


The Honorable William P. Cole, III, Chair


**JOINT COMMITTEE ON  
GOVERNMENT AND FINANCE**


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**December 6, 2016**



# West Virginia Legislature

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**Interim Committee Attendance - Results**

Tuesday, December 06, 2016 - 01:00 PM

Joint Committee on Government and Finance

**Attended:**

- Delegate Shott
- Delegate Nelson, E.
- Delegate Miller, C.
- Delegate Miley
- Delegate Cowles
- Delegate Boggs
- Speaker Armstead
- Senator Trump
- Senator Prezioso
- Senator M. Hall
- Senator Carmichael
- President Cole

**Submitter:**

Terri Stowers

**Phone:**

304 347-4813

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## JOINT COMMITTEE ON GOVERNMENT AND FINANCE

Tuesday, September 20, 2016

1:00 pm – 2:00 pm

Senate	House
Cole, Chair	Armstead, Chair
Carmichael	Cowles
M. Hall	Miller, C.
Trump	Nelson, E.
Kessler (Absent)	Shott
Plymale	Boggs
Prezioso (Absent)	Miley- (Absent)

### Speaker Armstead presides:

**Speaker Armstead:** “The Committee will come to order. The first item on the agenda is the approval of the August 22, 2016 minutes. President Cole is recognized for a motion.”

**President Cole:** “I move the minutes of the August 22, 2016 meeting of the Joint Committee on Government and Finance as contained in the members packets be approved.”

**Speaker Armstead:** “Is there discussion? If not, all of in favor of the motion say aye. Those opposed no. The ayes appear to have it, the ayes do have it. I declare the minutes approved.”

**Speaker Armstead:** “We have certain committee reports in the packet. The first item we have is the status report on Lottery, Unemployment Compensation Fund General Revenue Fund & State Road Fund. Mr. Spencer is here if there are any questions. I believe he is here to answer any questions. Any questions from the Committee? On the report? Okay. If not, next is Workforce West Virginia Unemployment Compensation Trust Fund Report. Beth Carenbauer, Acting Deputy Executive Director for Workforce West Virginia. Ms. Carenbauer.”

**Ms. Carenbauer:** “Good afternoon Mr. Speaker, Mr. President and Members of the Committee. I am Beth Carenbauer and I direct the Unemployment Compensation Program for Workforce West Virginia. In your packet, you will see the September balances and projections and you will note that August, the month of August ended with a \$58,697,000 balance. You will also see that we are projecting a deficit by the end of the calendar year. We do anticipate borrowing again from the Rainy Day Fund sometime later on in the year. I will be happy to answer any questions.”

**Speaker Armstead:** “Are there any questions for Ms. Carenbauer? Delegate Shott.”

**Delegate Shott:** “Thank you Mr. Speaker. I notice in the summary report we are \$65M lower on August 31 of this year than last year. Was there borrowing involved last year that made that different?”

**Ms. Carenbauer:** “Yes, sir. As indicated in the previous reports, we borrowed \$38M in March from the rainy day trust fund and we repaid that on May 11<sup>th</sup> of the same year, just eight weeks later, so you will see that bump.”

**Delegate Shott:** “Ok, and so that is not a significant difference from one year to the next?”

**Ms. Carenbauer:** “No, sir.”

**Delegate Shott:** “It’s just a repayment of that obligation?”

**Ms. Carenbauer:** “Yes, it reflects the borrowing in that...”

**Delegate Shott:** “In compared to the last year, how does this year look so far?”

**Ms. Carenbauer:** “Well, you will see that last year we ended with an \$82M balance and this year we are projecting a \$500,000 deficit. So, it’s a significant shift from last year.”

**Delegate Shott:** “And you expect a greater amount needed to be borrowed this year?”

**Ms. Carenbauer:** “No, sir. We do anticipate at this point being able to make it through with the \$50M dollars which is allowable under the statute.”

**Delegate Shott:** “Alright, thank you.”

**Ms. Carenbauer:** “Thank you.”

**Speaker Armstead:** “Senator Trump.”

**Senator Trump:** “Thank you Mr. Speaker. Ms. Carenbauer, if the borrowing occurs, looks like it will have to occur, to keep it from going in the red ink before the end of the calendar year...”

**Ms. Carenbauer:** “Yes, sir.”

**Senator Trump:** “But, if you look at the overall trend for two years it’s sort of an eroding base and declining balance. Is the.... I guess is Workforce West Virginia recommending any structural changes to the program, benefits, premiums, anything to reverse this trend?”

**Ms. Carenbauer:** “Yes, sir. We do have internal discussions on taking look at what other states have done to bolster their trust fund on a more permanent basis. So, those discussions are underway and that would be something that we would present to the administration.”

**Senator Trump:** “No preview of what they are...what those possibilities might be at this point?”

**Ms. Carenbauer:** “No, sir not at this time. It is under discussion.”

**Senator Trump:** “Thank you.”

**Speaker Armstead:** “Senator Carmichael.”

**Senator Carmichael:** “Thank you Mr. Chairman. What is the unemployment rate in West Virginia, currently?”

**Ms. Carenbauer:** “The unemployment rate in August was 5.7% and the national rate is 4.9%, so we’re a little, almost a percentage point behind the national level.”

**Senator Carmichael:** “How does that compare, I know what the national level is, you said that, but in terms of other states... I mean, are we ranked where in terms of unemployment?”

**Ms. Carenbauer:** “We are generally in the top ten in unemployment, in the rate of unemployment. At some point we were first in the country. That has shifted. I haven’t checked in the last few months but a few months ago we were number five in the nation in terms of unemployment.”

**Senator Carmichael:** “Ok. Thank you.”

**Speaker Armstead:** “Further questions for Ms. Carenbauer? If not, thank you.”

**Ms. Carenbauer:** “Thank you.”

**Speaker Armstead:** “Next we have the reports from PEIA, BRIM, and Real Estate Report. Jennelle Jones, Deputy General Counsel for the Department of Administration. Ms. Jones.”

**Ms. Jones:** “My name is Jennelle Jones. I am here on behalf of the Department of Administration. The reports are in your packet as well as some information from the Real Estate Division that is related to the inquiry received last month. I have folks here from those respective agencies in case you have questions.”

**Speaker Armstead:** “Are there any questions for Ms. Jones? If not, thank you.”

**Ms. Jones:** “Thank you.”

**Speaker Armstead:** “Next, is the Department of Health and Human Resources Medicaid Report & Medicaid Waiver, and CHIPs program. Melanie Pagliaro is here to present that. Ms. Pagliaro.”

**Ms. Pagliaro:** “Mr. Speaker, Mr. President, Members of the Committee, we have submitted our reports Chip, Medicaid, Medicaid Waiver. They are in your packet. If you have any questions, we do have staff here.”

**Speaker Armstead:** “Are there any questions regarding DHHR Reports? Delegate Shott.”

**Delegate Shott:** “Thank you Mr. Speaker. I am just curious with the number of people that we have had losing jobs and leaving the state how is the number of recipients, eligible recipients from Medicaid, either grown or shrunk over say the last six or eight months? Can you give us some idea of that?”

**Ms. Pagliaro:** “We have Commissioner Beane here.”

**Ms. Beane:** “Good afternoon.”

**Delegate Shott:** “Good afternoon. Did you understand my question? I’m just looking for... Is there a trend that you are seeing in terms of ... are we increasing the number of folks that are applying or receiving Medicaid? Are they decreasing along with our population that is leaving the state?”

**Ms. Beane:** “Sir, our adult population is currently right around 178,000 over the last six months if trended, that’s up maybe about 10,000 members.”

**Delegate Shott:** “And do you attribute that to folks there losing their jobs that are now applying for Medicaid or do you see any sort of reason for that increase?”

**Ms. Beane:** “It could be that that percentage is 135% of our poverty level, so it could be somebody who has lost their job or somebody who perhaps is working at a job at maybe minimum wage. Because sixty some percent of that adult population does have earned income that is at a poverty level where they qualify for Medicaid.”

**Delegate Shott:** “Thank you.”

**Speaker Armstead:** “Any further questions? Ms. Beane, thank you. Next, we have Investment Management Board Report. We have the Fixed Income and Real Estate Investment Officer here.”

**Mr. Sauvengeot:** “Hi, I’m Tom Sauvengeot and I believe in your packet you have the July reports and I am happy to say after a very challenging fiscal year 2016 that we’ve gotten off to fiscal year 2017 pretty good with a pension plan around 2.8-2.9 percent return in the month of July. August numbers aren’t completely in yet but they are looking... at least on the positive side as well. So, we have gotten off to a pretty good start to the year but we still anticipate there are going to be challenges out there with the really slow paced economic growth and problems globally. And, we do expect the investment environment to continue to be challenging... but we have got off to a good start.”

**Speaker Armstead:** “Thank you. Other questions? Senator Hall?”

**Senator Hall:** “I asked about this a couple months ago and I just see the contrast. If you look at the returns of the Revenue Shortfall Reserve Fund-Part B which has not had any money come out of it ... actually some money come into it from the West Virginia Mutual, your five year numbers are 4.4 whereas the Public Employee Retirement System, for

example, is 7.5-that's 3% difference and you have money going out of the retirement system... I know you have money coming in. And I know there was a decision made back in 2009 to reallocate this because the numbers were not good when you first invested this money. You had big paper losses and then you had gains but you remained more fixed income oriented on money that we haven't used... you know... the whole time...I'd like to know how that decision was made and if that decision is reviewed from time to time and by who and how do you consider the allocations of the Revenue Shortfall-Part B."

**Mr. Sauvageot:** "Well, I will try to answer that on a little bit from a higher level. The pension plans, of course, we do asset allocation studies and we set those in house. But the revenue shortfall is something that we do get a little bit of direction from up here and I don't know..."

**Senator Hall:** "You didn't get direction from the Legislature. You got direction from an administration."

**Mr. Sauvageot:** "From an administration."

**Senator Hall:** "Correct."

**Mr. Sauvageot:** "So, Craig Slaughter, our Executive Director does coordinate with the administration in setting appropriate and a few years ago, I think it was kind of directed that we wanted less volatility in these funds and the rainy day..."

**Senator Hall:** "Yeah, because I mean they were looking at it as an investor would look at it after the 2008 crash or 2009, but just to point out to the Committee so you will see the professionally decided allocations got 3% more return on this money than a decision made by an administration because there were some significant paper losses and people were probably afraid. But, in my opinion it would have been better to let you all decide that, or maybe you didn't want to. But, it's long term money it sat there and we've lost basically because that decision was made, 3% on the money, and that's Revenue Shortfall Fund-Part B and I would have to take a calculator out and calculate it but I would say it was several millions of dollars of gain that may have been lost by that decision. And, I recognize you didn't make it, but for future administrations, or whoever might come, Mr. President, you may want to take a look at the allocations from whomever... and maybe not be decided by a reaction to a market event. Because if you did that with the Public Employees Retirement System and had a market event reaction and you all went to the same allocation, you'd be down 3% and we would be in one well of a problem. So, I just... you know, I point that out. We look at these reports and I looked at this two months ago and I just made a little comment about it but as I look at it again, I think let's get this allocation professionally decided in the future. So, I..."

**Mr. Sauvageot:** "You'd have to look at the time graphs and certainly the pension plans have an infinite..."

**Senator Hall:** "Right."

**Mr. Sauvageot:** "Lifespan. So, we can do a little bit..."

**Senator Hall:** “But, even a 5 and 10 year time horizon, you would admit that... I mean, most money managers and there are some in this room who know what I’m saying, that would be a little more aggressive... they wouldn’t be over the top... but I mean... you know, just 4, 3% is 3%. But, I just think that if there was a decision made at a point and time that didn’t rely upon your allocation models and I think we should go back and... Other things... You know... like the DEP Trust... or the one underneath it, it’s a small account... it’s 6.8. Even the Rainy Day Shortfall Reserve Fund- A got 2.8 which tells me it is not all in cash.”

**Mr. Sauvengeot:** “Fixed Income.”

**Senator Hall:** “Yeah. So, it’s in some sort of fixed income, but anyway, I just saw it again and I thought I would point it out. Maybe nothing will be done but that’s just my aggravation with it.”

**Speaker Armstead:** “Any further questions? If not, thank you.” Next, we have the Worker’s Compensation Report, Commissioner Mike Riley.”

**Mr. Riley:** “Good afternoon Mr. Speaker, Mr. President, Committee Members, Mike Riley, Insurance Commissioner. You have the report of the old fund as of August 31. Little change in regards to the numbers from last month’s meeting. Certainly glad to answer any questions. The June 30<sup>th</sup> actuarial numbers for the old fund and the auditor undergoing... hope to have those numbers in October, so the next time we will meet we will have heads up on that... same thing we have been saying as in the past that investment income has been poor. Happy to answer questions.”

**Speaker Armstead:** “Any questions for Commissioner Riley? Senator Hall.”

**Senator Hall:** “Oh, I’m sorry. I have nothing more to say.”

**Speaker Armstead:** “Alright, any further questions for Commissioner Riley? If not, thank you.”

**Mr. Riley:** “Thank you.”

**Speaker Armstead:** “We also have the Board of Treasury Report in your packet. Next on our agenda is Sam England, Division of Natural Resources, to make a presentation as I think was requested at the last meeting. Mr. England.”

**Mr. England:** “Mr. Speaker, Mr. President, Members of the Committee. Thank you for asking us to come and give a presentation on Cabwaylingo State Forest. We’ve got a power point I think they are putting together here. I’ll announce it here in just a minute. Thank you so much. So again, we are here to talk about Cabwaylingo State Forest, very happy to talk to the Committee. Cabway is a very important facility. All of our state parks and forests are but Cabway represents a facility with incredible history and so we have a little bit of history and we will go through these slides and where it’s at today. It’s about a little of 8,000 acres of heavily forested area in the southern part of the state. It’s in Wayne County, just south of



Huntington, about an hour south and folks ask us about the name Cabwaylingo. It comes from a culmination of Cabell, Wayne, Lincoln and Mingo counties to create that name. Just a point of view about Wayne County, it's very interesting that we have a strong relationship in Wayne County. In fact, if you look at it a little bit, the number of acres that the DNR operates or owns in Wayne County is incredibly significant and I would argue that we have more acres in Wayne County that we operate than any other county except for those cooperative management areas like we have with the Mon National Forest. So, there's a very strong connection. In that as well we have a great history. So, if you haven't been to Cabwaylingo this statue is there... it is a statue of a CCC worker from the 1930's. There were two different camps during the CCC period that developed Cabway. If you know anything about the CCC's, these areas of West Virginia were considered wasteland. They were considered of no value. They were bought by the state or offered at free by the state because they had no timber. They had incredible water problems, they had no infrastructure, they had no roads and so during the depression, these areas were developed by the CCC's and the young men who worked there actually were held by the Army, given to, in this case, a forest and the fact that it is a forest we operate part of that and I'll talk about that in a minute. And then, they would develop these facilities within that forest. It's also important too, that out of the small salary that they got, a certain percentage of those young men's salary went home to help support their families. So, we have a great history there. I love this picture and I wanted you to see it that kind of shows on the floor of one of the small picnic shelters that Cabwaylingo is this concrete impression that almost consumes the whole shelter and it was showing young men how to make a living. And so, this is a hand work piece of concrete. They poured the floor and put this in there and if you can't see it this is the emblem of the CCC and on either side of this tree is marked U.S. So, they are very proud of that. As a matter of fact, I had the opportunity to talk with a CCC participant and he was an older gentleman, he was very proud of his work and the comment was, "If we had only known how important what we were doing was at the time, we would have tried to do it that much better." So, these people were incredibly connected to these areas where they were helping to develop. This is a cabin picture. It is one of thirteen cabins that we have, or fourteen cabins, that were developed and again almost all of them by the CCC's developed in traditional style log cabins. Built from the materials that were carried nearby, young men learned how to work with logs, work with stone, work with concrete, to create these.

This is an inventory of what Cabwaylingo has. We have fourteen cabins, thirteen are the legacy style that you see. One of them is an ada accessible cabin that we built somewhere around 2000. We have 21 campsites that occupy two different campgrounds. We have the McClinic Group Camp; we have picnic shelters; we have over ten miles of hiking trails; we have forest roads that are connected in those hiking trails and we have playgrounds and game courts that the State Park System operates. Good picture of one of the campers that sat at Cabwaylingo and this is one of the picnic shelters that we operate. And, then here is a picture of the group camp, the McClinic Group Camp, which by the way, these are newer buildings that we built on site but the group camp was started as part of the CCC barracks and kitchen that were left there at the time. And of course, these have gone their way. You know, that was the 1930's so we're getting 80 years old and the infrastructure of those have been replaced. And so, the CCC connection here is important as it is with other facilities. So, as Senator Trump can tell you, at Cacapon there are incredible CCC facilities even at Cacapon and so it is the founding of a state park system.

The other thing that Cabwaylingo offers is hunting and fishing. Of those 8,000 acres that is heavily wooded, we expect that there is a lot of hunting that takes place on that. And, Twelve Pole Creek runs through Cabwaylingo and it is stocked, let's see, I think on a monthly basis February-May for trout fishing, which is mostly taken advantage of by the local residents.

Here's a map of Cabway, and I need to apologize in advance. It is kind of small when you are looking at it up there. I think the thing I would like to show in this, is the fact that what state parks operate at Cabway is what you see along the main veins of the roads that go throughout Cabwaylingo State Forest. So, all the facilities, the picnicking, the cabins, the developed recreation lies along these roads. Although there are 8,000 acres, it is all owned by the DNR. The silver culture practices, the forestry program and the timber harvests are in these expansive areas outside of the forests. So, we operate a forest, we operate the recreational piece on this forest and the forest is different than a park and there are two things that happen there: number 1, a state park does not have timber management or hunting and a state forest is an active forest. So, we actually have timber silver culture practices and those types of things and we do allow hunting on a state forest.

To get in the particulars of Cabwaylingo, here is a kind of a depiction of the rates that we have for the cabin, for camping and for our group camp. Probably the most important thing and maybe why we are talking about Cabwaylingo here are the business trends for Cabway. And if you look, this is the last five years at Cabway and we have a subsidy at Cabway somewhere around \$300,000 a year. And the cabins, if you take a look at that, the cabin occupancy runs about 24-25% and when we take that under all the facilities that have cabins and rank those, it runs 19 of 19. It is one of the ones that has the least use for cabin use in the system. The camping revenue is the same; we receive about \$3000-\$4000 a year from it. Again, the occupancy there is it ranks at 25 of 25 of those facilities. And then, there's another factor at the bottom here is the highly connectedness factor. We had a market research program that was conducted for all of our state parks and forests and the connectedness factor was something that we surveyed to find out how connected are people to a particular park or forest. And, unfortunately, those people who said, "I want to go to this park, I want to go here, I want to go to that area," Cabway was one that ranked at the lowest part of that. So, as it is important for state parks to be good stewards and operate efficiently and operate a park so that we take care of the resources that we have, we maximize our revenue generation. This particular picture again tells an important story and that is that as we consider, and I just want to talk about that, because there has been discussion about ok, what is going to happen if we have future budget reductions in state parks and we have mentioned Cabway as one of those things. As we consider what those options are... one of the reasons that Cabway was discussed is not necessarily what that number is as far as the subsidy that we subsidize this facility at... but more importantly, these numbers tell us that the local user is not nearly using that facility as much as they are others.

And so, if I could, I would also like to talk about the fact that as we reduce things, if those budget things come along, the idea is not to put or make choices so that we put gates across roads, it is simply what can we do to help us meet make two plus two equals four in our budgets. And so, in this case, what we would do is simply get ourselves out of the cabin and camping business. Now, I want you to know that is not what we want to do. That is not a part of anything that we have any desire to do. We've been through some things over the past

couple years. It's agonizing, it is difficult, it is sad, but I think that is why we were talking about Cabwaylingo. And, so you can see the position that we are at as far as that goes. The challenges at Cabway are listed here and so we've identified that we have some situations with stream litter. These photographs that you are looking at, are from the forest, and it's not that we leave the litter in the stream, it's that we have stream clean-ups and the litter that's upstream comes down into the forest itself. We have somewhat of concern with guest safety and security. We have a problem, it's not a problem, but we do have a challenge that it is not close by a major highway. Forest fires in the southern part of the state can be an issue. The aging infrastructure of almost all of our facilities being 80 years old. The average salary are full time people throughout the park system average about \$23,000 a year, and that includes our park superintendents, who are required to have a college degree. It is something that is a challenge for us. And then, the arrests and citations that I have listed here... I would like to show you a little bit about Wayne County in that we are challenged because in Wayne County the arrest and dismissal rate is high. So, going in and trying to attack the challenges that we have such as littering and other things that happen there... these are chapter 20 arrest dismissals. So, we're looking at Wayne County being, over the past ten years, in the top four in the state, and in the top two in the past five years of dismissals from those Chapter 20 citations and most of those have to do with fourwheelers, littering and hunting violations. There was a question about what our needs are. I would say these are our immediate needs. You can see a few things that we have. We have short-term needs most of which would be cabin remodeling program that we would love to do at Cabwaylingo. So, we are looking at somewhere around \$700,000 that we can identify of things that we would like to do at Cabwaylingo.

Now, I painted a little bit of a picture that's like oh my goodness, what about Cabwaylingo? So, we got together with the park superintendent, the district administrator, and the folks in the office, and we thought ok. Cabway is very important to us. Our job is to preserve and to protect. Our job is to offer outdoor recreation. What can we do to make a difference? So, we came up with some ideas. And the first three, are pretty well our office processes, our gift shop, just some minor things about developing our information, our customer service practices. Those are things that we identified very quickly that we can handle in house and we have already began the process to make this happen. But, as you go down through that you see some other things and that is the maintenance, productivity and efficiencies. We actually put into place a maintenance program. We took some real effort to make sure that we brought somebody in from outside that can share with us that could give us leadership and direction in providing a maintenance program for Cabway. We talked about that yesterday. We have that one and that trigger has been pulled and we're doing that for them.

The group camp is a very serious resource for us and it is for Wayne County. It seems that a good bit of the folks who are utilizing the group camp actually are from service organizations and faith based organizations, who are coming into the area to help out with folks who have needs, as far as Habitat for Humanity and other organizations such as that. So, we have asked our sales folks to reach out to those kind of organizations, reach out to the County, find out who are those folks that are coming into the County and how can we offer what we have there cabins and a group camp that can hold a faith based organization and do it very well. Because, our prices are very reasonable for a group like that and reach out so that we can help Wayne County. Again, the cabin renewal and revitalization, the picnic area renewal

revitalization and that has to do with us pulling out some of the things we have done at Cabway and our picnic area and more emphasizing other things in the picnic shelters which is really our business now. And if any of you that go to a state park you will know our shelters are overwhelmingly popular in state parks right now.

Repurposing where the swimming pool currently sets. And then last, is a focus on elk restoration, trout fishing, hiking, and what we think that we could make the experience and the expectation when you come to Cabway. Essentially, the elk restoration program, the elk will be about 13 miles from the Cabwaylingo State Forest border and we want to take advantage of the tourism expectations on that. We want to try to develop a stream mitigation or stream restoration program there and see if we can't start focusing on Cabway as a really nice unique place that you can go hiking, experience the cabin, and start trying to figure out what we can do to bring Cabway up at the level it needs to be."

**Delegate Cowles Presiding:** "Thank you very much for your presentation. Are there any questions? Senator Plymale."

**Senator Plymale:** "Thank you Mr. Chairman. You have given us a good overview and I would probably have to say that I am probably the only person that has ever stayed in one of those cabins so, even though it was fifty years ago. But, in terms of the residents there have complained to the County Commission. But, there are two or three things you have missed. First, the timber severance side of it. You have timbered a lot of areas and some different things like that, and under the guidelines that I think that the state does and I was in the lumber business for twenty-seven years, so I think I understand a good portion of this. But, it does go into the Division of Forestry correct? Anything you get on severance?"

**Mr. England:** "Yes, sir. That is correct."

**Senator Plymale:** "Okay, so you also have done some mining and how much money have you gained from coal and natural gas?"

**Mr. England:** "Thank you Senator Plymale. As a matter of fact, I think Greg Cook, he's here he maybe talking about the timber side and what forestry does at Cabwaylingo."

**Senator Plymale:** "Well, I'm not..."

**Mr. England:** "But, you are correct."

**Senator Plymale:** "Ok, but what's the amount that you have gotten from coal and from natural gas?"

**Mr. England:** "Since 1999, the coal royalties were \$2.5M."

**Senator Plymale:** "And have we reinvested any portion of that?"

**Mr. England:** "Well, our subsidy that we have put back into Cabwaylingo over that time

period are a little over \$5M.”

**Senator Plymale:** “The subsidy that you have put back into that?”

**Mr. England:** “Yes, sir.”

**Senator Plymale:** “So, that’s over and above what you’ve...”

**Mr. England:** “So, what brought in...now let me clarify. We’ve brought in \$2.5M in royalties but in the operation of Cabwaylingo State Forest, just the operation side, we have invested I think \$5.1M around over the past since that same time period.”

**Senator Plymale:** “So, the closing of the pool is one of the things that the people that live in the area... And I think if I’ve got this correct. It cost you \$30,000 a year to run it and you made \$3,000 a year from operation. Is that about right?”

**Mr. England:** “It was less than 3, we’re more in like the 1200-1500 range.”

**Senator Plymale:** “Ok and then one of the ideas that you have there is... The concern is the repurposing of the swimming pool. The concern from I think the Commission and partly from the residents there is what is the long term plan? They have talked about... they have heard things about selling, privatizing. What’s the long term plan with Cabwaylingo?”

**Mr. England:** “It’s a good question and first I want to talk a little bit about swimming pools. We did not open four pools in the park system this summer and we did transfer some other areas that had pools this past winter. Swimming pools have become... the use of swimming pools has lessened since the time that I have grown up. I grew up using the swimming pool at Twin Falls Resort State Park and that is one of the ones that we did not open, because those facilities are bringing in a revenue somewhere around \$1,000 to \$2,000. We had to look at what we were going to change in order to meet the financial challenges that were given us this year. And let me say that since in the past ten years the park system has had to absorb... and this year in 2017 an additional \$3M of unfunded liabilities that come from things like OPEB, PEIA, minimum wage increases, the Fair Labor Standards Act. So, we have absorbed those and absorbed those to the point that this year we have an additional million dollars that we’ve got to try to figure out. So, we looked at those facilities that we could change or that we felt the public was either not using or would have the least effect on public recreation. And so, one of those things we looked at the revenue that came down from our swimming pools and beaches and determined that... you know... that Cabway was right up there, with one of the ones...or I guess way down there with...with the lowest amount of revenue. Again, I want to go back. We can’t fully support in most cases a swimming pool and make it a profit center. It does become an amenity. But, what it tells us is that there are fewer people or less public support of a facility where there’s revenues at that level.”

**Senator Plymale:** “Well, one of the things that you said is still true today, what they said in the CCC in 1930’s is we don’t have roads, we don’t have water, sewer... and this in all honesty folks, this isn’t even an area that I represent... It’s where Senator Cole and Senator Maynard



represent and this is the one of the worst areas for roads and infrastructure. So, I can understand why people can't get there. Since all the roads have come through Charleston we have got nothing in Wayne County. This is where I-73-74 should come. And so, I would agree with you that increasing infrastructure is going to be a big issue related to that. The biggest concern that I've heard from citizens of that region and the ones that have talked to me in the county commission as well, but particularly the citizens, is the fact what is the long term... you know... where are you going? The closing of the pool I can certainly understand from the economics and things like that, but it isn't an amenity that you need to have if you are going to attract some. Granted, the cabins... you know... could be improved, but you could have corporations come in and build some or some different things like that. Is that what your long-term view of this is?"

**Mr. England:** "Yes, it's a good question and we do not have plans to privatize, sell, or abandon Cabway in any way. As a matter of fact, I challenged our folks and said Cabway needs to have attention. And we have not, in my opinion, over the past decade given it the attention that it needs so we can reinvent Cabway and try to pull it up so that it becomes a place that folks want to go."

**Senator Plymale:** "Ok, well I don't want to belabor. I know a lot of people here are not from this region and everything, but what I would like to request is that we set up a public meeting down in the area. I would like to see a little bit better and more of what that you say it cost you 5.1M and that you've generated 2. some and very little in timber severance. I know the residents have said they've complained about the timbering in that area. But, being in the lumber business when you timber it never looks good after you've come out there no matter what."

**Mr. England:** "If I could say that this is what I believe to be a solid long term plan and if we can make this happen. Again, doing a cabin revitalization it is going to take us finding some funds to make that happen."

**Senator Plymale:** "Well, I would like to say that if I request that we do this in conjunction with the County Commission and try to hold a public meeting to discuss this. But, probably have a meeting before about what we really need to be looking at and get the citizens together there. Mr. Chairman I'd just like to make that request and not belabor, you know everybody here staying here listening to something that's in a Wayne County issue, even though it was set up to serve four counties by the name of it, Cabell, Wayne, Lincoln and Mingo."

**Delegate Cowles:** "Thank you Senator."

**Senator Plymale:** "Thank you."

**Delegate Cowles:** "Thank you. Senator Hall."

**Senator Hall:** "Just a couple of things: one, the committee last month approved a visit to some of the parks around the state, and I was part of that and I have been on a few of those. We have tremendous assets in our park system that we really ought to learn more about. We

were at Babcock State Park in Anstead up there at Hawks Nest. But, is it true... in one of the visits because of the school systems... are now meeting...you know going late in the middle of June and starting in the middle of August... these pools... at least in my area... I reserve this...pools don't open up when school's in session so you've lost your amount of time is that correct? Are the pools you keep open open every day in the summer are they? Can you staff them with your lifeguards or whatever? They are usually high-school students, so are you losing...?"

**Mr. England:** "Yes. The answer to that question is yes. We have looked at every one of our pool operations and we have limited those to when the pool is being used. And so, because we have different school calendars, different parks have openings. It also affects our ability to get summer workers because we employ high-school..."

**Senator Hall:** "Ok. So it's just... Not that I am going to gauge the one hundred...we did that in LOCEA yesterday. But, the fact that it has that effect on you. You know, the pools you know... used to be open three months, now it's two. And you might lose days due to weather or whatever and suddenly you are down to a month in a half and I can see why you have revenue trouble. Thank you."

**Delegate Cowles:** "Delegate Miller."

**Delegate Miller:** "Thank you Mr. Chairman. I just want to show that I'm geographically challenged. Does the Guyandotte River flow through Cabwaylingo?"

**Mr. England:** "No, it doesn't. But, it is nearby. Senator Plymale, is it about fifteen minutes up the road I think to the Guyandotte? Ok."

**Delegate Miller:** "Ok, because I know that there is a concerted effort now to do something similar in the Guyandotte River that they have done in the Coal River with kayaking in having on and off ramps and I didn't know if it could possibly be tied into what you all do because I know the Guyandotte River is a lot and it ends up I think in Wyoming County. I was hoping that it might be close enough that it might be an attraction for you all that wouldn't be very expensive to hook into."

**Mr. England:** "That's an excellent point. Thank you."

**Delegate Cowles:** "Further questions of our presenter? If not, thank you. Next up we have Greg Cook, Deputy State Forester for the Division of Forestry."

**Mr. Cook:** "Thank you Mr. Chairman, Committee. Greg Cook, Deputy State Forester. West Virginia Division of Forestry."

**Delegate Cowles:** "Do you have a presentation or you just here for questions?"

**Mr. Cook:** "Here for questions."

**Delegate Cowles:** “Any questions from the Committee?”

**Delegate Cowles:** “Senator Carmichael.”

**Senator Carmichael:** “Could you elaborate on the impact of the loss of the foresters through the budget issue? You know that’s why you’re here right?”

**Mr. Cook:** “I wouldn’t be telling you anything you don’t already know. I could elaborate, but where it came out that a third of our staff was laid off is actually half the field staff.”

**Senator Carmichael:** “So, at whose decision... Who made the decision as to whom to lay off?”

**Mr. Cook:** “I think I’m gagged on that one Senator.”

**Senator Carmichael:** “Not really, you are asked to answer a question.”

**Mr. Cook:** “Who made the decision as to who to lay off?”

**Senator Carmichael:** “Yeah, I mean...”

**Mr. Cook:** “That was done by...”

**Senator Carmichael:** “You say it was field staff?”

**Mr. Cook:** “It was all field staff.”

**Senator Carmichael:** “Ok. As opposed to?”

**Mr. Cook:** “And it was done by tenure.”

**Senator Carmichael:** “Ok. You say done by tenure within the field staff itself or I mean...?”

**Mr. Cook:** “Up to Forester grades 1, 2, and 3 series. It was done by tenure there.”

**Senator Carmichael:** “Ok.”

**Mr. Cook:** “No supervisors or specialists were laid off.”

**Senator Carmichael:** “No supervisors or specialists were laid off?”

**Mr. Cook:** “No.”



**Senator Carmichael:** “And that decision was made by? I mean the Director? Or? I mean, it certainly wasn’t a legislative decision.”

**Mr. Cook:** “No, it wasn’t a legislative decision.”

**Senator Carmichael:** “Alright.”

**Mr. Cook:** “Alright, I’ll answer it. It was the Division of Personnel at the assistance of the Director. It was chiefly the Division of Personnel.”

**Senator Carmichael:** “And was there a geographic area that was more impacted by the layoffs?”

**Mr. Cook:** “More impacted?”

**Senator Carmichael:** “Yeah.”

**Mr. Cook:** “It would be our Region 2 area.”

**Senator Carmichael:** “Which is?”

**Mr. Cook:** “Beckley, McDowell, Wyoming, Mercer, Greenbrier, Pocahontas, Nicholas.”

**Senator Carmichael:** “Alright.”

**Mr. Cook:** “Fayette, Upshur, Lewis, up through there. There’s 10 people left covering 16 counties.”

**Senator Carmichael:** “Do you happen to know the percentage of people that were laid off in that particular area? I mean it sounds like perhaps somebody in another region didn’t experience any layoffs, perhaps.”

**Mr. Cook:** “The only real area that wasn’t greatly affected by the layoffs would have been the Eastern Panhandle.”

**Senator Carmichael:** “Alright.”

**Mr. Cook:** “Everybody else around our Elizabeth office out in Wirt County.”

**Senator Carmichael:** “Ok.”

**Mr. Cook:** “The southern part of the state took a pretty big hit because ofcourse, that’s where we have the highest turnover.”

**Senator Carmichael:** “Do you know and I know it’s not relevant really to... I guess I’m

curious. Did those people find... I'm told some of them found positions within State Government or in the U.S. Department of Forestry?"

**Mr. Cook:** "I only know one that found a position in State Government and with the U.S. Forest Service I don't know of any."

**Senator Carmichael:** "Alright."

**Mr. Cook:** "One did go to work for Minnesota DNR."

**Senator Carmichael:** "Ok. Thank you for your answers. Thank you. Thank you Mr. Chairman."

**Delegate Cowles:** "Further requests? Delegate Nelson."

**Delegate Nelson:** "Thank you Mr. Chairman. So, 16 of the 27 were in Region 2?"

**Mr. Cook:** "I don't know the exact number on that."

**Delegate Nelson:** "Well, you just mentioned 16 came out of Region 2 is that right?"

**Mr. Cook:** "There was 10 people left to cover 16 counties."

**Delegate Nelson:** "And before that there were 26 so?"

**Mr. Cook:** "May have been. I don't know the exact number but I could figure it up real quick probably in my head. We lost let's see..."

**Delegate Nelson:** "I guess the concern being it's one of our most heavily forested areas and because of this tenure structure was most negatively affected."

**Mr. Cook:** "That's very relevant. Yes."

**Delegate Nelson:** "Mr. Chairman, I think some supervision could have maybe been a little bit different in this decision. Anyway, but thank you for the clarification."

**Mr. Cook:** "Just for clarification, I wasn't involved in any of it."

**Delegate Cowles:** "Delegate Shott."

**Delegate Shott:** "Yes, and thank you for being here today. I'm just curious. The percentage of your field staff that was laid off is close to fifty percent is that correct?"

**Mr. Cook:** "Yes."

**Delegate Shott:** “Okay, but, you didn’t touch any of the supervisors that were supervising a hundred percent of those people before this happened?”

**Mr. Cook:** “Right.”

**Delegate Shott:** “And how many supervisors would there have been that were supervising the full field staff?”

**Mr. Cook:** “Let’s see. Around 10 or 11. 10.”

**Delegate Shott:** “And so how many remaining field staff are there?”

**Mr. Cook:** “Actual foresters that I can put boots on the ground, roughly 58.”

**Delegate Shott:** “Alright, so you lost about half. You got 11 supervisors and those same 11 supervisors are supervising 58 people now is that right?”

**Mr. Cook:** “Well, I’ve got the specialists and the regional foresters. 3 regional foresters supervise the specialists and the supervisors in those regions. Each region has 3 specialists and we have a few other specialists like the state plans manager and the urban forestry program and the nursery.”

**Delegate Shott:** “And do you have any supervisors that now aren’t supervising, don’t have anybody under them to supervise?”

**Mr. Cook:** “Correct.”

**Delegate Shott:** “How many of those people are there?”

**Mr. Cook:** “All of them.”

**Delegate Shott:** “I’m not sure you understood my question.”

**Mr. Cook:** “How many supervisors have nobody to supervise?”

**Delegate Shott:** “Yes.”

**Mr. Cook:** “All of them.”

**Delegate Shott:** “So, we’re paying supervisors who have nobody to supervise?”

**Mr. Cook:** “That’s what Division of Personnel is looking at now as far as I understand.”

**Delegate Shott:** “Alright, thank you.”

**Delegate Cowles:** “Further questions? If not, thank you.”

**Mr. Cook:** “If I may make some...”

**Delegate Cowles:** “Certainly.”

**Mr. Cook:** “Supervisors are working supervisors in the field. They have their own area that they work, just like a field person would.”

**Delegate Cowles:** “Delegate Miller.”

**Delegate Miller:** “What is the most important function that you all do?”

**Mr. Cook:** “Forest fire control, suppression and prevention.”

**Delegate Miller:** “And are all of these supervisors capable of stepping into doing what those who have been removed would be doing?”

**Mr. Cook:** “Yes. Yes.”

**Delegate Miller:** “Ok. Thank you.”

**Mr. Cook:** “They’ve already been switched around.”

**Delegate Miller:** “Thank you.”

**Mr. Cook:** “Thank you.”

**Delegate Cowles:** “Delegate Boggs.”

**Delegate Boggs:** “Thank you. I just want to go back to the point that you made a minute ago. To clarify, these supervisors are working supervisors, boots on the ground. They are supervisors by virtue of their education, their experience, and they are still providing a viable function despite the fact that people under them have been laid off. Is that correct?”

**Mr. Cook:** “That’s very correct.”

**Delegate Boggs:** “Okay. Now, secondly, we’re coming up on fire season. And I’ve already heard from a lot of concerned land owners. I’ve just heard from a lot of concerned citizens, Division of Highways, a lot of people. Are we going to be able to meet the needs? I know I’m asking for an opinion here but you’ve been around here a long time and I value your opinion. Are we going to be able to meet the needs that we have out here with forest fire season upon us, logging operations and all the different things that our foresters were vital in doing? Are we going to be able to meet that need?”

**Mr. Cook:** “As far as the forest fires go it depends on the season, directly on the weather,

and the amount of occurrence whether we would be able to cover it. I kind of look at it if we get a two week stretch we're going to be hurting. We do have 20 seasonal employees coming on board that we do every year, the patrolman and they are partly sponsored by large land companies and they pay their salary and we provide the supervision of them and the vehicle and their equipment. So, now I'm running out of people to supervise the temporary employees because they have to be supervised and then that cuts down on the... What's going to happen is our response time to fires is going to be greatly a lot different and most likely, we are not going to be able to avoid having large fires because we are not going to be able to get anybody on them because we are back protecting structures and personal lives and things like that."

**Delegate Boggs:** "Mr. Chairman, one of my biggest concerns..."

**Mr. Cook:** "That's just speculation, but..."

**Delegate Boggs:** "In addition, to obviously the implications to the State, to the loss from potential forest fires and you know... logging operations, I think I heard you mention that there is only two of those individuals that you know of that have found other employment, one in out of state and one with..."

**Mr. Cook:** "That would be in their field."

**Delegate Boggs:** "In their field. I'm concerned as time goes on that it is going to be more and more difficult to get these experienced foresters back in these positions, if and when the opportunity comes for them to come back to work. I think the further we get from those layoffs, the more difficult it's going to be to get them back."

**Mr. Cook:** "I think right now, ten of them have found full time employment."

**Delegate Boggs:** "I appreciate everything you do. Thank you. Thank you Mr. Chairman."

**Delegate Cowles:** "Thank you. Any further question? If not, thank you. Any further business to come before the Committee? If not, the Chair recognizes Senator Carmichael."

**Senator Carmichael:** "Thank you Mr. Chairman, I move we adjourn."

**Delegate Cowles:** "Motion to adjourn. All of those in favor say Aye. All those opposed nay. Ayes have it. The meeting is adjourned."



# WEST VIRGINIA LEGISLATURE

*Office of the Legislative Auditor*



*Budget Division  
Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590*

*304-347-4870*

November 17, 2016

## Executive Summary WV Lottery, Unemployment Trust, General Revenue and State Road Fund

- West Virginia Lottery as of September 30, 2016:  
Gross profit for July 2016 – June 2017 was \$124.7 million.
- West Virginia Unemployment Compensation Fund as of October 31, 2016:  
Total disbursements were \$ 131 thousand more than last fiscal year. Overall ending trust fund balance was \$ 59 million lower on October 31, 2016, than on October 31, 2015.
- General Revenue Fund as of October 31, 2016:  
The general revenue collections ended the fourth month of fiscal year 2016-2017 at 93% of the estimate for the year.
- State Road Fund as of October 31, 2016:  
The state road fund collections ended the fourth month of fiscal year 2016-2017 at 113% of the estimate for the year.

WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



*Budget Division  
Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590*

MEMORANDUM

To: Honorable Chairmen and Members of the Joint Committee on  
Government and Finance

From: William Spencer, CPA  
Director Budget Division  
Legislative Auditor's Office

Date: November 16, 2016

Re: Review of West Virginia Lottery Financial Information  
As of September 30, 2016

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for September 30, 2016, from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. The results are as follows:

**Lottery Revenues:**

Gross lottery revenues are receipts from on-line games, instant games, table games and video lottery. These gross receipts totaled \$278 million for July - September 2016. Table games accounted for \$10.9 million of this total. Historic Resort Hotel video lottery and table games accounted for \$1.2 million of total gross receipts. Gross lottery revenue has decreased by 2.8% when compared with July - September of fiscal year 2015-2016. This number does not include commission and prize deductions. Gross profit (gross revenues minus commissions and prize costs) for July – September 2016 was \$124.7 million; for July - September of last fiscal year it was \$128.8 million. Expressed as a percentage, gross profit is 3.2% lower for fiscal year 2017 than for fiscal year 2016.



Lottery continued

**Operating Transfers to the State of West Virginia:**

A total of \$52,372,000.00 has been accrued to the state of West Virginia for fiscal year 2016-2017. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. Amount owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the lottery.)

A schedule of cash transfers follows:

**State Lottery Fund:**

Bureau of Senior Services	\$39,579,000.00
Community and Technical College	\$1,499,000.00
Department of Education	\$11,119,000.00
Library Commission	\$7,057,000.00
Higher Education-Policy Commission	\$4,419,000.00
Tourism	\$3,839,000.00
Department of Natural Resources	\$1,912,000.00
Division of Culture and History	\$2,675,000.00
Department of Education and Arts	\$733,000.00
General Revenue Fund	13,700,000.00
Economic Development Authority	\$3,000,000.00
School Building Authority	\$5,400,000.00
<b><u>SUBTOTAL BUDGETARY TRANSFERS</u></b>	<b>\$94,932,000.00</b>

Lottery continued

**Excess Lottery Fund**

Economic Development Fund	\$5,696,000.00
Higher Education Improvement Fund	\$4,500,000.00
General Purpose Fund	\$10,684,000.00
Higher Education Improvement Fund	\$4,767,000.00
State Park Improvement Fund	\$822,000.00
School Building Authority	\$5,697,000.00
Refundable Credit	\$313,000.00
WV Racing Commission	\$329,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$30,000,000.00
WV Lottery Statutory Transfers	\$10,374,000.00
General Revenue	\$7,300,000.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$5,087,000.00
<b>Total State Excess Lottery Revenue Fund</b>	<b>\$85,569,000.00</b>

Total Budgetary Distributions:	\$180,501,000.00
Veterans Instant Ticket Fund	\$163,000.00
<b>TOTAL TRANSFERS</b>	<b>*\$180,664,000.00</b>

\* CASH BASIS

Total Accrued last FY 2016:	\$135,265,000.00
Total Cash Distributions FY 2017:	\$180,664,000.00
Applied to FY 2016:	\$135,265,000.00
Applied to FY 2017:	\$45,399,000.00
Accrued for FY 2017 as of September 30:	\$72,632,000.00




P.O. BOX 2067  
CHARLESTON, WV 25327

PHONE: 304-558-0500  
1-800-WVA-CASH

Earl Ray Tomblin  
Governor

John A. Myers  
Acting Director

**MEMORANDUM**

TO: Joint Committee on Government and Finance  
FROM: John Myers, Acting Director   
RE: Monthly Report on Lottery Operations  
Month Ending September 30, 2016  
DATE: October 17, 2016

This report of the Lottery operations is provided pursuant to the State Lottery Act.

Financial statements of the Lottery for the month ending September 30, 2016 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$89,780,103 for the month of September.

Transfers of lottery revenue totaling \$57,133,734 made for the month of September to the designated state agencies per Senate Bill 160, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 10 on pages 18 and 19 of the attached financial statements.

The number of traditional and limited retailers active as of September 30, 2016 was 1,508 and 1,319 respectively.

A listing of the names and amounts of prize winners has been provided to the Clerk of the Senate, the Clerk of the House and Legislative Services.

If any member of the Committee has questions concerning the Lottery, please call me. Also if any members of the Legislature wish to visit the Lottery offices, I would be pleased to show them our facilities and discuss the Lottery with them.

JM  
Attachment

pc: Honorable Earl Ray Tomblin, Governor  
Robert S. Kiss, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
Lisa A. Hopkins, Acting Auditor  
Members of the West Virginia Lottery Commission

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Members of the West Virginia Lottery Commission



**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**September 30, 2016**

**WEST VIRGINIA LOTTERY**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>STATEMENT OF NET POSITION.....</b>	<b>3</b>
<b>STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION.....</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS .....</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>6 – 22</b>
<b>SCHEDULE OF NET REVENUES.....</b>	<b>23</b>

**WEST VIRGINIA LOTTERY**  
**STATEMENT OF NET POSITION**  
(In Thousands)  
-Unaudited-

ASSETS	September 30, 2016	June 30, 2016
Current Assets:		
Cash and cash equivalents	\$ 89,385	\$ 166,621
Accounts receivable	28,721	26,643
Inventory	629	380
Other assets	1,598	1,788
Total Current Assets	<u>120,333</u>	<u>195,432</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	-	-
Capital assets	55,614	55,960
Less accumulated depreciation and amortization	<u>(10,997)</u>	<u>(11,086)</u>
Net Capital Assets	<u>44,617</u>	<u>44,874</u>
Total Noncurrent Assets	<u>44,617</u>	<u>44,874</u>
Total Assets	<u>\$ 164,950</u>	<u>\$ 240,306</u>
Deferred outflows of resources	<u>\$ 2,573</u>	<u>\$ 2,573</u>
Total assets and deferred outflows	<u>\$ 167,523</u>	<u>\$ 242,879</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 72,632	\$ 135,265
Estimated prize claims	14,930	15,981
Accounts payable	1,527	1,961
Other accrued liabilities	24,064	35,302
Total Current Liabilities	<u>113,153</u>	<u>188,509</u>
Deferred inflows	<u>\$ 1,998</u>	<u>1,998</u>
Net Position:		
Restricted by enabling legislation	-	-
Net Investment in capital assets	44,617	44,874
Unrestricted	<u>7,755</u>	<u>7,498</u>
Total Net Position	<u>52,372</u>	<u>52,372</u>
Total net position, liabilities, and deferred inflows	<u>\$ 167,523</u>	<u>\$ 242,879</u>

The accompanying notes are an integral part of these financial statements.

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016**

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2017	2016	2017	2016
Lottery revenues				
On-line games	\$ 5,343	\$ 6,851	\$ 20,072	\$ 17,555
Instant games	7,095	8,384	23,463	25,086
Racetrack video lottery	44,416	44,433	137,657	141,126
Limited video lottery	28,856	28,865	84,663	89,360
Table games	3,541	3,479	10,852	11,143
Historic resort	530	640	1,228	1,596
	<u>89,781</u>	<u>92,652</u>	<u>277,935</u>	<u>285,866</u>
Less commissions				
On-line games	380	471	1,398	1,218
Instant games	497	587	1,642	1,756
Racetrack video lottery	24,368	24,378	75,525	77,427
Limited video lottery	14,139	14,144	41,485	43,786
Table games	1,501	1,474	4,600	4,721
Historic resort	269	300	603	820
	<u>41,154</u>	<u>41,354</u>	<u>125,253</u>	<u>129,728</u>
Less on-line prizes	2,951	3,297	10,370	8,593
Less instant prizes	4,651	5,562	15,398	16,607
Less ticket costs	94	128	384	381
Less vendor fees and costs	623	895	1,824	1,745
	<u>8,319</u>	<u>9,882</u>	<u>27,976</u>	<u>27,326</u>
Gross profit	<u>40,308</u>	<u>41,416</u>	<u>124,706</u>	<u>128,812</u>
Administrative expenses				
Advertising and promotions	614	381	1,684	1,425
Wages and related benefits	1,167	891	2,577	2,368
Telecommunications	213	97	359	277
Contractual and professional	575	468	1,151	1,054
Rental	33	40	102	114
Depreciation and amortization	108	89	325	267
Other administrative expenses	138	68	500	311
	<u>2,848</u>	<u>2,034</u>	<u>6,698</u>	<u>5,816</u>
Other Operating Income	<u>595</u>	<u>617</u>	<u>1,494</u>	<u>1,471</u>
Operating Income	<u>38,055</u>	<u>39,999</u>	<u>119,502</u>	<u>124,467</u>
Nonoperating income (expense)				
Investment income	77	99	225	116
Distributions to municipalities and counties	(566)	(566)	(1,660)	(1,752)
Distributions -capital reinvestment	(17)	(17)	(36)	(52)
Distributions to the State of West Virginia	(37,549)	(39,515)	(118,031)	(122,779)
	<u>(38,055)</u>	<u>(39,999)</u>	<u>(119,502)</u>	<u>(124,467)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>52,372</u>	<u>54,156</u>	<u>52,372</u>	<u>54,156</u>
Net position, end of period	<u>\$ 52,372</u>	<u>\$ 54,156</u>	<u>\$ 52,372</u>	<u>\$ 54,156</u>

The accompanying notes are an integral part of these financial statements.



**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016**

(In Thousands)

-Unaudited-

	2017	2016
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 277,351	\$ 294,410
Cash payments for:		
Personnel costs	(2,539)	(2,276)
Suppliers	(4,128)	(2,682)
Other operating costs	(157,846)	(155,892)
Cash provided by operating activities	<u>112,838</u>	<u>133,560</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(180,664)	(154,324)
Distributions to municipalities and counties	(1,637)	(1,774)
Distributions to racetrack from racetrack cap. reinv. fund	(7,927)	(6,984)
Cash used in noncapital financing activities	<u>(190,228)</u>	<u>(163,082)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(68)</u>	<u>(2,110)</u>
Cash flows from investing activities:		
Investment earnings received	<u>222</u>	<u>148</u>
Increase (decrease) in cash and cash equivalents	(77,236)	(31,484)
Cash and cash equivalents - beginning of period	<u>166,621</u>	<u>164,722</u>
Cash and cash equivalents - end of period	<u>\$ 89,385</u>	<u>\$ 133,238</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 119,502	\$ 124,467
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	325	267
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(2,078)	7,073
(Increase) decrease in inventory	(249)	6
(Increase) decrease in other assets	193	34
Increase (decrease) in estimated prize claims	(1,051)	613
Increase (decrease) in accounts payable	(434)	606
Increase (decrease) in other accrued liabilities	(3,370)	494
Cash provided by operating activities	<u>\$ 112,838</u>	<u>\$ 133,560</u>

The accompanying notes are an integral part of these financial statements.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 1 - LEGISLATIVE ENACTMENT**

The West Virginia Lottery (Lottery) was established by the State Lottery Act (Act) passed April 13, 1985, which created a special fund in the State Treasury designated as the “State Lottery Fund.” The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (Commission) and a director. The Commission, consisting of seven members and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games and to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a blended proprietary fund component unit.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies of the Lottery is presented below.

**BASIS OF PRESENTATION** – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*,” the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

The Lottery is included in the State’s basic financial statements as a proprietary fund and business type activity using the accrual basis of accounting. Because of the Lottery’s presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

**USE OF ESTIMATES** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from management’s estimates.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**LOTTERY GAME OPERATIONS** – The West Virginia Lottery derives its revenues from four basic types of lottery games: instant, on-line, video type games, and table games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. All bonded retailers and agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

The Lottery has contracted with a private vendor to manufacture, distribute, and provide data processing support for instant and on-line games. Under the terms of the agreements, the Lottery pays a percentage of gross revenues or gross profits for the processing and manufacture of the games.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL®, a multi-state “jackpot” game; HOT LOTTO®, a multi-state “lotto” game; Mega Millions®, a multi-state “jackpot” game; Cash25 “lotto” game; Daily 3 and 4 “numbers” games; and Travel, a daily “keno” game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent’s on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery’s sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Video lottery is a self-activated video version of lottery games which is operated by an authorized licensee. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins, currency, or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games’ prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue “gross terminal income” equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions. WV Lottery statutes have established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), limited licensed retailer areas restricted for adult amusement, and licensed historic resort hotels as defined by WV Code.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The legislation further stipulates the distribution of revenues from video lottery games, and requires any video lottery licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Table games are lotteries as each game involves consideration, the possibility of a prize, and their outcome is determined predominantly by chance, which the common law of West Virginia has long held are the three essential elements of a lottery. Table games are the exclusive intangible intellectual property of the state of West Virginia. Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), and licensed historic resort hotels as defined by WV Code. Each licensee as an agent of the Lottery Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax of thirty-five percent of each licensee's adjusted gross receipts for the operation of West Virginia Lottery table games. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table games, and requires any licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

**CASH AND CASH EQUIVALENTS** – Cash and cash equivalents primarily consist of interest-earning deposits in an external investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The BTI pool is a 2a-7 like pool carried at amortized cost which approximates fair value of the underlying securities.

**INVENTORY** – Inventory consists of instant game tickets available for sale to approved Lottery retailers and is carried at cost as determined by the specific identification method.

**OTHER ASSETS** – Other assets consist of deposits restricted for payment of certain Multi-State Lottery Association activities and prepaid expenses.

**CAPITAL ASSETS** – The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements and purchased equipment, comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

**ADVERTISING AND PROMOTIONS** – The Lottery expenses the costs of advertising and promotions as they are incurred.

**COMPENSATED ABSENCES** – The Lottery has accrued \$569,988 and \$563,913 of at June 30, 2016 and 2015, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan (see Note 16).

**WEST VIRGINIA LOTTERY  
NOTES TO FINANCIAL STATEMENTS  
-Unaudited-**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**NET POSITION** – Net position is presented as restricted, unrestricted and net investment in capital assets which represent the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

**OPERATING REVENUES AND EXPENSES** – Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At September 30, 2016 the carrying amounts of deposits (overdraft) with financial institutions were \$412 thousand with a bank balance (overdraft) of \$495 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia’s agent in the State’s name.

A summary of the amount on deposit with the West Virginia Board of Treasury Investments (BTI) is as follows (in thousands):

	September 30, 2016	June 30, 2016
Deposits with financial institutions	\$ 412	\$ 1,430
Cash on hand at the Treasurer's Office	12,946	7,386
Investments with BTI reported as cash equivalents	76,027	157,805
	\$ 89,385	\$ 166,621

The deposits with the BTI are part of the State of West Virginia’s consolidated investment cash liquidity pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the month ended September 30, 2016 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2016	Additions	Deletions	Historical Cost At September 30, 2016
Construction in Progress	\$ 1,164	\$ 68	\$ -	\$ 1,232
Buildings	46,207	-	-	46,207
Land	1,434	-	-	1,434
Improvements	260	-	(260)	-
Equipment	6,895	-	(154)	6,741
	<u>\$ 55,960</u>	<u>\$ 68</u>	<u>\$ (414)</u>	<u>\$ 55,614</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2016	Additions	Deletions	Historical Cost At September 30, 2016
Buildings	\$ 4,064	\$ 296	\$ -	\$ 4,360
Improvements	260	-	(260)	-
Equipment	6,762	29	(154)	6,637
	<u>\$ 11,086</u>	<u>\$ 325</u>	<u>\$ (414)</u>	<u>\$ 10,997</u>

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY**

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game, the HOT LOTTO® game, and the MEGA MILLIONS® jackpot game on behalf of participating state lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit. A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, HOT LOTTO® and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended September 30, 2016 and fiscal year-to-date is as follows:

**WEST VIRGINIA LOTTERY  
NOTES TO FINANCIAL STATEMENTS  
-Unaudited-**

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)**

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 2,301,312	\$ 9,529,892
Hot Lotto	313,857	1,149,873
Mega Millions	861,501	3,895,443
Total	\$ 3,476,670	\$ 14,575,208

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,150,747	\$ 4,765,756
Hot Lotto	156,937	575,008
Mega Millions	438,311	1,967,971
Total	\$ 1,745,995	\$ 7,308,735

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. The applicable sales percentage contribution as well as the reserve fund limit for the MUSL games is as follows:

	<u>PowerBall</u>	<u>Hot Lotto</u>	<u>Mega Millions</u>
Required Contribution (% of sales)	2%	3%	1%
Reserve Fund Cap	\$125,000,000	\$9,000,000	\$45,000,000

At September 30, 2016, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 114,193,838	\$ 1,625,725
Hot Lotto	6,373,470	440,010
Mega Millions	35,642,387	512,712
Total	<u>\$ 156,209,695</u>	<u>\$ 2,578,447</u>

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)**

of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$14,979,756 at September 30, 2016, of which the Lottery's share was \$1,396,804.

**NOTE 6 - RACETRACK VIDEO LOTTERY**

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (57%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 10 titled "Nonoperating Distributions to the State of West Virginia."

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack.

After deduction of the surcharge, 49% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (5%); and the local county and incorporated municipality governments (2%).



**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 6 - RACETRACK VIDEO LOTTERY (continued)**

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 10.

Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the Ohio, Rhode Island, Maryland, and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of .74% of the amount wagered. A summary of racetrack video lottery revenues for the month ended September 30, 2016 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Total credits played	\$ 484,598	\$ 493,671	\$ 1,525,590	\$ 1,564,305
Credits (prizes) won	(434,271)	(443,059)	(1,368,479)	(1,403,291)
Promotional credits played	(5,903)	(6,158)	(19,429)	(19,815)
MWAP Contributions	(8)	(21)	(25)	(73)
Gross terminal income	44,416	44,433	137,657	141,126
Administrative costs	(1,777)	(1,777)	(5,506)	(5,645)
Net Terminal Income	42,639	42,656	132,151	135,481
Less distribution to agents	(24,368)	(24,378)	(75,525)	(77,427)
Racetrack video lottery revenues	<u>\$ 18,271</u>	<u>\$ 18,278</u>	<u>\$ 56,626</u>	<u>\$ 58,054</u>

A summary of video lottery revenues paid or accrued for certain state funds to conform with the legislation follows (in thousands):

	September 30, 2016	Year-to-Date
State Lottery Fund	\$ 12,792	\$ 39,645
State Excess Lottery Revenue Fund	5,479	16,981
Capital Reinvestment Fund	-	-
Total nonoperating distributions	<u>\$ 18,271</u>	<u>\$ 56,626</u>

**NOTE 7 - LIMITED VIDEO LOTTERY**

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 7 - LIMITED VIDEO LOTTERY (continued)**

stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses.

A summary of limited video lottery revenues for the month ended September 30, 2016 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Total credits played	\$ 352,624	\$ 346,916	\$ 1,028,161	\$ 1,064,926
Credits (prizes) won	(323,768)	(318,051)	(943,498)	(975,566)
Gross terminal income	\$ 28,856	\$ 28,865	\$ 84,663	\$ 89,360
Administrative costs	(577)	(577)	(1,693)	(1,787)
Gross Profit	28,279	28,288	82,970	87,573
Commissions	(14,139)	(14,144)	(41,485)	(43,786)
Municipalities and Counties	(566)	(566)	(1,660)	(1,752)
Limited video lottery revenues	<u>\$ 13,574</u>	<u>\$ 13,578</u>	<u>\$ 39,825</u>	<u>\$ 42,035</u>

**NOTE 8 – TABLE GAMES**

Table Games legislation passed in 2007 per House Bill 2718. Table games include blackjack, roulette, craps, and various types of poker. Each racetrack licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts which will be deposited weekly into the Racetrack Table Games Fund.

From the gross amounts deposited into the Racetrack Table Games Fund, the Commission, on a monthly basis shall:

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located. Transfer three percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities. The commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

**WEST VIRGINIA LOTTERY  
NOTES TO FINANCIAL STATEMENTS  
-Unaudited-**

**NOTE 8 – TABLE GAMES (continued)**

- 1) Transfer four percent into a special fund to be established by the Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association;
- 2) Transfer ten percent, to be divided and paid in equal shares, to each county commission in the state where table games are not located;
- 3) Transfer ten percent, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located; and
- 4) Transfer seventy-six percent to the State Excess Lottery Revenue Fund.

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 10- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended September 30, 2016 were \$10,116,649 and \$31,005,773, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Table Games Privilege Tax	\$ 3,541	\$ 3,479	\$ 10,852	\$ 11,143
Interest on Table Games Fund	2	-	5	1
Administrative costs	(304)	(298)	(930)	(955)
Total Available for Distribution	<u>3,239</u>	<u>3,181</u>	<u>9,927</u>	<u>10,189</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	228	224	698	716
Thoroughbred & Greyhound Development Funds	182	179	558	573
Racing Association Pension Plan	89	87	273	280
Municipalities/ Counties	<u>1,002</u>	<u>984</u>	<u>3,071</u>	<u>3,152</u>
Total Distributions	<u>1,501</u>	<u>1,474</u>	<u>4,600</u>	<u>4,721</u>
Excess Lottery Fund	<u>\$ 1,738</u>	<u>\$ 1,707</u>	<u>\$ 5,327</u>	<u>\$ 5,468</u>

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 9 – HISTORIC RESORT HOTEL**

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

Historic Resort Video Lottery

According to Senate Bill 575, thirty six percent (36%) of gross terminal income is allocated to Historic Resort Hotel Fund and seventeen percent (17%) of gross terminal income is allocated to the Human Resource Benefit Fund. The remaining forty-seven percent (47%) of gross terminal income is then subject to a ten percent (10%) surcharge which is allocated to separate capital reinvestment funds for each licensed historic resort hotel. The remaining forty-two and three-tenths percent (42.3%) of gross terminal income is retained by the historic resort hotel.

A summary of historic resort hotel video lottery revenues for the month ended September 30, 2016 and fiscal year-to-date follows (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Total credits played	\$ 5,361	\$ 4,984	\$ 13,776	\$ 15,147
Credits (prizes) won	(4,935)	(4,563)	(12,837)	(13,856)
Promotional credits played	(69)	(55)	(165)	(188)
MWAP Contributions	-	-	-	-
Gross terminal income	<u>357</u>	<u>366</u>	<u>774</u>	<u>1,103</u>
Capital reinvestment	(17)	(17)	(36)	(52)
Excess Lottery Fund	(3)	(3)	(7)	(10)
Administrative costs	(19)	(20)	(42)	(59)
Hotel commissions	<u>(151)</u>	<u>(155)</u>	<u>(327)</u>	<u>(466)</u>
Net terminal income	167	171	362	516
Historic Resort Hotel Fund	106	109	230	328
Human Resource Benefit Fund	61	62	132	188

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 9 – HISTORIC RESORT HOTEL (continued)**

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended September 30, 2016 were \$495,168 and \$1,295,900, respectively.

The following table shows the month and fiscal year -to- date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Table games privilege tax	\$ 173	\$ 274	\$ 454	\$ 493
Administrative Costs	(22)	(35)	(58)	(64)
Total Available for Distribution	151	239	396	429
Historic Resort Hotel Fund	126	200	331	359
Human Resource Benefit Fund	25	39	65	70

Historic Resort Hotel Fund

Of the monies deposited into the Historic Resort Hotel Fund, fifteen percent (15%) is allocated for lottery administrative costs. The remaining Historic Resort Hotel Fund net income (gross deposits less 15%) is distributed as follows:

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

A summary of Historic Resort Hotel Fund revenues and related distributions is as follows (in thousands):

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 106	\$ 230
Historic Resort Table Games	126	331
Interest on Historic Resort Hotel Fund	-	-
Historic Resort Hotel Fund Net Income	232	561
Municipalities/ Counties	32	79
Excess Lottery Fund	200	482
Total Distributions	<u>\$ 232</u>	<u>\$ 561</u>

**WEST VIRGINIA LOTTERY  
NOTES TO FINANCIAL STATEMENTS  
-Unaudited-**

**NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2017 the State Legislature budgeted \$135,557,444 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$5,300,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the month ended September 30, 2016 the Lottery has accrued additional distributions of \$72,632,366. The Lottery is a non-appropriated state agency and therefore does not a budget adopted by the Legislature.

A summary of the cash distributions made to certain state agencies to conform to the legislation follows (in thousands):

<u>BUDGETARY DISTRIBUTIONS</u>	<u>September 30, 2016</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 1,499
Bureau of Senior Services	5,998	39,579
Department of Education	2,112	11,119
Library Commission	1,341	7,057
Higher Education-Policy Commission	839	4,419
Tourism	729	3,839
Natural Resources	363	1,912
Division of Culture & History	508	2,675
Department of Education & Arts	139	733
General Revenue Fund	13,700	13,700
Economic Development Authority	1,000	3,000
School Building Authority	1,800	5,400
Total State Lottery Fund	\$ 29,029	\$ 94,932

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,898	\$ 5,696
Higher Education Improvement Fund	1,500	4,500
General Purpose Account	5,250	10,684
Higher Education Improvement Fund	2,342	4,767
State Park Improvement Fund	404	822
School Building Authority	1,899	5,697
Refundable Credit	-	313
WV Racing Commission	161	329
WV Department of Health and Human Resources		
Teacher's Retirement Savings		
Division of Human Services	-	30,000
WV Lottery Statutory Transfers	5,095	10,374
General Revenue	7,300	7,300
Excess Lottery Surplus		
West Va. Infrastructure Council	2,216	5,087
Total State Excess Lottery Revenue Fund	<u>\$ 28,065</u>	<u>\$ 85,569</u>
Total Budgetary distributions:	<u>\$ 57,094</u>	<u>\$ 180,501</u>
Veterans Instant Ticket Fund	\$ 40	\$ 163
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 57,134	\$ 180,664
Accrued nonoperating distributions, beginning	(92,217)	(135,265)
Accrued nonoperating distributions, end	<u>72,632</u>	<u>72,632</u>
	<u>\$ 37,549</u>	<u>\$ 118,031</u>

**NOTE 11 – LEASES**

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal year-to-date ended September 30, 2016 and September 30, 2015 approximated \$102,499 and \$114,484 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended September 30, 2016 and September 30, 2015 approximated \$250,091 and \$123,609 respectively.

**WEST VIRGINIA LOTTERY  
NOTES TO FINANCIAL STATEMENTS  
-Unaudited-**

**NOTE 12 – RESTRICTED NET POSITION**

On June 14, 2006, House Bill 106 was enacted by the West Virginia State Legislature to set aside unexpended administrative expenses of the Lottery up to the limits for such expenses established by the enabling legislation of traditional, racetrack video lottery, and limited video lottery games in an amount not to exceed \$20,000,000 beginning in fiscal year 2006 and each year through fiscal year 2012. These assets are to be set aside for the design and construction of a building for the use of the Lottery and certain other State of West Virginia governmental entities. Contributions to the fund for fiscal years ending June 30, 2016 and June 30, 2015 were as follows:

	June 30, 2016	June 30, 2015
Beginning balance	\$ 1,130	\$ 1,397
Additions		
Legislative Appropriations		
Deductions		
Asset acquisition	(1,130)	(267)
Surplus of excess funds		
Ending balance	\$ -	\$ 1,130

**NOTE 13 – COMMITMENTS**

For the years ended June 30, 2016 and 2015 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2016 and 2015, \$9,655,947 and \$8,416,061, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

**NOTE 14 - RETIREMENT BENEFITS**

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Ave. S.E., Charleston, West Virginia 25304-1636.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the



**WEST VIRGINIA LOTTERY  
NOTES TO FINANCIAL STATEMENTS  
-Unaudited-**

**NOTE 14 - RETIREMENT BENEFITS (continued)**

employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 13.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending September 30, 2016 and fiscal year-to-date are as follows (in thousands):

	September 30, 2016	Year-to-Date
Employee contributions	\$ 38	\$ 94
Lottery contributions	100	251
Total contributions	\$ 138	\$ 345

**NOTE 15 - RISK MANAGEMENT**

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia. Each of these risk pools has issued separate audited financial reports on their operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.

**WORKERS' COMPENSATION INSURANCE**

The Lottery carries workers compensation insurance coverage through a commercial insurance carrier. The commercial insurance carrier is paid a monthly rated premium to provide compensation for injuries sustained in the course of employment.

**PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)**

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

**NOTE 15 - RISK MANAGEMENT (continued)**

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage to the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

**BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)**

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

**NOTE 16– OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Lottery participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund (Trust), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57<sup>th</sup> Street, South East, Suite 2, Charleston, West Virginia, or by calling 1-888-680-7342.

Funding Policy

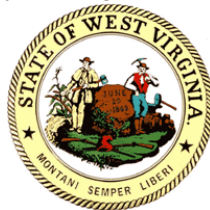
The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate is \$429 and \$389 per employee per month for the years ending June 30, 2016 and 2015 respectively. Through June 30, 2016 and 2015, the Lottery has paid premiums of \$284,421 and \$287,861. As of June 30, 2016 and 2015, the Lottery has recorded a liability of \$4,990,361 and \$4,631,089 on its balance sheet for OPEB.

**SCHEDULE OF REVENUES AND NET REVENUES OF THE  
 LOTTERY FUND AND EXCESS LOTTERY FUND  
 FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016  
 (In Thousands)**

	Current Month		FISCAL YEAR	
	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>
Gross Revenues				
Instant games	7,094	7,917	23,462	23,750
On-line games	5,343	5,417	20,073	16,250
Racetrack video lottery	44,416	37,364	137,656	119,673
Limited video lottery	28,855	28,007	84,662	86,388
Racetrack table games	3,541	3,095	10,853	10,139
Historic resort	530	553	1,227	1,657
Total gross revenues	<u>89,779</u>	<u>82,353</u>	<u>277,933</u>	<u>257,857</u>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	892	1,000	3,001	3,000
On-line games	1,270	1,544	5,512	4,632
Racetrack Video Lottery	12,802	10,761	39,683	34,467
Total Lottery Fund net revenues	<u>14,964</u>	<u>13,305</u>	<u>48,196</u>	<u>42,099</u>
Excess Lottery Fund				
Racetrack Video Lottery	5,483	4,609	16,996	14,763
Limited Video Lottery	13,629	13,174	39,975	40,637
Limited Video Lottery Fees	475	-	1,113	0
Racetrack table games	1,738	1,519	5,327	4,976
Historic resort	203	245	489	649
Total Excess Lottery Fund Net Revenues	<u>21,528</u>	<u>19,547</u>	<u>63,900</u>	<u>61,025</u>
Total Net Revenues	<u>36,492</u>	<u>32,852</u>	<u>112,096</u>	<u>103,124</u>

WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



*Budget Division  
Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590*

304-347-4870

Memorandum

To: Honorable Chairmen and Members of the Joint Committee on  
Government and Finance

From: William Spencer, C.P.A.  
Director, Budget Division  
Legislative Auditor's Office

Date: November 16, 2016

Re: Status of General Revenue Fund and State Road Fund as of  
October 31, 2016 (FY 17)

We have reviewed the cash flow of the West Virginia general revenue fund as of October 31, 2016 which is the end of the fourth month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 93% of the estimate for the fiscal year. Total collections were \$87.4 million below the estimate for the fiscal year.

Personal Income Tax collections were \$29.8 million below the estimate for the fiscal year.

Consumer sales and use tax collections were \$35.2 million below the estimate for the year.

Severance Tax was \$13.5 million below the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$14.2 million below the estimate for the fiscal year.

**State Road Fund**

The state road fund collections were 113% of the estimate for the fiscal year. Total collections were \$30.6 million above the estimate for the fiscal year.

**Rainy Day and Personal Income Tax Reserve**

Revenue Shortfall Reserve Fund A (Rainy Day Fund) had a cash balance of \$288,769,326.49 as of October 31, 2016.

Balance July 1, 2016	391,572,994.64
Earnings	-102,803,668.15
Balance October 31, 2016	288,769,326.49

Revenue Shortfall Reserve Fund B (Tobacco Settlement Monies) had a cash balance of \$402,064,881.97 as of October 31, 2016.

Balance July 1, 2016	387,130,049.09
Earnings	14,934,832.88
Balance October 31, 2016	402,064,881.97

The Personal Income Tax Reserve Fund had a \$5 million cash balance as of October 31, 2016.

Balance July 1, 2016	8,000,000.00
One-time draw for budget resolution	-3,000,000.00
Balance October 31, 2016	5,000,000.00

GENERAL REVENUE FUND FY 2016-2017

By Source and by Month

Monthly Revenue Estimates  
as of October 31, 2016 OASIS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	<b>FINAL</b> MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Personal Income Tax	135,520,000	149,894,481	14,374,481	604,863,000	575,042,128	-29,820,872
Consumer Sales Tax & Use Tax	110,127,000	97,197,402	-12,929,598	410,184,000	374,962,457	-35,221,543
Severance Tax	8,739,000	9,604,157	865,157	61,432,000	47,914,707	-13,517,293
Corp Income /Business Franchise	9,000,000	4,820,189	-4,179,811	47,000,000	32,822,034	-14,177,966
Insurance Tax	27,970,000	25,724,498	-2,245,502	56,460,000	54,279,152	-2,180,848
Tobacco Products Tax	17,300,000	14,534,575	-2,765,425	66,400,000	71,819,502	5,419,502
Business and Occupation	9,200,000	8,619,147	-580,853	37,200,000	36,862,695	-337,305
Liquor Profit Transfers	1,300,000	1,323,000	23,000	5,470,000	5,915,956	445,956
Departmental Collections	1,100,000	1,122,318	22,318	4,500,000	4,378,526	-121,474
Property Transfer Tax	880,000	904,738	24,738	3,710,000	4,020,915	310,915
Property Tax	1,200,000	1,002,133	-197,867	3,900,000	3,841,242	-58,758
Beer Tax and Licenses	646,000	571,750	-74,250	2,692,000	2,726,998	34,998
Miscellaneous Transfers	10,000	333,702	323,702	760,000	462,871	-297,129
Interest Income	650,000	597,876	-52,124	2,250,000	2,317,995	67,995
Senior Tax Credit Reimbur Lot	230,000	240,596	10,596	1,075,000	553,281	-521,719
HB 102 - Lottery Transfers	4,436,000	5,437,884	1,001,884	13,968,000	16,121,976	2,153,976
Miscellaneous Receipts	250,000	302,433	52,433	2,420,000	2,757,455	337,455
Business Fran Registration Fees	30,000	53,391	23,391	270,000	210,473	-59,527
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfer - SB 364	0	0	0	0	0	0
Charter Tax	0	505	505	0	2,175	2,175
Video Lottery Transfers	0	14,255	14,255	0	94,054	94,054
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	0	0
<b>SUBTOTALS</b>	<b>328,588,000</b>	<b>322,299,030</b>	<b>-6,288,970</b>	<b>1,324,554,000</b>	<b>1,237,106,592</b>	<b>-87,447,408</b>
Less: <i>Cash Flow Transfer</i>		0	0		0	0
<b>TOTALS</b>	<b>328,588,000</b>	<b>322,299,030</b>	<b>-6,288,970</b>	<b>1,324,554,000</b>	<b>1,237,106,592</b>	<b>-87,447,408</b>

Percent of Estimates

98.09%

93.40%

Collections this day

46,295,101



**STATE ROAD FUND FY 2016-2017  
By Source and by Month  
Monthly Revenue Estimates  
as of October 31, 2016 OASIS**

	MONTH ESTIMATES	NET MONTH COLLECTIONS	<b>FINAL</b> MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
<b>Gasoline &amp; Motor Carrier Rd Tax</b>	32,900,000	34,051,206	1,151,206	131,500,000	140,649,377	9,149,377
<b>Privilege Tax</b>	16,591,000	18,323,959	1,732,959	69,817,000	74,116,262	4,299,262
<b>Licenses &amp; Registration</b>	6,734,000	5,053,675	<b>-1,680,325</b>	30,723,000	29,202,621	<b>-1,520,379</b>
<b>Miscellaneous</b>	0	915,384	915,384	0	18,692,678	18,692,678
<b>Highway Litter Control</b>	126,000	160,311	34,311	576,000	564,863	<b>-11,137</b>
<b>TOTALS</b>	<b>56,351,000</b>	<b>58,504,534</b>	<b>2,153,534</b>	<b>232,616,000</b>	<b>263,225,801</b>	<b>30,609,801</b>
<b>Percent of Estimates</b>		<b>103.82%</b>			<b>113.16%</b>	
<b>Collections this day</b>		<b>8,542,639</b>				

**REVENUE SHORTFALL RESERVE FUND 7005, Part A as of September 30, 2016 : \$287,933,270.96**

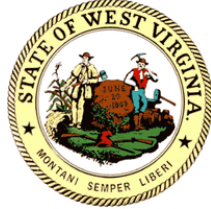
**REVENUE SHORTFALL RESERVE FUND 7006, Part B as of September 30, 2016: \$400,577,440.55**

**PERSONAL INCOME TAX REFUND RESERVE FUND as of September 30, 2016: \$5,000,000.00**

**Prepared by the Legislative Auditor's Office, Budget Division**



WEST VIRGINIA LEGISLATURE  
Office of the Legislative Auditor



Budget Division  
Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590  
304-347-4870

To: Honorable Chairmen and Members of the Joint Committee on  
Government and Finance

From: William Spencer, C.P.A.  
Director Budget Division  
Legislative Auditor's Office

Date: November 16, 2016

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the October 31, 2016 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of October 31, 2016 of fiscal year 2016-2017, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2016	\$ 53,108,141.17
Receipts July 1, 2016 thru June 30, 2017	\$ 66,370,044.64
Disbursements July 1, 2016 thru June 30, 2017	\$ 72,110,675.87
Balance October 31, 2016	\$ 47,367,509.94

ITEMS OF NOTE:

Regular benefits paid for October 2016 were \$ 177 thousand more than October 2015.

Federal emergency benefits totaled \$ -14 thousand for October 2015. For October 2016, federal emergency benefits totaled \$ -7 thousand.

Total disbursements were \$ 131 thousand more in October 2016 than the preceding October 2015.

Receipts as of October 2016 were \$ 4.5 million more than in October 2015. Overall ending trust fund balance was \$ 59 million lower on October 31, 2016 than on October 31, 2015.

Seasonally adjusted unemployment rates for October 2016 were 6 percent for West Virginia and 4.9 percent nationally.

Since October 2015, employment has increased by 200. Employment gains included 5,000 in educational and health services and 1,900 in leisure and hospitality. Employment declines included 3,000 in mining and logging, 2,000 in financial activities, 300 in information, 100 in professional and business services, 700 in manufacturing 500 in government and 100 in trade, transportation, and utilities. Employment in both construction and in other services was unchanged over the year.

November 7, 2016

William Spencer  
Budget Division  
Office of the Legislative Auditor  
Building 1, Room 332-West Wing  
1900 Kanawha Boulevard East  
Charleston, WV 25305-0590

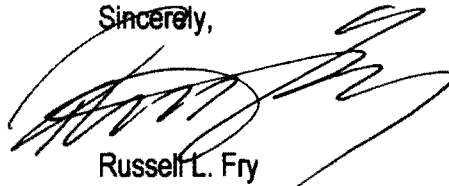
RE: Monthly Status Report

Dear Mr. Spencer:

Please find attached, the Monthly Status Report for the Unemployment Compensation Trust Fund for the month of October 2016.

If you have any questions or need any additional information, please feel free to contact this office at 304-558-7024.

Sincerely,



Russell L. Fry  
Acting Executive Director

RLF/gew

Enclosure

pc: Earl Ray Tomblin

112 California Avenue  
Charleston, WV 25305

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*An equal opportunity employer/program and auxiliary aids are available upon request to individuals with disabilities.*

[www.workforcewv.org](http://www.workforcewv.org)

**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
FOR THREE MONTHS STARTING AUGUST 2015 AND AUGUST 2016**

	AUGUST 2015	SEPTEMBER 2015	OCTOBER 2015	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	THREE MONTH TOTAL VARIANCE *
<b>Balance Forward</b>	<u>\$117,536,674.18</u>	<u>\$123,987,064.32</u>	<u>\$109,775,130.60</u>	<u>\$47,281,988.69</u>	<u>\$58,697,024.60</u>	<u>\$46,674,555.45</u>	<u>(\$198,645,300.36)</u>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$27,554,977.13	\$926,984.59	\$12,383,226.70	\$30,694,850.46	\$1,402,704.16	\$16,974,369.67	\$8,206,735.87
3. Federal Emergency Benefits (EUC08)	\$6.00	\$98.00	\$608.99	\$0.00	\$0.00	\$0.00	(\$712.99)
4. Federal Share Extended Benefits (EB)	\$186.99	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$186.99)
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	\$140,398.31	\$95,065.07	\$88,448.27	\$75,101.15	\$53,736.27	\$65,644.10	(\$129,430.13)
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Treasury Interest Credits	\$0.00	\$668,402.36	\$0.00	\$0.00	\$308,120.62	\$0.00	(\$360,281.74)
11. UCX (Military Agencies)	\$140,279.19	\$136,795.00	\$140,206.99	\$116,206.59	\$87,309.52	\$89,978.02	(\$123,787.05)
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13. CMIA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Receipts</b>	<u>\$27,835,847.62</u>	<u>\$1,827,345.02</u>	<u>\$12,612,490.95</u>	<u>\$30,886,158.20</u>	<u>\$1,851,870.57</u>	<u>\$17,129,991.79</u>	<u>\$7,592,336.97</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)
Regular Benefits:	\$21,106,610.82	\$14,616,685.08	\$16,099,050.67	\$19,307,308.57	\$13,738,368.76	\$16,275,619.47	(\$2,501,049.77)
Federal Emergency Benefits (EUC08)	(\$10,055.68)	(\$11,558.63)	(\$14,011.78)	(\$9,326.66)	(\$5,316.05)	(\$7,238.10)	\$13,745.28
Federal Share Extended Benefits (EB)	\$174.98	(\$280.00)	(\$20.00)	\$0.00	\$0.00	\$0.00	\$125.02
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UCFE (Federal Workers) Benefits	\$146,863.09	\$89,748.86	\$87,370.65	\$67,771.74	\$54,357.89	\$68,916.04	(\$132,936.93)
UCX (Military Workers) Benefits	\$141,864.27	\$134,683.43	\$134,121.94	\$105,368.64	\$86,929.12	\$99,739.89	(\$118,631.99)
Reed Act Funds	\$0.00	\$1,210,000.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,210,000.00)
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Disbursements</b>	<u>\$21,385,457.48</u>	<u>\$16,039,278.74</u>	<u>\$16,306,511.48</u>	<u>\$19,471,122.29</u>	<u>\$13,874,339.72</u>	<u>\$16,437,037.30</u>	<u>(\$3,948,748.39)</u>
<b>Trust Fund Balance</b>	<u>\$123,987,064.32</u>	<u>\$109,775,130.60</u>	<u>\$106,081,110.07</u>	<u>\$58,697,024.60</u>	<u>\$46,674,555.45</u>	<u>\$47,367,509.94</u>	<u>(\$187,104,215.00)</u>

\* Three month total variance column is the difference between the sum of the previous year's three months data for each category and the current year's three months data.  
The purpose of the report is to show significant changes in receipts, disbursements, or balances.

## UC TRUST FUND BALANCES & PROJECTIONS FOR 2016

November 7, 2016

Month	Receipts	Disbursements	Trust Fund Balance
<b>2015</b>			
<b>Balance - 1/1/2015</b>			<b>\$ 106,142,501</b>
<b>January</b>	\$ 8,714,176	\$ 21,349,596	<b>\$ 93,507,081</b>
<b>February</b>	\$ 16,594,587	\$ 22,289,775	<b>\$ 87,811,893</b>
<b>March</b>	\$ 1,767,322	\$ 24,343,821	<b>\$ 65,235,394</b>
<b>April</b>	\$ 30,340,648	\$ 19,700,305	<b>\$ 75,875,737</b>
<b>May</b>	\$ 76,657,428	\$ 18,928,027	<b>\$ 133,605,138</b>
<b>June</b>	\$ 2,163,949	\$ 20,558,340	<b>\$ 115,210,747</b>
<b>July</b>	\$ 24,038,360	\$ 21,712,433	<b>\$ 117,536,674</b>
<b>August</b>	\$ 27,554,977	\$ 21,104,587	<b>\$ 123,987,064</b>
<b>September</b>	\$ 1,595,387	\$ 15,807,320	<b>\$ 109,775,131</b>
<b>October</b>	\$ 12,383,227	\$ 16,077,248	<b>\$ 106,081,110</b>
<b>November</b>	\$ 17,812,262	\$ 21,545,384	<b>\$ 102,347,988</b>
<b>December</b>	\$ 1,423,261	\$ 20,910,561	<b>\$ 82,860,688</b>
<b>Totals - 2015</b>	<b>\$ 221,045,584</b>	<b>\$ 244,327,397</b>	<b>\$ 82,860,688</b>

<b>2016</b>			
<b>January</b>	\$ 8,216,947	\$ 30,212,357	<b>\$ 60,865,278</b>
<b>February</b>	\$ 15,974,620	\$ 30,998,355	<b>\$ 45,841,543</b>
<b>March</b>	\$ 1,759,403	\$ 24,122,941	<b>\$ 23,478,005</b>
<b>April</b>	\$ 28,214,028	\$ 23,726,292	<b>\$ 27,965,741</b>
<b>May</b>	\$ 71,069,093	\$ 27,930,544	<b>\$ 71,104,290</b>
<b>June</b>	\$ 1,860,170	\$ 19,864,198	<b>\$ 53,100,262</b>
<b>July</b>	\$ 16,353,671	\$ 22,179,823	<b>\$ 47,274,110</b>
<b>August</b>	\$ 30,694,850	\$ 19,271,935	<b>\$ 58,697,025</b>
<b>September</b>	\$ 1,710,825	\$ 13,733,295	<b>\$ 46,674,555</b>
<b>October</b>	\$ 16,974,370	\$ 16,281,415	<b>\$ 47,367,510</b>
<b>November</b>	\$ 16,431,812	\$ 21,075,695	<b>\$ 42,723,627</b>
<b>December</b>	\$ 1,312,958	\$ 20,454,711	<b>\$ 23,581,874</b>
<b>Totals - 2016</b>	<b>\$ 210,572,747</b>	<b>\$ 269,851,561</b>	<b>\$ 23,581,874</b>

112 California Avenue  
 Charleston, WV 25305

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# **PEIA**

## **December Interim Talking Points**

- **PEIA and RHBT preliminary financial results for September 2016 are available for your review.**
- **PEIA is currently behind plan by \$4 million. This is primarily due to higher than forecast Prescription Drug claims.**
- **RHBT is currently ahead of plan by \$11 million. This is attributable to higher than forecast investment income.**
- **The 2017 year-end reserve for the State Fund and non-State Fund are projected to be \$90 and \$29 million respectively.**
- **These reserve levels represent 12% and 20% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**



# **Financial Statements**

## **September 2016**

*West Virginia Legislative Interims*  
*December 2016*

**West Virginia Public Employees Insurance Agency**  
**Statement of Changes in Plan Net Assets**  
**For the Three Months Ending Friday, September 30, 2016**  
(Dollars in Thousands)

(Unaudited-For Internal Use Only)

	<b>ACTUAL</b>	<b>BUDGET</b>	<b>PRIOR YR</b>	<b>BUDGET VARIANCE</b>	<b>PRIOR YR VARIANCE</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b>PREMIUM REVENUE</b>					
Health Insurance - State Gov. - Employers	\$130,776	\$133,096	\$115,868	(\$2,320)	(2%)
Health Insurance - State Gov. - Employees	32,493	33,163	29,364	(670)	(2%)
Health Insurance - Local Gov. - All	28,428	28,356	27,266	72	0%
Life Insurance	314	554	523	(240)	(43%)
Direct Transfer	2,500	2,500	0	0	0%
Interest and Investment Income	4,147	1,962	(7,356)	2,185	111%
Litigation Settlement				0	0%
Other Premium Revenue	497	622	521	(125)	(20%)
Administrative Fees, Net of Refunds	1,137	1,184	1,143	(47)	(4%)
<b>TOTAL REVENUE</b>	<b>200,292</b>	<b>201,437</b>	<b>167,329</b>	<b>(1,145)</b>	<b>(1%)</b>
<b>OPERATING EXPENSES</b>					
Claims Expense - Medical	96,297	96,947	84,692	650	1%
Claims Expense - Drugs	31,825	27,516	24,663	(4,309)	(16%)
Payments to Managed Care Org.	10,449	9,712	9,152	(737)	(8%)
Administrative Service Fees	2,482	2,838	3,419	356	13%
Life Insurance Expense	314	555	525	241	43%
Wellness and Disease Management	339	423	536	84	20%
ACA Comparative Effectiveness Fee	79	79	86	0	0%
ACA Reinsurance Contribution	450	450	1,350	0	0%
Computer Software Reserve	442	430	0	(12)	(3%)
Other Operating Expenses	937	1,051	983	114	11%
WV RHBT Pay Go Premiums	44,054	45,000	36,942	946	2%
<b>TOTAL EXPENSES</b>	<b>187,668</b>	<b>185,001</b>	<b>162,348</b>	<b>(2,667)</b>	<b>(1%)</b>
<b>YTD SURPLUS (DEFICIT)</b>	<b>12,624</b>	<b>16,436</b>	<b>4,981</b>	<b>(3,812)</b>	<b>(23%)</b>
<b>Total Net Position, Beginning of Period</b>	<b>95,820</b>	<b>95,820</b>	<b>129,106</b>	<b>0</b>	<b>0%</b>
<b>TOTAL NET POSITION, END OF PERIOD</b>	<b>\$108,444</b>	<b>\$112,256</b>	<b>\$134,087</b>	<b>(\$3,812)</b>	<b>(3%)</b>
				<b>\$25,643</b>	<b>(21%)</b>



West Virginia Retiree Health Benefit Trust Fund  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
For the Three Months Ending Friday, September 30, 2016  
(In Thousands)  
**PRELIMINARY**

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR VARIANCE
	\$	\$	%	%
<b>ADDITIONS</b>				
<b>Employer Premiums:</b>				
Health premiums	\$808	\$827	(\$18)	(2%)
Pay Go Premiums	36,723	37,620	(897)	(2%)
Annual required contributions	15	0	15	0%
<b>Total Employer Premiums</b>	<b>37,546</b>	<b>38,447</b>	<b>(900)</b>	<b>(2%)</b>
<b>Member Premiums:</b>				
Health premiums	20,396	20,944	(548)	(3%)
Pay Go Premiums	7,332	7,380	(48)	(1%)
Life Insurance Premiums	5,692	6,206	(514)	(8%)
<b>Total Member Premiums</b>	<b>33,420</b>	<b>34,530</b>	<b>(1,111)</b>	<b>(3%)</b>
<b>Total Premium Additions</b>	<b>70,966</b>	<b>72,977</b>	<b>(2,011)</b>	<b>(3%)</b>
<b>Other Additions:</b>				
Retiree Drug Subsidy	300	300	0	0%
Investment Income	23,145	10,622	12,523	118%
General Revenue Transfer Premium	1,250	1,250	0	0%
General Revenue Transfer OPEB	7,500	7,500	0	0%
<b>TOTAL ADDITIONS</b>	<b>103,161</b>	<b>92,649</b>	<b>10,512</b>	<b>11%</b>
<b>DEDUCTIONS</b>				
Payments to Managed Care Org.	39,466	41,188	1,722	4%
Life Insurance Expense	5,585	6,141	556	9%
Medical Claims Expense	17,157	15,966	(1,191)	(7%)
Pharmacy Claims Expense	8,107	7,599	(508)	(7%)
Comparative Effectiveness Research Fee	8	8	0	0%
ACA Reinsurance Contribution	50	50	0	0%
Administrative Service Fees (External)	401	475	74	16%
Computer Software Reserve Expense	308	70	(238)	(340%)
Other Operating Expenses	553	645	92	14%
Bad Debt Expense	0	0	0	0%
<b>TOTAL DEDUCTIONS</b>	<b>71,635</b>	<b>72,142</b>	<b>507</b>	<b>1%</b>
<b>NET POSITION INCREASE (DECREASE)</b>	<b>31,526</b>	<b>20,507</b>	<b>11,019</b>	<b>54%</b>
<b>Net Position Restricted for Post Employment Benefits</b>				
Beginning of Period Total Net Position	685,595	685,595	0	0%
<b>End of Period Total Net Position</b>	<b>\$717,121</b>	<b>\$706,102</b>	<b>\$11,019</b>	<b>2%</b>

Accrual Basis / Unaudited / Internal Use Only  
11/1/2016 9:09 AM

Earl Ray Tomblin  
Governor



Ted Cheatham  
Director

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November 17, 2016

Joint Committee on Government and Finance  
Senate Finance – 451M  
State Capitol Complex  
Charleston, WV 25305

1. The June 30, 2016 Quarterly Report (Quarterly) Appendix for Fiscal Year 2017 indicates the June 30, 2017 fund balances will be as follows:

	PEIA		RHBT
	State Fund	Non State Fund	OPEB Fund
June 30, 2017	\$90,436,086	\$29,411,424	\$743,370,383

2. Per §5-16-25 the statutorily required reserve for the purposes of offsetting unanticipated claims losses (current FY costs) is the actuarial recommended reserve.

The current recommendation is 14% of a fiscal year expenses for PEIA and RHBT. Per the Quarterly Report, the percentage will be as follows at year end:

June 30, 2017	State Fund Reserve	Non State Fund Reserve	Total
Reserve Balance	\$90,436,086	\$29,411,424	\$119,847,510
Percentage	12%	20%	13%
	reserve/current FY costs		

3. The objective of the OPEB Reserve is to reach a fully funded status of the actuarially accrued liability (AAL). Therefore the target is 100%. The percentage balance represents of actuarially required balance:

	RHBT
June 30, 2017	OPEB Reserve
Reserve Balance	\$743,370,383
Percentage	21%
	OPEB Reserve/Actuarial Accrued Liability

4. Anticipated events that may significantly reduce or increase the amount of funds:

The primary anticipated reduction events are the ongoing forecast increases in the cost of healthcare. The below chart indicates the actuarial projected increases in costs for the medical and prescription drugs of the plan. These increased costs represent a total increase of \$287 million over the next four years, requiring an average of \$72 million a year in either increased premiums or benefit reductions.

	FY 2018	FY 2019	FY 2020	FY 2021
Medical Trend	7.5%	8.0%	8.5%	9.0%
Rx Trend	11.5%	12.0%	12.5%	13.0%

5. Total amount of benefit payments paid for the month:

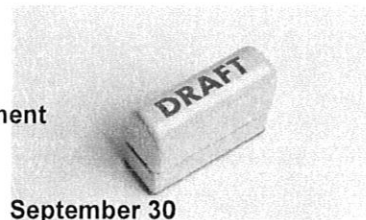
	PEIA	RHBT	Total
September 30, 2016	\$45,823,000	\$21,078,000	\$66,901,000

Sincerely,



Jason A. Haught, CPA  
Chief Financial

West Virginia Board of Risk and Insurance Management  
 UNAUDITED BALANCE SHEET



September 30

	2016	2015
	(in thousands)	
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 22,985	\$ 18,822
Advance Deposit with Carrier/Trustee	209,080	207,150
Receivables - Net	2,492	1,912
Prepaid Insurance	3,686	3,704
Total Short Term Assets	<u>238,243</u>	<u>231,588</u>
Long Term Assets		
Investments	136,211	127,977
Total Long Term Assets	<u>136,211</u>	<u>127,977</u>
<b>TOTAL ASSETS</b>	<u>374,454</u>	<u>359,565</u>
Deferred Outflows of Resources	<u>127</u>	<u>127</u>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	1,436	1,805
Claims Payable	154	276
OPEB Liability	471	407
Agents Commissions Payable	260	213
Unearned Revenue	8,352	7,649
Current Estimated Claim Reserve	50,819	47,890
Total Short Term Liabilities	<u>61,492</u>	<u>58,239</u>
Long Term Liabilities		
Compensated Absences	91	76
Net Pension Liability	253	253
Estimated Noncurrent Claim Reserve	122,068	115,051
Total Long Term Liabilities	<u>122,412</u>	<u>115,380</u>
<b>TOTAL LIABILITIES</b>	<u>183,904</u>	<u>173,619</u>
Deferred Inflows of Resources	<u>270</u>	<u>270</u>
Prior Year Net Assets	190,946	192,800
Current Year Earnings	(539)	(6,997)
<b>TOTAL NET ASSETS</b>	<u>190,407</u>	<u>185,803</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<u>\$ 374,311</u>	<u>\$ 359,422</u>

DRAFT - Unaudited - Management Purposes Only

West Virginia Board of Risk and Insurance Management  
**UNAUDITED INCOME STATEMENT**  
 For the three months ending



	September 30	
	2016	2015
	(in thousands)	
Operating Revenues		
Premium Revenues	\$ 17,750	\$ 16,337
Less - Excess Insurance	(1,669)	(1,689)
Total Operating Revenues	16,081	14,648
Operating Expenses		
Claims Expense	15,211	15,596
Property & MS Claims Expense	1,344	2,404
Personal Services	393	380
General & Administrative Expense	463	625
Total Operating Expenses	17,411	19,005
Operating Income (Loss)	(1,330)	(4,357)
Nonoperating Revenues		
Investment Income	3,601	(2,640)
Appropriation Transfer SB 602	(2,810)	
Total Nonoperating Revenues	791	(2,640)
Net Income (Loss)	\$ (539)	\$ (6,997)

DRAFT - Unaudited - Management Purposes Only

Department of Administration Real Estate Division Leasing Report  
For the period of September 1 - 30, 2016

There were a total of 21 leasing changes for this period and they are as follows:

- 7 – New Contract of Lease – DOA Owned
- 2 – New Contract of Lease
- 2 – Straight Renewal – DOA Owned
- 2 – Straight Renewal
- 4 – Renewal with Increase in Rent
- 4 – Cancellation

## NEW CONTRACT OF LEASE

### **BUREAU OF SENIOR SERVICES**

**BSS-003** New Contract of Lease for 5 years consisting of 133 square feet of office space at the monthly rate of \$400.00, annual cost \$4,800.00, full service, 21 Middletown Road, in the City of White Hall, Marion County, West Virginia.

### **SMALL BUSINESS DEVELOPMENT CENTER**

**SBD-006** New Contract of Lease for 3 years consisting of 240 square feet of office space at the monthly rate of \$260.00, annual cost \$3,120.00, full service, 800 Fifth Avenue, in the City of Huntington, Cabell County, West Virginia.

## STRAIGHT RENEWAL – DOA OWNED

### **DIVISION OF REHABILITATION SERVICES**

**DRS-129** Renewal for 10 years consisting of 2,500 square feet of office space at the current annual per square foot rate of \$10.00, annual cost \$25,000.00, 2807 Jackson Avenue, in the City of Point Pleasant, Mason County, West Virginia.

### **WORKFORCE WEST VIRGINIA**

**WWV-007** Renewal for 3 years consisting of 70,952 square feet of office space at the current annual per square foot rate of \$11.00, annual cost \$780,472.00, full service, 112 California Avenue, in the City of Charleston, Kanawha County, West Virginia.

## STRAIGHT RENEWAL

### **DIVISION OF CORRECTIONS**

**COR-035** Renewal for 5 years consisting of 2,920 square feet of office space at the current annual per square foot rate of \$4.14, annual cost \$12,088.80, full service minus janitorial, 801 Madison Avenue, in the City of Huntington, Cabell County, West Virginia.

### **COUNCIL OF THE THREE RIVERS**

**CTR-001-SUB** Renewal for 1 year consisting of 250 square feet of office space at the current monthly rate of \$200.00, annual cost \$2,400, full service, 1321 Plaza East, in the City of Charleston, Kanawha County, West Virginia.

## RENEWAL WITH INCREASE IN RENT

### **DIVISION OF NATURAL RESOURCES**

**NAT-133** Renewal for 2 years consisting of 200 square feet of storage space with an increase in the monthly rate from \$65.00 to \$85.00, annual cost \$1,020.00, 1112 James Plaza, in the City of Farmington, Marion County, West Virginia.

**Real Estate Division**  
**Monthly Summary of Lease Activity**  
**September 1 - 30, 2016**

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	State Tax Department	TAX-060	Harrison	4,352	19.00	82,688	3	248,064
2	Division of Rehabilitation Services	DRS-128	Harrison	12,786	19.00	242,934	3	728,802
3	General Services Division	GSD-013	Harrison	217	19.00	4,123	3	12,369
4	Region VI Workforce Investment Board, Inc.	WIB-003	Harrison	0	0.00	2,700	1	2,700
5	Division of Justice and Community Service	CJH-002	Kanawha	15,274	13.00	198,562	3	595,686
6	Real Estate Division	RED-006	Kanawha	6,374	12.00	76,488	3	229,464
7	West Virginia Board of Social Work	SOC-003	Kanawha	1,187	12.00	14,244	3	42,732
8	Bureau of Senior Services	BSS-003	Marion	133	0.00	4,800	5	24,000
9	Small Business Development Center	SBD-006	Cabell	240	0.00	3,120	3	9,360
10	Division of Rehabilitation Services	DRS-129	Mason	2,500	10.00	25,000	10	250,000
11	Workforce West Virginia	WWV-007	Kanawha	70,952	11.00	780,472	3	2,341,416 *
12	Division of Corrections	COR-035	Cabell	2,920	4.14	12,089	5	60,444
13	Council of the Three Rivers	CTR-001	Kanawha	250	0.00	2,400	1	2,400
14	Division of Natural Resources	NAT-133	Marion	200	0.00	1,020	2	2,040
15	Department of Health and Human Resources	HHR	Lincoln	15,000	9.60	144,000	10	1,440,000 *
16	Department of Veterans Assistance	VET-031	Harrison	900	5.40	4,860	2	9,720
17	Offices of the Insurance Commissioner	INS-020	Berkley	1,200	15.00	18,000	5	90,000

149.14  
**Total Rentable Square Feet** 134,485  
**Average Annual Rental Rate** 12.43  
**Total Annual Rent** 1,617,500

\*Indicates the total will be over \$1,000,000.00 during the term of the lease.

**CANCELLATIONS**

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent
1	Small Business Development Center	SBD-003	Cabell	646	13.00	8,398
2	State Tax Department	TAX-057	Logan	375	12.00	4,500
3	State Tax Department	TAX-050	Cabell	2,459	17.00	41,803
4	State Tax Department	TAX-038	Mercer	384	12.50	4,800

**Total Rentable Square Feet** 3,864  
**Total Annual Rent** 59,501



**Department of Administration Real Estate Division Leasing Report**  
For the period of October 1 - 31, 2016

There were a total of 12 leasing changes for this period and they are as follows:

- 3 – New Contract of Lease – DOA Owned
- 1 – New Contract of Lease
- 2 – Straight Renewal
- 3 – Renewal with Increase in Rent
- 1 – Increase in Square Feet – DOA Owned
- 2 – Cancellation

## RENEWAL WITH INCREASE IN RENT

### **DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**HHR-142** Renewal for 10 years consisting of 3,696 square feet of group home space with an increase in the annual per square foot rate from \$12.50 to \$14.50, annual cost \$53,592.00, Rt. 219, in the City of Marlinton, Pocahontas County, West Virginia.

### **OFFICES OF THE INSURANCE COMMISSIONER**

**INS-020** Renewal for 5 years consisting of 1,200 square feet of office space with an increase in the annual per square foot rate from \$14.60 to \$15.00, annual cost \$18,000, full service, 115-22 Edwin Miller Boulevard, in the City of Martinsburg, Berkeley County, West Virginia.

**INS-017** Renewal for 5 years consisting of 24,293 square feet of office space with an increase in the annual per square foot rate from \$12.10 to \$12.35, annual cost \$300,018.60 full service, One Players Club Drive, in the City of Charleston, Kanawha County, West Virginia.

## INCREASE IN SQUARE FEET — DOA OWNED

### **DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**HHR-139** Increase of square feet from 43,649 square feet to 46,108 square feet of office space at the current annual per square foot rate of \$17.00, annual cost \$783,836.04, full service, 2699 Park Avenue, in the City of Huntington, Cabell County, West Virginia.

## CANCELLATION

### **DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**DEP-076** Lease cancellation consisting of 26,989 square feet of office space, at the annual per square foot rate of \$7.39 annual cost \$199,448.71, 254 Industrial Drive, in the City of Oakhill, Fayette County, West Virginia.

**DEP-104** Lease cancellation consisting of 160 square feet of office space, at the annual per square foot rate of \$3.75, annual cost \$600, full service, 700 Main Street, in the City of Summersville, Nicholas County, West Virginia.

**Joint Committee on Government and Finance**

**December 2016**

**Department of Health and Human Resources**

**MEDICAID REPORT  
September 2016 Data**

**WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES  
EXPENDITURES BY PROVIDER TYPE  
SFY2017**

	MONTH OF SEPTEMBER 2016					
	ACTUALS SFY2016	TOTAL SFY2017	ACTUALS Current Month Ended 9/30/16	ESTIMATE Current Month Ended 9/30/16	ACTUALS Year To-Date Thru 9/30/16	PROJECTED 10/1/16 Thru 6/30/17
<b>EXPENDITURES:</b>						
Inpatient Hospital - Reg. Payments	186,720,433	191,663,554	10,244,567	14,745,169	39,114,178	152,549,376
Inpatient Hospital - DSH	54,542,207	53,803,200	-	-	13,512,747	40,290,453
Inpatient Hospital - Supplemental Payments	88,772,449	126,027,542	13,917,653	13,917,653	22,765,246	103,262,296
Inpatient Hospital - GME Payments	9,200,784	8,027,882	-	-	2,006,984	6,020,898
Mental Health Facilities	60,774,362	76,856,261	4,105,121	5,914,798	13,794,363	63,061,898
Mental Health Facilities - DSH Adjustment Payments	18,887,044	18,886,800	-	-	4,721,761	14,165,039
Nursing Facility Services - Regular Payments <sup>(2)</sup>	630,230,973	644,177,879	54,512,637	53,701,443	160,971,446	483,206,433
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	68,590,373	69,718,700	5,925,997	5,809,892	17,811,811	51,906,889
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-
Physicians Services - Regular Payments	117,140,779	107,471,018	5,758,365	8,269,557	21,704,152	85,766,866
Physicians Services - Supplemental Payments	33,313,589	21,769,930	-	-	4,892,930	16,877,000
Physician and Surgical Services - Evaluation and Management	129,275	-	2,293	-	2,937	(2,937)
Physician and Surgical Services - Vaccine Codes	288	-	-	-	-	-
Outpatient Hospital Services - Regular Payments	107,370,522	97,980,515	6,970,071	7,539,840	23,041,130	74,939,385
Outpatient Hospital Services - Supplemental Payments	85,182,603	208,258,173	-	-	22,033,950	186,224,223
Prescribed Drugs	310,642,861	299,765,411	21,814,054	23,334,267	67,527,845	232,237,566
Drug Rebate Offset - National Agreement	(247,362,655)	(238,221,600)	(8,641,184)	(8,266,289)	(43,037,916)	(195,183,684)
Drug Rebate Offset - State Sidebar Agreement	(9,422,134)	(13,890,000)	(134,711)	(481,983)	(1,601,565)	(12,288,435)
Drug Rebate Offset - MCO National	(89,719,160)	(46,188,000)	(6,030,271)	(1,602,724)	(50,259,346)	4,071,346
Drug Rebate Offset - MCO State Sidebar Agreement	(7,465,402)	(4,285,200)	(72,800)	(148,696)	(1,729,769)	(2,555,431)
Dental Services	17,904,695	18,576,878	1,132,987	1,431,563	3,945,254	14,631,624
Other Practitioners Services - Regular Payments	10,762,231	12,001,150	503,809	928,566	1,932,273	10,068,877
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-
Clinic Services	3,328,805	4,401,083	183,723	341,029	570,076	3,831,007
Lab & Radiological Services	26,879,927	22,300,416	1,208,919	1,716,188	4,660,673	17,639,743
Home Health Services	42,832,510	46,917,519	3,261,589	3,663,124	10,287,264	36,630,255
Hysterectomies/Sterilizations	234,860	215,096	2,462	16,546	16,463	198,633
Pregnancy Terminations <sup>(4)</sup>	-	274,326	13,318	21,102	76,329	197,997
EPSDT Services	1,557,174	1,920,918	146,307	147,886	451,997	1,468,921
Rural Health Clinic Services	9,206,515	12,285,791	465,988	945,175	1,641,147	10,644,644
Medicare Health Insurance Payments - Part A Premiums	18,084,672	18,042,000	1,556,041	1,503,500	4,615,206	13,426,794
Medicare Health Insurance Payments - Part B Premiums	96,216,407	111,651,355	8,807,236	9,304,280	26,341,005	85,310,350
120% - 134% Of Poverty	7,659,976	6,920,700	704,735	532,362	2,127,846	4,792,854
135% - 175% Of Poverty	-	-	-	-	-	-
Coinsurance And Deductibles	9,743,197	10,599,800	775,630	815,369	2,237,901	8,361,899

**WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES  
EXPENDITURES BY PROVIDER TYPE  
SFY2017**

	MONTH OF SEPTEMBER 2016		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2016	SFY2017	Current Month Ended 9/30/16	Current Month Ended 9/30/16	Year To-Date Thru 9/30/16	10/1/16 Thru 6/30/17		
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,286,596,440	1,501,169,123	103,471,551	125,097,428	338,214,996	1,162,954,127		
Medicaid MCO - Evaluation and Management	1,760	-	-	-	-	-		
Medicaid MCO - Vaccine Codes	89	-	-	-	-	-		
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan	-	-	-	-	-	-		
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	-	-	-	-	-	-		
Medicaid Health Insurance Payments: Group Health Plan Payments	577,361	645,800	-	49,677	48,051	597,749		
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-		
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-		
Home & Community-Based Services (MR/DD)	331,969,032	370,267,300	25,638,634	28,482,100	81,165,701	289,101,599		
Home & Community-Based Services (Aged/Disabled)	103,740,104	109,486,361	8,352,323	8,471,418	26,251,288	83,235,073		
Home & Community-Based Services (Traumatic Brain Injury)	1,288,545	1,338,311	54,525	102,924	258,148	1,080,163		
Home & Community-Based Services (State Plan 1915(i) Only)	-	-	-	-	-	-		
Home & Community-Based Services (State Plan 1915(j) Only)	-	-	-	-	-	-		
Community Supported Living Services	-	-	-	-	-	-		
Programs Of All-Inclusive Care Elderly	-	-	-	-	-	-		
Personal Care Services - Regular Payments	75,461,043	81,069,514	6,289,631	6,245,366	18,399,086	62,670,428		
Personal Care Services - SDS 1915(j)	-	-	-	-	-	-		
Targeted Case Management Services - Com. Case Management	-	-	-	-	-	-		
Targeted Case Management Services - State Wide	2,684,324	3,134,547	220,847	241,151	628,707	2,505,840		
Primary Care Case Management Services	118,509	-	-	-	24	(24)		
Hospice Benefits <sup>(3)</sup>	24,326,119	28,764,002	2,276,783	2,212,616	6,903,490	21,860,512		
Emergency Services Undocumented Aliens	726,066	567,619	24,189	43,663	123,061	444,558		
Federally Qualified Health Center	26,234,192	36,013,699	3,254,557	2,770,737	6,228,949	29,784,750		
Non-Emergency Medical Transportation	33,057,538	31,937,126	2,991,453	2,459,718	8,952,201	22,984,925		
Physical Therapy	2,760,390	2,429,083	148,160	186,949	705,696	1,723,387		
Occupational Therapy	636,335	754,433	34,607	58,033	186,954	567,479		
Services for Speech, Hearing & Language	572,905	585,848	32,807	45,070	137,940	447,908		
Prosthetic Devices, Dentures, Eyeglasses	1,889,277	1,840,232	132,695	141,752	428,089	1,412,143		
Diagnostic Screening & Preventive Services	896,178	699,236	39,789	53,787	144,505	554,731		
Nurse Mid-Wife	292,426	418,463	7,330	32,189	33,812	384,651		
Emergency Hospital Services	192	-	-	-	-	-		
Critical Access Hospitals	45,094,773	41,345,935	2,852,050	3,181,609	9,520,684	31,825,251		
Nurse Practitioner Services	3,879,118	4,269,983	222,965	328,525	890,610	3,379,373		
School Based Services	10,725,290	27,116,380	543,956	2,085,882	2,742,066	24,374,314		
Rehabilitative Services (Non-School Based)	72,279,284	81,100,199	5,562,308	6,243,932	17,773,938	63,326,261		
Private Duty Nursing	7,572,074	8,116,442	759,887	625,262	2,110,649	6,005,793		
Freestanding Birth Centers	-	52,723	-	4,056	-	52,723		
Health Home for Enrollees w Chronic Conditions	283,848	310,938	15,210	23,918	57,498	253,440		
Other Care Services	23,840,734	24,979,301	1,557,252	1,938,929	5,495,680	19,483,621		
Less: Recoupments	-	-	(658,434)	-	(2,328,508)	2,328,508		
<b>NET EXPENDITURES:</b>	<b>3,719,444,105</b>	<b>4,246,341,693</b>	<b>290,959,611</b>	<b>335,226,308</b>	<b>901,249,633</b>	<b>3,345,092,060</b>		

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2017

MONTH OF SEPTEMBER 2016

	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2016	SFY2017	Current Month Ended 9/30/16	Current Month Ended 9/30/16	Year To-Date Thru 9/30/16	10/1/16 Thru 6/30/17
Collections: Third Party Liability (line 9A on CMS-64)	(16,895,131)	-	-	-	-	-
Collections: Probate (line 9B on CMS-64)	(528,556)	-	-	-	-	-
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(136,975)	-	-	-	-	-
Collections: Other (line 9D on CMS-64)	(22,712,394)	-	-	-	-	-
<b>NET EXPENDITURES and CMS-64 ADJUSTMENTS:</b>	<b>3,679,171,049</b>	<b>4,246,341,693</b>	<b>290,959,611</b>	<b>335,226,308</b>	<b>901,249,633</b>	<b>3,345,092,060</b>
Plus: Medicaid Part D Expenditures	38,334,392	43,492,293	3,461,170	3,624,358	10,318,758	33,173,534
Plus: State Only Medicaid Expenditures	643,193	677,984	17,678	52,153	124,026	553,958
Plus: Money Follow the Person Expenditures	1,225,231	2,372,514	141,116	182,501	374,625	1,997,888
<b>TOTAL MEDICAID EXPENDITURES</b>	<b>\$ 3,719,373,866</b>	<b>\$ 4,292,884,484</b>	<b>\$ 294,579,576</b>	<b>\$ 339,085,320</b>	<b>\$ 912,067,043</b>	<b>\$ 3,380,817,440</b>
Plus: Reimbursables <sup>(1)</sup>	3,982,371	4,980,394	269,630	383,107	909,538	4,070,856
Plus: NATCEP/PASARR/Eligibility Exams	271,038	280,566	24,382	21,582	56,292	224,274
Plus: HIT Incentive Payments	6,343,904	20,000,000	85,000	1,538,462	473,112	19,526,888
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,729,971,178</b>	<b>\$ 4,318,145,444</b>	<b>\$ 294,958,588</b>	<b>\$ 341,028,471</b>	<b>\$ 913,505,986</b>	<b>\$ 3,404,639,458</b>

(1) This amount will revert to State Only if not reimbursed.

(2) Of the amount in the "Nursing Facility Services-Regular Payments" line, \$5,107,414 is the amount paid to State Facilities year to date.

(3) Of the amount in the "Hospice Benefits" line, \$5,602,484 is the amount paid to Nursing Facilities for Hospice Benefits year to date.

(4) Pregnancy Terminations are State Only expenditures and are not currently claimed.

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 MEDICAID CASH REPORT  
 SFY2017

3 Months Actuals      9 Months Remaining

MONTH OF SEPTEMBER 2016	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2016	Current Month Ended 9/30/16	Year-To-Date Thru 9/30/16	10/1/2016 Thru 6/30/17	SFY2017
<b>REVENUE SOURCES</b>					
Beg. Bal. (5084/1020 prior mth)	\$ 19,797,518	\$ 25,792,914	\$ 22,715,798	\$ -	\$ 22,715,798
<b>MATCHING FUNDS</b>					
General Revenue (0403/189)	367,629,797	-	69,260,642	350,737,033	419,997,674
MRDD Waiver (0403/466)	88,753,483	-	11,833,798	76,919,685	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,334	649,000	1,947,000	2,596,000
Tertiary Funding (0403/547)	6,356,000	529,666	1,589,000	4,767,000	6,356,000
Traumatic Brain Injury (0403/835)	800,000	53,333	160,000	640,000	800,000
Title XIX Waiver for Seniors (0403-533)	11,377,874	-	1,812,482	11,781,138	13,593,620
Medical Services Surplus (0403/633)	-	-	5,500,000	-	5,500,000
Waiver for Senior Citizens Surplus (0403/526)	-	-	-	-	-
Lottery Waiver (Less 550,000) (5405/539)	29,713,026	-	5,456,069	16,368,205	21,824,274
Lottery Waiver (0420/539)	5,906,641	-	3,035,546	9,106,638	12,142,184
Lottery Transfer (5405/871)	8,670,000	-	2,200,000	6,470,000	8,670,000
Excess Lottery (5365/189)	24,512,140	-	16,000,000	15,377,985	31,377,985
Lottery Surplus (5405/68199)	10,000,000	-	-	8,000,000	8,000,000
Lottery Surplus (5365/68100)	20,000,000	-	-	30,000,000	30,000,000
Trust Fund Appropriation (5185/189)	66,292,331	21,000,000	21,000,000	128,654,988	149,654,988
Provider Tax (5090/189)	209,832,017	20,664,272	52,250,000	151,031,007	203,281,007
NSGO UPL (5084/6717)	4,378,592	-	366,426	874,977	1,241,403
Certified Match	11,857,611	849,905	2,827,518	12,021,473	14,848,990
Reimbursables - Amount Reimbursed	4,138,564	-	487,605	4,492,788	4,980,394
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	602,343	50,402	153,945	746,055	900,000
CHIP State Share	3,567,160	-	-	-	-
CMS - 64 Adjustments	647,987	-	-	-	-
<b>TOTAL MATCHING FUNDS</b>	<b>\$ 897,429,083</b>	<b>\$ 69,156,825</b>	<b>\$ 217,297,829</b>	<b>\$ 829,935,972</b>	<b>\$ 1,047,233,800</b>
<b>FEDERAL FUNDS</b>	<b>\$ 2,887,088,843</b>	<b>\$ 247,454,470</b>	<b>\$ 717,885,231</b>	<b>\$ 2,600,439,434</b>	<b>\$ 3,318,324,666</b>
<b>TOTAL REVENUE SOURCES</b>	<b>\$ 3,784,517,927</b>	<b>\$ 316,611,295</b>	<b>\$ 935,183,060</b>	<b>\$ 3,430,375,406</b>	<b>\$ 4,365,558,466</b>
<b>TOTAL EXPENDITURES:</b>					
Provider Payments	\$ 3,729,971,178	\$ 294,958,588	\$ 913,505,986	\$ 3,404,639,458	\$ 4,318,145,444
<b>TOTAL</b>	<b>\$ 54,546,748</b>	<b>\$ 21,652,707</b>	<b>\$ 21,677,074</b>		<b>\$ 47,413,022</b>

Note: FMAP (71.42% applicable Jul. - Sep. 2016) (71.80% applicable Oct. 2016 - Jun. 2017)

**Joint Committee on Government and Finance**

**December 2016**

**Department of Health and Human Resources**

**MEDICAID WAIVER REPORT  
September 2016 Data**



**WV Department of Health and Human Resources  
Bureau for Medical Services AD Waiver Program Report**

Aged & Disabled Waiver Reported Sep 30, 2016		FY 2016 YTD	Jul 16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	FY2017 YTD
<b>Slots Approved By CMS (1)</b>		6,385	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151
-Slots Available for Traditional (non TMH-WV) enrollees		6,305	6,071	6,071	6,071										6,071
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		80	80	80	80										80
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		6,385	5,760	5,801	5,873										5,873
Applicants determined eligible this month and added to MEL (3)		1,897	78	77	84										239
Applicants determined ineligible		195	3	7	7										17
<b>ACTIVE MEMBERS</b>															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		5,571	5,726	5,718	5,732										5,732
<b>Active members enrolled during the calendar month</b>		825	234	134	112										480
-Total Active Traditional members enrolled during the calendar month		N/A	230	128	119										477
-Total Active TMH-WV members enrolled during the calendar month		N/A	4	6	1										11
Members discharged during the calendar month		1,045	79	142	98										319
ADW Members whose case was closed by reason	Member is deceased	573	46	87	40										173
	Other (4)	472	33	55	58										146
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
# Eligible applicants closed during the calendar month (removed from MEL)		1,903	165	137	79										381
ADW Applicants removed from the MEL	Applicant offered a slot	919	113	111	58										282
	Applicant became deceased	169	33	2	7										42
	Other (5)	815	19	24	14										57
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		34	5	13	6										8
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		86	26	26	17										23
Applicants on the MEL at the end of the month		274	187	127	132										132
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		190	195	188	186										190

(1) Of the 6,151 slots approved by CMS, 80 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant.

(2) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported in actual number of days on the MEL.

**NOTE: All data reported by Utilization Management Contractor is effective as of the transpire date in the web-based system. Data is point-in-time.**

**WV Department of Health and Human Resources  
Bureau for Medical Services I/DD Waiver Program Report**

Intellectual/Developmental Disabilities Waiver Reported September 30, 2016	FY 2016	July-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	YTD2017
Slots approved by CMS	4,634	4,634	4,634	4,634										4,634
Total number of members served YTD (unduplicated slots used) (1)	4,634	4,587	4,588	4,588										4,588
Applicants determined eligible (2)	293	16	14	24										54
Applicants determined ineligible (3)	287	11	20	21										52
<b>ACTIVE MEMBERS</b>														
# of active members at the end of the month (unduplicated slots active) (1)	4,534	4,577	4,564	4,556										4,556
Discharged members at the end of the calendar month	104	11	15	10										36
Discharged members who were discharged by reason	Deceased	53	6	9	6									21
	Left program to enter a facility	9	2	2	0									4
	Other (6)	40	3	3	4									10
<b>MANAGED ENROLLMENT LIST (MEL)</b>														
Total number of applicants on the MEL at the end of the month	1,260	1,220	1,228	1,250										1,250
Number of applicants added to the MEL (4)	293	16	14	24										54
Applicants enrolled (removed from the MEL)	115	54	2	2										58
Applicants removed from the MEL due to Death (5)	9	0	0	0										0
Applicants removed from the MEL due to Other (6)	7	2	4	0										6
Applicants on the MEL who are in a Nursing Facility	2	1	2	2										2
Applicants on the MEL who are in an ICF/IID Group Home	85	93	96	93										93
Applicants on the MEL receiving Personal Care Services each month	76	82	88	88										88
Longest on the MEL to date (7)	1303 Days	1,334	1,315	1,341										1341

(1) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(2 and 3) Numbers determined medically eligible and ineligible reflect the activity for the month reported. Financial eligibility is not determined until after slot release.

(4) Monthly managed enrollment is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on the date the Medical Eligibility Contract Agent (MECA) determines medical eligibility.

(5) Currently there is no way to track other reasons why someone may leave the MEL for reasons such as moved out of state, decided not to participate in program, etc.

(6) Other reason for program discharge may include, but is not limited to, member is no longer financial or medically eligible, moved out of state, no longer wants the service, etc.

(7) Longest number of days an applicant has been on the MEL.

**WV Department of Health and Human Resources  
Bureau for Medical Services TBI Waiver Program Report**

Traumatic Brain Injury Waiver Reported September 30, 2016		FY 2016 YTD	Jul 16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	FY2017 YTD
Slots Approved By CMS (1)		74	70	70	70										70
-Slots Available for Traditional (non TMH-WV) enrollees		64	60	60	60										60
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		10	10	10	10										10
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		73	63	63	62										62
Applicants determined eligible this month and added to MEL (3)		NA	1	4	3										8
Applicants determined ineligible		5	0	0	1										1
<b>ACTIVE MEMBERS</b>															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		63	63	63	62										62
Active members enrolled during the calendar month		63	0	0	0										0
-Total Active Traditional members enrolled during the calendar month		62	62	62	61										61
-Total Active TMH-WV members enrolled during the calendar month		1	1	1	1										1
Members discharged during the calendar month		17	0	0	1										1
TBIW Members whose case was closed by reason	Member is deceased	4	0	0	0										0
	Other (4)	13	0	0	1										1
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
# Eligible applicants closed during the calendar month (removed from MEL)		0	0	0	0										0
TBIW Applicants removed from the MEL	Applicant offered a slot	6	0	0	0										0
	Applicant became deceased	0	0	0	0										0
	Other (5)	0	0	0	0										0
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		1	1	1	0										1
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		0	0	1	1										1
Applicants on the MEL at the end of the month		0	1	5	8										8
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		39	3	34	64										34

(1) Of the 70 slots approved by CMS, 10 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. Beginning SFY 2016-2017, the program was over the number of slots available for Traditional enrollees. There are no available Traditional slots beginning SFY 2016-2017, therefore medically eligible applicants that are Traditional will be placed on the MEL.

(2) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported in actual number of days on the MEL.

**NOTE: All data as reported by the Utilization Management Contractor is point-in-time**

Joint Committee on  
Government and Finance  
Report

*DECEMBER 2016*

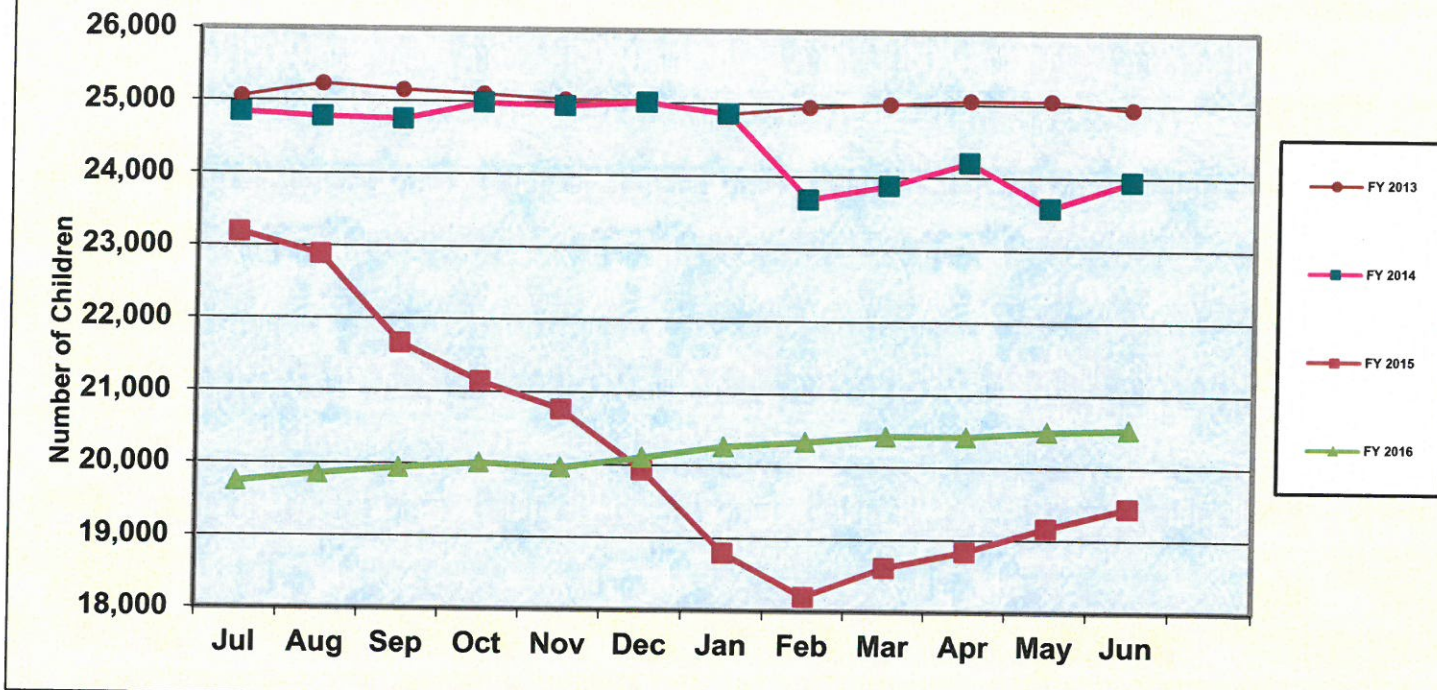
Department of Health and Human Resources

State Children's Health Insurance Program  
UPDATE



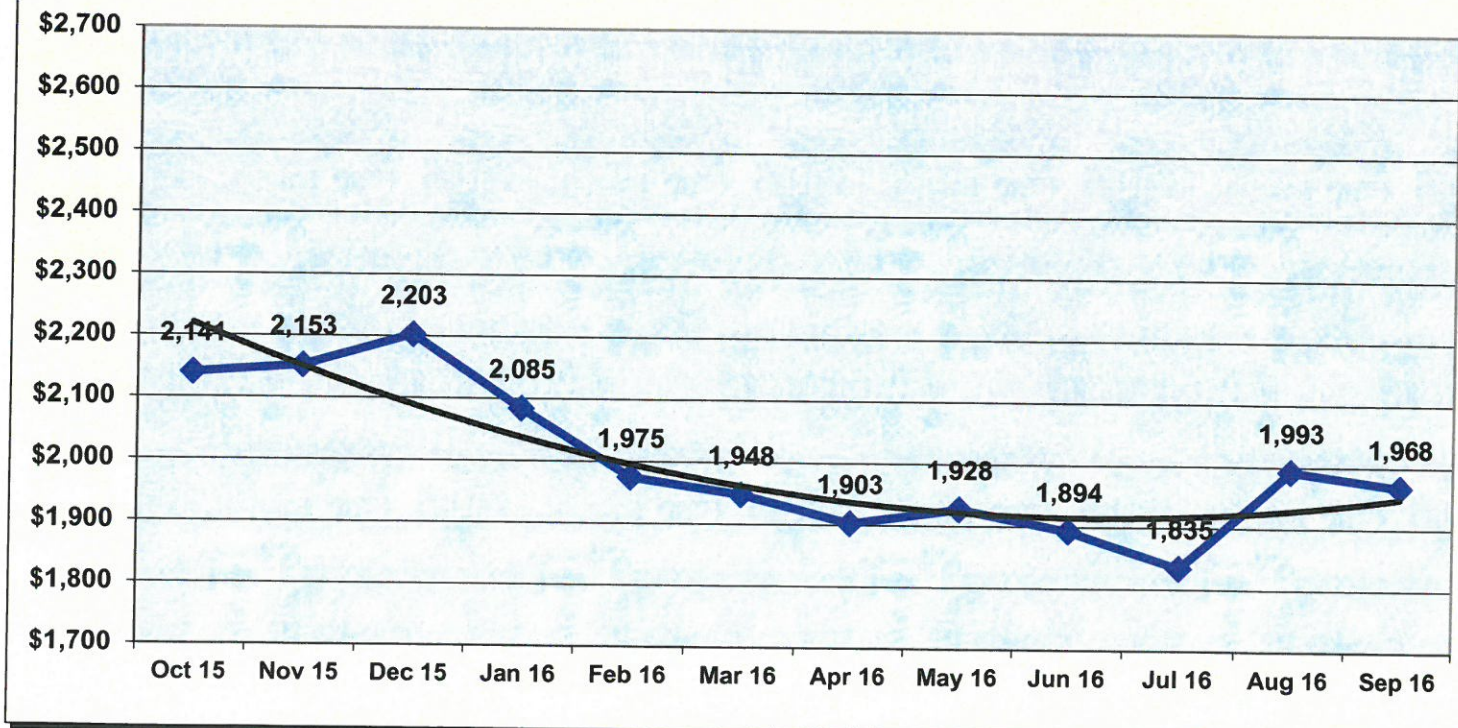


## WV CHIP Enrollment



September 30th Enrollment 20,722

## Annualized Health Care Expenditures (Cost per Child)



**West Virginia Children's Health Insurance Program  
Comparative Balance Sheet  
September 2016 and 2015  
(Accrual Basis)**

	<b>September 30, 2016</b>	<b>September 30, 2015</b>	<b>Variance</b>	
<b>Assets:</b>				
Cash & Cash Equivalents	\$6,764,454	\$8,302,108	(\$1,537,654)	-19%
Due From Federal Government	\$11,621,866	\$3,255,492	\$8,366,374	257%
Due From Other Funds	\$1,144,540	\$816,418	\$328,122	40%
Accrued Interest Receivable	\$6,625	\$5,070	\$1,555	31%
Fixed Assets, at Historical Cost	<u>\$82,046</u>	<u>\$82,046</u>	<u>\$0</u>	<u>0%</u>
<b>Total Assets</b>	<b><u>\$19,619,531</u></b>	<b><u>\$12,461,134</u></b>	<b><u>\$7,158,397</u></b>	<b><u>57%</u></b>
<b>Liabilities:</b>				
Accounts Payable	\$1,111,500	\$421,910	\$689,590	163%
Unpaid Insurance Claims Liability	<u>\$10,240,000</u>	<u>\$3,650,000</u>	<u>\$6,590,000</u>	<u>181%</u>
<b>Total Liabilities</b>	<b><u>\$11,351,500</u></b>	<b><u>\$4,071,910</u></b>	<b><u>\$7,279,590</u></b>	<b><u>179%</u></b>
<b>Fund Equity</b>	<b><u>\$8,268,031</u></b>	<b><u>\$8,389,224</u></b>	<b><u>(\$121,193)</u></b>	<b><u>-1%</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$19,619,531</u></b>	<b><u>\$12,461,134</u></b>	<b><u>\$7,158,397</u></b>	<b><u>57%</u></b>

## PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the three months ending September 30, 2016 and September 30, 2015**  
**(Modified Accrual Basis)**

	September 30, 2016	September 30, 2015	Variance	
<b>Revenues</b>				
Federal Grants	20,470,748	8,569,349	11,901,399	139%
State Appropriations	0	0	0	0%
Premium Revenues	329,448	341,385	(11,937)	-3%
Investment Income:				
Investment Earnings	<u>19,782</u>	<u>15,551</u>	<u>4,231</u>	<u>27%</u>
<b>Total Revenues</b>	<b><u>20,819,978</u></b>	<b><u>8,926,285</u></b>	<b><u>11,893,693</u></b>	<b><u>133%</u></b>
<b>Expenditures:</b>				
Claims:				
Outpatient Services	1,267,301	2,521,178	(1,253,877)	-50%
Physicians & Surgical	3,242,117	2,055,653	1,186,464	58%
Prescribed Drugs	1,921,100	2,031,932	(110,832)	-5%
Dental	1,751,623	1,348,166	403,457	30%
Inpatient Hospital Services	623,610	978,733	(355,123)	-36%
Outpatient Mental Health	4,526	230,855	(226,329)	-98%
Durable & Disposable Med. Equip.	142,409	208,324	(65,915)	-32%
Therapy	722,787	193,536	529,251	273%
Inpatient Mental Health	219,245	165,035	54,210	33%
Vision	196,803	161,686	35,117	22%
Medical Transportation	18,543	93,250	(74,707)	-80%
Other Services	570,816	9,857	560,959	5691%
Less: Collections**	<u>(269,655)</u>	<u>(192,972)</u>	<u>(76,683)</u>	<u>40%</u>
Total Claims	<u>10,411,225</u>	<u>9,805,233</u>	<u>605,992</u>	<u>6%</u>
General and Admin Expenses:				
Salaries and Benefits	141,877	159,779	(17,902)	-11%
Program Administration	747,198	659,095	88,103	13%
Eligibility	0	14,460	(14,460)	-100%
Outreach & Health Promotion	17,591	4,874	12,717	261%
Current	<u>25,702</u>	<u>58,081</u>	<u>(32,379)</u>	<u>-56%</u>
Total Administrative	<u>932,368</u>	<u>896,289</u>	<u>36,079</u>	<u>4%</u>
<b>Total Expenditures</b>	<b><u>11,343,593</u></b>	<b><u>10,701,522</u></b>	<b><u>642,071</u></b>	<b><u>6%</u></b>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>9,476,384</b>	<b>(1,775,237)</b>	<b>11,251,621</b>	<b>-634%</b>
Unrealized Gain(loss) On Investments*	(7,952)	(3,790)	(4,162)	110%
<b>Fund Equity, Beginning</b>	<b><u>8,268,031</u></b>	<b><u>10,690,817</u></b>	<b><u>(2,422,786)</u></b>	<b><u>-23%</u></b>
<b>Fund Equity, Ending</b>	<b><u>17,736,464</u></b>	<b><u>8,911,790</u></b>	<b><u>8,824,674</u></b>	<b><u>99%</u></b>

\* Short Term Bond Fund Investment began in November 2009

\*\* Collections are primarily drug rebates and subrogation

**PRELIMINARY FINANCIAL STATEMENTS**

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program  
WVFIMS Fund 5071  
For the Month September 30, 2016  
(Accrual Basis)**

**Investment Account**

Funds Invested	\$6,379,470
Interest Earned	<u>6,616</u>
<b>Total</b>	<b><u>\$6,386,086</u></b>

Unaudited - For Management Purposes Only - Unaudited



**West Virginia Children's Health Insurance Program  
Budget to Actual Statement  
State Fiscal Year 2017  
For the Three Months Ended September 30, 2016**

	<u>Budgeted for Year</u>	<u>Year to Date Budgeted Amt</u>	<u>Year to Date Actual Amt</u>	<u>Year to Date Variance*</u>		<u>Monthly Budgeted Amt</u>	<u>Actual Amt Sep-16</u>	<u>Actual Amt Aug-16</u>	<u>Actual Amt Jul-16</u>
Projected Cost	\$46,142,615	\$11,535,654	\$10,813,022	\$722,632	6%	\$3,845,218	\$4,407,698	\$4,214,030	\$2,191,293
Premiums	2,196,180	\$549,045	\$329,448	(\$219,597)	-40%	183,015	112,572	122,003	\$94,873
Subrogation & Rebates	<u>1,282,512</u>	<u>\$320,628</u>	<u>\$111,701</u>	<u>(208,927)</u>	<u>-65%</u>	<u>106,876</u>	<u>0</u>	<u>111,701</u>	<u>0</u>
Net Benefit Cost	\$42,663,923	\$10,665,981	\$10,371,872	\$294,108	3%	3,653,297	4,295,126	3,980,326	\$2,096,420
Salaries & Benefits	\$702,625	\$175,656	\$141,877	\$33,779	19%	\$58,552	\$47,373	\$43,300	\$51,204
Program Administration	\$1,993,918	\$498,480	\$747,198	(248,719)	-50%	166,160	\$368,142	\$335,933	\$43,123
Eligibility	\$326,676	\$81,669	\$0	81,669	100%	27,223	\$0	\$0	\$0
Outreach & Health Prom.	\$392,012	\$98,003	\$17,591	80,412	82%	32,668	\$8,728	\$7,863	\$1,000
Current Expense	<u>\$326,676</u>	<u>\$81,669</u>	<u>\$25,702</u>	<u>55,967</u>	<u>69%</u>	<u>27,223</u>	<u>\$21,372</u>	<u>\$2,350</u>	<u>\$1,980</u>
Total Admin Cost	\$3,741,907	\$935,477	\$932,368	\$3,109	0%	\$311,826	\$445,615	\$389,446	\$97,308
Total Program Cost	<u>\$46,405,830</u>	<u>\$11,601,458</u>	<u>\$11,304,240</u>	<u>\$297,217</u>	<u>3%</u>	<u>\$3,965,122</u>	<u>\$4,740,740</u>	<u>\$4,369,772</u>	<u>\$2,193,728</u>
Federal Share 100%	46,405,830	11,601,458	\$11,304,240	297,217	3%	\$3,965,122	4,740,740	4,369,772	2,193,728
State Share 0%	<u>0</u>	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Cost **	<u>\$46,405,830</u>	<u>\$11,601,458</u>	<u>\$11,304,240</u>	<u>\$297,217</u>	<u>3%</u>	<u>\$3,965,122</u>	<u>\$4,740,740</u>	<u>\$4,369,772</u>	<u>\$2,193,728</u>

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2016 Report.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

Memo for Calculations Above:

Notes: 100%

1/. Total budgeted for Year Program costs are CCRC Actuary's Base Line Scenerio dated 6/30/16 Final worksheet  
Net Paid Program Costs.

2/. Federal Share for FFY 2016 is 100.00%.

# WVCHIP Enrollment Report

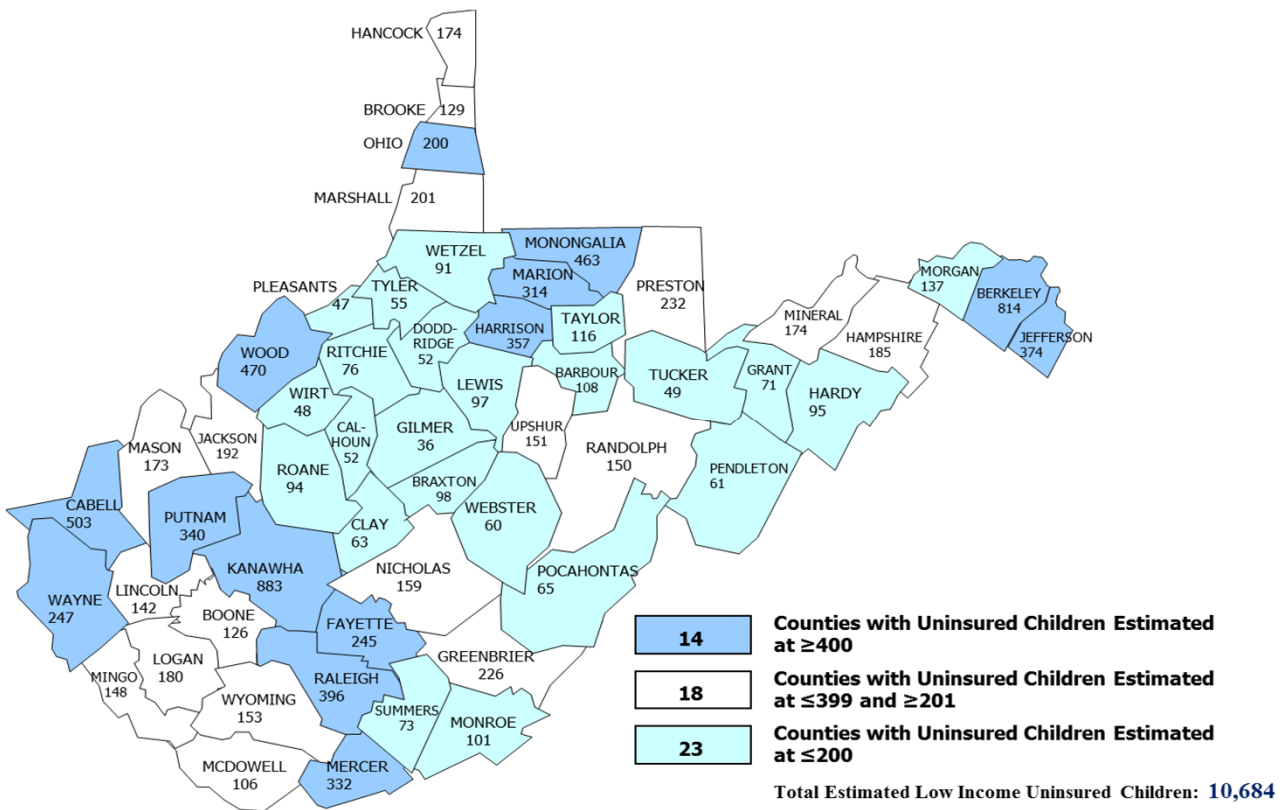
October 2016

County	County Pop.	Total CHIP	Total Medicaid	Total	CHIP/Medicaid	2010	2010
	2010 Est. (0-18 Yrs)	Enrollment Oct-16	Enrollment Oct-16	CHIP/Medicaid Enrollment	Enrollment % of Population	Est. Uninsured 3%	# Children Uninsured Ranking*
Barbour	3,600	233	1,716	1,949	54.1%	108	33
Berkeley	26,251	1,453	11,741	13,194	50.3%	788	2
Boone	5,615	245	3,392	3,637	64.8%	168	25
Braxton	3,006	154	1,750	1,904	63.3%	90	40
Brooke	4,573	172	1,644	1,816	39.7%	137	31
Cabell	18,879	999	9,554	10,553	55.9%	566	4
Calhoun	1,518	74	889	963	63.4%	46	51
Clay	2,215	136	1,454	1,590	71.8%	66	44
Doddridge	1,673	79	783	862	51.5%	50	48
Fayette	9,438	705	5,439	6,144	65.1%	283	13
Gilmer	1,260	55	620	675	53.6%	38	54
Grant	2,555	102	1,097	1,199	46.9%	77	42
Greenbrier	7,131	592	3,671	4,263	59.8%	214	16
Hampshire	5,392	230	2,485	2,715	50.4%	162	27
Hancock	6,166	358	2,827	3,185	51.7%	185	20
Hardy	3,015	165	1,657	1,822	60.4%	90	39
Harrison	15,202	816	6,796	7,612	50.1%	456	7
Jackson	6,602	364	3,140	3,504	53.1%	198	18
Jefferson	12,679	570	3,909	4,479	35.3%	380	10
Kanawha	39,771	1,991	19,998	21,989	55.3%	1,193	1
Lewis	3,389	231	1,997	2,228	65.7%	102	37
Lincoln	4,930	252	3,285	3,537	71.7%	148	30
Logan	7,496	381	4,732	5,113	68.2%	225	15
Marion	11,227	598	5,455	6,053	53.9%	337	11
Marshall	6,886	276	3,120	3,396	49.3%	207	17
Mason	5,929	252	2,967	3,219	54.3%	178	21
McDowell	4,423	212	3,384	3,596	81.3%	133	32
Mercer	12,764	826	8,147	8,973	70.3%	383	9
Mineral	5,868	243	2,486	2,729	46.5%	176	23
Mingo	5,905	241	4,086	4,327	73.3%	177	22
Monongalia	15,294	798	5,488	6,286	41.1%	459	6
Monroe	2,835	232	1,226	1,458	51.4%	85	41
Morgan	3,596	227	1,556	1,783	49.6%	108	34
Nicholas	5,561	316	3,104	3,420	61.5%	167	26
Ohio	8,444	419	3,620	4,039	47.8%	253	14
Pendleton	1,462	63	660	723	49.5%	44	52
Pleasants	1,551	84	652	736	47.4%	47	50
Pocahontas	1,561	128	851	979	62.7%	47	49
Preston	6,536	391	3,262	3,653	55.9%	196	19
Putnam	13,150	612	4,415	5,027	38.2%	395	8
Raleigh	16,403	993	9,693	10,686	65.1%	492	5
Randolph	5,705	456	2,936	3,392	59.5%	171	24
Ritchie	2,205	111	1,101	1,212	55.0%	66	45
Roane	3,239	247	1,871	2,118	65.4%	97	38
Summers	2,521	145	1,438	1,583	62.8%	76	43
Taylor	3,514	199	1,654	1,853	52.7%	105	35
Tucker	1,371	99	603	702	51.2%	41	53
Tyler	1,924	99	861	960	49.9%	58	47

# WVCHIP Enrollment Report

October 2016

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Oct-16	Total Medicaid Enrollment Oct-16	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Upshur	4,996	295	2,937	3,232	64.7%	150	29
Wayne	9,516	353	4,962	5,315	55.9%	285	12
Webster	1,977	116	1,375	1,491	75.4%	59	46
Wetzel	3,466	172	1,872	2,044	59.0%	104	36
Wirt	1,201	67	752	819	68.2%	36	55
Wood	18,956	946	9,539	10,485	55.3%	569	3
Wyoming	5,116	288	3,129	3,417	66.8%	153	28
<b>Totals</b>	<b>387,459</b>	<b>20,861</b>	<b>193,778</b>	<b>214,639</b>	<b>55.4%</b>	<b>11,624</b>	

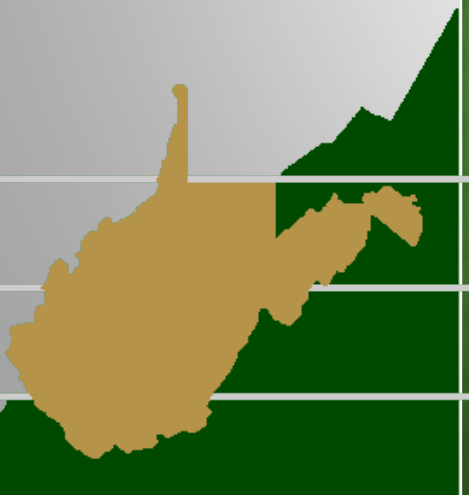


The above map shows the most recent 2013 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county to county depending on the availability of employer sponsored insurance and should be a more accurate way to target outreach than in previous years.

# WEST VIRGINIA INVESTMENT MANAGEMENT BOARD

Participant Plan Performance Report

September 30, 2016



Participant Plans Allocation & Performance Net of Fees

Period Ending: September 30, 2016

	6/30/2016		9/30/2016		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>WVIMB Fund Assets</b>	<b>16,747,244</b>	<b>100.0</b>	<b>17,030,754</b>	<b>100.0</b>							
<b>Pension Assets</b>	<b>13,230,134</b>	<b>79.0</b>	<b>13,575,107</b>	<b>79.7</b>							
Public Employees' Retirement System	5,597,558	33.4	5,779,001	33.9	0.4	3.7	3.7	9.6	6.6	9.6	6.1
Teachers' Retirement System	6,513,312	38.9	6,643,443	39.0	0.4	3.7	3.7	9.5	6.5	9.6	5.8
EMS Retirement System	58,844	0.4	61,646	0.4	0.4	3.7	3.7	9.6	6.6	9.6	
Public Safety Retirement System	578,762	3.5	589,935	3.5	0.4	3.7	3.7	9.6	6.6	9.7	6.1
Judges' Retirement System	167,178	1.0	172,677	1.0	0.4	3.8	3.8	9.6	6.6	9.7	6.1
State Police Retirement System	138,127	0.8	144,611	0.8	0.4	3.8	3.8	9.6	6.6	9.6	6.1
Deputy Sheriffs' Retirement System	171,949	1.0	178,867	1.1	0.4	3.7	3.7	9.6	6.6	9.6	6.1
Municipal Police & Firefighter Retirement System	3,080	0.0	3,571	0.0	0.4	3.7	3.7	9.2	6.4	7.9	
Municipal Model A	1,324	0.0	1,356	0.0	0.4	3.7	3.7	9.5	6.4		
<b>Insurance Assets</b>	<b>2,545,860</b>	<b>15.2</b>	<b>2,565,581</b>	<b>15.2</b>							
Workers' Compensation Old Fund	1,284,843	7.7	1,304,492	7.7	0.3	2.9	2.9	7.9	4.0	5.1	4.2
Workers' Comp. Self-Insured Guaranty Risk Pool	33,418	0.2	33,827	0.2	0.4	3.0	3.0	6.7	4.0	5.5	3.9
Workers' Comp. Self-Insured Security Risk Pool	53,881	0.3	54,519	0.3	0.4	3.0	3.0	6.9			
Workers' Comp. Uninsured Employers' Fund	10,841	0.1	11,148	0.1	0.4	2.8	2.8	6.1	3.8	5.3	3.7
Pneumoconiosis	246,635	1.5	249,838	1.5	0.4	3.0	3.0	6.5	3.9	5.5	4.6
Board of Risk & Insurance Management	132,322	0.8	136,212	0.8	0.4	2.9	2.9	6.4	3.9	5.5	5.1
Public Employees' Insurance Agency	176,829	1.0	145,438	0.9	0.4	2.8	2.8	6.5	4.1	5.3	4.8
WV Retiree Health Benefit Trust Fund	607,091	3.6	630,107	3.7	0.4	3.8	3.8	9.7	6.6	8.9	
<b>Endowment Assets</b>	<b>971,250</b>	<b>5.8</b>	<b>890,066</b>	<b>5.1</b>							
Berkeley County Development Authority	6,089	0.0	6,319	0.0	0.4	3.8	3.8				
Wildlife Fund	54,571	0.3	56,761	0.3	0.4	3.8	3.8	9.7	6.6	9.6	6.1
Prepaid Tuition Trust	54,948	0.3	50,250	0.3	0.4	3.5	3.5	9.1	6.0	8.3	5.9
Revenue Shortfall Reserve Fund	336,013	2.0	239,246	1.4	0.3	1.3	1.3	5.5	2.9	2.8	2.7
Revenue Shortfall Reserve Fund - Part B	390,670	2.4	402,065	2.4	0.4	2.9	2.9	8.2	4.1	5.3	3.7
WV DEP Trust	7,808	0.1	8,164	0.0	0.6	4.6	4.6	8.9	5.4	9.3	
WV DEP Agency	121,151	0.7	127,261	0.7	0.4	3.6	3.6	7.5			

Composite Asset Allocation & Performance Net of Fees

Period Ending: September 30, 2016

	Asset (\$000)	%	Performance %							
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	
Investment Pools Composite	17,039,595	100.00								
Total Equity Composite	8,598,985	50.47	0.70	5.95	5.95	12.64	6.22	12.28	5.95	
+/- Total Equity Policy Index (b)			(0.10)	0.19	0.19	(0.03)	0.50	0.72	1.19	
US Equity Composite	4,042,425	23.73	0.01	3.73	3.73	12.58	10.26	16.34	7.42	
+/- Russell 3000 Index			(0.15)	(0.67)	(0.67)	(2.38)	(0.18)	(0.02)	0.05	
Large Cap Composite	3,235,209	18.99	0.09	2.98	2.98	13.48	11.33	16.44	7.32	
+/- S&P 500 Index			0.07	(0.87)	(0.87)	(1.95)	0.17	0.07	0.08	
Non-Large Cap Composite	807,216	4.74	(0.29)	6.83	6.83	8.30	6.11	15.34	7.72	
+/- Russell 2500 Index			(0.77)	0.27	0.27	(6.13)	(1.66)	(0.96)	(0.22)	
International Equity Composite	4,556,560	26.74	1.32	8.01	8.01	12.53	2.09	8.07	4.69	
+/- MSCI AC World ex US IMI Index (c)			(0.13)	0.87	0.87	2.20	1.02	1.27	1.93	
Fixed Income Composite	3,329,382	19.54	0.15	1.75	1.75	6.05	3.97	4.09	4.77	
+/- Barclays Capital Universal (d)			0.13	0.79	0.79	(0.06)	(0.30)	0.47	(0.30)	
Core Fixed Income	1,016,293	5.97	0.08	0.49	0.49	5.23	4.41	3.74		
+/- Barclays Capital Aggregate			0.14	0.03	0.03	0.04	0.38	0.66		
Total Return Fixed Income	2,313,089	13.57	0.18	2.31	2.31	6.41	3.77	4.30	4.98	
+/- Barclays Capital Universal			0.16	1.35	1.35	0.30	(0.50)	0.68	(0.02)	
TIPS Composite	372,590	2.19	0.56	0.98	0.98	6.58	2.38	1.90		
+/- Barclays Capital U.S. TIPS			0.01	0.01	0.01	0.00	(0.02)	(0.02)		
Cash Composite	129,843	0.76	0.04	0.08	0.08	0.28	0.17	0.16	1.03	
+/- Citigroup 90 Day T-Bill (e)			0.02	0.01	0.01	0.05	0.07	0.01	0.02	
Private Equity Composite	1,447,764	8.49	0.08	0.78	0.78	10.27	13.32	12.35		
+/- Russell 3000 + 3% (f, g)								(7.55)		
Real Estate Composite	1,540,659	9.04	(0.09)	(0.01)	(0.01)	9.33	10.46	10.49		
+/- NCREIF + 1% (f)								(2.02)		
Hedge Fund Composite	1,620,372	9.51	0.41	2.22	2.22	(0.19)	3.37	5.03		
+/- HFRI FOF + 1% (h)			(0.12)	(0.42)	(0.42)	(1.66)	1.17	1.97		

# Participant Plans Allocation vs. Strategy

Period Ending: September 30, 2016

	Domestic Equity		Int'l Equity		Fixed Income		Private Equity		Real Estate		Hedge Funds		Cash	
	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %

## Pension Assets

Public Employees' Retirement System	25.6	27.5	29.1	27.5	13.9	15.0	10.1	10.0	10.7	10.0	10.3	10.0	0.3	0.0
Teachers' Retirement System	25.8	27.5	28.9	27.5	13.8	15.0	10.2	10.0	11.0	10.0	10.2	10.0	0.1	0.0
EMS Retirement System	25.8	27.5	28.7	27.5	14.4	15.0	10.1	10.0	9.9	10.0	10.4	10.0	0.7	0.0
Public Safety Retirement System	26.0	27.5	29.1	27.5	13.7	15.0	10.2	10.0	10.9	10.0	10.1	10.0	0.0	0.0
Judges' Retirement System	25.9	27.5	29.2	27.5	13.9	15.0	10.1	10.0	10.1	10.0	10.6	10.0	0.2	0.0
State Police Retirement System	25.8	27.5	28.9	27.5	14.4	15.0	10.1	10.0	9.8	10.0	10.5	10.0	0.5	0.0
Deputy Sheriffs' Retirement System	25.7	27.5	29.0	27.5	14.0	15.0	10.1	10.0	10.3	10.0	10.6	10.0	0.3	0.0
Municipal Police & Firefighter Retirement System	24.6	27.5	26.9	27.5	14.0	15.0	9.5	10.0	9.3	10.0	9.4	10.0	6.3	0.0
Municipal Model A	25.9	27.5	29.2	27.5	14.1	15.0	10.2	10.0	9.9	10.0	10.0	10.0	0.7	0.0

## Insurance Assets

Workers' Compensation Old Fund	14.4	15.0	16.3	15.0	64.2	70.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	0.0
Workers' Comp. Self-Insured Guaranty Risk Pool	14.3	15.0	15.9	15.0	43.6	45.0	0.0	0.0	0.0	0.0	22.1	20.0	4.1	5.0
Workers' Comp. Self-Insured Security Risk Pool	14.1	15.0	16.2	15.0	45.0	45.0	0.0	0.0	0.0	0.0	20.5	20.0	4.2	5.0
Workers' Comp. Uninsured Employers Fund	14.1	15.0	15.8	15.0	38.6	40.0	0.0	0.0	0.0	0.0	21.5	20.0	10.0	10.0
Pneumoconiosis	14.2	15.0	16.2	15.0	44.8	45.0	0.0	0.0	0.0	0.0	20.5	20.0	4.3	5.0
Board of Risk & Insurance Mgmt.	14.2	15.0	15.5	15.0	44.0	45.0	0.0	0.0	0.0	0.0	21.3	20.0	5.0	5.0
Public Employees' Insurance Agency	14.5	15.0	15.6	15.0	49.8	50.0	0.0	0.0	0.0	0.0	20.1	20.0	0.0	0.0
WV Retiree Health Benefit Trust Fund	25.7	27.5	28.7	27.5	14.7	15.0	10.1	10.0	10.3	10.0	10.4	10.0	0.1	0.0

## Endowment Assets

Berkeley County Development Authority	25.8	27.5	29.1	27.5	14.4	15.0	10.1	10.0	10.4	10.0	10.0	10.0	0.2	0.0
Wildlife Fund	25.4	27.5	29.1	27.5	14.4	15.0	10.1	10.0	10.3	10.0	10.5	10.0	0.2	0.0
Prepaid Tuition Trust	27.2	27.5	23.1	22.5	47.8	50.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0
Revenue Shortfall Reserve Fund	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Shortfall Reserve Fund - Part B	14.2	15.0	15.9	15.0	69.8	70.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
WV DEP Trust	29.9	32.5	34.5	32.5	14.8	15.0	0.0	0.0	0.0	0.0	20.8	20.0	0.0	0.0
WV DEP Agency	18.6	20.0	21.3	20.0	39.3	40.0	0.0	0.0	0.0	0.0	20.8	20.0	0.0	0.0

- (a) As of January 2014, the PERS Policy is 30% Russell 3000, 30% MSCI ACW ex USA (IMI), and 40% Barclays Capital Universal. From April 2008 to December 2013, the PERS Policy was 30% Russell 3000, 30% MSCI ACW ex USA (Standard), and 40% Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACW ex USA, and 40% Barclays Capital Aggregate.
- (b) As of January 2014, the Total Equity Policy Index is 50% Russell 3000 and 50% MSCI ACW ex USA (IMI). From April 2008 to December 2013, the Total Equity Policy Index was 50% Russell 3000 and 50% MSCI ACW ex USA (Standard). Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCI ACW ex USA.
- (c) Prior to January 2014, the index was the MSCI ACW ex USA (Standard).
- (d) Prior to April 2008, the index was Barclays Capital Aggregate.
- (e) Prior to January 2014, the index was Citigroup 90 Day T-Bill plus 15 basis points.
- (f) The Private Equity Composite and Real Estate Composite are long-term programs whose benchmarks are only reported for 5 years and beyond.
- (g) Prior to January 2014, the index was S&P 500 plus 500 basis points.
- (h) Prior to January 2014, the index was Libor plus 400 basis points.
- (i) Franklin Benchmark is 50% JPM EMBI Global Diversified and 50% JPM GBI EM Diversified.
- (j) Prior to April 2008, the index was a custom index.

Note: Participant returns are net of fees. Portfolio returns are net of management fees. Returns shorter than one year are unannualized.



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**Status Report:**  
**Workers' Compensation**

Joint Committee on Government & Finance

November 2016

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*Provided by the West Virginia Offices of the Insurance Commissioner*



## Table of Contents:

<b>Introduction</b> .....	3
<b>Definitions</b> .....	4-6
<b>Monthly Claims Count and Reserve Charts</b> .....	7-11
<b>Old Fund Cash Statements</b> .....	12
<b>Coal Workers Pneumoconiosis Fund Cash Statement</b> .....	13
<b>Self-Insured Guaranty Fund Cash Statement</b> .....	14
<b>Self-Insured Security Fund Cash Statement</b> .....	15
<b>Uninsured Employers' Fund Cash Statement</b> .....	16

## **Introduction**

With the passage of S.B. 1004 in January 2005, significant changes were made to workers' compensation insurance in West Virginia. The State administered monopolistic fund effectively ended when a new domestic mutual insurance company, "BrickStreet", was formed to issue workers' compensation insurance on a going forward basis. BrickStreet began writing new workers' compensation insurance liabilities effective January 2006. (They also retained the workers' compensation insurance premium and incurred liability starting in July 2005.) The West Virginia workers' compensation insurance market was later opened to competition beginning in July 2008.

At the time when the domestic mutual insurance company was formed in order to begin to privatize the workers' compensation insurance market in West Virginia, a large legacy liability existed stemming from the historical operation of the State administered monopolistic fund. Subsequent to privatization, this legacy liability was retained by the State of West Virginia in what is now known as the "Old Fund." The Old Fund consists of all historical claims with dates of injuries or last exposure through June 30, 2005. Apart from those sections which specifically reference other "funds," the "private market," or the "self-insured" community (which began in July 2004), this report concerns the workers' compensation legacy liability of the State of West Virginia, i.e. the Old Fund.

At January 2008, there were 47,961 active Old Fund workers' compensation insurance claims. The first Workers' Compensation Status Report to the Joint Committee on Government and Finance was issued in June 2008. The following pages update the status of the various workers' compensation funds and the activities associated with the administration of the workers' compensation responsibilities transitioned to the Offices of the Insurance Commissioner.

## Definitions:

**Appeal (BOR):** A formal procedure conducted by the Board of Review at which a decision of an administrative law judge (OOJ) having presided over a matter of workers' compensation (Old Fund or Privately Insured) is to be afforded additional consideration. An appeal may be filed by any aggrieved party, such as a claimant, employer, dependent of a claimant, private insurance carrier, etc.

**Board of Review:** (BOR) A three judge panel that serves as an intermediate appellate tribunal in workers' compensation litigation. Specifically, the Board of Review reviews all appeals taken from any final decision of the Office of Judges. The BOR may reverse, vacate, modify or remand a decision of the Office of Judges. Any appeal taken from a Board of Review final order must be filed with the West Virginia Supreme Court of Appeals.

**Claim Reserve:** individual claim level cost estimate that is projected on the ultimate probable exposure; must be the best projection based on the facts and findings of the claim. This function is to capture the key components that impact the range of any impending cost in workers' compensation claims. No discounting is applied. The Indemnity Reserve is adjusted to cover the cost of loss or exposure both on a temporary and permanent basis. The reserve should also be adjusted to include the projected cost of any death and/or dependent benefits when appropriate. The Medical Reserve covers medical cost, hospital stays, specialized treatment, rehabilitation, durable medical equipment, and medications, etc. The Expense Reserve is placed for the cost of legal defense and investigations, etc. The reserves may be reduced based on the findings of early mortality factors.

**Coal Workers' Pneumoconiosis Fund (CWP):** State managed fund into which FBL premiums previously received are held, and out of which FBL benefits are paid. This fund was closed to future liabilities as of 12/31/2005. Because of the latency period between the date of last exposure and the onset of disease, new FBL claims will occur.

**Fatal:** claim under which the worker died as a result of injury or illness.

**FBL:** claim for Occupational Pneumoconiosis (Black Lung) benefits under Title IV of the federal Coal Mine Health and Safety Act of 1969, i.e. Federal Black lung, or FBL.

**FBL Awarded Claim:** an FBL claim that has been awarded but has not yet been accepted by the responsible operator/insurer

**FBL Claim Notice:** an FBL claim for which not initial decision has yet been made, but evidence in the claims indicates the potential for an award

**FBL Non-active Claim:** an FBL claim for which an award had been sought, but was not afforded. Federal statutes permit an appeal process which lasts for 1 year, so the claim would be reopened for consideration upon appeal. Denied FBL claims are closed administratively after 6 months, as the TPA's bill for claims management services monthly on an open claims basis.

**FBL Paying Claim:** an FBL claim for which an award has been made and the responsible operator/insurer has accepted liability. Payments are being made to the claimant or dependents.

**Indemnity:** statutory wage replacement benefits awarded as a result of a worker's occupational illness or injury.

**Med Only:** claim under which only the payment of medical benefits were sought or awarded, i.e. no payment of wage replacement benefits (indemnity) is being made.

**Office of Judges:** (OOJ) An office comprised of administrative law judges who are charged with resolving protests or appeals to workers' compensation claims management decisions. The Office of Judges conducts hearings, receives and weighs evidence and arguments, and issues written decisions on protests or appeals from initial claim management decisions. Any final decision of the Office of Judges may be appealed to the workers' compensation Board of Review. The OOJ hears protests involving Old Fund claims as well as those arising from the private market (private carrier or privately insured.)

**Old Fund:** The residual assets and liabilities of the former Worker's Compensation Fund are now reported in a fund known as the Workers' Compensation Old Fund. Disbursements from the Old Fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claims with a date of injury on or before June 30, 2005.

**OP/OD:** claim of Occupational Pneumoconiosis or Occupational Disease. An OP claim could be considered the State level equivalent of an FBL claim; however, State OP claims provide for varying percentages of impairment where the FBL applicant must prove total impairment to be eligible. (State OP claims are awarded more frequently than FBL, but afford lesser benefits.) An example of an OD claim would be occupational hearing loss.

**Protest (OOJ):** An objection to a ruling of a workers' compensation claim administrator (Old Fund or Private Market) which prompts the initiation of the adjudication process at the Office of Judges.

**PPD:** (Permanent Partial Disability) paid to compensate an injured worker for permanent impairment that results from an occupational injury or disease. The American Medical Association defines permanent impairment as impairment that has become static or well stabilized with or without medical treatment and is not likely to remit despite medical treatment. It should be noted, some injuries that are total loss by severance have statutory impairment ratings that are defined per WV Code §23-4-6(f). Payment for PPD is based upon 4 weeks of compensation for each one percent of disability.

**PTD:** (Permanent Total Disability) A disability which renders a claimant unable to engage in gainful employment requiring skills or abilities which can be acquired or which are comparable to those of any gainful employment in which the claimant previously engaged with some regularity. While the comparison of pre-injury income and post-disability income is not a factor to be considered in determining whether or not a claimant is permanently and totally disabled, the geographic availability of gainful employment should be considered. Specifically, the geographic availability of gainful employment within a 75 mile driving distance

of the claimant's home, or within the distance from the claimant's home to his or her pre-injury employment, whichever is greater, is a factor to be considered in determining whether or not a claimant is PTD.

**Self-Insured:** an employer who has met certain specific guidelines, and who is then permitted to guarantee their own payment and handling of workers' compensation claims to their employees in accordance with WV statutes.

**Self-Insured Guaranty Fund:** State managed fund consisting of those funds transferred to it from the guaranty pool created pursuant to 85 CSR §19 (2004) and any future funds collected through continued administration of that exempt legislative rule as administered by the WVOIC and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last exposure after 07/01/2004.

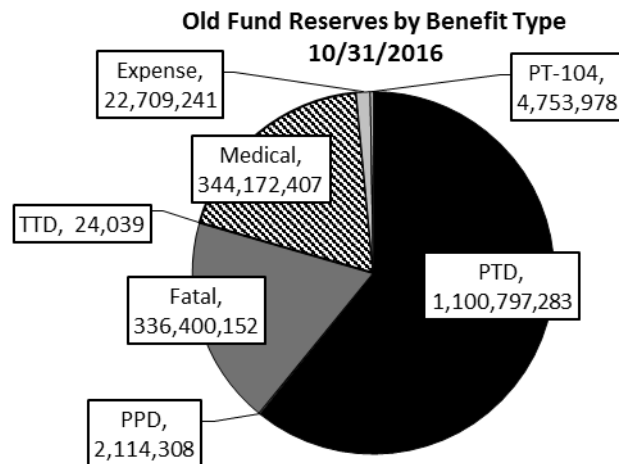
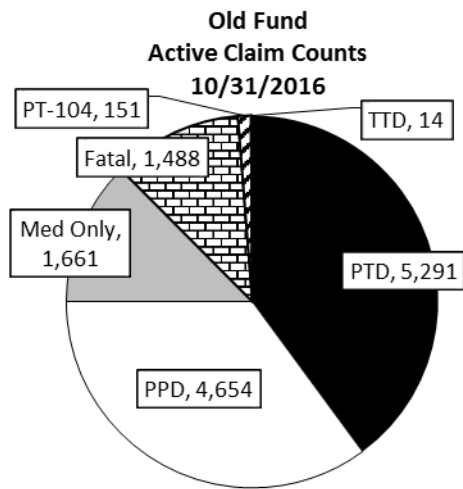
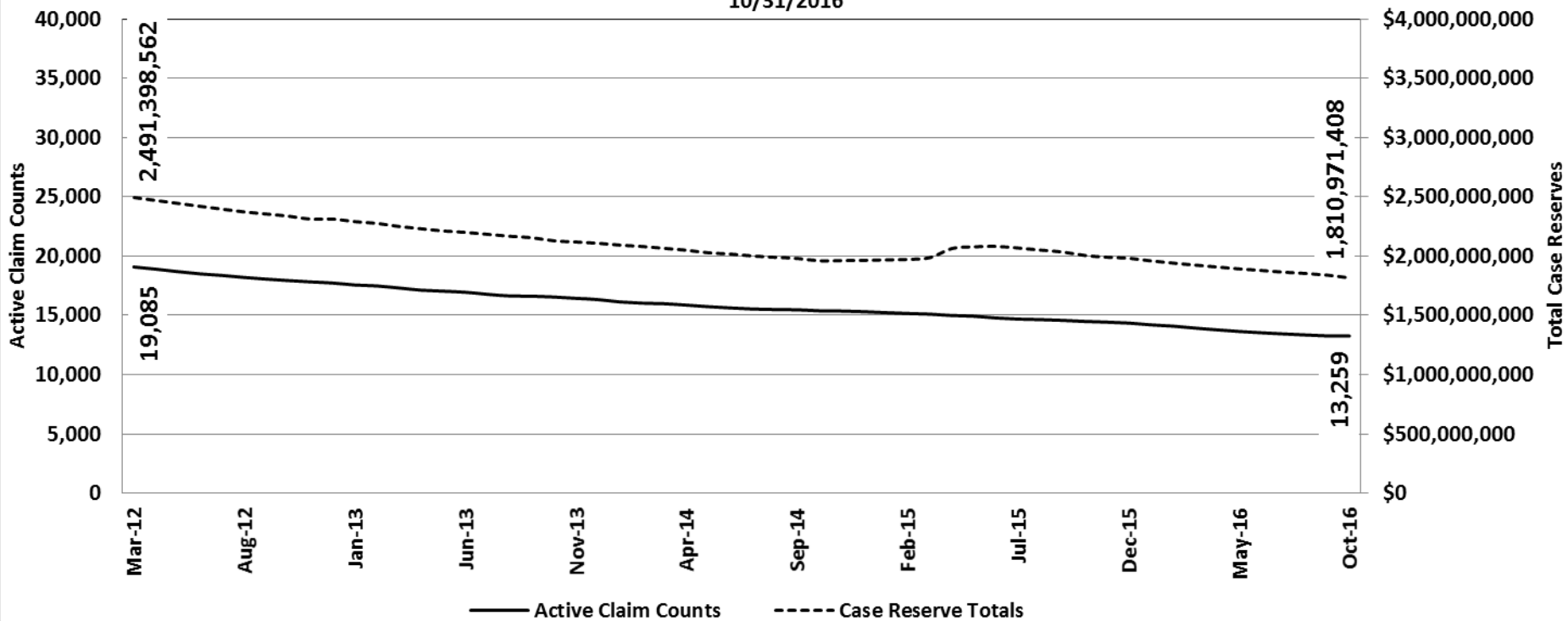
**Self-Insured Security Fund:** State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last exposure before 07/01/2004. This fund is limited to claimants of those self-insured employers who have defaulted on their claims obligations after 12/31/2005.

**TPD:** (Temporary Partial Disability) also referred to as TPR, is paid when an injured worker is released to return to work with restrictions or modifications that restrict he/she from obtaining their pre-injury wages. The TPD benefit is paid at seventy percent of the difference between the average weekly wage earnings earned at the time of injury and the average weekly wage earnings earned at the new employment.

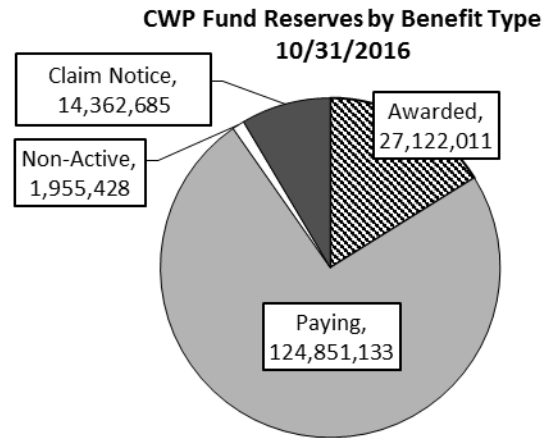
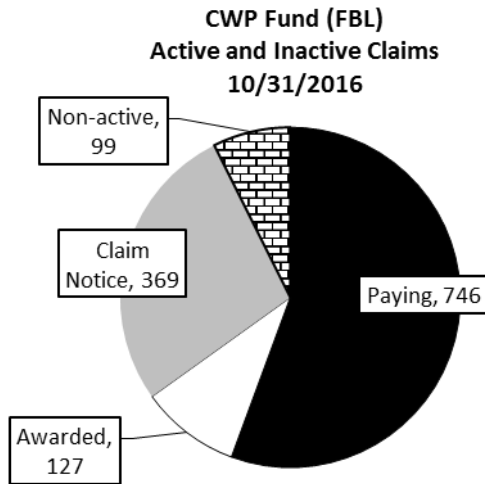
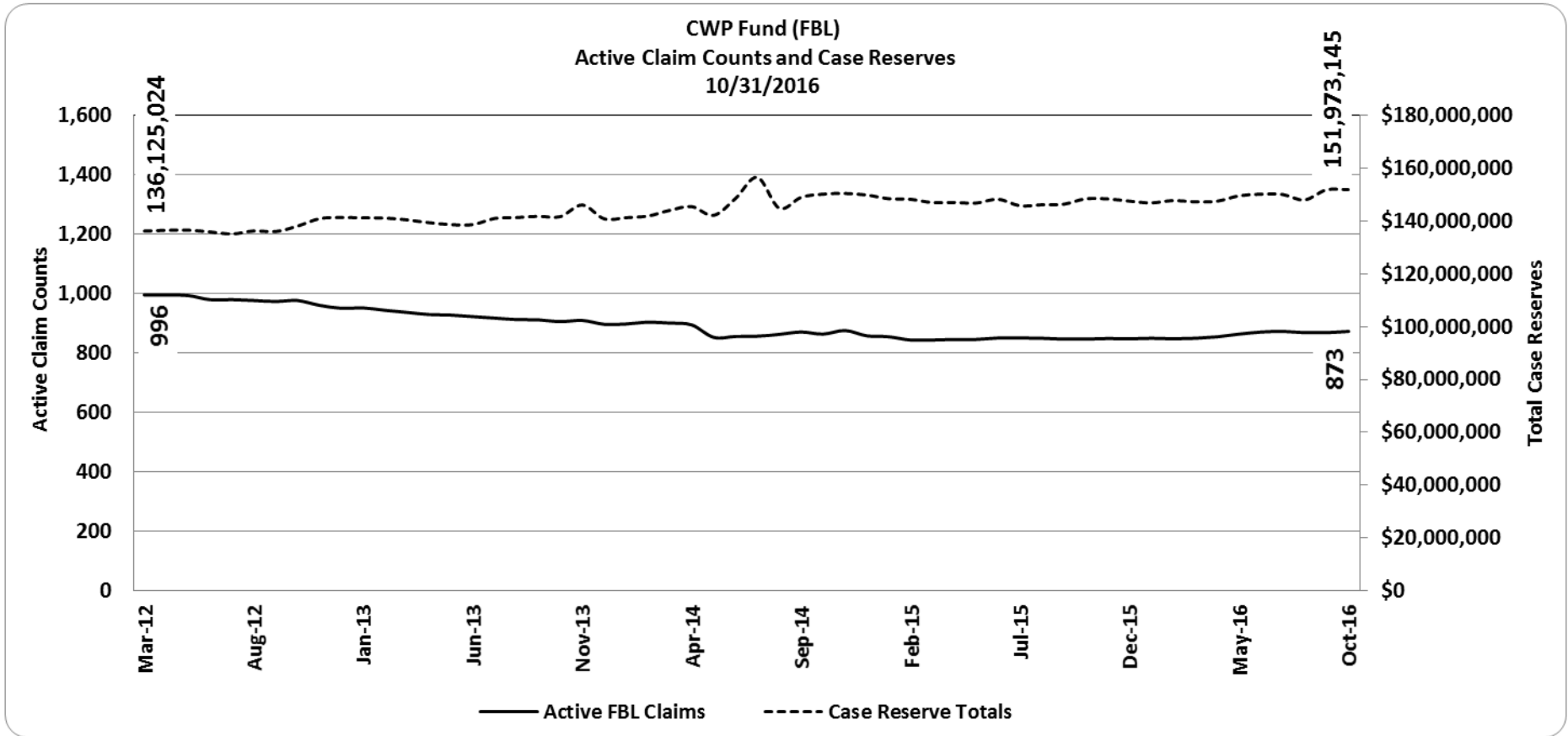
**TTD:** (Temporary Total Disability) an inability to return to substantial gainful employment requiring skills or activities comparable to those of one's previous gainful employment during the healing or recovery period after the injury. In order to receive TTD benefits, the injured worker must be certified disabled due to the compensable injury by his/her treating physician.

**Uninsured Fund:** State managed fund into which assessments to carriers or employers received are held, and out of which workers' compensation benefits may be paid to claimant employees of employers who were uninsured if the date of injury or date of last exposure is January 1, 2006 or later.

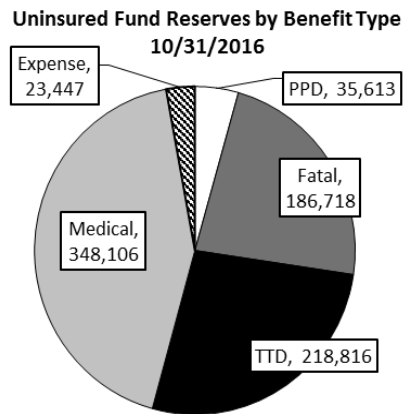
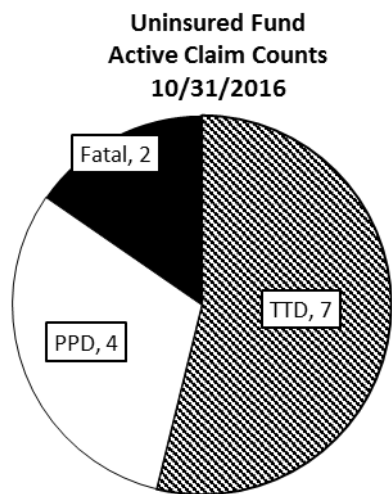
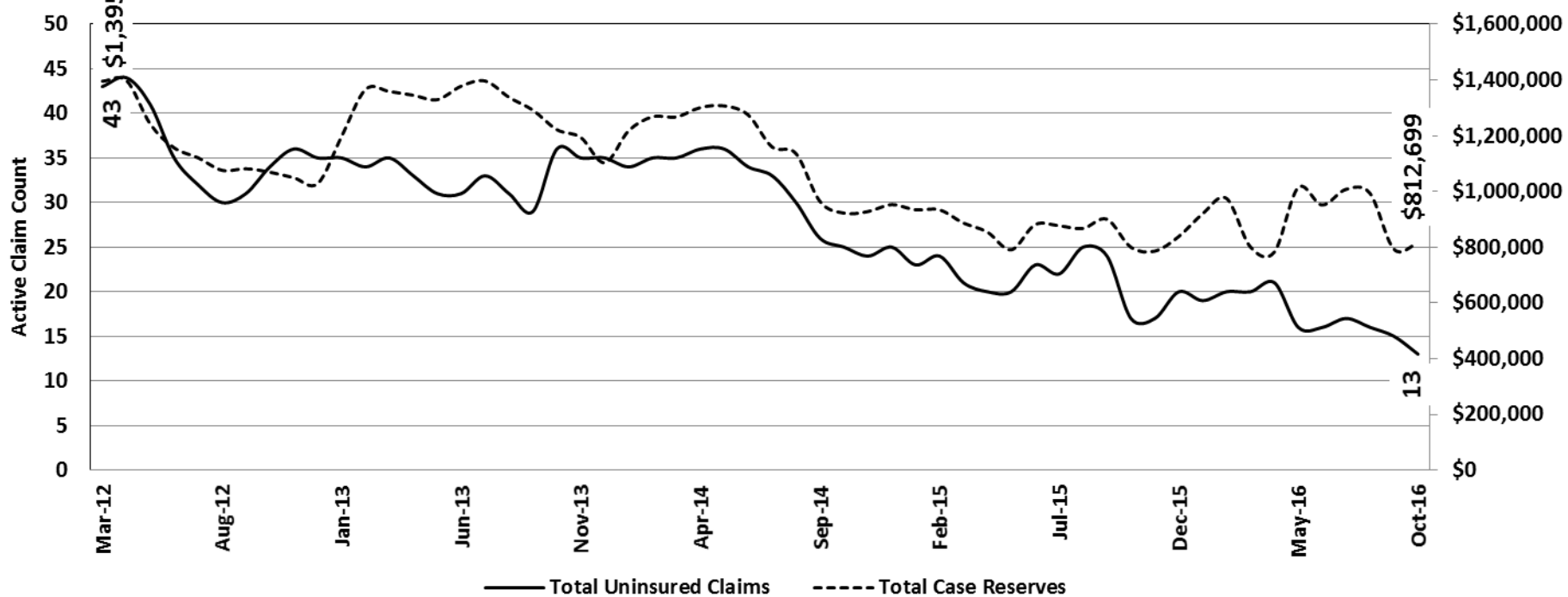
**Old Fund  
Active Claim Counts and Case Reserves  
10/31/2016**



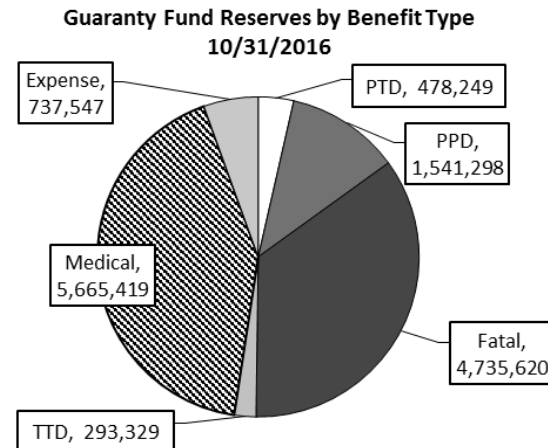
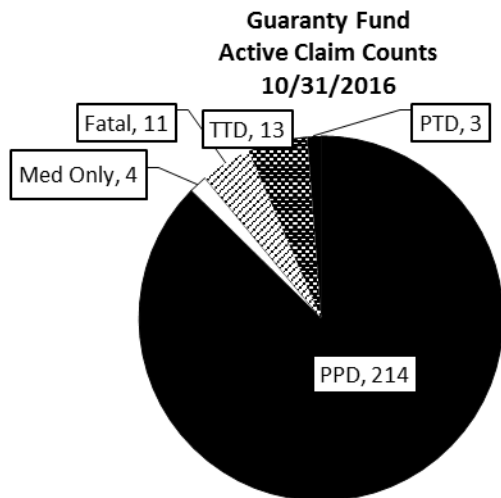
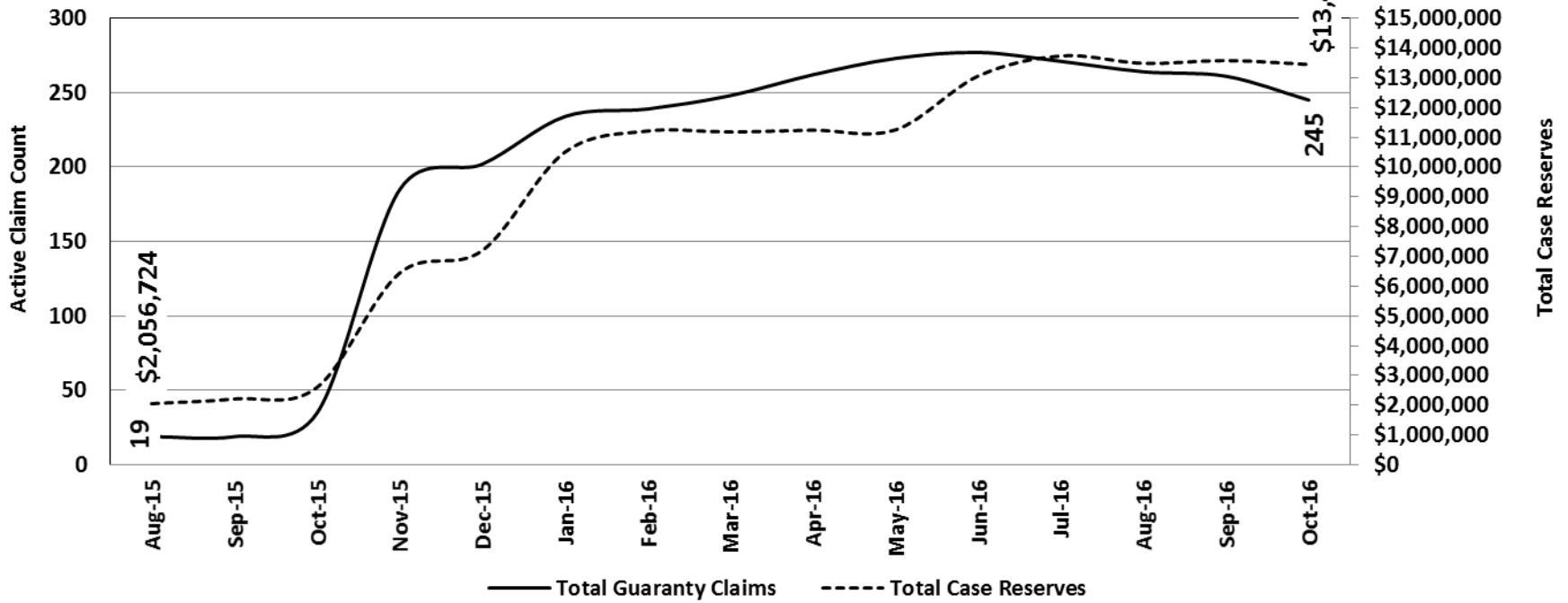




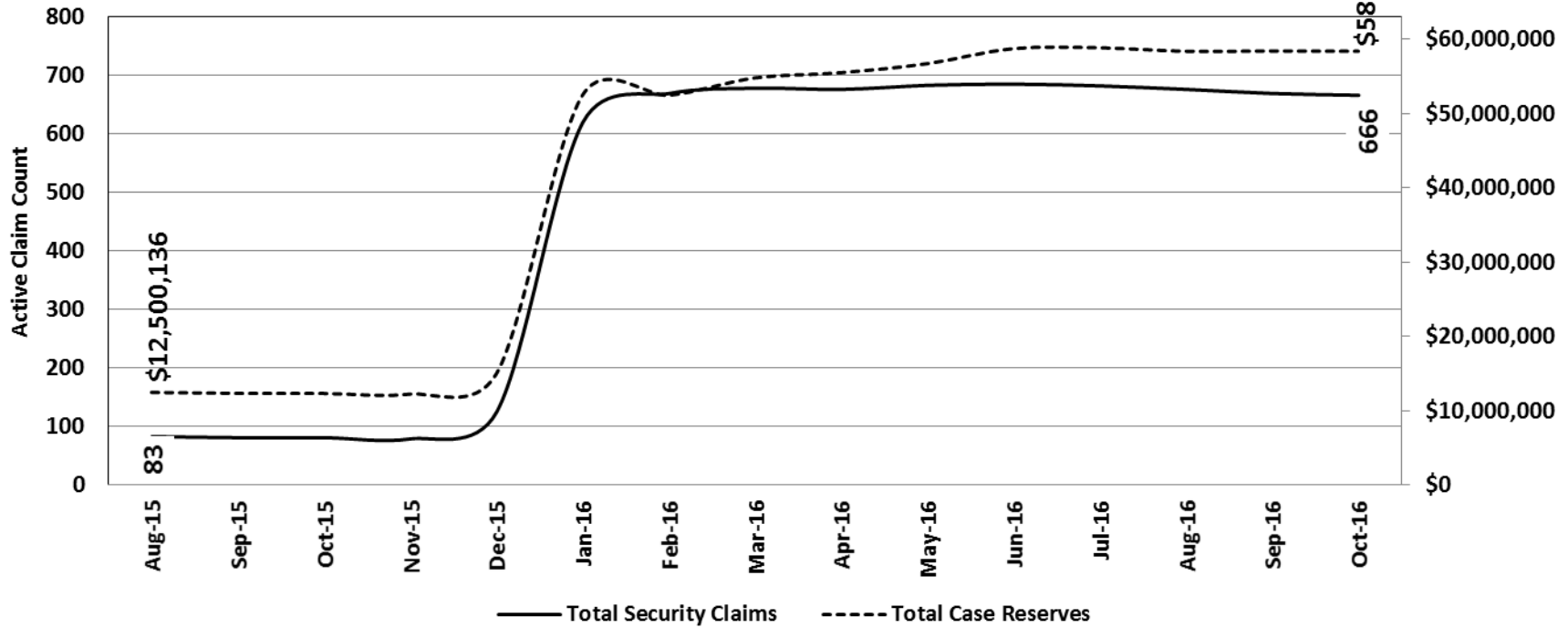
**Uninsured Fund  
Active Claim Counts and Case Reserves  
10/31/2016**



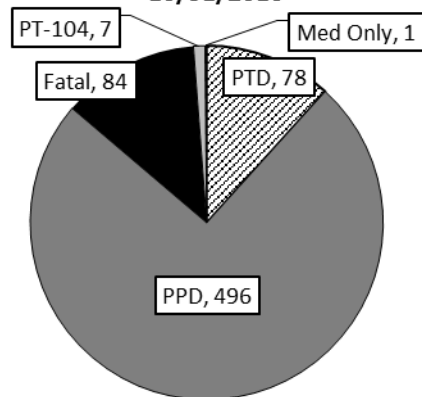
**Guaranty Fund  
Active Claim Counts and Case Reserves  
10/31/2016**



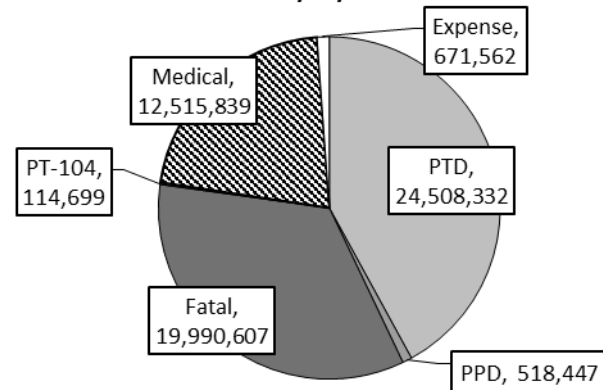
**Security Fund  
Active Claim Counts and Case Reserves  
10/31/2016**



**Security Fund  
Active Claim Counts  
10/31/2016**



**Security Fund Reserves by Benefit Type  
10/31/2016**



OLD FUND CASH STATEMENT

October 31, 2016

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				FY2016	FY2015	FY2014
<b>Cash Beginning Balances</b>	<b>1,280,647,632</b>	<b>1,311,665,427</b>	<b>(31,017,795)</b>	<b>1,311,653,269</b>	<b>1,190,142,811</b>	<b>1,061,595,681</b>
<b>Revenues</b>						
Personal Income Tax	-	10,600,000	(10,600,000)	42,400,000	95,400,000	95,400,000
Severance Tax	13,887,551	34,685,212	(20,797,661)	73,068,796	125,703,925	109,467,900
Debt Reduction Surcharge	5,440,798	17,959,118	(12,518,320)	25,211,458	34,106,221	34,138,820
Self-Insured Debt Reduction Surcharge	1,821,849	3,235,327	(1,413,478)	6,209,330	8,859,759	8,493,207
Video Lottery	1,808,077	2,726,338	(918,261)	6,734,934	11,000,000	11,000,000
Employer Premium	25,862	32,286	(6,424)	111,955	202,532	284,075
Other Income - Return of Unclaimed Property	259,506	8,672	250,834	184,888	153,763	92,953
<b>Operating Revenues</b>	<b>23,243,643</b>	<b>69,246,953</b>	<b>(46,003,310)</b>	<b>153,921,361</b>	<b>275,426,199</b>	<b>258,876,955</b>
Investment / Interest Earnings (Losses)	47,430,852	(56,942,398)	104,373,251	(5,981,504)	34,715,474	67,734,120
<b>Total Revenues</b>	<b>70,674,496</b>	<b>12,304,554</b>	<b>58,369,941</b>	<b>147,939,857</b>	<b>310,141,673</b>	<b>326,611,075</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	8,987,605	9,177,012	(189,407)	26,890,541	29,881,043	31,791,671
Permanent Total Disability	31,355,680	33,487,750	(2,132,070)	98,784,921	104,948,107	111,490,282
Permanent Partial Disability	114,468	78,513	35,954	232,699	353,749	720,723
Temporary Disability	-	-	-	8,554	-	7,741
Fatal	7,904,915	8,205,709	(300,794)	24,098,586	25,497,598	26,407,057
104 weeks death benefit	1,920,461	2,203,057	(282,596)	6,990,581	5,883,387	6,200,020
Settlements	3,816,325	3,257,567	558,758	12,718,425	12,206,388	9,136,495
Loss Adjustment Expenses	446,939	866,189	(419,250)	1,970,779	2,029,136	1,467,221
Total	<b>54,546,394</b>	<b>57,275,797</b>	<b>(2,729,404)</b>	<b>171,695,087</b>	<b>180,799,408</b>	<b>187,221,209</b>
Less: Claims credits and overpayments	1,408,336	627,757	780,579	3,044,395	2,240,415	3,265,629
Total Benefits Paid	53,138,057	56,648,040	(3,509,982)	168,650,692	178,558,993	183,955,580
Administrative Expenses	2,368,946	2,696,647	(327,700)	10,294,801	10,060,064	14,108,365
<b>Total Expenditures</b>	<b>55,507,004</b>	<b>59,344,686</b>	<b>(3,837,683)</b>	<b>178,945,493</b>	<b>188,619,057</b>	<b>198,063,945</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>15,167,492</b>	<b>(47,040,132)</b>	<b>62,207,624</b>	<b>(31,005,636)</b>	<b>121,522,616</b>	<b>128,547,130</b>
<b>Cash Ending Balances</b>	<b>1,295,815,124</b>	<b>1,264,625,295</b>	<b>31,189,829</b>	<b>1,280,647,632</b>	<b>1,311,665,427</b>	<b>1,190,142,811</b>

Note: The purpose of this report is to enhance the user's ability to monitor the cash activities of the Old Fund. The Old Fund assets consist of cash and investments with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The liabilities of the Old Fund consist of the worker's compensation claims and related expenses for all claims, actual and incurred but not reported for claims with dates of injury on or before June 30, 2005. This report is intended to provide a summary of the cash based transactions related to the Fund's assets and liabilities and is not an accrual based presentation. The Old Fund Cash Statement is unaudited information.

COAL WORKERS PNEUMOCONIOSIS FUND

October 31, 2016

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				FY2016	FY2015	FY2014
<b>Cash Beginning Balances</b>	<b>245,945,240</b>	<b>264,657,327</b>	<b>(18,712,088)</b>	<b>264,657,327</b>	<b>267,173,190</b>	<b>266,720,430</b>
<b>Revenues</b>						
Investment Earnings (Losses)	8,169,012	(12,475,432)	20,644,444	(5,091,164)	10,347,881	17,915,475
Other Income - Return of Unclaimed Property	1,276	-	1,276	3,797	876	-
<b>Total Revenues</b>	<b>8,170,288</b>	<b>(12,475,432)</b>	<b>20,645,720</b>	<b>(5,087,367)</b>	<b>10,348,758</b>	<b>17,915,475</b>
<b>Expenditures</b>						
Payment of Claims	4,980,907	3,835,091	1,145,815	12,878,025	11,990,810	17,376,923
Contractual / Professional	215,637	262,361	(46,724)	746,381	873,390	85,747
Legal	-	-	-	-	-	-
General and Administrative	45	135	(90)	315	420	45
<b>Total Expenditures</b>	<b>5,196,589</b>	<b>4,097,587</b>	<b>1,099,001</b>	<b>13,624,721</b>	<b>12,864,620</b>	<b>17,462,715</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>2,973,700</b>	<b>(16,573,019)</b>	<b>19,546,719</b>	<b>(18,712,088)</b>	<b>(2,515,863)</b>	<b>452,760</b>
<b>Cash Ending Balances</b>	<b>248,918,939</b>	<b>248,084,308</b>	<b>834,632</b>	<b>245,945,240</b>	<b>264,657,327</b>	<b>267,173,190</b>

Note: The Coal Worker's Pneumoconiosis Fund (CWP Fund) ceased operations December 31, 2005 and is in run-off status under the administrative oversight of the Insurance Commissioner. Established in 1973, the CWP Fund existed to provide insurance coverage to companies for liabilities incurred as a result of the Federal Coal Mine Health and Safety Act of 1969. Participation in the CWP Fund was voluntary for employers. The current revenues of the CWP Fund are limited to the earnings from invested assets. Assets of the CWP Fund are invested with the WV Investment Management Board. The investment earnings are presented in the month in which the State Treasurer records the earnings. The liabilities of the CWP Fund consist of the claims for coal miners who are totally disabled or beneficiaries of coal miners who have died as a result of coal worker's pneumoconiosis. To be eligible for benefits from the CWP Fund, the date of last exposure of the coal miner must be on or before December 31, 2005. The Coal Workers Cash Statement is unaudited information.

SELF-INSURED GUARANTY RISK POOL  
October 31, 2016

				Three Year History for years ended:		
	YTD FY2017	YTD FY2016	Change	FY2016	FY2015	FY2014
<b>Cash Beginning Balances</b>	<b>33,462,454</b>	<b>16,014,340</b>	<b>17,448,114</b>	<b>16,014,340</b>	<b>15,603,319</b>	<b>14,815,337</b>
<b>Revenues</b>						
Guaranty Risk Pool Assessments	-	-	-	18,684	89,571	124,520
Collateral Proceeds	-	-	-	19,422,025	-	-
Investment Earnings (Losses)	1,134,600	(751,823)	1,886,422	(155,883)	612,972	1,027,230
<b>Total Revenues</b>	<b>1,134,600</b>	<b>(751,823)</b>	<b>1,886,422</b>	<b>19,284,826</b>	<b>702,542</b>	<b>1,151,751</b>
<b>Expenditures</b>						
Payment of Claims	886,741	68,133	818,608	1,683,481	263,947	255,607
Contractual / Professional	53,900	3,481	50,419	153,231	27,575	107,348
Legal	-	-	-	-	-	815
<b>Total Expenditures</b>	<b>940,641</b>	<b>71,614</b>	<b>869,027</b>	<b>1,836,711</b>	<b>291,522</b>	<b>363,769</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>193,959</b>	<b>(823,436)</b>	<b>1,017,396</b>	<b>17,448,114</b>	<b>411,021</b>	<b>787,981</b>
<b>Cash Ending Balances</b>	<b>33,656,413</b>	<b>15,190,903</b>	<b>18,465,510</b>	<b>33,462,454</b>	<b>16,014,340</b>	<b>15,603,319</b>

The Self-Insured Guaranty Risk Pool covers the claims liabilities of bankrupt or defaulted self-insured employers with dates of injury subsequent to July 1, 2004. The revenues of the Self-Insured Guaranty Fund are comprised of the guaranty risk pool assessments levied on all self-insured employers and the earnings on invested assets. The assets of the Self-insured Guaranty Risk Pool are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Self Insured Guaranty Cash Statement is unaudited information.

SELF-INSURED SECURITY RISK POOL  
October 31, 2016

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				FY2016	FY2015	FY2014
<b>Cash Beginning Balances</b>	<b>53,859,338</b>	<b>9,208,803</b>	<b>44,650,535</b>	<b>9,208,803</b>	<b>7,137,316</b>	<b>6,754,601</b>
<b>Revenues</b>						
Security Risk Pool Assessments	-	160,031	(160,031)	230,340	1,114,180	1,072,311
Collateral Proceeds	-	-	-	47,503,193	1,425,061	-
Investment Earnings (Losses)	1,892,619	(431,392)	2,324,012	201,775	310,550	151,334
<b>Total Revenues</b>	<b>1,892,619</b>	<b>(271,361)</b>	<b>2,163,981</b>	<b>47,935,308</b>	<b>2,849,791</b>	<b>1,223,645</b>
<b>Expenditures</b>						
Payment of Claims	1,403,272	227,328	1,175,944	2,996,676	736,434	789,254
Contractual / Professional Legal	80,279	12,834	67,445	288,097	41,774	48,446
	-	-	-	-	96	3,230
<b>Total Expenditures</b>	<b>1,483,551</b>	<b>240,162</b>	<b>1,243,389</b>	<b>3,284,773</b>	<b>778,304</b>	<b>840,930</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>409,068</b>	<b>(511,524)</b>	<b>920,592</b>	<b>44,650,535</b>	<b>2,071,487</b>	<b>382,715</b>
<b>Cash Ending Balances</b>	<b>54,268,406</b>	<b>8,697,280</b>	<b>45,571,127</b>	<b>53,859,338</b>	<b>9,208,803</b>	<b>7,137,316</b>

The Self-Insured Security Risk Pool is liable for the worker's compensation claims of bankrupt or defaulted self-insured employers with dates of injury prior to July 1, 2004. However, the obligations of this Fund are limited to the exposures of self-insured employers who default subsequent to December 31, 2005. The assets of the Self-insured Security Risk Pool are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Self Insured Security Cash Statement is unaudited information.



UNINSURED EMPLOYERS FUND  
October 31, 2016

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				FY2016	FY2015	FY2014
<b>Cash Beginning Balances</b>	<b>11,864,792</b>	<b>12,125,188</b>	<b>(260,397)</b>	<b>12,125,188</b>	<b>11,714,178</b>	<b>10,801,353</b>
<b>Revenues</b>						
Fines and Penalties	194,446	215,873	(21,428)	625,093	765,082	768,532
Investment Earnings (Losses)	334,650	(511,699)	846,350	(205,615)	408,442	682,644
<b>Total Revenues</b>	<b>529,096</b>	<b>(295,826)</b>	<b>824,922</b>	<b>419,478</b>	<b>1,173,523</b>	<b>1,451,176</b>
<b>Expenditures</b>						
Payment of Claims	232,351	41,081	191,271	450,719	589,781	286,421
Contractual/Professional	2,679	3,387	(708)	14,051	8,922	26,825
General and Administrative	45	45	-	105	60	105
Insurance	107,500	107,500	-	215,000	163,750	225,000
<b>Total Expenditures</b>	<b>342,575</b>	<b>152,013</b>	<b>190,563</b>	<b>679,875</b>	<b>762,513</b>	<b>538,351</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>186,520</b>	<b>(447,838)</b>	<b>634,359</b>	<b>(260,397)</b>	<b>411,010</b>	<b>912,825</b>
<b>Cash Ending Balances</b>	<b>12,051,312</b>	<b>11,677,350</b>	<b>373,962</b>	<b>11,864,792</b>	<b>12,125,188</b>	<b>11,714,178</b>

The Uninsured Employer's Fund (UEF) was established January 1, 2006 to provide worker's compensation benefits to injured workers of uninsured WV employers. The revenues of the UEF consist of fines levied on uninsured employers and the earnings on invested assets. The assets of the UEF are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Insurance Commissioner has the right to levy assessments on employers in order to maintain the solvency of the Fund. The Commissioner may recover all payments made from this fund, including interest, from an uninsured employer who is found liable for benefits paid from the UEF. The Uninsured Cash Statement is unaudited information.

# BOARD OF TREASURY INVESTMENTS

## CALENDAR NOTE

Board Meeting  
November 10, 2016

## OPERATING REPORT

### AUGUST 2016

#### Board of Treasury Investments

1900 Kanawha  
Boulevard East  
Suite E-122  
Charleston WV  
25305  
(304) 340-1564  
www.wvbt.com

#### Board of Directors

John D. Perdue,  
State Treasurer,  
Chairman

Earl Ray Tomblin,  
Governor

Lisa A. Hopkins,  
State Auditor

Richard "Chap"  
Donovan, CPA

Michael L. Glasser,  
Esq. Attorney  
Appointed by the  
Governor

#### Executive Staff

Executive  
Director

Kara K. Hughes,  
CPA, MBA, CFE

Chief Financial  
Officer

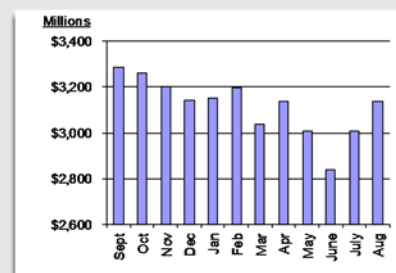
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$3,135,082,000**

Last Month  
**\$3,007,823,000**

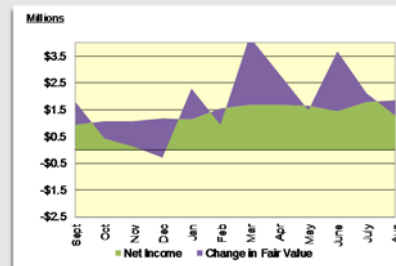
Beginning of Fiscal Year  
**\$2,839,161,000**



Net Assets for the Past 12 Months

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$3,390,000**



Monthly Net Income & Changes in Fair Value for the Past 12 Months

### Money Market Pools

As of August 31, 2016

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	0.5523%	49 Days	\$1.8 Billion
WV Gov't Money Market	0.2660%	49 Days	\$203.8 Million

\* Yields represent the simple money market yield net of fees.

\*\* W.A.M. is the weighted average maturity.

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## THE ECONOMIC STATE

### AUGUST 2016

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#### All Eyes on the Fed – Rate Hike?

##### Market Environment

Coming on the heels of a rally in July, equities posted modest returns in August as volatility hovered around historic lows. In the US, small-cap stocks marginally outperformed large-cap equities, with the Russell 2000 returning 1.8% last month compared to the S&P 500's 0.1% gain. Equities in developed markets also posted moderate returns. The MSCI EAFE Index gained 0.1% in August with currency depreciation eroding returns as the US dollar reversed course and strengthened against the yen and euro. Emerging market stocks continued their year-to-date rally with the MSCI EM Index returning 2.5%, as investors discounted the likelihood of the Fed raising rates in September. Within emerging markets, investors, encouraged by positive business indicators and economic data, drove Chinese stocks higher by 8% despite continued pressure on commodity prices. The Bloomberg Commodity Index fell 1.8% in August, continuing its slide in the third quarter after rebounding in the first half of the year.

The 10-year US Treasury yield rose 13 basis points to 1.58% in August off of secular lows, providing a headwind to domestic fixed-income returns. Slight credit spread compression helped offset the increase in yield with the Barclays US Credit Index gaining 0.2% as the Barclays US Treasury Index fell 0.6% on the month. High-yield debt was generally positive amid spread tightening with the US Corporate High Yield Index returning 1.9%. Emerging market debt indices were modestly positive in August as greater demand for higher yielding assets has been matched by near record issuance of hard currency debt.

##### Equity Market Results

As noted above, US equity markets on balance posted positive results during the month. Blue chip stocks, represented by the S&P 500 Index, posted a 0.14% return. Small cap stocks, as represented by the Russell 2000 Index, fared better, generating a 1.77% return.

International equity markets also rose during August. Developed international markets, represented by the MSCI EAFE Index, posted a small gain of 0.07%. Emerging markets treated investors better, rising 2.49%.

##### Bond Market Results

Bonds investors saw decided mixed results during the month. Core US bonds, represented by the Barclays Capital Aggregate Index, fell 0.11%. International bonds, as represented by the Citigroup Non-US World Government Bond Index (WGBI) hedged, fell 0.34%. High yield bonds, one of the riskier segments, generated equity-like results, rising 2.23% during August.

Cash-like instruments generated positive results during the month, with the BofA ML 3-month T-bill and LIBOR each returning 0.02% and 0.06%, respectively.

##### Market Outlook

After an early summer marked by positive equity returns and generally strong economic data in the US, investors paused in August and pondered what an ever-dovish Fed might mean for asset prices going forward. While we are not in the business of forecasting Fed rate hikes--markets currently estimate the likelihood of a September hike at around 20%--it is clear that mid- and long-term rate expectations remain low. Whether or not a Fed rate hike comes in September, December or even 2017, investors face a difficult trade-off in balancing the ability of sustained easy policy to extend the rally in US equities against the fundamental headwinds of high valuations and declining profit margins.

While we recognize the possibility that US equities could remain in favor if the Fed drag's its feet, we believe fundamentals dictate an opportune time for investors to rebalance their equity portfolios to assume a more global posture. To that end, we continue to believe global mandates and strategies that invest down the cap spectrum offer greater alpha potential. Sustained currency market volatility and diverging macroeconomic conditions also provide a strong alpha backdrop for global macro strategies – which we believe may also yield correlation benefits for many portfolios. In fixed income, we maintain the view that global bond exposure is a mostly uncompensated risk as yields hover around record lows. We argue investors will be better served by seeking diversification within their bond allocation in other ways, such as seeking longer duration assets or adding a dedicated allocation to TIPS.

# West Virginia Board of Treasury Investments

## Financial Highlights as of August 31, 2016

### WV Short Term Bond Pool

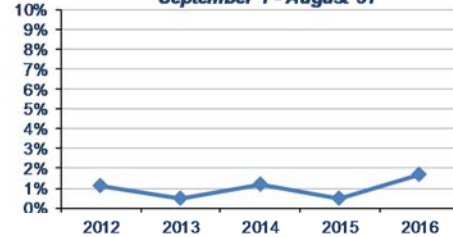
#### Rates of Return for the Past 12 Months *Net of All Fees*

September 1 - August 31	Return	Net Assets At Aug 31 <i>(In Millions)</i>
2016	1.7%	\$ 774.0
2015	0.5%	\$ 804.1
2014	1.2%	\$ 787.6
2013	0.5%	\$ 716.6
2012	1.1%	\$ 500.0

*Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool*

#### WV Short Term Bond Pool Rates of Return

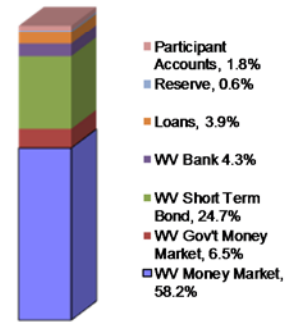
*Past 12 Months  
September 1 - August 31*



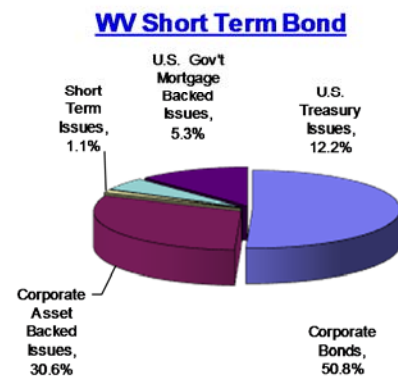
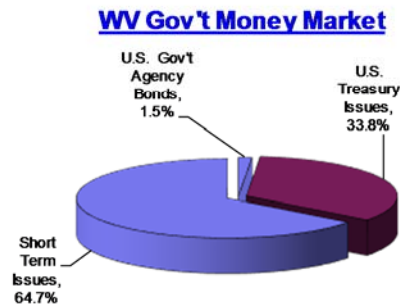
### Summary of Value and Earnings *(In Thousands)*

Pool	Net Asset Value	Aug Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 1,824,642	\$ 835	\$ 1,604
WV Gov't Money Market	203,807	49	96
WV Short Term Bond	773,951	289	1,512
WV Bank	136,302	57	108
Loans	122,522	34	69
Reserve	18,779	7	12
Participant Accounts	55,079	(10)	(11)
	<u>\$ 3,135,082</u>	<u>\$ 1,261</u>	<u>\$ 3,390</u>

#### Percent of Total Net Asset Value



### Securities by Type for Operating Pools *(Percentage of Asset Value)*



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**AUGUST 31, 2016**  
*(IN THOUSANDS)*

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Other Pools</u>	<u>Participant Directed Accounts</u>	<u>Total</u>
<b>Assets</b>							
Investments:							
At amortized cost	\$ 1,844,493	\$ 203,739	\$ -	\$ 136,143	\$ 141,272	\$ -	\$ 2,325,647
At fair value	-	-	775,384	-	-	54,952	830,336
Other assets	651	138	3,843	177	47	128	4,984
Total assets	<u>1,845,144</u>	<u>203,877</u>	<u>779,227</u>	<u>136,320</u>	<u>141,319</u>	<u>55,080</u>	<u>3,160,967</u>
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased							
	20,502	70	5,276	18	18	1	25,885
Total liabilities	<u>20,502</u>	<u>70</u>	<u>5,276</u>	<u>18</u>	<u>18</u>	<u>1</u>	<u>25,885</u>
<b>Net Position</b>							
Held in trust for investment pool participants	1,824,642	203,807	773,951	136,302	141,301	-	3,080,003
Held in trust for individual investment account holders	-	-	-	-	-	55,079	55,079
Total net position	<u>\$ 1,824,642</u>	<u>\$ 203,807</u>	<u>\$ 773,951</u>	<u>\$ 136,302</u>	<u>\$ 141,301</u>	<u>\$ 55,079</u>	<u>\$ 3,135,082</u>
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 414	\$ 67	\$ 979	\$ 61	\$ 46	\$ 53	\$ 1,620
Net (amortization) accretion	540	(1)	(48)	-	-	(18)	473
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>954</u>	<u>66</u>	<u>931</u>	<u>61</u>	<u>46</u>	<u>35</u>	<u>2,093</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	119	17	90	4	5	-	235
Total investment expenses	<u>119</u>	<u>17</u>	<u>90</u>	<u>4</u>	<u>5</u>	<u>-</u>	<u>235</u>
Net investment income	835	49	841	57	41	35	1,858
Net realized gain (loss) from investments	-	-	15	-	-	-	15
Net increase (decrease) in fair value of investments	-	-	(567)	-	-	(45)	(612)
Net increase (decrease) in net position from operations	835	49	289	57	41	(10)	1,261
Participant transaction additions:							
Purchase of pool units by participants	1,155,904	18,932	-	51	5	-	1,174,892
Reinvestment of pool distributions	835	49	864	57	41	-	1,846
Contributions to individual investment accounts	-	-	-	-	-	135	135
Total participant transaction additions	<u>1,156,739</u>	<u>18,981</u>	<u>864</u>	<u>108</u>	<u>46</u>	<u>135</u>	<u>1,176,873</u>
Total additions	1,157,574	19,030	1,153	165	87	125	1,178,134
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	835	49	841	57	41	-	1,823
Net realized gain (loss) from investments	-	-	15	-	-	-	15
Total distributions to pool participants	<u>835</u>	<u>49</u>	<u>856</u>	<u>57</u>	<u>41</u>	<u>-</u>	<u>1,838</u>
Participant transaction deductions:							
Redemption of pool units by participants	1,018,878	19,969	8,999	52	1,140	-	1,049,038
Withdrawals from individual investment accounts	-	-	-	-	-	-	-
Total participant transaction deductions	<u>1,018,878</u>	<u>19,969</u>	<u>8,999</u>	<u>52</u>	<u>1,140</u>	<u>-</u>	<u>1,049,038</u>
Total deductions	<u>1,019,713</u>	<u>20,018</u>	<u>9,855</u>	<u>109</u>	<u>1,181</u>	<u>-</u>	<u>1,050,876</u>
Net increase (decrease) in net position from operations	137,861	(988)	(8,702)	56	(1,094)	125	127,258
Inter-pool transfers in	3,100	-	-	10,000	-	-	13,100
Inter-pool transfers out	(10,000)	-	-	(3,100)	-	-	(13,100)
Net inter-pool transfers in (out)	<u>(6,900)</u>	<u>-</u>	<u>-</u>	<u>6,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	130,961	(988)	(8,702)	6,956	(1,094)	125	127,258
Net position at beginning of period	1,693,681	204,795	782,653	129,346	142,395	54,954	3,007,824
Net position at end of period	<u>\$ 1,824,642</u>	<u>\$ 203,807</u>	<u>\$ 773,951</u>	<u>\$ 136,302</u>	<u>\$ 141,301</u>	<u>\$ 55,079</u>	<u>\$ 3,135,082</u>

# BOARD OF TREASURY INVESTMENTS

## CALENDAR NOTE

Board Meeting  
January 26, 2017

## OPERATING REPORT

### OCTOBER 2016

#### Board of Treasury Investments

1900 Kanawha  
Boulevard East  
Suite E-122  
Charleston WV  
25305  
(304) 340-1564  
www.wvbt.com

#### Board of Directors

John D. Perdue,  
State Treasurer,  
Chairman

Earl Ray Tomblin,  
Governor

Lisa A. Hopkins,  
State Auditor

Richard "Chap"  
Donovan, CPA

Michael L. Glasser,  
Esq. Attorney  
Appointed by the  
Governor

#### Executive Staff

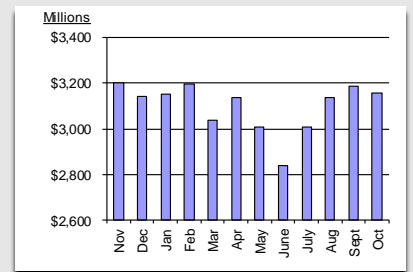
Executive  
Director  
Kara K. Hughes,  
CPA, MBA, CFE  
Chief Financial  
Officer  
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$3,154,382,000**

Last Month  
**\$3,184,261,000**

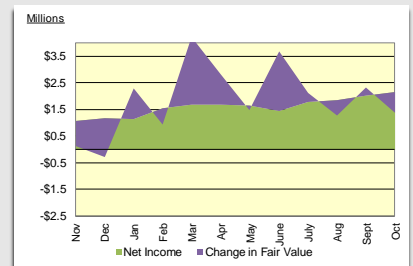
Beginning of Fiscal Year  
**\$2,839,161,000**



Net Assets for the Past  
12 Months

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$7,103,000**



Monthly Net Income &  
Changes in Fair Value for  
the Past 12 Months

### Money Market Pools

As of October 31, 2016

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	0.6878%	46 Days	\$1.8 Billion
WV Gov't Money Market	0.2804%	46 Days	\$220.4 Million

\* Yields represent the simple money market yield net of fees.

\*\* W.A.M. is the weighted average maturity.



# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## THE ECONOMIC STATE

### OCTOBER 2016

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#### US Election Causes Economic Volatility

##### Market Environment

US equities sold off in October ahead of the presidential elections on November 8. The S&P 500 lost 1.8% on the month and the Russell 2000 fell 4.8% amid lackluster earnings reports. Emerging market equities eked out modest gains generated partially by continued capital inflows. International developed-market equities were in the black but currency depreciation offset gains for unhedged investors as the pound, euro, and yen fell against the dollar; the unhedged MSCI EAFE Index lost 2.0%.

Despite the seemingly risk-averse environment, most fixed-income indices fell in October. The 10-year Treasury yield rose 21 basis points amid signs of inflation and indications from the Federal Reserve that it would allow the economy to “run hot.” As a result, the Barclays US Treasury Index fell 1.1% with long issues fairing worse as the Barclays Long Treasury Index declined 4.1%. The losses were somewhat offset by credit spread compression in the Barclays Aggregate Index, which fell just 0.8%, while the Barclays High Yield Index rose 0.4% in October. Steepening yield curves were felt globally, especially in Europe, where investors appear skeptical about the European Central Bank’s ability to maintain or expand its current pace of debt purchases. To this end, the Citi WGBI Index fell 2.4% in October. In real estate, the NAREIT Composite Index tumbled 4.8% around expectation of an interest rate hike in December.

##### Equity Market Results

As noted above, US equity market results were negative during the month. Blue chip stocks, represented by the S&P 500 Index, fell 1.8%, while the Russell 2000 Index, a widely used small cap benchmark, declined 4.75%.

International equity markets also fell during October. Developed international markets, represented by the MSCI EAFE Index, fell 2.05%, while their less established counterparts, represented by the MSCI Emerging Markets Index, rose .24%.

##### Bond Market Results

Bonds investors saw mixed results during the month. Core US bonds, represented by the Barclays Capital Aggregate Index, fell 0.76%. International bonds, as represented by the Citigroup Non-US World Government Bond Index (WGBI) hedged, fell 4.57%. High yield bonds, one of the riskier segments, rose 0.39% during the month.

Cash-like instruments generated positive results during the month, with the BofA ML 3-month T-bill and LIBOR each returning 0.03% and 0.07%, respectively.

##### Market Outlook

As investors brace for potential volatility stemming from the US election, we remind them of the benefits of diversification, discipline and rebalancing. While political events can trigger uncertainty in the short term, investment returns are ultimately shaped by market fundamentals. In the US, we see a broadly supportive backdrop for risky assets despite higher valuations, as the economy experiences a continued expansion and the yield curve remains steep. Additionally, we maintain our overweight recommendation for international developed equities with a partial currency hedge. In fixed income, we remain negative on international developed bond exposure as expected returns hover around historical lows despite the recent uptick in yields.

# West Virginia Board of Treasury Investments

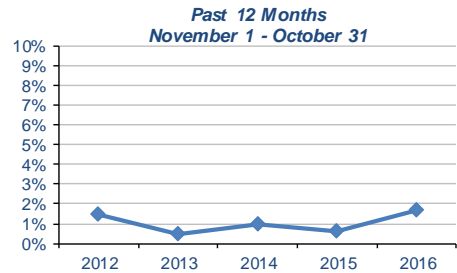
## Financial Highlights as of October 31, 2016

### WV Short Term Bond Pool

#### Rates of Return for the Past 12 Months Net of All Fees

November 1 - October 31	Return	Net Assets At Oct 31 (In Millions)
2016	1.6%	\$ 778.5
2015	0.7%	\$ 803.4
2014	1.0%	\$ 781.9
2013	0.4%	\$ 717.7
2012	1.5%	\$ 500.5

#### WV Short Term Bond Pool Rates of Return

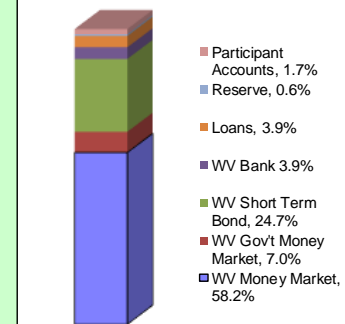


*Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool*

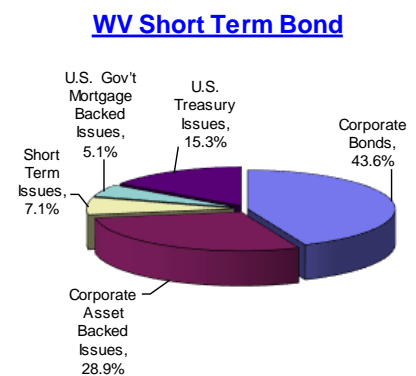
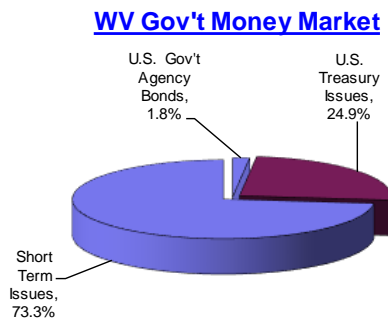
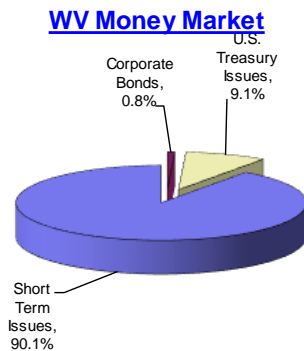
### Summary of Value and Earnings (In Thousands)

Pool	Net Asset Value	Oct Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 1,836,212	\$ 1,089	\$ 3,675
WV Gov't Money Market	220,412	53	199
WV Short Term Bond	778,519	141	2,820
WV Bank	124,748	59	223
Loans	121,522	34	136
Reserve	18,793	7	26
Participant Accounts	54,176	(3)	24
	<b>\$3,154,382</b>	<b>\$ 1,380</b>	<b>\$ 7,103</b>

#### Percent of Total Net Asset Value



### Securities by Type for Operating Pools (Percentage of Asset Value)





**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**OCTOBER 31, 2016**

(IN THOUSANDS)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Other Pools	Participant Directed Accounts	Total
<b>Assets</b>							
Investments:							
At amortized cost	\$ 1,835,808	\$ 220,346	\$ -	\$ 124,551	\$ 140,280	\$ -	\$ 2,320,985
At fair value	-	-	797,872	-	-	53,987	851,859
Other assets	795	120	1,835	208	45	189	3,192
Total assets	<u>1,836,603</u>	<u>220,466</u>	<u>799,707</u>	<u>124,759</u>	<u>140,325</u>	<u>54,176</u>	<u>3,176,036</u>
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased							
	391	54	21,188	11	10	-	21,654
Total liabilities	<u>391</u>	<u>54</u>	<u>21,188</u>	<u>11</u>	<u>10</u>	<u>-</u>	<u>21,654</u>
<b>Net Position</b>							
Held in trust for investment pool participants	1,836,212	220,412	778,519	124,748	140,315	-	3,100,206
Held in trust for individual investment account holders	-	-	-	-	-	54,176	54,176
Total net position	<u>\$ 1,836,212</u>	<u>\$ 220,412</u>	<u>\$ 778,519</u>	<u>\$ 124,748</u>	<u>\$ 140,315</u>	<u>\$ 54,176</u>	<u>\$ 3,154,382</u>
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 547	\$ 62	\$ 1,004	\$ 64	\$ 46	\$ 53	\$ 1,776
Net (amortization) accretion	662	8	(34)	-	-	(18)	618
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>1,209</u>	<u>70</u>	<u>970</u>	<u>64</u>	<u>46</u>	<u>35</u>	<u>2,394</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	127	17	90	5	5	-	244
Total investment expenses	<u>127</u>	<u>17</u>	<u>90</u>	<u>5</u>	<u>5</u>	<u>-</u>	<u>244</u>
Net investment income	1,082	53	880	59	41	35	2,150
Net realized gain (loss) from investments	7	-	214	-	-	-	221
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(953)</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>(991)</u>
Net increase (decrease) in net position from operations	1,089	53	141	59	41	(3)	1,380
Participant transaction additions:							
Purchase of pool units by participants	799,975	19,674	-	57	7	-	819,713
Reinvestment of pool distributions	1,089	53	885	59	41	-	2,127
Contributions to individual investment accounts	-	-	-	-	-	67	67
Total participant transaction additions	<u>801,064</u>	<u>19,727</u>	<u>885</u>	<u>116</u>	<u>48</u>	<u>67</u>	<u>821,907</u>
Total additions	<u>802,153</u>	<u>19,780</u>	<u>1,026</u>	<u>175</u>	<u>89</u>	<u>64</u>	<u>823,287</u>
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	1,082	53	880	59	41	-	2,115
Net realized gain (loss) from investments	7	-	214	-	-	-	221
Total distributions to pool participants	<u>1,089</u>	<u>53</u>	<u>1,094</u>	<u>59</u>	<u>41</u>	<u>-</u>	<u>2,336</u>
Participant transaction deductions:							
Redemption of pool units by participants	837,779	9,816	2,803	57	40	-	850,495
Withdrawals from individual investment accounts	-	-	-	-	-	335	335
Total participant transaction deductions	<u>837,779</u>	<u>9,816</u>	<u>2,803</u>	<u>57</u>	<u>40</u>	<u>335</u>	<u>850,830</u>
Total deductions	<u>838,868</u>	<u>9,869</u>	<u>3,897</u>	<u>116</u>	<u>81</u>	<u>335</u>	<u>853,166</u>
Net increase (decrease) in net position from operations	(36,715)	9,911	(2,871)	59	8	(271)	(29,879)
Inter-pool transfers in	8,570	-	-	-	-	-	8,570
Inter-pool transfers out	-	-	-	(8,570)	-	-	(8,570)
Net inter-pool transfers in (out)	<u>8,570</u>	<u>-</u>	<u>-</u>	<u>(8,570)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(28,145)	9,911	(2,871)	(8,511)	8	(271)	(29,879)
Net position at beginning of period	<u>1,864,357</u>	<u>210,501</u>	<u>781,390</u>	<u>133,259</u>	<u>140,307</u>	<u>54,447</u>	<u>3,184,261</u>
Net position at end of period	<u>\$ 1,836,212</u>	<u>\$ 220,412</u>	<u>\$ 778,519</u>	<u>\$ 124,748</u>	<u>\$ 140,315</u>	<u>\$ 54,176</u>	<u>\$ 3,154,382</u>

To: Joint Committee on Government and Finance  
Legislative Oversight Commission on Education Accountability  
From: West Virginia Workforce Investment Council  
Re: §5B-2B-4a. Report to Legislature

Date: September 2, 2016

Employment within Marcellus Shale Gas Field related industries declined between 2014 and 2015. Statewide employment in oil and gas extraction core industries fell by 1,231 jobs, or 9.3 percent. Growth in two of the six major industry sectors was countered by declines in the four remaining sectors. The average annual wage within the core oil and gas industries decreased by \$1,198, (-1.5%) from \$82,252 in 2014 to \$81,054 in 2015.

Employment growth occurred in **Natural Gas Liquid Extraction (211112)** up 8, or 11.4% and **Pipeline Transportation of Natural Gas (486210)** up 55, or 4.4%. Employment declines included **Crude Petroleum & Natural Gas Extraction (211111)** down 48, or 1.8%, **Drilling Oil & Gas Wells (213111)** down 110, or 7.6%, **Support Activities for Oil & Gas Operations (213112)** down 1,009, or 21.9%, and **Oil & Gas Pipeline & Related Structures (237120)** down 127, or 4.1%.

Average annual wage growth occurred in four of the six industry sectors, including **Crude Petroleum & Natural Gas Extraction (211111)** up \$300, or .35%, **Natural Gas Liquid Extraction (211112)** up \$5,629, or 5.9%, **Oil & Gas Pipeline & Related Structures (237120)** up \$2,933, or 3.4%, and **Pipeline Transportation of Natural Gas (486210)** up \$4,660, or 4.6%. Wages declined in **Drilling Oil and Gas Wells (213111)** down \$3,517, or 4.4% and **Support Activities for Oil & Gas Operations (213112)** down \$9,707, or 13.1%.

### **Workforce Investment Board Regional Activity**

Employment and wage data related to oil and gas extraction varied considerably across the state's seven workforce investment areas between 2014 and 2015.

**Workforce Investment Area 1 (Fayette, Greenbrier, McDowell, Mercer, Monroe, Nicholas, Pocahontas, Raleigh, Summers, Webster, Wyoming)** experienced a decline in the average annual wage of \$7,190 (-9.2%) dropping to \$71,029., while employment fell 46 (-15.5%) to 251.

**Workforce Investment Area 2 (Boone, Cabell, Lincoln, Logan, Mingo, Putnam, Wayne)** saw an increase of \$1,000 (+1.2%) in the average annual wage, climbing to \$86,395. Employment declined 60 (-7.1%) to 790.

**Workforce Investment Area 3 (Kanawha)** saw an increase of \$6,744 (+7.0%) in the average annual wage, climbing to \$102,410. Employment experienced a small decline of 12 (-.86%), slipping to 1,391.

**Workforce Investment Area 4 (Calhoun, Clay, Jackson, Mason, Pleasants, Ritchie, Roane, Wirt, Wood)** saw a decline of \$3,820 (-6.5%) in the average annual wage, falling to \$54,719. Employment declined as well, falling 178 (-9.6%) to 1,677.

**Workforce Investment Area 5 (Brooke, Hancock, Marshall, Ohio, Tyler, Wetzel)** experienced a decline of \$957 (-1.0%) in the average annual wage, falling to \$93,581. Employment declined considerably, falling 311 (-40.8%) to 452.

**Workforce Investment Area 6 (Barbour, Braxton, Doddridge, Gilmer, Harrison, Lewis, Marion, Monongalia, Preston, Randolph, Taylor, Tucker, Upshur)** experienced a decline of \$4,344 (-5.3%) in the average annual wage, falling to \$76,889. Employment fell 922 (-19.0%) to 3,939.

**Workforce Investment Area 7 (Berkeley, Grant, Hampshire, Hardy, Jefferson, Mineral, Morgan, Pendleton):** Due to low employment levels, data for this area is not disclosable.

### Employment Change by Demographics and Residency

Core oil and gas industry sectors are dominated by male employees, but employment among female workers increased in some of the sectors between 2014 and 2015. The number of female employees grew by 22 (+11.2%) in **Pipeline Transportation of Natural Gas (4862)** and by 80 (+22.0%) in **Utility System Construction (2371)**.

Employment gains by race varied widely by industry sector, but some employment gains by percentage for **Utility System Construction (2371)** included Black or African American Alone (+8%), American Indian or Alaska Native Alone (+56%), Asian Alone (+25%), Two or More Race Groups (+80%), and Hispanic or Latino (+32.6%).

A survey conducted by WorkForce West Virginia queried all companies performing work in the oil and gas industry within the state on legal residency and veteran status of employees. The percentage of employers responding was 46.1 percent. Results of the survey reveal the percentage of legal state residents employed in five core oil and gas sectors as follows: **Crude Petroleum & Natural Gas Extraction (211111)** 87.9 percent, **Drilling Oil & Gas Wells (213111)** 67.5 percent, **Support Activities for Oil & Gas Operations (213112)** 84.4 percent, **Oil & Gas Pipeline & Related Structures Construction (237120)** 59.4 percent, and **Pipeline Transportation of Natural Gas (486210)** 64.8 percent. The percentage of veterans employed in these sectors is as follows: **(211111)** 6.0 percent, **(213111)** 3.5 percent, **(213112)** 4.8 percent, **(237120)** 1.8 percent, and **(486210)** 2.6 percent.

According to WorkForce West Virginia, 614 people who received unemployment benefits gained employment in a subsequent quarter of 2015 in one of the six core oil and gas industry sectors. Of this total, 356 of these workers had not been employed within one of these six sectors prior to 2015.

### Occupational Wages in Oil and Gas Extraction Core Sectors

The table below provides wage data on key occupations within the Oil and Gas Extraction Industry. The wage range varies from a high of Gas Plant Operators at \$64,460 to Roustabouts, Oil and Gas at \$32,270.

### Key Occupations in Marcellus Shale related core industries

SOC	SOC / Job Title	Ann Wage*
47-2061	Construction Laborers	\$32,490
47-2073	Operating Engineers	\$48,340
47-5011	Derrick Operators, Oil & Gas	\$44,960
47-5012	Rotary Drill Operators, Oil & Gas	\$51,010
47-5013	Service Unit Operators, Oil & Gas	\$41,700
47-5071	Roustabouts, Oil & Gas	\$32,270
49-9041	Industrial Machinery Mechanics	\$43,380
51-4121	Welders	\$45,810
51-8092	Gas Plant Operators	\$64,460
53-3032	Truck Drivers, Heavy and Tractor-Trailer	\$38,070
53-7071	Gas Compressor and Gas Pumping Station Operators	\$59,280
53-7073	Wellhead Pumpers	\$37,880

2015 mean annual wage