



State of West Virginia
Joe Manchin III
Governor

Office of the Governor
State Capitol
1900 Kanawha Blvd., East
Charleston, WV 25305

Telephone: (304) 558-2000
Toll Free: 1-888-438-2731
FAX: (304) 342-7025
www.wv.gov.org

January 9, 2008

To the Members of the 78th Legislature of the State of West Virginia:

In accordance with the Constitution of the State of West Virginia, presented herewith is the Budget Document for the fiscal year ending June 30, 2009. It details a complete plan for proposed expenditures and estimated revenue for the fiscal year. The document includes statements of the following:

- 1) Bonded Indebtedness of the State of West Virginia;
- 2) Cash and investment balances of all funds of the State of West Virginia;
- 3) Revenues for all funds of the State of West Virginia; and
- 4) Revenues, expenditures, and changes in fund balances for Fiscal Year 2009.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$3,902,733,000; for the Lottery Fund of \$170,100,000; for the State Excess Lottery Revenue Fund of \$330,700,000; and for the State Road Fund of \$1,155,769,043.

I look forward to working with the 78th Legislature of the State of West Virginia to meet the continuing challenges and opportunities so together we can move West Virginia forward in a rapidly changing international economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Manchin III", written over a large, stylized oval shape.

Joe Manchin III
Governor

State Budget Staff

Virgil T. Helton
Cabinet Secretary
Department of Revenue

Mike McKown
Director
State Budget Office

Cathie Fowlkes
Assistant Director
State Budget Office

Eric Wagner
Budget Analyst II

Tammy Scruggs
Budget Analyst II

Anthony Sowards
Budget Analyst I

Diana L. Schwab
Public Information Specialist III

Jerri Rucker
Secretary



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, 2007.

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

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

State Budget Office
State of West Virginia
Building One, Room W-310
1900 Kanawha Boulevard, East
Charleston, WV 25305-0171
304-558-0040 / State Fax 304-558-1588
www.wvbudget.gov
budget@state.wv.us

FY 2007 Executive Budget Report
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Reader's Guide to the Executive Budget

Volume I Budget Report

The Executive Budget

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

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

The budget is presented in three separate documents:

Volume I Budget Report contains:

“Governor's Executive Message”—major goals and objectives addressed by the budget;

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

“Budget Planning”—items such as:

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

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

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

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

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

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

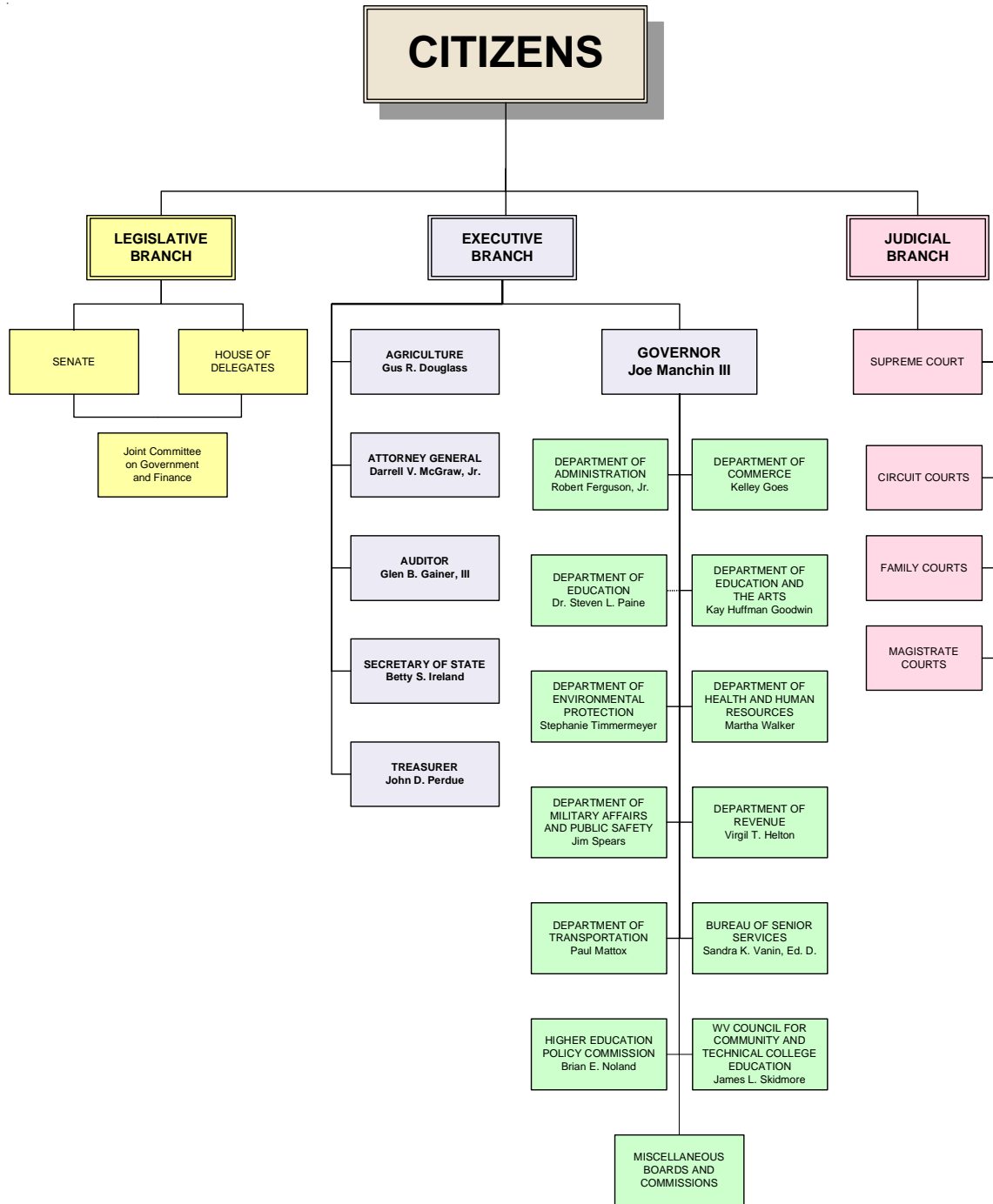
“Capital Projects”—projects/programs currently funded in FY 2008, recommended for FY 2009 (with brief descriptions), and projected for FY 2010 through FY 2013.

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

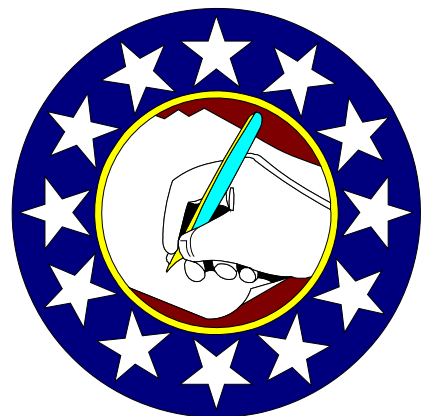
- “State Profile”—a profile of West Virginia with relevant information concerning West Virginia profile, government, geography, and demographics and economics.

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

State of West Virginia



EXECUTIVE MESSAGE



Governor's Executive Message



Governor Joe Manchin III
State of West Virginia

Delivering my first State of the State address in January of 2005, it was clear that the challenges ahead were daunting, but the possibilities for success were unmistakable.

Our most immediate task was to demonstrate to everyone in this state and across this nation that West Virginia was not only serious about getting its house in order but was also committed to retaining and creating the good jobs with benefits that our people and their families deserve.

Working with a truly progressive Legislature, as well as with individuals and groups from all sides of our state's many aisles, including our Vision Shared partners: the AFL-CIO, West Virginia State Chamber of Commerce, AARP, the Business and Industry Council, West Virginia Education Association, West Virginia Hospital Association, and the United Mine Workers of America, I am pleased to say that we have made significant strides in these efforts.

Strides that I must also say would not have been possible without our unsung heroes—our state employees. State employees are much too often taken for granted by all of us, but I want them and everyone else to know how important the work they do is to this state and how much I truly thank them for helping us to achieve some really important goals.

What Has Been Accomplished

While I'm sure we can all agree that there is most definitely much more left to do, I want to share with you some facts regarding what has been accomplished in West Virginia since I gave that first address. And I'll start with our most serious and enduring challenge—job creation.

This past year, our state ranked eighth among all 50 states, and three West Virginia cities ranked among the top 20 small metro areas, for business recruitment and attraction, according to a study by *Expansion Management Magazine* and the National Policy Research Council that reviewed actual data on 19 million businesses across the country.

But I also know that there are quite a few people out there right now saying, “Yeah, those figures that you’re stating sound good, but how can I be sure these expanding companies and good jobs you keep talking about actually exist—and if they do exist, where are they?”

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Well, I'll tell you where they are. They're in places like Clarksburg, where GrafTech International, which received training assistance from the state, has expanded its advanced graphite materials production facility, and recently increased the amount of good jobs with benefits it provides by 60.

They're in Beaver, at Klockner Pentaplast, the world's leading producer of plastic films used in medical and food packaging. This company recently evaluated their operations in West Virginia and has decided to expand their facilities with world-class technology, making this a center of excellence in the southern part of West Virginia. And, because the state has consistently stood by them as a partner, they plan to not only retain 41 good-paying jobs, but add 15 more.

They're in Marshall County, where the largest investment in our state since Toyota is being made. In excess of \$100 million is being spent there to start the CertainTeed gypsum wallboard plant, with the state assisting with an access road, infrastructure, and training.

They're in Barboursville, at Second Creek Technologies, where a seven-member team is growing a world-class computer forensics company right here in West Virginia. In addition, Second Creek is drawing talent home—talent like West Virginian Todd Nessel. Todd was working out-of-state, but came home to West Virginia and is now helping to build Second Creek.

And they're in Berkeley Springs where at Washington Homeopathic, owners Joe and Linda Lillard, who have received assistance with their e-commerce capabilities from our Small Business Development Center, run a multi-billion dollar business that exports to more than 40 destinations around the world and is growing by approximately 20 percent every year.

But what illustrates these jobs numbers best are the personal stories of the people who work at these companies and the many others who are choosing to locate or expand in West Virginia.

People like Sonya Buck. Sonya, a single mother, was employed as a security guard at the boarded up Walker Systems plant in Williamstown while also going to school to pursue a better life. On the occasion that someone would happen by the guard shack at Walker, they would sometimes see both Sonya and her ten-year-old son, Cody, working on their homework together.

So when the Walker Systems facility was sold, Sonya was concerned. Well, she shouldn't have been, because after interviewing Sonya, the new owners of the plant, Hino Motors, one of the companies I was able to meet with on our economic development trip to Japan, hired her, not as a security guard but as a logistics team member for their new Hino truck production facility—the first assembly plant for Hino Motors in the United States, and now Sonya's wages, benefits, and working hours have all improved, allowing her to pay for her schooling and get back on her feet financially.

I'm also pleased tonight to welcome to West Virginia our 20th Japanese company, Kureha Corporation of Tokyo. Kureha will invest more than \$100 million to build a plant to produce and sell a high performance polymer known as PGA at the Dupont chemical complex in Belle. Construction is scheduled to start early this year with production set to begin in 2010.

Committed to Running a Responsible Government

Since 2004, we've tackled our state's debts, putting an additional \$1.7 billion towards our retirement systems so our state employees can be confident that the money they've been working so hard to earn will be there when they need it.

Governor's Executive Message

We've also improved services to our citizens. The West Virginia Bureau of Senior Services, for example, has been steadily growing the number of seniors we assist. Specifically, over 1,500 seniors and their families have benefited since just last July from the bureau's new FAIR (Families with Alzheimer's In-Home Respite) and LIGHTHOUSE programs, allowing them to receive services in their own homes—with more seniors to be added this year.

We've committed over \$300 million since 2004 to installing and upgrading water and sewage systems throughout West Virginia, with at least \$77 million worth of additional projects set to begin this year, bringing clean drinking water and safe sewage systems to many West Virginians who have never had them.

It is also estimated that 80 percent of West Virginia households now have access to broadband Internet, up from 58 percent in 2004. And our friends at Cisco Systems, thanks to Mountain State native and Cisco CEO John Chambers, are working closely with us and the state's Internet providers to reach our 100 percent goal by 2010 so that our citizens and businesses can better compete in today's global and technologically savvy economy. We've also reached an agreement with Verizon to place free public wireless broadband at all rest areas and information centers by the middle of this year.

In addition, this year our Division of Natural Resources, working with The Nature Conservancy, is conserving 4,600 acres of land on the rim of the New River Gorge, providing significant new hunting and recreational opportunities in West Virginia.

And when it comes to putting money back into taxpayers' pockets, I believe we've accomplished more in the past three years than ever before in this state.

West Virginia consumers have benefited from over \$80 million worth of reductions in their insurance costs, with many more insurance companies doing business in West Virginia today than in 2004.

Our workers' compensation system, once known as the Achilles heel of our state, has been completely transformed. In addition to our injured workers receiving better and quicker service, our businesses workers' comp costs have decreased by an average of 27 percent—resulting in savings of roughly \$150 million.

We've also cut taxes, because West Virginians deserve to keep more of what they earn. Specifically, we've saved the people of our state approximately \$100 million a year by increasing the low income family tax credit; doubling the amount of the senior citizens refundable homestead exemption tax credit; removing our "Welcome to West Virginia" motor vehicle privilege tax; and, cutting our food tax in half. Additionally, we removed another \$100 million of tax burden from our businesses during the past three years by reducing, among other things, our corporate net income and business franchise taxes. And I will propose more reductions this year.

These things add up. If you combine our tax cuts with our workers' compensation decreases and our insurance reforms, that's at least \$430 million that has gone back to the hard-working people and employers of West Virginia.

And while doing all of this, we have also found ways to be able to increase the pay of our teachers, school service personnel and state employees, with a majority of professional educators receiving increases since 2004 of between 10.5 percent and 19.0 percent.

But do we still have a long way to go? Yes. Are there more things we need to do to create an even more responsible government? Absolutely. And I can assure you we will do more to make sure that you're able to keep as much money in your own pockets as possible, that local governments will have even more autonomy to

Governor's Executive Message

operate independently and that the state government in Charleston will assist you, not get in your way. As our economy grows, we will continue to share.

Workplace Safety

We must also recognize that we have suffered great losses during these past three years as well. From our state's soldiers who have died serving their country in places like Iraq and Afghanistan to our emergency service professionals who have died on duty in communities like Ghent, we must not forget to honor those brave men and women who are no longer with us.

Last year, we passed legislation allowing for the beneficiary of a fallen firefighter or EMS responder to receive \$50,000 in death benefits from our state. It was the least that we could do for those who we count on everyday to be there for us in an emergency.

And this year, for our veterans, I know that we are all concerned about the psychological and emotional challenges that they are facing as they return from their dangerous overseas duties, and so I pledge to work with the Legislature and the West Virginia Council of Churches to make sure we are providing them with the resources and counseling they need. It is our duty to do right by these amazing men and women who have made such tremendous personal sacrifices on our behalf.

And, of course, we must also pause to remember our lost coal miners, whose deaths have led to so many significant changes to our mine safety laws and procedures.

Since the tragedies at Sago and Aracoma, we have instituted a "rapid response" accident reporting system, hired additional mine inspectors and better equipped and trained our mine rescue teams. We've made it easier to close an entire mine if a pattern of serious violations exist, have restricted the use of belt air, have strengthened the requirements for the construction of mine seals and instituted additional continuing education courses for mine foremen and fire bosses.

In addition, all underground coal operations in the state are in full compliance with our new emergency air pack requirements, which occurred six months earlier than originally scheduled and amounts to over 40,000 new Self Contained Self Rescuers deployed in our mines during the past year.

West Virginia also received its first underground emergency shelter delivery to a coal mine in November with a total of 308 shelters scheduled to be delivered over the next several months to mining companies throughout the state. And the development and deployment of wireless communication and tracking devices in West Virginia's mines, which has been a major undertaking, is now well underway. Coal company plans for these devices have been received and approved and the deployment of these systems into our state's mines has begun and will continue throughout 2008—meaning that all of West Virginia's underground coal mines should have these systems in place at least one year earlier than required by the federal government.

We want our state's workplaces to be the safest in the nation, and we've worked hard to put in place improvements that don't just sound good, but that will truly make a difference. And we will not stop, because as everyone knows, one fatality is one too many.

Priorities for 2008

As we begin to set our priorities for 2008, we must recognize that many West Virginians still struggle everyday, worrying about their financial stability, the future of their children, and if they are going to be able to properly care for their aging parents.

Governor's Executive Message

That is why we must continue to focus on getting our state's house in order so that we are providing the best possible return on the investments of our citizens while also improving our economic climate so that we are able to retain and attract even more good jobs with benefits.

Education

I want to go back this session and revisit a change that we made last year that just hasn't worked as I would have hoped. One of the most important things that we can do to address teachers' salary issues across our state is to provide counties with the flexibility within the school aid formula to capture more local funds, so that they can contribute additional money to their teachers' pay based on their specific county needs. We gave that flexibility last year, but I have found that in many cases the money was used for purposes other than the classroom salary supplements that it was meant for. Therefore, I will introduce legislation this year that requires all of our counties to use 100% of this extra school aid formula money for classroom teachers' salaries only.

We also have to take steps to improve the environment that our classroom teachers currently work in and our children currently learn in. Every year during the legislative session, we all come together and work on and talk about education, but I sincerely believe that until we're committed to give back to our teachers the ability and freedom to teach their students instead of requiring them to spend their days policing their students, we are never going to truly accomplish all of the other things that we know are so important in education.

Our teachers and our students deserve better, and I am determined to do better and to give our teachers every possible tool they need to take back their classrooms.

I have asked the 21st Century Jobs Cabinet to develop the West Virginia Bill of Rights and Responsibilities for Learning. The Bill of Rights will set standards both for the rights and responsibilities of students while in school and the authority of teachers to protect those rights and enforce those responsibilities.

Specifically, I don't believe we've done enough to prevent the problem of student bullying. Student bullying must stop, and it must stop now.

While the State Board of Education has taken this issue seriously and our schools are required by law to have bullying plans in place, I want to go a step further and establish a commission to thoroughly review the bullying practices of our schools and recommend to me, the Legislature, and the State Board, the best ways to expand our efforts to identify and stop dangerous and bullying behavior before it becomes a threat, as well as how to best deal with disruptive students during the school day. For example, what can we learn from the success that has been achieved by the National Guard at the West Virginia ChalleNGe Academy, and how can we take what they've learned and apply it to how we handle our most troubled and disruptive students in the future.

I am also proposing that we revoke the driver's licenses of students who are found to have committed serious offences like assaulting a teacher or fellow student or making threatening statements, and add a requirement that in order to obtain or keep a driver's license between the ages of 16 and 18, you must receive passing grades. A driver's license is a privilege—not a right.

Are these steps enough to truly give teachers back their classrooms? No, but they are a start.

Health Care

And on a positive note for our children, I am proud to announce the development in our schools of Kids First, a kindergarten health screening program.

Governor's Executive Message

Through the use of administrative funds from the State Children's Health Insurance Program, West Virginia will establish a health services initiative that is the first in the nation to ensure every uninsured preschool child has a wellness screening prior to starting school. A comprehensive wellness screening is an important child development assessment tool and is already covered by the Public Employees Insurance Agency, Medicaid, Children's Health Insurance Program, and BlueCross BlueShield. By encouraging this early connection to a medical home, we can ensure that children are healthy and ready to learn when school begins, thus setting the stage for a strong and healthy population down the road. Once this first class of kindergarteners is screened, our intentions are to provide follow-up screenings as they reach second, fifth and eighth grades so that we can continue to assess their health as they grow. And I am pleased to say that Mountain State Blue Cross Blue Shield has generously offered to contribute \$1.5 million towards the Kids First program.

I am also pleased to announce the formation of WVRx. Beginning February 1st, uninsured working West Virginians will be able to access free medications at West Virginia Health Right. Because of a public-private partnership between my office, West Virginia Health Right, Beckley Health Right, the Benedum Foundation, the Heinz Family Philanthropies, the Attorney General's Office, and Health-E West Virginia, doctors and hospitals and patients will be able to access prescription drugs donated by manufacturers by phone or e-mail via an efficient, paperless system.

And for the future health of all of our citizens, we must continue our war on illegal drugs in West Virginia. Last year, we committed extra money to this effort, but this year, due to the hard work of our State Police as part of an investigation led by federal prosecutors, we will be receiving over 44 million additional dollars to help combat our state's drug problem—and I believe that within the spending guidelines and requirements given to us by the federal government, we can make some tremendous strides towards winning our drug war once and for all.

Therefore, I am proposing that West Virginia institute my strategic spending plan designed to combat drugs on every front.

Obviously, our best hope for reducing future drug use in West Virginia is to make sure our kids never start using or dealing drugs in the first place. West Virginia has been nationally recognized for its Prevention Resource Officer Program, a cooperative effort between schools and law enforcement designed to put officers in schools to teach students about drug and safety issues and to recognize potential danger, prevent violence and respond to dangerous situations. We will build upon the current success of this program and partner with local police and sheriff's departments to put prevention resource officers in more schools in every county of our state.

Healthcare professionals are also a key resource in preventing prescription drug abuse, a leading killer in West Virginia, and in helping those who have become addicted to prescription and other illegal drugs. Therefore, we will work to develop and expand addiction training programs for health care professionals throughout the state.

The State of West Virginia has also been implementing a solution known as "drug courts" to help individuals convicted of minor crimes due to substance abuse problems get the treatment they need, become productive members of society, and stay out of jail. Research has documented that drug courts reduce repeat offenders and result in substantial cost savings. That is why, as part of our statewide drug plan, we will provide funding for expanding drug courts and needed substance abuse treatment.

These funds will also be used directly by the State Police on such things as hiring additional drug diversion investigators, adding additional law enforcement training courses, improving the State Police Academy, installing mobile data terminals, and purchasing electronic fingerprint capture stations.

Governor's Executive Message

Used properly, these drug funds give us the opportunity to tackle our drug problems head on—improving our law enforcement climate, our educational climate, and even our economic climate—because our businesses are looking for good, hard-working and, most especially, drug free workers.

Workforce Development

In fact, workforce development is another one of the challenges we face in West Virginia today.

I never imagined that we would experience a time when companies couldn't find enough skilled workers in our state, but that's exactly what's happening. If I've heard it once when out talking to businesses during the past year, I've heard it a hundred times—we need more workers, and we need them to be trained for the jobs of today, not the jobs of five, ten or 15 years ago. We know we have the hardest working people in the world; now we just need to make sure we also have the best trained.

So next to tackling our drug problems, the best thing we can do to improve our workforce is to target our higher education and workforce development investments towards meeting the needs of the state's growing and emerging industries.

The strategies for investment that I'm about to discuss all started when I visited the University of Kentucky last year and learned about that state's "Bucks for Brains" program that provided money to its two major research universities that was matched with private donations to create new opportunities for state-of-the-art research and entrepreneurship.

From that seed, an entire tree is now about to be planted in West Virginia, with an initiative I like to call "Bucks for Jobs."

West Virginia must be a player in the 21st century world economy, and to do so we need to develop more intellectual and financial capital. "Bucks for Jobs" achieves both these goals by leveraging smart, interconnected investments in economic development, higher education and workforce training. First, as part of our own "Bucks for Brains" initiative, and using onetime surplus monies, we will create a \$50 million endowment fund for our two research universities to stimulate world-class research and development and attract venture capital, which will eventually lead to jobs in emerging high-tech, high-wage industries. The state's investment will be matched, dollar for dollar, by private donations, resulting in sizable funds that will strengthen our most promising research departments—ultimately leading to business spin-offs, new patents and job creation. At the University of Kentucky, for example, their state investments have so far resulted in 44 new start-up companies with over 870 employees—with the University of Louisville adding another 18 startup companies.

Second, we will coordinate numerous federal and state workforce training programs to create a single and comprehensive "Training Bucks" program. We want to make sure that the money we're already spending on workforce training is being accessed by the businesses that need it and that all businesses in our state know about "Training Bucks" and how to get them.

I am also proposing a major investment in the development of two state-of-the-art Advanced Technical Centers. These Centers will offer training that is specialized to meet the needs of existing businesses as well as those new businesses that we are now attracting to the state, and they will collaborate directly with industry to design and deliver high quality instruction.

In counties throughout West Virginia we also have serious shortages of workers in allied health fields, from nurses, where our deficits are most acute and affect every community statewide, to dental assistants, emergency

Governor's Executive Message

medical technicians, pharmacy workers and surgery technicians. Therefore, we must begin building the programs necessary to produce the large numbers of critical healthcare specialists we will need to replace retiring Baby Boomers. To that end, we're going to invest in existing programs at our community colleges to fill this growing need. This investment will result in approximately 1,000 new allied health field graduates every year in West Virginia beginning in 2010.

In addition, we must do a better job of keeping our best and brightest here in the Mountain State. The Promise Scholarship has been a great program that I want to see continue, but I think in order to make sure that the people of West Virginia are getting a return on the substantial investment they're making in these students futures, we need to ensure that our native sons and daughters look seriously at their career options here before assuming that the pastures are greener on the other side of the state line. Therefore, I am proposing that the Promise Board develop a rule requiring recipients to work in West Virginia following graduation as a condition of not having to pay back the Promise Scholarship.

I am also proposing that we add "payback" requirements for all new state employees who receive paid training from the state, such as our State Police officers, pilots, engineers and others. Too often, we are spending state dollars to provide training for these new employees only to have them then leave us for other job opportunities outside of state government once their training is complete. While I would never stand in the way of an employee bettering themselves or their families, the state must not always be left holding the bill with nothing to show for it. Again, it's simply a public policy matter of taking steps to ensure that our taxpayers are getting a return on their investments.

Energy

And as important as the topics I've discussed so far are, I believe one of the biggest issues that we face not only as a state but as a nation is energy.

Today, we hear the terms energy security and climate change spoken almost constantly. As we consider how our nation can provide an adequate energy supply that is environmentally acceptable, we must recognize the critical role of clean coal technologies in this discussion. Because of its wide availability, versatility and reasonable cost, clean coal will be strategically important to our energy future. Coal currently is the fuel source for almost half of the electricity generated in the United States. And with a reported 250 years of coal still available, I sincerely believe that technological solutions leading to the greening of the coal industry hold the key to America's security—which is why I am so committed to working towards the continued development of clean coal technologies and the construction of clean coal power plants in West Virginia. And with the carbon that these new technologies can capture having been proven to enhance natural gas and oil production, it is clear that those industries have bright futures in our state as well.

I also recognize that West Virginia is rich in renewable energy sources too, such as biomass in the form of wood and crop residue that will eventually be used to make fuel. Solar and wind opportunities also have their place in our energy portfolio as well. To that end, I am committed to examining the legal barriers that restrict the post-mining development of surface mining operations and exploring ways to give priority to post-mining uses involving renewable energy projects such as biomass, solar or wind energy production.

However, we must acknowledge that the main ingredient to a successful energy future is sustainability. We need to keep learning how to optimize the use of our resources, become more energy efficient, and minimize waste. And we can all do our part by switching to compact fluorescent bulbs and installing high-efficiency heating and cooling systems, proper insulation and storm doors—and the state will help you with these purchases in 2008 by providing a new "energy efficient products" tax incentive.

Governor's Executive Message

We can also promote renewable energy and energy efficiency in our building designs. As part of that effort here at the capitol, we entered into an energy conservation and savings contract in 2005 that guarantees that the state capitol complex will reduce its energy consumption by at least five percent. However, I believe we can do more, and so I am directing our agencies to do everything possible to reduce consumption by at least ten percent this year. And I would ask you, in your homes and your businesses, to do the same. Every little bit of conservation can make a big difference in our overall energy consumption, and it's as simple as turning off a light when you leave a room.

In addition, as we renovate the buildings on the capitol complex or build any new buildings in the future, we're going to put in place energy saving mechanisms that will make these buildings as "green" as possible.

Not since the 1970's has there been so much discussion about the role of energy and how it is produced and used—and I challenge us all to do our part to ensure our state and our country has a stable energy supply so that we can control our own costs and protect our own security.

Come Home to West Virginia

Going back once more to my first State of the State address, I remember saying then that I believed it was a new day in West Virginia, not only for the families that live here, but for the companies that want to do business and create good jobs here. I still believe that to be true—so much so that if West Virginia were a company about to be listed on the stock market, I am confident that the experts on Wall Street would recommend us as a "buy."

However, we can't continue down this path without help. As everyone knows, our best resource has always been our people—and not just those who are here today living and working in West Virginia, but those who were born or raised in West Virginia and have left the state because they felt they had no other choice in order to make a living. Unfortunately, we are all guilty of teaching an entire generation that they couldn't find a good job in West Virginia if they tried, so don't even bother, and as much as we hate to see you go, you might as well just leave right away. Well, that's absolutely not true today, and now our challenge is to reverse these thoughts and show those who have left that this is the perfect time to come home.

Some of the most successful people in the country are native West Virginians—Sylvia Matthews, Chief Operating Officer of the Bill and Melinda Gates Foundation; Wes Bush, President of Northrop Grumman; Ralph Baxter of Orrick, Herrington & Sutcliffe who has come home to West Virginia to co-chair our 21st Century Jobs Cabinet and, of course, as previously mentioned, John Chambers, CEO of Cisco Systems. And I know there are many, many more success stories out there, both large and small, that most of us aren't even aware of—except for the proud mothers, fathers, brothers, and sisters who deep-down wish their loved ones were achieving success closer to home.

Regardless of your field of expertise, we need you, and your intellectual capital, ingenuity, and work ethic—now more than ever—here in West Virginia.

We need those of you who have an entrepreneurial spirit, or those who have accomplished your goals and are looking for a place where you can teach others all that you have learned. You'll recognize much of what you left behind, but you'll also find a workforce and a business community that has made tremendous advancements.

While your coming home will help us to make this an even better place to live and work, it will also be rewarding for you as well, because you'll be able to give something back to this place that I know you've always carried with you in your heart and is such an important part of who you are.

Governor's Executive Message

So to get the word out, we are going to start a “Come Home to West Virginia” campaign this year through our Department of Commerce. This recruiting campaign will be aimed at bringing former West Virginia residents back home to either work in West Virginia’s growing industries or to expand in West Virginia the businesses they have started in other places.

As Donna Briggs, a long-time employee at one of our Welcome Centers once told the *New York Times*, “Looking over your shoulder and missing home is something West Virginians know a lot about.”

So for those West Virginians out there longing to come home, know that we’re keeping the light on for you. I’m pretty positive you know the way, just take the nearest country road back home to the place where you belong—West Virginia; or, more appropriately (based on popular opinion), Wild, Wonderful West Virginia.

Thank you, God bless you and may God save the great State of West Virginia.

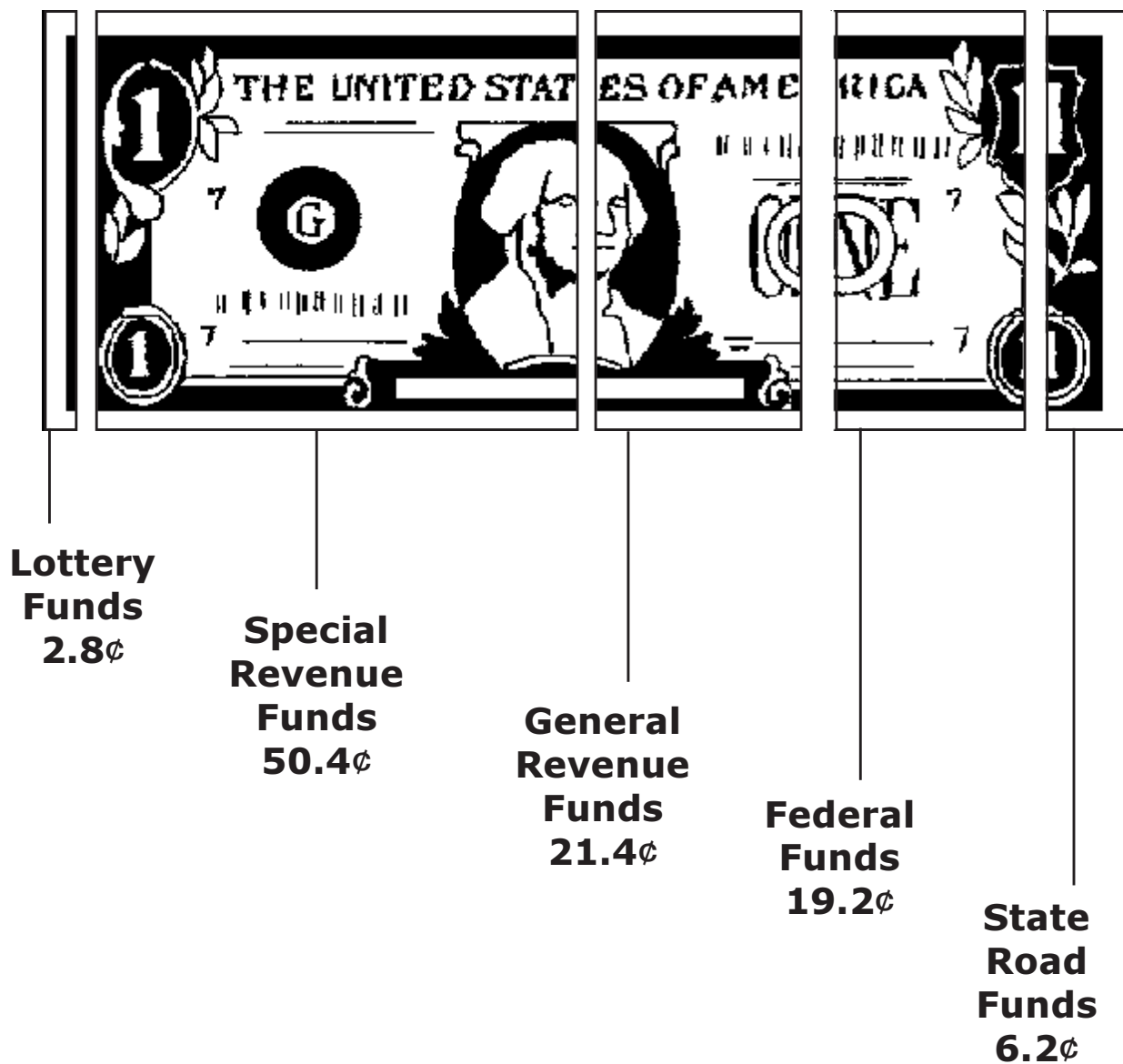
SUMMARY FINANCIAL STATEMENTS



Summary Financial Statements

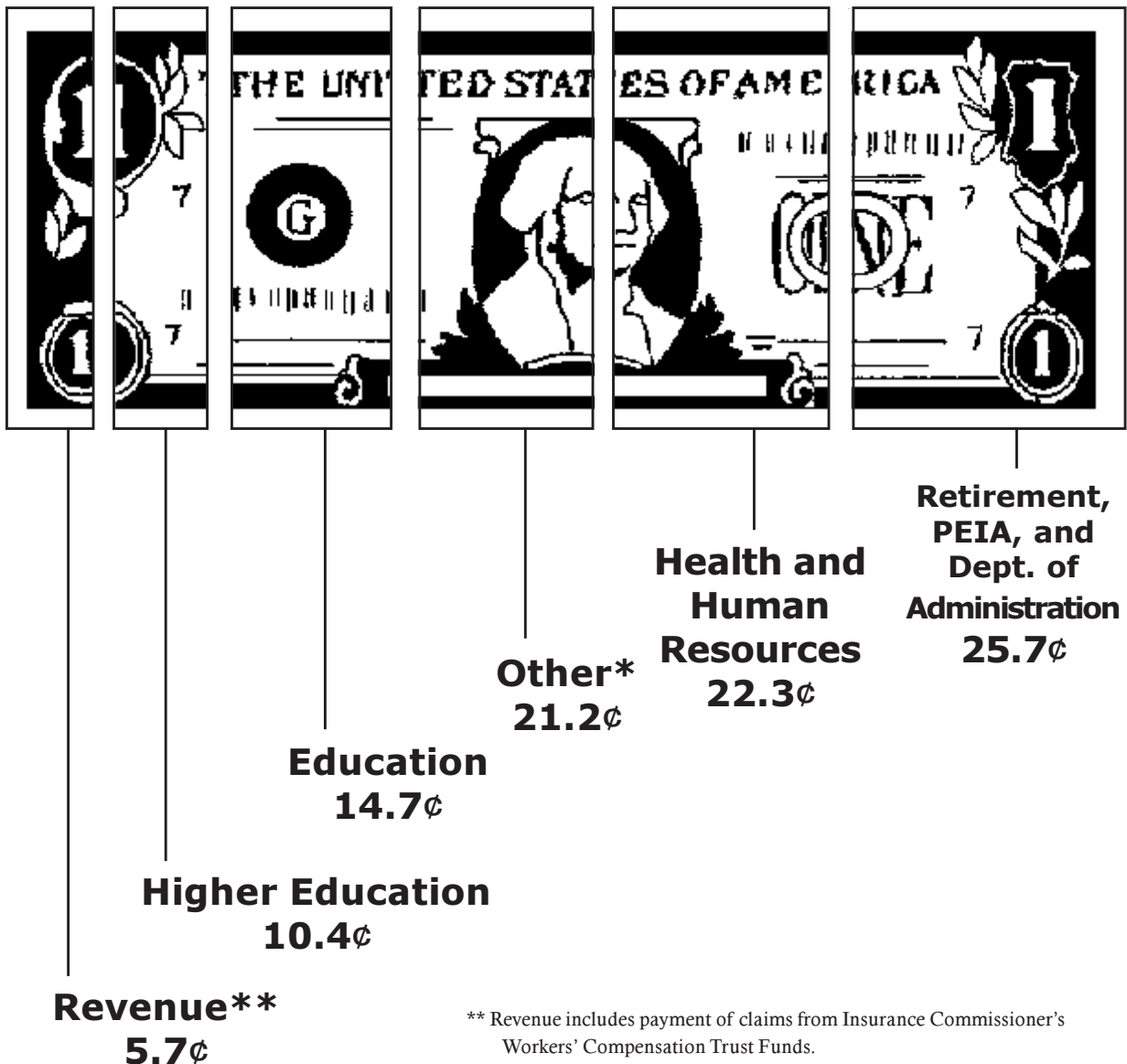
The following pages contain general summary financial information and statements related to all funds of the state. Statements included are:

- Summary of Total FY 2009 Budget —All Funds (Where Your State Dollar Comes From and Where Your State Dollar Goes)
- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for Appropriated Funds (narrative and statement);
- Cash and Investment Balances of All Funds — Fiscal Year Ending June 30, 2007;
- Detailed Investments Fund 13 (Special Revenue) — Fiscal Year Ending June 30, 2007;
- General Revenue Fund — Statement of Revenues by Source — FY 2005 through FY 2011;
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance;
- General Revenue Fund — Overview by Functional Category FY 2007 through FY 2009;
- General Revenue Fund — Recommended Supplemental Appropriations FY 2008;
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2008;
- Lottery Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance;
- Lottery Fund — Overview by Functional Category FY 2007 through FY 2009;
- Excess Lottery Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance;
- Excess Lottery Fund — Recommended Supplemental Appropriations Fiscal Year 2008;
- Excess Lottery Fund — Overview by Functional Category FY 2007 through FY 2009;
- State Road Fund — Statement of Revenues by Source — FY 2005 through FY 2011;
- State Road Fund — Statement of Revenues, Expenditures and Changes in Cash Liquidity;
- Major Constitutional and Statutory Requirements FY 2009;
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2007;



TOTAL REVENUE
\$18.21 Billion

Where Your State Dollar Comes From **(FY 2009 Estimate)**



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

| | | |
|----------------------------------|--------------|--|
| *Other | 21.2¢ | |
| Legislature | 0.3¢ | |
| Judicial | 0.8¢ | |
| Executive | 1.4¢ | |
| Commerce | 1.9¢ | |
| Education & the Arts | 0.7¢ | |
| Environment | 2.0¢ | |
| Military Affairs & Public Safety | 3.9¢ | |
| Transportation | 8.0¢ | |
| Senior Services | 0.5¢ | |
| Misc. Boards & Commissions | 1.7¢ | |

TOTAL EXPENDITURES
\$16.27 Billion

Where Your State Dollar Goes

(Governor's Recommended FY 2009 Budget)

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

The following pages reflect actual, budgeted, and recommended revenues and expenditures for FY 2007, 2008, and 2009, respectively, for all funds that are specifically appropriated by the Legislature and included in the Budget Act. The revenues are listed by source of funds, and the disbursements are listed at the department/bureau level. See the "Revenue Sources" section 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 appropriations that are reappropriated to the next ensuing fiscal year, expenditures are included through June 30, there is no 13th month/31 day closeout period. Any unexpended amounts remaining in nonexpiring appropriations are carried forward to the next fiscal year as of July 1.

Each fund on the following two pages is made up of multiple accounts containing anywhere from approximately 25 individual appropriations for the State Road Fund to over 1,500 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.

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

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

FY 2007 Actuals are the total actual revenues and expenditures for all appropriated funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

The FY 2008 Budgeted revenue estimate for the General Revenue Fund reflects the Governor's revised official revenue estimate as submitted to the Legislature on April 11, 2007. The FY 2008 revenue estimate for State Road Fund reflects the Governor's revised official estimate as submitted to the Legislature on April 17, 2007. The Governor provides the official revenue estimates for the budget and those estimates do not require legislative approval.

FY 2008 Budgeted expenditures reflect the amounts budgeted prior to the beginning of the 2008 Legislative session and include amounts that have been reappropriated from prior year unexpended appropriations along with supplemental appropriations made during the first and second extraordinary legislative sessions.

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

Why Budgeted Expenditures Appear Significantly Different from Actual and Recommended Expenditures

While the Actuals may have included reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended expenditures do not reflect any anticipated reappropriations beginning available during FY 2009. Although the FY 2008 Budgeted amounts are available to spend during the fiscal year, the likelihood of expending the entire amount is extremely remote. Generally, a significant amount of the authorized expenditures remains unspent at the end of each fiscal year and is reappropriated to the next ensuing fiscal year. Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2008 will be less than the total authorized budgeted amounts.

For General Revenue and Special Revenue funds, the prior year reappropriated amounts are significant. The General Revenue Fund budgeted FY 2008 expenditures include \$287.1 million and the Appropriated Special Revenue funds include \$159.1 million in reappropriated amounts.

The General Revenue fund also includes \$33.3 million in surplus appropriations made available from the cash surplus balance that was available at the end of FY 2007.

Because of these reappropriated and surplus amounts, which are included in the FY 2008 Budgeted expenditures, it may appear these budgeted expenditures are not in line with the actual FY 2007 expenditures or the FY 2009 recommendations.

FY 2009 Recommendations are the amounts that the Governor is proposing to the Legislature for appropriation. As discussed above, the recommendations do not include any amounts that will ultimately be available for expenditure as a reappropriated or surplus expenditure.

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

| | General Fund | | | Appropriated Federal Fund | | |
|--|--------------------|---------------------|------------------------|---------------------------|---------------------|------------------------|
| | Actuals FY 2007 | Budgeted FY 2008 | Recommended FY 2009 | Actuals FY 2007 | Budgeted FY 2008 | Recommended FY 2009 |
| Beginning Fund Balance | \$443,987 | \$393,846 | \$63,915 | \$33,749 | \$30,686 | \$34,261 |
| Transfer to Rainy Day Fund | (88,817) | (53,363) | - | - | - | - |
| Transfer from Rainy Day Fund | - | - | - | - | - | - |
| Transfer from Special Revenue | - | - | - | - | - | - |
| Prior Year Refunds/Redeposits | 94 | 367 | - | - | - | - |
| Revenues | | | | | | |
| Taxes | | | | | | |
| Consumer Sales | 1,002,596 | 1,026,900 | 1,032,283 | - | - | - |
| Personal Income | 1,360,511 | 1,408,600 | 1,490,600 | - | - | - |
| Business and Occupation | 180,748 | 164,000 | 159,400 | - | - | - |
| Severance | 312,246 | 309,000 | 322,000 | - | - | - |
| Corporation Net Income and Business Franchise Tax | 358,388 | 361,850 | 310,500 | - | - | - |
| Highway Litter Control | - | - | - | - | - | - |
| Gasoline and Motor Fuel | - | - | - | - | - | - |
| Automobile Privilege | - | - | - | - | - | - |
| Other | 363,676 | 381,800 | 374,950 | - | - | - |
| Intergovernmental | - | - | - | 2,596,891 | 3,470,962 | 3,396,474 |
| Licenses, Permits & Fees | 10,843 | 12,450 | 13,900 | - | - | - |
| Departmental Collections | 14,702 | 14,000 | 16,300 | - | - | - |
| Interest Income | 52,837 | 47,000 | 40,900 | - | - | - |
| Other | 96,175 | 93,400 | 141,900 | - | - | - |
| Industrial Access Road Transfer | - | - | - | - | - | - |
| Total Revenues | 3,752,722 | 3,819,000 | 3,902,733 | 2,596,891 | 3,470,962 | 3,396,474 |
| Expenditures | | | | | | |
| Legislature | 23,368 | 100,419 | 35,555 | 1,269 | 1,315 | 1,315 |
| Judicial | 94,952 | 110,015 | 114,650 | 518 | 1,000 | 1,500 |
| Executive | 43,995 | 85,228 | 49,102 | 33,120 | 69,227 | 44,272 |
| Administration | 300,470 | 112,093 | 135,159 | 36,709 | 38,017 | 38,030 |
| Commerce | 54,468 | 97,980 | 76,357 | 56,638 | 98,381 | 84,152 |
| Education | 1,716,523 | 1,800,214 | 1,845,712 | 337,760 | 484,667 | 464,651 |
| Education and the Arts | 29,421 | 46,307 | 32,596 | 46,121 | 54,157 | 54,814 |
| Environment | 7,013 | 7,648 | 7,782 | 47,809 | 138,554 | 139,010 |
| Health and Human Resources | 778,117 | 892,093 | 859,068 | 1,954,213 | 2,365,856 | 2,368,538 |
| Military Affairs & Public Safety | 286,827 | 362,145 | 308,510 | 53,617 | 170,218 | 169,389 |
| Revenue ** | 35,850 | 55,775 | 30,605 | 363 | 650 | 200 |
| Transportation | 6,778 | 13,298 | 7,767 | 18,423 | 28,626 | 29,645 |
| Senior Services | - | 500 | - | 11,718 | 14,000 | 14,515 |
| Higher Education | 336,358 | 412,220 | 399,244 | - | - | - |
| Misc. Boards & Commissions | - | - | - | 1,676 | 2,719 | 2,750 |
| Total Expenditures | 3,714,140 | 4,095,935 | 3,902,107 | 2,599,954 | 3,467,387 | 3,412,781 |
| Ending Fund Balance | \$393,846 | \$63,915 | \$64,541 | \$30,686 | \$34,261 | \$17,954 |

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

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

For a total summary of all revenues and expenditures including nonappropriated funds, see

"Where Your State Dollar Comes From" and "Where Your State Dollar Goes" in this section.

| State Road Fund | | | Appropriated Special Revenue Fund * | | | Total All Appropriated Funds | | |
|--------------------|---------------------|------------------------|--|---------------------|------------------------|------------------------------|---------------------|------------------------|
| Actuals FY 2007 | Budgeted FY 2008 | Recommended FY 2009 | Actuals FY 2007 | Budgeted FY 2008 | Recommended FY 2009 | Actuals FY 2007 | Budgeted FY 2008 | Recommended FY 2009 |
| \$101,466 | \$165,480 | \$149,178 | \$1,171,157 | \$1,361,255 | \$1,285,186 | \$1,750,359 | \$1,951,267 | \$1,532,540 |
| - | - | - | 0 | 0 | - | (88,817) | (53,363) | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 94 | 367 | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 1,002,596 | 1,026,900 | 1,032,283 |
| - | - | - | - | - | - | 1,360,511 | 1,408,600 | 1,490,600 |
| - | - | - | - | - | - | 180,748 | 164,000 | 159,400 |
| - | - | - | - | - | - | 312,246 | 309,000 | 322,000 |
| - | - | - | - | - | - | 358,388 | 361,850 | 310,500 |
| 1,549 | 1,681 | 1,699 | - | - | - | 1,549 | 1,681 | 1,699 |
| 349,172 | 405,800 | 380,000 | - | - | - | 349,172 | 405,800 | 380,000 |
| 173,306 | 167,999 | 166,413 | - | - | - | 173,306 | 167,999 | 166,413 |
| 12,623 | 16,151 | 22,170 | - | - | - | 376,299 | 397,951 | 397,120 |
| 389,644 | 501,543 | 467,400 | - | - | - | 2,986,535 | 3,972,505 | 3,863,874 |
| 87,058 | 88,835 | 90,003 | - | - | - | 97,901 | 101,285 | 103,903 |
| - | - | - | 1,687,259 | 1,801,176 | 1,834,876 | 1,701,961 | 1,815,176 | 1,851,176 |
| - | - | - | - | - | - | 52,837 | 47,000 | 40,900 |
| - | - | - | - | - | - | 96,175 | 93,400 | 141,900 |
| (3,034) | (3,000) | (3,000) | - | - | - | (3,034) | (3,000) | (3,000) |
| 1,010,318 | 1,179,009 | 1,124,685 | 1,687,259 | 1,801,176 | 1,834,876 | 9,047,190 | 10,270,147 | 10,258,768 |
| - | - | - | 1,702 | 24,134 | 4,134 | 26,339 | 125,868 | 41,004 |
| - | - | - | - | - | - | 95,470 | 111,015 | 116,150 |
| - | - | - | 18,311 | 28,326 | 26,912 | 95,426 | 182,781 | 120,286 |
| - | - | - | 62,481 | 79,348 | 128,290 | 399,660 | 229,458 | 301,479 |
| - | - | - | 44,423 | 78,830 | 48,186 | 155,529 | 275,191 | 208,695 |
| - | - | - | 173,669 | 86,307 | 71,904 | 2,227,952 | 2,371,188 | 2,382,267 |
| - | - | - | 19,161 | 26,209 | 20,492 | 94,703 | 126,673 | 107,902 |
| - | - | - | 45,227 | 60,204 | 57,442 | 100,049 | 206,406 | 204,234 |
| - | - | - | 315,814 | 402,534 | 353,447 | 3,048,144 | 3,660,483 | 3,581,053 |
| - | - | - | 22,585 | 29,022 | 32,017 | 363,029 | 561,385 | 509,916 |
| - | - | - | 538,823 | 789,417 | 823,571 | 575,036 | 845,842 | 854,376 |
| 946,304 | 1,195,311 | 1,155,769 | 3,313 | 9,543 | 9,894 | 974,818 | 1,246,778 | 1,203,075 |
| - | - | - | 41,003 | 65,674 | 63,814 | 52,721 | 80,174 | 78,329 |
| - | - | - | 124,607 | 111,926 | 109,131 | 460,965 | 524,146 | 508,375 |
| - | - | - | 86,042 | 85,771 | 86,059 | 87,718 | 88,490 | 88,809 |
| 946,304 | 1,195,311 | 1,155,769 | 1,497,161 | 1,877,245 | 1,835,293 | 8,757,559 | 10,635,878 | 10,305,950 |
| \$165,480 | \$149,178 | \$118,094 | \$1,361,255 | \$1,285,186 | \$1,284,769 | \$1,951,267 | \$1,532,540 | \$1,485,358 |

Cash and Investment Balances of All Funds
Fiscal Year Ending June 30, 2007
(Nearest Dollar)

| | Fund No. | Cash Balance | Investments | Total Balance |
|---|-----------------|----------------------|----------------------------|-------------------------|
| General Revenue Fund | 01 | \$432,086,623 | \$0 | \$432,086,623 |
| State Road Fund | 02 | 7,565,748 | 252,712,055 | 260,277,803 |
| Natural Resources Fund | 03 | 6,547,906 | 53,061,376 | 59,609,282 |
| Consolidated Pool and Investments | 09 | (1,208,477,266) | 1,477,902,090 | 269,424,824 |
| Consolidated Federal Funds (Special Revenue) | 12 | 24,908,445 | 3,529,711 | 28,438,156 |
| Special Revenue Funds (Departments and Institutions) | 13 | 1,075,742,565 | 3,573,267,556 ¹ | 4,649,010,121 |
| Special Revenue Funds (Higher Education) | 14 | 20,622,166 | 218,701,857 | 239,324,023 |
| Human Services Fund | 16 | 48,987,525 | 59,558,800 | 108,546,325 |
| Public Employees' Retirement System | 17 | 185,228 | 4,331,323,254 | 4,331,508,482 |
| Teachers' Retirement System | 18 | 3,073,442 | 3,664,118,605 | 3,667,192,047 |
| West Virginia University - Medical School Fund | 20 | 5,126 | 4,147,836 | 4,152,962 |
| Total | | \$411,247,508 | \$13,638,323,139 | \$14,049,570,647 |

1) See next page for detail.

Detailed Investments Fund 13
Fiscal Year Ending June 30, 2007
(Nearest Dollar)

| | |
|--|-------------------------------|
| Attorney General | \$581,073 |
| Auditor's Office | 6,776,628 |
| Board of Risk and Insurance Management | 151,218,648 |
| Building Commission | 11,275,153 |
| Court of Claims | 6,348,102 |
| Consolidated Public Retirement Board | 758,170,989 |
| Criminal Justice | 538,264 |
| Culture and History | 1,907,513 |
| Department of Administration | 10,135,115 |
| Department of Education | 3,333,296 |
| Higher Education Policy Commission | 6,381,396 |
| Department of Education and the Arts | 1,022,369 |
| Department of Revenue | 514,944,975 |
| Department of Transportation | 3,778,215 |
| Development Office | 0 |
| Division of Human Services | 1,612,986 |
| Division of Labor | 4,484,911 |
| Division of Natural Resources | 2,690,058 |
| Environmental Protection | 190,694,780 |
| Governor's Office | 983,172 |
| Insurance Commissioner | 945,326,522 |
| Lottery Commission | 214,391,570 |
| Municipal Bond Commission | 200,082,376 |
| Public Employees Insurance Agency | 324,279,870 |
| Regional Jail Authority | 25,921,686 |
| State Police | 345,094 |
| State Rail Authority | 1,918,686 |
| Treasurer's Office | 118,890,194 |
| Water Development Authority | 13,550,205 |
| Secretary of State | 329,770 |
| Economic Development Authority | 51,353,939 |
| Total Detail Fund 13 | <u>\$3,573,267,556</u> |

General Revenue Fund

Statement of Revenues by Source

FY 2005 Through FY 2011

(Expressed in Thousands)

| Source of Revenue | FY 2005 Actual Collections | FY 2006 Actual Collections | FY 2007 Actual Collections | FY 2008 Official Estimate | FY 2009 Estimate | FY 2010 Estimate | FY 2011 Estimate |
|---|----------------------------------|----------------------------------|----------------------------------|---------------------------------|---------------------|---------------------|---------------------|
| Business and Occupation Tax | \$182,461 | \$185,457 | \$180,748 | \$164,000 | \$159,400 | \$152,800 | \$149,600 |
| Consumers Sales Tax | 960,172 | 1,012,450 | 1,002,596 | 1,026,900 | 1,032,283 | 1,060,783 | 1,105,383 |
| Personal Income Tax | 1,170,087 | 1,297,720 | 1,360,511 | 1,408,600 | 1,490,600 | 1,552,600 | 1,648,600 |
| Liquor Profit Transfers | 11,044 | 11,509 | 13,211 | 13,000 | 14,000 | 14,300 | 14,800 |
| Racing Fees | 1,370 | 1,089 | 1,118 | 2,000 | 1,300 | 1,300 | 1,300 |
| Beer Barrel and Licenses | 8,333 | 8,548 | 8,434 | 8,650 | 8,650 | 8,650 | 8,700 |
| Cigarette Tax | 98,066 | 107,118 | 106,570 | 106,700 | 105,600 | 105,070 | 104,550 |
| Estate Tax | 4,797 | 592 | 199 | 0 | 0 | 0 | 0 |
| Business Registration Fees | 1,954 | 1,819 | 1,291 | 1,800 | 100 | 100 | 100 |
| Charter Tax | 6,690 | 5,361 | 6,918 | 6,700 | 100 | 0 | 0 |
| Use Tax | 102,950 | 113,315 | 126,935 | 130,500 | 131,500 | 136,600 | 142,100 |
| Property Transfer Tax | 12,171 | 13,658 | 12,249 | 13,000 | 13,800 | 14,000 | 13,500 |
| Property Tax | 4,282 | 4,591 | 4,794 | 5,000 | 5,300 | 5,500 | 5,600 |
| Insurance Tax | 97,712 | 95,655 | 97,576 | 106,200 | 104,500 | 107,800 | 111,100 |
| Departmental Collections | 13,071 | 13,834 | 14,702 | 14,000 | 16,300 | 16,600 | 17,000 |
| Corporate Income/Business Franchise Tax | 280,788 | 347,570 | 358,388 | 361,850 | 310,500 | 312,200 | 319,200 |
| Miscellaneous Receipts | 937 | 4,048 | 1,155 | 1,500 | 1,000 | 1,000 | 1,000 |
| Miscellaneous Transfers | 614 | 685 | 2,817 | 1,000 | 1,600 | 1,600 | 1,600 |
| Interest Income | 13,193 | 34,411 | 52,837 | 47,000 | 40,900 | 44,000 | 45,100 |
| Video Lottery Transfers | 1,020 | 830 | 1,091 | 0 | 0 | 0 | 0 |
| Severance Tax | 248,068 | 314,727 | 312,246 | 309,000 | 322,000 | 331,000 | 326,000 |
| Telecommunication Tax | 8,740 | (430) | (380) | 0 | 0 | 0 | 0 |
| Liquor License Renewal | 0 | 0 | 0 | 0 | 0 | 20,000 | 4,000 |
| Special Revenue Transfer | 40,756 | 0 | 0 | 0 | 0 | 0 | 0 |
| Smokeless Tobacco Tax | 4,759 | 4,909 | 4,823 | 5,100 | 5,400 | 5,500 | 5,600 |
| HB102 - Lottery Transfers | 226,991 | 77,900 | 77,900 | 77,900 | 127,900 | 127,900 | 127,900 |
| Senior Citizen Tax Credit Reimbursement | 3,804 | 4,036 | 3,992 | 8,600 | 10,000 | 10,000 | 10,000 |
| Total | \$3,504,830 | \$3,661,402 | \$3,752,721 | \$3,819,000 | \$3,902,733 | \$4,029,303 | \$4,162,733 |

General Revenue Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

| | | |
|---|------------------------|--------------------------------|
| Actual Cash Balance July 1, 2007 | | \$432,086,623 |
| Less: 31 Day Disbursements (July 1, 2007 - July 31, 2007) | | (38,241,088) |
| Accumulated Prior Year Reimbursements (July 1, 2007 - July 31, 2007) | | 19,254 |
| Prior Year Appropriations Forwarded | | <u>(287,138,213)</u> |
| Accumulated Surplus from FY 2007 @ July 31, 2007 | | 106,726,576 |
| Less: Transfer one-half to Revenue Shortfall Reserve Fund (Statutory) | | (53,363,288) |
| Less: Surplus Appropriations (2007 2nd Special Session) | | (33,262,016) |
| Plus: Accumulated Prior Year Reimbursements (August 1, 2007 - December 31, 2007) | | <u>348,083</u> |
| Unappropriated Surplus Balance @ December 31, 2007 | | 20,449,355 |
| Less: Recommended Surplus Supplemental Appropriations | | <u>(20,363,968)</u> |
| Unappropriated Surplus Balance from FY 2007 | | 85,387 |
| Plus: Revenue Estimate FY 2008 | 3,819,000,000 | |
| Less: Regular Appropriations FY 2008 | <u>(3,775,534,728)</u> | |
| Unappropriated Balance from FY 2008 | 43,465,272 | |
| Less: Recommended Supplemental Appropriations | (43,342,078) | |
| Unappropriated Balance from FY 2008 | | 123,194 |
| Plus: Revenue Estimate FY 2009 | 3,902,733,000 | |
| Less: Regular Appropriations FY 2009 | <u>(3,902,107,183)</u> | |
| Unappropriated Balance from FY 2009 | | <u>625,817</u> |
| Estimated Unappropriated Balance June 30, 2009 | | <u><u>\$834,398</u></u> |

General Revenue Fund

Overview by Functional Category

FY 2007 through FY 2009

(Nearest Dollar)

| DEPARTMENT/Agency | (Fund #) | Actual Expenditures FY 2007 | Total Appropriations FY 2008 * |
|--------------------------------------|----------|-----------------------------------|--------------------------------------|
| LEGISLATURE | | | |
| Senate | 0165 | \$5,037,687 | \$6,930,404 |
| House of Delegates | 0170 | 8,207,022 | 8,409,282 |
| Joint Expenses/Claims against State | 0175 | 10,123,017 | 25,763,437 |
| Subtotal | | 23,367,726 | 41,103,123 |
| JUDICIAL | | | |
| Supreme Court | 0180 | 94,952,018 | 105,693,482 |
| EXECUTIVE | | | |
| Office of the Governor | 0101 | 4,980,091 | 5,740,359 |
| Custodial Fund | 0102 | 610,024 | 588,733 |
| Civil Contingent Fund | 0105 | 3,609,405 | 4,000,000 |
| State Auditor's Office | 0116 | 3,606,949 | 3,730,769 |
| State Treasurer's Office | 0126 | 3,675,591 | 4,396,490 |
| Department of Agriculture | 0131 | 11,927,258 | 12,267,101 |
| State Conservation Committee | 0132 | 9,985,603 | 11,572,855 |
| Meat Inspection | 0135 | 646,614 | 659,917 |
| Agricultural Awards | 0136 | 58,650 | 58,650 |
| WV Agricultural Land Protection Auth | 0607 | 36,706 | 110,000 |
| Attorney General's Office | 0150 | 3,738,379 | 4,551,007 |
| Secretary of State | 0155 | 1,119,076 | 1,134,396 |
| State Election Commission | 0160 | 472 | 10,275 |
| Subtotal | | 43,994,818 | 48,820,552 |
| ADMINISTRATION | | | |
| Office of the Secretary | 0186 | 16,075,722 | 16,974,792 |
| Consolidated Public Retirement Board | 0195 | 230,566,818 | 0 |
| Public Employees Insurance Agency | 0200 | 5,300,000 | 0 |
| Division of Finance | 0203 | 1,197,001 | 1,175,665 |
| General Services Division | 0230 | 1,684,947 | 2,934,969 |
| Purchasing Division | 0210 | 1,019,452 | 1,516,344 |
| Comm on Uniform State Laws | 0214 | 31,712 | 40,000 |
| Grievance Board | 0220 | 838,187 | 1,255,161 |
| Ethics Commission | 0223 | 541,017 | 705,502 |
| Public Defender Services | 0226 | 31,991,026 | 31,592,972 |
| Comm Purchase f/Handicapped | 0233 | 7,281 | 5,046 |
| WV Prosecuting Attorneys Institute | 0557 | 250,288 | 226,692 |
| Childrens' Health Insurance Agency | 0588 | 10,966,703 | 10,968,995 |
| WV Retiree Health Benefit Trust Fund | 0611 | 0 | 39,674,000 |
| Real Estate Division | 0610 | 0 | 518,260 |
| Subtotal | | 300,470,154 | 107,588,398 |

| Plus: Reappropriated FY 2008 | Total Available FY 2008 | Total Request FY 2009 ** | Governor's Recommendations FY 2009 | Percentage of Total |
|------------------------------------|-------------------------------|--------------------------------|--|---------------------------|
| \$21,374,200 | \$28,304,604 | \$6,930,404 | \$6,930,404 | 0.18% |
| 5,659,759 | 14,069,041 | 8,809,282 | 8,809,282 | 0.23% |
| 32,281,445 | 58,044,882 | 26,486,393 | 19,815,000 | 0.51% |
| 59,315,404 | 100,418,527 | 42,226,079 | 35,554,686 | 0.91% |
| 4,321,286 | 110,014,768 | 114,649,628 | 114,649,628 | 2.94% |
| 3,297,896 | 9,038,255 | 5,731,359 | 5,645,529 | 0.14% |
| 2,855 | 591,588 | 638,733 | 645,411 | 0.02% |
| 26,878,076 | 30,878,076 | 4,000,000 | 4,000,000 | 0.10% |
| 0 | 3,730,769 | 3,730,769 | 3,819,213 | 0.10% |
| 136,245 | 4,532,735 | 3,996,490 | 4,075,850 | 0.10% |
| 1,038,253 | 13,305,354 | 12,715,752 | 11,731,820 | 0.30% |
| 4,349,478 | 15,922,333 | 11,572,855 | 11,661,186 | 0.30% |
| 0 | 659,917 | 659,917 | 682,428 | 0.02% |
| 0 | 58,650 | 110,000 | 58,650 | 0.00% |
| 0 | 110,000 | 110,000 | 110,000 | 0.00% |
| 320,308 | 4,871,315 | 5,344,607 | 4,994,117 | 0.13% |
| 384,294 | 1,518,690 | 1,659,396 | 1,668,042 | 0.04% |
| 0 | 10,275 | 10,275 | 10,275 | 0.00% |
| 36,407,405 | 85,227,957 | 50,280,153 | 49,102,521 | 1.26% |
| 118,174 | 17,092,966 | 16,774,792 | 20,814,942 | 0.53% |
| 198,868 | 198,868 | 0 | 0 | 0.00% |
| 1,400,000 | 1,400,000 | 0 | 0 | 0.00% |
| 324,433 | 1,500,098 | 1,175,665 | 1,127,994 | 0.03% |
| 0 | 2,934,969 | 2,934,969 | 2,975,266 | 0.08% |
| 0 | 1,516,344 | 1,495,977 | 1,476,165 | 0.04% |
| 0 | 40,000 | 45,000 | 45,000 | 0.00% |
| 0 | 1,255,161 | 975,161 | 995,240 | 0.03% |
| 0 | 705,502 | 705,502 | 715,918 | 0.02% |
| 2,447,832 | 34,040,804 | 36,642,972 | 35,145,432 | 0.90% |
| 0 | 5,046 | 5,046 | 5,046 | 0.00% |
| 15,137 | 241,829 | 242,059 | 245,003 | 0.01% |
| 0 | 10,968,995 | 10,968,995 | 10,971,280 | 0.28% |
| 0 | 39,674,000 | 39,674,000 | 60,115,000 | 1.54% |
| 0 | 518,260 | 518,260 | 526,286 | 0.01% |
| 4,504,444 | 112,092,842 | 112,158,398 | 135,158,572 | 3.46% |

General Revenue Fund
Overview by Functional Category
(Continued)

| DEPARTMENT/Agency | (Fund #) | Actual Expenditures FY 2007 | Total Appropriations FY 2008 * |
|---------------------------------------|----------|-----------------------------------|--------------------------------------|
| COMMERCE | | | |
| Office of the Secretary | 0606 | 333,875 | 1,481,680 |
| Tourism | 0246 | 509,646 | 500,000 |
| Forestry | 0250 | 3,479,226 | 4,582,698 |
| Geological & Economic Survey | 0253 | 3,445,745 | 3,610,664 |
| Development Office | 0256 | 23,292,740 | 27,589,906 |
| Division of Labor | 0260 | 2,980,803 | 3,342,615 |
| Division of Natural Resources | 0265 | 13,645,296 | 12,995,957 |
| Miners' Health, Safety & Training | 0277 | 6,544,015 | 10,257,701 |
| Board of Coal Mine Health & Safety | 0280 | 148,289 | 178,656 |
| Mine Safety & Technical Review | 0285 | 88,352 | 88,352 |
| WORKFORCE West Virginia | 0572 | 0 | 0 |
| Division of Energy | 0612 | 0 | 306,000 |
| Subtotal | | 54,467,987 | 64,934,229 |
| EDUCATION | | | |
| School Lunch Program | 0303 | 2,296,455 | 2,407,037 |
| FFA-FHA Camp & Conference Center | 0306 | 2,980,003 | 1,053,273 |
| State Department of Education | 0313 | 36,101,964 | 53,793,814 |
| Aid for Exceptional Children | 0314 | 23,680,616 | 25,401,058 |
| State Aid to Schools | 0317 | 1,615,004,677 | 1,674,567,849 |
| State Board of Ed-Vocational Division | 0390 | 23,721,301 | 24,755,413 |
| Educational Performance Audits | 0573 | 610,387 | 702,484 |
| WV Schools for the Deaf & the Blind | 0320 | 12,127,902 | 12,639,944 |
| Subtotal | | 1,716,523,305 | 1,795,320,872 |
| EDUCATION AND THE ARTS | | | |
| Office of the Secretary | 0294 | 4,309,903 | 5,968,847 |
| Culture and History | 0293 | 4,927,855 | 14,941,965 |
| Library Commission | 0296 | 1,752,326 | 1,818,499 |
| Educational Broadcasting Authority | 0300 | 5,460,842 | 5,762,748 |
| Division of Rehabilitation Services | 0310 | 12,969,386 | 13,244,875 |
| Subtotal | | 29,420,312 | 41,736,934 |
| ENVIRONMENTAL PROTECTION | | | |
| Environmental Quality Board | 0270 | 131,613 | 140,256 |
| Environmental Protection | 0273 | 6,796,418 | 7,409,623 |
| Air Quality Board | 0550 | 85,098 | 98,211 |
| Subtotal | | 7,013,129 | 7,648,090 |

| Plus: Reappropriated FY 2008 | Total Available FY 2008 | Total Request FY 2009 ** | Governor's Recommendations FY 2009 | Percentage of Total |
|------------------------------------|-------------------------------|--------------------------------|--|---------------------------|
| 0 | 1,481,680 | 409,680 | 474,626 | 0.01% |
| 1,974,348 | 2,474,348 | 0 | 0 | 0.00% |
| 0 | 4,582,698 | 4,982,698 | 4,635,621 | 0.12% |
| 406,930 | 4,017,594 | 3,610,664 | 3,642,389 | 0.09% |
| 30,276,924 | 57,866,830 | 25,111,906 | 30,070,948 | 0.77% |
| 0 | 3,342,615 | 4,233,740 | 3,646,933 | 0.09% |
| 173,069 | 13,169,026 | 19,072,506 | 22,684,356 | 0.58% |
| 214,143 | 10,471,844 | 12,100,451 | 10,624,755 | 0.27% |
| 0 | 178,656 | 178,656 | 179,839 | 0.00% |
| 0 | 88,352 | 88,352 | 88,352 | 0.00% |
| 0 | 0 | 5,990,000 | 0 | 0.00% |
| 0 | 306,000 | 306,000 | 308,821 | 0.01% |
| 33,045,414 | 97,979,643 | 76,084,653 | 76,356,640 | 1.96% |
| 0 | 2,407,037 | 2,515,418 | 2,873,439 | 0.07% |
| 0 | 1,053,273 | 1,062,290 | 1,052,040 | 0.03% |
| 3,681,775 | 57,475,589 | 64,616,566 | 51,542,157 | 1.32% |
| 1,211,732 | 26,612,790 | 27,836,288 | 27,788,754 | 0.71% |
| 0 | 1,674,567,849 | 1,666,308,250 | 1,722,922,043 | 44.15% |
| 0 | 24,755,413 | 27,449,654 | 25,779,696 | 0.66% |
| 0 | 702,484 | 715,682 | 730,354 | 0.02% |
| 0 | 12,639,944 | 12,800,139 | 13,023,908 | 0.33% |
| 4,893,507 | 1,800,214,379 | 1,803,304,287 | 1,845,712,391 | 47.30% |
| 2,099,917 | 8,068,764 | 5,968,847 | 5,983,412 | 0.15% |
| 1,605,967 | 16,547,932 | 6,907,074 | 5,150,546 | 0.13% |
| 0 | 1,818,499 | 1,818,499 | 1,845,094 | 0.05% |
| 237,052 | 5,999,800 | 5,900,248 | 5,854,794 | 0.15% |
| 627,146 | 13,872,021 | 14,420,875 | 13,762,656 | 0.35% |
| 4,570,082 | 46,307,016 | 35,015,543 | 32,596,502 | 0.84% |
| 0 | 140,256 | 140,256 | 141,514 | 0.00% |
| 0 | 7,409,623 | 15,409,623 | 7,541,342 | 0.19% |
| 0 | 98,211 | 98,211 | 99,324 | 0.00% |
| 0 | 7,648,090 | 15,648,090 | 7,782,180 | 0.20% |

General Revenue Fund
Overview by Functional Category
(Continued)

| DEPARTMENT/Agency | (Fund #) | Actual Expenditures FY 2007 | Total Appropriations FY 2008 * |
|---|----------|-----------------------------------|--------------------------------------|
| HEALTH AND HUMAN RESOURCES | | | |
| Office of the Secretary | 0400 | 525,272 | 813,716 |
| Division of Health-Central Office | 0407 | 59,310,153 | 72,438,891 |
| Consolidated Medical Service Fund | 0525 | 102,153,326 | 137,420,807 |
| WV Drinking Water Treatment | 0561 | 700,000 | 700,000 |
| Human Rights Commission | 0416 | 1,191,372 | 1,242,271 |
| Human Services | 0403 | 614,236,908 | 632,778,148 |
| Subtotal | | 778,117,031 | 845,393,833 |
| MILITARY AFFAIRS & PUBLIC SAFETY | | | |
| Office of the Secretary | 0430 | 831,995 | 11,505,217 |
| Adjutant General - State Militia | 0433 | 19,960,837 | 20,157,546 |
| Adjutant General - Military Fund | 0605 | 48,461 | 200,000 |
| Parole Board | 0440 | 772,588 | 1,042,755 |
| Homeland Security Emergency Mgmt | 0443 | 3,429,607 | 3,654,438 |
| Corrections Central Office | 0446 | 654,030 | 617,821 |
| Correctional Units | 0450 | 152,053,788 | 144,807,452 |
| WV State Police | 0453 | 67,462,030 | 78,920,060 |
| Veterans' Affairs | 0456 | 5,979,498 | 7,813,906 |
| Veterans' Home | 0460 | 1,046,950 | 1,104,937 |
| Fire Commission | 0436 | 84,500 | 86,029 |
| Criminal Justice Services | 0546 | 1,585,239 | 2,017,774 |
| Juvenile Services | 0570 | 31,454,618 | 34,530,788 |
| Protective Services Division | 0585 | 1,462,999 | 1,920,784 |
| Subtotal | | 286,827,140 | 308,379,507 |
| REVENUE | | | |
| Office of the Secretary | 0465 | 3,918,006 | 852,292 |
| Tax Division | 0470 | 30,354,065 | 26,224,883 |
| State Budget Office | 0595 | 896,802 | 1,373,787 |
| Athletic Commission | 0523 | 9,999 | 89,500 |
| Office of Tax Appeals | 0593 | 670,856 | 669,738 |
| Subtotal | | 35,849,728 | 29,210,200 |
| TRANSPORTATION | | | |
| State Rail Authority | 0506 | 3,176,422 | 2,864,430 |
| Public Transit | 0510 | 2,089,994 | 3,023,342 |
| Public Port Authority | 0581 | 330,457 | 438,205 |
| Aeronautics Commission | 0582 | 1,181,332 | 1,475,326 |
| Subtotal | | 6,778,205 | 7,801,303 |

| Plus: Reappropriated FY 2008 | Total Available FY 2008 | Total Request FY 2009 ** | Governor's Recommendations FY 2009 | Percentage of Total |
|------------------------------------|-------------------------------|--------------------------------|--|---------------------------|
| 46,705 | 860,421 | 650,974 | 623,539 | 0.02% |
| 3,871,380 | 76,310,271 | 75,203,319 | 75,261,140 | 1.93% |
| 42,446,843 | 179,867,650 | 149,006,028 | 145,021,355 | 3.72% |
| 0 | 700,000 | 700,000 | 700,000 | 0.02% |
| 0 | 1,242,271 | 1,298,625 | 1,261,998 | 0.03% |
| 334,419 | 633,112,567 | 637,375,700 | 636,200,511 | 16.30% |
| 46,699,347 | 892,093,180 | 864,234,646 | 859,068,543 | 22.02% |
| 10,352,477 | 21,857,694 | 1,355,217 | 1,377,610 | 0.04% |
| 20,363,974 | 40,521,520 | 20,157,546 | 19,943,445 | 0.51% |
| 0 | 200,000 | 200,000 | 200,000 | 0.01% |
| 0 | 1,042,755 | 1,143,751 | 1,095,268 | 0.03% |
| 1,973,822 | 5,628,260 | 3,565,381 | 3,532,454 | 0.09% |
| 674,608 | 1,292,429 | 617,821 | 638,021 | 0.02% |
| 7,468,672 | 152,276,124 | 163,469,664 | 151,281,202 | 3.88% |
| 1,816,243 | 80,736,303 | 77,195,452 | 76,655,902 | 1.96% |
| 0 | 7,813,906 | 8,931,915 | 8,943,301 | 0.23% |
| 3,800,376 | 4,905,313 | 1,154,937 | 1,181,073 | 0.03% |
| 0 | 86,029 | 86,029 | 87,381 | 0.00% |
| 75,586 | 2,093,360 | 2,097,774 | 2,107,128 | 0.05% |
| 4,510,063 | 39,040,851 | 37,781,488 | 39,062,168 | 1.00% |
| 2,730,093 | 4,650,877 | 2,370,834 | 2,404,587 | 0.06% |
| 53,765,914 | 362,145,421 | 320,127,809 | 308,509,540 | 7.91% |
| 3,458,463 | 4,310,755 | 852,292 | 875,228 | 0.02% |
| 22,160,937 | 48,385,820 | 27,315,883 | 27,766,481 | 0.71% |
| 771,956 | 2,145,743 | 1,373,787 | 1,189,571 | 0.03% |
| 0 | 89,500 | 89,500 | 89,500 | 0.00% |
| 173,099 | 842,837 | 669,738 | 683,979 | 0.02% |
| 26,564,455 | 55,774,655 | 30,301,200 | 30,604,759 | 0.78% |
| 0 | 2,864,430 | 2,816,381 | 2,820,950 | 0.07% |
| 2,641,284 | 5,664,626 | 3,023,342 | 3,023,342 | 0.08% |
| 1,047,417 | 1,485,622 | 438,205 | 443,055 | 0.01% |
| 1,808,583 | 3,283,909 | 1,475,326 | 1,480,138 | 0.04% |
| 5,497,284 | 13,298,587 | 7,753,254 | 7,767,485 | 0.20% |

General Revenue Fund
Overview by Functional Category
(Continued)

| DEPARTMENT/Agency | (Fund #) | Actual Expenditures FY 2007 | Total Appropriations FY 2008 * |
|---|----------|-----------------------------------|--------------------------------------|
| SENIOR SERVICES | | | |
| Bureau of Senior Services | 0420 | 0 | 500,000 |
| HIGHER EDUCATION | | | |
| HEPC-Administration | 0589 | 24,691,016 | 56,482,201 |
| HEPC-System | 0586 | 256,504,252 | 281,412,442 |
| HEPC-Legislative Funding Priorities | 0591 | 197,901 | 0 |
| Council for C&T College Education | 0596 | 54,965,028 | 66,771,578 |
| Subtotal | | 336,358,197 | 404,666,221 |
| MISCELLANEOUS BOARDS & COMMISSIONS | | | |
| National Coal Heritage Area Authority | | 0 | 0 |
| Coal Heritage Highway Authority | | 0 | 0 |
| Subtotal | | 0 | 0 |
| TOTAL GENERAL REVENUE | | \$3,714,139,750 | \$3,808,796,744 |

* Total Appropriations FY 2008 includes surplus appropriations of \$33,262,016.

** Total Request FY 2009 is Current-Level Request plus General Revenue Improvement Requests.

| Plus: Reappropriated FY 2008 | Total Available FY 2008 | Total Request FY 2009 ** | Governor's Recommendations FY 2009 | Percentage of Total |
|---|--|---|---|------------------------------------|
| 0 | 500,000 | 0 | 0 | 0.00% |
| 1,006,295 | 57,488,496 | 68,858,201 | 48,575,746 | 1.24% |
| 4,147,343 | 285,559,785 | 312,941,418 | 289,064,392 | 7.41% |
| 108,911 | 108,911 | 0 | 0 | 0.00% |
| 2,291,122 | 69,062,700 | 89,750,946 | 61,603,598 | 1.58% |
| 7,553,671 | 412,219,892 | 471,550,565 | 399,243,736 | 10.23% |
| 0 | 0 | 200,000 | 0 | 0.00% |
| 0 | 0 | 200,000 | 0 | 0.00% |
| 0 | 0 | 400,000 | 0 | 0.00% |
| \$287,138,213 | \$4,095,934,957 | \$3,943,734,305 | \$3,902,107,183 | 100.00% |

**General Revenue Fund
Recommended Supplemental Appropriations
Fiscal Year 2008
(Nearest Dollar)**

| | |
|---|----------------------------|
| Conservation - Elkwater Fork Watershed | \$400,000 |
| Conservation - 4 projects | 4,850,000 |
| Administration - Teachers' Retirement System - Savings Realized | 1,602,000 |
| WORKFORCE - Workforce Investment Board audits | 674,392 |
| Public Education - Teacher Shortage/Critical Needs/Disproportionate Share | 20,000,000 |
| Human Services - Capital Maintenance and Repairs to Diamond Building | 500,000 |
| Human Services - RAPIDS contract upgrades | 875,000 |
| MAPS Secretary - Law Enforcement Worker Funeral Fund | 25,000 |
| Corrections - Payments to Regional Jails for FY 2008 and FY 2009 | <u>14,415,686</u> |
| | <u><u>\$43,342,078</u></u> |

**General Revenue Fund
Recommended Surplus Supplemental Appropriations
Fiscal Year 2008
(Nearest Dollar) From 2007 Surplus**

| | |
|--|----------------------------|
| Public Defender - Appointed Counsel Backlog | \$6,000,000 |
| Public Education - PEIA FY 2008 Underfunded | 5,744,475 |
| Public Education - Hampshire Co. Loss of Local Excess Levy | 499,823 |
| Culture and History - GIS project to convert maps to Internet accessible format | 200,000 |
| EBA - WSWP Transmitter Local Match | 335,125 |
| EBA - Match for radio Licenses for three areas | 137,500 |
| Rehabilitation - Community Based Service Development to start up programs in the communities | 450,000 |
| DHHR - Women's Commission - add one FTE | 50,000 |
| DHHR - Laboratory Services | 180,694 |
| DHHR - Chief Medical Examiner | 353,220 |
| DHHR - LiHEAP | 5,000,000 |
| Veterans Affairs - Veterans nursing home staffing | 1,194,131 |
| Veterans Affairs - Van Purchases | 100,000 |
| Higher Education - REMI | <u>119,000</u> |
| | <u><u>\$20,363,968</u></u> |

Lottery Fund **Statement of Revenues, Expenditures,** **and Changes in Cash Balance** **(Expressed in Thousands)**

| | | | |
|-------|---|----------------|-------------------|
| | Surplus Balance July 1, 2007 | | \$54,300 |
| Less: | Reserve for Cash Flow/Contingencies | | <u>(40,000)</u> |
| | Unappropriated Surplus Balance | | 14,300 |
| Plus: | Revised Revenue Estimate FY 2008 | | 169,900 |
| Less: | Regular Appropriations FY 2008 | | <u>(169,900)</u> |
| | Estimated Unappropriated Balance | | 14,300 |
| Less: | Recommended Supplemental Appropriations - FY 2008 | | |
| | DNR - Capital Improvements | (6,300) | |
| | Higher Education Policy Commission - Capital Projects | (8,000) | <u>(14,300)</u> |
| | Estimated Balance - June 30, 2008 | | 0 |
| Plus: | Revenue Estimate FY 2009 | | 170,100 |
| Less: | Appropriations FY 2009 | | |
| | Building Commission | (10,000) | |
| | School Bldg Authority | (18,000) | |
| | Bureau of Senior Services | (58,815) | |
| | Department of Education - Public Education | (30,966) | |
| | Library Commission | (10,153) | |
| | Higher Education- Policy Commission | (24,135) | |
| | Division of Tourism | (7,957) | |
| | Division of Natural Resources | (3,489) | |
| | Division of Culture & History | (5,132) | |
| | Department of Education and Arts | <u>(1,453)</u> | <u>(170,100)</u> |
| | Estimated Balance - June 30, 2009 | | <u><u>\$0</u></u> |

Lottery Fund **Overview by Functional Category** **FY 2007 through FY 2009** **(Nearest Dollar)**

| DEPARTMENT/Agency | (Fund #) | Actual Expenditures FY 2007 | Total Appropriations FY 2008 |
|--------------------------------------|----------|-----------------------------------|------------------------------------|
| ADMINISTRATION | | | |
| Education, Arts, Sciences, & Tourism | | | |
| Debt Service Fund | 2252 | \$9,998,463 | \$10,000,000 |
| Subtotal | | 9,998,463 | 10,000,000 |
| COMMERCE | | | |
| Division of Tourism | 3067 | 8,087,368 | 7,942,683 |
| Division of Natural Resources | 3267 | 3,431,547 | 3,436,464 |
| Subtotal | | 11,518,915 | 11,379,147 |
| EDUCATION | | | |
| State Department of Education** | 3951 | 51,426,918 | 34,908,239 |
| School Building Authority | 3963 | 17,999,618 | 18,000,000 |
| Subtotal | | 69,426,536 | 52,908,239 |
| EDUCATION AND THE ARTS | | | |
| Office of the Secretary | 3508 | 1,241,939 | 1,426,798 |
| Culture and History | 3534 | 5,908,333 | 5,525,685 |
| Library Commission | 3559 | 10,521,860 | 10,538,177 |
| Educational Broadcasting Authority | 3587 | 142,469 | 0 |
| Subtotal | | 17,814,601 | 17,490,660 |
| SENIOR SERVICES | | | |
| Bureau of Senior Services | 5405 | 41,003,007 | 58,810,916 |
| HIGHER EDUCATION | | | |
| Higher Education Policy Commission | 4925 | 43,140,105 | 19,351,146 |
| Subtotal | | 43,140,105 | 19,351,146 |
| TOTAL LOTTERY | | \$192,901,627 | \$169,940,108 |

* Total Request FY 2009 is Current-Level Request plus Improvement Requests.

** Actual includes transfer to Teachers Retirement System of \$22,030,170.96.

| Plus: Reappropriated FY 2008 | Total Available FY 2008 | Total Request FY 2009 * | Governor's Recommendations FY 2009 | Percentage of Total |
|------------------------------------|-----------------------------------|-----------------------------------|--|---------------------------|
| \$0 0 | \$10,000,000 10,000,000 | \$10,000,000 10,000,000 | \$10,000,000 10,000,000 | 5.88% 5.88% |
| 5,262,842 | 13,205,525 | 9,942,683 | 7,956,473 | 4.68% |
| 14,005,601 | 17,442,065 | 19,083,464 | 3,489,311 | 2.05% |
| 19,268,443 | 30,647,590 | 29,026,147 | 11,445,784 | 6.73% |
| 10,350,975 | 45,259,214 | 73,312,224 | 30,965,948 | 18.20% |
| 0 | 18,000,000 | 18,000,000 | 18,000,000 | 10.58% |
| 10,350,975 | 63,259,214 | 91,312,224 | 48,965,948 | 28.79% |
| 468,344 | 1,895,142 | 1,426,798 | 1,453,130 | 0.85% |
| 5,249,549 | 10,775,234 | 6,263,345 | 5,132,346 | 3.02% |
| 0 | 10,538,177 | 10,538,177 | 10,153,284 | 5.97% |
| 0 | 0 | 0 | 0 | 0.00% |
| 5,717,893 | 23,208,553 | 18,228,320 | 16,738,760 | 9.84% |
| 2,363,334 | 61,174,250 | 60,310,916 | 58,814,643 | 34.58% |
| 3,359,460 | 22,710,606 | 28,351,146 | 24,134,865 | 14.19% |
| 3,359,460 | 22,710,606 | 28,351,146 | 24,134,865 | 14.19% |
| \$41,060,105 | \$211,000,213 | \$237,228,753 | \$170,100,000 | 100.00% |

Excess Lottery Fund
Statement of Revenues, Expenditures,
and Changes in Cash Balance
(Expressed in Thousands)

| | | | |
|-------|--|----------|---------------------|
| | Surplus Balance July 1, 2007 | | \$125,200 |
| Less: | Surplus Appropriation - FY 2008(Transferred) | (2,000) | |
| | Reserve for Cash Flow/Contingencies | (2,900) | (4,900) |
| | Unappropriated Surplus Balance | | 120,300 |
| Plus: | Revised Revenue Estimate FY 2008 | | 351,500 |
| Less: | Regular Appropriations FY 2008 | | (226,500) |
| | Catastrophic Event | | (30,000) |
| | Estimated Unappropriated Balance | | 215,300 |
| Less: | Recommended Supplemental Appropriation - FY 2008 | | (215,155) |
| | Estimated Balance - June 30, 2008 | | 145 |
| Plus: | Revenue Estimate FY 2009 | | 360,700 |
| Less: | Catastrophic Event | | (30,000) |
| Less: | Appropriations FY 2009 | | |
| | Economic Development Fund | (19,000) | |
| | Higher Education Improvement Fund | (10,000) | |
| | Refundable Credit | (10,000) | |
| | Education Improvement | (27,000) | |
| | General Purpose | (65,000) | |
| | School Bldg Authority | (19,000) | |
| | West Virginia Infrastructure Council | (40,000) | |
| | State Park Improvement Fund | (5,000) | |
| | Excess Lottery Surplus (General) | (62,900) | |
| | General Services | (14,500) | |
| | Division of Natural Resources | (3,700) | |
| | OPEB | (54,600) | (330,700) |
| | Estimated Balance - June 30, 2009 | | <u><u>\$145</u></u> |

Excess Lottery Fund

Recommended Supplemental Appropriations

Fiscal Year 2008

(Nearest Dollar)

| | |
|---|----------------------|
| Secretary Administration - ERP | \$60,000,000 |
| General Services - Building 3 and other Capitol Complex renovations (part funded in FY 2009 Excess Lottery) | 11,500,000 |
| General Services - Emergency capital maintenance funding | 20,000,000 |
| Development Office - MATRIC | 2,000,000 |
| Development Office - Recreational or Economic Development Loans | 1,000,000 |
| Development Office - Small Business Linked Deposits | 4,000,000 |
| Culture and History - Independence Hall Renovations | 1,000,000 |
| DEP - Underground Storage Tank Reclamation | 4,000,000 |
| Health - Capital Outlay & Maintenance of Lab | 2,000,000 |
| Secretary MAPS - Interoperable Radio | 10,000,000 |
| Corrections - Mt. Olive Electrical Upgrade | 2,000,000 |
| Corrections - Purchase property/Equip Lakin expansion | 1,500,000 |
| Higher Education - Research Investment | 50,000,000 |
| Community and Technical Colleges - Bucks for Jobs (job training specialties centers) | 30,000,000 |
| Higher Education - Energy Savings Loan Program | 7,000,000 |
| Community and Technical Colleges - Allied Health Program Expansion | 7,154,898 |
| Higher Education - College Foundation of West Virginia to create single source of information for preparing for and financing college education (funding for 5 years) | 2,000,000 |
| | <u>\$215,154,898</u> |

Excess Lottery Fund

Overview by Functional Category

FY 2007 through FY 2009

(Nearest Dollar)

| DEPARTMENT/Agency | (Fund #) | Actual Expenditures FY 2007 | Total Appropriations FY 2008 * |
|--|----------|-----------------------------------|--------------------------------------|
| STATUTORY APPROPRIATIONS: | | | |
| DEBT SERVICE | | | |
| Economic Development Authority | 9065 | \$19,000,000 | \$19,000,000 |
| Higher Education Improvement Fund | 4297 | 10,000,000 | 10,000,000 |
| Subtotal | | 29,000,000 | 29,000,000 |
| CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects) | | | |
| Division of Natural Resources | 3277 | 5,294,268 | 5,000,000 |
| School Building Authority | 3514 | 17,706,304 | 19,000,000 |
| Infrastructure Council | 3390 | 40,000,000 | 40,000,000 |
| Subtotal | | 63,000,572 | 64,000,000 |
| TRANSFERS | | | |
| Refundable Credit | 7207 | 3,991,548 | 8,600,000 |
| General Revenue | 7206 | 65,000,000 | 65,000,000 |
| Subtotal | | 68,991,548 | 73,600,000 |
| HIGHER EDUCATION | | | |
| PROMISE Scholarship | 4295 | 27,000,000 | 27,000,000 |
| Subtotal | | 27,000,000 | 27,000,000 |
| TOTAL STATUTORY APPROPRIATIONS: | | 187,992,120 | 193,600,000 |
| APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS: | | | |
| Joint Expenses (TRAFFIC) | 1736 | 0 | 0 |
| Office of the Governor | 1046 | 15,500 | 0 |
| Transfer to General Revenue | 7208 | 12,900,000 | 12,900,000 |
| Transfer to Teachers' Retirement Fund | 7208 | 130,285,348 | 0 |
| Transfer to General Services | 7208 | 0 | 20,000,000 |
| Transfer to State Parks | 7208 | 0 | 0 |
| Transfer to Retiree Health Benefits (OPEB) | 7208 | 0 | 0 |
| Office of Technology | 2532 | 383,852 | 2,000,000 |
| WV Development Office | 3170 | 0 | 0 |
| Chief Medical Examiners-Capital | 5219 | 142,549 | 0 |
| State Police-Helicopter Purchase | 6394 | 1,408,021 | 0 |
| Tax Division-Remittance Processor | 7082 | 56,214 | 0 |
| TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS: | | 145,191,484 | 34,900,000 |
| GRAND TOTAL | | \$333,183,604 | \$228,500,000 |

* Total Appropriations FY 2008 include \$2,000,000 in Surplus Appropriations.

** Total Request FY 2009 is Current-Level Request plus Improvement Requests.

| Plus: Reappropriated FY 2008 | Total Available FY 2008 | Total Request FY 2009 ** | Governor's Recommendations FY 2009 | Percentage of Total |
|------------------------------------|-------------------------------|--------------------------------|--|---------------------------|
| \$0 | \$19,000,000 | \$19,000,000 | \$19,000,000 | 5.75% |
| 0 | 10,000,000 | 10,000,000 | 10,000,000 | 3.02% |
| 0 | 29,000,000 | 29,000,000 | 29,000,000 | 8.77% |
| 9,254,723 | 14,254,723 | 5,000,000 | 5,000,000 | 1.51% |
| 0 | 19,000,000 | 19,000,000 | 19,000,000 | 5.75% |
| 0 | 40,000,000 | 40,000,000 | 40,000,000 | 12.10% |
| 9,254,723 | 73,254,723 | 64,000,000 | 64,000,000 | 19.35% |
| 0 | 8,600,000 | 8,600,000 | 10,000,000 | 3.02% |
| 0 | 65,000,000 | 65,000,000 | 65,000,000 | 19.66% |
| 0 | 73,600,000 | 73,600,000 | 75,000,000 | 22.68% |
| 0 | 27,000,000 | 27,000,000 | 27,000,000 | 8.16% |
| 0 | 27,000,000 | 27,000,000 | 27,000,000 | 8.16% |
| 9,254,723 | 202,854,723 | 193,600,000 | 195,000,000 | 58.97% |
| 20,000,000 | 20,000,000 | 0 | 0 | 0.00% |
| 163,349 | 163,349 | 0 | 0 | 0.00% |
| 0 | 12,900,000 | 12,900,000 | 62,900,000 | 19.02% |
| 0 | 0 | 0 | 0 | 0.00% |
| 0 | 20,000,000 | 0 | 14,500,000 | 4.38% |
| 0 | 0 | 0 | 3,700,000 | 1.12% |
| 0 | 0 | 0 | 54,600,000 | 16.51% |
| 1,473,448 | 3,473,448 | 2,000,000 | 0 | 0.00% |
| 50,000 | 50,000 | 0 | 0 | 0.00% |
| 50,759 | 50,759 | 0 | 0 | 0.00% |
| 0 | 0 | 0 | 0 | 0.00% |
| 85,173 | 85,173 | 0 | 0 | 0.00% |
| 21,822,729 | 56,722,729 | 14,900,000 | 135,700,000 | 41.03% |
| \$31,077,452 | \$259,577,452 | \$208,500,000 | \$330,700,000 | 100.00% |

State Road Fund

Statement of Revenues by Source

(Expressed in Thousands)

| Source of Revenue | FY 2005 Actual Collections | FY 2006 Actual Collections | FY 2007 Actual Collections | FY 2008 Official Estimate | FY 2009 Estimate | FY 2010 Estimate | FY 2011 Estimate |
|-----------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|---------------------|---------------------|---------------------|
| Gasoline and Motor Carrier | | | | | | | |
| Road Tax | \$311,625 | \$320,757 | \$349,172 | \$405,800 | \$380,000 | \$375,000 | \$375,000 |
| Registration Fees | 88,074 | 86,976 | 87,058 | 88,835 | 90,003 | 89,910 | 93,017 |
| Registration Fee: | | | | | | | |
| Highway Litter Control | 1,856 | 1,692 | 1,549 | 1,681 | 1,699 | 1,699 | 1,745 |
| Privilege Tax | 176,495 | 171,479 | 173,306 | 167,999 | 166,413 | 166,307 | 166,200 |
| Less Transfer to Industrial | | | | | | | |
| Access Road Fund | (2,424) | (3,005) | (3,034) | (3,000) | (3,000) | (3,000) | (3,000) |
| Miscellaneous Income | 13,212 | 24,569 | 12,623 | 16,151 | 22,170 | 21,292 | 19,416 |
| Federal Reimbursement: | | | | | | | |
| Interstate Construction | 59,047 | 58,447 | 49,027 | 91,056 | 72,700 | 72,700 | 72,700 |
| Other Federal Aid Programs | 245,376 | 236,998 | 246,360 | 290,379 | 266,500 | 266,500 | 266,500 |
| Appalachian Program | 108,766 | 97,375 | 94,257 | 120,108 | 128,200 | 112,200 | 112,200 |
| Total | <u>\$1,002,027</u> | <u>\$995,288</u> | <u>\$1,010,318</u> | <u>\$1,179,009</u> | <u>\$1,124,685</u> | <u>\$1,102,608</u> | <u>\$1,103,778</u> |

State Road Fund

Statement of Revenues, Expenditures, and Changes in Cash Liquidity

(Nearest Dollar)

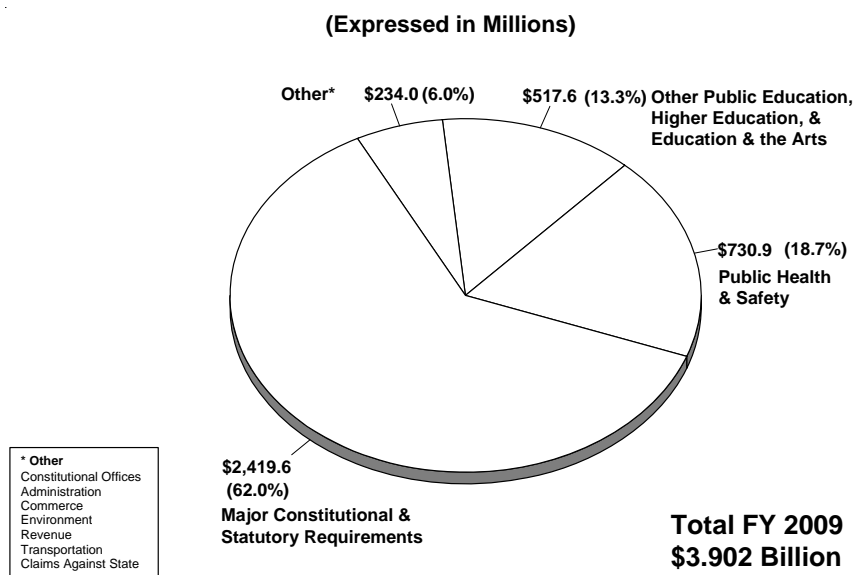
| | | | |
|-------|--|----------------|-----------------------------|
| | Cash and Investment Balance - July 1, 2007 | | \$165,479,520 |
| Plus: | Revenue Estimate - FY 2008 | | <u>1,179,009,000</u> |
| | Total Estimated Receipts and Balance | | \$1,344,488,520 |
| Less: | Regular Division of Highways Appropriations FY 2008 | 1,077,466,584 | |
| | Highways Supplemental Appropriation FY 2008 | 82,728,000 | |
| | Regular Division of Motor Vehicles Appropriation FY 2008 | 34,482,032 | |
| | Claims Against the State Road Fund | <u>634,324</u> | <u>(1,195,310,940)</u> |
| | Estimated Balance - June 30, 2008 | | \$149,177,580 |
| Plus: | Revenue Estimate - FY 2009 | | <u>1,124,685,094</u> |
| | Estimated Balance | | \$1,273,862,674 |
| Less: | Recommended Division of Highways Appropriation FY 2009 | 1,120,191,000 | |
| | Recommended Division of Motor Vehicles Appropriation FY 2009 | 34,778,043 | |
| | Recommended Claims Against the State Road Fund FY 2009 | <u>800,000</u> | <u>(1,155,769,043)</u> |
| | Estimated Cash and Investments Balance - June 30, 2009 | | <u><u>\$118,093,631</u></u> |

General Revenue Major Constitutional and Statutory Requirements Fiscal Year 2009

Each year there are several major constitutional or statutory requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2009 Executive Budget recommendations includes expenditures of over \$2.42 billion of these major requirements and makes up over 62.0% of the total General Revenue funds available.

Items that fall in the discretionary spending category in funding levels but are still 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 | | \$35.6 |
| JUDICIAL BRANCH | | 108.6 |
| DEPARTMENT OF EDUCATION | | |
| State Aid to Schools | 1,157.5 | |
| Public Employees Insurance Agency | 202.5 | 1,360.0 |
| DEBT SERVICE | | |
| School Building Authority | 23.3 | |
| Lease Rental Payments for debt service on correctional facilities | 16.0 | 39.3 |
| SOCIAL SECURITY MATCHING | | 37.0 |
| RETIREMENT | | |
| Judges' Retirement | 6.0 | |
| Public Employees Retirement | 52.1 | |
| Teachers' Retirement | 339.5 | |
| Trooper Retirement | 5.3 | 402.9 |
| PUBLIC DEFENDER SERVICES | | 35.0 |
| MEDICAID | | 401.2 |
| Total | | \$2,419.6 |



Summary of Primary Government Long-Term Debt Outstanding at June 30, 2005 through 2009 (Expressed in Thousands)

| | 6/30/05 | 6/30/06 | 6/30/07 | Estimated 6/30/08 | Estimated 6/30/09 |
|---|--------------------|--------------------|--------------------|----------------------|----------------------|
| General Obligation Debt | | | | | |
| Road Bonds | \$467,915 | \$447,995 | \$429,845 | \$401,190 | \$371,105 |
| Infrastructure Bonds | 273,014 | 294,903 | 286,177 | 277,949 | 269,272 |
| SUBTOTAL | 740,929 | 742,898 | 716,022 | 679,139 | 640,377 |
| Revenue Bonds | | | | | |
| School Building Authority | 250,160 | 241,920 | 226,740 | 215,675 | 214,125 |
| School Building Authority (Lottery) | 135,805 | 124,015 | 111,700 | 99,040 | 85,650 |
| Tobacco Settlement Finance Authority | 0 | 0 | 1,176,828 | 1,156,088 | 1,132,758 |
| Highways, Commissioner of | 0 | 0 | 109,160 | 98,875 | 88,325 |
| EAST Fund (Lottery) | 48,830 | 41,455 | 33,675 | 25,465 | 16,805 |
| Economic Development Authority (Lottery) | 236,005 | 228,840 | 221,565 | 214,125 | 206,480 |
| WV Infrastructure and Jobs Development Council | 88,710 | 89,020 | 126,140 | 124,530 | 122,875 |
| Education | 2,129 | 2,069 | 0 | 0 | 0 |
| SUBTOTAL | 761,639 | 727,319 | 2,005,808 | 1,933,798 | 1,867,018 |
| Capital Leases | | | | | |
| Governmental Funds | 343,779 | 345,386 | 331,779 | 318,805 | 305,383 |
| Internal Service | 10,558 | 8,614 | 12,035 | 7,999 | 4,719 |
| SUBTOTAL | 354,337 | 354,000 | 343,814 | 326,804 | 310,102 |
| TOTAL | \$1,856,905 | \$1,824,217 | \$3,065,644 | \$2,939,741 | \$2,817,497 |

BUDGET PLANNING



Six Year Financial Plan

Two years ago, Governor Manchin initiated the comprehensive, easy to follow, Six Year Financial Plan. This year's Six Year Financial Plan includes information on anticipated revenues and expenditures through FY 2013. As part of the plan, the basic revenue assumptions and the major expenditure drivers 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 2009 budget, but also, the larger implications of the decisions made today on the future fiscal outlook. Using this plan, it is easy to see where the projected expenditures begin to outpace projected revenues, and it becomes obvious that the surplus revenues, actual and projected, should not be expended for items that would add new obligations to the "base budget," but rather should be deposited into a "savings" account to be available to be used in the future to assist in offsetting these anticipated shortfalls.

As shown in the "General Revenue Fund—Statement of Revenues by Source" ("Summary Financial Statements"), revenue collections in the short term have been much better than the original estimates, mainly due to higher energy prices resulting in greater severance tax collections, to increased capital gain realizations resulting in higher Personal Income Tax collections, and to increased corporate profits as reflected in the Corporation Net Income/Business Franchise Tax Collections. Also, the Excess Lottery Fund continues to provide substantial surplus funds in the short-term.

These economic conditions result in sizable surplus funds available for FY 2007 through FY 2009. Following revenue increases in excess of ten percent in FY 2005 and FY 2006, General Revenue Fund collections rose by a more modest 2.5% in FY 2007. Following an expected growth rate of 2.5% in FY 2008, a slower growth rate of less than one percent is anticipated in FY 2009. There is some risk of below normal revenue growth between FY 2009 and FY 2011 due to economic slowdown associated with the housing industry and the sub-prime mortgage crisis, the emergence of a declining trend in corporate income tax revenues following four consecutive years of robust growth, and the emergence of video gaming competition from surrounding states. During FY 2010 through FY 2013 projected expenditures begin to outpace projected revenues.

The main cost drivers are providing health care through the Medicaid and Public Employees Insurance Agency programs, the increasing costs of maintaining adequate correctional facilities for juveniles and adults, and Other Post Employment Benefits (OPEB). It is the goal of the Manchin Administration to continue working on containing the growth of these key budget drivers in order to be able to set other priorities in education, tax modernization, and economic development.

The exercise of careful long-term budget planning continues to pay dividends for State Taxpayers. Policymakers are dedicating most of the temporary revenue enhancement associated with higher energy prices and strong gaming revenues toward unfunded pension debts, necessary onetime improvements, and reserve funds set aside in the event of future budgetary shortfalls. In addition, careful budgetary planning and responsible government initiatives provided the capacity for recent General Revenue Fund tax reductions totaling more than \$150 million. The tax reductions are associated with a variety of tax reform measures recently proposed by Governor Manchin and adopted by the Legislature.

Although much has and is currently being accomplished to make state government more responsible (such as controlling the cost of providing services and reducing unfunded liabilities), it is clear from the Plan that more remains to be done. Greater efficiencies must be achieved, programs must be evaluated to ensure the outcomes meet the original intent and new ways of doing business must be explored in order to continue to provide the citizens the services they expect and deserve.

Six Year Financial Plan FY 2008 through FY 2013 General and Lottery Revenues (Estimated in Thousands)

| | Budgeted FY 2008 | Recommended FY 2009 | Projected FY 2010 | Projected FY 2011 | Projected FY 2012 | Projected FY 2013 |
|---|---------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Estimated Revenue | | | | | | |
| General Revenue * | \$3,741,100 | \$3,774,833 | \$3,901,403 | \$4,034,833 | \$4,140,743 | \$4,324,053 |
| Excess Lottery Transfer to General Revenue | 77,900 | 127,900 | 127,900 | 127,900 | 127,900 | 127,900 |
| General Revenue - Surplus available for appropriation | 53,711 | 0 | 0 | 0 | 0 | 0 |
| Excess Lottery - Surplus | 235,300 | 72,800 | 68,500 | 68,200 | 94,900 | 67,900 |
| Lottery | 184,240 | 170,100 | 170,100 | 170,100 | 170,100 | 170,100 |
| Total Available | 4,292,251 | 4,145,633 | 4,267,903 | 4,401,033 | 4,533,643 | 4,689,953 |
| Estimated Expenditures | | | | | | |
| Base Budget | | 3,928,144 | 4,066,147 | 4,274,687 | 4,440,674 | 4,648,597 |
| Expenditure Growth**: | | | | | | |
| Legislature & Court of Claims | | 1,452 | 2,500 | 2,500 | 2,500 | 2,500 |
| Supreme Court | | 8,956 | 4,418 | 4,584 | 4,761 | 4,944 |
| PROMISE Scholarship/Higher Education Grant Program | | 1,476 | 1,506 | 1,536 | 1,566 | 0 |
| Public Employees Insurance Agency Premiums | | 0 | 12,500 | 35,750 | 38,610 | 41,699 |
| CHIP (if Federal funding does not increase) | | 0 | 16,022 | 5,163 | 6,564 | 8,092 |
| Teachers' Retirement System - Unfunded Liabilities | | (10,293) | 0 | 0 | 0 | 0 |
| State Aid to Schools | | 4,438 | (1,782) | (854) | (289) | 265 |
| Public Education - Other Statutory Changes/Enhancements | | (3,297) | 2,418 | 2,454 | 2,493 | 2,532 |
| Other Postemployment Benefits (OPEB) *** | | 20,441 | 95,441 | 25,000 | 25,000 | 0 |
| Medicaid | | 0 | 0 | 20,441 | 54,868 | 45,535 |
| Behavioral Health Services | | 9,000 | 6,000 | 2,000 | 2,000 | 2,000 |
| Correctional Facilities Operations | | 2,100 | 6,790 | 6,437 | 8,509 | 8,557 |
| State Police Longevity & Career Progression | | 1,275 | 441 | 575 | 565 | 441 |
| Capital Outlay & Maintenance | | 400 | 5,000 | 5,000 | 5,000 | 5,000 |
| Unanticipated Expenditures/Program Enhancements | | 20,978 | 50,000 | 55,000 | 55,000 | 55,000 |
| Salary Enhancements | | 81,077 | 3,287 | 402 | 250 | 250 |
| HAVA (Secretary of State - to replace Federal funding) | | 0 | 0 | 0 | 525 | 0 |
| Replace synfuel tax loss | | 0 | 4,000 | 0 | 0 | 0 |
| Total Ongoing Base Budget | 3,928,144 | 4,066,147 | 4,274,687 | 4,440,675 | 4,648,596 | 4,825,412 |
| One Time Expenditures | 363,898 | 78,860 | 5,000 | 5,000 | 5,000 | 5,000 |
| Estimated Balance | \$209 | \$626 | (\$11,784) | (\$44,642) | (\$119,953) | (\$140,459) |

* Assumes approximately 1% General Revenue Growth Rate in FY 2009 & 3.5% Growth Rate for FY 2010 - FY 2013.

** FY 2009 - 2013 Expenditure Growth is the additional amount required annually to fund existing programs.

*** \$20,441,000 in FY 2009 & FY 2010 is for the future base of the Medicaid program.

Revenue Assumptions

General Revenue

The General Revenue amount is the revenue estimate less any lottery transfers into the General Revenue Fund. It is projected to increase approximately 1.0% per year in FY 2009, 3.4% in FY 2010 and by approximately 2.6% to 4.4% per year in FY 2011 through FY 2013.

Excess Lottery Transfer to General Revenue

The Excess Lottery Fund transferred \$77.9 million into the General Revenue Fund in FY 2008 for use for regular ongoing appropriations. Of this amount, \$65.0 million is directed by statute, and \$12.9 million is discretionary. The discretionary amount transferred will increase by an additional \$50 million per year during the next five year period.

General Revenue—Surplus available for appropriation

General Revenue surplus at the end of FY 2007 was \$106.7 million, of which one half or \$53.4 million was transferred to the Rainy Day Fund. The remaining surplus was available for appropriation in FY 2008. \$33.3 million of the surplus was appropriated in August 2007 during the 2007 2nd Special Legislative Session and the remaining \$20.4 million is recommended to be appropriated during the 2008 Regular Legislative Session.

Excess Lottery Transfer—Surplus

The Excess Lottery Fund will continue to generate surplus revenues until lottery competition from other states materializes, which actually began during the last half of calendar year 2007. Once this begins, the surplus amount available for other appropriation will remain somewhat steady.

Lottery

The regular Lottery funds are dedicated by statute for use for senior citizens, education, and tourism. Since General Revenue Funds are used for the same programs, Lottery funds are included here as part of the total available, and program funding may be shifted between the two revenue sources.

Expenditure Assumptions

Base Budget

This is the base operating budget for ongoing expenditures for current programs and services provided to the citizens of West Virginia. The Base Budget does not contain items of a onetime nature. Each fiscal year begins with the base budget as reflected from the previous fiscal year. Each year's total budget is the amount required to maintain the current level of service, including any new amount of funding required to maintain that current level, plus any new funding required for necessary service or salary enhancements.

Expenditure Growth

The various items that comprise Expenditure Growth are the “budget drivers” that have the greatest impact on expenditures, or they may be items of a less significant amount but continue to increase over time. The amounts listed under Expenditure Growth are the additional amounts necessary on an annual basis to maintain or enhance the services to the required level. These amounts are added to the Base Budget from the prior year to determine that particular fiscal year's Total Ongoing Base Budget. For FY 2009, several items have been recommended to be added.

The following is a brief explanation of the FY 2009 expenditure growth and program enhancements as detailed in the “Six Year Financial Plan.”

Six Year Financial Plan

Legislature and Court of Claims—Amount requested FY 2009 above the FY 2008 base budget amount.

Supreme Court—The Constitution requires that the Governor fund the Supreme Court as requested. The Supreme Court requested an additional \$8.956 million for FY 2009, representing an 8.5% increase over the FY 2008 appropriation. Based upon past history, future expenditure growth should continue to be in line with an annual growth rate of approximately 3.8%.

PROMISE Scholarship/Higher Education Grant Program—PROMISE Scholarship requires an amount of \$816,000 for a statutorily mandated two percent increase pursuant to W.Va. Code §18C-7-7. The Higher Education Grant Fund (W.Va. Code §18C-5-3) calls for a \$660,000 statutory increase.

Public Employees Insurance Agency—The outlook for PEIA for the FY 2009 budget requires no increase in funding. Significant increases are projected over the course of the next four fiscal years, with multimillion dollar increases in the State's General Revenue share of premiums, which will grow to over \$41 million in 2013. 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.

Children's Health Insurance Program—The Legislature proposed and enacted legislation that will eventually expand coverage for the Children's Health Insurance Program to those families within 300% of the federal poverty guidelines. That change, along with the potential that federal moneys dedicated to the program may not maintain current level in the future, means that the State of West Virginia over the next several years may (to keep the current program in place) be forced to provide additional funding for this program. Although no additional dollars are necessary for this year, increases are possible during the next few fiscal years if Federal funding does not increase.

Teachers' Retirement System - Unfunded Liabilities—The State has made significant strides toward the long-term funding of the State's retirement systems. Of the additional surplus revenues available during the past three fiscal years, \$294 million was used to help pay down the unfunded liability in the Teachers' Retirement System Plan A, 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' Pension System. These bond proceeds, along with additional excess retirement contributions made over the last two fiscal years, result in total additional deposits of \$1.5 billion. These payments will result in the State of West Virginia saving over \$2.5 billion and lowering future debt payments.

The Governor's "Responsible Government" efforts to pay down the state's massive retirement debt has resulted in the Teachers' Retirement System's percentage funded increasing from 22% funded in 2004 to 52% funded in 2007.

Under the current amortization schedule for the Teachers Retirement System, the amount required to maintain the current amortization plan will be \$289.7 million through the year 2034. This number would have been much greater without the additional excess contributions made by the Legislature and the Governor to pay down unfunded pension debt using the recent surplus moneys and the securitization of Tobacco Master Settlement Agreement proceeds.

State Aid to Schools—The Basic State Aid to Schools Formula for public education (excluding salary increases) netted an increase of \$4.4 million, while other Education statutory salary increases and program enhancements

Six Year Financial Plan

required a reduction of \$3.3 million for FY 2009. Budget projections for the outgoing years are based on the following assumptions:

- Student enrollment statewide will increase about one percent because of continued increases in K-12 enrollment and continued implementation of the early childhood program;
- The increase in the net enrollment limits included in W.Va. Code §18-9A-5a will continue to rise, causing an increase in the number of personnel funded of approximately 65 professional educators and 109 service personnel per year over the four-year period;
- Step 1 of the funding formula, exclusive of salary increases, will increase by 0.25% for professional educators and Step 2 by 0.75% for service personnel;
- The fixed charges allowance rate will increase by one percent per year;
- Transportation costs will increase by four percent per year;
- The local county share will increase by an average of \$14 million per year.

Public Education Statutory Increases/Enhancements—The Department of Education and Schools for the Deaf and the Blind employees are statutorily paid at the same county pay scales as professional educators and service personnel. Employees' salaries increase with additional years of service. Increased enrollment, 34/1000 waiver, and other statutory requirements are also accounted for here.

Other Postemployment Benefits (OPEB)—Exacerbating the financial problem with the PEIA are changes by the Government Accounting Standards Board requiring greater disclosure (GASB 43 and 45) of the costs of providing health benefits to both current and retired employees—other postemployment benefits. During the 2006 Regular Legislative Session the West Virginia Retiree Health Benefits Trust Fund was established to account for OPEB and comply with GASB 43 and 45. After adopting the Medicare Advantage Prescription Drug Plan, the long-term OPEB liability was reduced by more than half, from an estimated \$7.8 billion at the end of FY 2006 to \$3.4 billion at the end of FY 2007.

In FY 2008, \$39.7 million of general revenue funds were appropriated for the OPEB Trust Fund and an additional \$60.1 million is recommended to be appropriated of general revenue funds for FY 2009. Also, if Excess Lottery Surplus Funds are available at the end of FY 2009, the Governor recommends an additional \$54.6 million be transferred into the OPEB Trust Fund.

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 vital 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. Future Medicaid costs will put a heavy burden on future State revenues, and program changes are inevitable to avoid future funding crises.

Developing changes to in this program is exceedingly difficult because Medicaid operates as an entitlement program for all citizens that meet the eligibility criteria, and the cost of the program is determined by the number of eligible individuals, how often they utilize health care services, and the cost of the health care services. Therefore, the State must budget for all program costs incurred by the clients. The program costs, however, cannot be controlled through budget restrictions and appropriation caps without changes to the eligibility criteria, the types of services covered, or the rates paid for services. Reducing program eligibility, eliminating covered services, and reducing payments for services will shift the burden to other social service providers as clients seek other sources of assistance. The health care industry in general (hospitals, physicians,

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clinics, etc.) may also experience the possibility of decreased revenues from the Medicaid program and an increase in uncompensated care as clients seek medical care without coverage. Since Medicaid revenue has become a significant factor in the health care industry, any reductions will cause cost shifting and other reductions throughout the State health care system.

Several other factors will influence the increase in the Medicaid program, including medical inflation and the economy. If the provider tax, trust fund, and lottery sources of State match remain relatively constant, the General Revenue Fund of the State will have to supply the additional funds to cover future increases in cost.

Due to a host of factors, including responsible management, the State for the next two fiscal years is projecting that it will not need any increases to the Medicaid program from the General Revenue Fund. In FY 2011, however, the increase is projected to exceed \$100 million. In order for the State to be in the best position to fund this type of increase, the Six Year Financial Plan dedicates approximately \$60 million into the base budget for FY 2009 and more than \$20 million for FY 2010. The Governor recommends that these moneys be treated as onetime expenditures dedicated to OPEB until FY 2010, when the Medicaid program would then use those base building moneys, along with an additional increase in FY 2011, to properly fund Medicaid.

Behavioral Health Services—The Governor recommends an additional \$9 million in the FY 2009 budget to cover “diversion” costs. Due to involuntary commitments that exceed capacity at the State Hospitals, civilly committed patients are “diverted” to other psychiatric hospitals at an average daily cost of \$690.

Correctional Facilities Operations—At the correctional facilities, inmate medical costs rise an average of \$2 million each year. Additional inmates, an increased aged inmate population, increased chronic medical illnesses, and the rising cost of medical care in general necessitates the request for additional medical expense funding for the proper remittance of provided services. The Governor recommends an increase of \$2.1 million for Lakin female inmate housing expansion for FY 2009.

State Police Longevity and Career Progression—This is an effort to upgrade the trooper salary levels so they will be comparable and competitive with those offered by municipal police departments across the state. It will assist by attracting more qualified applicants and retain them through their career. These salary enhancements will ensure that the citizens of West Virginia will continue to be protected by a more experienced and trained law enforcement staff.

Capital Outlay and Maintenance—The Governor has recognized the need for dedicated funding of capital outlay and maintenance to maintain and repair state-owned facilities. As the Governor develops future budgets, a greater emphasis will be placed on the capital planning process and the development of proper maintenance plans for fixed assets such as buildings, equipment, or machinery. In addition to projecting moneys for these expenditures, the Governor has also recommended several onetime expenditures for capital outlay and maintenance.

Unanticipated Expenditures/Program Enhancements—Various program enhancements in other areas include funding of \$21 million for: Juvenile Services, state parks, DHHR, Veterans Affairs, Tax Division, and higher education.

Salary Enhancements—This includes moneys necessary to fund a salary increase for public employees, professional educators and classroom teachers as well as additional moneys dedicated to retention of qualified inspectors and related personnel at the Offices of Mine Health, Safety, and Training, as well as retention at correctional facilities.

HAVA (Secretary of State)—The Help America Vote Act (HAVA) - If federal funding is not maintained for this program, an additional \$525,000 will be needed in FY 2012.

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Replace Synfuel Tax Loss—Both the state and federal synfuel tax credits expired in December 2007. A reduction in production of synfuel and the related tax collections will require a \$4 million general revenue replacement that will be directed to the “Mining and Reclamation Operations Fund.”

Onetime Expenditures—In addition to the Total Ongoing Base Budget, an amount of Onetime Expenditures has been included. These expenditures are not included in the base because they do not require ongoing funding, 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. To ensure that current surplus moneys are spent not on base budget enhancements, the Governor will recommend several projects that are onetime expenditures, including additional payments to unfunded liabilities funds; capital improvements; new Statewide Accounting and Personnel system; and funding for academic research.

Estimated Balance—The Estimated Balance is strictly the excess or deficit of revenues vs. expenditures on an annual basis. The Balance is not carried forward to the following fiscal year. One half of any excess balance is put into the Rainy Day Fund for savings to be used to offset the projected shortfall in the future, used for paying unfunded retirement/benefit liabilities, or other possible onetime expenditures. The other half of any excess balance becomes available for appropriation in the subsequent fiscal year.

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 2010, is still 30 months into the future from the date the projections were completed. The General Revenue Fund estimate is \$4.0 billion for FY 2010. Just a one percent deviation from the estimate will result in a \$40 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$80 plus million (\$40 million under estimate to \$40 million over estimate).

The same may be said regarding expenditures. Although we have included all known expenditures with the best projections available for future increases, many unknowns obviously exist. A large portion of the budget is expended for health care—both Medicaid and public employees' health insurance expenditures. Small fluctuations in the projected cost of health care can result in large dollar differences in the required expenditures for these services. For Medicaid, a one percent change in the federal match rate results in a difference in state funding of approximately \$30 million.

Also not included in the projected expenditures is any additional funding for future salary increases, funding for inflationary expenses to cover the rising cost of energy consumption for state-owned buildings and vehicles, or funding for new programs.

Budget Summary

FY 2007

The end of FY 2007 again saw surpluses for the general and lottery funds—the general fund ended the year with a surplus of over \$106 million. One half, or \$53 million, was transferred to the Rainy Day Fund. The Rainy Day balances total over \$575 million at December 31, 2007, an increase of over \$98 million during the last 12 months.

Surpluses from the Lottery totaled more than \$134 million. The general revenue surplus was used (during the 2nd 2007 Special Legislative Session) to fund major, onetime appropriation supplementals for Interoperable Communications, Cultural Center Museum (complete renovation), Infrastructure Development, SEEDS Education Program, and Blueridge Community and Technical College. The governor is requesting (during the 2008 Regular Legislative Session) additional major, onetime appropriation supplementals for the Public Defender's Office, the School Aid Formula's PEIA requirement and LiHEAP.

During FY 2007, major excess contributions were made to the Teachers' Retirement System totaling over \$1.19 billion, including \$807.5 million in Tobacco Master Settlement Bond proceeds. These excess contributions, in addition to \$290 million made during FY 2006, caused the percentage funded in the retirement system to rise from 24.6% at the beginning of FY 2006 to approximately 51.9% at the end of FY 2007, a substantial increase. Recently, West Virginia stands out nationally for responsibly funding its annual required contributions to its pension funds.

FY 2008

Major funding improvements initiated for the current fiscal year 2008 included: 3.5% pay raise for public employees and teachers, school access safety, Senior Services and social services funding, public and behavioral health increased funding, increased Higher Education's grant and research programs and first time funding for the OPEB unfunded liability.

Supplemental appropriations will be requested during the 2008 Regular Legislative Session for major programs to attract teachers in critical needs and shortage areas, fund backlog payments to regional jails and fund conservation projects.

Using onetime lottery surplus funds available for FY 2008, supplemental appropriations will be requested for investing in Higher Education research and job training programs, purchasing a new statewide accounting and personnel system, establishing an emergency capital maintenance fund, completing State Capitol Complex renovations, expanding Interoperable Radio capabilities and numerous other onetime investments and capital improvements.

Currently, general revenue collections continue to slightly outpace estimates during the first half of FY 2008. Actual collections are running ahead of estimates by \$51.6 million through the end of December 2007. Lottery revenues also appear to be on track.

FY 2009

General revenues (including excess lottery transfers) are predicted to grow over two percent above FY 2008 revenues.

The Governor will again recommend pay raises for all public employees and teachers. Enhanced salary packages will be requested for classroom teachers, correctional employees, and mine safety inspectors. Additional general revenue improvements will be included for the OPEB Trust Fund, behavior health diversions, Community and Technical College job training programs, as well as many other smaller funding improvements.

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.)

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

The West Virginia Code requires the first 50% of all surplus general revenue funds, if any, accrued during the fiscal year just ended, be deposited into the fund with the aggregate amount of the fund not to exceed ten percent of the total appropriations from the general revenue fund.

Originally, the Revenue Shortfall Reserve Fund could be used only to offset a shortfall in revenues that would otherwise require the Governor to impose expenditure reductions in accordance with W.Va. Code §11B-2-20 through 22.

In July 1996, the Code was amended to allow the Legislature to make appropriations from the fund for emergency revenue needs caused by acts of God or natural disasters or for other fiscal needs as determined by the Legislature.

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

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

Since the fund was created in 1994, \$434 million has been deposited into the fund and \$143.5 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects. On December 31, 2007, the balance in the Rainy Day Fund was over \$290.5 million.

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

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

Major Reserve/Stabilization Accounts

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

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

The annual repayment toward the \$24 million loan and interest on the loan to the Board of Risk and Insurance Management Physician's Mutual Insurance Company originally made from the West Virginia Tobacco Settlement Medical Trust Fund is to be deposited in the Rainy Day Fund—Part B. As of December 31, 2007, the outstanding balance of the loan was \$11.1 million.

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, 2007, the balance in the Rainy Day Fund—Part B was \$285.2 million.

Income Tax Refund Reserve Fund

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

The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds. On December 31, 2007, the balance in the Income Tax Refund Reserve Fund was \$45 million which represents 1.18% of the total FY 2008 General Revenue Fund.

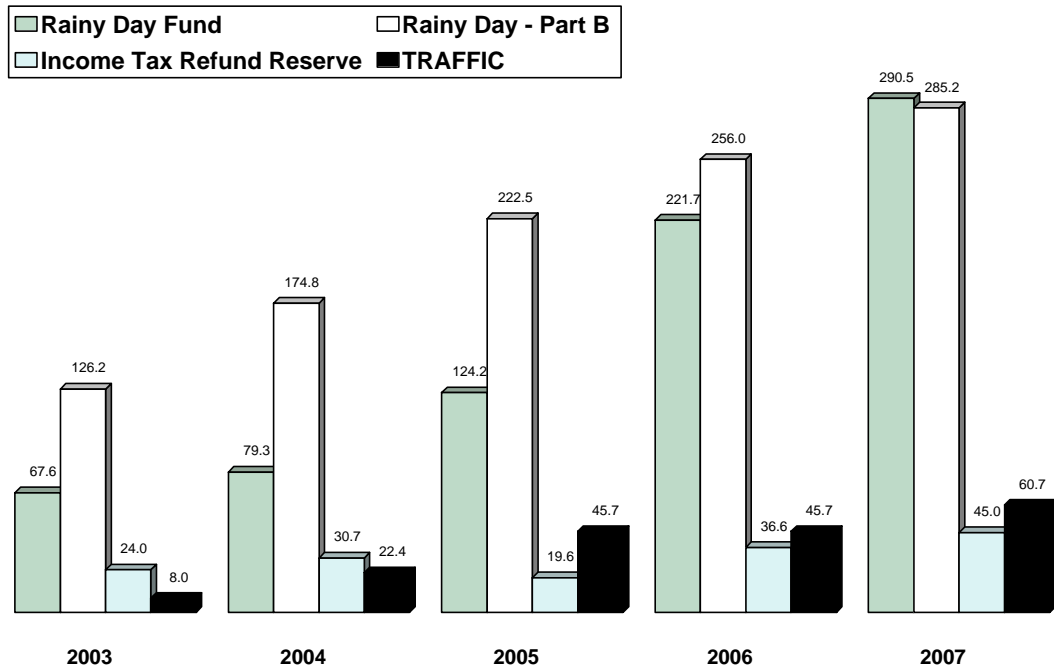
Tax Reduction and Federal Funding Increased Compliance (TRAFFIC)

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

Since the inception of the TRAFFIC account \$141.7 million has been deposited into the account—\$81.0 million has been appropriated from the account, mostly for meeting shortfalls in Medicaid match funds, for flood victim assistance, or additional payments to unfunded liabilities in the state retirement systems. As of December 31, 2007, \$60.7 million remains available for use as the Legislature may determine and an additional \$8 million has been recommended for FY 2009.

Reserve Balances*

(Expressed in Thousands)



* Balance as of December 31 each year

Long-Range Issues

Introduction

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

Infrastructure Projects/Improvements

Highway Infrastructure

State Road Fund revenues projected to be available to the West Virginia Division of Highways (WVDOT) in the foreseeable future are inadequate to permit the agency to satisfactorily achieve its mission of maintaining a safe and efficient highway system. System preservation needs are not being met, and as a result, highways are deteriorating. The cost of replacing all state-maintained bridges that are over sixty years old is over \$2.5 billion. Over \$100 million in highway slips and slides have been identified, and an additional \$100 million in paving is needed annually. Purchases of equipment used by WVDOT's maintenance forces is underfunded at least \$10 million each year.

Although the agency has taken numerous steps to reduce unnecessary expenditures and improve efficiencies, its costs of operations continue to climb. The price of steel, cement, gasoline, and all asphalt-based products has climbed dramatically and is having a direct impact on the cost of construction and maintenance activities. As these increases continue, the agency will fall even farther behind in its ability to preserve the highway system.

There also are concerns about the federal Highway Trust Fund. Current federal projections are that it will be insolvent in federal fiscal year 2009. Should that occur, reimbursement for expenditures on approved federal projects will be delayed, conceivably for an extended period of time, and federal funding of new projects will cease. As the State Road Fund attempts to absorb those costs, system preservation will continue to decline.

Finally, the agency has identified over \$25 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.

At a minimum, an additional \$160 million is needed yearly for the system preservation components. To address the long-term construction needs will require even more funding.

West Virginia Regional Jail and Correction Facility Authority

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

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

The regional jail facilities were developed as a result of a Master Plan approved in 1989 that outlined ten regions in the state. There are ten regional jails currently in operation (Eastern in Berkeley County, Central in Braxton County, South Central in Kanawha County, Southern in Raleigh County, Northern in Marshall

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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.

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

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

The first two series of these bonds were issued by the Economic Development Authority in January 2002. The first series repaid the balance owed to PERS, funding the construction of the 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 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, 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 Kenneth "Honey" Rubenstein Juvenile Center), renovations and additions to the Eastern Regional Juvenile Detention Center (which will then be reopened as the Vickie V. Douglas Juvenile Center), additions to Huttonsville Correctional Center, additional funds for the Dormitory and Prison Industries construction at the Lakin Correctional Center for Women, and renovations to the Johnston School at the Industrial Home for Youth at Salem.

Infrastructure Improvement Amendment

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

Nineteen million dollars a year from the Excess Lottery Fund has been dedicated to pay debt service for the bond issue. The bond issue closed in January 2004 in the amount of \$249,895,000 which generated funds to

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

School Building Authority

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

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

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

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

During the 2001 Legislative Session, \$25 million in additional annual funding was earmarked from excess lottery revenues for the School Building Authority’s Debt Service Fund but stipulated that monies were available for the “pay-as-you-go” program until such bonds were authorized by the Legislature.

Since the inception of the SBA, over \$1.131 billion in state dollars and \$987.5 million in local dollars have been dedicated to West Virginia school facilities. This equates to 32 new high schools, 36 new middle schools, 48 new elementary schools, 80 major school addition/renovation projects and over 1,200 minor renovation projects. Over 80% of West Virginia’s students now attend classes in better school facilities than they did in 1990.

Health Care

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

In addition to these national trends, West Virginia faces other obstacles unique to the Mountain State. According to a report by the National Center for Health Statistics, West Virginia has one of the least healthy

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populations in the country. The state has the highest death rate from heart disease and lung disease and the second highest death rate from cancer and diabetes of any state in the United States. West Virginia's government sponsored health insurance plans (Public Employees Insurance Agency, Children's Health Insurance Program, Medicaid, Workers' Compensation) have begun working together to jointly reduce costs and improve the quality of health care.

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 provided insurance coverage to approximately 370,000 West Virginia citizens. Children make up half of the beneficiaries at 50%, the blind and disabled approximately 27%, the elderly approximately 9%, with the remaining 14% being adults.

Five types of services account for approximately 71% of expenditures. These services are nursing homes, inpatient and outpatient hospitals, prescription drugs, managed care and home and community based services. The largest increases in FY 2007 occurred in managed care and outpatient hospital services.

Medicaid offers a comprehensive benefit package to the state's poorest and most disabled citizens that includes a pharmacy benefit, as well as a variety of long-term care options, including community-based care, non emergency medical transportation, and other benefits not offered in the private insurance market. Financial support for this program comes from federal and state revenue. Unlike the PEIA program which is financed with all state dollars, the Medicaid program is financed at an approximate 25% state/75% federal match, which means that for every dollar the state invests, we are able to match that with approximately three federal dollars.

Medicaid funding is dependent primarily on four funding sources: General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. Medicaid appropriated funding has increased from approximately \$334 million in 1995 to over \$661 million in 2008.

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

It is currently estimated that without any program changes the cost for the Medicaid program will increase at a rate of approximately 4.5% per year. It is also assumed that as the 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 of the state will have to supply the additional funds to cover future increases in cost. However, any future increase or decrease in these sources will impact the amount of General Revenue required to cover the total state match cost.

In addition to these national trends, West Virginia faces other obstacles unique to the Mountain State. According to the most recent report of deaths by state reported by the National Center for Health Statistics (2004), West Virginia has the highest crude death rate per 100,000 population of all states (including the District of Columbia) for the following major disease/injury groups: all causes of death combined, cancer, diabetes, heart disease, chronic lower respiratory disease, and nephritis and other related kidney syndromes. Aside from nephritis, even when adjusted for the state's aged population, West Virginia remains ranked in the worst five

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states on all those measures. Additionally, deaths due to chronic liver disease and accidents are among the worst in the nation. [West Virginia's government sponsored health insurance plans (Public Employees Insurance Agency, Children's Health Insurance Program, Medicaid, Workers' Compensation) have begun working together to jointly reduce costs and improve the quality of health care.]

Maternal smoking during pregnancy has become a major issue in West Virginia. The latest available US figures show 10.7% of mothers smoked during pregnancy in 2003. West Virginia's percentage (highest in US) was nearly two and a half times higher at 26.4%. It has continued to increase to 26.6% in 2005.

According to CDC and the latest Behavioral Risk Factor Survey, West Virginia had the second highest prevalence of diabetes in 2005 at 10.4% compared to a national average of 7.8%. West Virginia was also third in obesity at 30.6% compared to 24.5% nationally.

Deaths due to injuries caused by all terrain vehicle (ATV) accidents and deaths due to overdose of prescription medicines are being closely documented and are of increasing concern.

West Virginia Children's Health Insurance Program (WVCHIP)

WVCHIP provides full-range health insurance coverage to children of working families, with incomes up to 220% of the federal poverty level. At September 30, 2007, 24,913 children were enrolled, a decrease of 3.5% from last year. Targeted outreach efforts are focused on the goal of enrolling all eligible children. The West Virginia Children's Health Insurance Board oversees WVCHIP's benefit plan and finances to ensure that funding is sufficient to support the services covered by the insurance program.

Public Employees Insurance Agency

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

In 1991, a Finance Board was created by the Legislature to bring fiscal stability through the development of an annual financial plan designed to meet the agency's estimated total financial requirements. The annual financial plan takes into account all projected revenues and apportions costs equitably among participating employers, employees, and retired employees and providers of health care services. The plan has been solvent since FY 1990, ensuring timely payments of PEIA obligations.

Effective January 1, 2000, the Finance Board must submit a prospective financial plan encompassing five fiscal years. Beginning with FY 2002, the finance board must develop annual financial plans that generate revenues sufficient to fund a reserve of at least ten percent of projected total plan costs. The financial plan must be submitted to the Governor and the Legislature by January 1 of the preceding year with an effective date for the financial plan of July 1 of each plan year. Legislation passed in the 2001 session requires that the premium cost-sharing between employer and employee reach 80/20 percent by FY 2008. PEIA did achieve this ratio in FY 2008.

The Legislature passed House Bill 4654 during the 2006 session. This bill created the West Virginia Retiree Health Benefits Trust Fund (Trust) and charged PEIA with its administration. The fund was created to account for the West Virginia Other Postemployment Benefits (OPEB) and otherwise comply with GASB 43 and 45. The State OPEB liability is currently estimated to be \$3.4 billion.

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

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plan. The State adopted a Medicare Advantage Prescription Drug (MAPD) plan that reduced the State's OPEB liability of approximately \$7.8 billion by \$4.4 billion. It is hoped that the MAPD will continue to reduce the liability in the future. However, the retiree plan must still be subsidized by the active policy premiums. The current rate of subsidization for the fund is approximately 60%.

The current financial plan projects positive net assets through FY 2011. PEIA and the Trust completed FY 2007 with total net assets of \$285 million and total claims expense of \$551 million. Current claim expense trend assumptions for FY 2008 and FY 2009 are as follows:

| <u>Eligibility</u> | <u>FY 2008</u> | | <u>FY 2009</u> | |
|--------------------|----------------|--------------|----------------|--------------|
| | <u>Medical</u> | <u>Drugs</u> | <u>Medical</u> | <u>Drugs</u> |
| Non-Medicare | 6.0% | 12.0% | 6.5% | 12.5% |
| Medicare | 6.0% | 12.0% | 6.5% | 12.5% |

Insurance Reform

Medical Malpractice

The Board of Risk and Insurance Management (BRIM) provides a comprehensive risk management program for the State and also provides the State's self-insurance fund. BRIM also provides the program to qualifying nonstate agency entities such as local governments and nonprofit organizations.

In December 2001, the West Virginia Legislature passed House Bill 601 which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers. This included medical malpractice coverage for private physicians, clinics and hospitals and was known as "BRIM II". House Bill 601 was passed as a result of the medical malpractice insurance crisis that was created when commercial insurance companies began nonrenewing policies for health care providers on a national basis, and in particular, within West Virginia. Many West Virginia physicians began to seek employment in other states, a dilemma that threatened the availability of health care for our citizenry.

During the Legislative session of 2003, House Bill 2122 was passed which provided: (1) a mechanism for those private physicians who were being insured through BRIM II, to become insured through the creation of a West Virginia Physicians' Mutual Insurance Company (WVPMIC) and; (2) significant medical liability reform.

The process of transferring those private physicians to the WVPMIC is called a "novation." On July 1, 2004, BRIM successfully novated approximately 1,300 private physician medical malpractice insurance policies, with the attendant liabilities and assets, to the WVPMIC. The hospitals and clinics that did not novate were nonrenewed by BRIM prior to July 1, 2004. BRIM offered "tail coverage" to the nonrenewed entities and continues to "run-off" the minimal exposure of that tail coverage. At year end June 30, 2006, the House Bill 601 Fund (BRIM II) financial picture showed total retained earnings of \$4,057,325. At year end June 30, 2007, the House Bill 601 Fund (BRIM II) financial picture showed total retained earnings of \$4,697,331.

The significant areas of medical liability reform included, but were not limited to: (1) a board to study the feasibility of creation of a patient injury compensation fund; (2) enhancement of the "certificate of merit;" (3) limits on third party bad faith; (4) a \$250,000 cap on noneconomic damages; (5) elimination of joint liability; and (6) limit on trauma liability at \$500,000.

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As a result of the feasibility study, the patient injury compensation fund (PICF) was created. The revenue appropriated to the PICF is not reflected in BRIM financial statements, but rather in the State financial statements. At year end June 30, 2006, the State financial statements reflect total retained earnings in the PICF at \$3,396,467. At June 30, 2007, the State financial statements reflect total retained earnings in the PICF at \$5,148,918. There have been no claims assessed against the PICF, and there were no FY 2007 expenditures from the PICF.

The medical professional liability insurance market in West Virginia has stabilized, providing the workers in our healthcare industry with accessibility to appropriate liability coverage. Market stability has been reflected in rate relief for our physicians as three of West Virginia's major medical liability writers, representing over 66% of the market, have filed for rate reductions in 2005. Physician recruitment efforts have improved significantly. The actions of all branches of government, working with private industry to establish the West Virginia Physicians' Mutual Insurance Company, has led to positive change in the medical malpractice liability results of West Virginia.

BRIM management has also worked to eliminate the prior year's reported net asset deficiency. The deficiency in net assets developed due to unanticipated losses and adverse loss development in each of the state agency and SB 3 (nonprofit) coverages in the areas of general liability and medical malpractice. In FY 2004, BRIM management adopted a financial stability plan that enabled the deficiency in net assets to be eliminated. Consequently, as of June 30, 2005, BRIM eliminated said deficiency reflecting \$527,000 net assets at year end. Management anticipates that the net assets will remain positive and, in fact, continue to increase in growth in years to come.

BRIM financial position continues to improve. At year end June 30, 2006, BRIM total retained earnings are \$44,843,685. At year end June 30, 2007, BRIM total retained earnings are \$97,546,897, which reflects no overall unfunded liability.

Unfunded Liabilities

Workers' Compensation

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

The State retained all liabilities prior to that date and those liabilities as well as certain assets were transferred into the Workers' Compensation Old Fund ("Old Fund"). As of June 30, 2007, the fund deficit in the Old Fund was estimated to be \$1.96 billion (liabilities discounted at five percent). With the privatization in SB 1004 was a plan to address the outstanding deficit formerly in the Workers' Compensation Fund and now in the Old Fund. The custodian of the Old Fund is the Treasurer of the State of West Virginia, and the Offices of the Insurance

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Commissioner serve as the administrator of 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 previously taken in 2003 when the Legislature enacted major workers' compensation reform that has affected and will continue to affect the actuarially determined estimated liability for unpaid claims of the Old Fund. The legislation, approved as SB 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; and
- Prohibited premium base rate increases for a period of three years.

SB 2013 also established that the Workers' Compensation Commission Board of Managers were to:

- Ensure the effective administration and financial viability of the commission;
- Review and approve, reject, or modify rules that are proposed by the executive director for the operation of the workers' compensation system;
- Establish and monitor performance standards and measurements to ensure the timeliness and accuracy of activities performed under the workers' compensation laws and rules;
- Review and approve, reject, or modify all classifications of occupations or industries, premium rates and taxes, administrative charges, rules and systems of rating, rating plans, rate revisions, deficit management and deficit reduction assessments, and merit rating for employers;
- In conjunction with the executive director, initiate, oversee, and review all independent financial and actuarial reviews of the commission;
- Approve the allocation of sufficient administrative resources and funding to efficiently operate the workers' compensation system;
- Review and approve, reject, or modify the budget for the operation of the commission;
- Approve the designation of health care providers to make decisions for the commission regarding appropriateness of medical services;
- Require the Workers' Compensation Commission to develop, maintain, and use an effective program of return-to-work services for employers and workers;
- Require the Workers' Compensation Commission to develop, maintain, and use thorough and efficient claims management procedures and processes, and fund management in accordance with the generally accepted practices of the workers' compensation insurance industry;
- Review and approve, reject or modify standards to be considered by the commission in making decisions on all levels of disability awards; and
- Study the feasibility of, provide a plan for, and provide a proposal for a request for proposals from the private sector for, privatizing the workers' compensation system.

On July 1, 2004, the West Virginia Supreme Court upheld a key piece of the 2003 legislation in the *Wampler Foods, Inc. v. Workers' Compensation Div.* (602 S.E. 2nd 805, W.Va., Jul 01, 2004) decision affirming that the

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new law enacted under SB 2013 will be applied to new awards on or after July 1, 2003, regardless of the effective injury date. As a result of this decision, a \$330 million reduction (due to SB 2013) recognized in the June 30, 2003 financial statements' discounted claims liability number was not modified, and an additional \$144 million related to the new law was recognized in the June 30, 2004 financial statements. Prior to privatization, these steps had a significant and positive impact on the ability to operate a solvent fund on a prospective basis.

State Retirement Systems

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

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

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

The unfunded actuarial liability for each plan is as follows:

| | July 1, 2006 Actuarial Valuation Unfunded Actuarial Liability | | 2006 Results Projected UAAL to June 30, 2007 | |
|----------------------|--|-----------------|---|---------|
| PERS | \$ 564,514,000 | (86.8% funded)* | \$ 553,451,000 | (87.6%) |
| TRS | \$ 4,703,408,000 | (31.6% funded)* | \$ 3,401,363,000 | (51.9%) |
| JRS | \$ 5,888,000 | (93.6% funded)* | \$ 3,020,000 | (96.9%) |
| Public Safety—Plan A | \$ 54,034,000 | (89.3% funded)* | \$ 55,103,000 | (89.5%) |
| State Police—Plan B | \$ 2,805,000 | (91.6% funded)* | \$ 2,564,000 | (93.5%) |

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

Note: Public Safety—Plan B was enacted March 12, 1994.

The 2006 Results Projected to June 30, 2007, project the July 1, 2006, Actuarial Valuation results recognizing expected investment experience, actual contributions, and actual distributions for each plans' trust fund as reported by the Investment Management Board for the year ending June 30, 2007. The July 1, 2007, Actuarial Valuations will include the remaining actual experience for each plan when the valuations become available, including investment return, salary scale, mortality and turnover.

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

Summary

Over the last 15 years, the groundwork has been laid for an infrastructure geared toward economic development:

- Imposed fiscal discipline in funding the state's retirement systems, health care plans, and workers' compensation costs
- Performed a statewide overhaul of school facilities and established measurable performance standards for all grade levels
- Replaced an inefficient, costly, and outdated system of county jails with a modern, efficient, and effective system of regional jails, along with the renovation and construction of prisons and juvenile facilities
- Addressed water and sewer project needs through bond financing and cost-sharing with federal grant and loan programs
- Focused state transportation network improvements in areas that leverage the state's proximity to thriving markets such as Columbus, Ohio, and Washington, D.C.

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

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Highway Infrastructure

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

In West Virginia, the responsibility for building and maintaining approximately 92% of the highway system falls on the Division of Highways (DOH), whose primary funding source is the State Road Fund. The state revenues that support that fund are projected to be relatively flat for the next several years, as higher fuel prices and more fuel-efficient vehicles generate little growth in fuel consumption. At the same time, maintenance and construction costs continue to escalate rapidly, due to significant increases in steel, concrete, and all petroleum-based products. As costs rise, the amount of work that can be undertaken with projected revenues decreases. At currently projected revenue levels, the Fund's purchasing power, when adjusted for inflation, will shrink roughly 24% from FY 2008 to FY 2013. This loss will make it difficult to make significant gains in highway programs.

According to the Bureau of Business and Economic Research, at West Virginia University, "Road, bridge, and tunnel construction impacts businesses in every sector of the state economy. For every \$1 million of highway construction, there are 15 jobs created, with \$485,000 in employee compensation, and an additional \$900 thousand of business sales in the state. These impacts do not include any benefits or lower costs associated with reduced travel time, reduced accident rates, etc. that are realized from an improved transportation network." Conversely, the inability to fund these programs adequately affects the quality of highway infrastructure. Existing roads and bridges deteriorate, and construction of new infrastructure is delayed. Since the condition of highway infrastructure is often a major factor in economic growth, the state potentially faces a loss in development. Additionally, declines in the division's various construction and paving programs will reduce the number of projects awarded to private contractors and consulting firms. This could result in a reduction in their workforces, which also would have a negative impact on the state's overall economy.

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

Rail Transportation

Over 3,500 jobs are directly impacted by the rail service provided by the South Branch Valley Railroad (SBVR). In FY 2007, freight hauling and associated revenue continued to grow. The number of rail cars handled increased more than 200 over FY 2006. Greer Limestone shipped 100 additional cars, mainly due to its reversion to shipping by rail instead of truck. This transportation change was partly due to the rising cost of diesel fuel, which makes rail transportation a more economical form of transportation. Having this alternative transportation source gives the customers in the South Branch Valley a competitive edge over other business locations that may not have rail access. In addition to the increase by Greer, SBVR's largest customer, Pilgrim's Pride, boosted its shipments of corn by over 100 rail cars. With the availability of rail service in the area, approximately 15,500 trucks are kept off a very rural and congested highway system. This provides a safer highway for the traveling public and reduces damage to the system's infrastructure.

The amount of freight hauled on the West Virginia Central Railroad (WVCR) has increased and will continue to grow with the new business developed by its operator, the Durbin and Greenbrier Valley Railroad, to haul highway salt to the J. F. Allen quarry. This salt will be used on most of West Virginia's roads. By securing this

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additional business for the railroad, more jobs will be maintained through the winter months by local truckers. There is also potential for additional freight shipments, such as coal and aggregates, to materialize in the near future. This economic stimulus is the type of positive outcome that makes investment in this line worthwhile.

The rail lines also contribute to the tourism industry. The SBVR track is used by the Potomac Eagle, a tourist train operation that continues to successfully work with the local communities to expand tourism business in the valley. The WVCB's operator promotes and markets that line. In FY 2007, the number of tourist passengers on the WVCB increased once again. The rehabilitation of the Elkins Depot and the Elkins Railroad Yard is a testament to what this train service has done for the community. The opening of the Elkins Railroad Bridge provides the passenger train with direct access to the depot and downtown. Due to the large number of tourists that ride this train, the downtown area of Elkins is seeing more businesses locate in that area. A new Holiday Inn Express was built in the Rail Yard, plans are under way for a Hampton Inn, a 525 seat theater has been built, and a new restaurant will be in place by the spring of 2008. All of this development growth is attributable to the tourism growth the railroad has provided. Combined, they will provide more jobs and more tax revenue in the area.

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

Public Transportation

The National Business Coalition for Rapid Transit indicates that transit access is essential for the nation's economic health and prosperity. It connects workers to jobs, relieves traffic congestion, reduces energy consumption, and generates jobs and a significant return on investment. In FY 2007 over 5.4 million passengers used public transit statewide, resulting in a 4.9% increase from the previous year. If gasoline prices continue to rise, it is likely that the demand for these services will increase.

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

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

The future of transit and the addition of new service areas in West Virginia will be heavily dependent upon the investment that the state and federal governments make. The Safe, Accountable, Flexible, and Efficient Transportation Equity—A Legacy for Users (SAFETEA-LU), which provides federal funding through FFY 2009, was signed into law on August 10, 2005. Under this legislation, the core program for rural public

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transportation remains the Federal Transit Administration's Section 5311 formula grant program, which provides capital and operating assistance to nonurbanized areas. Section 5311 funds will grow steadily from the \$250.9 million in FFY 2005 to approximately \$535 million in FFY 2009. Additionally, two new federal formula grants are being administered by states: Job Access and Reverse Commute and New Freedom programs. The Job Access grants are intended to assist lower income individuals in getting to jobs, training, and child care. Reverse Commute grants are designed to develop transit services to transport workers to suburban job sites. The New Freedom Program will provide formula funding for new transportation services and public transportation alternatives beyond those required by ADA to assist persons with disabilities.

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

Aviation

The West Virginia Aeronautics Commission provides matching funds to airports for Federal Aviation Administration (FAA) airport improvement projects and other federal aviation grants. Under current federal legislation, West Virginia airports receive around \$33.5 million yearly, which requires approximately \$1.8 million in state or local matching funds. Many of these projects involve consultant design services and extended construction or maintenance of runways, terminals, approaches, etc., as well as the construction of aircraft rescue and firefighting buildings and the purchase of firefighting and snow removal equipment. Greater aviation activity and improved and expanded aviation infrastructure creates jobs and contributes to the growth of West Virginia's economy. FAA expects this level of funding to continue for several years so continued economic benefits are anticipated.

Intermodal Transportation

The operation of inland intermodal container ports has stimulated local economic growth through private investment in warehousing distribution centers and associated activities, such as freight movement. The ability to ship from these facilities has enabled local and regional businesses to save an estimated \$3–\$10 million annually in shipping costs, which are then available for reinvestment.

Included in the Safe, Accountable, Flexible, and Efficient Transportation Equity Act—a Legacy for Users (SAFETEA-LU) is the development of the Heartland Corridor. The Heartland Corridor initiative consists of a series of railroad tunnel clearance projects designed to enable double stacked containers to move through the corridor, significantly improving mobility and increasing rail freight capacity from port facilities in Virginia to Columbus, OH and all points west. The economic vitality of the region is expected to strengthen, and the efficiency and capacity of the nation's transportation network will be enhanced. Twenty-three tunnels in West Virginia will be cleared from early 2008 through mid 2010. The projects are funded from \$90 million in federal and \$49.5 million in private sector (Norfolk Southern Railroad) investment.

Another possible benefit of the Heartland Corridor project is the need for rail distribution centers. The development of such a facility at Prichard, West Virginia, is being studied. The center has the potential to create over 25 construction jobs and, upon opening, 20 full-time permanent jobs. Estimates suggest that the cost to develop the center will range from \$32 to 40 million. A \$1 million donation by Norfolk Southern to the West Virginia Public Port Authority represents an initial private sector contribution to the project. Clearance of the tunnels and possible operation of a distribution center will enable local companies to enter the global supply chain at a significant cost savings, making their products more competitive in the global marketplace.

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Additionally, the center potentially will attract importers because it will provide a more direct route between the eastern seaboard and Midwest markets. Conceivably, capital investment in import distribution centers could total over \$500 million, leading to the creation of 700 to 1,000 new jobs providing an annual income of \$17 million in the region.

Division of Highways—Long Term Debt

The Division of Highways (DOH) is the only West Virginia Department of Transportation agency with long-term debt. In FY 2005, the DOH refinanced approximately \$320 million of Safe Road bonds as an advance refunding. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$19.69 million and resulted in an economic gain of \$18.821 million. As of June 30, 2007, DOH had the following outstanding general obligation bonds (principal and interest), payable from the State Road Fund:

| | <u>Final Maturity</u> | <u>Balance</u> |
|---------------------------------------|-----------------------|-----------------------|
| 1998 Safe Roads Bonds (\$220 million) | 2023 | \$ 75,161 588 |
| 1999 Safe Roads Bonds (\$110 million) | 2009 | \$ 4,799,060 |
| 2001 Safe Roads Bonds (\$110 million) | 2013 | \$ 66,716,950 |
| 2005 Safe Roads Bonds Refinancing | 2025 | <u>\$ 464,487,800</u> |
| | Total Debt | \$ 611,165,398 |

Although the debt service associated with the issuance of special obligation notes to expedite construction on US 35 is not a DOH debt, it is prudent to present information regarding their issuance. The commissioner of the Division of Highways, under authority granted in W.Va. Code §17-17A, can issue up to \$200 million in special obligation notes. In October 2006, DOH issued \$75.97 million of these notes, and in April 2007, another \$33.19 million was issued. Both issuances have a final maturity in FY 2016. Through two innovative federal financing mechanisms—Grant Anticipation Revenue Vehicle (GARVEE) financing and federal toll credits—DOH will pay the debt service associated with the notes (\$133.9 million) with 100% federal funds. The GARVEE financing mechanism permits the debt service to be paid with future federal-aid highway funds that DOH expects to receive.

The agency anticipates issuing a final \$90.84 million of notes in spring 2008. The debt service for those notes also will be funded with future federal-aid highway funds. Although DOH fully anticipates that sufficient future federal-aid highway funding will be available to make all payments, the debt service remains a contingent liability of the State Road Fund. If future federal-aid funds are insufficient, DOH will be required to commit cash from the State Road Fund to cover any shortfall in debt service funding.

Budget Overview

The Executive Budget Process Policy

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

The Secretary of Revenue, along with the Governor's Office and the State Budget Office, develops guidelines to be used by the various spending units when submitting their appropriation (budget) requests that are due by law on September 1. These guidelines establish a "current level" or base budget for each department/bureau/commission/division.

For all appropriated accounts, the "current level" for FY 2009 is defined as the same amount of funds the department/bureau/commission/division has for the current fiscal year (FY 2008) less any one-time appropriations. For the budget request, the department/bureau/commission/division is permitted to move funds between appropriations, programs, or agencies within the department; however, there can be no increase in the total request over the current year's appropriation with the exception of the legislative and judicial budgets and statutory increases for the Department of Education. The "current level" request allows department/bureau/commission/division heads to redirect their limited amount of resources to the highest priority areas without an increase in their total budget.

All appropriation requests that are above the "current level" must be submitted as a separate "improvement package" stating what the additional funding will accomplish, how it will be expended, and justifying the need for the additional funds. Each such improvement above the "current level" is considered individually.

Appropriation requests are reviewed by the Secretary of Revenue and the State Budget Office, and 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 or federal mandates or court ordered funding.

This is also the time any future capital projects and funding options are discussed in general terms. All the departments/bureaus/commissions are required to submit capital expenditure plans with their appropriation requests. These show the projects budgeted for the current fiscal year, requested for the next fiscal year, and amounts estimated for future years. This allows the state to use sound financial planning for future capital needs.

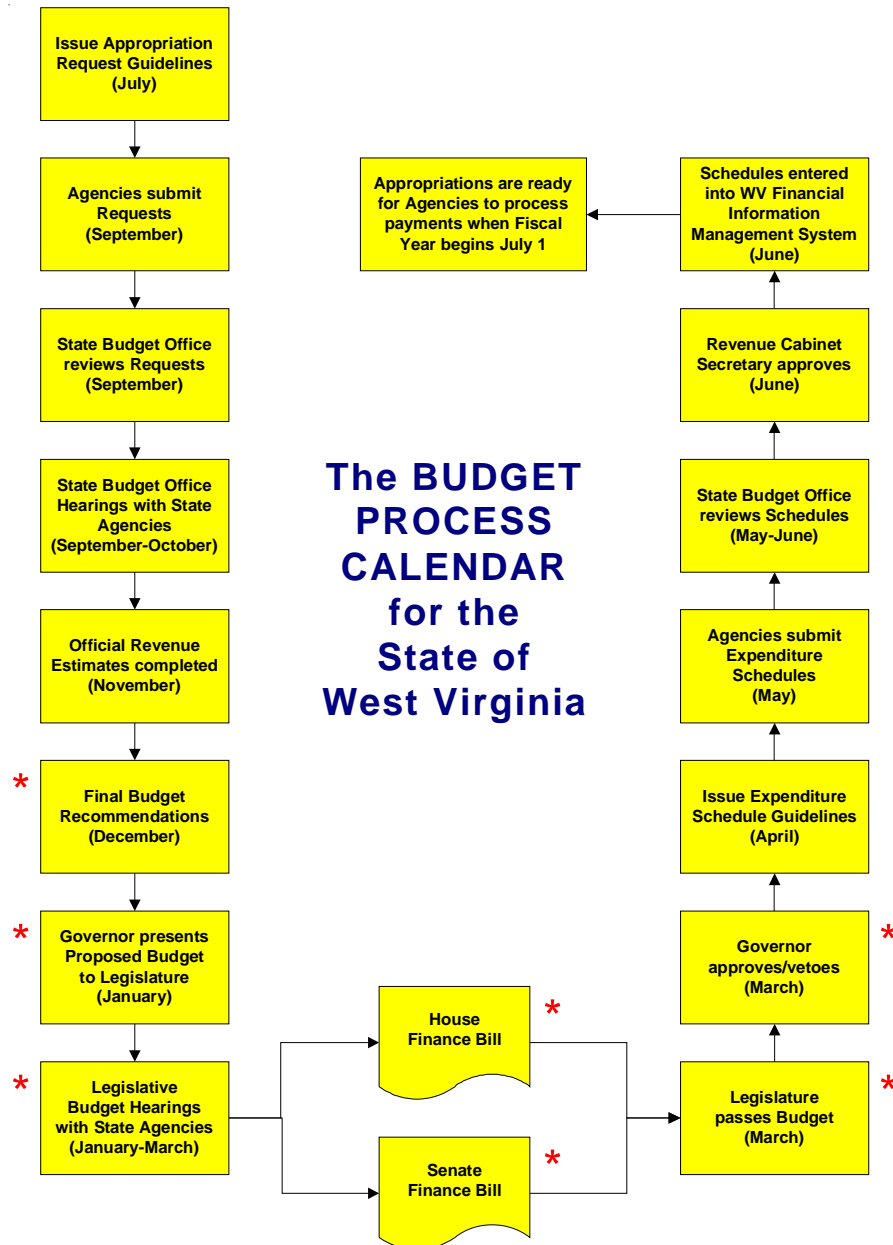
When the budget hearings are completed and the revenue estimates are determined for the upcoming budget year, the Governor makes budget recommendations based upon program priorities, requirements, court orders, and the availability of funds. The Governor, under the authority of the Constitution of West 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 balances available for appropriation, but 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 estimate" as provided by the Governor and may also include any unappropriated surplus balances available from the prior year.

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

Budget Overview

The Governor's Executive Budget consists of the *Operating Detail*, the *Budget Report*, and the Budget Bill. The *Operating Detail* contains organizational charts, descriptive narrative information for every department/bureau/ commission, division, and program, detailed financial information related to actual expenditures, current budget, and requested appropriations by program and by fund, economic forecast, capital projects, and a profile of the State. The *Budget Report* contains the executive message, financial statements, and the budget plan. The Budget Bill includes the language required to legally enact the budget or appropriations bill.

The *Operating Detail* and the *Budget Report* both contain summary financial statements that include the official estimate of revenues 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.



Budget Overview

The Legislative Budget Process Policy

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

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

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

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

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

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

Budget Amendment Policy

Supplemental Appropriation Bills

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

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

A supplementary appropriation bill must follow the same procedures and requirements necessary to adopt the original budget.

Budget Act Specific Transfer Language

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

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

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

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

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

Legislative and Judicial Amendments

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

Governor’s Increased Spending Authority Authorization

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

Special Revenue

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

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

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

Budget Overview

work together to reach a mutual agreement on the issue. If the agreement is to proceed with the authorization, notices of such authorization are sent to the State Auditor, the State Treasurer, and the Legislative Auditor.

Federal Revenue

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

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

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

Financial 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 thirty-one days after the fiscal year end; however, appropriations for buildings, land, and capital outlays remain in effect until three years after the passage of the act by which the appropriations were made. The State Auditor reviews all transactions of all funds to insure that an appropriation for expenditures has been made, there is a balance in the appropriation sufficient to cover the expenditure, and evidence of services rendered or materials received supports the claim against the State.

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

The Legislative Auditor compiles fiscal information for the Legislature; makes a continuous audit and analysis of the State budget, revenues, and expenditures; makes periodic post-audits of the revenues and expenditures of the spending units of the State government; reports any misapplication of State funds or erroneous, extravagant, or unlawful expenditures by any spending unit; and makes recommendations to the Legislature concerning the post-audit findings, the revenues, and expenditures of the State and the organization and functions of the State and its spending units. A copy of each audit report, when completed and certified by the Legislative Auditor, is

filed with the Department of Administration as a public record and with the Attorney General for any action he may deem necessary.

Basis for Budgeting All Funds

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

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

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

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

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

Cash Management and Investment Procedures

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

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

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

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

Budget Overview

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

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

Evaluation and Monitoring Procedures

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

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

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

Risk Management

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

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

Budget Overview

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

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

Asset Inventory Management

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

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

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

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

Compensated Absences

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

Budget Overview

The focus for the FY 2009 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2005 to FY 2007) and the performance-level objectives the program is trying to achieve in FY 2008 and FY 2009 based on current level funding. For the most recently completed year, both projected and actual performance data is shown to provide information on the success of the agency in meeting their goals.

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

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

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

Legislative Performance Review

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

The performance review process begins each year when the Legislature passes a bill that sets a schedule of agencies to be statutorily reviewed by PERD. Also, performance reviews other than statutorily required reviews can be initiated by the Joint Committee on Government Operations or the Legislative Auditor. There are three basic types of reviews under the Performance Review Act: 1) agency review; 2) compliance review; and 3) regulatory board review.

Agency reviews may address the following issues:

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

Agency reviews are on departments that have oversight over several agencies. Therefore, any of the agencies within the department's oversight can be reviewed for its performance.

Budget Overview

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

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

Compliance Reviews determine if an agency has complied with recommendations contained in a completed agency review or a regulatory board evaluation, or it may involve a further review of the agency. However, a compliance review must be requested by the Joint Committee on Government Operations specifying in writing the reasons for the compliance review and its expected completion date.

Upon receiving the evaluation report from PERD, the Joint Committee on Government Operations makes one of several possible recommendations. First, the audited agency may be terminated. Second, the audited agency may be continued and reestablished. Third, the statutes governing the audited agency may be amended in specific ways. Corrective legislation might address ineffective or discriminatory practices or procedures, burdensome rules and regulations, lack of protection of public interest, overlapping or duplicating jurisdictions, unwarranted exercise of authority either in law or in fact, or any other deficiencies.

Agencies subject to Performance Reviews in upcoming years are listed below.

- 2008—Department of Administration
- 2009—Department of Education and the Arts, including the Higher Education Policy Commission and the West Virginia Council for Community and Technical College Education.
- 2010—Department of Revenue and the Department of Commerce
- 2011—Department of Environmental Protection and Department of Military Affairs and Public Safety
- 2012—Department of Health and Human Resources and the Bureau of Senior Services
- 2013—Department of Transportation

Agencies subject to Regulatory Board Reviews are listed below.

- 2008—Board of Acupuncture; Board of Barbers and Cosmetologists; and Board of Examiners in Counseling
- 2009—Board of Hearing Aid Dealers; Board of Licensed Dietitians; and Nursing Home Administrators Board.
- 2010—Board of Dental Examiners; Board of Medicine; and Board of Pharmacy.
- 2011—Board of Chiropractic Examiners; Board of Osteopathy; and Board of Physical Therapy
- 2012—Board of Occupational Therapy; Board of Examiners for Speech-Language Pathology and Audiology; and Medical Imaging and Radiation Therapy Board of Examiners.
- 2013—Board of Professional Surveyors; Board of Registration for Foresters; and Board of Registration for Professional Engineers.

Human Resources

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

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

The **Employee Communications Section** provides information to employees and administrators on topics of statewide interest and importance through regular distribution of newsletters and other publications, serves as liaison to the State Personnel Board, and provides administrative and fiscal support services for the division.

The **Employee Information/Payroll Audit Section** establishes and maintains employee information systems and records for all employees and assures compliance with merit system standards and other applicable rules, policies, and procedures through a system of payroll audits.

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

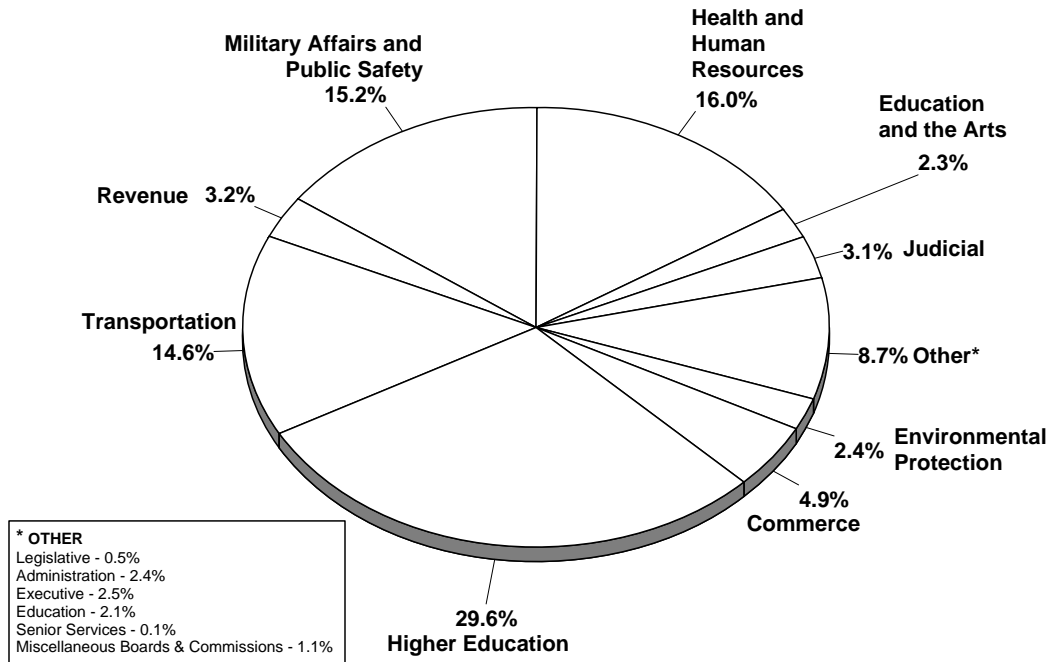
The **Organization and Human Resource Development Section** provides training and development programs for all state employees. It also directs the activities of the Center for Quality Government. In addition to providing technical advice and consulting services for agency-specific training and development programs, the section administers the supervisor/manager training program policy.

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

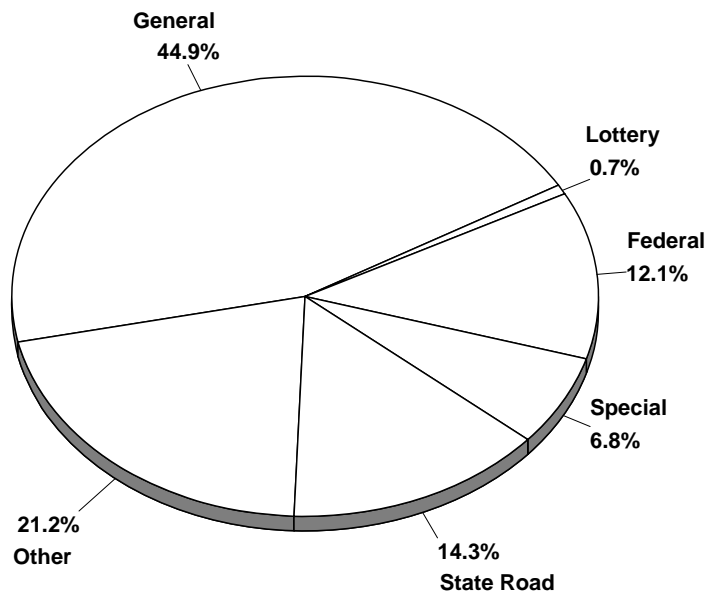
As of November 30, 2007, the State had approximately 38,460 full time equivalent employees, including approximately 10,525 employed by the Higher Education Policy Commission and approximately 1,029 employed by the Council for Community and Technical College Education. Public school teachers and school service personnel for grades K-12 are not included in these totals, as they are county school board employees.

Schedule of Recommended Budgeted Full-Time Equivalents (FTE) Permanent Positions FY 2009 39,015.10 FTEs

By Department



By Fund



Schedule of Budgeted Full-Time Equivalents

All Funds

Permanent Positions

FY 2007 through FY 2009

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|-------------------|-----------------------|-----------------------|------------------------|
|-------------------|-----------------------|-----------------------|------------------------|

| | | | |
|---|------------------|------------------|------------------|
| TOTAL BUDGETED FTE PERMANENT POSITIONS | 37,764.51 | 38,460.68 | 39,015.10 |
|---|------------------|------------------|------------------|

LEGISLATURE

| | | | |
|----------------------------|---------------|---------------|---------------|
| Senate | 40.00 | 39.00 | 39.00 |
| House of Delegates | 60.00 | 58.00 | 54.00 |
| Joint Expenses | 122.00 | 122.00 | 118.00 |
| TOTAL - LEGISLATURE | 222.00 | 219.00 | 211.00 |

| | | | |
|-------------------------|-----------------|-----------------|-----------------|
| TOTAL - JUDICIAL | 1,208.25 | 1,222.85 | 1,222.85 |
|-------------------------|-----------------|-----------------|-----------------|

EXECUTIVE

| | | | |
|--------------------------------|---------------|---------------|---------------|
| Governor's Office ¹ | 91.00 | 94.50 | 94.00 |
| Auditor's Office | 153.80 | 167.90 | 164.98 |
| Treasurer's Office | 125.70 | 133.50 | 132.00 |
| Agriculture, Department of | 350.40 | 350.80 | 348.45 |
| Attorney General's Office | 186.27 | 192.80 | 191.19 |
| Secretary of State | 56.00 | 54.00 | 54.00 |
| TOTAL - EXECUTIVE | 963.17 | 993.50 | 984.62 |

¹ FY 2008 includes one FTE for Home Revitalization program.

DEPARTMENT OF ADMINISTRATION

| | | | |
|--|---------------|---------------|---------------|
| Office of the Secretary ¹ | 2.23 | 9.00 | 8.25 |
| Consolidated Public Retirement Board | 73.00 | 78.00 | 74.00 |
| Finance, Division of ¹ | 16.35 | 15.60 | 15.10 |
| Information Services & Communications, Division of ^{1, 3} | 238.29 | 481.00 | 439.00 |
| General Services, Division of ^{1, 2} | 124.15 | 118.85 | 117.85 |
| Purchasing, Division of ¹ | 69.63 | 68.60 | 68.20 |
| Board of Risk and Insurance Management ¹ | 25.65 | 25.60 | 25.00 |
| Education & State Employees' Grievance Board ¹ | 10.10 | 10.00 | 10.00 |
| Ethics Commission ¹ | 5.50 | 5.75 | 5.50 |
| Public Defender Services ¹ | 13.25 | 13.00 | 14.00 |
| Personnel, Division of ¹ | 67.10 | 66.08 | 65.20 |
| Public Employees Insurance Agency ¹ | 61.20 | 39.80 | 39.80 |
| WV Prosecuting Attorneys Institute ¹ | 8.43 | 8.23 | 6.48 |
| Children's Health Insurance Agency | 8.60 | 8.60 | 8.60 |
| Office of Technology | 8.00 | 8.00 | 8.00 |
| WV Retiree Health Benefits Trust Fund ⁴ | 0.00 | 21.06 | 21.06 |
| Real Estate Division ⁵ | 0.00 | 5.15 | 6.45 |
| TOTAL - ADMINISTRATION | 731.48 | 982.32 | 932.49 |

¹ FY 2008 includes 6.77 FTEs from various agencies in the Department of Administration to the Office of the Secretary.

² FY 2008 includes 19 FTEs moved to General Revenue from nonappropriated Special Revenue.

³ FY 2008 includes 243 technology related FTEs moved from various state agencies to IS&C as per West Virginia Code;

FY 2009 recommendation deleted 41 FTEs deleted in an effort to reduce vacant positions.

⁴ FY 2008 includes 21.70 FTEs moved from PEIA.

⁵ Real Estate Division is new for FY 2008.

FTE Schedule of All Funds (Continued)

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|-------------------|-----------------------|-----------------------|------------------------|
|-------------------|-----------------------|-----------------------|------------------------|

DEPARTMENT OF COMMERCE

| | | | |
|---|-----------------|-----------------|-----------------|
| Office of the Secretary | 5.00 | 5.00 | 5.00 |
| Tourism, Division of ¹ | 72.30 | 72.30 | 71.00 |
| Forestry, Division of ² | 122.75 | 122.75 | 120.75 |
| Geological and Economic Survey ³ | 62.50 | 61.60 | 59.60 |
| WV Development Office ^{4, 5, 6} | 112.60 | 120.35 | 119.35 |
| Labor, Division of ⁷ | 107.00 | 113.00 | 112.00 |
| Natural Resources, Division of ⁸ | 847.55 | 852.55 | 842.47 |
| Miners' Health, Safety and Training, Division of ⁹ | 119.00 | 133.00 | 133.00 |
| Board of Coal Mine Health and Safety | 2.00 | 2.00 | 2.00 |
| WORKFORCE WV (formerly Employment Programs) ¹⁰ | 434.01 | 435.61 | 445.81 |
| Energy, Division of ^{5, 11} | 0.00 | 12.00 | 14.00 |
| Governor's Workforce Investment Office ¹⁰ | 28.00 | 29.60 | 0.00 |
| TOTAL - COMMERCE | 1,912.71 | 1,959.76 | 1,924.98 |

¹ FY 2008 added eight FTEs to move employees from part-time to full-time for welcome centers and two FTEs for call center.

FY 2009 recommendation deleted 1.30 FTE vacancies.

² FY 2009 recommendation deletes two FTE vacancies.

³ FY 2009 recommendation deletes two FTE vacancies.

⁴ FY 2008 reflects 22 FTEs from agencies within Commerce to a new marketing and communications office (five Development Office, ten Tourism, one Forestry, six Natural Resources).

⁵ FY 2008 moved 12 FTEs from West Virginia Development Office to a new agency.

⁶ FY 2009 recommendation deletes one FTE vacancy.

⁷ FY 2008 reflects an additional three FTEs for labor inspectors in the Wage and Hour Program and three FTEs for contractor licensing inspectors.

FY 2009 recommendation deleted one FTE vacancy.

⁸ FY 2008 reflects an additional eight FTEs to staff Chief Logan Lodge and Conference Center.

FY 2009 recommendation

deleted four FTE vacancies.

⁹ FY 2008 reflects additional four FTEs for mine inspectors, five FTEs for safety instructors, and five FTEs to establish a new Mine Emergency Operations Center.

¹⁰ FY 2009 recommendation combines Governor's Workforce Investment Office and WORKFORCE West Virginia and deletes 19.40 FTE vacancies.

¹¹ FY 2009 recommendation added two FTEs to establish Fossil Energy Program.

DEPARTMENT OF EDUCATION

| | | | |
|---|---------------|---------------|---------------|
| Education, State Department of ¹ | 536.14 | 562.20 | 567.38 |
| WV Schools for the Deaf & the Blind | 217.70 | 217.70 | 218.00 |
| State FFA-FHA Camp & Conference Center | 37.86 | 37.80 | 37.80 |
| School Building Authority | 10.00 | 10.00 | 10.00 |
| TOTAL - EDUCATION | 801.70 | 827.70 | 833.18 |

¹ FY 2009 recommendation includes ten FTEs for Juvenile Detention Centers; Deleted one FTE from vacancies.

FY 2008 includes nine FTEs for Juvenile Detention Centers.

DEPARTMENT OF EDUCATION AND THE ARTS

| | | | |
|---|-----------------|---------------|---------------|
| Office of the Secretary ¹ | 25.10 | 28.10 | 28.10 |
| Culture and History, Division of ² | 114.67 | 115.47 | 112.27 |
| Library Commission | 56.00 | 55.90 | 54.90 |
| Educational Broadcasting Authority | 98.50 | 98.50 | 97.50 |
| Rehabilitation Services, Division of ³ | 752.33 | 613.50 | 593.50 |
| TOTAL - EDUCATION AND THE ARTS | 1,046.60 | 911.47 | 886.27 |

¹ FY 2008 includes one FTE for the Center for Professional Development—Advance Placement Professional Development.

² FY 2009 recommendation does not include 3.20 FTEs previously funded with reappropriated funds.

³ FY 2008 decrease from transition from rehabilitation center to community based services.

FY 2009 recommended decrease from deletion of 20 FTE vacancies.

FTE Schedule of All Funds (Continued)

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|-------------------|-----------------------|-----------------------|------------------------|
|-------------------|-----------------------|-----------------------|------------------------|

DEPARTMENT OF ENVIRONMENTAL PROTECTION

| | | | |
|--|---------------|---------------|---------------|
| Air Quality Board | 1.30 | 1.30 | 1.30 |
| Environmental Protection, Division of ¹ | 925.73 | 892.63 | 886.23 |
| Environmental Quality Board | 1.70 | 1.70 | 1.70 |
| Solid Waste Management Board | 13.00 | 13.00 | 13.00 |
| Oil and Gas Conservation Commission | 2.50 | 2.50 | 2.50 |
| TOTAL - ENVIRONMENTAL PROTECTION | 944.23 | 911.13 | 904.73 |

¹ An overall department effort to delete vacant positions.

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

| | | | |
|---|-----------------|-----------------|-----------------|
| Office of the Secretary ¹ | 5.42 | 6.42 | 7.42 |
| Barbers and Cosmetologists, Board of | 9.00 | 9.00 | 9.00 |
| Health, Division of ² | 2,667.46 | 2,671.23 | 2,647.38 |
| Health Care Authority | 49.00 | 51.00 | 51.00 |
| Human Rights Commission | 31.00 | 31.00 | 31.00 |
| Human Services, Division of ³ | 3,485.78 | 3,481.58 | 3,498.79 |
| TOTAL - HEALTH AND HUMAN RESOURCES | 6,247.66 | 6,250.23 | 6,244.59 |

¹ FY 2009 recommendation includes an additional one FTE for the Women's Commission.

² FY 2009 recommendation deleted 7.50 FTEs from vacancies.

³ FY 2009 recommendation deleted 15 FTEs from vacancies. Added 22 FTEs for Children/Adult-Protective Services workers and six FTEs for Foster Care-Title IV-E; added eight FTEs for Child Advocate attorneys and paralegals.

DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY

| | | | |
|---|-----------------|-----------------|-----------------|
| Office of the Secretary | 12.00 | 17.00 | 17.00 |
| Adjutant General ¹ | 305.00 | 373.00 | 497.00 |
| State Armory Board | 50.00 | 50.00 | 50.00 |
| WV Board of Parole | 15.00 | 15.00 | 16.00 |
| Homeland Security & Emergency Management | 53.50 | 54.75 | 52.75 |
| Corrections, Division of ² | 1,946.75 | 1,968.25 | 1,983.85 |
| WV State Police | 1,060.00 | 1,047.50 | 1,038.50 |
| Veterans' Affairs, Division of (includes Veterans' Home) ³ | 153.40 | 271.80 | 297.68 |
| Regional Jail and Correctional Facility Authority | 1,013.00 | 1,035.00 | 1,032.50 |
| Fire Commission | 42.00 | 43.00 | 42.00 |
| Criminal Justice, Division of | 30.50 | 30.50 | 30.01 |
| Juvenile Services ⁴ | 787.00 | 787.00 | 848.00 |
| Division of Protective Services ⁵ | 30.00 | 31.00 | 42.00 |
| TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY | 5,498.15 | 5,723.80 | 5,947.29 |

¹ FY 2008 added 125 FTEs for federally funding positions; Deleted one FTE from vacancy.

² FY 2009 recommendation deleted four FTEs from vacancies.

³ FY 2009 recommendation added 26.60 FTEs for new veterans nursing home.

⁴ FY 2009 recommendation added 50 FTEs for Jones Building Treatment Center and 24 FTEs for Statewide Day Reporting Center; Deleted 12 FTEs from vacancies.

⁵ FY 2009 recommendation added 11 FTEs to staff Command Center.

FTE Schedule of All Funds (Continued)

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|-------------------|-----------------------|-----------------------|------------------------|
|-------------------|-----------------------|-----------------------|------------------------|

DEPARTMENT OF REVENUE

| | | | |
|--|-----------------|-----------------|-----------------|
| Office of the Secretary ¹ | 8.00 | 9.00 | 8.00 |
| Tax Division ² | 473.00 | 480.00 | 475.60 |
| State Budget Office | 10.00 | 10.00 | 10.00 |
| Insurance Commissioner ³ | 404.00 | 400.40 | 391.00 |
| Lottery Commission ⁴ | 120.00 | 187.00 | 170.00 |
| Racing Commission | 36.50 | 40.50 | 37.00 |
| Alcohol Beverage Control Administration ⁵ | 120.12 | 120.12 | 112.12 |
| Office of Tax Appeals | 9.00 | 9.00 | 9.00 |
| Municipal Bond Commission | 4.00 | 4.00 | 4.00 |
| Banking, Division of | 33.50 | 32.50 | 32.50 |
| Athletic Commission | 0.00 | 0.00 | 0.00 |
| TOTAL - REVENUE | 1,218.12 | 1,292.52 | 1,249.22 |

¹ FY 2008 reflects one new FTE; FY 2009 recommendation deleted one FTE from vacancies.

² FY 2009 recommendation deleted four FTEs from vacancies.

³ FY 2009 recommendation deleted eight FTEs from vacancies.

⁴ Increase in FTEs from new positions related to table game regulation.

⁵ FY 2009 recommendation deleted three FTEs from vacancies.

DEPARTMENT OF TRANSPORTATION

| | | | |
|------------------------------------|-----------------|-----------------|-----------------|
| Motor Vehicles, Division of | 608.00 | 600.00 | 596.00 |
| Highways, Division of ¹ | 4,550.50 | 4,498.00 | 5,028.00 |
| State Rail Authority | 24.00 | 24.00 | 24.00 |
| Public Transit, Division of | 10.00 | 10.00 | 10.00 |
| Public Port Authority | 3.00 | 4.00 | 4.00 |
| Aeronautics Commission | 3.00 | 3.00 | 3.00 |
| TOTAL - TRANSPORTATION | 5,198.50 | 5,139.00 | 5,665.00 |

¹ FY 2009 recommendation reflects an increase of 530 FTEs for Division of Highways to reflect FTE quotas.

| | | | |
|--|--------------|--------------|--------------|
| TOTAL - BUREAU OF SENIOR SERVICES | 36.40 | 36.40 | 36.40 |
|--|--------------|--------------|--------------|

HIGHER EDUCATION POLICY COMMISSION

| | | | |
|---|------------------|------------------|------------------|
| HEPC - Administration | 60.35 | 54.00 | 52.95 |
| West Virginia University ¹ | 6,065.00 | 6,415.90 | 6,412.51 |
| Marshall University | 1,652.69 | 1,678.21 | 1,674.85 |
| Osteopathic School of Medicine | 181.25 | 195.88 | 195.88 |
| Bluefield State College | 216.37 | 217.35 | 217.35 |
| Concord University | 263.89 | 270.29 | 268.27 |
| Fairmont State University ¹ | 430.49 | 449.49 | 442.47 |
| Glenville State College | 161.40 | 180.01 | 178.45 |
| Shepherd University | 383.90 | 399.34 | 398.34 |
| West Liberty State College | 241.94 | 244.20 | 244.20 |
| West Virginia State University | 357.81 | 374.59 | 374.59 |
| WVU Institute of Technology ² | 248.50 | 0.00 | 0.00 |
| WVNET | 48.33 | 45.93 | 45.93 |
| TOTAL - HIGHER EDUCATION POLICY COMMISSION | 10,311.92 | 10,525.19 | 10,505.79 |

¹ Fairmont State University does not reflect FTEs of Pierpont Community and Technical College.

² WVU Institute of Technology consolidated with West Virginia University July 1, 2007.

FTE Schedule of All Funds (Continued)

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|-------------------|-----------------------|-----------------------|------------------------|
|-------------------|-----------------------|-----------------------|------------------------|

COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION

| | | | |
|--|---------------|-----------------|-----------------|
| Council - Administration | 6.00 | 7.00 | 7.00 |
| Marshall Community and Technical College | 69.75 | 72.75 | 72.75 |
| New River Community and Technical College | 79.00 | 83.00 | 83.00 |
| Pierpont Community and Technical College ¹ | 89.11 | 94.36 | 94.36 |
| Blue Ridge Community and Technical College | 44.33 | 57.41 | 57.41 |
| WV State Community and Technical College | 57.00 | 64.00 | 64.00 |
| Comm. and Tech. College of WVU Institute of Technology | 39.50 | 43.00 | 43.00 |
| WVU at Parkersburg | 191.30 | 192.10 | 192.10 |
| Southern West Virginia Community and Technical College | 248.11 | 249.78 | 249.78 |
| West Virginia Northern Community and Technical College | 138.00 | 139.00 | 139.00 |
| West Virginia Eastern Community and Technical College | 26.97 | 27.20 | 27.20 |
| TOTAL - COUNCIL FOR C&T COLLEGE EDUCATION | 989.07 | 1,029.60 | 1,029.60 |

¹ A division of Fairmont State University.

MISCELLANEOUS BOARDS AND COMMISSIONS

| | | | |
|--|---------------|---------------|---------------|
| Board of Treasury Investments | 5.00 | 5.00 | 5.50 |
| Courthouse Facilities Improvement Authority | 2.00 | 2.00 | 2.00 |
| Hospital Finance Authority | 1.00 | 1.00 | 1.00 |
| Licensed Practical Nurses | 4.00 | 4.00 | 4.00 |
| Public Service Commission | 333.67 | 333.67 | 334.96 |
| Real Estate Commission ¹ | 11.00 | 11.00 | 11.00 |
| Registered Nurses | 9.50 | 9.50 | 9.50 |
| Water Development Authority | 12.00 | 12.00 | 12.00 |
| West Virginia Economic Development Authority | 9.88 | 9.88 | 9.88 |
| Other Boards | 46.50 | 48.16 | 47.25 |
| TOTAL - MISC. BOARDS AND COMMISSIONS | 434.55 | 436.21 | 437.09 |

¹ FTEs reflect five board members.

Schedule of Budgeted Full-Time Equivalents By Source of Funds Permanent Positions FY 2007 through FY 2009

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|--|-----------------------|-----------------------|------------------------|
| ALL DEPARTMENTS/AGENCIES | | | |
| General | 16,022.86 | 17,334.97 | 17,513.50 |
| Federal | 4,539.83 | 4,670.12 | 4,724.59 |
| Lottery | 376.54 | 312.94 | 262.34 |
| Special | 3,533.42 | 2,768.30 | 2,666.04 |
| State Road Fund | 5,064.50 | 5,042.00 | 5,568.00 |
| Nonappropriated Special | 8,227.36 | 8,332.35 | 8,280.63 |
| TOTAL | 37,764.51 | 38,460.68 | 39,015.10 |
| LEGISLATURE | | | |
| General | 217.00 | 214.00 | 206.00 |
| Federal | 0.00 | 0.00 | 1.00 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 5.00 | 5.00 | 4.00 |
| Nonappropriated Special | 0.00 | 0.00 | 0.00 |
| TOTAL | 222.00 | 219.00 | 211.00 |
| JUDICIAL | | | |
| General | 1,208.25 | 1,222.85 | 1,222.85 |
| 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 | 1,208.25 | 1,222.85 | 1,222.85 |
| EXECUTIVE | | | |
| General | 589.78 | 608.96 | 614.97 |
| Federal | 57.22 | 58.77 | 48.77 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 181.45 | 189.83 | 188.25 |
| Nonappropriated Special | 134.72 | 135.94 | 132.63 |
| TOTAL | 963.17 | 993.50 | 984.62 |
| DEPARTMENT OF ADMINISTRATION | | | |
| General ¹ | 92.36 | 121.14 | 123.00 |
| Federal | 7.85 | 7.70 | 7.60 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special ² | 311.32 | 552.16 | 508.28 |
| Nonappropriated Special | 319.95 | 301.32 | 293.61 |
| TOTAL | 731.48 | 982.32 | 932.49 |
| ¹ FY 2008 reflects move of 6.77 FTEs paid from various agencies to Office of Secretary; moved 19 FTEs to General Revenue from Nonappropriated Special; and addition of five FTEs for new Real Estate Division. ² FY 2008 includes 243 technology related FTEs moved from various state agencies to IS&C as per West Virginia Code. FY 2009 recommendation deleted 41 FTEs in an effort to reduce vacant positions. | | | |

FTE Schedule by Source of Funds (Continued)

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|-------------------|-----------------------|-----------------------|------------------------|
|-------------------|-----------------------|-----------------------|------------------------|

DEPARTMENT OF COMMERCE

| | | | |
|--------------------------------------|-----------------|-----------------|-----------------|
| General ¹ | 615.03 | 679.51 | 755.01 |
| Federal ² | 610.21 | 603.28 | 584.13 |
| Lottery ³ | 181.30 | 181.30 | 134.00 |
| Special ⁴ | 317.52 | 306.91 | 277.83 |
| Nonappropriated Special ⁵ | 188.65 | 188.76 | 174.01 |
| TOTAL | 1,912.71 | 1,959.76 | 1,924.98 |

¹ FY 2008 **Added** - 14 inspectors/safety instructors for Miners' Health & Safety; Eight staff positions at Chief Logan Lodge and Conference Center for DNR; Three wage and hour inspectors for Labor. **Moved To** - 12 MHST FTEs from Special Revenue Penalty and Assessment Fund; 12 FTEs from Forestry Special Revenue Fund due to declining timber severance tax collections.

FY 2009 **Added** - Two FTE for Fossil Energy Program. **Moved To** - 34 DNR FTEs from Special Revenue and 46 DNR FTEs from Excess Lottery.

² FY 2008 **Moved From** - Six DNR FTEs for Wildlife Diversity Program and three MHST FTEs to complete Mine Mapping Archive project to Special Revenue; One DNR FTE to Nonappropriated Special for Communications & Marketing Division. FY 2009 **Deleted** - 19.40 FTEs from WORKFORCE WV.

³ FY 2009 **Moved From** - 46 DNR FTEs from Excess Lottery to General Revenue.

⁴ FY 2008 **Added** - Three FTEs for Labor contracting licensing inspectors. **Moved To** - Six FTEs from Federal DNR; Three FTEs from Federal MSHT.

FY 2009 **Moved To** - 21.75 FTEs from Nonappropriated Special Revenue to Special Revenue for Marketing and Communications Office. **Moved From** - 34 FTEs to General Revenue for DNR Law Enforcement.

⁵ FY 2009 **Moved From** - 21.75 FTEs from Nonappropriated Special Revenue to Special Revenue for Marketing and Communications Office.

DEPARTMENT OF EDUCATION

| | | | |
|-------------------------|---------------|---------------|---------------|
| General | 573.90 | 587.30 | 596.65 |
| Federal | 121.02 | 126.02 | 119.90 |
| Lottery | 39.15 | 45.47 | 45.42 |
| Special | 33.25 | 35.25 | 34.25 |
| Nonappropriated Special | 34.38 | 33.66 | 36.96 |
| TOTAL | 801.70 | 827.70 | 833.18 |

DEPARTMENT OF EDUCATION AND THE ARTS

| | | | |
|-------------------------|-----------------|---------------|---------------|
| General | 430.04 | 436.17 | 436.17 |
| Federal ¹ | 560.34 | 419.63 | 398.63 |
| Lottery | 20.58 | 21.48 | 18.28 |
| Special | 4.54 | 4.54 | 4.54 |
| Nonappropriated Special | 31.10 | 29.65 | 28.65 |
| TOTAL | 1,046.60 | 911.47 | 886.27 |

¹ FY 2009 recommendation decrease from deletion of 20 FTE vacancies.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

| | | | |
|-------------------------|---------------|---------------|---------------|
| General | 99.64 | 96.83 | 97.64 |
| Federal | 333.78 | 323.50 | 313.94 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 300.88 | 292.54 | 292.43 |
| Nonappropriated Special | 209.93 | 198.26 | 200.72 |
| TOTAL | 944.23 | 911.13 | 904.73 |

FTE Schedule by Source of Funds (Continued)

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|---|-----------------------|-----------------------|------------------------|
| DEPARTMENT OF HEALTH AND HUMAN RESOURCES | | | |
| General | 2,743.77 | 3,489.44 | 3,488.39 |
| Federal | 2,171.29 | 2,437.79 | 2,438.70 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 1,126.90 | 129.60 | 129.60 |
| Nonappropriated Special | 205.70 | 193.40 | 187.90 |
| TOTAL | 6,247.66 | 6,250.23 | 6,244.59 |
| Moved 488.60 FTEs from Special Revenue to General Revenue for Tobacco Settlement Fund changes in FY 2008. Change in funding sources a reflection of adjustments to correctly report originating funding source (vs spending fund) for FTEs. | | | |
| DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY | | | |
| General | 3,917.69 | 4,083.65 | 4,203.45 |
| Federal | 345.86 | 385.86 | 504.35 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 112.50 | 106.14 | 99.14 |
| Nonappropriated Special | 1,122.10 | 1,148.15 | 1,140.35 |
| TOTAL | 5,498.15 | 5,723.80 | 5,947.29 |
| DEPARTMENT OF REVENUE | | | |
| General | 432.00 | 438.00 | 430.60 |
| Federal | 0.00 | 0.00 | 0.00 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 620.12 | 624.52 | 603.62 |
| Nonappropriated Special | 166.00 | 230.00 | 215.00 |
| TOTAL | 1,218.12 | 1,292.52 | 1,249.22 |
| DEPARTMENT OF TRANSPORTATION | | | |
| General | 11.50 | 12.50 | 12.50 |
| Federal | 16.00 | 16.00 | 16.00 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 60.00 | 49.00 | 49.00 |
| State Road Fund | 5,064.50 | 5,042.00 | 5,568.00 |
| Nonappropriated Special | 46.50 | 19.50 | 19.50 |
| TOTAL | 5,198.50 | 5,139.00 | 5,665.00 |
| BUREAU OF SENIOR SERVICES | | | |
| General | 0.00 | 0.00 | 0.00 |
| Federal | 17.11 | 14.67 | 14.67 |
| Lottery | 2.30 | 2.83 | 2.83 |
| Special | 0.00 | 0.00 | 0.00 |
| Nonappropriated Special | 16.99 | 18.90 | 18.90 |
| TOTAL | 36.40 | 36.40 | 36.40 |

FTE Schedule by Source of Funds (Continued)

| Department/Agency | FY 2007 11-30-2006 | FY 2008 11-30-2007 | FY 2009 Recommended |
|--|-----------------------|-----------------------|------------------------|
| HIGHER EDUCATION POLICY COMMISSION | | | |
| General | 4,328.84 | 4,541.63 | 4,523.28 |
| Federal | 262.61 | 243.55 | 243.55 |
| Lottery | 133.21 | 61.86 | 61.81 |
| Special | 126.27 | 134.44 | 133.44 |
| Nonappropriated Special | 5,460.99 | 5,543.71 | 5,543.71 |
| TOTAL | 10,311.92 | 10,525.19 | 10,505.79 |
| COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION | | | |
| General | 763.06 | 802.99 | 802.99 |
| Federal | 9.19 | 6.00 | 6.00 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 0.00 | 0.00 | 0.00 |
| Nonappropriated Special | 216.82 | 220.61 | 220.61 |
| TOTAL | 989.07 | 1,029.60 | 1,029.60 |
| MISCELLANEOUS BOARDS AND COMMISSIONS | | | |
| Federal | 27.35 | 27.35 | 27.35 |
| Lottery | 0.00 | 0.00 | 0.00 |
| Special | 333.67 | 338.37 | 341.66 |
| Nonappropriated Special | 73.53 | 70.49 | 68.08 |
| TOTAL | 434.55 | 436.21 | 437.09 |

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
- * Federal Funds
- * Special Revenue Funds
- * Lottery Funds

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

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

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

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

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

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.

Revenue Sources

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

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

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

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 already existing Lottery Fund or the Excess Lottery Fund. Also, during the 2007 Regular Legislative Session, HB 2718 allows for table games at West Virginia racetracks (if approved by local option election).

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

Revenue Sources

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

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

Revenue Estimates

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

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

Additional Revenue Information

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

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

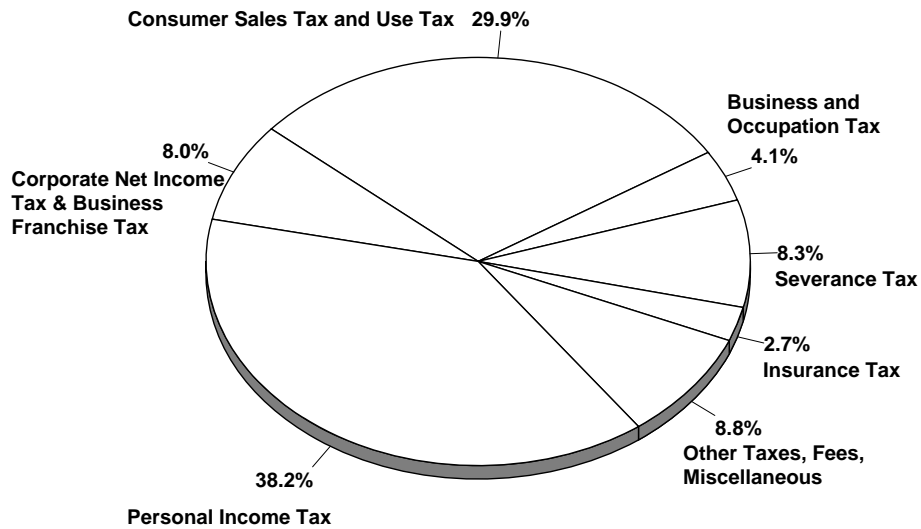
General Revenue Fund

Sources of Revenue

Fiscal Year 2009

\$3.903 Billion

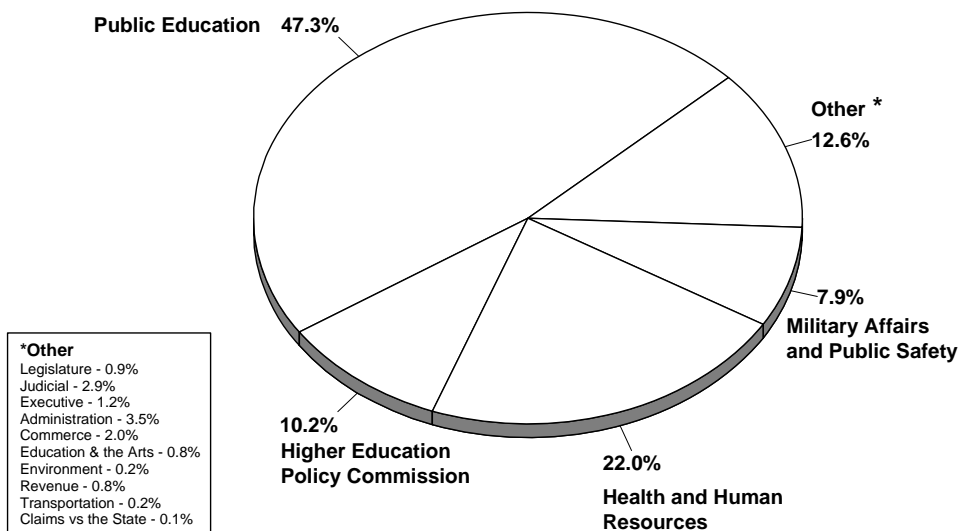
(Estimated)



Recommended Expenditures

Fiscal Year 2009

\$3.902 Billion



General Revenue Fund

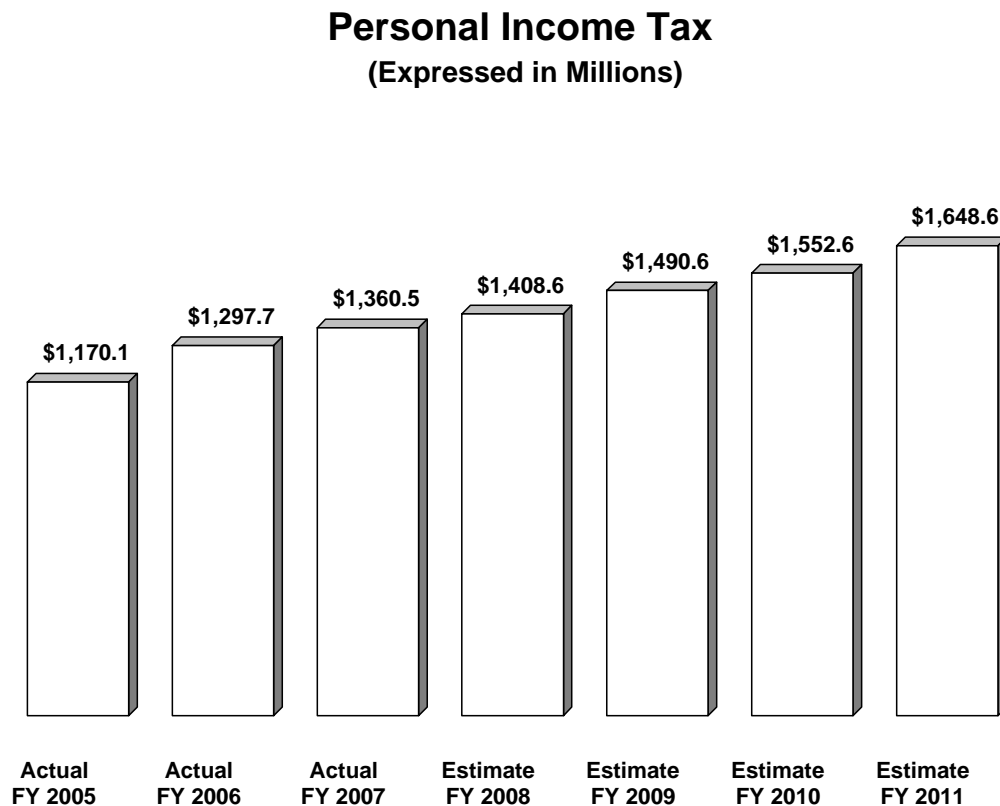
Personal Income Tax

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. Employment has increased by an average annual rate of 1.4% from 2003 through October 2007 and is forecast to grow by an average annual rate of roughly 1.0% over the FY 2008–FY 2011 forecast period. For the same period, real personal income is projected to increase at an average annual rate of 3.3%

Income tax collections are projected to rise at an average annual rate of roughly 5.4% during the FY 2008–FY 2011 forecast period. Projected growth rates are attributable to growth in employment and earnings, business profits, and capital gains.

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

- Tax on West Virginia taxable income.
- 3% on the first \$10,000 of taxable income.
- 4% on taxable income between \$10,000 and \$25,000.
- 4.5% on taxable income between \$25,000 and \$40,000.
- 6% on taxable income between \$40,000 and \$60,000.
- 6.5% on taxable income in excess of \$60,000.
- Accounts for 38.2% of total General Revenue Fund.



General Revenue Fund

Consumer Sales Tax and Use Tax

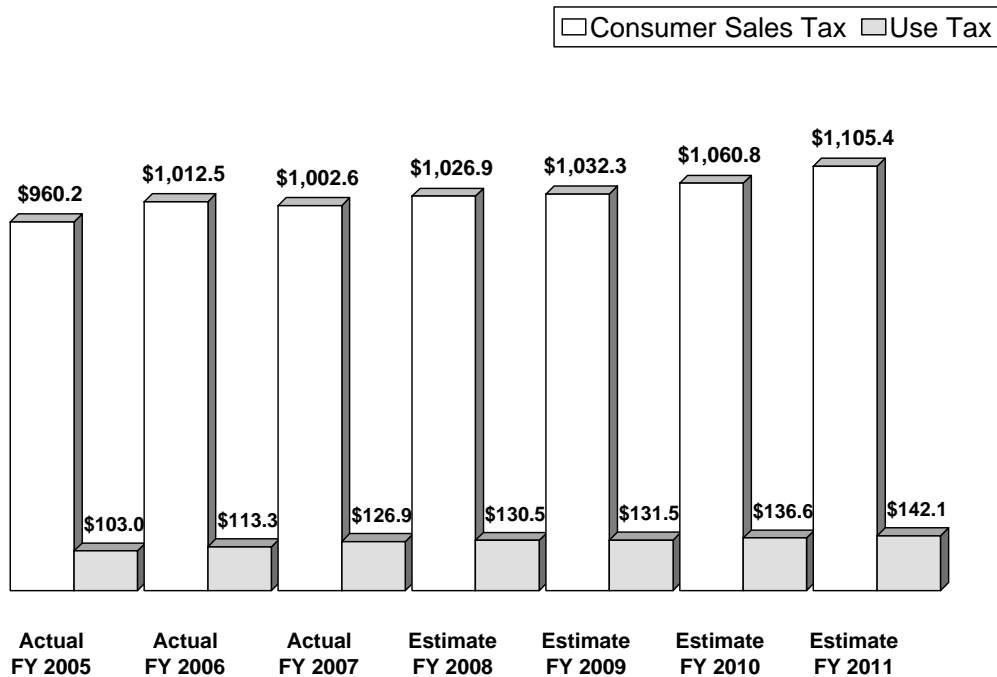
Consumer Sales Tax and Use Tax collections depend heavily upon retail sales (57%) and taxable services (23%) activities. The tax base includes most retail sales except for automobiles, gasoline, prescription drugs, and purchases made with food stamps.

Retail sales growth depends upon changes in population, disposable personal income, inflation rates, interest rates, consumer debt, and consumer confidence. As state population is forecast to rise slightly over the forecast period, real disposable personal income growth will increase to roughly 2.5% per year. The sales tax rate on food for home consumption was reduced from five percent to four percent, effective July 1, 2007. The rate will be reduced to three percent on July 1, 2008.

Consumer Sales Tax collections are forecast to rise at an average annual rate of 2.5% during the FY 2008–FY 2011 forecast period. Use Tax collections are forecast to rise at an average rate of 2.9% per year. Consumer Sales Tax and Use Tax collections account for roughly 26.5% and 3.4% of total General Revenue Fund collections, respectively. In addition to the General Revenue Fund, some Consumer Sales Tax collections go into special revenue accounts (i.e., \$40.7 million in FY 2008, \$41.0 million in FY 2009, \$41.3 million in FY 2010, and \$41.6 million in FY 2011).

- **6% Sales and Use Tax on most goods and services.**
- **4% Sales and Use Tax on food and food ingredients that are not prepared. The tax rate on these purchases will decline to 3% on July 1, 2008.**
- **Total Sales and Use Tax accounts for 29.9% of total General Revenue Fund.**

Consumer Sales Tax and Use Tax (Expressed in Millions)



General Revenue Fund Severance Tax

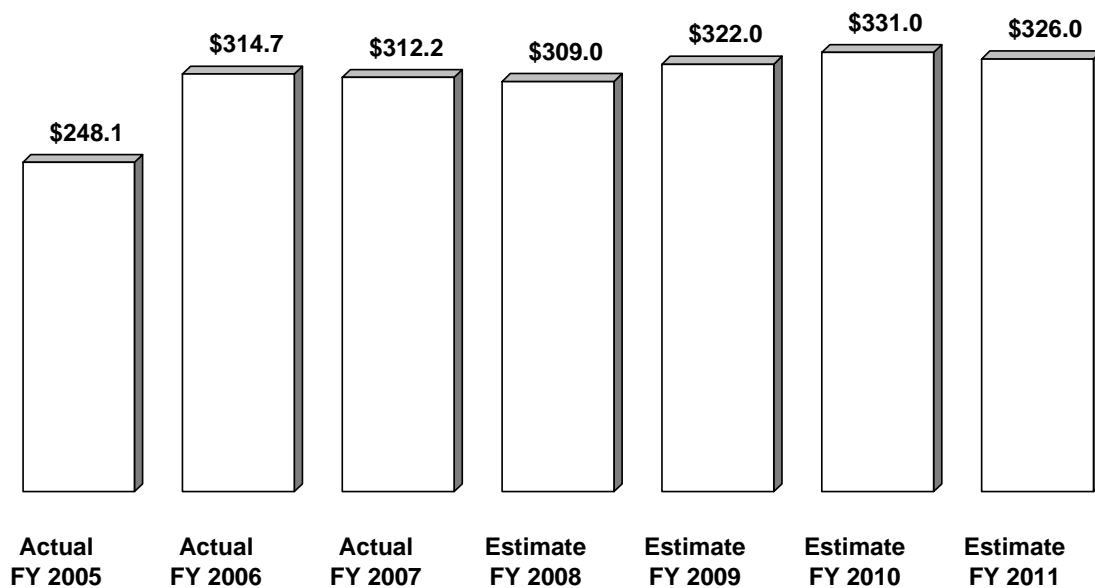
Severance Tax collections are attributable to coal production (76%), natural gas production (22%), and the production of various other natural resource products (two percent). Other natural resources products include timber, oil, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2007, Severance Tax receipts were deposited in the State General Revenue Fund (81.9%), the State Infrastructure Fund (6.3%), local governments (8.6%), the State Division of Forestry (0.5%), and the Worker's Compensation Debt Reduction Fund (2.7%). The first \$24 million of annual receipts is dedicated to the Infrastructure Fund.

Severance Tax collection growth largely depends upon changes in coal and natural gas production and their respective prices. Energy prices rose dramatically over the past four years due primarily to growing global demand and supply limitations in the world market. The average price per ton of West Virginia coal rose from slightly less than \$30 in 2003 to nearly \$50 by 2006. Severance Tax receipts grew by more than 66% between FY 2004 and FY 2007 in response to these higher prices. The price of coal has stabilized over the past year. Total State Severance Tax collections are expected to increase slightly through FY 2010 before declining slightly through the end of the forecast period.

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

- **Privilege tax on gross receipts with a base rate of 5%. (Reduced rates for underground thin seam coal, waste coal, and timber)**
- **Applies to natural resources (coal, gas, oil, other) production.**
- **Accounts for 8.3% of total General Revenue Fund.**

Severance Tax (Expressed in Millions)



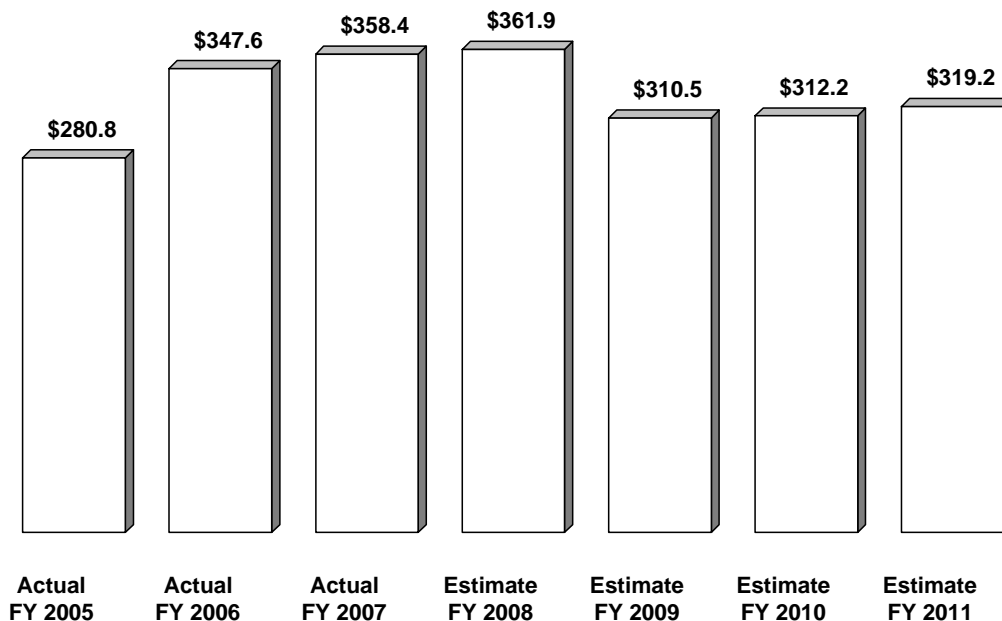
Corporation Net Income Tax and Business Franchise Tax

The Corporation Net Income Tax is a tax on net profits of incorporated entities doing business in West Virginia. The Business Franchise Tax is a tax on the net equity component (defined as the value of capital stock, preferred stock, paid-in capital, and retained earnings) of business balance sheets and applies to most corporations, partnerships, and limited liability companies. Collection trends for these taxes largely depend upon the overall health of the U.S. economy, corporate profits, interest rates, inflation rates, the degree of preference for equity financing over debt financing, the degree of business earnings reinvestment, and changes in federal tax policy. Following an extended period of above average corporate profit growth, profits are forecast to grow by approximately 4.8% in calendar year 2007. Corporate profits are anticipated to rise at the average annual rate of approximately 0.4% between 2008 and 2012.

Combined Corporation Net Income Tax and Business Franchise Tax receipts increased by just 0.2% in FY 2004. Collection growth then soared by 54.7% in FY 2005 and by 23.8% in FY 2006. The growth rate slowed to 6.0% in FY 2007. Over the FY 2008-FY 2013 forecast period, Corporation Net Income Tax and Business Franchise collections are forecast to decline at an average annual rate of 6.7%. The decrease would be attributable to sluggish profit growth and tax law changes.

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

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



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

- Corporation Net Income Tax applies to C corporations, but not S corporations or unincorporated entities. The tax base is modified federal taxable income apportioned to West Virginia with a current tax rate of 8.75%.
- Business Franchise Tax applies to most corporations, partnerships, and limited liability companies. The tax base is net equity apportioned to West Virginia with a current tax rate of 0.55%.
- The Governor's Legislative package proposes to reduce the Corporation Net Income Tax rate from 8.75% to 7% effective January 1, 2012.
- Under current law, the Business Franchise Tax rate will decrease from 0.55% to 0.20% by January 1, 2013.
- Accounts for 8.0% of total General Revenue Fund.

General Revenue Fund

Business and Occupation Tax

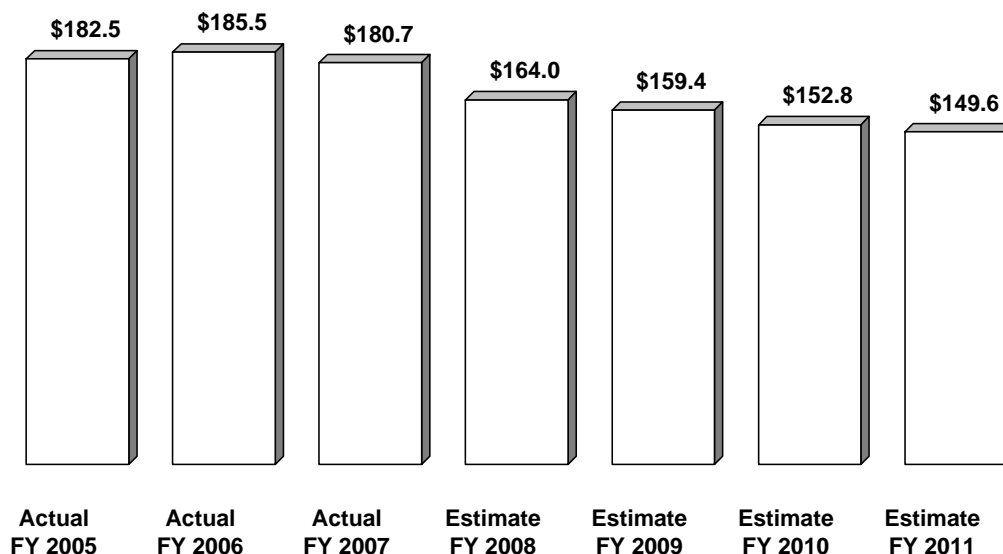
The Business and Occupation Tax (B&O Tax) consists of four distinct components: a capacity or unit-based tax on electric power generation and distribution, a gross receipts tax on nonelectric public utilities, a per unit tax on gas storage operators, and a per unit tax on producers of synthetic fuel from coal. The tax on synthetic fuel production from coal is expected to end in conjunction with the expiration of a federal tax credit on December 31, 2007. During the forecast period, tax collections attributable to nonelectric public utilities will likely increase while collections from the other activities will decline or remain static.

The tax on natural gas receipts applies only to public utility sales. Exempt nonutility sales represent roughly 43% of all natural gas sales in West Virginia. In addition to the tax on public utilities, West Virginia imposes a tax on natural gas storage activities. The cost of natural gas is expected to continue to increase throughout the forecast period and will lead to an increase in the gross receipts tax paid by natural gas utilities.

For electric power producers, the general tax rate is \$22.78 per kilowatt of taxable capacity. Plants with flue gas desulphurization systems are subject to a lower tax rate of \$20.70 per kilowatt. Electric power company plans to install fuel gas desulphurization systems at existing power plants will result in the shift of a large portion of the tax base to the lower tax rate. In addition, tax credits attributable to the investment will also lower future tax collections. Over the forecast period, the reductions in tax from electric power producers will offset the short-term increase attributable to higher natural gas prices.

- **Privilege tax on units of activity or gross receipts.**
- **Applies to public utilities, electric power generators, natural gas storage, and producers of synthetic fuel from coal.**
- **Tax rates and base vary.**
- **Accounts for 4.1% of total General Revenue Fund.**

Business and Occupation Tax (Expressed in Millions)



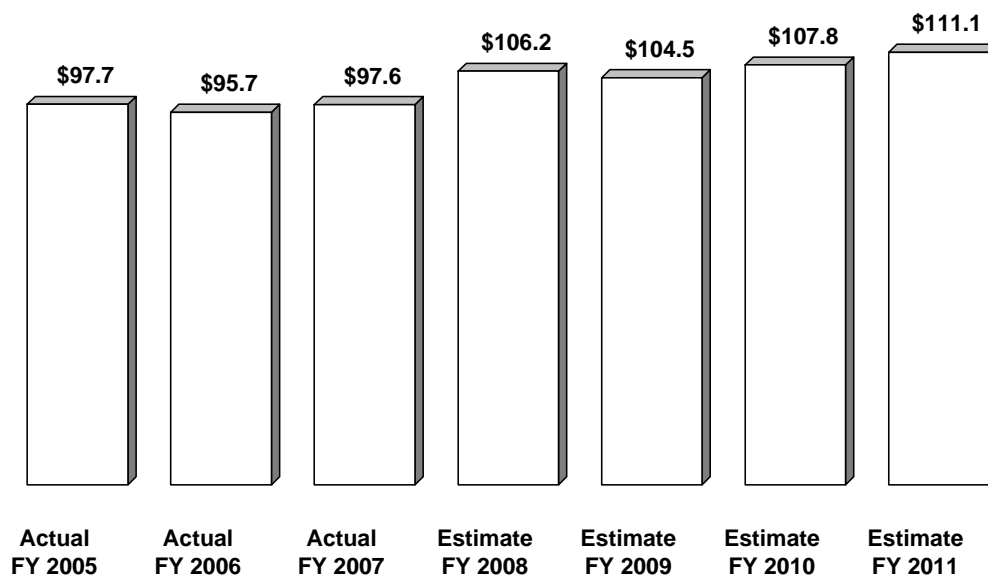
General Revenue Fund Insurance Tax

The Insurance Premium Tax is a gross receipts tax levied upon insurance premiums. Growth in the Insurance Premium Tax is determined by changes in health care costs, homeowner insurance premiums, and automobile insurance premiums. The forecast assumes revenue growth averaging roughly 3.0% per year over the next five years.

Beginning in FY 2004, a total of \$2,500,000 in each fiscal year (the first \$1,667,000 of the two percent premium tax received from insurance policies for medical liability insurance and the first \$833,000 of the additional one percent premium tax received from insurance policies for medical liability insurance) was directed to replenish the Tobacco Settlement Medical Trust Fund following the April 1, 2003, transfer of \$24 million from the fund for use as the initial capital and surplus of a physicians' mutual insurance company created by the Legislature.

- 3% to 4% tax on gross premiums from business in West Virginia.
- Average annual growth rate of 3.2% during the forecast period.
- Accounts for 2.7% of total General Revenue Fund.

Insurance Tax (Expressed in Millions)



General Revenue Fund

Other Taxes and Fees

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

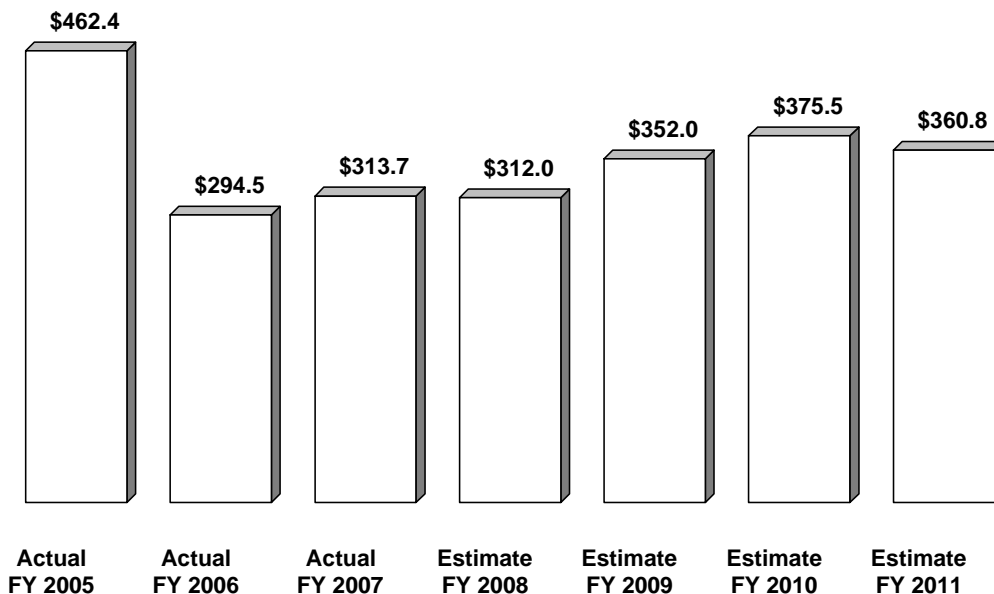
Although the Telecommunications Tax and the Estate Tax are included in this group, no net collections from these taxes are expected during the forecast period. In addition, proposed tax modernization legislation to eliminate the Charter Tax and Business Franchise Registration renewal fees results in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

Beginning in FY 2009, the annual appropriated Excess Lottery Transfer to the State General Revenue Fund will rise from \$77.9 million to \$127.9 million. A one-time transfer of more than \$149 million in Excess Lottery Funds was the major contributory factor in the spike of Other Taxes and Fees in FY 2005.

Most of the other taxes, licenses, and fees in this category will remain little changed through the forecast period. However, a decrease in short-term interest rates may result in reduced Interest Income in FY 2009. In addition, the ten-year license renewals for retail liquor establishments should produce additional revenue in both FY 2010 and FY 2011.

- Accounts for 8.8% of total General Revenue Fund.

Other Taxes and Fees (Expressed in Millions)



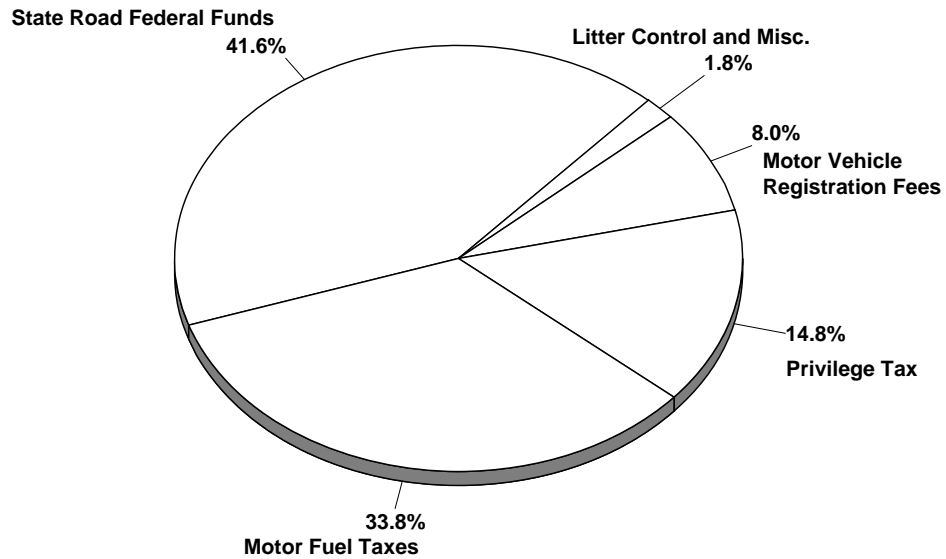
State Road Fund

Sources of Revenue

Fiscal Year 2009

\$1.274 Billion*

(Estimated)

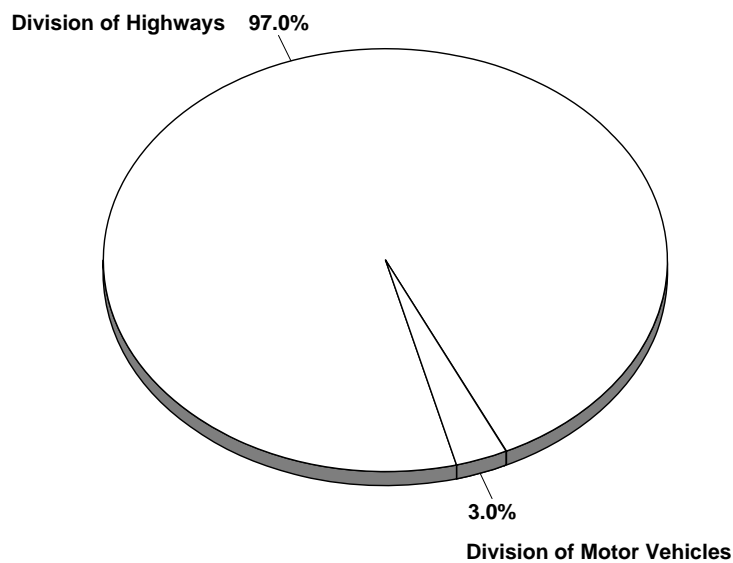


*Includes Beginning Cash Balance plus FY 2009 Revenue.

Recommended Expenditures

Fiscal Year 2009

\$1.156 Billion



State Road Fund

Motor Fuel Taxes

The Motor Fuel Excise Tax and Motor Carrier Road Tax have been combined and are reported as Motor Fuel Taxes:

Motor Fuel Excise Tax

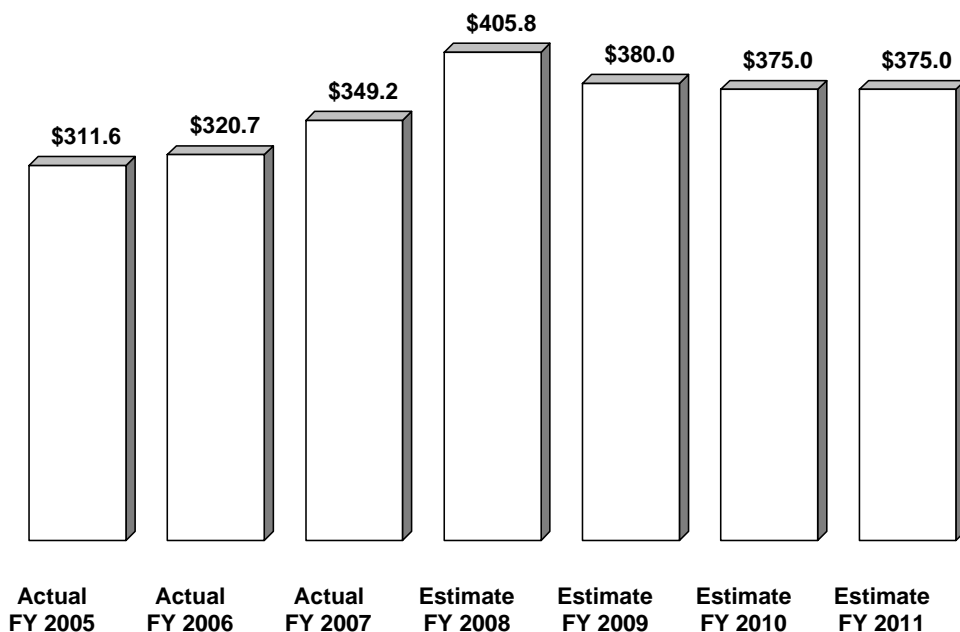
- Contains a flat rate and a variable rate
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to five percent of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from a terminal in another state for delivery in this state.
- The average wholesale price shall not be less than \$.97 per gallon which generates a minimum tax rate of \$.0485 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.

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 33.8% of the total State Road Fund.

Motor Fuel Taxes (Expressed in Millions)



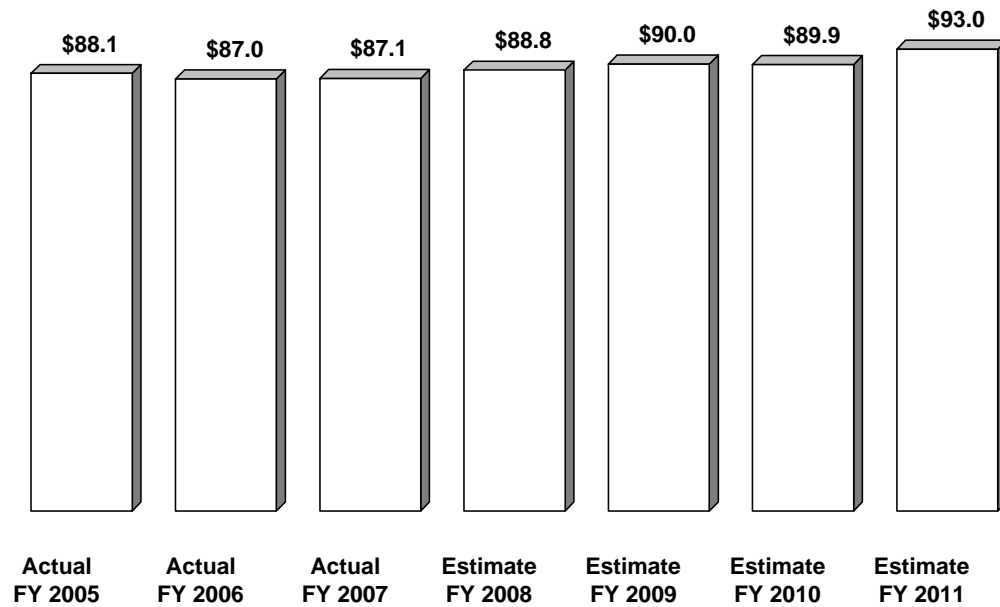
State Road Fund

Motor Vehicle Registration Fees

The Division of Motor Vehicles collects numerous fees which 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 8.0% of the State Road Fund.

Motor Vehicle Registration Fees (Expressed in Millions)

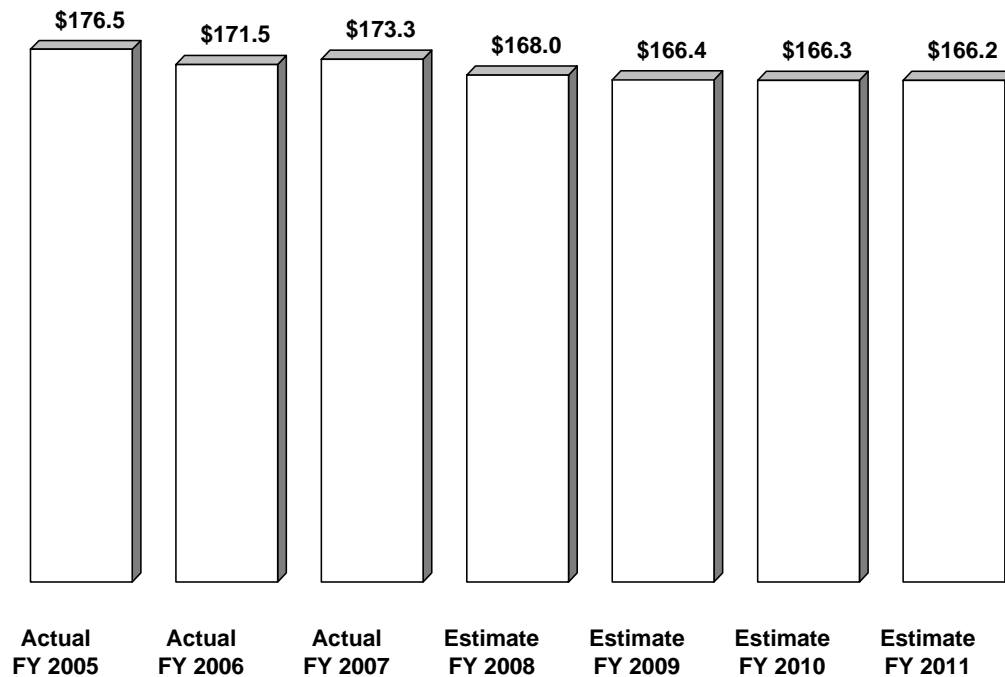


State Road Fund

Privilege Tax

- The Privilege Tax is imposed for the privilege of effecting the certification of title on a vehicle.
- Tax amounts to 5% of the value of the vehicle at the time of such certification.
- Accounts for 14.8% of the total State Road Fund.

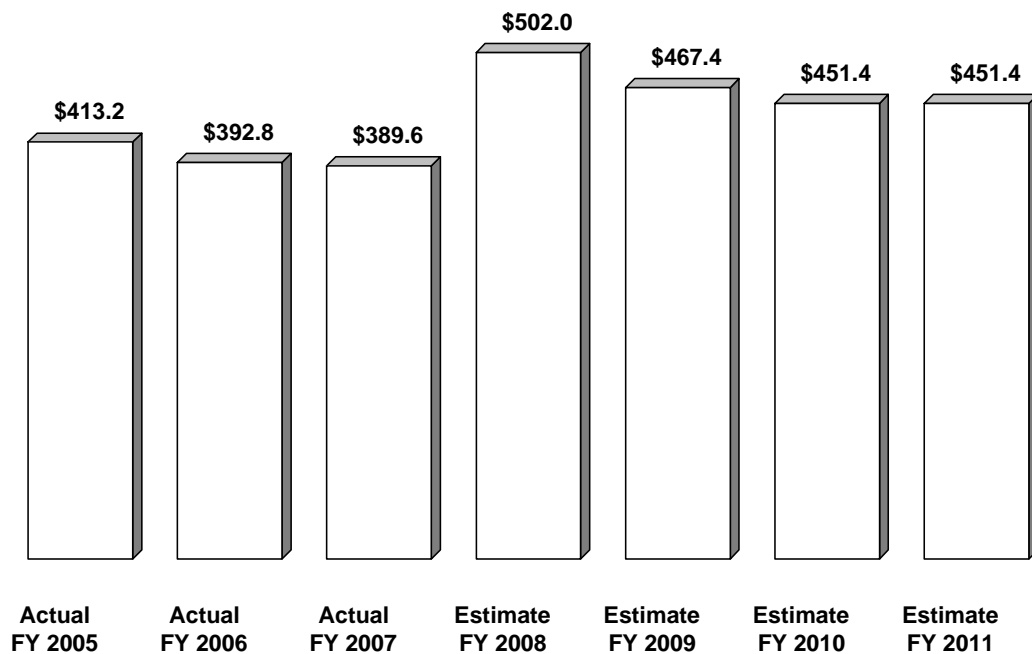
Privilege Tax (Expressed in Millions)



State Road Fund
State Road Federal Funds

- Federal funds are received by the Division of Highways for Interstate Construction, Appalachian Programs, and Other Federal Aid programs.
- 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 41.6% of the total State Road Fund.

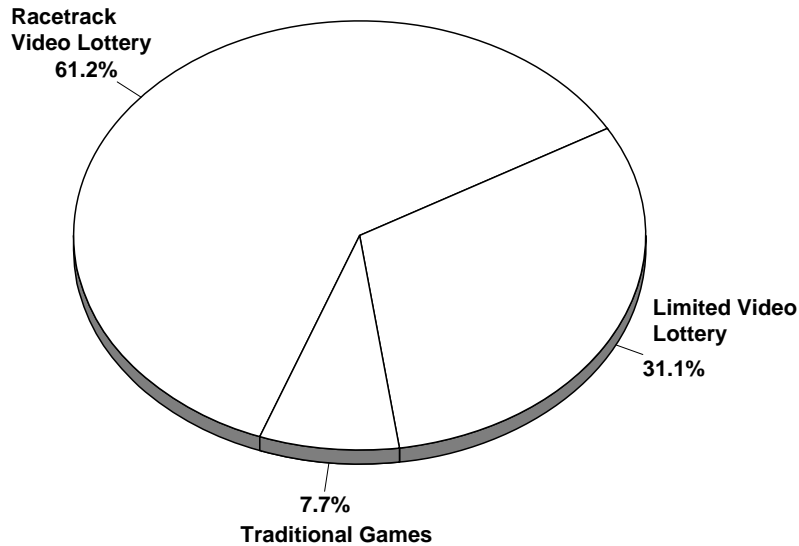
State Road Federal Funds
(Expressed in Millions)



West Virginia Lottery

Sources of Revenue

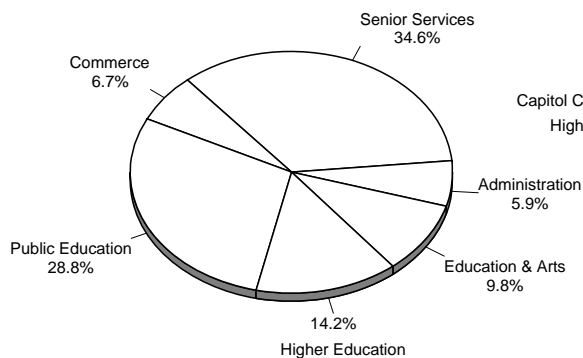
Fiscal Year 2009
\$531.7 Million
(Estimated)



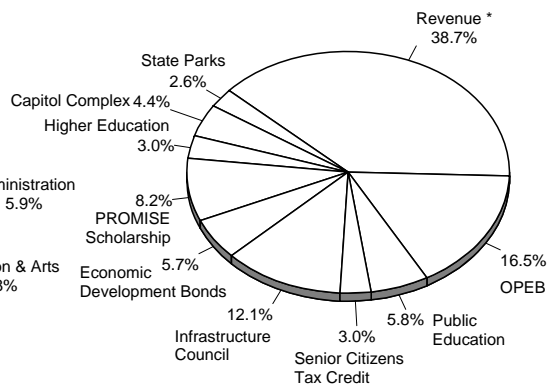
Recommended Expenditures

Fiscal Year 2009
\$500.8 Million

Lottery Fund
\$170.1 Million



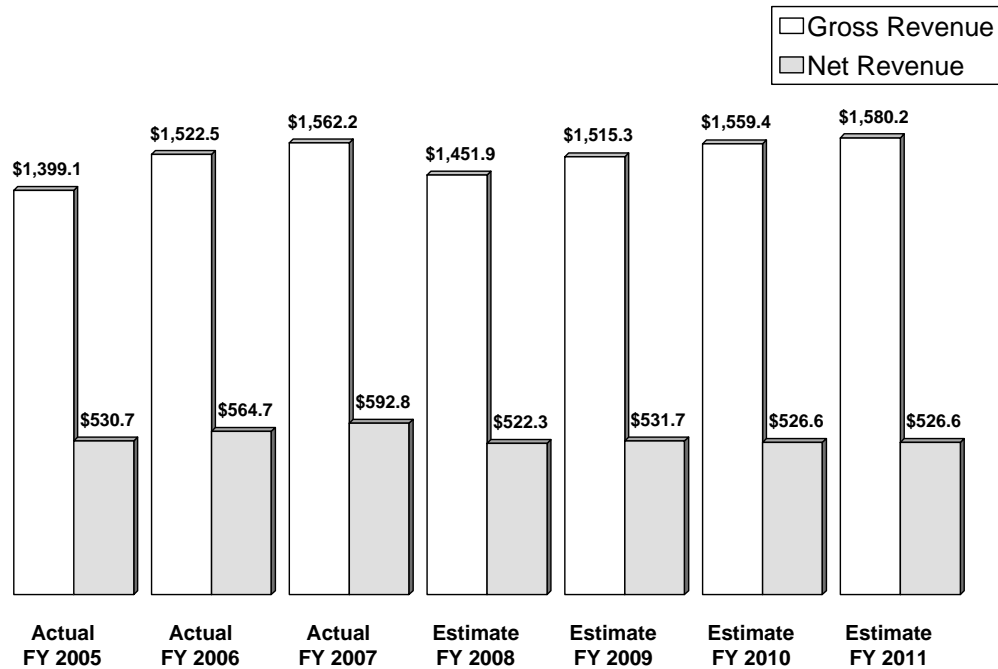
Excess Lottery Fund
\$330.7 Million



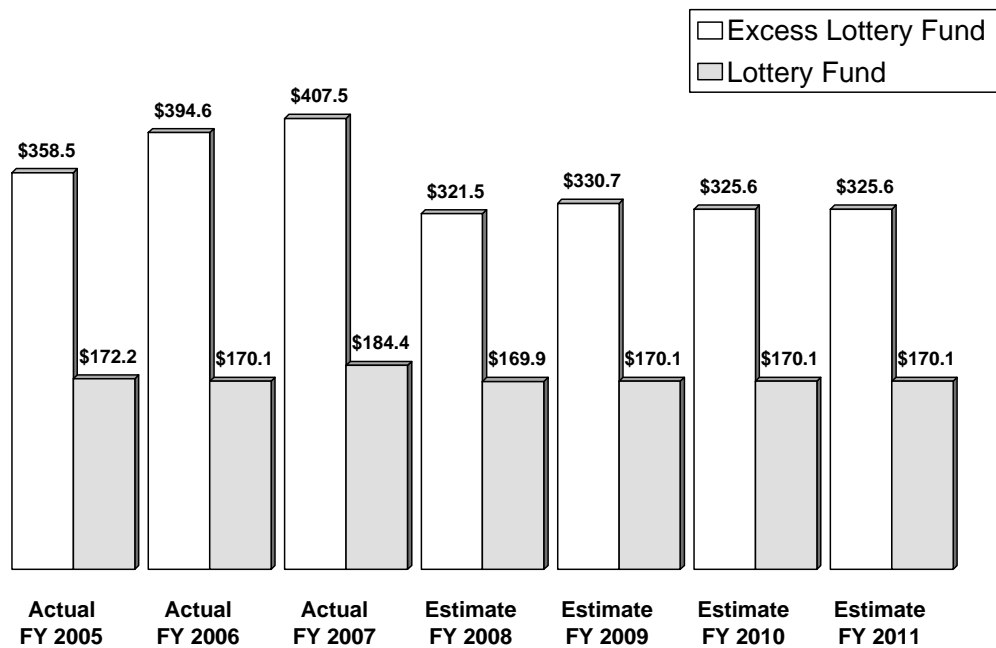
* Transfer to General Revenue Fund

West Virginia Lottery

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



West Virginia Lottery Net Revenue Distribution (Expressed in Millions)



West Virginia Lottery

West Virginia Lottery gross revenue grew 8% in FY 2006 and 3% in FY 2007. Gross revenues include ticket sales of on-line and instant games, racetrack video lottery, and limited video lottery revenue. Correspondingly, net revenue for those fiscal years grew 6% and 5%, respectively. The growth during these years was primarily attributable to the addition of video lottery terminals at state racetracks and an increase in the number of limited video lottery terminals in licensed locations. Racetrack Video Lottery increased by 5% during FY 2006 and 3% percent during FY 2007. Limited Video Lottery increased by 16% in FY 2006 and increased by 10% in FY 2007.

The official estimate for FY 2008 reflects a decrease in gross revenue of 7% from the prior year. Racetrack Video Lottery is projected to decrease 11% and Limited Video Lottery is projected to decrease 9% due to increased competition in border states. On-line and instant ticket sales are expected to remain flat. The startup of table games should provide an additional \$32 million in revenue.

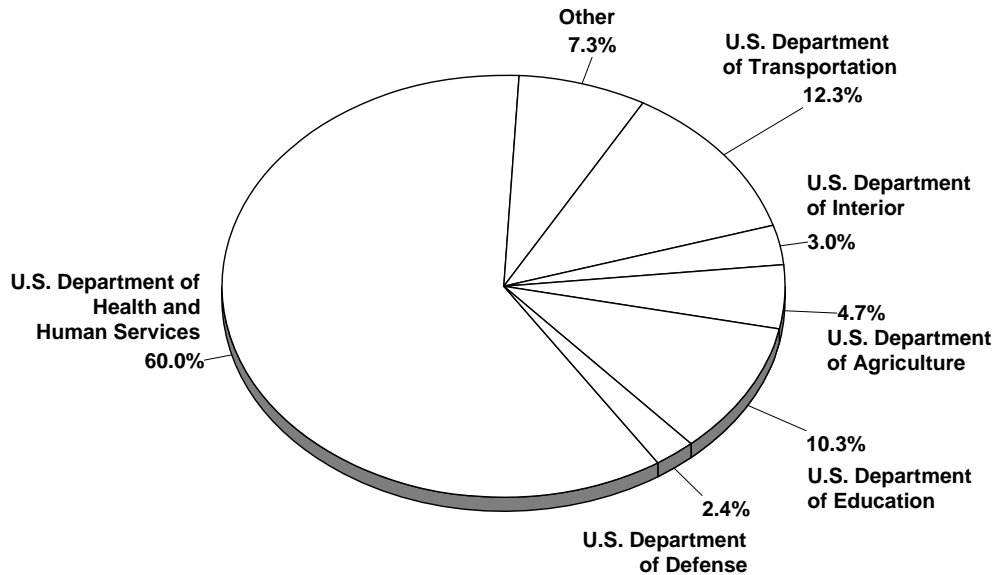
The estimate for FY 2009 and FY 2010 is an increase in gross revenue of 4% and 3% respectively. Instant and on-line games sales are projected to show little growth and remain relatively flat in both fiscal years. Racetrack video lottery revenue is projected to remain flat in FY 2009 and FY 2010. Limited video lottery revenue is not expected to grow in FY 2009 or in FY 2010, reflecting the 90% operating level of authorized machines. Table games should provide an additional \$75 million and \$130 million in revenue in FY 2009 and FY 2010, respectively.

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

Federal Funds

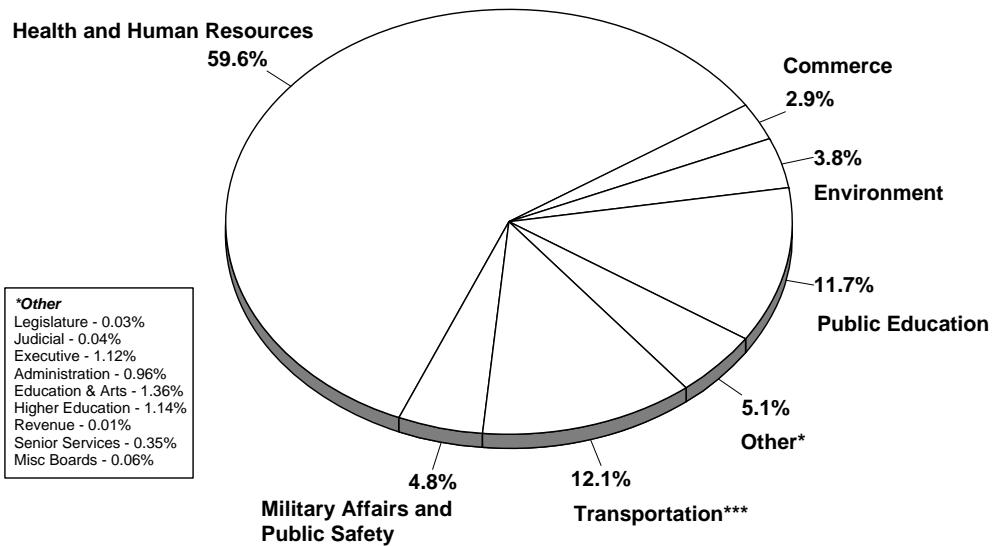
Sources of Revenues

Fiscal Year 2009
\$3.939 Billion
(Estimated)



Recommended Expenditures**

Fiscal Year 2009
\$3.961 Billion



** Expenditures include FY 2009 revenues and beginning balances.
 ***Includes Federal Funds that are appropriated as part of the State Road Fund.

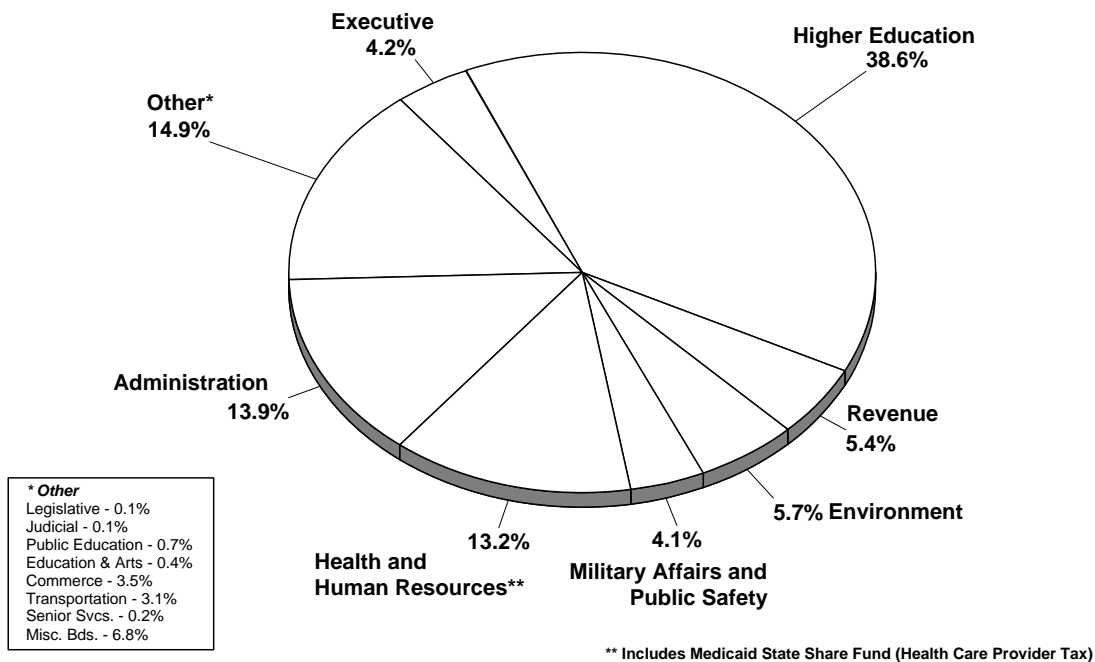
Special Revenue Funds

Does not include:

- Payments of claims from the Insurance Commissioner Workers' Compensation Trust Funds.
- Payments of retiree benefits from the Consolidated Public Retirement Board.
- Payments of claims from the Public Employees Insurance Agency.
- Appropriated Lottery Funds and State Road Fund which are depicted separately.

Recommended Expenditures

Fiscal Year 2009
\$3.09 Billion



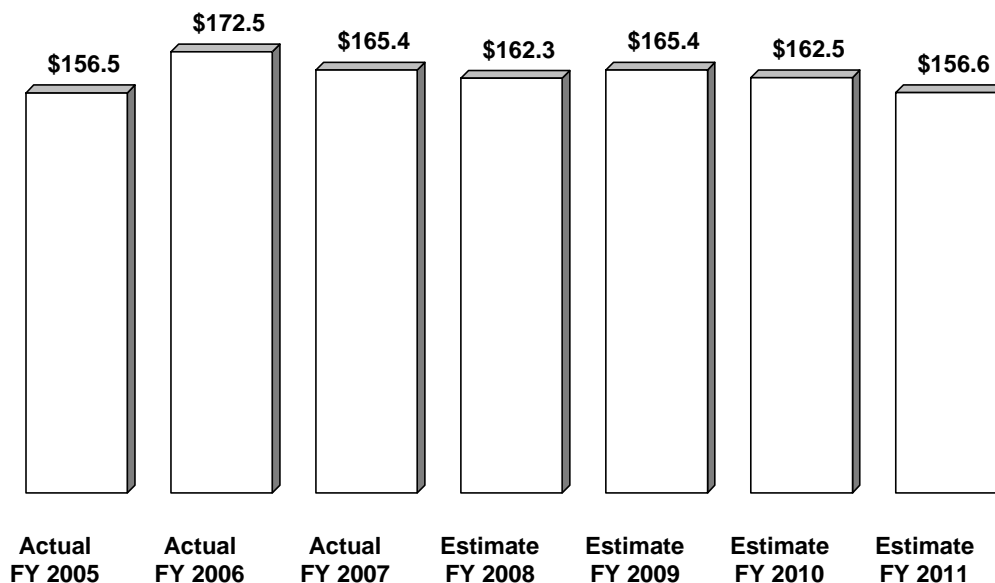
Special Revenue Funds
Medicaid State Share Fund

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 general fund appropriation for the Medicaid Program. The Federal-State Medicaid Program grew significantly from roughly \$300 million in FY 1989 to nearly \$2.17 billion in FY 2007 (based on Legislative Oversight Commission on Health and Human Resources Accountability reports, which do not include prior period adjustments), a rate of growth that was more than two times greater than the growth rate for the State General Revenue Fund. The federal government funds roughly 72% of the Medicaid Program in West Virginia through a match of \$3 per every \$1 of State funds appropriated for the program. In FY 2007, the Medicaid State Share Fund (Health Care Provider Tax/Severance Privilege Tax) generated nearly \$165.4 million or roughly 26.6% of the State matching funds for the Medicaid Program. Based upon long-term trends, Medicaid Program costs are rising by approximately 11.6% per year while General Revenue Fund collections are increasing by an average of roughly three to four percent per year.

Legislation enacted in 2001 phases out various individual provider taxes over a ten-year period beginning in FY 2002. The legislative change will eventually reduce total provider tax collections by one-third. However, even with the phase out of tax on certain provider groups, increases in utilization and gross receipts (as it relates to other taxed provider groups) provides some net growth in overall tax collections.

- **0.525% to 5.5% tax on gross receipts from various medical service providers in West Virginia.**
- **Accounts for 26.6% of State match for Medicaid Program.**

Medicaid State Share Fund
(Expressed in Millions)



DEBT SUMMARY



Debt Summary

Over twenty independent agencies, authorities, boards and departments have the power to issue debt. Recognizing the need to manage debt, the West Virginia “Debt Management Act of 1999” created the Division of Debt Management within the State Treasurer's Office. The division is authorized to develop long-term debt plans, evaluate cash flow projections for existing debt and proposed issues, act as a liaison with the Legislature, assist in the issuance of debt, and issue report on debt.

State Indebtedness

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

Approval of State Bond Issues

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

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

Ratings and Ratios

The State's general obligation bonds are rated AA- by Standard & Poor's Corporation and Fitch Investors Service. The Moody's Investors Service rating is Aa3. There are ten other states that carry a Aa3 rating on their general obligation debt from Moody's Investors Service. These states, of course, differ from West Virginia in their fiscal composition, debt issuance practices, population, income levels, and other economic indicators. However, a comparison of debt ratios demonstrates that West Virginia is within the low to moderate range of these key indicators as shown below.

**Net Tax Supported Debt as a Percentage of Personal Income and Per Capita
of Similarly Rated States (Rated Aa3 by Moody's Investors Service)
(taken from Moody's Investors Service, 2007 State Debt Medians, April 2007)**

| % of Personal Income | | Per Capita | |
|----------------------|------|---------------|---------|
| Maine | 1.9% | Arizona | \$594 |
| Arizona | 2.0% | Maine | \$603 |
| West Virginia | 3.9% | West Virginia | \$1,071 |
| Wisconsin | 4.2% | Mississippi | \$1,247 |
| Oregon | 4.6% | Wisconsin | \$1,405 |
| Rhode Island | 4.6% | Oregon | \$1,464 |
| Mississippi | 4.9% | Rhode Island | \$1,687 |
| Illinois | 5.5% | Illinois | \$1,976 |
| New York | 6.7% | New York | \$2,694 |
| New Jersey | 7.6% | New Jersey | \$3,317 |
| Connecticut | 7.8% | Connecticut | \$3,713 |

Debt Summary

Future Issuances

During the budget process, all departments/bureaus are required to project capital expenditure needs five years into the future. These needs and funding mechanism options are discussed in general terms at that time. As projects are actually approved, funding plans are completed. The five-year projections allow the state to plan for future capital needs in an orderly fashion with sound financial planning.

Currently, several higher education institutions are planning to issue bonds for construction projects.

The West Virginia Regional Jail and Correctional Facility Authority is assessing a refunding of several callable bond issues.

The DOH anticipates issuing approximately another \$91 million in notes in February 2008. The debt service for those notes will be funded with future federal-aid highway funds. Although the DOH fully anticipates that sufficient future federal-aid highway funding will be available to make all payments, the debt service remains a contingent liability of the State Road Fund. If future federal-aid funds are insufficient, the DOH will be required to commit cash from the State Road Fund to cover any shortfall in debt service funding.

Debt Limits

Short-Term Debt

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

Long-Term Debt

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

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

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

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

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

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 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 |
| 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 |
| Infrastructure and Jobs Development Council | Per available revenues |
| Parkway Authority | \$200 million |
| Public Port Authority | Per revenues |
| Rail Authority | Per revenues |
| Regional Jail and Correctional Facilities Authority | Various—per project and available revenues |
| Solid Waste Management Board | \$100 million |
| School Building Authority | Per appropriation |
| Tobacco Settlement Finance Authority | Per available revenues |
| Water Development Authority | Per available revenues |

Debt Summary

General Obligation Bonds

General obligation bonds pledging the full faith and credit of the State may be authorized only by constitutional amendment. Each amendment must be approved by two-thirds of both houses of the Legislature before submission to the voters. Enabling legislation is then required for amendments receiving voter approval. At June 30, 2007, \$716,022,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

| General Obligation Bonds Outstanding June 30, 2007 | | |
|---|---|--|
| Amendment | Principal Outstanding June 30, 2007 (in thousands) | Payable From |
| Infrastructure Improvement Amendment of 1994 | (net) \$286,177 | First \$24 million of Severance Tax |
| Safe Roads Amendment of 1996 | (net) \$429,845 | Road Fund |

| General Obligation Debt Various Ratios as of June 30: | | | | Notes for June 30, 2007 Ending (figures listed in thousands) |
|--|-------|-------|-------|---|
| Ratio | 2005 | 2006 | 2007 | |
| GO Debt Service as a percent of the General Revenue Fund (GRF) | 1.8% | 2.1% | 1.7% | GO Debt Service of \$63,878 GRF of \$3,752,721 |
| GO Debt as a percent of Personal Income (PI) | 1.5% | 1.5% | 1.3% | GO Debt of \$716,022 PI of \$53,424,000 |
| GO Debt per Capita | \$408 | \$409 | \$394 | GO Debt of \$716,022 Population of 1,818 |

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

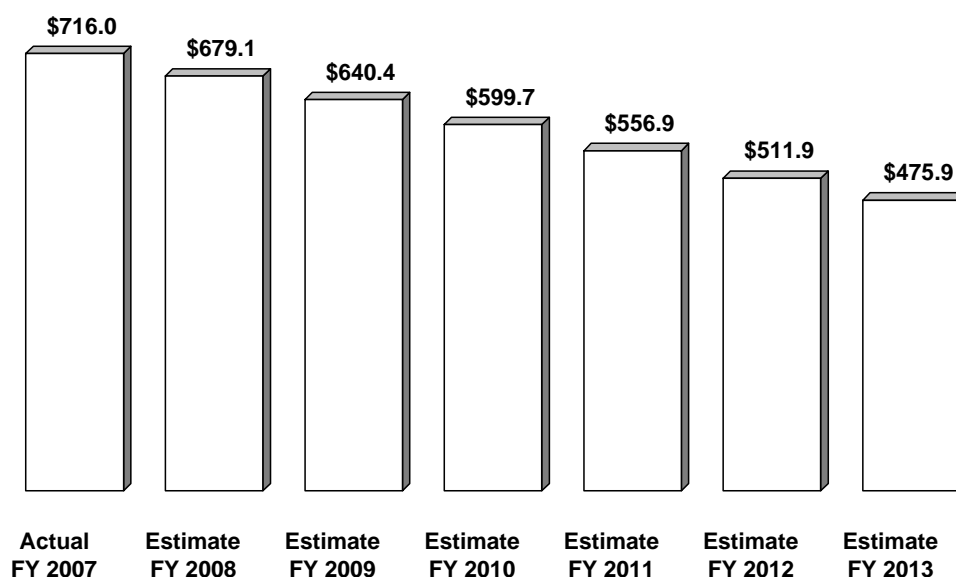
1973 Better Highways Amendment

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 principal outstanding at June 30, 2007 was \$286,177,000, net of advance refunded bonds. All of the bonds will be fully retired in 2027.

General Obligation Debt Outstanding
Fiscal Years 2007 - 2013
As of June 30, 2007
(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. At June 30, 2007, \$429,845,000 (net of advance refunded bonds) were outstanding. The bonds will be fully retired by 2025.

Authorized But Unissued General Obligation Bonds

1973 Vietnam Veterans Bonus Amendment

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

1992 Veterans Bonus Amendment

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

2004 Veterans Bonus Amendment

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

Debt Summary
General Obligation Debt
Outstanding at June 30, 2007
(Expressed in Thousands)

| | Final Maturity Date | Interest Rate(s) % | 06/30/07 Balance |
|---|---------------------------|-----------------------|---------------------|
| Road Bonds | | | |
| (Payable from State Road Fund) | | | |
| Issued Under: | | | |
| 1996 Amendment (net) | 2025 | 3.00 - 5.50 | 429,845 |
| SUBTOTAL | | | 429,845 |
| Infrastructure Bonds | | | |
| (Payable from dedicated Severance Tax revenues) | | | |
| Issued Under: | | | |
| 1994 Amendment (net) | 2027 | 4.00 - 6.93 | 286,177 |
| TOTAL | | | <u>\$716,022</u> |

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2007, were as follows (expressed in thousands):

| Year Ending June 30 | Principal | Interest | Amount to be accrued | Total |
|---------------------|------------------|------------------|-------------------------|--------------------|
| 2008 | 41,562 | 31,357 | 108 | 73,027 |
| 2009 | 43,033 | 29,562 | 432 | 73,027 |
| 2010 | 44,571 | 27,687 | 759 | 73,017 |
| 2011 | 46,210 | 25,724 | 1,080 | 73,014 |
| 2012 | 48,015 | 23,617 | 1,380 | 73,012 |
| 2013-2017 | 187,095 | 89,853 | 11,240 | 288,188 |
| 2018-2022 | 162,275 | 50,826 | 19,585 | 232,686 |
| 2023-2027 | 143,261 | 14,224 | 28,139 | 185,624 |
| TOTAL | <u>\$716,022</u> | <u>\$292,850</u> | <u>\$62,723</u> | <u>\$1,071,595</u> |

Debt Summary

Revenue Bonds

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

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

Approximately \$2 billion in revenue bonds were outstanding at June 30, 2007. The amount is expected to be \$1.9 billion at June 30, 2008. A brief review of each issuer follows.

School Building Authority

The School Building Authority was created to provide funding for the construction and maintenance of public school facilities through the issuance of revenue bonds and use of other available funds. Series 1997A, 1997B, 2002A and 2007A are secured by a pledge of general revenue funds appropriated by the Legislature and deposited in the Capital Projects Fund held by the trustee. Litigation determined that this funding mechanism violated the West Virginia Constitution and precluded such use of general revenue funds for future issues. However, the court did authorize the existing bonds and their refunding. Subsequent litigation authorized the use of lottery profits as a funding mechanism for certain School Building Authority bonds. At June 30, 2007, \$338 million was outstanding, which includes one original “new money” issue (2004A) and four refunding issues (1997A, 1997B, 2002A and 2007A). Debt limitations are established by the sum appropriated for debt service for each issue.

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 (MSA) between participating tobacco product manufacturers (PMs), 46 states and six other U.S. jurisdictions. In June 2007, the Authority issued \$1.1 billion (accreted 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.

West Virginia Commissioner of Highways

In October 2006 and April 2007 the Commissioner of Highways issued special obligation notes in the form of Grant Anticipation Revenue Vehicles or GARVEEs, as they have become known. The issuance of GARVEEs requires that a highway project be approved as a Federal-aid debt-financed (bond, certificate, note, or other debt instrument) project in order to receive payments for eligible debt-related costs. Once a project is selected for bond financing, the project is submitted to the Federal Highway Administration (FHWA) for approval as an advance construction (AC) project. The AC 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 20, 2007 the principal outstanding on the two series of notes totaled \$109 million. The notes are expected to mature in 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,

Debt Summary

Revenue Bonds

the council may make a determination that the project or infrastructure project is not eligible for funding assistance from any state infrastructure agency or the project or infrastructure project is not otherwise an appropriate or prudent investment of State funds, and make a recommendation that the project sponsor not seek funding from any state infrastructure agency. The primary source of repayment for the revenue bonds is the receipt of repayments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation bond proceeds. At June 30, 2007, \$126 million was outstanding.

State Building Commission Lottery Revenue Bonds

The State Building Commission issued bonds secured by a pledge of revenues appropriated by the Legislature from certain net profits of the West Virginia Lottery and deposited in the debt service fund. Bond proceeds were used to provide financial support for constructing, equipping, improving, and maintaining capital improvement projects promoting education, arts, sciences, and tourism (EAST Fund) in West Virginia. At June 30, 2007, \$33.6 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 and, under certain circumstances, from a portion of the moneys on deposit in the State Lottery Fund. At June 30, 2007, \$221.5 million were outstanding.

Debt Summary

Revenue Bonds

Summary of Debt Service Requirements Outstanding at June 30, 2007 (Expressed in Thousands)

| | Issue Date | Final Maturity Date | Interest Rate(s) % | Balance |
|---|---------------|---------------------------|-----------------------|---------------------------|
| School Building Authority | 1997-2007 | 2022 | 3.60-5.60 | \$226,740 |
| School Building Authority (Lottery) | 2004 | 2014 | 3.00-5.25 | 111,700 |
| Tobacco Settlement Finance Authority* | 2007 | 2047 | 7.467-8.5 | 1,176,828 |
| Highways, Commissioner of | 2006-2007 | 2015 | 4.00-5.00 | 109,160 |
| WV Infrastructure and Jobs Development Council | 2001 | 2045 | 4.50-5.75 | 126,140 |
| Education, Arts, Sciences, and Tourism Fund (Lottery) | 1997 | 2011 | 5.00-5.50 | 33,675 |
| Economic Development Authority (Lottery) | 2004 | 2026 | 1.20-6.07 | <u>221,565</u> |
| Subtotal | | | | 2,005,808 |
| Less: School Building Authority Debt Service Reserve Fund | | | | (23,021) |
| School Building Authority Debt Service Reserve Fund (Lottery) | | | | (14,180) |
| Economic Development Authority Debt Service Reserve Fund (Lottery) | | | | (18,990) |
| Education, Arts, Sciences, and Tourism Debt Service Reserve Fund (Lottery) | | | | <u>(2,600)</u> |
| Net revenue bonds outstanding | | | | <u><u>\$1,947,017</u></u> |

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2007, were as follows (expressed in thousands):

| Year Ending June 30 | Principal | Interest | Amount to be accrued | Total |
|---------------------|--------------------|--------------------|-------------------------|--------------------|
| 2008 | 72,010 | 103,353 | 5,261 | 180,624 |
| 2009 | 66,780 | 98,057 | 6,114 | 170,951 |
| 2010 | 83,410 | 94,281 | 6,658 | 184,349 |
| 2011 | 87,090 | 89,634 | 7,239 | 183,963 |
| 2012 | 84,885 | 84,871 | 7,874 | 177,630 |
| 2013-2017 | 458,535 | 343,370 | 50,836 | 852,741 |
| 2018-2022 | 435,810 | 204,877 | 77,088 | 717,775 |
| 2023-2027 | 556,378 | 55,218 | 96,736 | 708,332 |
| 2028-2032 | 113,105 | 14,131 | 7,880 | 135,116 |
| 2033-2037 | 24,945 | 8,642 | 0 | 33,587 |
| 2038-2042 | 16,980 | 2,977 | 0 | 19,957 |
| 2043-2047 | 5,880 | 475 | 0 | 6,355 |
| | <u>\$2,005,808</u> | <u>\$1,099,886</u> | <u>\$265,686</u> | <u>\$3,371,380</u> |

* Balance represents accreted value of bonds.

Debt Summary

Capital Leases

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

The lease transfers ownership of the leased asset at the end of the lease term.

The lease terms and conditions contain a bargain purchase option that allows the state to buy the leased asset for substantially less than the estimated value of the leased item.

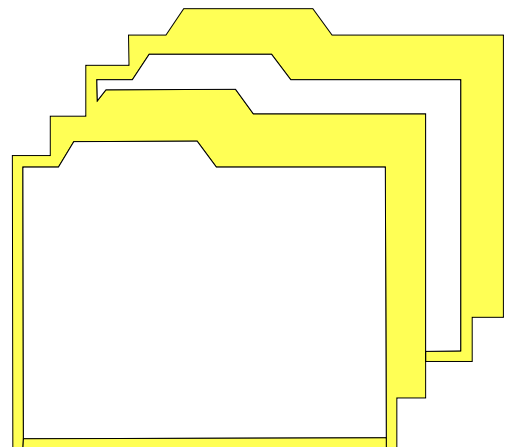
The term of the lease is 75% or more of the estimated economic life of the leased asset. Estimated economic life is the estimated useful life of the asset for the purpose for which it was intended, regardless of the term of the lease. For example, if a copier with an estimated economic life of ten years 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 \$354 million at June 30, 2007.

APPENDICES



Appendix A

Glossary

A

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

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

Annual Increment - Funds appropriated for eligible employees and paid at the rate of \$50 per full year of service with a minimum of three years of service.

Appropriation - A legal authorization to incur obligations and to make expenditures for specific purposes.

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

B

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

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

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

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

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

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

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

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

Bureau - An organizational unit of state government established by law and headed by a commissioner or other statutory officer.

C

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

Cash Basis - A basis of accounting in which transactions are recognized only when cash is increased or decreased.

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 and shall not include equipment, repairs and alterations, buildings, or lands.

Current Level - Refers to the same amount of total dollars in the current fiscal year, which are available for next fiscal year.

D

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

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

Disbursement - The expenditure of monies from an account.

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

E

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

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

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

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

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

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

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

F

Federal Fiscal Year - October 1 through September 30.

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

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

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

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

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

G

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

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

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

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

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

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

I

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

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

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

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

L

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

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

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

M

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

N

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

O

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

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

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

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 - A “fund” to be used by the Legislature to offset a shortfall in revenues and to allow the Governor to borrow funds when revenues are inadequate to make timely payments of the State’s obligations. The Legislature may also appropriate funds for emergency revenue needs such as natural disasters. (Also known as the Rainy Day Fund.) Additional details are located in the Budget Planning chapter in Volume I of the *Executive Budget*.

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

S

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

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

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

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

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

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

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

U

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

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

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

Glossary of Acronyms

A

| | |
|-------------------|--|
| AARP | American Association of Retired Persons |
| ABCA | Alcohol Beverage Control Administration |
| ABE | Adult basic education |
| ACH | Automated Clearing House |
| ACA | American Correctional Association |
| ACT | American College Test |
| | Association of Classroom Teachers |
| ACT EXPLORE | A test for eighth graders |
| ACT PLAN | A test for tenth graders |
| ADA | Americans with Disabilities Act of 1990 |
| AFIS | Automated Fingerprint Identification System |
| AHERA | Asbestos Hazard Emergency Response Act |
| AIDS | Acquired immunodeficiency syndrome |
| AML&R | Abandoned Mine Lands and/ Reclamation |
| APD | Appalachian Development |
| APS | Adult Protective Services |
| ARC | Appalachian Regional Commission |
| ATM | Asynchronous transfer mode |
| ATSDR | Agency for Toxic Substances and Disease Registry |
| ATV | All-terrain vehicle |

B

| | |
|-------------|---|
| B&O | Business and Occupation |
| B4WV | Business for West Virginia |
| BCSE | Bureau for Child Support Enforcement |
| BHMF | Behavioral Health and Health Facilities |
| BOCMS | Board of Coal Mine Health and Safety |
| BMPs | Best management practices |
| BMS | Bureau for Medical Services |

| | |
|------------|---|
| BRIM | Board of Risk and Insurance Management |
| BTI | West Virginia Board of Treasury Investments |

C

| | |
|--------------------|--|
| C&T | Community and Technical |
| CAFR | Comprehensive Annual Financial Report |
| CAPTA | Child Abuse Prevention and Treatment Act |
| CCP | Community Corrections Program |
| CCTCE | Council for Community and Technical College Education |
| CD or CD-ROM | Compact disc (read-only memory) |
| CDC | Center for Disease Control |
| CDL | Commercial Driver's License |
| CDR | Continuing disability reviews |
| CEO | Chief executive officer |
| CERCLA | Comprehensive Environmental Response, Compensation and Liability Act |
| CERT | Community Emergency Response Team |
| | Computer Emergency Response Team |
| CFDA | Catalog of Federal Domestic Assistance |
| CFO | Chief financial officer |
| CFR | Code of Federal Regulations |
| CHIP | Children's Health Insurance Program |
| CJSAC | Criminal Justice Statistical Analysis Centers |
| CLIA | Clinical Laboratory Improvement Act |
| CMS | Center for Medicare and Medicaid Services |
| CMV | Commercial motor vehicle |
| CNA | Certified Nursing Assistants |
| CNP | Child Nutrition Program |
| CON | Certificate of Need |
| COPS | Community-oriented policing services |
| CPD | Center for Professional Development |
| CPI | Consumer Price Index |
| | Cost per Inquiry |
| CPR | Cardiopulmonary resuscitation |
| CPRB | Consolidated Public Retirement Board |

Appendix B/Glossary of Acronyms

| | |
|-------------|--|
| CPS | Child Protective Services |
| CPU | Central processing unit |
| CRTS | Coal Resource Transportation System |
| CSR | Code of State Regulations |
| CT | Computerized tomography |
| CTC | Community and Technical College |
| CVISN | Commercial Vehicles Information Systems Network |
| CWSRF | Clean Water State Revolving Fund |
| CY | Calendar year |

D

| | |
|-------------|---|
| DARE | Drug Abuse Resistance Education |
| DASIS | Drug and Alcohol Services Information System |
| DDS | Disability Determination Services |
| DEA | U.S. Drug Enforcement Administration |
| DEP | Department/Division of Environmental Protection |
| DHHR | Department of Health and Human Resources |
| DHSEM | Division of Homeland Security and Emergency Management |
| DJS | Division of Juvenile Services |
| DMV | Division of Motor Vehicles |
| DNA | Deoxyribonucleic Acid |
| DNR | Division of Natural Resources |
| DOC | Division of Corrections |
| DOH | Division of Highways |
| DOJ | U.S. Department of Justice |
| DOL | Division of Labor |
| DOT | Department of Transportation |
| DRA | Deficit Reduction Act of 2005 |
| DREAM | Data Reengineering and Modernization |
| DSL | Digital Subscriber Line |
| DSRS | Deputy Sheriff's Retirement System |
| DUI | Driving under the influence |
| DVD | Digital video disk |
| DWTRF | Drinking Water Treatment Revolving Fund |

E

| | |
|--------------|--|
| EAST | Education, Arts, Science, and Tourism |
| EBA | Educational Broadcasting Authority |
| EBT | Electronic benefits transfer |
| EDA | Economic Development Authority |
| EDMS | Electronic document management system |
| EEO | Equal employment opportunity |
| EEOC | U.S. Equal Employment Opportunity Commission |
| EMS | Emergency Medical Services |
| EPA | U.S. Environmental Protection Agency |
| EPICS | Employees Payroll Information Control System |
| EPSCoR | Experimental Program to Stimulate Competitive Research |
| EPSCoT | Experimental Program to Stimulate Competitive Technology |
| E-Rate | Schools and Libraries Universal Service Program (electronic rate) |
| ERP | Enterprise Resource Planning |
| ESPN | Entertainment and Sports Programming Network |
| EZ/EC | Empowerment zone/Enterprise community |

F

| | |
|-------------|---|
| FAA | Federal Aviation Administration |
| FACTS | Family and children tracking system |
| FAIR | Families with Alzheimer's In-Home Respite |
| FARS | Financial Accounting and Reporting Section |
| FAST | Federal and state technology |
| FBI | Federal Bureau of Investigation |
| FCC | Federal Communications Commission |
| FDIC | Federal Deposit Insurance Corporation |
| FEMA | Federal Emergency Management Agency |
| FFY | Federal fiscal year |
| FOIA | Freedom of Information Act |
| FPY | Federal program year |
| | Federal performance year |
| FRM | Forest resources management |

Appendix B/Glossary of Acronyms

FRN Family Resource Network
FTA Federal Transit Administration
FTE Full-time equivalent
FY Fiscal year

G

GAAP Generally accepted accounting principles
GAO Government Accountability Office
GARVEE Grant Anticipation Revenue Vehicle
GASB Governmental Accounting Standards Board
GDP Gross Domestic Product
GEAR UP .. Gaining Early Awareness and Readiness for Undergraduate Programs
GFOA Government Finance Officers Association of the United States and Canada
GIS Geographical information system
GO General Obligation
GPS Global positioning satellite system
..... Global positioning system
GRF General Revenue Fund
GSP Gross State Product

H

HAVA Help America Vote Act
HAZMAT ... Hazardous materials
HB House Bill
HCA Health Care Authority
HEAPS Higher Education Adult Part-time Student
HEPC Higher Education Policy Commission
HIDTA High intensity drug trafficking area
HIPAA Health Insurance Portability and Accountability Act
HIV Human immunodeficiency virus
HMO Health maintenance organization
HMVMT Hundred million vehicle miles traveled
HOPE Helping Others Pursue Excellence
HOPWA Housing Opportunities for Persons with AIDS
HPI Housing Price Index
HRIS Human Resource Information System

HRSA Health Resources and Services Administration
HSC Health Sciences Center
HSTA Health Sciences and Technology Academy
HSTW High Schools That Work
HUD U.S. Housing and Urban Development
HVAC Heating, ventilation, and air-conditioning

I

ID Identification
IDEA Individuals with Disabilities Education Act
IEP Individual education plan
IFLOWS Integrated Flood Observing and Warning System
IFTA International Fuel Tax Agreement
INSITE An in-house program for families of blind, preschool children
IRI International roughness index
IRP International Registration Plan
IRS Internal Revenue Service
IS&C Information Services and Communications
ISTEA Intermodal Surface Transportation Efficiency Act
IT Information technology
ITS/CVO ... Intelligent Transportation System/Commercial Vehicle Organization

J

JTPA Job Training Partnership Act
JRS Judges Retirement System

K

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

L

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

M

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

N

N/A Not available/not applicable
 NAAQS National ambient air quality standards

NCAA National Collegiate Athletic Association
 NAICS North American Industry Classification System
 NASCAR National Association for Stock Car Auto Racing
 NASAO National Association of State Aviation Officials
 NBER National Bureau of Economic Research
 NBPTS National Board of Professional Teaching Standards
 NCIC National Crime Information Center
 NHS National Highway System
 NHTSA National Highway Traffic Safety Administration
 NOAA National Oceanic and Atmospheric Administration
 NPDES National Pollutant Discharge Elimination System
 NPS Nonpoint pollution source
 NRCS Natural Resources Conservation Service (USDA)

O

OBHS Office of Behavioral Health Services
 OIC Offices of Insurance Commissioner
 OMB U.S. Office of Management and Budget
 OMHS&T ... Office of Miners' Health Safety and Training
 OPEB Other postemployment benefits
 OSCAR On-line Support Collections and Reporting System
 OSHA Occupational Safety and Health Administration (federal)

P

PASS Partnerships to Assure Student Success
 PBS Public Broadcasting Service
 P-card State purchasing card
 PC Personal computer
 PCP Primary care physician/provider

Appendix B/Glossary of Acronyms

PCR Phytosanitary certificates resources
 Polymerase chain reaction
 PDF Portable document format
 PDL Preferred drug list
 PECA Program Enhancement Cooperative Agreement
 PEIA Public Employees Insurance Agency
 PERD Performance Evaluation and Research Division (section of the West Virginia Legislative Auditor's Office)
 PERS Public Employees Retirement System
 PICA Program Improvement Cooperative Agreement
 PICF Patient Injury Compensation Fund
 PIECES Partners in Implementing an Early Care and Education System
 PIMS Position Information Management System
 PLC Public Land Corporation
 PM 2.5 Particulate matter less than 2.5 microns in diameter
 PPOD Pollution Prevention and Open Dump Cleanup
 PROMISE ... Providing Real Opportunities for Maximizing In-State Student Excellence
 PSC Public Service Commission
 PSWF Public solid waste facility
 PY Program year

R

R&D Research and development
 RAPIDS Recipient Automated Payment and Information Data System
 RCL Regulated consumer lenders
 RCRA Resource Conservation Recovery Act
 READS Reading Excellence Accelerates Deserving Students
 REAP Rehabilitation Environmental Action Plan
 REDI Responder Emergency Deployment Information
 REMI Regional Economic Models, Inc.
 RESAs Regional educational service agencies
 RFP Request for proposals
 RFQ Request for quotations
 RSP Responsible Student Program
 RTIA Radiation Toxics and Indoor Air
 RV Recreational vehicle

S

SACWIS Statewide automated child welfare information system
 SAFETEA .. Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003
 SAFETEA-LU Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users
 SB Senate Bill
 SBA School Building Authority
 SBDC Small Business Development Center
 SBIC Small Business Investment Corporation
 SBIR Small Business Innovation Research
 SBVR South Branch Valley Railroad
 SCC State Conservation Committee
 SCIP Systematic, Continuous, Improvement Process
 SCORE Service Corps of Retired Executives
 SCSEP Senior Community Service Employment program
 SEEDS Student Educational and Economic Development Success
 SERC Satellite Education Resources Consortium
 SHARES Saving History and Reaching Every Student
 SHINE Senior Health Insurance Network
 SHP State Health Insurance Assistance Program
 SKI-HI An in-house program for families of deaf and hard-of-hearing preschool children
 SRA State Rail Authority
 SREB Southern Regional Education Board
 SSI Supplemental Security Income
 SSDI Social Security Disability Insurance
 STARBASE Science and Technology Academics Reinforcing Basic Aviation and Space Exploration
 STD Sexually transmitted disease
 STEM Science, technology, engineering and math
 STS Slow the Spread
 STTR Small Business Technology Transfer
 SWA Solid waste authority
 SWMB Solid Waste Management Board

T

| | |
|--------------|--|
| TANF | Temporary Assistance for Needy Families |
| TCE | Tax Counseling for the Elderly |
| TCR | Telecommunication change request |
| TDC | Teachers' Defined Contribution Retirement System |
| TEA-21 | Transportation Equity Act for the 21st Century |
| TEAM | Team effort for acquisition management |
| TEFAP | The Emergency Food Assistance Program |
| TMDL | Total maximum daily load |
| TRS | Teachers' Retirement System |
| TRAFFIC ... | Tax Reduction and Federal Funding Increased Compliance |
| TSA | Transportation Security Administration |
| TTY/TDD .. | Telecommunications device for the deaf |

U

| | |
|-------------|--|
| U&CF | Urban and Community Forestry |
| UCC | Uniform Commercial Code |
| U.S. | United States |
| USDA | United States Department of Agriculture |
| USDC | United States Department of Commerce |
| USDOE | United States Department of Energy |
| USFDA | United States Food and Drug Administration |

V

| | |
|---------------|--|
| VIP | Voting Is Powerful |
| VISTA | Vendor Inquiry System to the Auditor |
| | Volunteers in Service to America |
| VITA | Volunteer Income Tax Assistance |
| VOI/TIS | Violent offender incarceration/Truth in sentencing |

W

| | |
|----------------|---|
| WCF | Workers' Compensation Fund |
| WCIS® | Workers' Compensation Insurance System |
| WDA | Water Development Authority |
| WESTEST .. | West Virginia Educational Standards Test |
| WIA | Workforce Investment Act |
| WIC | Women, Infants, and Children Program |
| WMA | Wildlife management area |
| WISH | Workflow and Imaging Solution System |
| WMA | Wildlife management area |
| WTI | West Texas Intermediate |
| W.Va. | West Virginia |
| WV | West Virginia |
| WV REDI ... | West Virginia Responder Emergency Deployment Unformation System |
| WV WORKS | West Virginia's welfare reform initiative |
| WVaPR | West Virginia Public Radio |
| WVCR | West Virginia Central Railroad |
| WVCTCS | West Virginia Community and Technical College System |
| WVDA | West Virginia Department of Agriculture |
| WVDE | West Virginia Department of Education |
| WVDO | West Virginia Development Office |
| WVEIS | West Virginia Educational Information System |
| WVFAIR | West Virginia Financial Aid Information and Resources |
| WVFIMS | West Virginia Financial Information Management System |
| WVIHY | West Virginia Industrial Home for Youth |
| WVIJDC | West Virginia Infrastructure and Jobs Development Council |
| WVIOF | West Virginia Industries of the Future |
| WVLC | West Virginia Library Commission |
| WVMEP | West Virginia Manufacturing Extension Partnership |
| WVNET | West Virginia Network for Educational Telecomputing |
| WVPASS | West Virginia Partnership to Assure Student Success |

Appendix B/Glossary of Acronyms

WVPBS West Virginia Public Broadcasting
Service
WVPPA West Virginia Public Port Authority
WVRC West Virginia Rehabilitation Center
WVRDC West Virginia Rural Development
Council
WVU West Virginia University
WVUIT West Virginia University Institute of
Technology

Y

YTD Year to Date