35,952,526	26.37%
537,638	2,210,623	1,702,609	1,588,117	1.16%
1,638,563	6,385,030	5,227,761	4,745,464	3.48%
904,733	12,361,597	12,348,875	11,423,296	8.38%
3,080,934	20,957,250	19,279,245	17,756,877	13.03%
3,024,582	50,351,462	52,918,128	49,343,960	36.20%
2,162,461	7,162,461	5,000,000	5,000,000	3.67%
1,357,629	4,537,743	3,303,313	3,146,564	2.31%
2,302,377	5,840,591	3,649,156	3,488,143	2.56%
21,420	43,331	22,764	0	0.00%
183,161	771,266	606,937	579,782	0.43%
6,027,048	18,355,392	12,582,170	12,214,489	8.96%
\$31,997,061	\$168,417,686	\$150,106,391	\$136,326,000	100.00%

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

Balance @ July 1, 2013	\$103,272,269
Less: Reserve for Cash Flow / Contingencies	(40,000,000)
Plus: FY 2014 Actual Revenue	164,179,055
Less: Veterans Fund - Actual Transfers	(564,249)
Less: FY 2014 Appropriations (FY 2014 Budget Bill)	(151,573,583)
Less: FY 2014 Supplemental Appropriation (SB 346)	(48,521,745)
Plus: Cash not needed for FY 2014 Appropriations	<u>8,340</u>
Unappropriated Balance @ June 30, 2014	\$26,800,087
Plus: FY 2015 Revenue Estimate	\$141,376,000
Less: Veterans Fund	(400,000)
Less: FY 2015 Appropriations (FY 2015 Budget Bill)	(140,976,000)
Plus: FY 2015 Appropriations (FY 2015 Budget Bill) vetos	4,555,375
Plus: Cash not needed for FY 2015 Appropriations	9,275
Less: Recommended FY 2015 Supplemental Appropriations (2015 Regular Session)	<u>(31,355,462)</u>
Estimated Unappropriated Balance @ June 30, 2015	\$9,275
Plus: FY 2016 Revenue Estimate	\$136,726,000
Less: Veterans Fund	<u>(400,000)</u>
Revenue Available for FY 2016 Appropriations	\$136,335,275
Less: Recommended FY 2016 Appropriations (FY 2016 Budget Bill)	<u>(136,326,000)</u>
Estimated Unappropriated Balance @ June 30, 2016	<u><u>\$9,275</u></u>

Note: The Governor recommends Lottery FY 2016 Surplus Appropriations of up to \$20,000,000 for Medicaid from any unappropriated balance remaining at the end of FY 2015.

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

Balance @ July 1, 2013	\$132,443,971
Less: Reserve for Cash Flow / Contingencies	(5,900,000)
Less: Catastrophic Event Contingency	(30,000,000)
Plus: FY 2014 Actual Revenue	266,174,447
Less: FY 2014 Appropriations (FY 2014 Budget Bill)	(256,522,000)
Less: FY 2014 Appropriation from surplus available at end of FY 2013	(29,111,465)
Less: FY 2014 Supplemental Appropriation (SB 341)	(67,432,506)
Plus: Cash not needed for FY 2014 Appropriations	<u>20,217</u>
Unappropriated Balance @ June 30, 2014	\$9,672,664
Plus: FY 2015 Revenue Estimate (revised 5/19/2014)	318,918,433
Less: FY 2015 Appropriations (FY 2016 Budget Bill)	(241,651,000)
Less: FY 2015 Supplemental Appropriation (SB 2003)	(77,267,433)
Less: Recommended FY 2015 Supplemental Appropriation (2015 Regular Session)	(9,672,664)
Plus: Cash not needed for FY 2015 Appropriations	<u>20,259</u>
Estimated Unappropriated Balance @ June 30, 2015	\$20,259
Plus: FY 2016 Revenue Estimate	300,381,000
Less: Recommended FY 2016 Appropriations (2016 Budget Bill)	<u>(300,381,000)</u>
Estimated Unappropriated Balance @ June 30, 2016	<u><u>\$20,259</u></u>

Note: The Governor recommends Excess Lottery FY 2016 Surplus Appropriations of up to \$10,000,000 for Medicaid from any unappropriated balance remaining at the end of FY 2015.

**Excess Lottery Fund
Overview by Functional Category
FY 2014 through FY 2016
(Nearest Dollar)**

DEPARTMENT/Agency Description	Fund #	Actual	Total	
		Expenditures FY 2014	Appropriations FY 2015	
STATUTORY APPROPRIATIONS:				
DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)				
Economic Development Authority	9065	\$18,987,256	\$19,000,000	
Higher Education Improvement Fund	4297	15,000,000	15,000,000	
School Building Authority	3514	18,992,527	19,000,000	
Division of Natural Resources	3277	3,146,652	5,000,000	
Infrastructure Council	3390	46,000,000	26,000,000	
Subtotal		102,126,435	84,000,000	
TRANSFERS				
Refundable Credit	7207	10,000,000	10,000,000	
General Revenue	7206	65,000,000	65,000,000	
PROMISE Scholarship	4295	29,000,000	29,000,000	
Racing Commission-Special Breeders Compensation	7308	2,000,000	2,000,000	
Subtotal		106,000,000	106,000,000	
TOTAL STATUTORY APPROPRIATIONS:		208,126,435	190,000,000	
APPROPRIATIONS ABOVE EXCESS LOTTERY STATUTORY REQUIREMENTS:				
Office of the Governor	1046	5,000	0	
Transfer to General Revenue	7208	45,122,000	27,600,000	
Distributions to Statutory Funds and Purposes	7213	0	69,970,651	
Teachers' Retirement Fund-Unfunded Liability	3517	0	4,051,000	
WV Development Office	3170	2,100,504	0	
Division of Health	5219	0	0	
Child Advocacy Centers	6809	0	200,000	
Division of Corrections-Capital	6283	993,205	0	
Human Services-Medical Services	5365	0	27,096,782	
Higher Education-Advanced Technology Centers	4932	7,807,338	0	
TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:		56,028,047	128,918,433	
TOTAL EXCESS LOTTERY		\$264,154,482	\$318,918,433	

* Total Request FY 2016 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2015	Total Available FY 2015	Total Request FY 2016*	Governor's Recommendation FY 2016	Percentage of Total
\$0	\$19,000,000	\$19,000,000	\$19,000,000	6.33%
0	15,000,000	15,000,000	15,000,000	4.99%
0	19,000,000	19,000,000	19,000,000	6.33%
12,670,267	17,670,267	5,000,000	5,000,000	1.66%
0	26,000,000	46,000,000	36,000,000	11.98%
12,670,267	96,670,267	104,000,000	94,000,000	31.29%
0	10,000,000	10,000,000	10,000,000	3.33%
0	65,000,000	65,000,000	65,000,000	21.64%
0	29,000,000	29,000,000	29,000,000	9.65%
0	2,000,000	2,000,000	2,000,000	0.67%
0	106,000,000	106,000,000	106,000,000	35.29%
12,670,267	202,670,267	210,000,000	200,000,000	66.58%
120,685	120,685	0	0	0.00%
0	27,600,000	27,600,000	18,355,000	6.11%
0	69,970,651	67,603,860	67,603,860	22.51%
0	4,051,000	0	0	0.00%
3,947,548	3,947,548	0	0	0.00%
464,665	464,665	0	0	0.00%
0	200,000	0	0	0.00%
1,641,888	1,641,888	0	0	0.00%
0	27,096,782	0	14,422,140	4.80%
12,440,588	12,440,588	0	0	0.00%
18,615,374	147,533,807	95,203,860	100,381,000	33.42%
\$31,285,641	\$350,204,074	\$305,203,860	\$300,381,000	100.00%

State Road Fund
Statement of Revenues by Source
FY 2012 Through FY 2018
(Expressed in Thousands)

Source of Revenue	FY 2012 Actual Collections	FY 2013 Actual Collections	FY 2014 Actual Collections	Revised FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate
Gasoline and Motor Carrier Road Tax	\$387,041	\$408,914	\$441,096	\$431,500	\$438,000	\$444,000	\$435,000
Registration Fees	90,683	90,252	97,329	91,674	92,286	92,068	90,852
Registration Fee: Highway Litter Control	1,586	1,724	1,830	1,734	1,742	1,727	1,719
Sales Tax	186,293	187,437	194,463	176,680	189,031	189,575	190,288
Less Transfer to Industrial Access Road Fund	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income ¹	45,784	36,127	17,515	34,930	24,095	36,310	36,985
Federal Reimbursement:							
Interstate Construction	103,792	88,574	97,877	108,000	108,000	108,000	108,000
Other Federal Aid Programs	264,254	275,937	248,307	251,000	260,000	269,000	256,000
Appalachian Program	65,319	67,562	57,571	64,000	61,000	40,000	40,000
Federal Economic Stimulus	15,727	1,420	1,207	0	0	0	0
Total	\$1,157,479	\$1,154,947	\$1,154,195	\$1,156,518	\$1,171,154	\$1,177,680	\$1,155,844

1. Includes a reduction of \$11.5 million in Miscellaneous Income attributable to a proposed statutory change to temporarily suspend the annual transfer of Consumer Sales and Use Tax provided under W.Va. Code §11-15-6(b)(6) for FY 2015 related to an otherwise scheduled July 2015 transfer.

State Road Fund
Statement of Revenues, Expenditures,
and Changes in Cash Balance
(Nearest Dollar)

Balance @ July 1, 2014	\$81,254,586
Plus: Revenue Estimate FY 2015 (Revised 1/14/2015)	<u>1,156,518,000</u>
Available for FY 2015 Appropriations	\$1,237,772,586
Less: FY 2015 Appropriations (FY 2015 Budget Bill) - Division of Highways	(1,128,449,245)
FY 2015 Appropriations (FY 2015 Budget Bill) - Division of Motor Vehicles	(41,378,729)
FY 2015 Appropriations (FY 2015 Budget Bill) - Office of Administrative Hearings	(1,951,979)
Claims Against the State Road Fund (FY 2015 Budget Bill)	(611,755)
Recommended FY 2015 Supplemental Appropriation (2015 Regular Session)	<u>(31,611,755)</u>
Estimated Unappropriated Balance @ June 30, 2015	\$33,769,123
Plus: Revenue Estimate FY 2016	1,171,154,000
Less: Recommended FY 2016 Appropriations (FY 2016 Budget Bill) - Division of Highways	(1,128,361,000)
Recommended FY 2016 Appropriations (FY 2016 Budget Bill) - Division of Motor Vehicles	(43,378,729)
Recommended FY 2016 Appropriations (FY 2016 Budget Bill) - Office of Administrative Hearings	(1,951,979)
Claims Against the State Road Fund (FY 2016 Budget Bill)	<u>(700,000)</u>
Estimated Unappropriated Balance @ June 30, 2016	<u><u>\$30,531,415</u></u>

Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2014 (Expressed in Thousands)

	Actual 6/30/12*	Actual 6/30/13*	Actual 6/30/14*	Estimated 6/30/15*	Estimated 6/30/16*
General Obligation Debt					
Road Bonds	\$270,595	\$245,365	\$220,525	\$194,435	\$167,040
Infrastructure Bonds	239,361	228,442	217,044	205,111	192,592
SUBTOTAL	509,956	473,807	437,569	399,546	359,632
Revenue Bonds					
School Building Authority	173,090	158,160	142,535	126,190	109,075
School Building Authority (Lottery)	67,365	75,615	84,725	74,840	70,685
School Building Authority (Excess Lottery)	116,590	112,420	108,060	103,520	98,780
School Building Authority, QSCBs (Excess Lottery)	150,480	150,480	150,480	150,480	150,480
Tobacco Settlement Finance Authority	887,358	859,596	857,125	842,845	827,237
Highways, Commissioner of	100,370	77,000	52,525	26,875	0
2010 EAST Fund (Lottery)	151,020	148,250	145,370	142,360	139,230
Economic Development Authority (Lottery)	181,920	173,070	163,830	154,170	144,065
Water Development Authority Infrastructure (Lottery)	0	0	0	75,790	72,475
WV Infrastructure and Jobs Development Council	115,710	113,915	111,205	108,585	105,865
SUBTOTAL	1,943,903	1,868,506	1,815,855	1,805,655	1,717,892
Capital Leases and Notes Payable					
Governmental Funds	277,223	265,633	252,030	238,504	224,597
Internal Service	3,287	3,186	3,078	2,965	2,845
Notes Payable	29,045	21,440	10,191	3,952	925
SUBTOTAL	309,555	290,259	265,299	245,421	228,367
TOTAL	\$2,763,414	\$2,632,572	\$2,518,723	\$2,450,622	\$2,305,891

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

Major Reserve/Stabilization Accounts

Revenue Shortfall Reserve Fund (Rainy Day Fund)

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

Current West Virginia Code requires the first 50% of all surplus General Revenue funds accrued during the fiscal year just ended be deposited into the fund until the aggregate amount of the fund is equal to 13% of the total appropriations from the General Revenue Fund for the fiscal year just ended. The first \$100 million in the fund is invested by the West Virginia Board of Treasury Investments and any amounts over \$100 million are invested by the West Virginia Investment Management Board. As of December 31, 2014, the fund contained \$477 million, 11.2% of FY 2015 appropriations.

Since the fund was created in 1994, \$744 million has been deposited into the fund, which includes transfers in and interest; \$170 million has been used for flood and drought victim assistance, infrastructure, snow removal, and other projects. For the first time, in FY 2015, the fund was accessed to help balance the budget, transferring \$100 million to the Medical Services Trust Fund to be used as state matching funds for West Virginia's Medicaid Program.

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

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

The Governor recommends in his FY 2016 Budget to transfer \$68.6 million to the Medical Services Trust Fund to be used to help fund West Virginia's State Share of the Medicaid Program.

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

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

Expenditures may not be made from the Rainy Day Fund—Part B unless all 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, 2014, the balance in the Rainy Day Fund—Part B was \$381 million.

Income Tax Refund Reserve Fund

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

Major Reserve/Stabilization Accounts

The balance in the Income Tax Refund Reserve Fund at the beginning of FY 2014 was \$0. However, \$11 million was transferred to the fund at the end of FY 2014 and remains available for payment of Personal Income Tax refunds. Using these funds during FY 2015 could be part of the overall solution to closing any possible revenue shortfall at the end of FY 2015.

The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds.

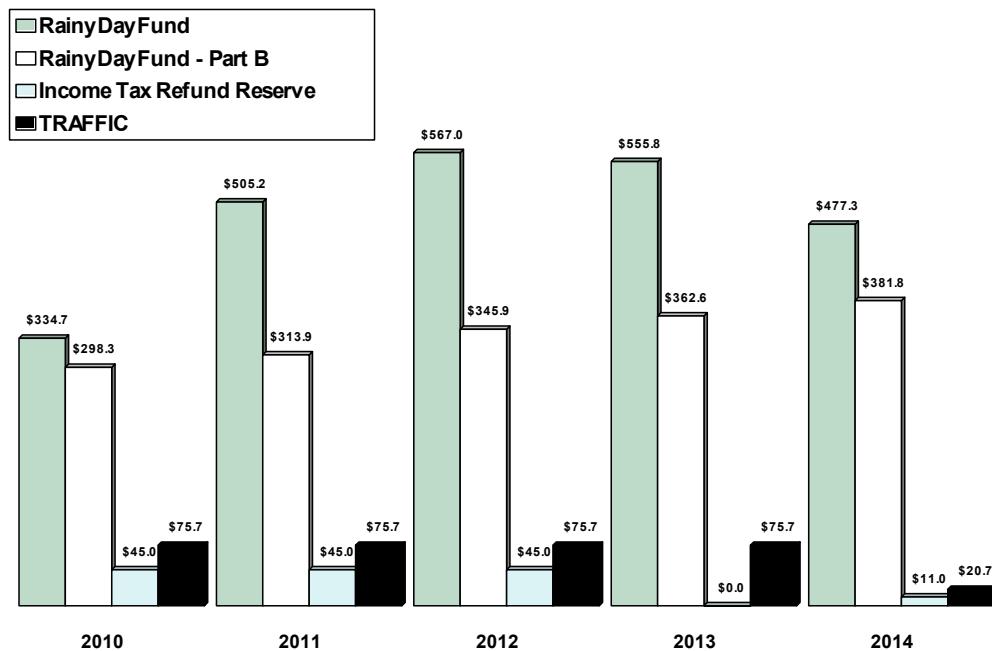
Tax Reduction and Federal Funding Increased Compliance (TRAFFIC)

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). In FY 2014, an additional \$55.057 million was expired to the General Revenue Unappropriated and Surplus balances to help fund supplemental appropriations. As of December 31, 2014, \$20.65 million remains available for use as the Legislature and Governor may determine.

The Governor recommends transferring \$20.65 million, the remaining balance of TRAFFIC, to the FY 2015 General Revenue Unappropriated Balance to help offset an anticipated FY 2015 General Revenue Collection Shortfall.

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



* Balance as of December 31 each year

BUDGET PLANNING



Long-Range Issues

Introduction

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

Infrastructure Projects/Improvements

Highway Infrastructure

The greatest issue facing the Department of Transportation is the lack of sufficient funds in the State Road Fund. That fund, which provides funding to the Division of Highways, Division of Motor Vehicles, and the Office of Administrative Hearings, receives its revenue almost entirely from dedicated tax revenues. Those tax revenues increased slightly between FY 2013 and FY 2014, increasing \$46.4 million (6.74%). Motor Fuel Excise Tax collections and Vehicle Sales Tax collections both increased in FY 2014—\$32.2 million (7.87%) and \$7.0 million (3.75%), respectively. Registration Fee collections and Highway Litter Fee collections also showed slight increases in FY 2014—\$7.1 million (7.84%) and \$107 thousand (6.23%), respectively. Neither the Department of Revenue nor the Department of Transportation projects any substantial growth in revenues through FY 2020. The long-term forecast provided by the Department of Revenue predicts a continued decline in fuel consumption that is offset somewhat by projected yearly increases in the variable component of the Motor Fuel Excise Tax rate.

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

Despite the recent passage of Moving Ahead for Progress in the 21st Century (MAP-21) in June 2012, which provided federal-aid funding for surface transportation for FFY 2013 and FFY 2014, a long-term funding solution for the Highway Trust Fund continues to be a major concern. MAP-21 is the first new, multiyear highway authorization to be put in place since Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFTEA-LU) expired on September 30, 2009. While this legislation allowed the agency to plan and implement infrastructure initiatives over the past two years, it falls well short of the certainty and stability that would have been provided if the authorizing legislation would have covered a six-year period, which has been the historical length of time covered by federal highway legislation.

MAP-21 created a stream-lined and performance-based program through program consolidation which provided more flexibility to states in how they use their funds. However, it failed to either significantly increase the amount of federal funding available for highway and bridge projects or to dedicate funding for long-standing national initiatives, such as the completion of the Appalachian Development Highway System. MAP-21 also failed to address sustainability issues surrounding the Highway Trust Fund. Revenues into the Highway Trust Fund have been insufficient for carrying out the federal-aid highway program at its current size and scope and have relied upon transfers from the General Fund to forestall insolvency.

Wilbur Smith Associates has updated the state's Long-Range Transportation Plan. As part of that document, long-range estimates indicate that the Division of Highways will need to invest \$1.2 billion annually to address needs on the existing highway and bridge system (exclusive of routine maintenance), which is approximately \$500 million more per year than

Long-Range Issues

the division is currently forecasting it will be able to invest. To address the long list of desired expansion efforts will require even more funding. Without a major increase in revenues, higher tax and fee rates, alternative funding sources, or a combination of all three, the Division of Highways cannot reduce the backlog of structurally deficient bridges, continue to modernize facilities, and maintain the existing network in its present condition.

Public Transportation

Community transportation systems that benefit all individuals are critical to the state's citizens who either do not have the income level to own a vehicle or are not legally permitted or physically able to drive a vehicle. Over seven million rides were taken on West Virginia public transit in FY 2013. This form of transportation is becoming increasingly important to its riders, offering a reliable and safe alternative transportation option.

As the state's population continues to age and remain active, but is limited in its ability to drive, mobility issues loom as a major concern. The U.S. Census Bureau estimates that by the year 2030, 20% of the U.S. population will be 65 or older. A United States Government Accountability Office report (GAO-04-971) on transportation-disadvantaged seniors indicated that state governments must plan for alternatives to driving as seniors age and must work toward accommodating seniors' varied mobility needs.

The future of public transit and the addition of new service areas in West Virginia will be heavily dependent upon the investment that the state and federal governments make. Public transit funding is provided under the same legislation that funds highways. The federal transit program was reauthorized with MAP-21. Significant changes have occurred in the federal transit programs as a result of MAP-21 with programs repealed, consolidated, and streamlined. Federal funding levels will depend upon available resources, and some reductions or flat funding of federal transit funding remains a possibility.

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

West Virginia Regional Jail and Correctional Facility Authority

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

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

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

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

Long-Range Issues

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

In 1998, the Public Employees Retirement System (PERS), under the direction of the Investment Management Board, invested \$150 million for the continued construction of correctional and detention facilities. The Legislature created a Special Revenue Fund (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, Denmar Correctional Center, and Pruntytown Correctional Center, including the warden's residence located at the facility. The second series funded the \$6 million dormitory and Prison Industries construction at the Lakin Correctional Center for Women and the \$6 million James "Tiger" Morton Juvenile Center.

During February 2003, the third series of these bonds 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, and a 120-bed intake center for the Division of Corrections.

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

Infrastructure Improvement Amendment

The Infrastructure and Jobs Development Council reports that approximately \$3.5 billion in projects have been funded to date by leveraging council funds with federal and other sources. Projects approved by the committee range from traditional infrastructure including water, sanitary sewer, storm water facilities, and roadways for industrial parks to revitalization projects that will result in economic development in some of the state's larger cities. The approved projects leverage approximately \$2 billion from other sources of funding.

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.

Public Education

School Building Authority

The School Building Authority of West Virginia was created in 1989 to provide state funds for the construction and maintenance of primary and secondary school facilities to meet an estimated \$1.2 billion need. Since that time, the

Long-Range Issues

amount has grown to over \$3 billion due to the continued rise in construction costs and the deterioration of building and building systems.

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

In the fiscal year ended June 30, 1995, the West Virginia Legislature authorized the SBA to issue additional bonds secured by the net profits of the regular lottery fund. This allocation of \$18 million per year has allowed the SBA to issue five series of bonds that have provided \$365 million for school construction, renovation, and repair through June 30, 2014.

Beginning in the fiscal year ended June 30, 1996, the West Virginia Legislature initiated a “pay-as-you-go” program to continue funding school construction without continued issuance of debt. The SBA has received annual funding for both new school construction and major improvements to existing facilities. This funding, statutorily dedicated from Consumer Sales Tax revenues, currently provides the SBA with \$32 million per year.

During the 2001 Legislative Session, additional annual funding was dedicated from the net profits of the Excess Lottery for the SBA’s Debt Service Fund, but stipulated that these monies were to be used for the “pay-as-you-go” program until the sale of bonds was authorized by the West Virginia Legislature. During the course of the 2008 Legislative Session, the SBA was authorized to utilize these funds to sell additional bonds. This allocation of \$19 million per year has allowed the SBA to issue five series of bonds that have provided \$259 million for school construction, renovation, and repair through June 30, 2014.

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

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

Since the inception of the SBA, over \$1.8 billion in state dollars and \$1.5 billion in local dollars have been dedicated to West Virginia school facilities. This equates to 33 new high schools, 35 new middle schools, 72 new elementary schools, 98 major school addition/renovation projects, and over 1,236 minor renovation projects.

Vocational/Career Center

Career technical education (CTE) is a major component of today’s educational system. The quality of CTE and its offerings directly impact our nation, state, and local economies.

There has not been a comprehensive construction initiative for vocation/career centers in the state since 1975. While career/technical centers are eligible to apply for School Building Authority 3% funds, the majority of projects funded are for infrastructure maintenance (e.g., roofs, HVAC, windows). Approximately \$900,000 is provided annually for program improvement and modernization, but that funding (approximately \$693 per program for equipment repair or upgrade) does not adequately address the needs of over 1,300 CTE programs across the state.

While there is a call for more CTE program opportunities for students and adults, CTE education programs have reached enrollment capacity in many instances. An in-depth analysis of CTE capacity is in progress to gather statewide data. A

Long-Range Issues

preliminary analysis of 26 centers shows for the 2014-2015 school year that over 2,000 students are being turned away from enrolling due to full capacity, impacting education clusters such as architecture and construction; health sciences; manufacturing; and transportation, distribution, and logistics programs.

As the long-range issue of CTE capacity is analyzed, other components of the issue must also be considered. Those range from the efficiency and effectiveness of multicounty centers as compared to county centers as compared to comprehensive high schools or specialized/magnet high schools. A statewide system of career exploration and delivery models for CTE in middle grades should also be researched. Companion issues include the funding for CTE educators, licensure, and credentialing for students who complete CTE programs, as well as ongoing resources to retool or renovate CTE programs to adjust to the changing demands and needs of workforce education.

Health Care

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

In addition to these national trends, West Virginia faces other obstacles unique to the Mountain State. According to the most recent report of residential deaths by state reported by the National Center for Health Statistics (2011), West Virginia has the 2nd highest crude death rate per 100,000 population of all states (including the District of Columbia) for the following major disease/injury groups: diabetes, accidental injuries, chronic lower respiratory disease, and drug-induced causes. West Virginia ranked 2nd highest in the nation for the cancer death rate. The state also ranked 6th in heart disease, stroke, and motor vehicle accidents.

According to the Centers for Disease Control and Prevention and the West Virginia Health Statistics Center, data from the 2013 Behavioral Risk Factor Surveillance System indicate that West Virginia ranks high in the nation in the prevalence of several chronic diseases and risk factors for disease. West Virginia had the highest prevalence of current smoking (27.3%), smokeless tobacco use (9.4%), obesity (35.1%), disability (27.6%), heart attack (7.8%), cardiovascular disease (13.7%), and arthritis (36.2%) in the nation. West Virginia ranked 2nd in the nation in the prevalence of fair or poor health (25.7%), heart disease (7.5%), chronic obstructive pulmonary disease (10.6%), and hypertension (41.0%). The prevalence of high cholesterol was 42.9% which ranked West Virginia 3rd highest in the nation. The diabetes prevalence was 13.0%, the 4th highest in the nation. West Virginia also ranked 7th in the prevalence of stroke (3.9%) and kidney disease (3.3%) and 9th in the nation in depression (22.0%) and no physical activity (31.4%). The state ranked 10th in the nation in the prevalence of cancer at 13.0%. The prevalence of current asthma was 9.0% and ranked West Virginia 27th in the nation. On a positive note, the state's binge drinking prevalence was 11.2% which was the lowest in the nation, and the prevalence of heavy drinking was 3.9% or 2nd lowest in the nation.

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 551,000 West Virginians. Children comprise 40% of the Medicaid population, while 20% are categorized as blind and disabled, 34% are adults, and the remaining 6% defined as the elderly. During FY 2014, the West Virginia Medicaid Program expansion under the Affordable Care Act resulted in the addition of approximately 130,000 members (which are included in the total above). The expansion population consists of individuals aged 19 to 64 who earn up to 138% of the Federal Poverty Level (FPL).

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.

Long-Range Issues

Five categories of services accounted for approximately 69% of total Medicaid expenditures during FY 2014. These services are nursing home, inpatient hospital (includes outpatient services and supplemental payments; excludes Disproportionate Share Hospital payments), home and community-based services provided under waiver authority, capitated service agreements, and prescription drugs (net of rebate collections). The largest increases in FY 2014 occurred in capitated service payments and nursing home.

Financial support for this program comes from federal and state revenue. 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.

State Medicaid funding is dependent primarily on four funding sources: General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. State Medicaid appropriated funding has increased from approximately \$334 million in 1995 to over \$811 million in 2015.

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 3% per year. It is also assumed that as West Virginia's economy continues to improve, the federal match will decline by approximately 0.5% per year. Assuming that the Provider Tax, trust fund, and lottery sources of state match remain relatively constant, the General Revenue fund will have to supply the additional funds to cover future increases in cost. Any future increase or decrease in non-General Revenue funding sources will impact the amount of General Revenue required to cover the total state match cost.

West Virginia Children's Health Insurance Program (WVCHIP)

WVCHIP provides full-range health insurance coverage to children of working families with incomes up to 300% of the FPL. At September 30, 2014, 21,669 children were enrolled, an 11% decrease in the enrollment level from the previous year. The WVCHIP Premium group that includes children in households with incomes between 211% and 300% FPL has shown the highest increase in enrollment, around 64%, and is now 16% of the total enrolled population. The West Virginia Children's Health Insurance Board oversees WVCHIP's benefit plan and finances to ensure that funding is sufficient to support the services covered by the insurance program.

Starting January 1, 2014, WVCHIP members were reassessed under the new household income guidelines based on modified adjusted gross income (MAGI) at the completion of 12 months of continuous eligibility. New applicants will also be determined using these new guidelines. Under the new rules, current WVCHIP members in households with MAGI less than 133% FPL will have moved to Medicaid coverage by the end of 2014, an estimated 10,242 children in total, and will continue to be financed with federal funds at the enhanced CHIP match (79.95%). The new rules will make some current Medicaid children eligible for WVCHIP. Also, some children are gaining WVCHIP coverage by applying through the new Federally Facilitated Marketplace. By the end of 2014, it is currently estimated that WVCHIP enrollment will be around 19,422 members.

There is currently no federal funding for CHIP allocated after 2015; however, the Affordable Care Act (ACA) specifies a 23% increase in the enhanced federal match rate for CHIP beginning in 2016 through 2019. Two bills have been introduced in Congress that will extend CHIP funding for up to four years.

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.

Long-Range Issues

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

PEIA and its Finance Board continue to struggle with the rising costs of health care. Increasing health care costs continue in all aspects of health care. Although FY 2013 had extremely favorable results, FY 2014 saw a return of increasing healthcare costs. However, the increases were not to a level warranting an increase in previous trend assumptions. The previous year results continue to produce reduced future trend assumptions. The current financial plan assumes health care costs to increase annually by the following rates:

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Medical	5.0%	5.5%	6.0%	6.5%	7.0%
Drug	8.0%	8.5%	9.0%	9.5%	10.0%

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Medical	\$16 million	\$5 million	\$24 million	\$27 million	\$31 million
Drug	\$8 million	\$(5) million	\$11 million	\$13 million	\$15 million

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Reserve	\$190 million	\$147 million	\$138 million	\$143 million	\$153 million

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

Retiree Health Benefits Trust Fund

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

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

The retiree plan must be subsidized by the active policy premiums. The current rate of subsidization for the fund is approximately 65%. Determining a long-range solution to the West Virginia OPEB Plan's unfunded liability is of utmost importance. The PEIA Finance Board took steps in December 2011 to control the State's share contributed to retiree

Long-Range Issues

premium subsidies, allowing increases in subsidies of no more than three percent per year. Additionally, the 2012 Regular Session of the West Virginia Legislature passed Senate Bill 469 to provide supplemental funding to the OPEB liability. These changes resulted in a reduction in the unfunded liability by approximately \$4 billion.

Not including the annual required contribution to fully fund OPEB, the current financial plan projects positive net assets through FY 2019. The trust completed FY 2014 with total net assets of \$691 million, total claims expense of \$96 million, and capitations of \$130 million. Current claim expense trend assumptions for FY 2015 through FY 2019 go from 5% for medical and 8% for drugs to 7% for medical and 10% for drugs. These trend assumptions result in increases of \$130 million in expenses for the trust over the next five fiscal years. Fiscal year results remain positive however; as the board anticipates interest revenue, benefit changes, and premium increases to offset these increases. The trust is forecast to have an ending reserve of \$1 billion by fiscal year end 2019. This represents a 24% funded status of the OPEB Accrued Actuarial Liability (AAL).

Insurance Reform

Workers' Compensation

From 1913 until January 1, 2006, West Virginia was one of five states operating an exclusive, state-managed workers' compensation insurance system. The Workers' Compensation Commission (including its predecessors) was an agency of state government that operated 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. The State retained all liabilities incurred prior to July 1, 2005, and those liabilities, as well as certain assets, were transferred into the Workers' Compensation Old Fund ("Old Fund"). The custodian of the Old Fund is the Treasurer's Office, and the Insurance Commissioner serves as the administrator. As of June 30, 2014, the fund deficit in the Old Fund was estimated to be \$350.30 million (liabilities discounted at five percent).

Senate Bill 1004 included a plan to address the outstanding deficit formerly in the Workers' Compensation Fund and now residing in the Old Fund. 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 taken in 2003 prior to the 2005 privatization when the Legislature enacted major workers' compensation reform that has affected, and will continue to affect, the actuarially determined estimated liability for unpaid claims of the Old Fund. The 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.

Long-Range Issues

On July 1, 2004, the West Virginia Supreme Court upheld a key piece of the 2003 legislation in the Wampler Foods, Inc. v. Workers' Compensation Div. (602 S.E. 2nd 805, W.Va., Jul 01, 2004) decision affirming that the new law enacted under Senate Bill 2013 will be applied to new awards on or after July 1, 2003, regardless of the effective injury date. This decision upholding the application of Senate Bill 2013 had a significant and positive impact on eradicating the deficit.

Pensions

State Retirement Systems

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

- Teachers' Retirement System—Instituted a 40-year payment plan to be completed by June 30, 2034. The payment plan was revised in 1999 to provide that all improvements be funded over seven years from the improvement date.
- Judges' Retirement System—Instituted a 25-year payment plan to be completed by June 30, 2018. The payment plan was completed July 1, 2007, 11 years ahead of schedule. The plan remains "fully funded."
- Public Safety Retirement System (Plan A)—Instituted a 30-year payment plan to be completed by June 30, 2025.

The unfunded actuarial liability for each plan is as follows:

	July 1, 2013, Actuarial Valuation	July 1, 2014, Actuarial Valuation
	Unfunded Actuarial Liability	Projected Unfunded Actuarial Liability
PERS	\$1,201,733,000	(79.7% funded) ¹
TRS	\$4,179,234,000	(57.9% funded) ¹
JRS	(\$35,737,000)	(133.8% funded) ¹
Public Safety—Plan A	\$159,609,000	(76.5% funded) ¹
State Police—Plan B	\$5,411,000	(94.7% funded) ¹

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

PERS Settlement with Federal Government

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

Summary

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

- Imposed fiscal discipline in funding the state's retirement systems, health care plans, and workers' compensation costs;
- Performed a statewide overhaul of school facilities and established measurable performance standards for all grade levels;

Long-Range Issues

- 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;
- Provided significant medical liability reform in response to the medical malpractice crisis in the state;
- Eliminated a net asset deficiency within the State's comprehensive risk management program.

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

Budget Overview

The Executive Budget Process Policy

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

The Secretary of Revenue, along with the Governor's Office and the State Budget Office, develops guidelines to be used by the various spending units when submitting their appropriation (budget) requests that are due each year (W.Va. Code §11B-2-3) on September 1. These guidelines establish a "current level" or base budget for each department/bureau/commission/division. The FY 2016 budget requests were submitted electronically using the State's accounting system *wvOASIS*.

For all appropriated accounts, the "current level" is defined as the same amount of funds the department/bureau/commission/division has for the current fiscal year (FY 2015) less any one time appropriations. For the FY 2016 budget request, the department/bureau/commission/division is permitted to move funds between appropriations, programs, or agencies within the department. However, there can be no increase in the total request over the current year's appropriation with the exception of the legislative and judicial budgets and statutory increases (such as for the Department of Education). The "current level" request allows department/bureau/commission/division heads to redirect their limited resources to the highest priority areas without an increase in their total budget. Consistent with our commitment to provide a balanced budget and long-term fiscal stability, we as a State must take measures to reduce the overall FY 2016 expenditure growth, and position the State to balance budgets in the years that follow. For the FY 2016 budget the Governor has, generally speaking, recommended most agencies be funded at the FY 2015 base funding level. However, some accounts are recommended at reduced funding levels, helping to structurally balance the budget, not only for FY 2016, but also for years beyond.

All appropriation requests that are above the "current level" must be submitted as a separate "improvement package" stating the purpose, benefits, and needs of the additional funding. Each such improvement above the "current level" is considered individually. For FY 2016, agencies were asked that any requests for improvements, or requests for FY 2015 supplemental appropriations, be submitted only after careful review. Due to funding constraints, only in rare cases were these requests considered.

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

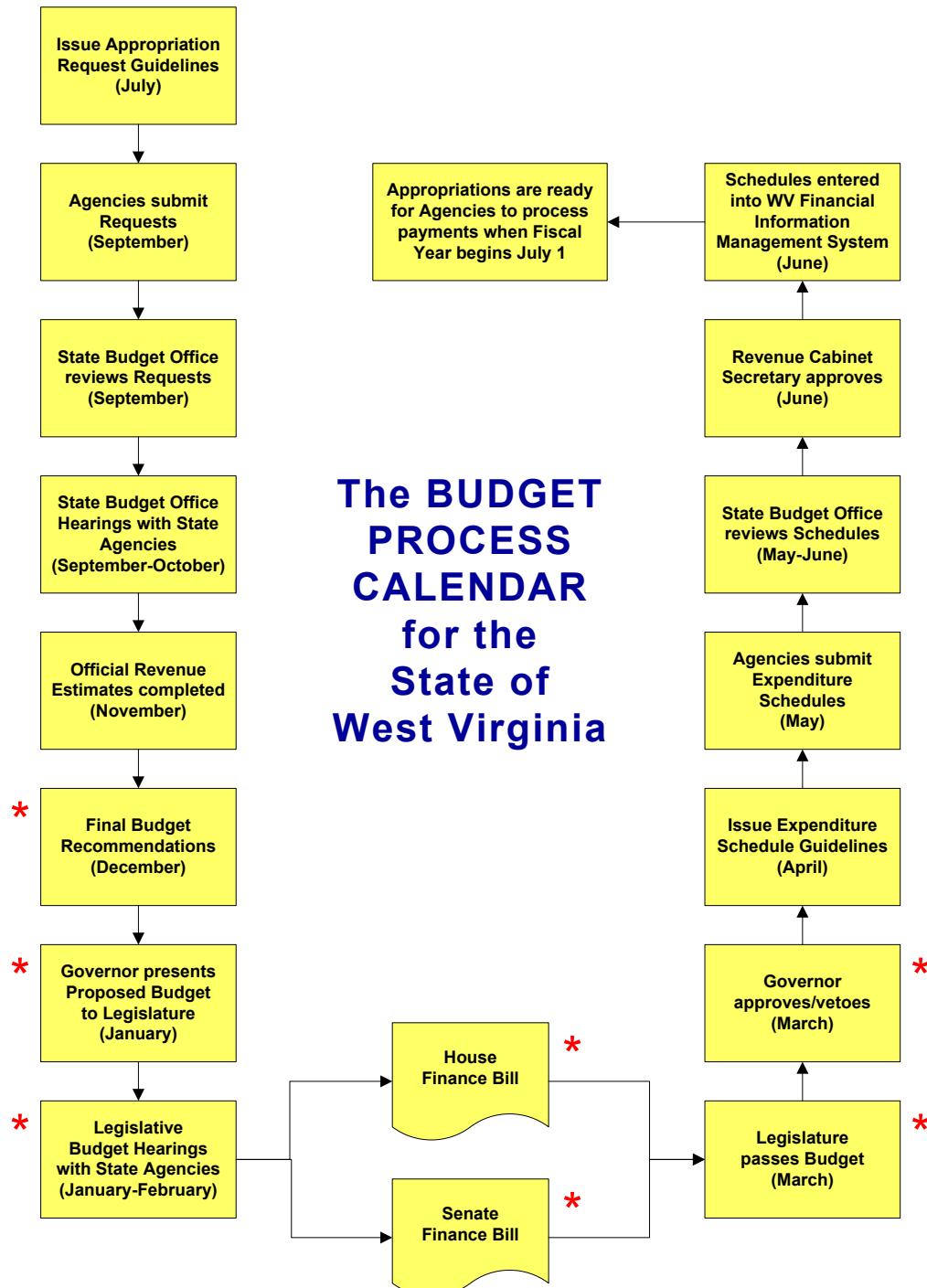
The budget hearings also provide the time to discuss, in general terms, any future capital projects and funding options. All the departments/bureaus/commissions/divisions are required to submit capital expenditure plans with their appropriation requests. These plans summarize projects budgeted for the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

Balanced Budget

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

Budget Overview

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



Budget Overview

The budget is presented in four separate documents. The *Budget Report* contains the executive message; financial statements that include the official revenue estimates for the State along with available fund balances, actual prior year expenditures, current year budgeted amounts, and the Governor's recommendations for the next fiscal year; an economic forecast; and the budget plan. The *Operating Detail* contains organizational charts; descriptive narrative information for every department/bureau/commission, division, and program; detailed financial information related to actual expenditures, current budget, and requested appropriations by program and by fund; a profile of the state; and capital projects. The *Budget Bill* includes the language required to legally enact the budget or appropriations bill. The *Account Detail* provides the detailed budgetary information for FY 2014 Actual expenditures, FY 2015 Budgeted expenditures, FY 2016 Current-Level Request, and the Governor's FY 2016 Recommendation.

The Legislative Budget Process Policy

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

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

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

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

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

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

Budget Amendment Policy

Supplemental Appropriation Bills

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

Budget Overview

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

Budget Act Specific Transfer Language

The Budget Act contains specific language allowing:

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

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

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

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

Legislative and Judicial Amendments

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

Governor's Increased Spending Authority Authorization

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

Special Revenue

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

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

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

Budget Overview

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 monies 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 ensure that an appropriation for expenditures has been made, there is a balance in the appropriation sufficient to cover the expenditure, and evidence of services rendered or materials received supports the claim against the state.

The West Virginia Code requires an annual audit by independent certified public accountants. In addition to meeting the requirements set forth in West Virginia Code, the audit is also designed to meet the requirements of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, as amended. Generally accepted auditing standards set forth in the General Accounting Office's Governmental Auditing Standards are used by the auditors in conducting the engagement.

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

Budget Overview

Basis for Budgeting All Funds

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

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

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

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

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

Cash Management and Investment Procedures

The State Treasurer's Office is the bank of state government. The office maintains modern and efficient systems for the collection and disbursement of state monies. These services include paper and electronic lockboxes, electronic funds transfer, 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 nine investment pools. Three main pools are utilized for investing excess state cash and local government monies. The West Virginia Money Market Pool and the West Virginia Government Money Market Pool are both rated AAAm by Standard and Poor's. The West Virginia Short-Term Bond Pool is a bond mutual fund used for investments that have a perceived longer investment horizon.

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

Budget Overview

Evaluation and Monitoring Procedures

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

The budget is predicated on estimates of revenues by sources that are evaluated on a monthly basis. Subsequent to the passage of the Budget Act, the Department of Revenue monitors and forecasts revenues to evaluate their flow and the accuracy of the estimates that have been made. The State Budget Office issues monthly revenue reports that reflect collections compared to the estimate and to the prior fiscal year. Various monitoring techniques, such as daily cash flow review, are used to make sure that the revenue collections are sufficient to support the appropriations made by the Legislature. If the Governor believes the revenues may fall short of estimates, he may direct the State Budget Office to reduce all General Revenue appropriations in a degree as necessary to prevent a deficit, or he may convene the Legislature to request a supplementary appropriation from the Revenue Shortfall Reserve Fund. In addition, the Governor can, by executive action, institute certain other selective spending reduction measures as may be necessary to prevent a deficit.

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

Risk Management

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

Workers Compensation

The state has obtained coverage for job-related injuries of employees by its participation in the private insurance market. In exchange for the payment of premiums, the state has transferred its risk related to job-related injuries for employees. The state has also retained a specific portion of its worker's compensation risk, as it has entered into a high deductible arrangement with the insurance carrier.

Public Employees Health Insurance

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

Casualty Insurance

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

Budget Overview

Asset Inventory Management

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

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

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

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

Compensated Absences

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

Performance Measurement in the Budget Process

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

The focus for the FY 2016 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2012 to FY 2014) and the performance-level objectives the program is trying to achieve in FY 2015 and FY 2016 based on current level funding. For the most recently completed year, both projected and actual performance data is shown to provide information on the success of the agency in meeting their goals.

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

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

Budget Overview

Many grants, federal revenue and other sources, currently require the use of performance measures as a condition to receive the grant funds.

Legislative Performance Review

The Legislature's Performance Evaluation and Research Division (PERD), within the Office of the Legislative Auditor, operates under the authority of the West Virginia Performance Review Act, W.Va. Code §4-10-1. PERD also conducts performance reviews under the authority of W.Va. Code §4-2-5, which gives the Legislative Auditor discretionary authority to examine the performance of every spending unit of the state. In addition to performance evaluations of state agencies, PERD also conducts legislative research at the request of the Legislative Auditor or legislative leadership. PERD follows Generally Accepted Government Auditing Standards in its evaluation of state agencies. PERD's reports are generally reported to the Joint Committee on Government Operations, the Joint Committee on Government Organization, and other appropriate legislative committees during interim sessions of the Legislature.

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

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

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

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

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

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

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

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

- * 2015, the Department of Education, including the Higher Education Policy Commission and the West Virginia Council for Community and Technical College Education;
- * 2016, the Department of Veterans Assistance, and the Department of Education and the Arts;
- * 2017, the Department of Revenue, and the Department of Commerce; and
- * 2018, the Department of Environmental Protection, and the Department of Military Affairs and Public Safety.

Budget Overview

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

- * 2015, Board of Architects, Board of Embalmers and Funeral Directors, and Board of Landscape Architects;
- * 2016, Board of Registration for Sanitarians, Real Estate Appraiser Licensure and Certification Board, and Real Estate Commission;
- * 2017, Board of Accountancy, Board of Respiratory Care Practitioners, and Board of Social Work Examiners; and
- * 2018, Board of Examiners of Psychologists; Board of Optometry; and Board of Veterinary Medicine.

Human Resources

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

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

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

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

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

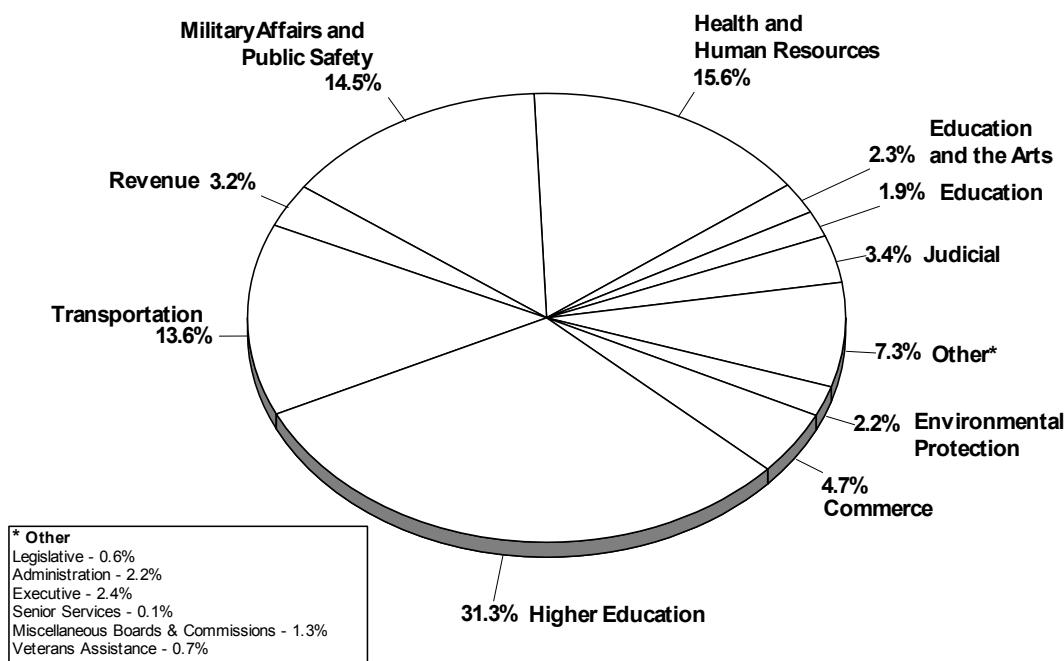
The **Organization and Human Resource Development** section provides training programs, development strategies, and consulting services to increase the effectiveness and efficiency of state government.

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

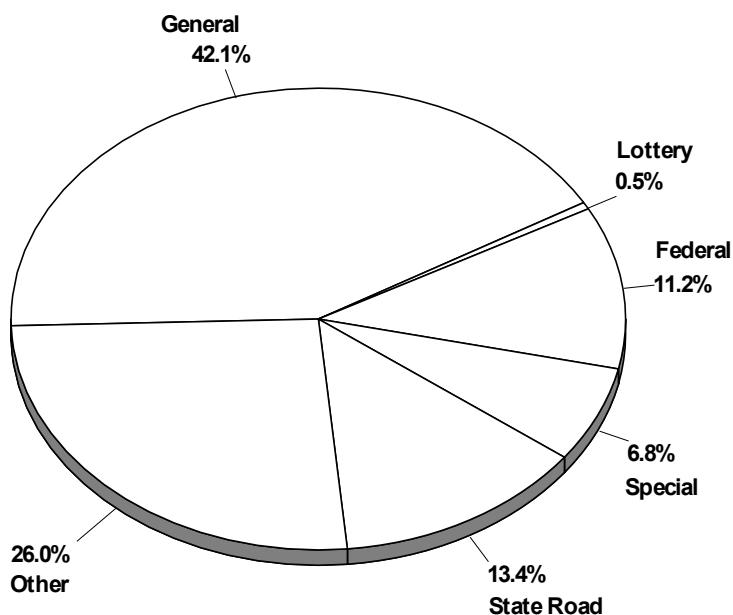
As of November 30, 2014 the State had approximately 37,664 filled, permanent, full-time equivalent employees, including approximately 10,961 employed by the Higher Education Policy Commission and approximately 1,299 employed by the Council for Community and Technical College Education. Public school 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 2016

By Department



By Fund



Schedule of Budgeted Full-Time Equivalents
All Funds
Permanent Positions
FY 2014 through FY 2016

Department/Agency	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
TOTAL BUDGETED FTE PERMANENT POSITIONS	41,560.69	41,619.37	40,845.93
LEGISLATURE			
Senate	51.00	49.00	49.00
House of Delegates	59.00	54.00	60.00
Joint Expenses	134.50	132.49	135.50
TOTAL - LEGISLATURE	244.50	235.49	244.50
TOTAL - JUDICIAL	1,393.55	1,411.55	1,393.55
EXECUTIVE			
Governor's Office ¹	61.00	60.00	58.00
State Auditor's Office ²	199.75	196.75	196.25
Treasurer's Office ³	136.40	133.40	131.40
Agriculture, Department of ⁴	354.75	348.75	330.79
Attorney General's Office ⁵	212.02	212.22	202.92
Secretary of State	58.50	59.50	59.50
TOTAL - EXECUTIVE	1,022.42	1,010.62	978.86
¹ FY 2016 deleted 2.00 FTEs in an effort to reduce vacant positions.			
² FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			
³ FY 2016 deleted 1.00 FTE in an effort to reduce vacant positions.			
⁴ FY 2016 deleted 14.96 FTEs in an effort to reduce vacant positions.			
⁵ FY 2016 deleted 7.16 FTEs in an effort to reduce vacant positions.			
DEPARTMENT OF ADMINISTRATION			
Office of the Secretary ¹	6.75	6.75	6.22
Consolidated Public Retirement Board	86.00	86.00	86.00
Finance, Division of ²	12.35	13.35	12.97
Information Services & Communications, Division of	390.95	389.95	389.95
General Services, Division of ³	126.60	126.70	124.56
Purchasing, Division of ⁴	40.55	41.80	38.22
Surplus Property	14.70	15.20	15.20
Travel Management ⁵	17.00	17.00	15.00
Board of Risk and Insurance Management	26.00	26.00	25.60
Education & State Employees' Grievance Board	12.00	12.00	12.00
Ethics Commission ⁶	7.75	7.75	7.25
Public Defender Services ⁷	16.00	22.00	21.00
Personnel, Division of	67.30	67.30	67.30
Public Employees Insurance Agency	40.60	40.60	40.60
Prosecuting Attorneys Institute	7.00	7.00	7.00

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
(Continued - DEPARTMENT OF ADMINISTRATION)			
Children's Health Insurance Agency	9.00	9.00	9.00
Office of Technology	4.00	4.00	4.00
Retiree Health Benefits Trust Fund	20.40	20.40	20.40
Real Estate Division ⁸	10.80	10.70	9.70
TOTAL - ADMINISTRATION	915.75	923.50	911.97
¹ FY 2016 deleted 0.53 FTE in an effort to reduce vacant positions.			
² FY 2016 deleted 0.38 FTE in an effort to reduce vacant positions.			
³ FY 2016 deleted 2.00 FTEs in an effort to reduce vacant positions.			
⁴ FY 2016 deleted 2.38 FTEs in an effort to reduce vacant positions.			
⁵ FY 2016 deleted 2.00 FTEs in an effort to reduce vacant positions.			
⁶ FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			
⁷ FY 2016 deleted 1.00 FTE in an effort to reduce vacant positions.			
⁸ FY 2016 deleted 1.00 FTE in an effort to reduce vacant positions.			
DEPARTMENT OF COMMERCE			
Office of the Secretary	25.80	25.80	25.80
Tourism, Division of ¹	66.80	67.50	61.05
Forestry, Division of ²	120.50	118.00	117.50
Geological and Economic Survey ³	52.10	49.10	47.60
Development Office ⁴	105.00	107.00	99.31
Labor, Division of ⁵	115.00	111.00	107.76
Natural Resources, Division of	825.00	825.00	825.00
Miners' Health, Safety and Training, Division of	160.00	160.00	160.00
Board of Coal Mine Health and Safety	3.00	3.00	3.00
WorkForce West Virginia	465.50	463.50	463.50
Energy, Division of ⁶	9.00	9.00	8.50
TOTAL - COMMERCE	1,947.70	1,938.90	1,919.02
¹ FY 2016 deleted 6.45 FTEs in an effort to reduce vacant positions.			
² FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			
³ FY 2016 deleted 1.50 FTEs in an effort to reduce vacant positions.			
⁴ FY 2016 deleted 7.69 FTEs in an effort to reduce vacant positions.			
⁵ FY 2016 deleted 3.24 FTEs in an effort to reduce vacant positions.			
⁶ FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			
DEPARTMENT OF EDUCATION			
Education, State Department of ¹	582.80	584.20	579.84
WV Schools for the Deaf & the Blind ²	208.90	201.20	190.40
State FFA-FHA Camp & Conference Center ³	31.80	25.20	14.70
School Building Authority	11.00	11.00	11.00
TOTAL - EDUCATION	834.50	821.60	795.94
¹ FY 2016 deleted 16.89 FTEs in an effort to reduce vacant positions; added 1.00 FTE for the IT Academy; added 1.00 FTE for the Early Literacy Program.			
² FY 2015 reduced 7.70 FTEs due reorganization; FY 2016 deleted 10.50 FTEs in an effort to reduce vacant positions.			
³ FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions and reduced 10.00 FTEs in the transition of the facility to a nonprofit foundation.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
DEPARTMENT OF EDUCATION AND THE ARTS			
Office of the Secretary ¹	45.60	44.75	41.79
Culture and History, Division of ²	120.50	120.50	116.25
Library Commission ³	51.00	50.00	46.50
Educational Broadcasting Authority ⁴	90.50	90.50	89.50
Rehabilitation Services, Division of ⁵	655.10	655.50	618.67
TOTAL - EDUCATION AND THE ARTS	962.70	961.25	912.71
¹ FY 2016 deleted 2.00 FTEs in an effort to reduce vacant positions.			
² FY 2016 deleted 3.25 FTEs in an effort to reduce vacant positions.			
³ FY 2016 deleted 3.50 FTEs in an effort to reduce vacant positions.			
⁴ FY 2016 deleted 1.00 FTE in an effort to reduce vacant positions.			
⁵ FY 2016 deleted 12.24 FTEs in an effort to reduce vacant positions.			
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Air Quality Board ¹	1.30	1.20	1.10
Environmental Protection, Division of ²	909.15	910.65	907.65
Environmental Quality Board	1.70	1.80	1.80
Solid Waste Management Board	13.00	13.00	13.00
Oil and Gas Conservation Commission	1.50	1.50	1.50
TOTAL - ENVIRONMENTAL PROTECTION	926.65	928.15	925.05
¹ FY 2016 deleted 0.10 FTE in an effort to reduce vacant positions.			
² FY 2016 deleted 3.00 FTEs in an effort to reduce vacant positions.			
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Office of the Secretary	7.52	7.52	7.00
Health, Division of	2,709.79	2,733.59	2,724.19
Health Care Authority	54.00	54.00	54.00
Human Rights Commission ¹	31.00	31.00	28.50
Human Services, Division of	3,531.03	3,562.11	3,562.11
TOTAL - HEALTH AND HUMAN RESOURCES	6,333.34	6,388.22	6,375.80
¹ FY 2016 deleted 2.50 FTEs in an effort to reduce vacant positions.			
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
Office of the Secretary ¹	27.00	27.00	25.50
Adjutant General ²	452.40	430.75	429.27
WV Board of Parole ³	16.00	18.00	16.00
Homeland Security and Emergency Management ⁴	53.00	53.00	50.75
Corrections, Division of ⁵	2,324.75	2,350.75	2,386.75
WV State Police	1,096.50	1,122.50	1,101.50
Regional Jail and Correctional Facility Authority	1,077.50	1,148.50	1,148.50
Fire Commission	55.00	55.00	55.00
Justice and Community Services, Division of ⁶	36.75	38.75	36.80

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
(Continued - DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY)			
Juvenile Services, Division of ⁷	701.60	673.60	627.30
Division of Protective Services ⁸	40.00	40.00	37.50
TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY	5,880.50	5,957.85	5,914.87
¹ FY 2016 deleted 1.50 FTEs in an effort to reduce vacant positions.			
² FY 2016 deleted 1.48 FTEs in an effort to reduce vacant positions.			
³ FY 2016 deleted 1.50 FTEs in an effort to reduce vacant positions.			
⁴ FY 2016 deleted 2.25 FTEs in an effort to reduce vacant positions.			
⁵ FY 2016 added 31.00 FTEs for Charleston Work Release Center and added 5.00 FTEs for implementation of SB 371.			
⁶ FY 2016 deleted 1.95 FTEs in an effort to reduce vacant positions.			
⁷ FY 2016 deleted 46.30 FTEs in an effort to reduce vacant positions.			
⁸ FY 2016 deleted 2.50 FTEs in an effort to reduce vacant positions.			
DEPARTMENT OF REVENUE			
Office of the Secretary ¹	10.00	9.55	9.05
Tax Division ²	478.00	474.00	457.02
State Budget Office ³	11.00	11.00	10.50
Insurance Commissioner	400.80	384.10	383.00
Lottery Commission	231.00	231.00	231.00
Racing Commission	52.90	50.90	50.90
Alcohol Beverage Control Administration	112.12	109.12	109.12
Office of Tax Appeals ⁴	9.00	7.00	6.00
Municipal Bond Commission	4.00	4.00	4.00
Financial Institutions, Division of	32.00	32.00	32.00
TOTAL - REVENUE	1,340.82	1,312.67	1,292.59
¹ FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			
² FY 2016 deleted 12.98 FTEs in an effort to reduce vacant positions.			
³ FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			
⁴ FY 2016 deleted 1.00 FTE in an effort to reduce vacant positions.			
DEPARTMENT OF TRANSPORTATION			
Motor Vehicles, Division of	627.00	632.75	626.00
Highways, Division of ¹	5,341.65	5,342.30	4,868.00
State Rail Authority ²	24.00	23.00	22.50
Public Transit, Division of	10.00	10.00	10.00
Public Port Authority ³	3.80	3.80	2.90
Aeronautics Commission ⁴	3.00	3.00	2.50
Office of Administrative Hearings	30.00	30.00	30.00
TOTAL - TRANSPORTATION	6,039.45	6,044.85	5,561.90
¹ Approved quota slots per fiscal year (FY 2014 - 5,418; FY 2015 - 5,418; FY 2016 - 5,418)			
² FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			
³ FY 2016 deleted 0.90 FTE in an effort to reduce vacant positions.			
⁴ FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
DEPARTMENT OF VETERANS ASSISTANCE			
Veterans Affairs ¹	244.94	243.01	225.41
Veterans Home ²	47.29	49.71	47.28
TOTAL - VETERANS ASSISTANCE	292.23	292.72	272.69
¹ FY 2016 deleted 17.60 FTEs in an effort to reduce vacant positions.			
² FY 2016 deleted 0.50 FTE in an effort to reduce vacant positions.			
TOTAL - BUREAU OF SENIOR SERVICES	36.60	36.60	35.90
HIGHER EDUCATION POLICY COMMISSION			
HEPC - Administration	79.10	76.63	66.64
West Virginia University	6,804.18	6,761.95	6,761.00
Marshall University	1,859.16	1,884.58	1,884.58
Osteopathic School of Medicine	289.81	291.71	291.71
Bluefield State College	212.52	211.52	211.49
Concord University	304.12	298.51	296.04
Fairmont State University	476.05	465.42	458.42
Glenville State College	215.60	215.61	215.61
Shepherd University	482.60	486.62	483.77
West Liberty University	329.89	329.24	329.24
West Virginia State University	368.03	347.21	347.21
WVNET	58.00	59.00	59.00
TOTAL - HIGHER EDUCATION POLICY COMMISSION ¹	11,479.06	11,428.00	11,404.71
¹ Changes in FTEs for institutions related to faculty and staffing levels due to changes in enrollment.			
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
Council - Administration	13.00	17.00	15.00
Mountwest Community and Technical College	130.46	132.04	132.00
New River Community and Technical College	174.78	178.78	167.78
Pierpont Community and Technical College	112.73	119.73	119.73
Blue Ridge Community and Technical College	131.35	136.75	136.75
Kanawha Valley Community and Technical College ¹	119.81	0.00	0.00
Bridgemont Community and Technical College ¹	75.85	0.00	0.00
West Virginia University at Parkersburg	222.63	221.63	221.63
Southern West Virginia Community and Technical College	208.84	201.72	201.72
West Virginia Northern Community and Technical College	157.50	156.50	156.50
West Virginia Eastern Community and Technical College	45.03	47.56	41.48
BridgeValley Community and Technical College ¹	0.00	196.44	196.44
TOTAL - COUNCIL FOR C&T COLLEGE EDUCATION ²	1,391.98	1,408.15	1,389.03
¹ Kanawha Valley and Bridgemont Community and Technical Colleges merged in FY 2015 to become BridgeValley Community and Technical College.			
² Changes in FTEs for institutions related to faculty and staffing levels due to enrollment changes.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
MISCELLANEOUS BOARDS AND COMMISSIONS			
Barbers and Cosmetologists, Board of	9.50	9.50	9.50
Board of Medicine	14.00	14.00	14.00
Courthouse Facilities Improvement Authority	1.60	1.60	1.60
Hospital Finance Authority	1.00	1.00	1.00
Licensed Practical Nurses	4.00	4.00	4.00
Public Service Commission	335.32	335.72	335.27
Real Estate Commission	12.00	12.00	12.00
Registered Nurses	13.00	13.00	13.00
Water Development Authority	20.06	20.53	20.06
West Virginia Economic Development Authority	9.88	9.88	9.88
Enterprise Resource Planning Board	41.00	41.00	41.00
Other Boards	57.58	57.02	55.53
TOTAL - MISC. BOARDS AND COMMISSIONS	518.94	519.25	516.84

**Schedule of Budgeted Full-Time Equivalents
By Source of Funds
Permanent Positions
FY 2014 through FY 2016**

By Department/Funding Source	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
ALL DEPARTMENTS/AGENCIES			
General	17,405.00	17,147.07	17,231.49
Federal	4,585.66	4,605.69	4,559.40
Lottery	241.82	237.10	228.58
Special	2,711.96	2,755.55	2,757.76
State Road Fund	5,930.65	5,932.05	5,455.00
Nonappropriated Special	10,685.60	10,941.91	10,613.70
TOTAL	41,560.69	41,619.37	40,845.93
LEGISLATURE			
General	237.50	228.49	237.50
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	7.00	7.00	7.00
Nonappropriated Special	0.00	0.00	0.00
TOTAL	244.50	235.49	244.50
JUDICIAL			
General	1,393.55	1,411.55	1,393.55
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	0.00	0.00	0.00
TOTAL	1,393.55	1,411.55	1,393.55
EXECUTIVE			
General	563.29	557.57	524.85
Federal	30.83	30.41	30.55
Lottery	0.00	0.00	0.00
Special	252.34	254.70	252.72
Nonappropriated Special	175.96	167.94	170.74
TOTAL	1,022.42	1,010.62	978.86
DEPARTMENT OF ADMINISTRATION			
General	142.03	146.40	136.06
Federal	7.15	7.15	7.15
Lottery	0.00	0.00	0.00
Special	483.14	485.80	483.15
Nonappropriated Special	283.43	284.15	285.61
TOTAL	915.75	923.50	911.97
DEPARTMENT OF COMMERCE			
General ¹	733.32	778.13	765.98
Federal	610.21	617.98	617.67
Lottery	124.80	121.50	115.05
Special	233.97	244.12	242.42
Nonappropriated Special ¹	245.40	177.17	177.90
TOTAL	1,947.70	1,938.90	1,919.02

¹ FY 2015 Division of Natural Resources moved 70 FTEs from the State Parks Operating Fund to General Revenue.

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
DEPARTMENT OF EDUCATION			
General	597.56	582.15	576.41
Federal	124.75	130.57	128.90
Lottery	49.52	51.60	47.84
Special	28.85	26.05	11.45
Nonappropriated Special	33.82	31.23	31.34
TOTAL	834.50	821.60	795.94
DEPARTMENT OF EDUCATION AND THE ARTS			
General	436.26	436.10	384.53
Federal	463.50	464.43	468.26
Lottery	23.51	22.01	19.23
Special	4.08	4.08	5.00
Nonappropriated Special	35.35	34.63	35.69
TOTAL	962.70	961.25	912.71
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
General	92.80	87.67	85.40
Federal	343.15	348.39	350.81
Lottery	0.00	0.00	0.00
Special	248.05	272.39	271.07
Nonappropriated Special	242.65	219.70	217.77
TOTAL	926.65	928.15	925.05
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
General	3,675.16	3,745.01	3,742.77
Federal	2,327.16	2,307.29	2,300.51
Lottery	0.00	0.00	0.00
Special	120.95	121.95	121.95
Nonappropriated Special	210.07	213.97	210.57
TOTAL	6,333.34	6,388.22	6,375.80
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
General ¹	4,238.00	4,261.40	4,207.26
Federal ¹	389.52	374.24	388.26
Lottery	0.00	0.00	0.00
Special	127.23	124.26	121.20
Nonappropriated Special	1,125.75	1,197.95	1,198.15
TOTAL	5,880.50	5,957.85	5,914.87
¹ FY 2015 The Adjutant General adjusted Mountaineer ChalleNGe Academy to reflect 75% Federal and 25% General resulting in a transfer of 16 FTEs between funding sources.			
DEPARTMENT OF REVENUE			
General	443.00	422.55	407.57
Federal	2.00	2.00	2.00
Lottery	0.00	0.00	0.00
Special	613.82	611.12	607.02
Nonappropriated Special	282.00	277.00	276.00
TOTAL	1,340.82	1,312.67	1,292.59

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2014 11-30-2013	FY 2015 11-30-2014	FY 2016 Recommended
DEPARTMENT OF TRANSPORTATION			
General	12.30	11.80	9.90
Federal	17.00	17.00	18.00
Lottery	0.00	0.00	0.00
Special	60.00	65.00	60.00
State Road Fund ¹	5,930.65	5,932.05	5,455.00
Nonappropriated Special	19.50	19.00	19.00
TOTAL	6,039.45	6,044.85	5,561.90
¹ Approved DOH quota slots per fiscal year (FY 2014 - 5,418; FY 2015 - 5,418; FY 2016 - 5,418)			
DEPARTMENT OF VETERANS ASSISTANCE			
General	258.81	241.99	240.42
Federal	32.50	49.71	32.27
Lottery	0.00	0.00	0.00
Special	0.81	0.91	0.00
Nonappropriated Special	0.11	0.11	0.00
TOTAL	292.23	292.72	272.69
BUREAU OF SENIOR SERVICES			
General	0.00	0.00	0.00
Federal	11.82	11.82	10.90
Lottery	2.70	3.35	2.45
Special	2.20	2.50	1.95
Nonappropriated Special	19.88	18.93	20.60
TOTAL	36.60	36.60	35.90
HIGHER EDUCATION POLICY COMMISSION			
General	3,615.15	3,288.94	3,564.13
Federal	170.94	155.13	140.18
Lottery	41.29	38.64	44.01
Special	126.59	130.54	165.00
Nonappropriated Special	7,525.09	7,814.75	7,491.39
TOTAL	11,479.06	11,428.00	11,404.71
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
General	966.27	947.32	955.16
Federal	26.82	63.26	40.78
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	398.89	397.57	393.09
TOTAL	1,391.98	1,408.15	1,389.03
MISCELLANEOUS BOARDS AND COMMISSIONS			
Federal	28.31	26.31	23.16
Lottery	0.00	0.00	0.00
Special	402.93	405.13	407.83
Nonappropriated Special	87.70	87.81	85.85
TOTAL	518.94	519.25	516.84

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, Corporation Net Income Tax and Business Franchise Tax, Tobacco Products Tax, and Severance Tax. These taxes comprise approximately 93% of the General Revenue Fund. The remaining seven percent of the General Revenue Fund is a combination of lesser taxes along with fees such as Liquor Profit Transfers and transfers from lottery revenues.

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

The **State Road Fund** consists of revenues from Motor Fuel Excise Tax, Motor Carrier Road Tax, Sales Tax, Motor Vehicle Registration Fee, and all other revenue derived from motor vehicles or motor fuel that are solely dedicated to this fund. The State Road Fund is appropriated by the Legislature and used solely for construction, reconstruction, repair and maintenance of public highways, the payment of the interest and principal on all road bonds, and the administrative expenses of the Division of Highways, Office of Administrative Hearings, and the Division of Motor Vehicles.

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

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

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

Revenue Sources

The Excess Lottery Fund may be used for a variety of purposes including, but not limited to, PROMISE scholarships, senior citizen tax credits, the School Building Debt Service Fund, the West Virginia Infrastructure Fund, the Economic Development Project Fund, the Higher Education Improvement Fund, the State Park Improvement Fund, and the general purpose account.

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

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

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

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

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

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

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

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

Revenue Estimates

Under the guidance of the Deputy Secretary of the Department of Revenue, the Tax Research Division develops revenue estimates for the state. The estimates are derived from economic forecasts provided by IHS Economics, the West Virginia University Bureau of Business and Economic Research, and the U.S. Department of Energy. Revenue forecast simulations

Revenue Sources

include changes due to economic factors and tax law changes. The forecast incorporates the results of economic modeling, trend analysis, time series modeling, and expert judgment.

The final forecast for an upcoming fiscal year is derived from the November economic forecasts approximately seven months prior to the beginning of a fiscal year. The forecast is adjusted at the conclusion of each Regular Legislative Session to incorporate any fiscal changes associated with tax law modifications. Even though numerous economic events and other changes occur seven to 19 months after the development of the final fiscal year forecast, the official revenue estimates seldom change. However, staff monitors actual revenue collections on a daily and monthly basis. If the revenue estimates ever appear to be too optimistic given tax collection 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, FY 2013, and FY 2014. Based upon results over the past two decades, the probability of a revenue shortfall issue in any given year is less than 30%.

Economic Development Tax Expenditure Budget - FY 2016

In addition to expenditures authorized by the State Legislature through annual budgetary appropriations, additional expenditures are authorized pursuant to various tax preferences within the state Tax Code. These additional expenditures are commonly called “tax expenditures.” This section includes budgetary information on specific business related economic development tax expenditures and similarly structured individual tax preferences for FY 2016.

Overview of Tax Expenditures

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

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

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

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

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

Some tax expenditures offer carryover provisions in the event that a taxpayer is not able to fully receive the benefit within a single year. A couple tax expenditures include a policy of “transferrable tax credits,” where a taxpayer can “sell” its excess tax credit for some discounted amount, e.g., 90 cents on the dollar. The taxpayer receives a benefit of 90 cents, but the

Revenue Sources

State incurs a tax expenditure of one full dollar when the credit is ultimately taken by the credit purchaser. The timing lag for transferable programs is even longer than the normal lag associated with many tax expenditures.

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

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

In many cases, the full cost of a tax expenditure program may stretch out over several fiscal years. Therefore, prospective policy changes to eliminate such a program may only gradually decrease the expenditure or gradually increase revenue freed up for other expenditure programs. For example, legislation terminated the Business Investment and Jobs Expansion Tax Credit Program at the end of 2002. However, due to a credit proration period of up to twelve years and additional credit carryover provisions, the FY 2016 budget still contains a small allowance of \$0.2 million for this program more than 13 years after its expiration.

For purposes of the FY 2016 Budget, economic development tax expenditure programs were grouped in the following four categories:

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

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

Tax Credits

For purposes of the tax expenditure budget, there are 24 active separate tax credit programs in the state Tax Code with a total FY 2016 value of \$119.8 million. Programs classified as economic development related account for \$74.7 million in value, an amount equal to roughly 62% of the total value of all tax credits. Some of the remaining tax credits may be classified as low-income relief programs with a combined value of \$40.8 million.

The largest single tax credit in terms of cost (38% of the total) is the Industrial Expansion and Revitalization Tax Credit for electric power producers. This tax credit is largely tied to pollution abatement investment at coal-fired generating plants in the state. West Virginia uniquely taxes electric power generation rather than final sales to consumers. Public utilities pass on their costs to final consumers in a rate regulated environment. Therefore, final consumers are the principal beneficiaries of the Industrial Expansion and Revitalization Tax Credit.

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

Revenue Sources

Article	Tax Credit	Description	FY 2016 Estimate (in millions)
5B-2E	Tourism Development	25% of Approved Costs Over 10 Years	\$1.0
11-6D	Alternative-Fuel Motor Vehicles	35% Vehicles & 20% to 62.5% Infrastructure	\$10.0
11-13D	Industrial Expansion/Revitalization	10% Investment Credit – Electric Power Producers	\$45.0
11-13E	Coal-Loading Facilities	10% Investment Credit – Coal Loading Facilities	\$1.3
11-13F	Low-Income Electric, Gas & Water	Reimburses Utility for Low-Income Resident Discount	\$6.3
11-13G	Low-Income Telephone	Reimburses Utility for Low-Income Resident Discount	Minimal
11-13J	Neighborhood Investment Program	50% Credit for Charitable Contributions	\$3.0
11-13K	Agricultural Equipment	25% up to \$2,500 – Environmental Equipment	\$0.1
11-13L	Natural Gas Jobs Retention	\$1,000/Job – Natural Gas Storage Tax	\$1.2
11-3Q	Economic Opportunity	Investment Credit-New Jobs & Select Industries	\$4.0
11-13S	Manufacturing Investment	5% Investment Credit – Manufacturing	\$3.0
11-13W	Apprenticeship Training	\$2/hour or \$2,000/year-Training Tax Credit	\$0.6
11-13X	West Virginia Film	27% to 31% of Costs for Making Film in WV	\$3.0
11-13Y	Manufacturing Property Adjustment	Manufacturing Inventory Tax Credit	\$5.0
11-13AA	Commercial Patents	20%-30% of Royalties & 20%-30% of Net Profit	Minimal
11-13BB	Mine Safety Technology	50% Investment Credit – Mine Safety Equipment	\$0.2
11-13CC	Energy Intensive Industrial Consumer	Up to \$20 million – Coal Severance Tax	\$0.0
11-21-8a	Rehabilitated Buildings	10% of Qualified Costs	\$0.5
11-21-8g	Residential Rehabilitated Buildings	5% of Qualified Costs	\$0.2
11-21-10a	Nonfamily Adoption	\$2,000 per Qualified Adoption	\$0.8
11-21-21	Senior Citizen Homestead Credit	Local Tax paid on First \$20,000 of Taxable Valuation	\$13.0
11-21-22	Low-Income Family Tax Credit	Up to 100% of Pre-Credit Income Tax	\$19.0
11-21-23	Excess Property Tax Credit	Excess Over 4% of Gross Income Up to \$1,000	\$2.5
11-21-42 & 11-24-12	Military Incentive	30% of First \$5,000 of Wages Paid	<u>\$0.1</u>
		<i>Subtotal:</i>	<u>\$119.8</u>

Tax Increment Financing

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

Nearly all states utilize TIF for economic development. Property taxes are generally imposed by counties, school boards, and municipalities in the state. The total value of TIF is roughly \$18 million in FY 2016 with half of the cost absorbed by local governments and half absorbed by the state mainly through the state School Aid to Local Education Formula. The cost to local governments would be larger if not for the exclusion of school excess levies from the calculated TIF under state law.

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

Revenue Sources

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

Chapter	Tax Credit	Description	FY 2016 Estimate (in millions)
7-11B	Property Tax Increment Financing Economic Development District	Property Increment-State Portion of \$18 mil Total	\$9.0
7-22	STIF	6% State Sales Tax Redesignated as Local Tax	\$16.0
			<i>Subtotal:</i> \$25.0

Miscellaneous Tax Preferences

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

In terms of value, the largest tax expenditures in West Virginia relate to residential property taxes. The combined value of the Homestead Exemption and 50% tax rate preferences for owner-occupied residential and farm real property is \$501 million, and the state share of this combined value, mainly reflected in the state School Aid Formula, is \$150.1 million.

Several other types of mostly tangible personal property qualify for reduced “salvage” valuation at a combined value of \$101.0 million in property tax reductions with \$30.3 million of that value allocated to the state budget.

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

The largest nonproperty tax rate preference program offered in West Virginia is the Thin-Seam Coal Rates Program. Lower regular severance tax rates apply to most underground coal mines with average seam thickness of no more than 45 inches. This \$57 million tax preference is largely tied to metallurgical coal production in southern West Virginia. Thin-seam mines tend to employ more workers per unit of output than other mining operations.

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

Article	Tax Credit	Description	FY 2016 Estimate (in millions)
3-9	PILOT-County	Payment in Lieu of Tax – New Facilities	Unknown
6A	Pollution Control Salvage Value	State Portion of \$73 mil	\$21.9
6B	Homestead Exemption & Tax Rate	Over 65/Disabled – State Portion of \$98 mil	\$29.2
6E	Manufacturing Production	Salvage Value—State Portion of \$1.3 mil	\$0.4
6F	Property	Salvage Value-Existing Mfg – State Portion of \$25 mil	\$7.5
6H	Certified Capital Additions	Salvage value – State Portion of \$1.4 mil	\$0.4
6J	Special Aircraft Property	Salvage value – State Portion of minimal \$0.3	\$0.1
6J	High-Technology Business Property	Reduced Tax Rates on Thin-Seam Coal [60%-80%]	\$57.0
8-6b	Residential/Farm Preference	Low-Volume/Shut-In Well Gross Receipt Exclusions	\$5.0
13A-3(f)	Thin-Seam Coal Rates		
13A-3(a)	Natural Gas/Oil Exclusions		
			<i>Subtotal:</i> \$242.4

Revenue Sources

Previously Terminated Programs with Carryover Costs

Expired tax expenditure provisions with at least some cost in FY 2016 include costs associated with the Business Investment and Jobs Expansion Tax Credit and with the Strategic Research and Development Tax Credit. Even though it is not listed among the expired tax expenditure provisions, a large portion of the Alternative Fuel Motor Vehicles Tax Credit expenditure for FY 2016 is also attributable to various provisions that were either repealed as of April 14, 2013, or as of January 1, 2014.

The following is a list of inactive tax credits in either Chapter 11, Chapter 5E, or Chapter 12 of the West Virginia Code that were generally repealed, are now inactive, or are set to sunset prior to the beginning of FY 2016 with grandfathering provisions for credit claims attributable to periods prior to termination.

Article	Tax Credit	Description	FY 2016 Estimate (in millions)
11-13C	Business Investment & Jobs Expansion	50% or More Investment Tax Credit Tied To Job Creation	\$0.2
11-13R	Strategic Research and Development	3% or 10% of Excess R & D Credit	\$2.0
<i>Subtotal:</i>			\$2.2

The sum total value of all tax expenditures listed above is \$389.4 million, including \$172.3 million in bolded Economic Development Tax Expenditures and \$217.1 million in various other tax expenditures.

Additional Revenue Information

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

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

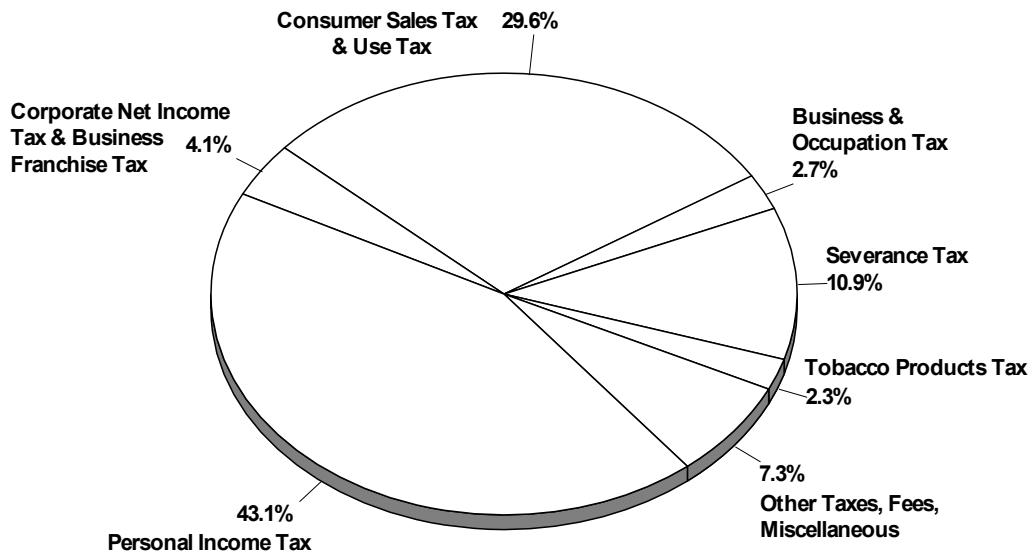
General Revenue Fund

Sources of Revenue

Fiscal Year 2016

\$4.322 Billion

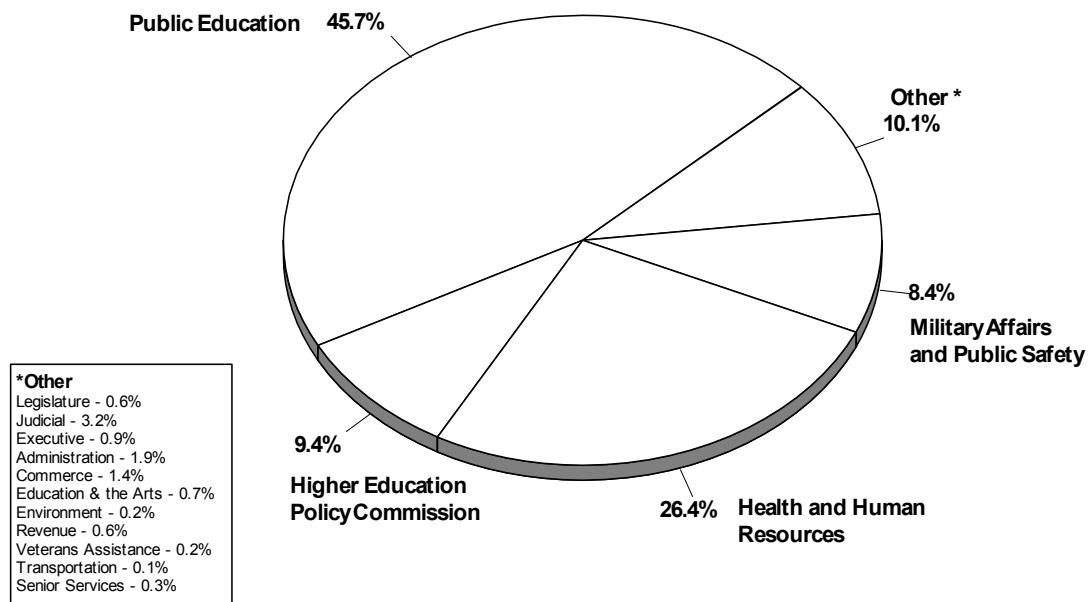
(Estimated)



Recommended Expenditures

Fiscal Year 2016

\$4.322 Billion



General Revenue Fund
Personal Income Tax

Personal Income Tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 70% of all Personal Income Tax receipts. After increasing at an average annual rate of 0.9% between 2003 and 2008, the West Virginia economy shed payroll employment jobs at a rate of more than 1% per year between 2008 and 2010. Between 2010 and 2013, payroll employment increased by nearly 2.2%. According to the most recent forecasts from IHS Economics, payroll employment is expected to increase by nearly 1.3% in 2014 and then continue rising by an average of roughly 0.9% per year between 2014 and 2020. IHS Economics projects personal income to increase by 2.6% in 2014 and by 3.6% in 2015 and then to rise by roughly 4.4% annually between 2015 and 2020.

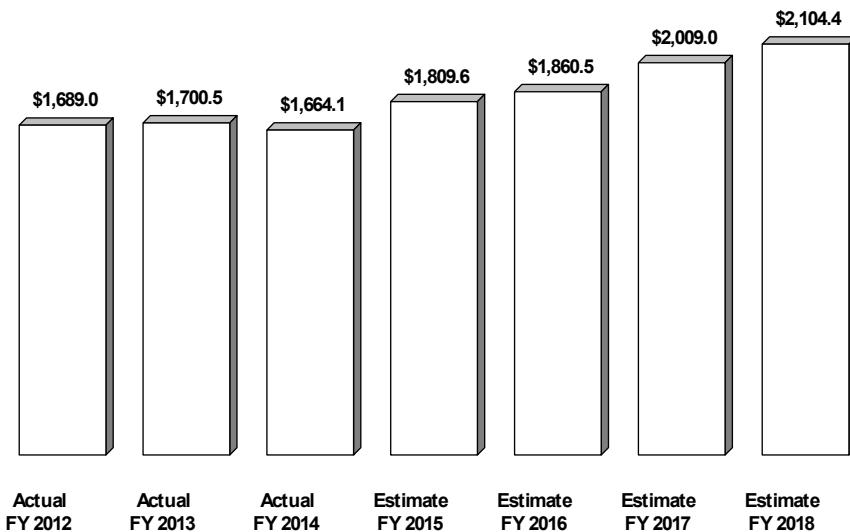
The state annually dedicates a portion of Personal Income Tax collections toward the payment of the old workers' compensation debt (\$95.4 million per year through FY 2016). Based upon current law, the state will begin dedicating \$35 million per year to Other Post Employment Benefit programs beginning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

After decreasing by 1.4% in FY 2014, income tax collections are projected to rise by an average annual rate of roughly 5.1% between FY 2014 and FY 2016 and increase at an average annual rate of nearly 4.5% during the FY 2016–FY 2020 forecast period (growth rate adjusted for anticipated change in old workers' compensation debt dedications). Tax collection growth is anticipated to resume at a healthy pace due to improved wage and salary growth, employment growth, and a decline in income tax credit expenditures. The decline in collections in FY 2014 was reflective of both sluggish income growth and Alternative-Fuel Motor Vehicle Tax Credit expenditures.

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 43% of total General Revenue Fund.

Personal Income Tax
(Expressed in Millions)



General Revenue Fund
Consumer Sales Tax and Use Tax

Consumer Sales Tax and Use Tax collections depend heavily upon retail sales (45.6%) and taxable services (28.1%) activities. The tax base includes most retail sales except for automobiles, gasoline, prescription drugs, and food for home consumption. Food for home consumption does not include sales, purchases, and uses by consumers of prepared food; food sold through vending machines; and soft drinks. These items are taxed at the full six percent rate.

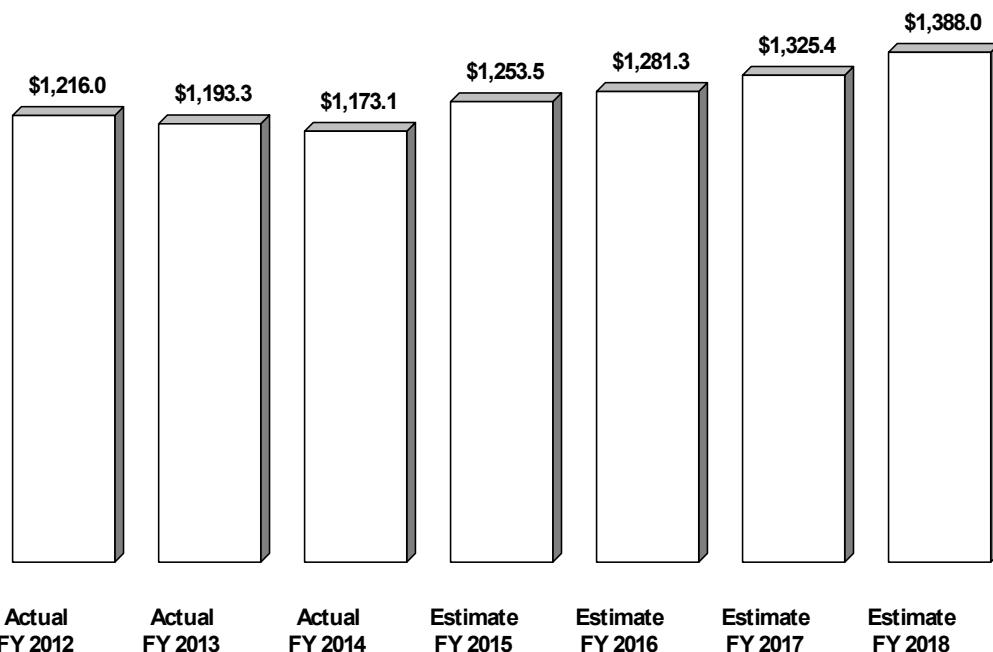
Retail sales growth depends upon changes in population, disposable personal income, inflation rates, interest rates, consumer debt, and consumer confidence. Disposable income growth is forecast to increase from 0.4% in 2013 to 2.2% in 2014. Thereafter, disposable personal income is forecast to rise by an average annual rate of 4.1% between 2014 and 2020.

After falling by 1.7% in FY 2013, Consumer Sales Tax and Use Tax collections fell by an additional 2.7% in FY 2014. The recent trend of declining revenues was attributable to both the gradual elimination of sales tax on groceries for home consumption and a trend of sluggish wage and employment growth. Collections are forecast to rebound during the forecast period with average annual growth of more than 4.0% between FY 2014 and FY 2016 and 2.9% between FY 2016 and FY 2020.

In addition to the General Revenue Fund, some Consumer Sales Tax collections go into special revenue accounts for the benefit of Sales Tax Increment Financing Districts, school construction, highway maintenance, and E-911 funded programs (i.e., \$61.4 million in FY 2012, \$62.1 million in FY 2013 and \$48.9 million in FY 2014).

- 6% Sales and Use Tax on most goods and services.
- Total Sales and Use Tax accounts for 30% 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 (60%), natural gas production (30%), and the production of various other natural resource products (10%). Other natural resources products include timber, oil, coal-bed methane, natural gas liquids, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2014, Severance Tax receipts were deposited in the state General Revenue Fund (91.2%), the state Infrastructure Fund (4.3%), and local government funds (4.5%). Under current law, the first \$23 million of annual receipts is dedicated to the Infrastructure Fund.

Severance Tax collection growth depends upon changes in coal and natural gas production and their respective prices. Coal prices rose dramatically over the past decade due primarily to growing global demand and supply limitations in the world market. The average price per ton of West Virginia coal rose from slightly less than \$30 per ton in 2003 to roughly \$85 per ton in 2012. Severance Tax receipts grew by more than 250% between FY 2004 and FY 2012 in response to these higher prices. However, both a decline in coal sales and a decline in coal prices since the second half of 2012 contributed to a 25.4% reduction in coal Severance Tax receipts over the past two years. A slow growing U.S. economy, a weakened global economy, the closure of a number of regional coal-fired power plants, and increased competition from natural gas will lead to an expected ten percent additional decrease in coal production over the next five years along with some additional decrease in price, especially over the next year.

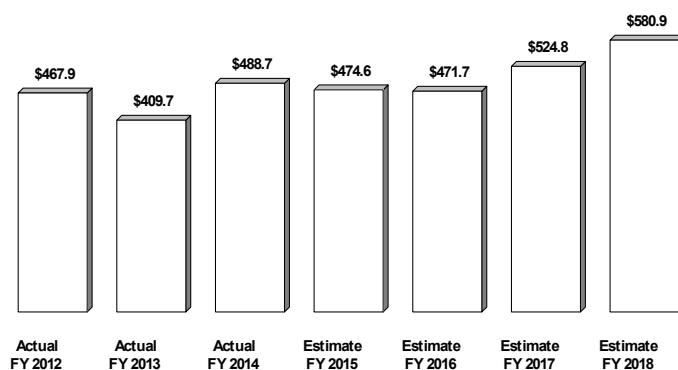
After rising by 37% per year in both 2012 and 2013, natural gas production is forecast to continue rising, but at a slower pace over the forecast period. Natural gas well-head prices dropped to less than \$3 per thousand cubic feet in 2012 before rebounding to nearly \$4 per thousand cubic feet by mid CY 2014 and then declining again in recent months. As a result, natural gas Severance Tax collections grew by 132% between FY 2012 and FY 2014. However, overall Severance Tax collections decreased by nearly 1.2% between FY 2012 and FY 2014, as increases in natural gas related tax collections nearly offset decreases in coal Severance Tax collections. Increased natural gas Severance Tax collections are forecast to more than offset declining coal Severance Tax receipts over the next five years.

Since coal and natural gas represent roughly 90% of the Severance Tax, the combined price and production projections will result in some year-to-year variance in collections. Due to a trend of lower energy prices, overall collections are forecast to likely remain flat or decline slightly between FY 2014 and FY 2016. Thereafter, collections are forecast to rise by an average annual rate of nearly 7.6% between FY 2016 and FY 2020 as both the coal and natural gas markets stabilize and global economic growth rates improve.

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 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% of total General Revenue Fund.

Severance Tax
(Expressed in Millions)



General Revenue Fund
**Corporation Net Income Tax
and Business Franchise Tax**

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

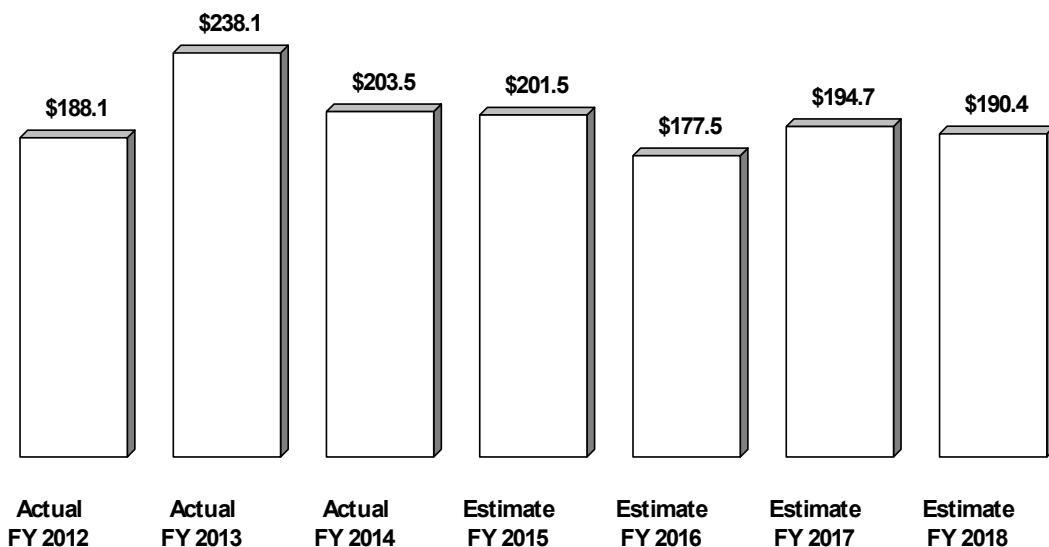
Domestic corporate profits grew by 4.8% in FY 2013, but were projected to decline by 2.2% in FY 2014 and then rebound with a 9.7% increase in FY 2015. During the remainder of the forecast period, corporate profits are expected to increase at an average annual rate of roughly 2.2%. Remittances of the Corporation Net Income Tax may lag the associated economic period by up to 18 months.

Collections are expected to decrease by nearly 13% between FY 2014 and FY 2016 primarily due to the complete phase-out of the Business Franchise Tax component as of January 1, 2015. However, some residual collections from the Business Franchise Tax will continue after phase-out for a few additional years. In addition, the impact of the reduction in Corporation Net Income Tax rates will not be fully realized until FY 2016. The recent decision by U.S. Congress to extend bonus depreciation provisions through CY 2014 will also contribute to slightly lower tax receipts in FY 2015 and FY 2016. Collections are expected to rise at an average annual rate of roughly 2.7% between FY 2016 and FY 2020 as tax policy stabilizes.

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

- Corporation Net Income Tax applies to C corporations. The tax base is the modified federal taxable income apportioned to West Virginia with a tax rate of 6.5%.
- Accounts for 4% of total General Revenue Fund.

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



General Revenue Fund
Business and Occupation Tax

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

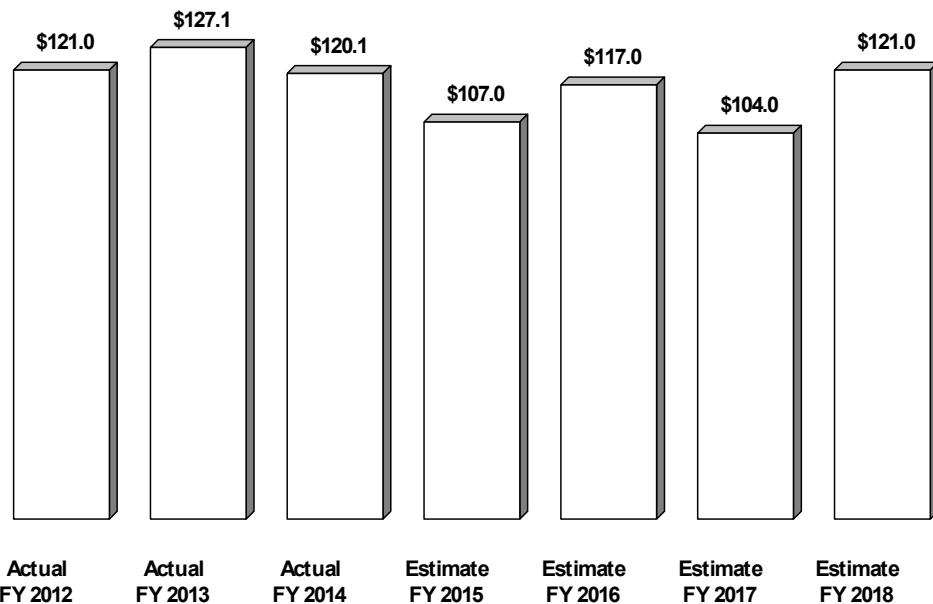
For electric power producers, the general tax rate is \$22.78 per kilowatt of taxable capacity. Plants with flue gas desulfurization systems are subject to a lower tax rate of \$20.70 per kilowatt. The installation of flue gas desulfurization systems at existing power plants that was generally completed by the end of 2010 resulted in a shift of a large portion of the tax base to the lower tax rate. The shift to the lower tax rate along with an increase in investment tax credits due to capital investments for the installation of flue gas desulfurization systems reduced total B&O Tax collections by roughly one-third from FY 2006 to FY 2012. In response to a series of proposed U.S. Environmental Protection Agency regulations that would impact coal-fired electric generating plants, some West Virginia plants will be retired. While the retired plants will further reduce the tax base, the expiration of some investment tax credits will result in increased B&O Tax revenue through the forecast period.

The tax on natural gas receipts applies only to public utility sales. Exempt nonutility sales represent roughly 42% of all natural gas sales in West Virginia. In addition to the tax on public utilities, West Virginia imposes a tax on natural gas storage activities. Revenue from this source should remain fairly stable during the forecast period. The U.S. Energy Information Administration projects only minimal increases in natural gas prices through the forecast period.

During the forecast period, and despite a one year decline due to retired electric power plants, B&O Tax collections will generally increase by an average annual rate of nearly 2.7%.

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

Business and Occupation Tax
(Expressed in Millions)

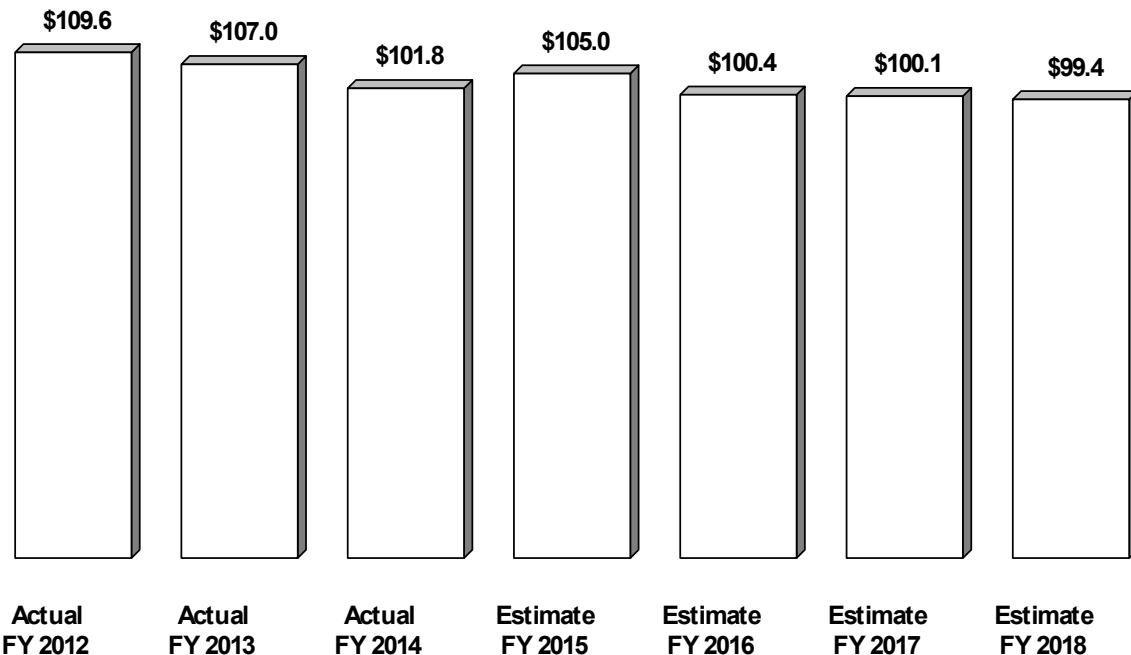


General Revenue Fund
Tobacco Products Tax

The Tobacco Products Tax consists of a unit excise tax per pack on cigarettes and a percentage tax on the wholesale price of other tobacco products. Both demographic trends toward an aging population and continuing efforts to discourage consumption of tobacco products will dampen the outlook for long-term revenue growth for this tax. However, tax rate increases that are implemented in the states surrounding West Virginia can result in short-term increases in revenue. Tobacco Products Tax collections are forecast to decline by an average of 1.4% per year during the FY 2015–FY 2020 forecast period due to reduced consumption.

- Tax of \$0.55 per pack of 20 cigarettes.
- Tax of 7% of the wholesale price on tobacco products other than cigarettes.
- Accounts for more than 2% of total General Revenue Fund.

Tobacco Products Tax
(Expressed in Millions)



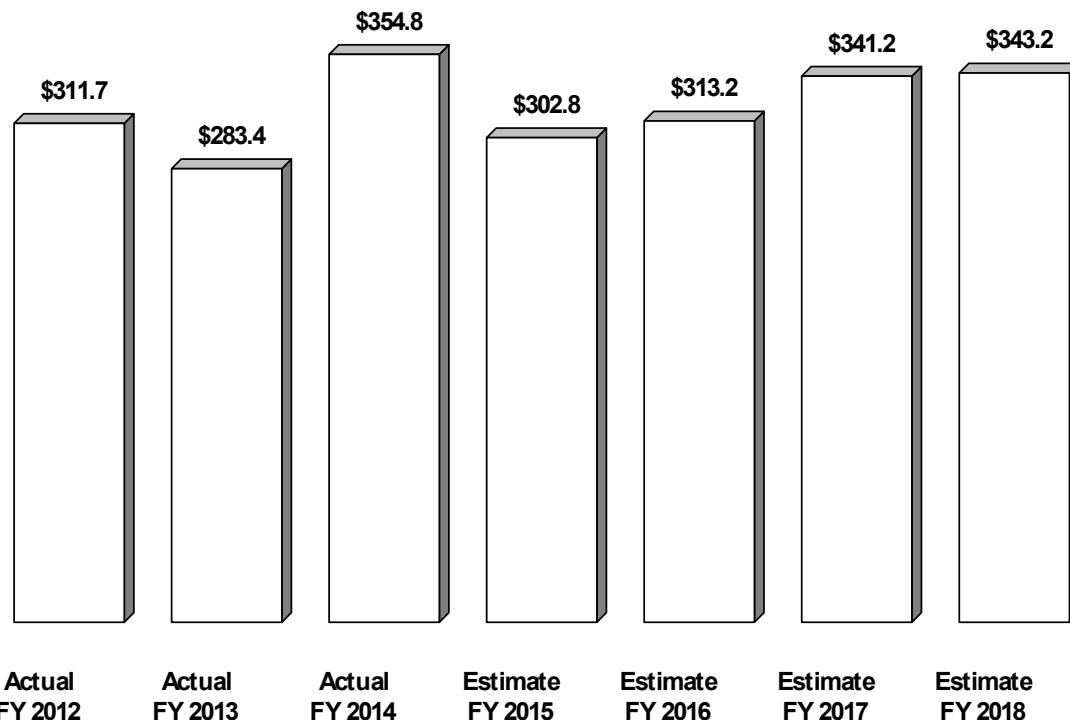
General Revenue Fund
Other Taxes and Fees

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

The annual appropriated Excess Lottery Transfer to the state General Revenue Fund is expected to be \$83.355 million per year for the FY 2016 to FY 2020 period, a 10% decline from annual appropriated transfers for the FY 2013 to FY 2015 period. Most of the forecasted revenue from the ten-year retail liquor establishment license renewal program was collected during FY 2010 and FY 2011 with minor additional annual collections through FY 2016.

- Accounts for more than 7% of total General Revenue Fund.

Other Taxes and Fees
(Expressed in Millions)



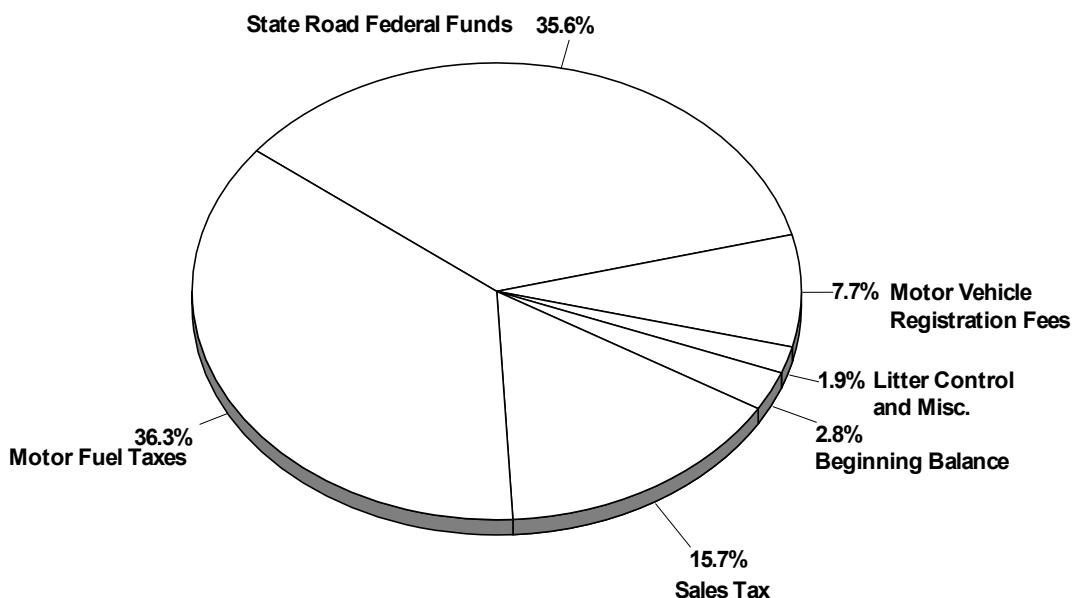
State Road Fund

Sources of Revenue

Fiscal Year 2016

\$1.205 Billion*

(Estimated)

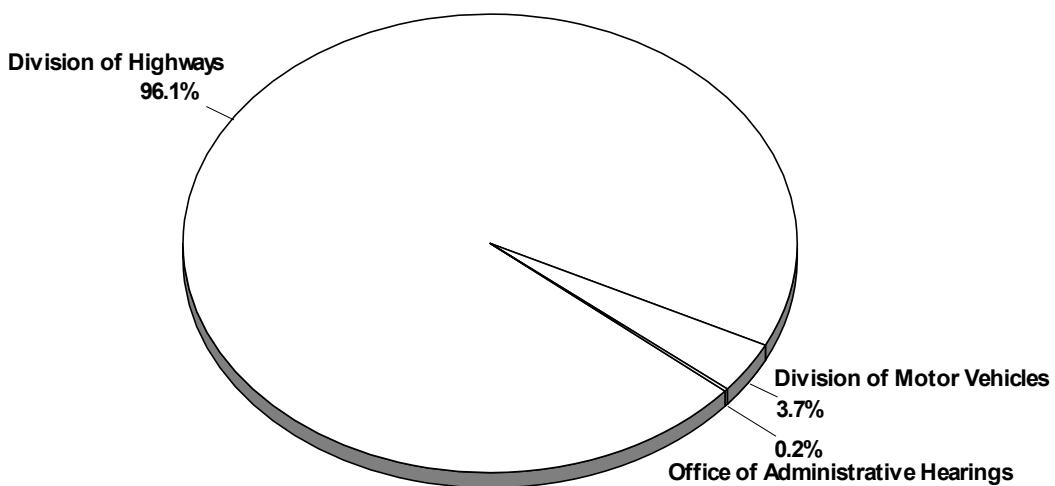


*Includes Beginning Cash Balance plus FY 2016 Revenue.

Recommended Expenditures

Fiscal Year 2016

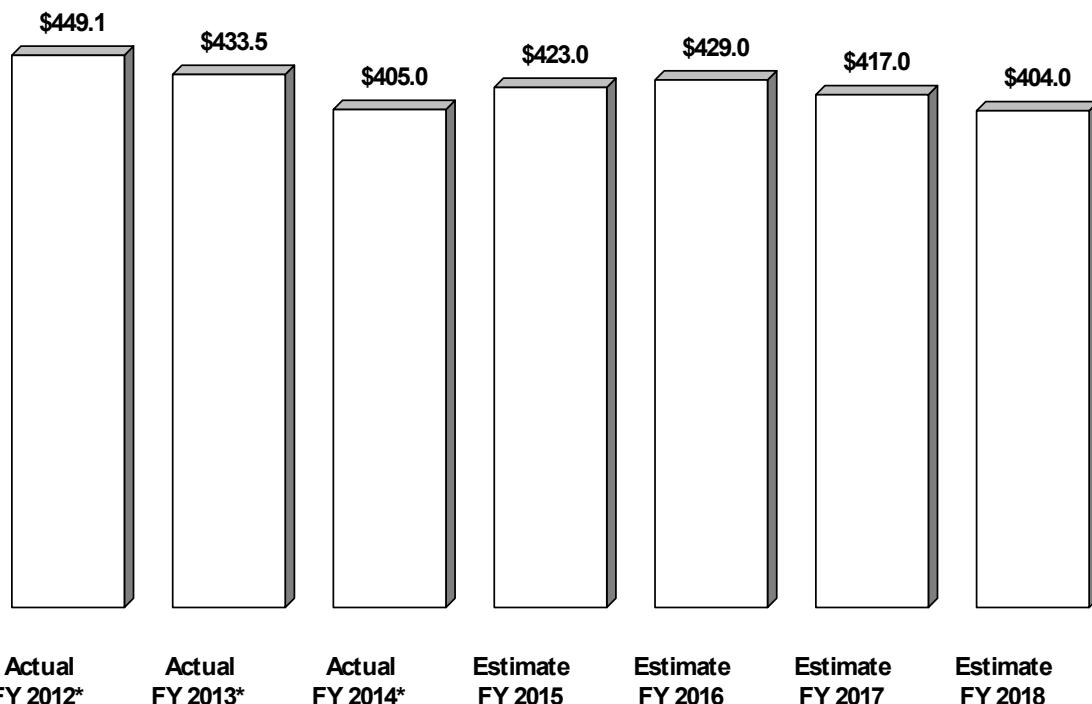
\$1.174 Billion



State Road Fund
State Road Federal Funds

- Federal Funds are received by the Division of Highways for Interstate Construction, Appalachian Programs, Other Federal Aid programs, and Federal Economic Stimulus.
- These funds become part of the State Road Fund or Coal Resource Transportation Road Fund and are included in the amounts budgeted for each fund.
- Accounts for 35.6% of the total State Road Fund.

State Road Federal Funds
(Expressed in Millions)



* Includes Federal Economic Stimulus of \$15.7 million in FY 2012, \$1.4 million in FY 2013, and \$1.2 million in FY 2014.

State Road Fund
Motor Fuel Taxes

Motor Fuel Excise Tax

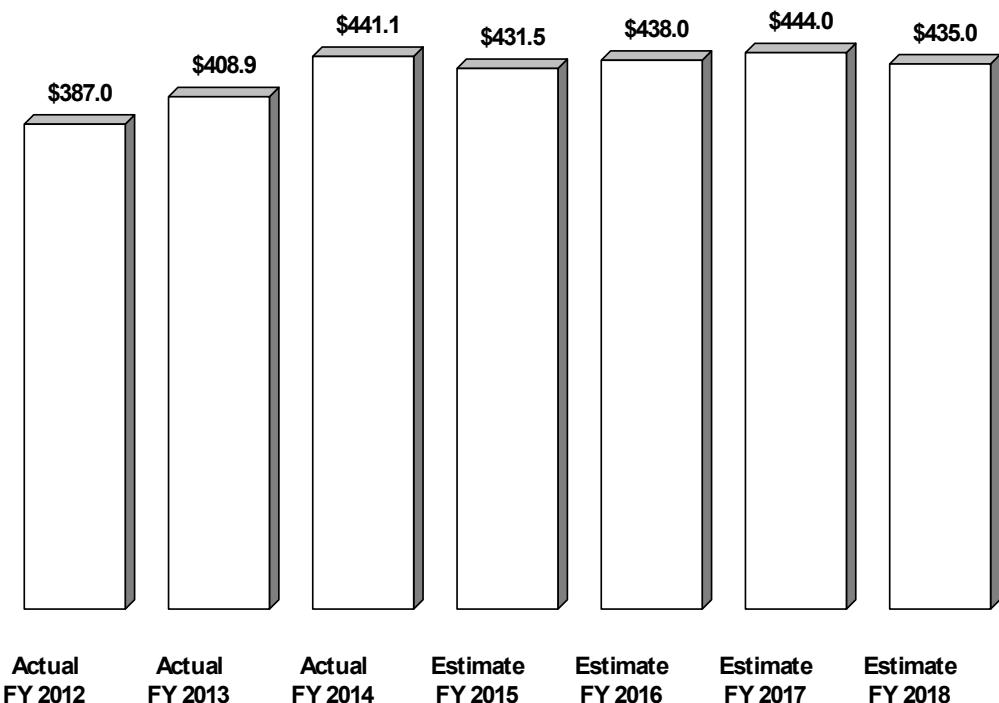
- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to five percent of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from a terminal in another state for delivery in this state.
- The average wholesale price shall not be less than \$2.34 per gallon, which generates a minimum tax rate of \$0.142 per gallon.
- By December 1st of each year, the tax commissioner must calculate the average wholesale price and variable rate from sales data from the previous July through October. Calculated rate is effective for the next calendar year. The calculated price and calculated rate may not deviate by more than 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 36.3% of the total State Road Fund.

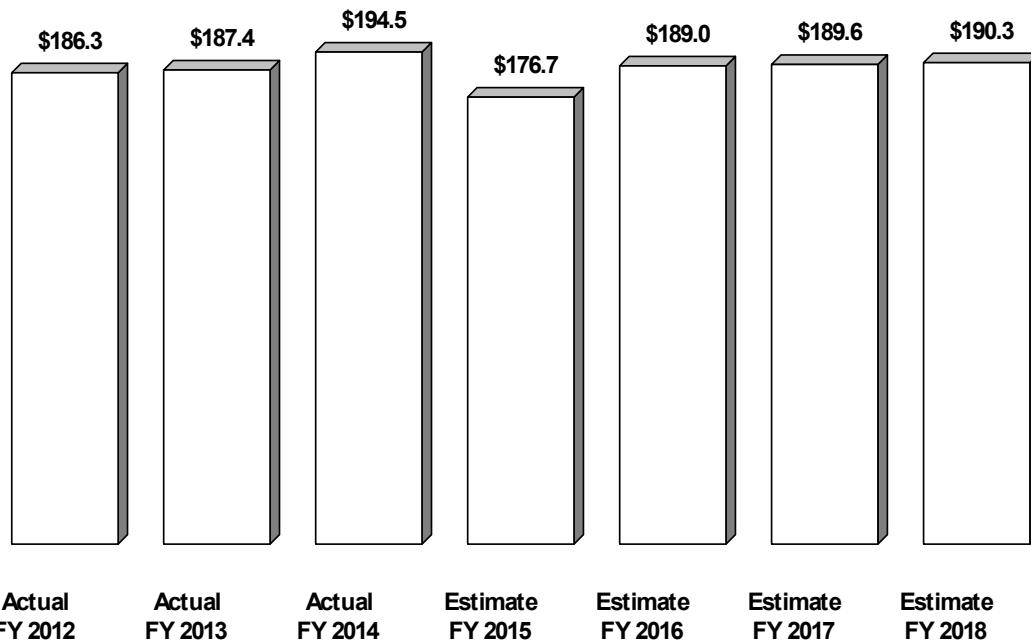
Motor Fuel Taxes
(Expressed in Millions)



State Road Fund
Sales 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 15.7% of the total State Road Fund.

Sales Tax
(Expressed in Millions)

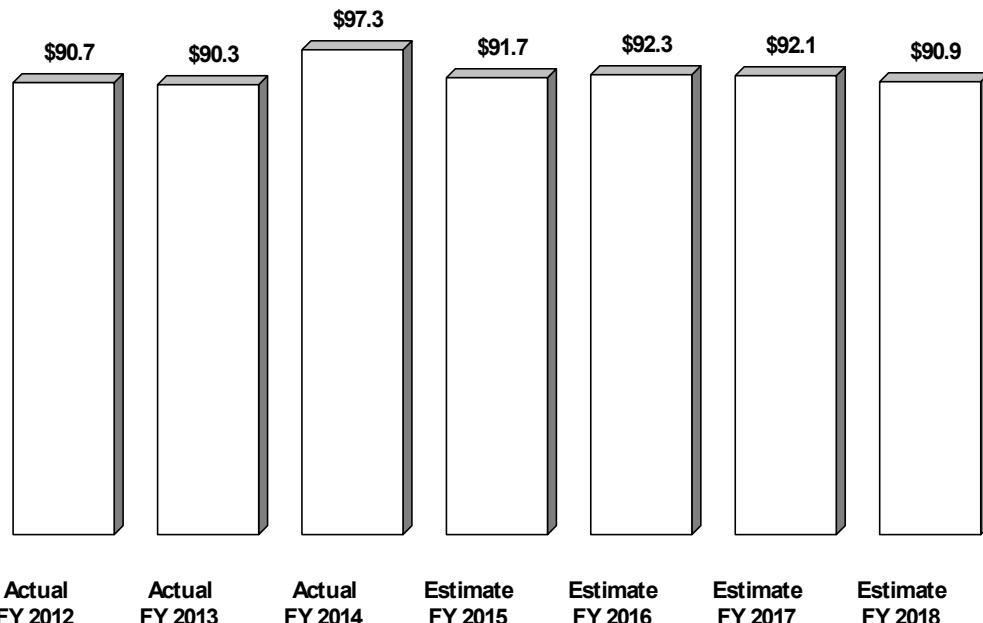


State Road Fund
Motor Vehicle Registration Fees

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

- Accounts for 7.7% of the total State Road Fund.

Motor Vehicle Registration Fees
(Expressed in Millions)



West Virginia Lottery

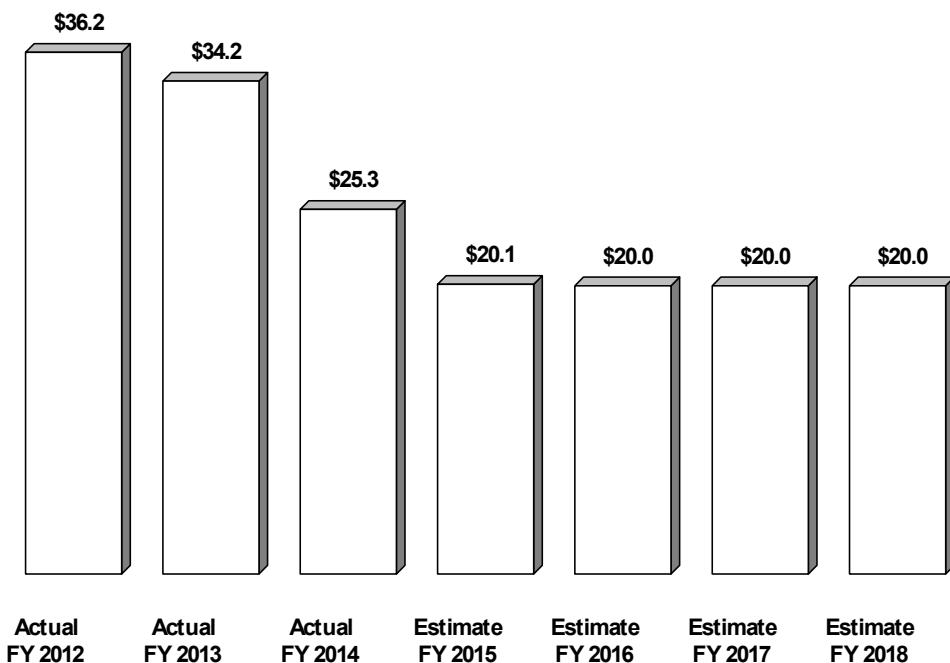
West Virginia Lottery gross revenue decreased 8.9% in FY 2013 and 8.6% in FY 2014. The decrease is primarily the result of increasing competition from casinos in surrounding states. Gross revenues include ticket sales of on-line and instant games, Racetrack Video Lottery, Limited Video Lottery revenue, table games, and Historic Resort Hotel revenues. Correspondingly, net revenues to the state decreased by 17.8% and by 8.6% for FY 2013 and FY 2014, respectively. Racetrack Video Lottery decreased by 14.3% during FY 2013 and by 9.9% during FY 2014. Limited Video Lottery decreased by 1.7% in FY 2013 and by 5.5% in FY 2014.

For FY 2015, the official estimate reflects a decrease in gross revenue of 9.9% from FY 2014. Racetrack Video Lottery is projected to decrease 19.3% due to increased competition in bordering states. Limited Video Lottery is projected to increase 3.4%. On-line sales are projected to decrease by 9.2%, and instant ticket sales are projected to decrease by 0.5%. Table games revenue is projected to decrease by 18.8% again due to competition in bordering states. Historic Resort Hotel revenue is projected to decrease by 13.5%.

In FY 2016, the gross revenue estimate is expected to have a 5.2% decrease. On-line game sales are projected to decrease by 7.8%. Instant game sales are projected to decrease by 9.5%. Racetrack Video Lottery revenue is projected to decrease 3.1%. Limited Video Lottery revenue is expected to decrease by 5.6%. Table games revenue is expected to decrease by 11.0%. Historic Resort Hotel revenue is expected to remain level.

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

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



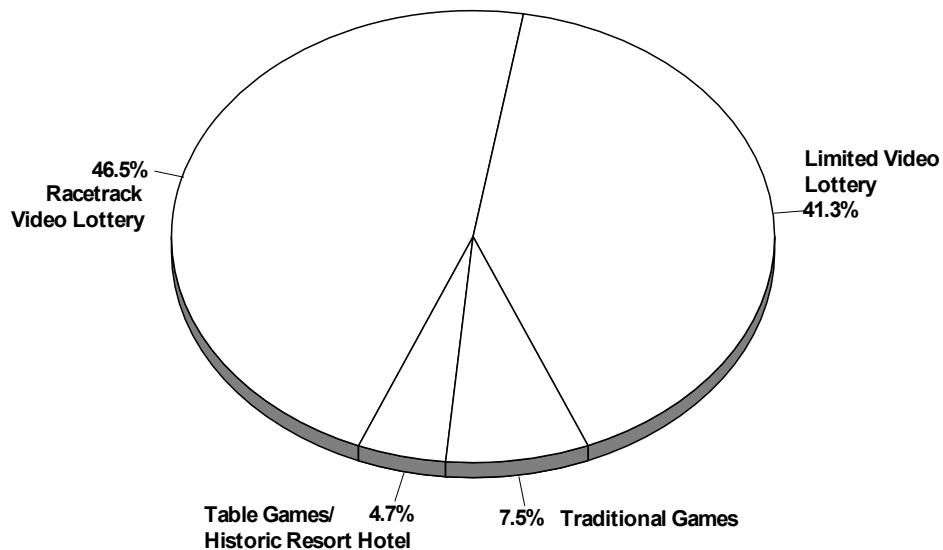
West Virginia Lottery

Sources of Revenue

Fiscal Year 2016

\$437.1 Million *

(Estimated)



* Does not include beginning cash balance.

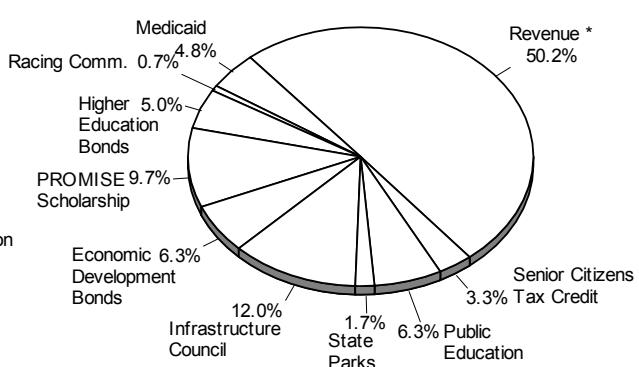
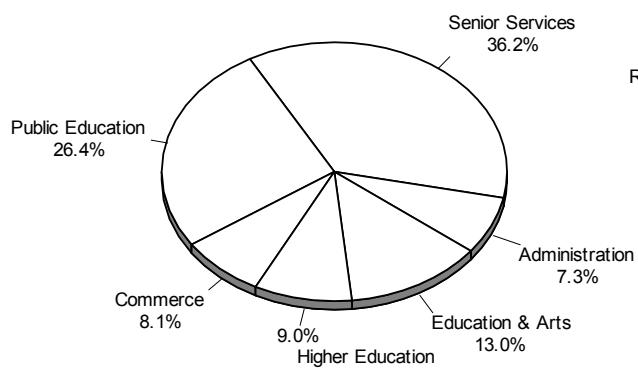
Recommended Expenditures

Fiscal Year 2016

\$436.7 Million

Lottery Fund
\$136.3 Million

Excess Lottery Fund
\$300.4 Million

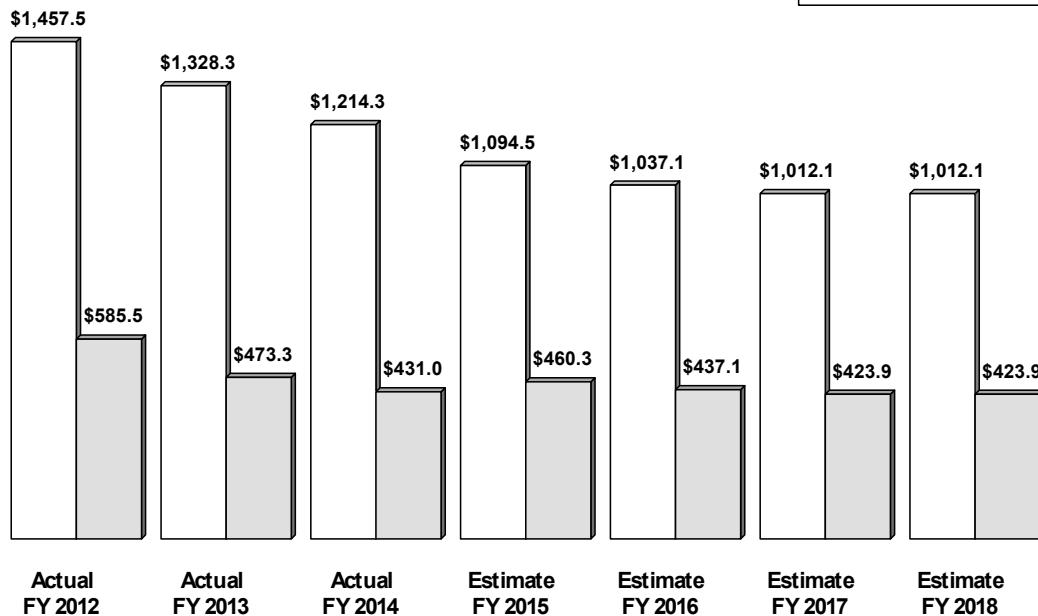


* Includes \$83,355,000 transfer to General Revenue Fund.

West Virginia Lottery

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

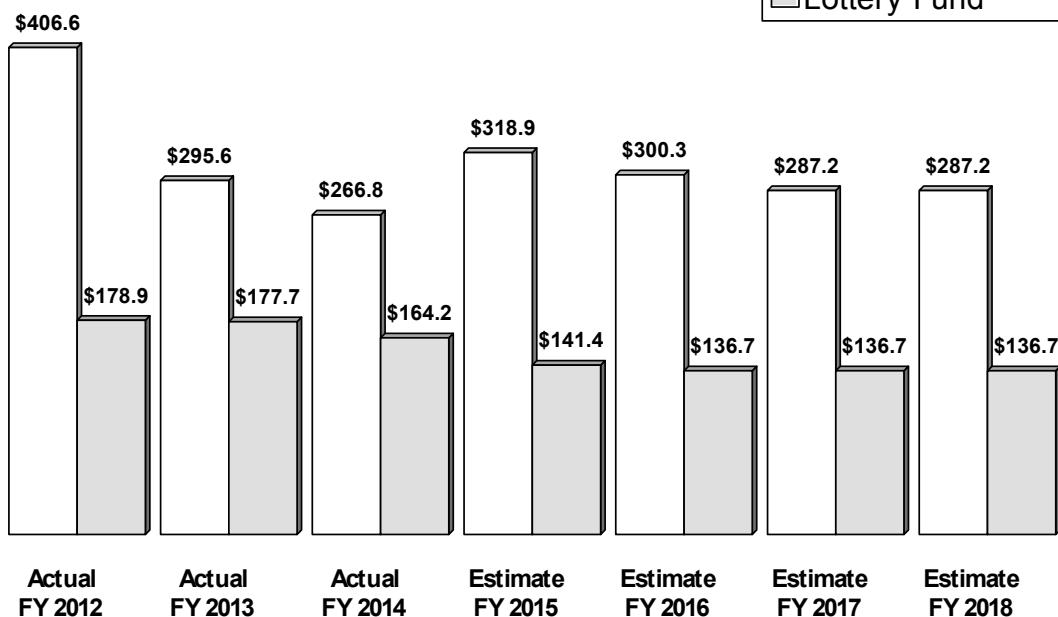
<input type="checkbox"/> Gross Revenue
<input type="checkbox"/> Net Revenue *



* Includes Veterans Lottery Fund.

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

<input type="checkbox"/> Excess Lottery Fund
<input type="checkbox"/> Lottery Fund *

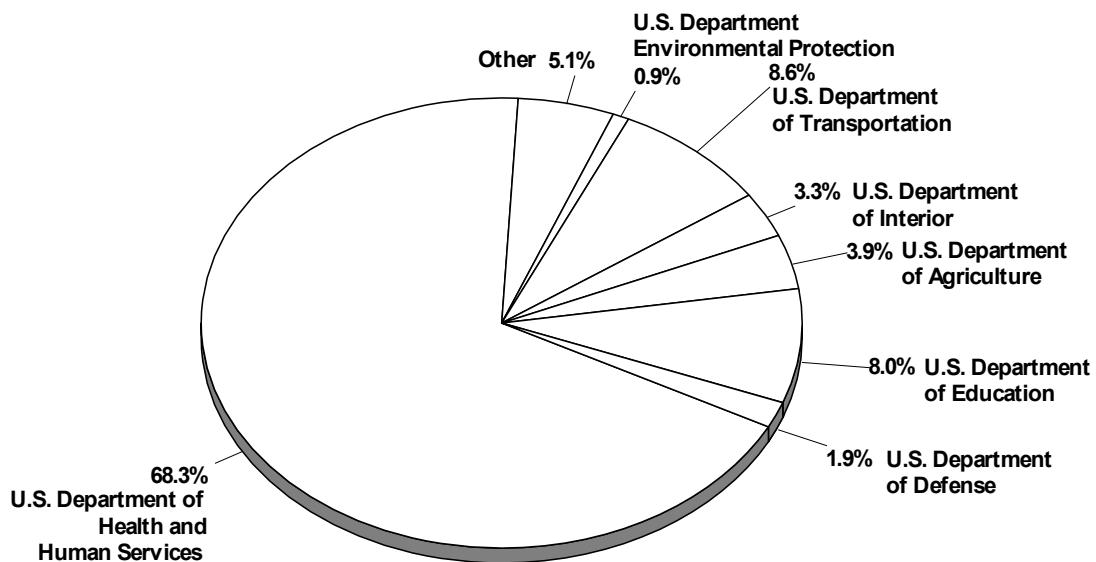


* Includes Veterans Lottery Fund.

Federal Funds

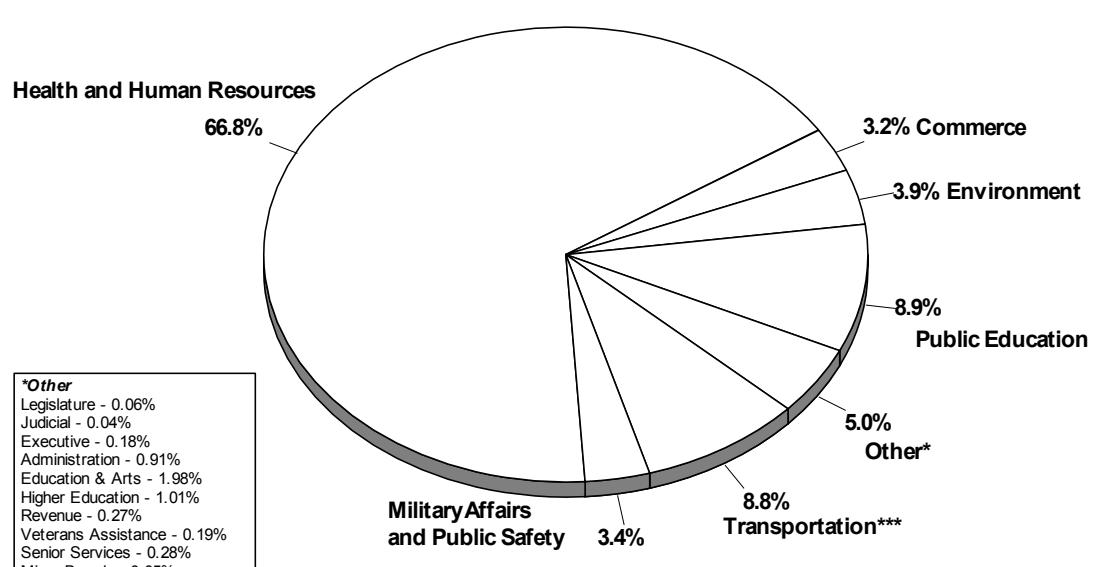
Sources of Revenues

Fiscal Year 2016
\$5.398 Billion
(Estimated)



Recommended Expenditures**

Fiscal Year 2016
\$5.245 Billion



Special Revenue Funds

Includes:

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

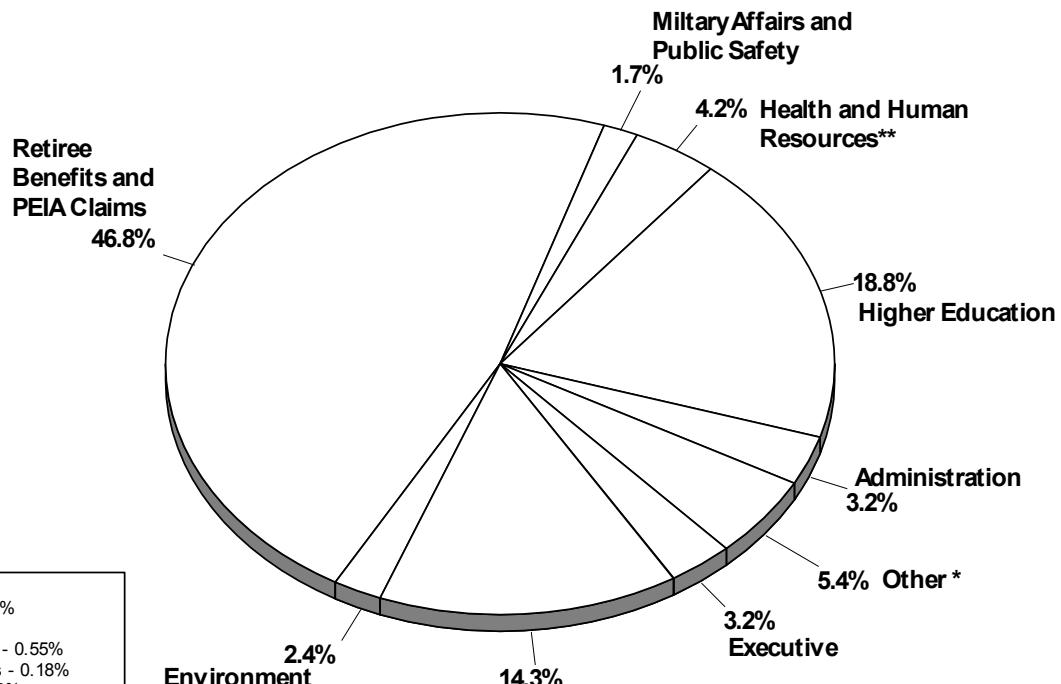
Does not include:

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

Recommended Expenditures

Fiscal Year 2016

\$11.971 Billion



** Other*

Legislative - 0.04%
Judicial - 0.03%
Public Education - 0.55%
Education & Arts - 0.18%
Commerce - 1.03%
Transportation - 0.40%
Senior Svcs. - 0.10%
Veterans Assistance - 0.04%
Misc. Bds. - 3.06%

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

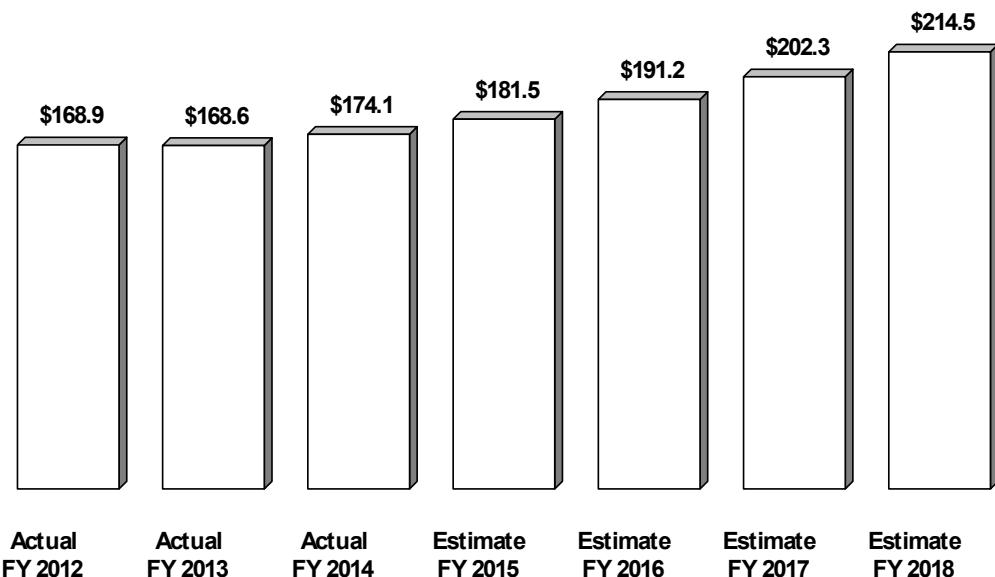
Special Revenue Funds
Medicaid State Share Fund

The Medicaid State Share Fund consists of provider taxes, paid by the various health care providers, to be utilized as matching funds for the federal-state Medicaid Program. The provider taxes were initially enacted in 1993 as a funding mechanism to help supplement the state General Revenue Fund appropriation for the Medicaid Program. The federal-state Medicaid Program grew significantly from roughly \$300 million in FY 1989 to more than \$3 billion in FY 2014 (based on Legislative Oversight Commission on Health and Human Resources Accountability reports, which do not include prior period adjustments), a rate of growth that was more than two times greater than the growth rate for the state General Revenue Fund. During the forecast period, the federal government will fund roughly 71% of the base Medicaid Program in West Virginia through a match of nearly \$3 per every \$1 of state funds appropriated for the program. In addition, the Federal Affordable Care Act's expanded Medicaid Program will be 100% funded by the federal government in 2014 through 2016 with a gradual phasedown of federal share support to 90% by 2020. In FY 2014, the Medicaid State Share Fund generated roughly \$174 million or roughly 20% of the state matching funds for the Medicaid Program. Based upon long-term trends, Medicaid Program costs are rising by approximately ten percent per year while General Revenue Fund collections are increasing by an average of roughly four percent per year.

Current provider taxes apply to services of ambulatory surgical centers, independent laboratory and x-ray facilities, inpatient and outpatient hospitals, intermediate care facilities for mentally handicapped, and nursing homes. The state also imposes an additional temporary tax on acute care hospitals that provides inpatient or outpatient services with proceeds dedicated to the implementation of a hospital Medicaid upper payment limit program (this additional tax is scheduled to expire June 30, 2015).

- 1.75% to 5.50% tax on gross receipts from various medical service providers in West Virginia.
- 0.62% tax on gross receipts of acute care hospitals (expires June 30, 2015).
- Accounts for 20% of state match for Medicaid Program.

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



DEBT SUMMARY



Debt Summary

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

State Indebtedness

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

Approval of State Bond Issues

Senate Bill 1002, enacted in January 2005, provides that on, and after, February 1, 2005, bonds may not be issued or refunded by the state or any of its agencies, boards, or commissions without the express written direction of the Governor if either the ultimate user of the proceeds of the bonds is the state or its agencies, boards, commissions, or departments or the issuance or refunding of the bonds 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, 2014, West Virginia's general obligation bond rating was Aa1/AA/AA+ by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively.

On May 29, 2013, Moody's released its "2013 State Debt Medians Report" that compares states on various debt ratios. At the time of this report, West Virginia was rated Aa1; therefore the following tables compare West Virginia with other states of that same rating. These states, of course, differ from West Virginia in their fiscal composition, debt issuance practices, population, income levels, and other economic indicators. However, a comparison of debt ratios of the states demonstrates that West Virginia is within a moderate range of these key indicators.

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

Debt Summary

**Net Tax Supported Debt as a Percentage of Personal Income and Per Capita
of Similarly Rated States (Rated Aa1 by Moody's Investors Service)
(taken from Moody's Investors Service, 2013 State Debt Medians, May 2013)**

	% of Personal Income		Per Capita
North Dakota	0.7%	North Dakota	\$292
Montana	0.9%	Montana	\$311
Arkansas	1.2%	Arkansas	\$404
Colorado	1.2%	Idaho	\$515
Idaho	1.6%	Colorado	\$525
New Hampshire	1.9%	New Hampshire	\$862
Alabama	2.5%	Alabama	\$867
Kansas	2.8%	Ohio	\$1,047
Ohio	2.8%	Florida	\$1,087
Florida	2.8%	Kansas	\$1,112
Minnesota	3.0%	West Virginia	\$1,118
West Virginia	3.3%	Minnesota	\$1,315
Oregon	5.2%	Oregon	\$1,945
Washington	6.4%	Washington	\$2,817
Massachusetts	9.3%	Massachusetts	\$4,968

Debt Limits

Short-Term Debt

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

Long-Term Debt

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

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

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

Debt Policy

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

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

Debt Summary

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

State of West Virginia Bond Issuing Authorities

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

Debt Summary

General Obligation Bonds

General obligation bonds pledging the full faith and credit of the state may be authorized only by constitutional amendment. Each amendment must be approved by two-thirds of both houses of the Legislature before submission to the voters. Enabling legislation is then required for amendments receiving voter approval. As of June 30, 2014, \$473,569,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

General Obligation Bonds Outstanding
June 30, 2014

Amendment	Principal Outstanding June 30, 2014 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$217,044	First \$23 million of Severance Tax
Safe Roads Amendment of 1996	(net) \$220,525	Road Fund

General Obligation Debt
Various Ratios as of June 30:

Ratio	2012	2013	2014	Notes for June 30, 2014, Ending (figures listed in thousands)
GO Debt Service as a percent of the General Revenue Fund (GRF)	1.8%	1.5%	1.4%	GO Debt Service of \$59,332 GRF of \$4,187,278
GO Debt as a percent of Personal Income (PI)	0.9%	0.7%	0.7%	GO Debt of \$437,569 PI of \$65,090,872
GO Debt per Capita	\$275	\$255	\$236	GO Debt of \$437,569 Population of 1,854

Issued General Obligation Bonds

1950 Veterans Bonus Amendment

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

1956 Korean Veterans Bonus Amendment

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

1972 Better School Building Amendment

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

Debt Summary
General Obligation Bonds

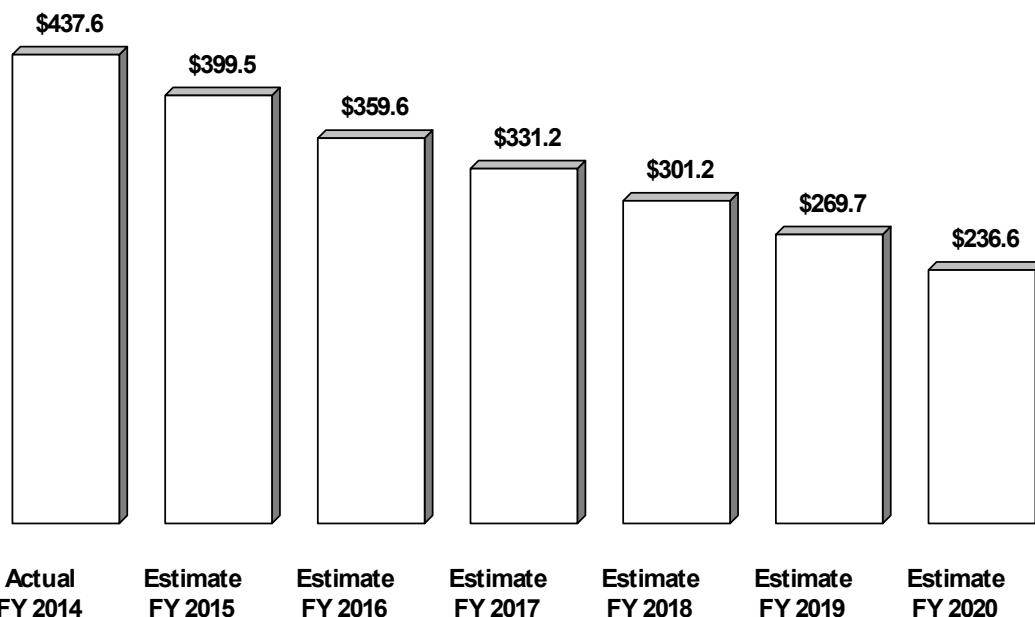
1973 Better Highways Amendment

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

1994 Infrastructure Improvement Amendment

The 1994 amendment authorized \$300 million in general obligation bonds for construction, repair, and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction, and improvement of economic development sites. Severance taxes have been dedicated to fund repayment of the bonds. Enabling legislation was enacted in 1995. Litigation challenging the passage of the amendment was decided on December 14, 1995, by the West Virginia Supreme Court of Appeals validating the amendment. The initial issue of \$60 million was sold May 22, 1996, and the second issue of \$57 million was sold December 10, 1996. An issuance of approximately \$92 million occurred in February 1998. The final issue of approximately \$91 million was issued in May 1999, bringing the aggregate amount of bonds to the authorized \$300 million amount. By structuring one of the issues with capital appreciation bonds to minimize debt service over the next seven years, an additional \$50 million was available for projects. In November 2006, the West Virginia Infrastructure and Jobs Development Council issued \$94.2 million of refunding bonds that refunded more than \$95 million of outstanding bonds. The council once again took advantage of favorable interest rates during FY 2012 and refunded more than \$19.1 million with the issuance of \$18.6 million in general obligation refunding bonds. The principal outstanding at June 30, 2014, was \$217,044,000 (net of advance refunded bonds). All of the bonds will be fully retired in FY 2027.

General Obligation Debt Outstanding
Fiscal Years 2014 - 2020
As of June 30, 2014
(Expressed in Millions)



Debt Summary
General Obligation Bonds

1996 Safe Roads Amendment

The 1996 amendment authorized \$550 million in general obligation bonds to match available federal funds for highway construction and general highway construction or for improvements in each of the 55 counties. The legislation authorizing the amendment specified the bonds to be sold over a five-year period in increments of \$110 million each. The bonds are payable from the State Road Fund. Enabling legislation was passed during the 1997 legislative session. \$220 million in Road Bonds were issued in July 1998, and another \$110 million were issued in July 1999, July 2000, and July 2001, respectively. In May 2005, the state issued \$321.4 million of refunding bonds that refunded approximately \$320 million of the previously issued bonds. In July 2010, the state refunded another \$37 million of Safe Road bonds that provided the state with a net present value savings of more than four million dollars. At June 30, 2014, \$220,525,000 was outstanding. The bonds will be fully retired by 2025.

Authorized But Unissued General Obligation Bonds

1973 Vietnam Veterans Bonus Amendment

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

1992 Veterans Bonus Amendment

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

2004 Veterans Bonus Amendment

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

Debt Summary
General Obligation Debt
Outstanding at June 30, 2014
(Expressed in Thousands)

	Final Maturity Date	Interest Rate(s) %	06/30/14 Balance*
Road Bonds			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment	2025	4.00 - 5.50	220,525
Infrastructure Bonds			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	0.30 - 7.625	<u>217,044</u>
	TOTAL		<u><u>\$437,569</u></u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2014, were as follows (expressed in thousands):

Year Ending June 30	Amount to be accreted			Total
	Principal	Interest		
2015	41,852	17,563	123	59,538
2016	43,229	15,830	476	59,535
2017	31,274	13,958	826	46,058
2018	32,264	12,641	1,161	46,066
2019	33,253	11,237	1,472	45,962
2020-2024	179,981	35,955	14,429	230,365
2025-2029	75,716	3,959	12,894	92,569
TOTAL	\$437,569	\$111,143	\$31,381	\$580,093

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

Revenue Bonds

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

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

Approximately \$1.8 billion in revenue bonds were outstanding at June 30, 2014. A brief review of each issuer follows.

Tobacco Settlement Finance Authority

The Tobacco Settlement Finance Authority was created to issue special revenue obligation bonds that are payable from, and secured by, the State of West Virginia's right, title, and interest to tobacco settlement revenue. This revenue is received under the terms of the master settlement agreement between participating tobacco product manufacturers, 46 states, and six other U.S. jurisdictions. In June 2007, the authority issued \$1.1 billion (accrued value) in two different series of bonds that are anticipated to mature in 2029. The proceeds of the first two series of bonds were directed to the West Virginia Teachers' Retirement System. At June 30, 2014, the principal outstanding on the bonds totaled approximately \$857 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, 2014, the principal outstanding on the three series of notes totaled \$53 million. The notes are expected to mature in September 2015.

West Virginia Infrastructure and Jobs Development Council

The West Virginia Infrastructure and Jobs Development Council was created to review the preliminary application for waste water facilities, water facilities or combination projects, or infrastructure projects seeking state funding. The council is to make a written recommendation as to the infrastructure project financing in terms of the kind, amount, and source of funding, which the project sponsor should pursue and which the state infrastructure agency or agencies should consider an appropriate investment of public funds. In the alternative, the council may make a determination that the project or infrastructure project is not eligible for funding assistance from any state infrastructure agency or that the infrastructure project is not otherwise an appropriate or prudent investment of state funds, and then make a recommendation that the project sponsor not seek funding from any state infrastructure agency. The primary source of repayment for the revenue bonds is the receipt of repayments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation bond proceeds. At June 30, 2014, \$111 million were outstanding.

Economic Development Grant Committee/Economic Development Authority

The West Virginia Economic Development Grant Committee was created to issue economic development grants throughout the State of West Virginia. During FY 2004, the Economic Development Authority issued bonds totaling more than \$249.8 million to fund the grants of the committee. The bonds are secured by an annual pledge of \$19 million from the Excess Lottery Fund. At June 30, 2014, \$164 million were outstanding.

During FY 2011, the Economic Development Authority issued \$155.6 million of Lottery Revenue Bonds.

Debt Summary *Revenue Bonds*

The bonds were issued to finance various projects including the following:

- * Renovations and repairs at various colleges and universities;
- * Building renovation of the West Virginia Education, Research, and Technology Park for the Higher Education Policy Commission;
- * Various renovations at the capitol complex; and
- * Various renovations at state parks throughout West Virginia.

As of June 30, 2014, approximately \$145 million remain outstanding. The bonds have a level debt service of approximately \$9.9 million until they mature on June 15, 2040.

School Building Authority Capital Improvement Revenue Bonds

The School Building Authority Capital Improvement Revenue bonds that utilize General Revenue appropriations for repayment consist of two refunding issuances. The principal outstanding on these bonds totaled \$143 million as of June 30, 2014. No “new money” bonds may be issued utilizing General Revenue appropriations for repayment.

School Building Authority Lottery and Excess Lottery Revenue Bonds

The West Virginia School Building Authority was the first West Virginia state agency to issue bonds backed by revenues from the West Virginia Lottery. The first Lottery Revenue Bonds were issued in 1994 in the amount of \$135.6 million. Those bonds matured in 2004. The School Building Authority then issued another series of bonds in 2004 that will mature in FY 2015. Additional lottery revenue bonds were issued in May 2012, April 2013 and May 2014. These bonds were issued at historically low true interest costs of 2.78%, 2.70% and 2.81% respectively. The proceeds of all issues were used to fund capital improvement projects at various primary and secondary schools throughout West Virginia. The principal outstanding on all Lottery Bonds of the School Building Authority was \$85 million at June 30, 2014.

The School Building Authority has also issued more than \$127 million in revenue bonds that are backed by certain funds from the Excess Lottery Revenue Fund. The principal outstanding on these bonds totaled approximately \$108 million as of June 30, 2014.

Three additional series of Excess Lottery Revenue Bonds have been issued as qualified school construction bonds (QSCBs), which are federal tax credit bonds. This means that in lieu of receiving interest, purchasers of the bonds receive a tax credit in the amount established by the Internal Revenue Service. The School Building Authority will only be repaying the principal on the bonds, not any interest. The principal outstanding on all QSCBs, which are backed by the West Virginia Excess Lottery Revenue Fund, was approximately \$110 million (net of debt service sinking funds).

Debt Summary
Revenue Bonds
Outstanding at June 30, 2014
(Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2002 & 2007	2022	3.82 - 4.37	142,535
School Building Authority (Lottery)	2004, 2012, 2013 & 2014	2028	3.00 - 5.25	84,725
School Building Authority (Excess Lottery)	2008 & 2010	2030	2.00 - 5.25	108,060
School Building Authority QSCBs (Excess Lottery)	2009 & 2010	2027	0	150,480
Tobacco Settlement Finance Authority*	2007	2047	7.467 - 8.5	857,125
Highways, Commissioner of	2006, 2007 & 2009	2015	3.50 - 5.00	52,525
WV Infrastructure and Jobs Development Council	2003, 2006, 2007 & 2012	2045	2.00 - 5.00	111,205
Education, Arts, Sciences, and Tourism Fund (Lottery)	2010	2040	2.00 - 5.00	145,370
Economic Development Authority (Excess Lottery)	2004	2026	4.40 - 6.07	<u>163,830</u>
Subtotal				1,815,855
Less: □ School Building Authority Debt Service Reserve Fund				(23,021)
Debt Service Sinking Fund - QSCBs (Excess Lottery)				(40,073)
Economic Development Authority Debt Service Reserve Fund (Lottery)				<u>(24,941)</u>
Net revenue bonds outstanding				<u>\$1,727,820</u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2014, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	Principal	Interest	Amount to be accreted	Total
2015	96,145	92,836	10,155	199,136
2016	95,485	87,643	11,037	194,165
2017	73,670	82,929	11,995	168,594
2018	67,685	78,934	13,036	159,655
2019	72,395	74,952	14,167	161,514
2020-2024	412,465	308,375	91,561	812,401
2025-2029	547,540	172,922	138,822	859,284
2030-2034	361,980	45,646	175,840	583,466
2035-2039	66,010	14,486	79,453	159,949
2040-2044	20,220	2,119	0	22,339
2045-2049	2,260	96	0	2,356
	<u>\$1,815,855</u>	<u>\$960,938</u>	<u>\$546,066</u>	<u>\$3,322,859</u>

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

Capital Leases

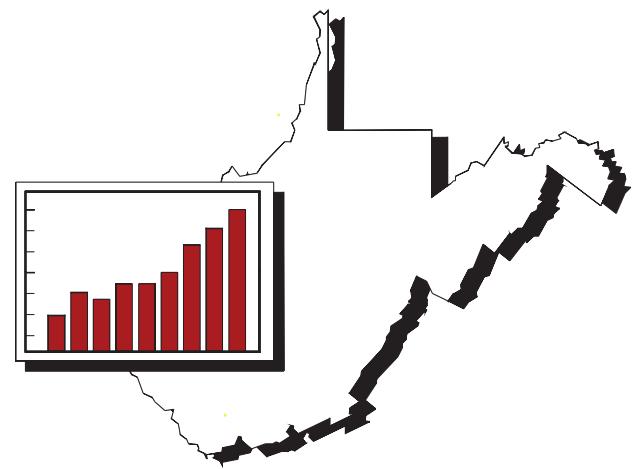
A capital lease is a lease in which the lessee (entity leasing from another) assumes substantially all the risks and benefits associated with the asset, which must meet one or more of the following criteria:

- * The lease transfers ownership of the leased asset at the end of the lease term.
- * The lease terms and conditions contain a bargain purchase option which allows the state to buy the leased asset for substantially less than the estimated value of the leased item.
- * The term of the lease is 75% or more of the estimated economic life of the leased asset. Estimated economic life is the estimated useful life of the asset for the purpose for which it was intended, regardless of the term of the lease. For example, if a copier with an estimated economic life of 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 \$269 million at June 30, 2013.

ECONOMIC FORECAST



WEST VIRGINIA ECONOMIC FORECAST

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

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2014 West Virginia Economic Forecast

EXECUTIVE SUMMARY

West Virginia's economy saw mixed results in 2013. The state lost more than 2,600 jobs during the year, but enjoyed a strong increase in economic output. Recent months have produced some encouraging economic news, and the current economic situation points to a return to job growth, as well as continued improvement in output and income over the near term. Overall, we expect that employment growth, income growth, and the unemployment rate to be stronger in the coming five years, compared to what we have observed over the past decade. However, we expect that the state will lag the nation in terms of employment, income, and population growth over the next five years.

Highlights of this report related to the West Virginia's recent economic performance are as follows:

- After consistent job growth from 2010 through mid-2012, the state lost jobs from mid-2012 through 2013. On a more positive note, however, more recent preliminary data do indicate an uptick in job growth.
- The natural resources and mining sector has been volatile. Significant job losses have occurred in the coal mining and mining support services industries, while the state's oil and gas producers have added jobs. However, the job gains in oil and natural gas have not been enough to offset the losses in coal.
- Unemployment in West Virginia continued to fall through most of 2013, although the state has experienced a slight rise in unemployment in recent months. The unemployment rate in West Virginia is near its lowest level in around five years.
- Only 54 percent of West Virginia's adult population is either working or looking for work. This labor force participation rate of 54 percent places West Virginia lowest among the 50 states and represent a significant hurdle if West Virginia is ever to achieve a level of income per capita that is on par with the nation.
- Per capita personal income in West Virginia grew at a diminished pace in 2013, rising to approximately \$35,600. The state has generally enjoyed stronger growth over the past five years compared to the rest of the nation. However, despite this growth, per capita personal income in the state still ranks low overall, surpassing only three other states.

- Overall, the state's real GDP expanded 5.1 percent during 2013, noticeably above the national rate. West Virginia ranked 3rd among all states in terms of economic output growth during 2013, with most of this growth attributed to rapidly-rising oil and gas production.

FIGURE ES.1: West Virginia and US Forecast Summary

	West Virginia		United States	
	2003-2013	2014-2019	2003-2013	2014-2019
Population (average annual growth, %)	0.2	0.0	0.9	0.8
Employment (average annual growth, %)	0.4	0.9	0.5	1.5
Unemployment Rate (annual average at end of time period, %)	6.5	5.1	7.4	5.2
Real Per Capita Personal Income (average annual growth, %)	1.6	2.3	1.1	2.8

Sources: US Census Bureau; Workforce WV; US Bureau of Labor Statistics; US Bureau of Economic Analysis; WVU BBER Econometric Model; IHS Global Insight

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

- Employment in West Virginia is estimated to increase 0.9 percent per year through 2019, compared to an expectation of 1.5 percent for the rest of the nation.
- Job growth in natural resources and mining is expected to drop off considerably from the pace experienced in the previous decade, diminishing to a 0.2 percent annual rate.
- Construction is expected to add jobs at the fastest rate going forward, but service-providing sectors will tend to pace the state's overall performance over the next five years, led by professional and business services and education and health services.
- The state's unemployment is expected to remain relatively stable through early 2016, but will fall later in the outlook period, reaching 5 percent by the end of 2019. However, this decline is attributable to not only job gains, but also demographic trends, since a larger share of the state's workforce will be retiring and exiting the labor force.

2014 West Virginia Economic Forecast Executive Summary

- **Per capita personal income is expected to grow at an annual average rate of 2.3 percent over the next five years**, below the national rate of 2.6 percent.

A key bright spot in West Virginia's economy in recent years has been the growth of export markets, although export demand did weaken somewhat in 2013. Consider the following:

- **Exports have grown dramatically in terms of their importance to the West Virginia economy.** In 2000, exports accounted for 5.4 percent of West Virginia's GDP. By 2012, that figure had exploded to 16.3 percent. **Exports have since cooled to account for an equivalent of less than 12 percent of state economic output during 2013.**
- **Changes in export activity from West Virginia since 2008 have been driven primarily by fluctuations in coal exports.**

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

- **Population growth has been slow in recent years, and we project the state to lose more than 19,000 residents between 2010 and 2030.** This loss is primarily due to natural population decline in which deaths fall short of births.
- **A positive shock to encourage in-migration is essential to avoid or lessen the severity of natural population decline.**
- **The state's population is significantly older than the nation as a whole**, and will continue to age significantly over the next 15 years or so.
- **The state's population is relatively unhealthy** and ranks at or near the bottom among the 50 states in terms of basic health outcome measures, such as the overall mortality rate.

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

- While the state overall is expected to lose population in coming years, **16 counties are expected to add residents.** Population gains will be most heavily concentrated in North-Central West Virginia and the Eastern Panhandle.

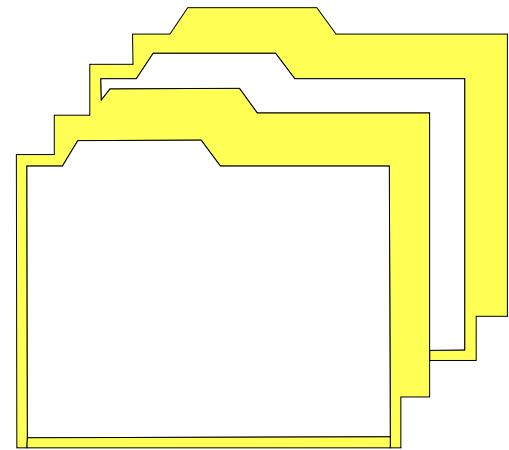
- Seven counties are expected to lose jobs in coming years and expected growth rates among the remaining counties vary widely. **The highest rates of job growth tend to be in the North-Central and Northwestern parts of the state.**

We also consider the overall United States economic outlook. The US economy remains below its full economic potential after the 2007-2009 recession, but several encouraging signs provide hope for a stronger US economy moving forward. Highlights of this report related to the US economy are as follows:

- **US real GDP growth is expected to improve to a rate of around 3 percent annual growth in the near future.** This will represent a return to the economy's typical long-run rate of economic growth and an improvement over what the economy has generally enjoyed over the past five years.
- **Employment growth has improved substantially in recent months.** Overall the US has added around 250 jobs during the typical month so far in 2014, representing a significant improvement over growth observed through most of 2009 through 2013. **However, total employment remains several million jobs below the economy's full-employment level.**
- **The US unemployment rate has fallen substantially over the past year and stands at its lowest level in over 5 years.** The rate is expected to continue to fall gradually over the next several years.
- **The share of unemployed persons who have been unemployed for 27 weeks or longer remains substantially elevated**, suggesting a long-run structural shift in the nation's unemployment picture.
- **Housing starts have been stagnant over the past year, but are expected to rise substantially over the next two to three years.**
- **Challenges exist that could threaten the positive outlook for the US economy**, including the following: a potential slowdown in the economies of major US trading partners could threaten exports; a high level of US federal government debt; the potential for inflation to destabilize as bank lending and the broader economy improve; and the coming rise in interest rates.

The complete West Virginia Economic Outlook 2015 is on-line at <http://www.be.wvu.edu/bber/index.htm>.

APPENDICES



Glossary

A

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

Activity - (See "Appropriation.")

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

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

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

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

B

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

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

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

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

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

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

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

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

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

C

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

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

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

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

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

Current Level - Normally refers to the total dollars (less onetime appropriations) in the current fiscal year which are available for the next fiscal year. For FY 2016, the "current level" is defined as 100% of the FY 2015 base budget for the General Revenue Fund and Regular Lottery fund appropriations.

D

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

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

Disbursement - The expenditure of monies from an account.

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

E

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

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

Enterprise Funds - These funds are used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis, or where the State has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Examples include the West Virginia Lottery, Board of Risk and Insurance Management, Public Employees' Insurance Agency, and the West Virginia Prepaid College Plan.

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

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

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

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

F

Federal Fiscal Year - October 1 through September 30.

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

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

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

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

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

G

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

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

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

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

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

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

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

I

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

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

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

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

L

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

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

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

M

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

N

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

O

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

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

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

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

P

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

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

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

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

R

Rainy Day Fund - (See "Revenue Shortfall Reserve Fund.")

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

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

Repairs and Alterations - Expenditures for routine maintenance and repairs to structures and minor improvements to property which do not increase the capital assets.

Revenue - Sources of income financing the operation of government.

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

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

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

S

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

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

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

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

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

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

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

T

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

U

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

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

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

Glossary of Acronyms

A

AAL	Accrued actuarial liability
ABCAs	Alcohol Beverage Control Administration
ABE	Adult Basic Education
ACA	Affordable Care Act
..... American Correctional Association	
ACH	Automated Clearing House
ACP	Address Confidentiality Program
ACT	American College Test
ADA	Americans with Disabilities Act of 1990
AgEP	Agricultural Enhancement Program
AIDS	Acquired immunodeficiency syndrome
AML&R	Abandoned Mine Lands and Reclamation
AP	Advanced Placement
APHIS	Animal and Plant Health Inspection Service
APSI	Advanced Placement Summer Institute
AQI	Air quality index
ARC	Appalachian Regional Commission
ARRA	American Recovery and Reinvestment Act of 2009
ATM	Asynchronous transfer mode
..... Automated teller machine	
ATV	All-terrain vehicle

B

B&O	Business and Occupation
BCSE	Bureau for Child Support Enforcement
BMPs	Best management practices
BMRC	Biomedical Research Center
BMS	Bureau for Medical Services
BRFSS	Behavior Risk Factor Surveillance System
BRIM	Board of Risk and Insurance Management
BRNI	Blanchette Rockefeller Neurosciences Institute
BTI	West Virginia Board of Treasury Investments
BTOP	Broadband Technology Opportunities Program

C

CAFO	Concentrated animal feeding operations
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CAFR	Comprehensive Annual Financial Report
CBF	Community-based facilities
CCTCE	Council for Community and Technical College Education
CDL	Commercial Driver's License
CFWV	College Foundation of West Virginia
CHIP	Children's Health Insurance Program (federal)
CJSAC	Criminal Justice Statistical Analysis Center
COMPASS	Consolidated Multi-Plan Administration Solution System
CON	Certificate of Need
COOP	Continuity of operations plan
CPASS	College of Physical Activities and Sports Sciences
CPI	Consumer Price Index
CPRB	Consolidated Public Retirement Board
CPTED	Crime prevention through environmental design
CRTS	Coal Resource Transportation System
CSBG	Community Services Block Grant
CSR	Code of State Regulations
C&T	Community and Technical
CTE	Career and Technical Education
CWSRF	Clean Water State Revolving Fund
CY	Calendar year

D

DCKMSVC	Donel C. Kinnard Memorial State Veterans Cemetery
DEP	Department/Division of Environmental Protection
DHHR	Department of Health and Human Resources
DJS	Division of Juvenile Services
DMV	Division of Motor Vehicles
DNA	Deoxyribonucleic Acid
DNR	Division of Natural Resources
DOH	Division of Highways
DOR	Department of Revenue
DOT	Department of Transportation
DSRS	Deputy Sheriff's Retirement System
DUI	Driving under the influence
DWTRF	Drinking Water Treatment Revolving Fund

Appendix B/Glossary of Acronyms

E

E & G	Education and General
E-Rate	Schools and Libraries Universal Service Program (electronic rate)
EAST.....	Education, Arts, Science, and Tourism
EBA.....	Educational Broadcasting Authority
EDGE.....	Earn A Degree-Graduate Early
EEOC	U.S. Equal Employment Opportunity Commission
EFT.....	Electronic fund transfers
EHR.....	Electronic health record
EIA.....	(U.S.) Energy Information Administration
EMS	Emergency medical services systems
EMSRS	Emergency Medical Services Retirement System
ENODS	Electronic notice of deposits
EOL.....	End of life
EPA.....	U.S. Environmental Protection Agency
EPICS.....	Employees Payroll Information Control System
EPSCoR	Experimental Program to Stimulate Competitive Research
EPSDT	Early and Periodic Screening, Diagnosis, and Treatment
ERP	Enterprise Resource Planning
ESCO	Energy Savings Contract
ESEA.....	Elementary and Secondary Education Act
ESG	Emergency shelter grants
EXPLORE®	A test for eighth graders

F

FAA	Federal Aviation Administration
FAIR.....	Family Alzheimer's In-Home Respite
FARS	Financial Accounting and Reporting Section
FCC	Federal Communications Commission
FDA.....	U.S. Food and Drug Administration
FEMA.....	Federal Emergency Management Agency
FFA.....	Future Farmers of America
FFY	Federal fiscal year
FHA.....	Future Homemakers of America
FMCSA	Federal Motor Carrier Safety Administration
FOIA	Freedom of Information Act
FPL.....	Federal Poverty Level
FPY	Federal program year
FRPP	Federal Farm and Ranchland Protection Program
FTE	Full-time equivalent

FTP	File transfer protocol
FTZ	Foreign Trade Zone
FY	Fiscal year

G

GAAP	Generally accepted accounting principles
GARVEE.....	Grant Anticipation Revenue Vehicle
GASB	Governmental Accounting Standards Board
GDP.....	Gross domestic product
GEAR UP.....	Gaining Early Awareness and Readiness for Undergraduate Programs
GFOA.....	Government Finance Officers Association of the United States and Canada
GHSP	Governor's Highway Safety Program
GO	General obligation
GOHELP	Governor's Office of Health Enhancement and Lifestyle Planning
GRF	General Revenue Fund
GSD.....	General Services Division
GSP	Gross state product

H

HB	House Bill
HEAPS	Higher Education Adult Part-time Student
HEPC	Higher Education Policy Commission
HHOMA.....	Herbert Henderson Office of Minority Affairs
HIV.....	Human immunodeficiency virus
HMVMT	Hundred million vehicle miles traveled
HOPWA.....	Housing Opportunities for Persons with AIDS
HSC.....	Health Science Center
HUD.....	U.S. Housing and Urban Development
HVAC	Heating, ventilation, and air-conditioning

I

ID	Identification
IDEA	Individuals with Disabilities Education Act
IFLOWS.....	Integrated Flood Observing and Warning System
IMD.....	Institutions for mental disease

Appendix B/Glossary of Acronyms

IMPACT	Infrastructure for Maintaining Primary Care Transformation
IP	Internet Protocol
IRP	International Registration Plan
IRS	Internal Revenue Service
IS&C	Information Services and Communications
ISO	International Organization for Standardization
IT	Information technology

J

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

K

K–12.....	Kindergarten through 12th grade
KVCTC	Kanawha Valley Community and Technical College

L

LCAP	Landfill Closure Assistance program
LEA	Local educational agency
LGA	Local governmental agency
LHD	Local health department
LIFE	Legislative Initiatives for the Elderly
LIMS	Laboratory Information Management System
LONIE	Logging Operation Notification Inspection and Enforcement
LPN	Licensed Practical Nurse
LUST.....	Leaking underground storage tank
LVL	Limited video lottery

M

MAGI	Modified adjusted gross income
MAP-21.....	Moving Ahead for Progress in the 21st Century
MAPP	Matching Advertising Partnership Program

MCO	Managed care organization
MHT	Mountain Health Trust
MIP.....	Major improvements program
MITA.....	Medicaid Information Technology Architecture
MMIS.....	Medicaid Management Information system
MPFRS.....	Municipal Police Officers and Firefighters Retirement System
MSA	Metropolitan statistical area

N

N/A.....	Not available
.....	Not applicable
NAEP	National Assessment of Education Progress
NAIC	National Association of Insurance Commissioners
NAICS.....	North American Industry Classification System
NCA	National Cemetery Association
NHS.....	National Highway System
NPDES	National Pollutant Discharge Elimination System
NRAO	National Radio Astronomy Observatory

O

OAH	Office of Administrative Hearings
OEMS	Office of Emergency Medical Services
OEO	Office of Economic Opportunity
OM&R	Operation, Maintenance, and Repairs
OMB	U.S. Office of Management and Budget
OPEB	Other postemployment benefits
OSHA.....	Occupational Safety and Health Administration
OT	Office of Technology

P

PAAS.....	Physician Assured Access System
PASS	Partnerships to Assure Student Success
PBS	Public Broadcasting Service
P-Card	State purchasing card
PDC.....	Public defender corporations
PDS	West Virginia Public Defender Services

Appendix B/Glossary of Acronyms

PEIA.....	Public Employees Insurance Agency
PERD	Performance Evaluation and Research Division
PERS	Public Employees Retirement System
PI	Personal income
PICF	Patient Injury Compensation Fund
PILOT	Payment in lieu of tax
PIMS	Position Information Management System
PLAN®	A test for tenth graders
PM2.5.....	Particulate matter less than 2.5 microns in diameter
PPB	Preferred Provider Benefit Trust
PROMISE	Providing Real Opportunities for Maximizing In-State Student Excellence
PSC	Public Service Commission
	Potomac State College

Q

Q	Quarter
QSCBs.....	Qualified school construction bonds

R

RCRA.....	Resource Conservation Recovery Act
REAP	Rehabilitation Environmental Action Plan
REIS.....	Regional Economic Information System
RESAs.....	Regional educational service agencies
RFP.....	Request for proposals
ROMA.....	Results-oriented management and accountability

S

SAFETEA-LU	Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users
SB	Senate Bill
SBA.....	School Building Authority
	Small Business Administration
SBVR	South Branch Valley Railroad
SCC	State Conservation Committee
SHPO	State Historic Preservation Office
SME	Society of Manufacturing Engineers
SREB.....	Southern Regional Education Board
SRIC.....	Snow removal and ice control

STARBASE	Science and Technology Academics Reinforcing Basic Aviation and Space Exploration
STD	Sexually transmitted disease
STEAM.....	Science, technology, engineering, art and math
STEM.....	Science, technology, engineering and math
STIF	Sales tax increment financing
SWA	Solid waste authority
SWCAP.....	Statewide Cost Allocation Plan
SWMB	Solid Waste Management Board
SY	School year

T

TANF	Temporary Assistance for Needy Families
TASC.....	Test Assessing Secondary Completion™
TDC.....	Teachers' Defined Contribution Retirement System
TEFAP	The Emergency Food Assistance Program
TIF	Property tax increment financing
TMDL	Total maximum daily load
TOC.....	Total operating costs
TRAFFIC	Tax Reduction and Federal Funding Increased Compliance
TRS	Teachers' Retirement System

U

U.S.	United States
USDA.....	United States Department of Agriculture
USDOT	U.S. Department of Transportation
USEDAA	U.S. Economic Development Authority

V

VA	U.S. Department of Veterans Affairs
VISTA	Vendor Inquiry System to the Auditor
	Volunteers in Service to America
VoIP.....	Voice over Internet Protocol

W

WDA	Water Development Authority
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Appendix B/Glossary of Acronyms

WEAPON	West Virginia Automated Police Network
WESTEST 2.....	West Virginia Educational Standards Test, version from 2009
WIC.....	Women, Infants, and Children
WIP	Watershed Implementation Plan
W.Va.....	West Virginia
WV	West Virginia
WVABCA.....	West Virginia Alcohol Beverage Control Administration
WVBE.....	West Virginia Board of Education
WVCA.....	West Virginia Conservation Agency
WVCCTCE	West Virginia Community and Technical College System
WVCHIP.....	Children's Health Insurance Program
WVCR.....	West Virginia Central Railroad
WVDA	West Virginia Department of Agriculture
WVDE.....	West Virginia Department of Education
WVDO	West Virginia Development Office
WVDOC	West Virginia Division of Corrections
WVDVA.....	West Virginia Department of Veterans Assistance
WVFIMS.....	West Virginia Financial Information Management System
WVHRA.....	West Virginia Human Rights Act
WVICU.....	West Virginia Independent Colleges and Universities
WVIJDC	West Virginia Infrastructure and Jobs Development Council
WVNET	West Virginia Network for Educational Telecomputing
wvOASIS	West Virginia—Our Advanced Solution with Integrated Systems
WVPBS.....	West Virginia Public Broadcasting Service
WVPPA.....	West Virginia Public Port Authority
WVSAO.....	West Virginia State Auditor's Office
WVSP.....	West Virginia State Police
WVU	West Virginia University
WVUIT	West Virginia University Institute of Technology