

The Honorable Mitch Carmichael, Chair

**JOINT COMMITTEE ON  
GOVERNMENT AND FINANCE**

**Materials Distributed**

**December 5, 2017**

Speaker Armstead Presides

**AGENDA**  
**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
**December 5, 2017**

11:00 am – 12:00 pm

Senate Finance Room

1. **Approval of November 14, 2017 minutes**

2. **Committee Reports/Requests**

3. **Monthly/Quarterly Reports Received**

Status Reports on Lottery & Unemployment Compensation Fund  
(**William Spencer**, *Director of Legislative Budget Division*)

General Revenue Fund & State Road Fund  
(**Mark Muchow**, *Deputy Secretary, West Virginia Department of Revenue*)

Workforce WV Unemployment Compensation Trust Fund Distribution  
(**Connie Kirk**, *UI Director for Workforce West Virginia*)

Monthly/Quarterly Reports from PEIA, BRIM & Real Estate Report  
(**John Myers**, *Secretary, Department of Administration*)

Department of Health & Human Resources, Medicaid Report & Medicaid Waiver Report  
(**Cynthia Beane**, *Commissioner of Bureau of Medical Services*)

Childrens Health Insurance Program Report,  
(**Stacey L. Shamblin**, *Acting Director, WVCHIP*)

Investment Management Board Distribution  
(**Craig Slaughter**, *Executive Director*)

Workers Compensation  
(**Melinda Kiss**, *OIC Assistant Commissioner-Finance*)

4. **Other Business**

5. **Adjournment**

**West Virginia Legislature**  
1ST SESSION OF THE 49TH LEGISLATURE

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**INTERIM COMMITTEE ATTENDANCE - RESULTS**

TUESDAY, DECEMBER 05, 2017 - 11:00 AM

**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**

**Attended:**

- Delegate Shott
- Delegate Nelson
- Delegate Miller, C.
- Delegate Miley
- Delegate Cowles
- Speaker Armstead
- Senator Trump
- Senator Prezioso
- Senator Karnes
- Senator Ferns
- Senator Blair
- President Carmichael

**Submittor:**

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**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**

**(President Carmichael Presided)**

November 14, 2017

11:00 a.m. – 12:00 p.m.

<b>Senate</b>	<b>House</b>
Carmichael, Chair	Armstead, Chair
Blair	Cowles
Ferns (Absent)	Miller, C.
Karnes	Nelson, E.
Plymale	Shott
Prezioso	Boggs
Trump	Miley

**Speaker Armstead:** “Mr. President, I move that the minutes of our previous meeting be approved.”

**President Carmichael:** “Per the motion, all those in favor will say aye, those opposed no. I declare the motion adopted. The first item on our agenda is the monthly and quarterly reports. I call upon the status on the reports on Lottery Unemployment Compensation Fund. Mr. Spencer?”

**William Spencer:** “Thank you, Mr. President, Speaker and members of the subcommittee. My name is William Spencer and I’m the Legislative Budget Director. I’m here to answer any questions you have.”

**President Carmichael:** “Questions of the committee? Senator Karnes.”

**Senator Karnes:** “This is less of a question and more of maybe just a request, if it’s something you can do. On the executive summary, you know, we’ve got the gross profit for July 2017 to June 2018, but expressed the way it is, it’s kind of in a vacuum. It doesn’t tell ... and I don’t think it would be adding a whole lot of data to the summary if we were to simply ... and we actually do it on the other items. Sort of compare it against last year’s performance which is contained within the report. I believe last year was \$124.7M, is that right?”

**William Spencer:** “Yes, sir.”

**Senator Karnes:** “And then I think I would point out, maybe just a minor error in percentages but it says the percentage gross profit is 6% lower per fiscal 2018 and over 2017, but it seems to me that’s probably .6% lower?”

**William Spencer:** “Yes, it looks like it is ...”

**Senator Karnes:** “But would it be possible to add, you know, a comparison to the previous year’s performance?”

**William Spencer:** “Yes, sir. We can put that in there.”

**Senator Karnes:** “Just put one more line on there. It would make it a little bit easier to see. Because coming in in a vacuum, you know, \$124M sounds great, but I don’t know if that’s down or up from the previous year just by looking at that.”

**William Spencer:** “Yes.”

**Senator Karnes:** “Thanks.”

**President Carmichael:** “Good question, thanks. Other questions for Mr. Spencer? Delegate Shott.”

**Delegate Shott:** “Thank you, Mr. President. I have a question about the consumer sales tax. Whether Mr. Spencer’s the one that would be best to address that ...”

**William Spencer:** “Mr. Muchow is here. He’d probably be better to answer that question for you.”

**President Carmichael:** “Okay, if there are no further questions for Mr. Spencer, I’ll call Mr. Muchow to the podium. Mark.”

**Mark Muchow:** “I’m Mark Muchow, Department of Revenue.”

**President Carmichael:** “Delegate Shott.”

**Delegate Shott:** “Just a question about the consumer sales and use tax, is there any way to analyze the effect of whether there’s a trend toward increased on-line sales that might account for this shortfall, or is this more reflection of the overall economy or is there any way to gauge that at all?”

**Mark Muchow:** “A combination of both. Certainly, on-line activity is up and we have some on-line people that omit the West Virginia sales tax and some that do not and a number of states have taken various actions, some more aggressive than others. Of course, when you take very aggressive action, you end up in court and there’s a case in South Dakota that’s trying to get to the U.S. Supreme Court related to that particular subject right now. So, there are states out there, West Virginia is not alone. The sales tax is ... I looked at some surveys of all 50 states and the sales tax is definitely the weakest performing component in the last couple of years.”

**Delegate Shott:** “In all states.”

**Mark Muchow:** “In all states, virtually all states.”

**Delegate Shott:** “Is it fair to say ... I haven’t been able to track the trend, but is it fair to say that the trend is going to be continued, that it’s going to affect our estimates going forward?”

**Mark Muchow:** “Well, it means that we’ll have to rebenchmark the numbers a little bit. The raw numbers show a negative .4% decline in West Virginia compared to last year and ... but actually, the real number is closer to a positive 1.4. The difference being we transferred a little more money over to the School Building Authority this year than last year, plus the impact of the local municipal sales tax. Local municipal sales tax distributions are at record highs and that impacts the cash flow on occasion and particularly early in the fiscal year, the cash flow is impacted negatively on the State. As those distributions go out in July and October, that will change itself as the year moves forward. The real growth rate is to 1.4. It’s interesting. We took a look at the ... those municipalities that have had a sales tax in place for more than one year and collectively their growth rate here today is also 1.4. So, that 1.4 state average also seems to be holding up on the municipal side as well. If I could just add one more thing, I want to let this ... health care is also playing a big role. The biggest share of increase in consumption in West Virginia in the last few years has been health care. And, health care largely is exempt from sales tax and I’m not sure a conventional sales tax could ever really apply to health care because of the nature of how it’s financed which is different from other expenditures that you and I have. But, part of the health care is that we’re getting older. And, as we get older, for whatever reason, we seem to need a little more than we did when we were younger.

So, I think that's also playing a little bit of a role on consumption spending habits in West Virginia, in addition to the internet activity."

**Delegate Shott:** "Let me ask a different question. When you do your estimates, do you do them based on an annualized basis, per month ... on an average month over a twelve-month period or are you looking at the normal seasonal spikes... like between ... I think next week is Black Friday and ..."

**Mark Muchow:** "Yes, our estimates are annual estimates and they're derived from, and actually broken down by quarters, but they're derived by ... from a U.S. economic forecast model as well as a regional West Virginia model that the same forecasting firm puts out and relates to trends over time. There is a seasonality in that and we try to tease the seasonality out in the revenue estimates themselves and the numbers have been weak recently. In fact, our sales tax numbers through October this year were actually lower for the State than we collected seven years ago. But, seven years ago we had a little ... the base was a little broader. We had a little bit of ... not a full rate of sales tax on food, but we still had a little bit of sales tax on food seven years ago."

**Delegate Shott:** "Okay. What is ... do we have a strategy in terms of how we're going to deal with this internet phenomenon? Are we basically just waiting until this court decision gets to the Supreme Court?"

**Mark Muchow:** "West Virginia is not a major market state. I guess we could be very aggressive and try to end up in court and fight those ... spend those legal funds and whatever to get there, but basically ... it's a two prong process. One is by some states to get a U.S. Supreme Court decision that overturns, or at least modifies previous court decisions, and the other prong is to get Congress to act on the subject and the ... I think the U.S. Supreme Court would prefer that Congress would act. So, it's just a process that's going to play out over some time."

**Delegate Shott:** "I had heard that South Carolina takes a pretty aggressive approach and that it ends up with some sort of communication with their state tax department that results in a form of some sort going to the ultimate consumer of the product that expects them to sell for a report."

**Mark Muchow:** "There is a requirement in a couple of states, and I think Colorado started it, to have vendors who do not collect the tax to notify their customers that they owe the tax, and also, maybe supply some of that information to the Revenue



Department in those states. Colorado is where that began and a hand full of states have taken that route as well.”

**Delegate Shott:** “Do you have any recommendations to whether that is something we would want to look at and would it be helpful?”

**Mark Muchow:** “Well, I will defer to the Tax Commissioner and the Tax Department on that, but the Colorado statute was challenged in court too.”

**Delegate Shott:** “Oh, it was?”

**Mark Muchow:** “They ultimately survived. So, I’m not saying that we can’t go that route, but there are pluses and minuses of doing that. In some of these cases, legislation has prompted the Revenue Departments to act. So, it’s a matter of whether there would be any type of appetite for initiative to direct the Tax Department to do one thing or another. But, I would defer to Commissioner Steager on what his thoughts might be on that.”

**Delegate Shott:** “That’s probably a safer approach. Thank you.”

**President Carmichael:** “Further questions? I recognize the Speaker.”

**Speaker Armstead:** “Thank you, Mr. President. Mark, I just have a question about the severance tax, because it looks like it’s somewhat stabilized and it doesn’t seem to be quite the negative numbers that we’ve had in the past. We’re still \$1M under this month and \$12M, I guess, year-to-date, or almost \$13M. Do you have any breakdown in terms of coal vs. natural gas and where we’re still lagging behind?”

**Mark Muchow:** “We have some breakdowns. The breakdowns ... information for the completed month of October, I don’t believe I have yet. I have information through September. We’ll get the data for October shortly. That’s coming off of tax returns that are filed. So, it’s a snapshot that certainly can change as people, amend or change their tax return filings. The estimate was revised upward in June for this year to reflect the actual trends being upward. Now, most of the gain revenue wise is gas and oil. Although there is some gain on coal, as well, but I think the last I saw ... and I have to look back again, is coal might be up about 10% or so and I don’t have the data with me right now. Natural gas is basically double from last year and oil is up significantly as well and ... so, it’s ... a lot of it ... the price bounced back on natural gas. Now, I think I might have mentioned to you in this committee or another committee last month that I have a little bit of concern about the Henry Hub

prices right now above three dollars per million BT. But, we're basically more dependent upon Dominion South. And, Dominion South prices have been more unstable due to infrastructure issues, and a little more than a month ago we got down to 32 cents which is ... we can't be at 32 cents long without having some impact on the severance tax. Now, I'm happy to report ... this is how volatile this pricing is, the last couple of days the average price has been \$2.27, \$2.58 and \$2.40 but that ... you know, go a few days back and it was less than a dollar. So, it's bouncing around, it's good that the weather has turned cold. Usually colder weather is good for natural gas, but there's a lot of instability in those numbers. So, as long as the gas prices stay reasonably high ... now the forecast is based on a price that's above \$2.00, which is still less than Henry Hub but not nearly where we've seen recently in the prices. So, as long as that comes back up in the winter months and we head into Spring, we'll be in pretty good shape on the severance tax. I might mention on the 12 month trend on trend in severance tax, we've been rising significantly. We bottomed out in December of 2016 at \$245M, and as of October 2017 we're at \$373M. In order to meet the estimate for the entire fiscal year we need to be slightly above \$380M. So, we're sort of in the neighborhood. The expectation is that ... and I think we're starting to see that a little bit in the coal industry and states are going to level out a little bit as we head into the remainder of this fiscal year. We saw a nice bump last year, but if you look at weekly coal production in West Virginia compared to last year, the numbers are pretty close to being identical to last year. We're starting to see that low, wide a bit. Hopefully it'll still stay pushed to that \$90M ton per level as opposed to come back down again, but I think coal is stable. Gas and oil is where the movements are going to be in terms of where the severance ends up."

**Speaker Armstead:** "Okay. Alright, thank you."

**President Carmichael:** "Thank you. I recognize Senator Trump for a question."

**Senator Trump:** "Thank you, Mr. President. Mark, I have a question about the road fund collections. It's running substantially ahead of estimate and it has been all year. So, here's my question. We passed legislation and the Governor signed it this year enhancing some revenues to the road fund; DMV fees, privilege tax, gas tax. Were the estimates revised to reflect the passage of that legislation or is this number we're seeing here in relation to an original estimate before we passed it?"

**Mark Muchow:** “The estimates were revised to reflect the changes in law that took place on July 1<sup>st</sup>. There is an upward revision done to major three components; the motor fuel tax, registration fees, and motor vehicle sales taxes is where all the increases occurred. Motor fuel tax, year-to-date, we’re running about \$7.2 million above estimate. October ended on a good day which was in the middle of a week, so we had good revenue there. But, that fluctuates up and down because of the ... the due date is always on the last day of the month and we had an unusual carryover from June 30<sup>th</sup> when the due date occurred at the end of the last fiscal year, which was in the middle of the week into early July. So, we had a little extra push of revenue that had absolutely nothing to do with tax increase. So, that’s the main reason why that’s above estimate. The registration fees and motor vehicle sales taxes are estimated by the DMV, not by the Tax Department or the Department of Revenue. So, you might have to ask DMV on that. But, they did raise their estimates on both of those. The year-to-date registration fees are up 70% over last year in terms of revenue gain and if I figure out my registration fee on vehicle, it went from about \$3.00 to about \$50.00. You measure that increase, that’s pretty close to a 70% increase. So, that seems to be in line with what I would expect. Motor vehicle sales taxes ran at \$11.2M below estimate. I understand that from DMV ... had a meeting with DMV that ... there’s 60 days to turn the money in after you collect it. So, we shouldn’t have expected any gain in July or August, not until September, or October. And, if you’ll notice for the month of October, it was a little bit below estimate, but it was above last year by 7.1%. So, it does seem to reflect that increase in the sales tax rate on cars. There are some technical problems with the Bill that did pass. If you folks want to know about that we can talk about it.”

**Senator Trump:** “It might be something we need to know.”

**Mark Muchow:** “Well, it may have a little bit of an impact on revenue. The tax rate on the sale of motor vehicle went up from 5% to 6% on July 1<sup>st</sup> but the sales tax on the lease ... we’re talking about long term leases of motor vehicles, stayed at 5%. And, I think the intent was to move it all up to 6%. So, that’s just a little technical problem there that would cost a little bit of money on the sales tax side, unless it’s fixed at some point in time.”

**Senator Trump:** “That’s all I have. Thank you.”

**President Carmichael:** “Thank you. I recognize Senator Karnes for further question. Oh, Delegate Cowles.”

**Delegate Cowles:** “Thank you. Given the fact that the Highway Fund is doing so well, there was an \$11.7M transfer that we considered last year that goes from General Revenue to Highway. We considered keeping it in the General Revenue Fund and I’m wondering now, has that transfer been made for this year?”

**Mark Muchow:** “The way it’s administered is that the Tax Department receives the bill in June of each year for the prior year. That bill is received and then the payment was made in July. So, payment was already made in July.”

**Delegate Cowles:** “It has been made for this?”

**Mark Muchow:** “It has been made and the total ... \$11.7M was the estimate but it’s variable. It’s very difficult to estimate ahead of time because it’s not based on actual activity, it’s based upon value of contracts, and so, to estimate the value of contracts for some future year is difficult. But, the total amount that came out ... I have that somewhere. It was just a little bit higher than \$11.7M. It came out to ... No, no. It wasn’t ... it was a little lower than \$11.7M, excuse me. It came out to about \$11.3M.”

**Delegate Cowles:** “Thank you. Thank you, Mr. President.”

**President Carmichael:** “Further questions? Mark, I just want to follow up on Delegate Shott’s question regarding internet sales tax. Do we have just even a rough idea or an estimate in terms of how much that would be for West Virginia?”

**Mark Muchow:** “I will give you a range and even though this hasn’t been updated for some time, so it may be a little higher, but, it depends on the requirements associated with collection of road activity and whether there is say, a de minimus role for people that have low volume sales as opposed to high volume sales, but somewhere between \$50M and \$100M. That’s a rough range on that.”

**President Carmichael:** “Thank you. Thank you. Further questions? Yes, I recognize Speaker Armstead.”

**Speaker Armstead:** “Thank you, Mr. President. Just kind of following up on that question. Do you know ... maybe this is more for the Tax Department, but do we have very many people who actually pay ... I mean truthfully, you’re supposed to

pay that on your income tax, right? That's what's supposed to happen. If you don't pay it ..."

**Mark Muchow:** "There is a line on the income tax and I don't have recent stats on it, but most likely less than \$100,000.00 a year comes from that line and I'm ... that's my recollection from a while back. So, it may have changed recently."

**Speaker Armstead:** "Okay, that's what I assumed. That there wasn't much that came in on that, but is there ... do you know if there's been any estimate of what ... and I don't know how you would necessarily measure what should be paid in that that isn't paid?"

**Mark Muchow:** "Well, probably closer to that \$50M neighborhood. It's not all individuals. There are going to be some businesses that may have some purchases that would also fit in that category, but for the majority, it matters on the individual's side. Because if you're a business out there, the Tax Department could visit you on occasion and audit you and they will audit for use tax. So, because it's worthwhile for a typical individual, it's not worthwhile for folks to come out and visit and say, 'Look, show me your checkbook and let's see your records as to what you've purchased in the last year.' It's usually not cost effective."

**Speaker Armstead:** "Right. Okay, thank you."

**President Carmichael:** "Delegate Boggs."

**Delegate Boggs:** "Thank you, Mr. President. Hey, Mark, I know that we've got four months into the ... you know, behind us with the ... in the current fiscal year and I know that we've had the figures presented to us, what the estimates are. But with these four months in, just a thumbnail of what you expect in the remainder of this calendar year and the first couple of months of the next calendar year."

**Mark Muchow:** "Well, I expect us to continue to be pretty close to estimate overall. As to whether or not we end up on the plus side or minus side, natural gas industry plays a big role as to pricing. If we can get those prices up above that \$2.00 level, we can end up with a little surplus. If it stays at a \$1.00, we could end up with a little bit of a shortfall. So, that's going to be a determinate. The federal tax reform is an unknown variable at this time, but because of all of the uncertainty on there, I'm not sure many people are changing their behavior in ways that could reduce revenues for this current year. We were concerned about that a few months ago. But, who

knows what your individual tax rate is going to be, so I'm not sure that there's a whole lot of planning going on right now to move deductions into this year and move income into next year. But, that often times happens if I expect that my federal rate is going to be lower next year versus this year ... personally... but, move deductions to this year and move revenue to next year. Now, on the corporate side, there may be a little behavior there. The corporate side is probably the one that surprises us the most, so far this year, because there was... for the major players... there was a lot of carryover credits. Carryover credits would be overpaid by tax, and discredited to my future estimated tax... The ratio of carryover credits to liability was pretty high, which would suggest that we weren't going to have a big boost in corporate tax revenue. But, the corporate revenue is up about 30% this year with a very good September quarter. There might be some effort... a way for corporations to handle situations... move deductions into the current year. One of those deductions being state and local taxes. And, then, you would end up getting that as a refund down the road, which is counted as income in the future, when your tax rate is no longer 35%, but, maybe 20%. So, there could be a lot of that going on right now on the corporate side... I'm not sure... I can't speak for the behavior of major corporations, but we have a nice positive movement in corporate tax this year, and that's one of the reasons why we are in the neighborhood of estimate."

**Delegate Boggs:** "So, at this point, there's no external factors that would lead you, unless something unforeseen happens, to deviate that much from the revenue estimates that are out there?"

**Mark Muchow:** "No, not right now. In fact, the economic variables which would follow in August... private sector payroll employment data was up 0.4% compared to the prior year. September, it was up 0.5% compared to the prior year. So, the economic data we are seeing is moving in the right direction. As long as it moves in the right direction, I think we are in good shape. Energy prices are one of the wildcards... wildcards of federal policy on taxation, which could have some unintended consequences on the state side. We will have to see how that plays out."

**Delegate Boggs:** "Thank you, Mr. President."

**President Carmichael:** "Thank you. Senator Karnes. You had a question?"

**Senator Karnes:** "Just a question as it relates to the corporate side. We have seen this jump in natural gas prices for example, which has been great for severance. Even

an out-of-state corporation, and I think would legitimately, and I assume we do collect because that's a good idea. That would imply that they've also made a greater profit. Some of that may be coming in from there, is that right?"

**Mark Muchow:** "Certainly higher energy prices mean higher profits for folks. So, that's certainly a possible contributing factor as well. While we've seen higher prices...there are not... it cools up a little bit on average...not tremendously, but a little bit higher price... but, not to the level of 30%."

**Senator Karnes:** "I was thinking more specifically, on the natural gas side of the equation."

**Mark Muchow:** "Natural gas...certainly...although the folks that are paying the extra estimated taxes are not all necessarily energy related concerns."

**Senator Karnes:** "Sure. I was just wondering if there was some connection there."

**Mark Muchow:** "A little bit, yes."

**Senator Karnes:** "Thanks."

**President Carmichael:** "Further questions for Mark? Great questions. Thank you."

**Mark Muchow:** "Thank you."

**President Carmichael:** "Next, I'll call Danielle Boyd to the podium."

**Danielle Boyd:** "Good morning. Danielle Boyd, Managing General Counsel, for the West Virginia Lottery."

**President Carmichael:** "Thank you Danielle, are there questions from the Committee regarding Lottery? Alright, thank you."

**Danielle Boyd:** "Thank you."

**President Carmichael:** "Thank you Danielle. Our next presenter is Connie Kirk, with Unemployment Compensation."

**Connie Kirk:** "Good morning, Mr. President, Mr. Speaker and members of the Committee. I'm Connie Kirk and I'm the UI Director with Workforce West Virginia. I can give you the Unemployment Projections for November 2017, and it is \$93,864,265.00. I'll be glad to answer any questions that you may have."

**President Carmichael:** “Questions from the committee? I’ll ask a question about the trending data in terms of unemployment numbers in West Virginia. Can you comment on that?”

**Connie Kirk:** “Actually, the September and October unemployment rate held at 5.1. We are still seeing a trend that the claims are still trending downward. It’s still between 25% and 30%. In fact, I pulled the trust fund balance as of yesterday for you, and right now it has \$99,392,457.00. So, it is still holding good and becoming more solid as we speak.”

**President Carmichael:** “Alright, good report. Thank you.”

**Connie Kirk:** “Thank you.”

**President Carmichael:** “I’m sorry, did you have a question, Senator Karnes?”

**Senator Karnes:** “Yes.”

**President Carmichael:** “If you would, Connie?”

**Connie Kirk:** “Yes, sir?”

**Senator Karnes:** “Thank you, Mr. Chairman. I spotted it a second ago and now I have lost it in the book, but I have also seen it online...a lot of people published it and passed it around related to employment data and we’re not quite on that section. But, one of the things that struck me and I wanted to be sure I was correct on this one point. But, we added 3100 jobs year over year, but we lost 1100 manufacturing jobs.”

**Connie Kirk:** “Yes, we continue to lose the manufacturing.”

**Senator Karnes:** “I don’t know if this is something that you could speculate on, but to me, it’s a real concern. Even when we appear to have a growing economy we are still shedding manufacturing jobs, and there must be some overarching reason why manufacturing is fleeing West Virginia.”

**Connie Kirk:** “Well, I think manufacturing is actually leaving nationwide. I don’t think it is just in West Virginia.”

**Senator Karnes:** “I agree with that.”



**Connie Kirk:** “The Director that is over the Executive Deputy Director that I am under is actually with research for job markets, and if you would like me to, I could get you some information on that, but I think that that is pretty much a trend at this point nationwide. And, I don’t know unless something has changed on the national level, that we will see a lot of manufacturing jobs coming back into the nation, to be honest.”

**Senator Karnes:** “Right, certainly that is true. I agree with the take on it, although some states seem to be, obviously, hit worse than other states. And, I also had a constituent ask me a question related to that report. And, I have reached out to Workforce...the data was a little harder to find...and that is... do you have a breakdown between mining and logging?”

**Connie Kirk:** “We do. Would you like me to get you some statistics on that and send it to you?”

**Senator Karnes:** “Yes, they asked me that question because they are lumped together in that report.”

**Connie Kirk:** “Okay.”

**Senator Karnes:** “He was asking a question of how many are mining jobs and how many are logging jobs, and obviously, those are two relatively different things.”

**Connie Kirk:** “I can get you that information and give that to you in an email if that...”

**Senator Karnes:** “Thank you.”

**Connie Kirk:** “Okay, thank you.”

**President Carmichael:** “Connie, if you can provide that to the Committee? We will provide that to the members.”

**Connie Kirk:** “Okay, sure.”

**President Carmichael:** “Thank you. Delegate Nelson.”

**Delegate Nelson:** “Thank you. Mr. President. Just a quick question. On our trust fund balance, before we started running into some difficulty, what was the height or the high level?”

**Connie Kirk:** “If memory serves me correctly, it was around \$270M before the recession hit.”

**Delegate Nelson:** “And, please refresh my memory and those of the Committee...did we alter rates in any way?”

**Connie Kirk:** “They did alter rates...and I’m thinking it was in 2009 maybe...They went from 8,000 to 12,000 and that’s probably what saved the State from having to borrow money from the Federal Government. Because, most states that we went through, who were paying multi-millions on a monthly basis, actually went bankrupt. Their employment fund went bankrupt. West Virginia was able to survive that, and we did not borrow any money, but, we got the residual effect of it. When the Trust Fund went lower and lower, and we had to try to stabilize it, in which you all were really helpful, in the fact that you allowed us to borrow money from the Rainy Day Fund, in order to get it to stabilize, and now it’s starting to grow. So, if we can keep our unemployment rate where it is now and continue to grow it, we will eventually dig our way back to where it was before. It will just take a while.”

**Delegate Nelson:** “So, is there a magical number that you all would recommend that we get to before we come back and re-evaluate where those rates are to potentially lowering them?”

**Connie Kirk:** “It is in the law that it has to be... and I don’t have the law with me. It’s over 200 and some million before we would consider going back to the \$8,000.00. I would suggest that we don’t do it until we have at least \$260M-\$270M in there, because when the recession hits, it is nothing for you to pay out, like \$10M in a week.”

**Delegate Nelson:** “Thank you.”

**Connie Kirk:** “It went really quick.”

**President Carmichael:** “Thank you, Connie. Further questions? If not, thank you very much.”

**Connie Kirk:** “Thank you.”

**President Carmichael:** “I want to call Brian Farkas, with the Department of Agriculture up here to the podium. I had skipped over him. Is Brian here? There’s Brian.”

**Brian Farkas:** “Hello.”

**President Carmichael:** “State your name.”

**Brian Farkas:** “I am Brian Farkas. I’m the Executive Director of the West Virginia Conservation Agency.”

**President Carmichael:** “Are there questions for Mr. Farkas? Anyone? Alright, thank you very much.”

**Brian Farkas:** “Thank you.”

**President Carmichael:** “I call John Myers to the podium. Good morning, Mr. President and Mr. Speaker, members of the Committee. I am John Myers, Secretary of Administration. We’ve provided reports for BRIM, PEIA and the Real Estate Division in your packets. My staff and I are here to answer questions, should you have any.”

**President Carmichael:** “Questions of Mr. Myers? Delegate Nelson?”

**Delegate Nelson:** “Thank you, Mr. President. This is not so much for yourself, but Ted. So, I guess the road shows have started for PEIA?”

**John Myers:** “Yes, sir. We have completed three and we have two additional ones. We have completed Morgantown, Martinsburg, and last night we did a teleconference that was pretty well received I would have to say. I sit on these meetings as the Finance Chair, or the Chair of that Finance Board. And, tonight we are in Beckley, and tomorrow night we are in Charleston.”

**Delegate Nelson:** “Can you refresh me and the members of the direction we are going with recommendations for next year...just a quick summary on what you have received in your meetings to date?”

**John Myers:** “Ted is here. So, I may call him up here to correct me if I make a mistake. But, the initial increase in rates for this year for the active employees would be ½ of 1%. The rate increase for retirees would be 2%. And, for non-state participants would also be 2%. A couple of the changes that we are looking at this year is to include total family income as the determination for what you pay. We set the rates based on the ability to pay. Somebody that may make a salary of \$30,000.00 a year income with the State who may have a spouse who makes an additional \$60,000.00. And, so we felt like that their ability to pay is more so than someone

who is only making \$30,000.00 a year. So, that total family income would be determined from the... I don't remember which line it is... but it actually comes from your 1040 or 1040a. So, some of the other additional changes are the second tier of the prescription drug plan, where typically you pay a co-pay of \$25.00 or whatever it is for that particular drug. Generic drugs would remain as they are with the current plan, but on the second tier drugs, which basically you are buying the name brand drugs that would go up to a 30% co-pay. So, I think that those are really the highlights. Oh, one other thing... The last one is to pay by the person. So, you as an employee would pay a rate for the employee. If you add your husband, you pay an additional rate. If you add children, each one of those are added as a set rate up to three children. If you have five children, you have to pay for three, but, up to that point, each one of those would be... I think the children are \$51.00 per child, per month."

**Delegate Nelson:** "How many different income brackets will we have going forward?"

**John Myers:** "The current plan has ten. But, we will be trying to reduce that to three brackets."

**Delegate Nelson:** "And, what will be the process of determining total family income?"

**John Myers:** "Family income is the income of the employee..."

**Delegate Nelson:** "I understand that, but, how will you obtain proof of where someone should be?"

**John Myers:** "As the employee, you would be required to submit that to PEIA. And, again, that is based on the lines on the..."

**Delegate Nelson:** "I understand that. So, as a PEIA member I will have to give you a front page of my 1040?"

**John Myers:** "No, sir. You just have to give us the income. I guess we could audit it to assure that."

**Delegate Nelson:** "Self-reporting of total income, correct?"

**John Myers:** "But, if you don't report, you are automatically placed in the highest bracket. So, if you make \$125,000.00 a year, you don't have to give us a report, but,

you will automatically be placed in it. So, there is an incentive to give us that information, particularly if you are in one of the lower brackets.”

**Delegate Nelson:** “Ok, thank you.”

**President Carmichael:** “Ok. Great questions. Further questions? Delegate Shott.

**Delegate Shott:** “Thank you, Mr. President. This is really an operational question regarding PEIA. I have had two calls in the last month, or so, from constituents who have had problems getting a response by phone. In one case, the person called numerous times, took a day off and traveled up here to set an appointment, to come back on another day off, to get a question answered. The other complaint was repeated calls, leave messages...no one answered the call, nor did they return the call. I was just wondering if those were isolated incidents or if your call volume is way up and you just can’t handle it, or if your staffing is a problem? Is there a problem there that we need to be concerned about?”

**John Myers:** “There is a problem, but I think it is more mechanical than anything else. We have had a real issue with the phone systems. Not only there, but, at the Retirement Board. Some of the folks have complained and we have dealt with several of constituent complaints regarding that phone system. So, we are in the process of working with the office of technology to make sure those are replaced as soon as possible.”

**Delegate Shott:** “So, it is an issue of outdated equipment or does it need to be reprogrammed or can you figure that out?”

**John Myers:** “It is probably a combination of both. But, the equipment is old and needs to be replaced. It doesn’t have the capabilities that many of the phone systems do today.”

**Delegate Shott:** “Thank you.”

**President Carmichael:** “Thank you. Delegate Boggs.”

**Delegate Boggs:** “Thank you, Mr. Chairman. I don’t know if this is a question for you or Ted, but I will just toss it out there. I get this posed to me by a lot of constituents. On the generic vs. name brand drugs, if there is an instance that a physician documents that that person... that there is not a generic equivalent that works for that person, is there a mechanism, by which, if that is shown by a

physician, or whomever, that that person is not hit with that upcharge for the name brand drug?"

**John Myers:** "Not that I am aware, sir."

**Delegate Boggs:** "So, if there is no generic that they can take, regardless, that's just what they pay?"

**John Myers:** "Ted, correct me..."

**Ted Cheatham:** "That's correct."

**John Myers:** "That is right, yes."

**Delegate Boggs:** "Ok, thank you."

**President Carmichael:** "Further questions? If not, thank you very much Mr. Myers. I call Cynthia Beane, Department of Health and Human Resources."

**Cynthia Beane:** "Mr. President, Mr. Speaker, members of the Committee, Cindy Beane, Commissioner of Bureau of Medical Services. You have your reports in your packets, do you have any questions?"

**President Carmichael:** "It's a good question. Are there questions? We have our question. Delegate Boggs."

**Delegate Boggs:** "As always. I just always look forward to speaking with Cindy, so, I am glad you are here."

**Cynthia Beane:** "I look forward to speaking with you too, Delegate Boggs."

**Delegate Boggs:** "I know it is in the report, but can you just...for the Committee...enlighten us on the waiting list...waiting list to me...managed care list to you...where we are at on that and what your projections are for the next few months?"

**Cynthia Beane:** "Well, right now, we have as of 11-7, we have 702 members on the Managed Enrollment List. We are still in the process of giving out slots though, so, we are still trying to get all of our slots filled. So, with this program we release slots and a lot of times people don't take the slots for various reasons. So, year to date, we have 5,574 people served. We just released 50 additional slots about a week ago. But, that is where our list is right now. One thing, if I may add something Delegate

Boggs, one thing that we have evaluated this year...you know when we talk about the five-year projection, we did have a bump in our FMAP of a percentage which gives the Medicaid Program additional dollars. And, we didn't account for that in our five-year projections, but we do think we will be able to add some slots this year, as well."

**Delegate Boggs:** "As opposed to reducing them?"

**Cynthia Beane:** "Yes."

**Delegate Boggs:** "Very good. That's good news indeed. Thank you for that information and Mr. Chairman, if I might inquire through you to the Speaker, because I know when you chaired the meeting last month, you mentioned something about working with the Health Committees or a Select Committee or some mechanism, so we could kind of monitor this as we go. Since it does affect so many people as we go, I just wanted to put that back on the radar screen, if anything like that had been discussed. We are running close to the end of Interims, obviously, and the session is at hand, so, I just wanted to mention that again, please."

**President Carmichael:** "Would you like to respond?"

**Speaker Armstead:** "Yes, thank you, Mr. President. I did talk with Chairman Ellington about it, but, I don't have a process yet, in place. But, I have discussed that with him. I will probably need to talk to Senator Takubo, as well on that, but, I've asked Joe to kind of look at how we could go about tracking that."

**Delegate Boggs:** "I appreciate that. I know that it's a very important issue to...not only the thousands of West Virginians that are directly affected, but the tens if not hundreds of thousands of family members and caregivers that are directly affected. And, also, it's just the right thing to do, I believe, to keep the people in their homes as long as possible, at a much lower cost I might add. So, again, thank both of you for working on this, and Cindy, thank you for the good news."

**President Carmichael:** "Further questions? I recognize the Speaker for a question."

**Speaker Armstead:** "Thank you, Mr. President. I don't know if this falls directly within your Department, but, I do know that there has been discussion about, with the President's proposals relating to substance abuse treatment, and waivers to allow West Virginia and other states to be able to use certain funding that otherwise would not be available for substance abuse treatment. Can you give any insight? It is my

understanding that West Virginia has received a waiver to that effect. Can you give us an idea of what that means in terms of what type of funding might be available or if there is someone else here from your Department that might know that?”

**Cynthia Beane:** “So, yes sir. An 1115 Waiver Opportunity was put out and West Virginia was the first state under the administration to get an 1115 Waiver for SUD Treatment approved. We received that approval...I’m trying to think of the date...a few weeks ago. I mean, it’s been a couple of months ago. We are in the process of implementation of that waiver. The first services will start in January and residential services which are in great need are planning to roll out in July. The waiver is a five-year demonstration and we have to show budget neutrality throughout the end of the five years. And this adds additional services for the Medicaid Program that we previously have not been able to pay for such as treatment in an IMD. An IMD for Medicaid means a treatment bed in a facility that’s more than 16 beds. Before this waiver, we would not have been allowed to do that. So, an individual can go into a treatment for a residential treatment, and the facility can be over 16 beds and Medicaid will be able to pay for that. In addition, it will pay for peer recovery support. So, one of the things about keeping people clean is to make sure that they stay in recovery and that they have that peer support after they get out of that 30 day treatment. We will also be able to pay for that. One of the initiatives that we are planning to roll out, and in fact, I am speaking with a bunch of Emt’s on Wednesday, is Naloxone. And, so, the Naloxone Initiative, it will be after the Emt gives them the Naloxone, they can use the 800 line... the 800 help line... call that individual, find out where the bed is, find out where the treatment is and get that person into treatment right then at the point of revival essentially...at their lowest point when they may be more prone to talk about treatment. So, we are very excited to talk about the initiative and we hope it really does help curb the problem here in West Virginia. We are definitely the State that has been hardest with the drug epidemic.”

**Speaker Armstead:** “Do you have any idea of how much...I don’t know if you can quantify... how much additional funding might be available through that program that wouldn’t have otherwise been available for substance abuse treatment? How much funding actually goes into that program that is now available, if you know?”

**Cynthia Beane:** “I don’t know the numbers off the top of my head, but I can certainly give you a report on that information. It is additional money up front, but overall, it has to show where it neutralizes the Medicaid Budget. So, while we are



paying more monies for things like the 30 day treatments, the period of recovery, and the things I described. Overall, we will see a decrease in ER utilization for drug seeking. We have individuals that stay in the hospital for long periods of time because they have a PICC line and they are an IV drug user, and the hospital can't discharge them. We will see a decrease where they will be able to discharge them to a more appropriate setting into treatment versus keeping them in the hospital for thirty days just because they need a PICC line. So, those are the cost savings that we will see, in addition to the cost savings to the State, Workforce and everything else in regard to this drug epidemic that we are seeing."

**Speaker Armstead:** "Ok. Thank you."

**President Carmichael:** "Further questions? I recognize Delegate Miller."

**Delegate Miller:** "Cindy, I'm kind of concerned. I see down here, pregnancy terminations and there has been no money budgeted for that at all. And, it says that the actual current month of 9-30-2017 there were \$15,476.00 and, then it says... year to date... \$83,610.00 spent."

**Cynthia Beane:** So, we are not allowed to use federal dollars for any kind of pregnancy terminations. Those are all state dollars and to answer your question about money budgeted for that, I would probably have to defer to my Deputy Commissioner, Tony Atkins."

**Delegate Miller:** "And is he here?"

**Cynthia Beane:** "Yes."

**President Carmichael:** "I call Tim Atkins to the podium. If you would, Cindy, kind of stay around close. Just state your name for the Committee."

**Tony Atkins:** "Tony Atkins, Deputy Commissioner of Finance and Medicaid."

**President Carmichael:** "Delegate Miller."

**Delegate Miller:** "Well, I will repeat my question. We have listed down here pregnancy terminations...we have zero dollars budgeted for it and we have \$83,610.00 spent...year to date...and I just...what's happened here? What is going on in our State?"

**Tony Atkins:** "I will have to research that and get you an answer."

**Delegate Miller:** “Please do.”

**President Carmichael:** “Yes. I will make a formal request to have that data available to us, certainly by the December Interims, and before that, if possible. Are you finished, Delegate Miller?”

**Delegate Miller:** “Yes.”

**President Carmichael:** “I recognize Delegate Cowles.”

**Delegate Cowles:** “Thank you, Mr. President Just to follow-up. In reading the chart though, it’s in the actuals of 2017, there were none. Is that right?”

**Tony Atkins:** “Yes.”

**Delegate Cowles:** “The first column, it just has a line through it. So, in 2017 we have spent zero dollars on pregnancy terminations...in all of 2017? And, to date we are at \$83,000.00 this year?”

**Tony Atkins:** “Again, I will have to get you the details.”

**Delegate Cowles:** “Right, but the way the chart is constructed...”

**Tony Atkins:** “You are reading it correct, yes.”

**Delegate Cowles:** “And, do you have any idea what Medicaid...State Medicaid...these are all State dollars too, right?”

**Tony Atkins:** “You are correct.”

**Delegate Cowles:** “Per termination, is there an average cost that they pay? Just by simple math, I guess at \$3,000.00 each, it would be 25 pregnancy terminations this year and there were zero last year, is that fair?”

**Tony Atkins:** “Where are you getting the number? Where are you getting your volume from?”

**Delegate Cowles:** “I am just doing math at \$3,000.00 each. But, my question is, what is the average cost of a pregnancy termination and can you extrapolate from that \$83,000.00, the number of terminations that were performed this year?”

**Tony Atkins:** “Sure.”

**Delegate Cowles:** “As compared to last year?”

**Tony Atkins:** “I can get you actual numbers. I can do that.”

**Delegate Cowles:** “Ok, that would be great. Thank you. Thank you, Mr. President.”

**President Carmichael:** “Further questions? If not, thank you, sir. Any further questions for Ms. Beane? If not, thank you, and we will require that information. So, I call Stacey Shamblin to the podium with West Virginia CHIP.”

**Stacey Shamblin:** “Hello, Mr. Speaker and Mr. President, and members of the Committee. I’m Stacey Shamblin. I am Acting Director for CHIP and I will answer any questions you may have. Are there questions for Ms. Shamblin from the Committee? I recognize Delegate Nelson.”

**Delegate Nelson:** “Thank you, Mr. President, just a quick update on where the feds are?”

**Stacey Shamblin:** “Okay. We have a bill that has passed the House and has gone to the Senate. We believe the Senate will not pass any funding until December, though. That’s what we are hearing back from Washington.”

**Delegate Nelson:** “And then, one additional question, if I may? Program administration expenses are up roughly 31%, year to date vs. budget?”

**Stacey Shamblin:** “Yes.”

**Delegate Nelson:** “And they are 40% over prior year.”

**Stacey Shamblin:** “Yes.”

**Delegate Nelson:** “Can you explain?”

**Stacey Shamblin:** “That has to do with our transition to Molina last year. They are behind in billing us. So, that’s causing that excess budget. We should have carried that over to this year, but, I guess we neglected to.”

**Delegate Nelson:** “At some point, will we see this trend downward in expense?”

**Stacey Shamblin:** “I absolutely hope so.”

**Delegate Nelson:** “Ok, thank you. Thank you, Mr. President. We don’t like to see 30% increases in line items.”

**Stacey Shamblin:** “No.”

**President Carmichael:** “Further questions for Ms. Shamblin? Delegate Miller.”

**Delegate Miller:** “I had a phone call last week from a constituent concerned about a parent who is now a felon. They were concerned that the children would not receive CHIP.”

**Stacey Shamblin:** “I don’t believe that would affect their eligibility. I would have to go review those rules. Eligibility is based on family income. So, if that family income changed for some reason, but, we wouldn’t disenroll them simply because the parent...you know...”

**Delegate Miller:** “Okay. Thank you.”

**President Carmichael:** “Thank you. Any further questions? I call Rod Livingston to the podium...Senior Investment Officer, if you would? State your name.”

**Rod Livingston:** “Sure. Good afternoon, Rod Livingston from Investment Management Board. You got the report and it was a good start to the fiscal year, equity eccentric funds, did very well... essentially the defined benefits... led by international. You look at international over last year, they outperformed domestic stocks, but long term they’ve lagged. Over long periods of time those should equilibrate. I don’t think that’s finished. We have seen some leadership in technology, which obviously brings to mind, the early 2000’s and that bubble that burst. I will say that this time is somewhat different in that we are seeing earnings for those companies, as opposed to expectations of wishing that those happen. So, it could be different this time. Fixed income has continued to sort of chug along. We keep thinking that the rates are going to go up and that’s going to hurt fixed income. But, it hasn’t happened yet. You know, it seems that at some point it has to happen. I’ve been saying that for a couple of years, but what do I know? Looking at October, it looks like it is another good month. It’s another strong performance. One thing I will say is, something that can’t last forever will not last forever. So, I mean, let’s make hay while we have it. If there are any questions, I can certainly answer them.”

**President Carmichael:** “Good report. Are there questions from the Committee? If not, thank you very much. I call Allan McVey to the podium.”

**Allan McVey:** “Allan McVey, West Virginia Insurance Commissioner. Good afternoon, Mr. Speaker, Mr. President and members of the Committee. Glad to be here. You have our report of the Workers Compensation Funds. Thanks to the West

Virginia Investment Management Board and a slight reduction in claims throughout all of the funds, we are doing very well with these funds this year. I would be happy to entertain any questions you may have or about our Commission.”

**President Carmichael:** “Are there questions of the Committee? I recognize Senator Karnes.”

**Senator Karnes:** “Thank you, Mr. Chairman. Real quick, if maybe you have an off-the-cuff answer, I know that we have seen a significant number of reductions in claims, as you said, is that because people are falling off or because of an increase in employment, that we sort of briefly touched on? Or is that a combination?”

**Allan McVey:** “Combination of both, actually.”

**Senator Karnes:** “Would you say it is roughly equal?”

**Allan McVey:** “I think it is equal. I will be happy...I’m sure we have some people that know that specific information.”

**Senator Karnes:** “Just a general ballpark.”

**Allan McVey:** “I think it is pretty equal, actually.”

**Senator Karnes:** “Ok, thank you.”

**President Carmichael:** “Other questions? If not, thank you very much Mr. McVey.”

**Allan McVey:** “Thank you.”

**President Carmichael:** “Is there other business to come before the Committee? Yes. I recognize Delegate Nelson.”

**Delegate Nelson:** “Thank you, Mr. President. I did arrive late. For the record, the minutes on page two. May I ask for a belated correction? Whether they were approved, or if they have been corrected, because I did talk to...”

**President Carmichael:** “I recognize the Speaker for a motion.”

**Speaker Armstead:** “Mr. President, I move that we reconsider the action in which we adopted the minutes of the October meeting.”

**President Carmichael:** “You heard the motion. All those in favor, say Aye. The ayes appear to have it. The ayes do have it, I declare the motion adopted. I recognize Delegate Nelson.”

**Delegate Nelson:** “Thank you, Mr. President. So, right at the top, where I was questioning Danielle Boyd... varied between 2,000. In the minutes, it says, ‘to Ohio and \$7,500.’ What that should say is, ‘to a high of \$7,500.’”

**President Carmichael:** “I don’t know how you picked that up.”

**Delegate Nelson:** “Some of us do read the minutes. But, thank you. If the Committee would accept that change, please?”

**President Carmichael:** “So, you heard the motion to correct the minutes. All those in favor will say aye. Those opposed no, the ayes appear to have it, the ayes do have it. The question now is adoption of the minutes as amended.”

**Speaker Armstead:** “I move the minutes be approved as amended.”

**President Carmichael:** “You’ve heard the motion. All of those in favor, will say Aye. Those opposed no. The ayes appear to have it, the ayes do have it, I declare the motion adopted...the minutes adopted.”

**President Carmichael:** “Is there any further business to come before the Committee? Let me just say this was a great committee meeting, it is an important meeting. We had a lot of questions and good input and reports from the participants. So, I recognize the Speaker for a motion.”

**Speaker Armstead:** “Mr. President, I move we adjourn.”

**President Carmichael:** “So, you heard the motion. All of those in favor say aye. Those opposed no, the ayes appear to have it, the ayes do have it. I declare the meeting 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*

December 1, 2017

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

- West Virginia Lottery as of September 30, 2017:  
Gross profit year to date was \$124 million. Gross profit for fiscal year 2017 was \$124.7 million.
- West Virginia Unemployment Compensation Fund as of October 31, 2017:  
Total disbursements were \$29.5 million lower than in fiscal year 2017. Overall ending trust fund balance was \$46 million higher on October 31, 2017 than on October 31, 2016.
- General Revenue Fund as of November 30, 2017:  
The general revenue collections ended the fifth month of fiscal year 2018 at 99.2% of the estimate for the year.
- State Road Fund as of November 30, 2017:  
The state road fund collections ended the fifth month of fiscal year 2018 at 117% 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 04, 2017

Re: Review of West Virginia Lottery Financial Information  
As of September 30, 2017

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for September 30, 2017, 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 \$276 million for July - September 2017. Table games accounted for \$9 million of this total. Historic Resort Hotel video lottery and table games accounted for \$1.6 million of total gross receipts. Gross lottery revenue has decreased by 7% when compared with July - September of fiscal year 2016-2017. This number does not include commission and prize deductions. Gross profit (gross revenues minus commissions and prize costs) for July - September 2017 was \$124 million; for July - September of last fiscal year it was \$124.7 million. Expressed as a percentage, gross profit is 0.6% lower for fiscal year 2018 than for fiscal year 2017.



Lottery continued

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

A total of \$119,685,000.00 has been accrued to the state of West Virginia for fiscal year 2017-2018. 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	\$45,976,000.00
Community and Technical College	\$1,499,000.00
Department of Education	\$11,590,000.00
Library Commission	\$7,353,000.00
Higher Education-Policy Commission	\$4,489,000.00
Tourism	\$3,853,000.00
Department of Natural Resources	\$1,983,000.00
Division of Culture and History	\$2,673,000.00
Department of Education and Arts	\$611,000.00
General Revenue Fund	\$0.00
Economic Development Authority	\$2,999,000.00
School Building Authority	\$5,400,000.00
<b><u>SUBTOTAL BUDGETARY TRANSFERS</u></b>	<b>\$88,426,000.00</b>

Lottery continued

**Excess Lottery Fund**

Economic Development Fund	\$5,697,000.00
Higher Education Improvement Fund	\$4,500,000.00
General Purpose Fund	\$9,364,000.00
Higher Education Improvement Fund	\$4,178,000.00
State Park Improvement Fund	\$720,000.00
School Building Authority	\$5,699,000.00
Refundable Credit	\$374,000.00
WV Racing Commission	\$288,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$26,900,000.00
WV Lottery Statutory Transfers	\$9,088,000.00
General Revenue	\$0.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$7,562,000.00
<b>Total State Excess Lottery Revenue Fund</b>	<b>\$74,370,000.00</b>

Total Budgetary Distributions:	\$162,796,000.00
Veterans Instant Ticket Fund	\$151,000.00
<b>TOTAL TRANSFERS</b>	<b>*\$162,947,000.00</b>

\* CASH BASIS

Lottery continued

Total Accrued last FY 2017:	\$132,693,000.00
Total Cash Distributions FY 2018:	\$162,947,000.00
Applied to FY 2017:	\$132,693,000.00
Applied to FY 2018:	\$30,254,000.00
Accrued for FY 2018 as of September 30:	\$89,431,000.00



P.O. BOX 2067  
CHARLESTON, WV 25327

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

Jim Justice  
Governor

Alan H. Larrick  
Director

**MEMORANDUM**

TO: Joint Committee on Government and Finance  
FROM: Alan H. Larrick, Director

A handwritten signature in blue ink, appearing to be "AHL", is written over the name "Alan H. Larrick" in the "FROM" field.

RE: Monthly Report on Lottery Operations  
Month Ending September 30, 2017

DATE: October 16, 2017

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, 2017 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$88,617,342 for the month of September.

Transfers of lottery revenue totaling \$37,439,215 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, 2017 was 1,488 and 1,300 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.

AHL  
Attachment

pc: Honorable Jim Justice, Governor  
Dave Hardy, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
J. B. McCuskey, Auditor  
Members of the West Virginia Lottery Commission

## **MEMORANDUM**

TO: Joint Committee on Government and Finance  
FROM: Alan H. Larrick, Director

RE: Monthly Report on Lottery Operations  
Month Ending September 30, 2017

DATE: October 16, 2017

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, 2017 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$88,617,342 for the month of September.

Transfers of lottery revenue totaling \$37,439,215 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, 2017 was 1,488 and 1,300 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.

AHL  
Attachment

pc: Honorable Jim Justice, Governor  
Dave Hardy, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
J. B. McCuskey, Auditor  
Members of the West Virginia Lottery Commission



**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**September 30, 2017**

**WEST VIRGINIA LOTTERY**

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

ASSETS	September 30, 2017	June 30, 2017
Current Assets:		
Cash and cash equivalents	\$ 105,509	\$ 156,550
Accounts receivable	31,649	27,533
Inventory	433	553
Other assets	1,475	1,482
Total Current Assets	<u>139,066</u>	<u>186,118</u>
Capital assets	55,752	55,732
Less accumulated depreciation and amortization	<u>(12,252)</u>	<u>(11,953)</u>
Net Capital Assets	<u>43,500</u>	<u>43,779</u>
Total Noncurrent Assets	<u>43,500</u>	<u>43,779</u>
Total Assets	<u>\$ 182,566</u>	<u>\$ 229,897</u>
Deferred outflows of resources	<u>\$ 2,795</u>	<u>\$ 2,795</u>
Total assets and deferred outflows	<u>\$ 185,361</u>	<u>\$ 232,692</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 89,431	\$ 132,693
Estimated prize claims	15,793	15,621
Accounts payable	1,045	1,404
Other accrued liabilities	25,706	29,588
Total Current Liabilities	<u>131,975</u>	<u>179,306</u>
Deferred inflows	<u>\$ 367</u>	<u>367</u>
Net Position:		
Net Investment in capital assets	43,500	43,779
Unrestricted	9,519	9,240
Total Net Position	<u>53,019</u>	<u>53,019</u>
Total net position, liabilities, and deferred inflows	<u>\$ 185,361</u>	<u>\$ 232,692</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, 2017**

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2018	2017	2018	2017
Lottery revenues				
On-line games	\$ 5,340	\$ 5,343	\$ 23,190	\$ 20,072
Instant games	6,819	7,095	22,589	23,463
Racetrack video lottery	43,754	44,416	132,879	137,657
Limited video lottery	29,339	28,856	86,704	84,663
Table games	2,785	3,541	9,036	10,852
Historic resort	581	530	1,620	1,228
	<u>88,618</u>	<u>89,781</u>	<u>276,018</u>	<u>277,935</u>
Less commissions				
On-line games	366	380	1,613	1,398
Instant games	477	497	1,581	1,642
Racetrack video lottery	24,006	24,368	72,903	75,525
Limited video lottery	14,376	14,139	42,485	41,485
Table games	1,181	1,501	3,831	4,600
Historic resort	287	269	928	603
	<u>40,693</u>	<u>41,154</u>	<u>123,341</u>	<u>125,253</u>
Less on-line prizes	2,660	2,951	11,658	10,370
Less instant prizes	4,485	4,651	14,833	15,398
Less ticket costs	83	94	312	384
Less vendor fees and costs	409	623	1,874	1,824
	<u>7,637</u>	<u>8,319</u>	<u>28,677</u>	<u>27,976</u>
Gross profit	<u>40,288</u>	<u>40,308</u>	<u>124,000</u>	<u>124,706</u>
Administrative expenses				
Advertising and promotions	398	614	1,449	1,684
Wages and related benefits	1,105	1,167	2,540	2,577
Telecommunications	73	213	187	359
Contractual and professional	502	575	1,120	1,151
Rental	24	33	81	102
Depreciation and amortization	100	108	299	325
Other administrative expenses	159	138	411	500
	<u>2,361</u>	<u>2,848</u>	<u>6,087</u>	<u>6,698</u>
Other Operating Income	<u>752</u>	<u>595</u>	<u>3,130</u>	<u>1,494</u>
Operating Income	<u>38,679</u>	<u>38,055</u>	<u>121,043</u>	<u>119,502</u>
Nonoperating income (expense)				
Investment income	79	77	405	225
Distributions to municipalities and counties	(575)	(566)	(1,699)	(1,660)
Distributions -capital reinvestment	(17)	(17)	(64)	(36)
Distributions to the State of West Virginia	(38,166)	(37,549)	(119,685)	(118,031)
	<u>(38,679)</u>	<u>(38,055)</u>	<u>(121,043)</u>	<u>(119,502)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>53,019</u>	<u>51,753</u>	<u>53,019</u>	<u>51,753</u>
Net position, end of period	<u>\$ 53,019</u>	<u>\$ 51,753</u>	<u>\$ 53,019</u>	<u>\$ 51,753</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, 2017**

(In Thousands)

-Unaudited-

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 275,032	\$ 277,351
Cash payments for:		
Personnel costs	(2,541)	(2,539)
Suppliers	(3,599)	(4,128)
Other operating costs	(150,215)	(157,846)
Cash provided by operating activities	<u>118,677</u>	<u>112,838</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(162,947)	(180,664)
Distributions to municipalities and counties	(1,671)	(1,637)
Distributions to racetrack from racetrack cap. reinv. fund	(5,477)	(7,927)
Cash used in noncapital financing activities	<u>(170,095)</u>	<u>(190,228)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(20)</u>	<u>(68)</u>
Cash flows from investing activities:		
Investment earnings received	<u>397</u>	<u>222</u>
Increase (decrease) in cash and cash equivalents	(51,041)	(77,236)
Cash and cash equivalents - beginning of period	<u>156,550</u>	<u>166,621</u>
Cash and cash equivalents - end of period	<u>\$ 105,509</u>	<u>\$ 89,385</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 121,043	\$ 119,502
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	299	325
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(4,116)	(2,078)
(Increase) decrease in inventory	120	(249)
(Increase) decrease in other assets	15	193
Increase (decrease) in estimated prize claims	172	(1,051)
Increase (decrease) in accounts payable	(359)	(434)
Increase (decrease) in other accrued liabilities	1,503	(3,370)
Cash provided by operating activities	<u>\$ 118,677</u>	<u>\$ 112,838</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 \$573,725 and \$569,988 of at June 30, 2017 and 2016, 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, 2017 the carrying amounts of deposits (overdraft) with financial institutions were \$435 thousand with a bank balance (overdraft) of \$511 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, 2017	June 30, 2017
Deposits with financial institutions	\$ 435	\$ 468
Cash on hand at the Treasurer's Office	15,146	17,239
Investments with BTI reported as cash equivalents	89,928	138,843
	\$ 105,509	\$ 156,550

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, 2017 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2017	Additions	Deletions	Historical Cost At September 30, 2017
Construction in Progress	\$ 1,350	\$ 20	\$ -	\$ 1,370
Buildings	46,207	-	-	46,207
Land	1,434	-	-	1,434
Equipment	6,741	-	-	6,741
	<u>\$ 55,732</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 55,752</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2017	Additions	Deletions	Historical Cost At September 30, 2017
Buildings	\$ 5,247	\$ 296	\$ -	\$ 5,543
Equipment	6,706	3	-	6,709
	<u>\$ 11,953</u>	<u>\$ 299</u>	<u>\$ -</u>	<u>\$ 12,252</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, 2017 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	\$ 2,218,239	\$ 12,496,660
Hot Lotto	579,962	1,686,109
Mega Millions	798,292	3,674,270
Total	\$ 3,596,493	\$ 17,857,039

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,109,416	\$ 6,248,853
Hot Lotto	290,032	843,238
Mega Millions	399,157	1,837,198
Total	\$ 1,798,605	\$ 8,929,289

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, 2017, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 111,021,391	\$ 1,506,744
Hot Lotto	6,713,016	480,765
Mega Millions	39,562,495	541,564
Total	<u>\$ 157,296,902</u>	<u>\$ 2,529,073</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 \$15,339,800 at September 30, 2017, of which the Lottery's share was \$1,408,772.

**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, 2017 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Total credits played	\$ 492,250	\$ 484,598	\$ 1,492,657	\$ 1,525,590
Credits (prizes) won	(441,607)	(434,271)	(1,339,358)	(1,368,479)
Promotional credits played	(6,886)	(5,903)	(20,411)	(19,429)
MWAP Contributions	(3)	(8)	(9)	(25)
Gross terminal income	43,754	44,416	132,879	137,657
Administrative costs	(1,750)	(1,777)	(5,315)	(5,506)
Net Terminal Income	42,004	42,639	127,564	132,151
Less distribution to agents	(24,006)	(24,368)	(72,903)	(75,525)
Racetrack video lottery revenues	<u>\$ 17,998</u>	<u>\$ 18,271</u>	<u>\$ 54,661</u>	<u>\$ 56,626</u>

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

	September 30, 2017	Year-to-Date
State Lottery Fund	\$ 12,601	\$ 38,269
State Excess Lottery Revenue Fund	5,397	16,392
Capital Reinvestment Fund	-	-
Total nonoperating distributions	<u>\$ 17,998</u>	<u>\$ 54,661</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, 2017 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Total credits played	\$ 364,391	\$ 352,624	\$ 1,074,884	\$ 1,028,161
Credits (prizes) won	(335,052)	(323,768)	(988,180)	(943,498)
Gross terminal income	\$ 29,339	\$ 28,856	\$ 86,704	\$ 84,663
Administrative costs	(587)	(577)	(1,734)	(1,693)
Gross Profit	28,752	28,279	84,970	82,970
Commissions	(14,376)	(14,139)	(42,485)	(41,485)
Municipalities and Counties	(575)	(566)	(1,699)	(1,660)
Limited video lottery revenues	<u>\$ 13,801</u>	<u>\$ 13,574</u>	<u>\$ 40,786</u>	<u>\$ 39,825</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, 2017 were \$7,955,743 and \$25,817,042, 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	
	2018	2017	2018	2017
Table Games Privilege Tax	\$ 2,785	\$ 3,541	\$ 9,036	\$ 10,852
Interest on Table Games Fund	3	2	10	5
Administrative costs	(239)	(304)	(775)	(930)
Total Available for Distribution	<u>2,549</u>	<u>3,239</u>	<u>8,271</u>	<u>9,927</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	179	228	581	698
Thoroughbred & Greyhound Development Funds	143	182	464	558
Racing Association Pension Plan	70	89	228	273
Municipalities/ Counties	789	1,002	2,558	3,071
Total Distributions	<u>1,181</u>	<u>1,501</u>	<u>3,831</u>	<u>4,600</u>
Excess Lottery Fund	<u>\$ 1,368</u>	<u>\$ 1,738</u>	<u>\$ 4,440</u>	<u>\$ 5,327</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, 2017 and fiscal year-to-date follows (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Total credits played	\$ 6,347	\$ 5,361	\$ 21,595	\$ 13,776
Credits (prizes) won	(5,911)	(4,935)	(20,062)	(12,837)
Promotional credits played	(66)	(69)	(171)	(165)
Gross terminal income	<u>370</u>	<u>357</u>	<u>1,362</u>	<u>774</u>
Capital reinvestment	(17)	(17)	(64)	(36)
Excess Lottery Fund	(3)	(3)	(12)	(7)
Administrative costs	(20)	(19)	(73)	(42)
Hotel commissions	<u>(157)</u>	<u>(151)</u>	<u>(576)</u>	<u>(327)</u>
Net terminal income	173	167	637	362
Historic Resort Hotel Fund	110	106	405	230
Human Resource Benefit Fund	63	61	232	132

**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, 2017 were \$602,040 and \$736,315, 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Table games privilege tax	\$ 211	\$ 173	\$ 258	\$ 454
Administrative Costs	<u>(27)</u>	<u>(22)</u>	<u>(33)</u>	<u>(58)</u>
Total Available for Distribution	<b>184</b>	151	<b>225</b>	396
Historic Resort Hotel Fund	<b>154</b>	126	<b>188</b>	331
Human Resource Benefit Fund	<b>30</b>	25	<b>37</b>	65

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	\$ 110	\$ 405
Historic Resort Table Games	154	188
Interest on Historic Resort Hotel Fund	-	1
Historic Resort Hotel Fund Net Income	<u>264</u>	<u>594</u>
Municipalities/ Counties	37	83
Excess Lottery Fund	227	511
Total Distributions	<u>\$ 264</u>	<u>\$ 594</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, 2018 the State Legislature budgeted \$146,410,008 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, 2017 the Lottery has accrued additional distributions of \$89,431,018. 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, 2017</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 1,499
Bureau of Senior Services	6,612	45,976
Department of Education	2,505	11,590
Library Commission	1,589	7,353
Higher Education-Policy Commission	970	4,489
Tourism	898	3,853
Natural Resources	429	1,983
Division of Culture & History	487	2,673
Department of Education & Arts	132	611
General Revenue Fund	-	-
Economic Development Authority	1,000	2,999
School Building Authority	1,800	5,400
Total State Lottery Fund	\$ 16,922	\$ 88,426

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

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,900	\$ 5,697
Higher Education Improvement Fund	1,500	4,500
General Purpose Account	4,644	9,364
Higher Education Improvement Fund	2,072	4,178
State Park Improvement Fund	357	720
School Building Authority	1,899	5,699
Refundable Credit	-	374
WV Racing Commission	143	288
WV Department of Health and Human Resources	-	-
Teacher's Retirement Savings	-	-
Division of Human Services	-	26,900
WV Lottery Statutory Transfers	4,507	9,088
General Revenue	-	-
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	3,458	7,562
Total State Excess Lottery Revenue Fund	\$ 20,480	\$ 74,370
Total Budgetary distributions:	\$ 37,402	\$ 162,796
Veterans Instant Ticket Fund	\$ 38	\$ 151
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 37,440	\$ 162,947
Accrued nonoperating distributions, beginning	(88,705)	(132,693)
Accrued nonoperating distributions, end	89,431	89,431
	\$ 38,166	\$ 119,685

**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, 2017 and September 30, 2016 approximated \$80,904 and \$102,499 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, 2017 and September 30, 2016 approximated \$251,543 and \$250,091 respectively.



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

**NOTE 12 – COMMITMENTS**

For the years ended June 30, 2017 and 2016 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2017 and 2016, \$9,460,433 and \$9,655,947, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

**NOTE 13 - 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 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, 2017 and fiscal year-to-date are as follows (in thousands):

	September 30, 2017	Year-to-Date
Employee contributions	\$ 38	\$ 94
Lottery contributions	91	228
Total contributions	\$ 129	\$ 322

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

**NOTE 14 - 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 employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

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.

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

**NOTE 15– 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 \$357 and \$429 per employee per month for the years ending June 30, 2017 and 2016 respectively. Through June 30, 2017 and 2016, the Lottery has paid premiums of \$288,942 and \$284,421. As of June 30, 2017 and 2016, the Lottery has recorded a liability of \$5,206,989 and \$4,990,361 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, 2017  
 (In Thousands)**

	Current Month		FISCAL YEAR	
	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>
Gross Revenues				
Instant games	6,819	7,666	22,589	23,000
On-line games	5,340	5,416	23,190	16,250
Racetrack video lottery	43,754	38,019	132,879	121,853
Limited video lottery	29,339	29,041	86,705	85,206
Racetrack table games	2,784	2,758	9,034	8,824
Historic resort	581	513	1,620	1,517
Total gross revenues	<b>88,617</b>	<b>83,413</b>	<b>276,017</b>	<b>256,650</b>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	889	891	2,953	2,673
On-line games	1,574	1,555	6,706	4,665
Racetrack Video Lottery	12,620	10,949	38,351	35,093
Total Lottery Fund net revenues	<u>15,083</u>	<u>13,395</u>	<u>48,010</u>	<u>42,431</u>
Excess Lottery Fund				
Racetrack Video Lottery	5,405	4,690	16,424	15,032
Limited Video Lottery	13,838	13,156	41,021	40,728
Limited Video Lottery Fees	2,720	5,454	2,726	5,454
Racetrack table games	1,368	1,353	4,440	4,328
Historic resort	230	208	522	610
Total Excess Lottery Fund Net Revenues	<u>23,561</u>	<u>24,861</u>	<u>65,133</u>	<u>66,152</u>
Total Net Revenues	<b><u>38,644</u></b>	<b><u>38,256</u></b>	<b><u>113,143</u></b>	<b><u>108,583</u></b>

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: December 01, 2017

Re: Status of General Revenue Fund and State Road Fund as of  
November 30, 2017 (FY 18)

We have reviewed the cash flow of the West Virginia general revenue fund as of November 30, 2017 which is the end of the fifth month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 99.2% of the estimate for the fiscal year. Total collections were \$12.2 million below the estimate for the fiscal year.

Personal Income Tax collections were \$11.5 million above the estimate for the fiscal year.

Consumer sales and use tax collections were \$15.5 million below the estimate for the year.

Severance Tax was \$16.4 million below the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$12 million above the estimate for the fiscal year.

**State Road Fund**

The state road fund collections were 117% of the estimate for the fiscal year. Total collections were \$55.6 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 \$208,549,855.46 as of November 30, 2017.

Balance July 1, 2017	228,627,586.89
Loan to General Revenue Fund *	(60,000,000.00)
Fiscal year 17 surplus	38,000,000.00
Earnings	1,922,268.57
Balance November 30, 2017	208,549,855.46

Revenue Shortfall Reserve **Fund B** (Tobacco Settlement Monies) had a cash balance of \$437,860,574.86 as of November 30, 2017.

Balance July 1, 2017	423,784,505.60
Earnings	14,076,069.26
Balance November 30, 2017	437,860,574.86

The **Personal Income Tax Reserve** Fund had a \$5 million cash balance as of November 30, 2017.

Balance July 1, 2017	5,000,000.00
Balance November 30, 2017	5,000,000.00

\* - 7/1/2017 beginning of year cash flow, repaid 9/18/2017.  
9/28/2017 2<sup>nd</sup> loan to be repaid within 90 days.

**GENERAL REVENUE FUND FY 2017-2018**

**By Source and by Month**

**Monthly Revenue Estimates**

as of November 30, 2017 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	118,420,000	122,170,373	3,750,373	699,620,000	711,136,940	11,516,940
Consumer Sales Tax & Use Tax	107,800,000	109,418,644	1,618,644	498,400,000	482,906,346	-15,493,654
Severance Tax	35,100,000	31,616,422	-3,483,578	128,700,000	112,314,815	-16,385,185
Corp Income /Business Franchise	400,000	1,459,415	1,059,415	32,300,000	44,293,500	11,993,500
Insurance Tax	2,700,000	118,483	-2,581,517	59,000,000	58,656,875	-343,125
Tobacco Products Tax	17,900,000	15,046,286	-2,853,714	78,200,000	75,604,479	-2,595,521
Business and Occupation	9,650,000	6,300,720	-3,349,280	47,500,000	43,295,082	-4,204,918
Liquor Profit Transfers	1,500,000	1,516,800	16,800	7,800,000	9,130,676	1,330,676
Departmental Collections	1,100,000	1,249,628	149,628	5,300,000	6,050,983	750,983
Property Transfer Tax	900,000	1,079,008	179,008	4,610,000	5,719,136	1,109,136
Property Tax	420,000	367,353	-52,647	4,110,000	4,172,850	62,850
Beer Tax and Licenses	530,000	533,168	3,168	3,145,000	2,934,518	-210,482
Miscellaneous Transfers	25,000	0	-25,000	310,000	1,884,129	1,574,129
Interest Income	1,400,000	767,252	-632,748	5,900,000	3,101,821	-2,798,179
Senior Tax Credit Reimbur Lty	0	0	0	500,000	680,478	180,478
HB 102 - Lottery Transfers	5,180,000	4,696,262	-483,738	21,302,000	19,588,846	-1,713,154
Miscellaneous Receipts	200,000	1,077,967	877,967	3,400,000	6,382,070	2,982,070
Business Fran Registration Fees	44,000	55,506	11,506	260,000	264,930	4,930
Estate & Inheritance Tax	0	0	0	0	100	100
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfers	1,000,000	1,014,454	14,454	14,820,000	12,865,148	-1,954,852
Charter Tax	0	0	0	0	4,621	4,621
Video Lottery Transfers	0	4,717	4,717	0	63,397	63,397
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	60,000,000	60,000,000
<b>SUBTOTALS</b>	<b>304,269,000</b>	<b>298,492,457</b>	<b>-5,776,543</b>	<b>1,615,177,000</b>	<b>1,661,051,736</b>	<b>45,874,736</b>
Less: Cash Flow Transfer	0	0	0	0	60,000,000	60,000,000
Less: Special Revenue Transfer	1,000,000	1,014,454	14,454	14,820,000	12,865,148	-1,954,852
<b>TOTALS</b>	<b>303,269,000</b>	<b>297,478,003</b>	<b>-5,790,997</b>	<b>1,600,357,000</b>	<b>1,588,186,589</b>	<b>-12,170,411</b>

Percent of Estimates

98.09%

99.24%

Collections this day

14,104,302

**GENERAL REVENUE FUND FY 2017-2018**

**By Source and by Month**

**Monthly Revenue Estimates**

**as of November 30, 2017 OASIS**

	MONTH ESTIMATES	NET MONTH COLLECTIONS	<b>FINAL</b> MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
<b>Personal Income Tax</b>	118,420,000	122,170,373	3,750,373	699,620,000	711,136,940	11,516,940
<b>Consumer Sales Tax &amp; Use Tax</b>	107,800,000	109,418,644	1,618,644	498,400,000	482,906,346	-15,493,654
<b>Severance Tax</b>	35,100,000	31,616,422	-3,483,578	128,700,000	112,314,815	-16,385,185
<b>Corp Income /Business Franchise</b>	400,000	1,459,415	1,059,415	32,300,000	44,293,500	11,993,500
<b>Insurance Tax</b>	2,700,000	118,483	-2,581,517	59,000,000	58,656,875	-343,125







**STATE ROAD FUND FY 2017-2018  
By Source and by Month  
Monthly Revenue Estimates  
as of November 30, 2017 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>	32,700,000	37,460,924	4,760,924	177,500,000	189,478,162	11,978,162
<b>Privilege Tax</b>	16,437,000	16,526,064	89,064	101,706,000	90,580,016	-11,125,984
<b>Licenses &amp; Registration</b>	5,591,000	9,755,731	4,164,731	46,855,000	59,579,712	12,724,712
<b>Miscellaneous</b>	0	24,445,047	24,445,047	0	42,016,540	42,016,540
<b>Highway Litter Control</b>	78,000	104,300	26,300	652,000	702,697	50,697
<b>TOTALS</b>	54,806,000	88,292,065	33,486,065	326,713,000	382,357,127	55,644,127

**Percent of Estimates** **161.10%** **117.03%**

**Collections this day** **20,874,599**

**REVENUE SHORTFALL RESERVE FUND 7005, Part A as of November 30, 2017 : \$ 208,549,855.46**

*\$60 million loaned to General Revenue Fund 7/1/2017 for beginning of year cash flow, repaid 09/18/2017; reloaned 9/28/17 to be paid back within 90 days.*

**REVENUE SHORTFALL RESERVE FUND 7006, Part B as of November 30, 2017: \$437,860,574.86**

**PERSONAL INCOME TAX REFUND RESERVE FUND as of November 30, 2017: \$5,000,000.00**



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 27, 2017

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the October 31, 2017 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of October 31, 2017 of fiscal year 2017-2018, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2017	\$ 68,378,244.21
Receipts July 1, 2017 thru June 30, 2018	\$ 67,538,480.31
Disbursements July 1, 2017 thru June 30, 2018	\$ 42,613,856.73
Balance October 31, 2017	\$ 93,302,867.79

ITEMS OF NOTE:

Regular benefits paid for July - October 2017 were \$ 29.3 million less than July - October 2016.

Federal emergency benefits totaled \$ -29 thousand for July - October 2016. For July - October 2017, federal emergency benefits totaled \$ -22 thousand.

Total disbursements were \$ 29.5 million less in July - October 2017 than the preceding July - October 2016.

Receipts for July - October 2017, were \$ 1.2 million more than in July - October 2016. Overall ending trust fund balance was \$ 46 million higher on October 31, 2017 than on October 31, 2016.

Seasonally adjusted unemployment rates for October 2017 were 5.1 percent for West Virginia and 4.1 percent nationally.

Since October 2016, employment has increased by 3,200. Employment gains included 3,700 in educational and health services, 1,900 in mining and logging, 2,400 in construction, 1,500 in leisure and hospitality, and 100 in financial activities. Employment declines included 600 in manufacturing, 4,400 in trade, transportation, and utilities, 400 in information, 400 in professional and business services, 500 in other services, and 100 in government.

November 9, 2017

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 Joint Committee on Government and Finance, Unemployment Compensation Trust Fund for the month of October 2017.

If you have any questions or need any additional information, please feel free to contact Michelle Painter at 304-558-2631 or [Michelle.Painter@wv.gov](mailto:Michelle.Painter@wv.gov).

Sincerely,



Russell L. Fry  
Acting Executive Director

RLF/gew

Enclosure

pc: Jim Justice

112 California Avenue • Charleston, WV 25305-0004  
304.558.7024 304.558.3512 (fax)

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**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
FOR THREE MONTHS STARTING AUGUST 2017 AND AUGUST 2018**

	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	THREE MONTH TOTAL VARIANCE *
<b>Balance Forward</b>	<b><u>\$47,281,988.69</u></b>	<b><u>\$58,697,024.60</u></b>	<b><u>\$46,674,555.45</u></b>	<b><u>\$82,834,919.67</u></b>	<b><u>\$91,175,365.16</u></b>	<b><u>\$84,317,763.69</u></b>	<b><u>\$105,674,479.78</u></b>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$30,694,850.46	\$1,402,704.16	\$16,974,369.67	\$18,796,623.49	\$938,664.87	\$19,510,960.95	(\$9,825,674.98)
3. Federal Emergency Benefits (EUC08)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	\$75,101.15	\$53,736.27	\$65,644.10	\$69,621.24	\$50,517.26	\$73,581.28	(\$761.74)
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	\$308,120.62	\$0.00	\$0.00	\$462,909.85	\$0.00	\$154,789.23
11. UCX (Military Agencies)	\$116,206.59	\$87,309.52	\$89,978.02	\$46,188.88	\$41,109.96	\$56,615.82	(\$149,579.47)
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>	<b><u>\$30,886,158.20</u></b>	<b><u>\$1,851,870.57</u></b>	<b><u>\$17,129,991.79</u></b>	<b><u>\$18,912,433.61</u></b>	<b><u>\$1,493,201.94</u></b>	<b><u>\$19,641,158.05</u></b>	<b><u>(\$9,821,226.96)</u></b>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)
Regular Benefits:	\$19,307,308.57	\$13,738,368.76	\$16,275,619.47	\$10,470,565.70	\$8,265,210.20	\$10,527,869.76	(\$20,057,651.14)
Federal Emergency Benefits (EUC08)	(\$9,326.66)	(\$5,316.05)	(\$7,238.10)	(\$5,621.88)	(\$3,723.00)	(\$5,847.88)	\$6,688.05
Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	(\$100.00)	(\$15.00)	(\$15.00)	(\$130.00)
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	\$67,771.74	\$54,357.89	\$68,916.04	\$63,039.45	\$45,145.25	\$77,210.25	(\$5,650.72)
UCX (Military Workers) Benefits	\$105,366.64	\$86,929.12	\$99,739.89	\$44,104.85	\$44,185.96	\$56,836.82	(\$146,910.02)
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Disbursements</b>	<b><u>\$19,471,122.29</u></b>	<b><u>\$13,874,339.72</u></b>	<b><u>\$16,437,037.30</u></b>	<b><u>\$10,571,988.12</u></b>	<b><u>\$8,350,803.41</u></b>	<b><u>\$10,656,053.95</u></b>	<b><u>(\$20,203,653.83)</u></b>
<b>Trust Fund Balance</b>	<b><u>\$58,697,024.60</u></b>	<b><u>\$46,674,555.45</u></b>	<b><u>\$47,367,509.94</u></b>	<b><u>\$91,175,365.16</u></b>	<b><u>\$84,317,763.69</u></b>	<b><u>\$93,302,867.79</u></b>	<b><u>\$116,056,906.65</u></b>

\* 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.

\*\*Note: UI Trust Fund Balance Includes Trust Fund Loan from the Revenue Shortfall Reserve Fund per Senate Bill 558 passed March 9, 2016:

Borrowed on 3/11/2016	38,000,000.00
Repaid on 5/17/2016	(38,000,000.00)
Borrowed on 12/5/2016	50,000,000.00
Repaid on 5/4/2017	(50,000,000.00)
Outstanding Loan from Revenue Shortfall Reserve Fund	<u>\$0.00</u>

\*\*Note: Reed Act funds of \$549,468.24 previously drawn down were unexpended and returned to Trust Fund on deposit with the U.S. Treasury.



**UC TRUST FUND BALANCES & PROJECTIONS FOR 2017**

November 30, 2017

Month	Receipts	Disbursements	Trust Fund Balance
<b>2016</b>			
Balance - 1/1/2016			\$ 82,860,688
January	\$ 8,457,305	\$ 30,452,715	\$ 60,865,278
February	\$ 16,233,520	\$ 31,257,255	\$ 45,841,543
March	\$ 1,961,704	\$ 24,325,242	\$ 23,478,005
April	\$ 28,362,516	\$ 23,874,780	\$ 27,965,741
May	\$ 71,241,386	\$ 28,102,837	\$ 71,104,290
June	\$ 1,586,405	\$ 19,582,554	\$ 53,108,141
July	\$ 16,502,024	\$ 22,328,176	\$ 47,281,989
August	\$ 30,886,158	\$ 19,471,122	\$ 58,697,025
September	\$ 1,851,871	\$ 13,874,341	\$ 46,674,555
October	\$ 17,129,992	\$ 16,437,037	\$ 47,367,510
November	\$ 12,095,617	\$ 14,319,014	\$ 45,144,113
December	\$ 1,485,248	\$ 15,074,251	\$ 31,555,110
<b>Totals - 2016</b>	<b>\$ 207,793,746</b>	<b>\$ 259,099,324</b>	<b>\$ 31,555,110</b>

<b>2017</b>			
January	\$ 15,548,229	\$ 22,205,764	\$ 24,897,575
February	\$ 7,902,487	\$ 18,214,907	\$ 14,585,155
March	\$ 1,765,440	\$ 14,720,577	\$ 1,630,018
April	\$ 25,313,026	\$ 14,899,941	\$ 12,043,103
May	\$ 76,641,488	\$ 12,160,006	\$ 76,524,585
June	\$ 2,054,794	\$ 10,201,135	\$ 68,378,244
July	\$ 27,491,687	\$ 13,035,011	\$ 82,834,920
August	\$ 18,912,434	\$ 10,571,989	\$ 91,175,365
September	\$ 1,493,202	\$ 8,350,803	\$ 84,317,764
October	\$ 19,641,158	\$ 10,656,054	\$ 93,302,868
November	\$ 11,226,223	\$ 10,075,372	\$ 94,453,719
December	\$ 1,443,810	\$ 8,640,561	\$ 87,256,968
<b>Totals - 2017</b>	<b>\$ 209,433,978</b>	<b>\$ 153,732,120</b>	<b>\$ 87,256,968</b>

The Trust Fund balances shown here do not include the loan proceeds of \$ 50,000,000 received on November 29, 2016. The loan was repaid in May 2017.



## **PEIA December Interim Talking Points**

- **PEIA and RHBT preliminary financial results for October 2017 are available for your review.**
- **PEIA is currently ahead of plan by \$5 million. This is primarily due to marginally lower than forecast expenses.**
- **RHBT is currently ahead of plan by \$36 million. This is attributable to higher than forecast investment income and favorable claims experience.**
- **The 2018 year-end reserve for the State Fund and non-State Fund are projected to be \$140 and \$40 million respectively.**
- **These reserve levels represent 19.7% and 28.8% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**

Jim Justice  
Governor



Ted Cheatham  
Director

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November 30, 2017

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

1. The Fiscal Year 2017 Financial Report page A-1 indicates the June 30, 2018 fund balances will be as follows:

	PEIA		RHBT
	State Fund	Non-State Fund	OPEB Fund
June 30, 2018	\$140,491,185	\$40,335,853	\$929,362,055

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 the fiscal year expenses for PEIA and RHBT. Per the Quarterly Report, the percentage will be as follows at year end:

June 30, 2018	State Fund Reserve	Non-State Fund Reserve	Total
Reserve Balance	\$140,491,185	\$40,335,853	\$180,827,038
Percentage	19.7%	28.8%	21%
	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 reserve balance represents 28% of the actuarially required balance:

	RHBT
June 30, 2018	OPEB Reserve
Reserve Balance	\$929,362,055
Percentage	28%
	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 \$362 million over the next four years, requiring an average of \$90 million a year in either increased premiums or benefit reductions.

	FY 2019	FY 2020	FY 2021	FY 2022
Medical Trend	8.0%	9.5%	9.0%	9.5%
Rx Trend	12.0%	12.5%	13.0%	13.5%

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

	PEIA	RHBT	Total
October 2017	\$46,040,000	\$17,799,000	\$63,839,000

Sincerely,



Jason A. Haught, CPA  
Chief Financial Officer

**West Virginia Public Employees Insurance Agency**  
**Statement of Changes in Plan Net Position**  
**For the Four Months Ending Tuesday, October 31, 2017**  
(Dollars in Thousands)  
(Unaudited-For Internal Use Only)

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR	VARIANCE
	\$	\$	\$	\$	%
<b>OPERATING REVENUE</b>					
<b>Premium Revenue</b>					
Health Insurance - State Gov. - Employers	\$174,352	\$174,352	(\$4,822)	(\$48,970)	(28%)
Health Insurance - State Gov. - Employees	43,291	43,291	(912)	(912)	(2%)
Health Insurance - Local Gov. - All	37,958	37,958	258	(6,727)	(18%)
Administrative Fees, Net of Refunds	1,765	1,765	(257)	(257)	(15%)
Other Premium Revenue	498	498	175	233	47%
<b>Total Operating Revenue</b>	<b>206,789</b>	<b>257,864</b>	<b>(5,558)</b>	<b>(56,633)</b>	<b>(22%)</b>
<b>NON-OPERATING REVENUE</b>					
Life Insurance	470	470	287	257	55%
Direct Transfer	2,500	2,500	0	833	33%
Interest and Investment Income	3,878	3,878	3,526	1,665	43%
WV RHBT Pay Go Premiums	0	0	(1,424)	51,909	0%
<b>Total Non-Operating Revenue</b>	<b>6,848</b>	<b>6,848</b>	<b>2,389</b>	<b>54,664</b>	<b>798%</b>
<b>TOTAL REVENUE</b>	<b>262,743</b>	<b>264,712</b>	<b>(3,169)</b>	<b>(1,969)</b>	<b>(1%)</b>
<b>EXPENSES</b>					
Claims Expense - Medical	129,956	129,956	18,764	12,500	10%
Claims Expense - Drugs	42,792	42,792	(11,236)	(9,551)	(22%)
Payments to Managed Care Org.	13,930	13,930	375	(461)	(3%)
Administrative Service Fees	3,466	3,466	(724)	(218)	(6%)
Wellness and Disease Management	486	486	334	334	69%
Other Operating Expenses	1,233	1,233	(476)	(288)	(23%)
Life Insurance Expense	419	419	96	75	18%
ACA Comparative Effectiveness Fee	105	105	0	(3)	(3%)
ACA Reinsurance Contribution	600	600	0	600	100%
WV RHBT Pay Go Premiums	58,777	58,777	1,424	6,868	12%
<b>TOTAL EXPENSES</b>	<b>250,465</b>	<b>251,764</b>	<b>8,557</b>	<b>9,856</b>	<b>4%</b>
<b>YTD Surplus (Deficit)</b>	<b>15,447</b>	<b>12,948</b>	<b>5,388</b>	<b>7,887</b>	<b>61%</b>
Total Net Position, Beginning of Period	149,044	149,044	0	50,914	52%
<b>Total Net Position, End of Period</b>	<b>\$169,879</b>	<b>\$164,491</b>	<b>\$5,388</b>	<b>\$58,801</b>	<b>53%</b>

11/30/2017 9:29 AM

**West Virginia Retiree Health Benefit Trust**  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**For the Four Months Ending Tuesday, October 31, 2017**  
(In Thousands)

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE \$	PRIOR YR VARIANCE \$
			%	%
\$1,032	\$1,103	\$1,075	(\$72)	(6%)
43,325	44,587	48,587	(1,262)	(3%)
475	0	21	475	0%
<b>44,831</b>	<b>45,690</b>	<b>37,546</b>	<b>(601)</b>	<b>(2%)</b>
<b>ADDITIONS</b>				
<b>Employer Premiums:</b>				
28,019	29,753	27,074	(1,734)	(6%)
8,584	8,747	9,780	(163)	(2%)
7,839	7,973	7,593	(134)	(2%)
<b>44,442</b>	<b>46,473</b>	<b>44,447</b>	<b>(2,031)</b>	<b>(4%)</b>
<b>89,273</b>	<b>92,163</b>	<b>94,539</b>	<b>(2,889)</b>	<b>(3%)</b>
<b>Member Premiums:</b>				
400	400	400	0	0%
41,635	15,081	21,305	26,554	176%
10,000	10,000	10,000	0	0%
1,667	1,667	1,667	0	0%
<b>142,975</b>	<b>119,311</b>	<b>127,911</b>	<b>23,664</b>	<b>20%</b>
<b>TOTAL ADDITIONS</b>				
46,620	50,451	52,574	3,831	8%
5,501	7,857	7,483	2,356	30%
16,071	22,946	22,794	6,875	30%
11,146	10,723	11,209	(423)	(4%)
11	11	11	0	0%
0	0	67	(67)	0%
485	354	504	(131)	(37%)
820	1,419	1,133	599	42%
<b>80,654</b>	<b>93,761</b>	<b>95,775</b>	<b>13,107</b>	<b>14%</b>
<b>TOTAL DEDUCTIONS</b>				
<b>62,321</b>	<b>25,550</b>	<b>32,136</b>	<b>36,770</b>	<b>144%</b>
<b>NET POSITION INCREASE</b>				
823,911	823,911	685,668	0	0%
<b>Net Position Restricted for Post Employment Benefits</b>				
Beginning of Period Total Net Position				
<b>\$886,232</b>	<b>\$849,461</b>	<b>\$717,804</b>	<b>\$36,771</b>	<b>4%</b>
<b>End of Period Total Net Position</b>				
			<b>138,243</b>	<b>20%</b>

Accrual Basis / Unaudited / Internal Use Only  
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**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET AND INCOME STATEMENT**  
**For the Four Months Ending October 31, 2017**

**Talking Points**

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1. **Premium Revenue** thru October reflects the premiums earned for the first four months of the fiscal year. BRIM increased premiums in FY'18 to cover the projected increase in claims costs for the current fiscal year.
2. **Claims Expense** reflects all claims payments made thru October plus reserve changes. Unfavorable claims loss trends hampered the overall results for both years.
3. **Investment Income** for fiscal year 2018 reflects a net gain of \$6.2 million for the first four months primarily due to the recent performance of the equity market vs. a smaller gain of \$2.4 million for the same period last year.
4. In the prior fiscal year there was a transfer of \$2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of HB602, which resulted in a decrease to BRIM's net position. This resulted in a net nonoperating loss for the prior fiscal year.
5. BRIM has no un-funded liability and continues to pursue pro-active loss control initiatives.



West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Three Months Ended September 30th

	<u>2017</u>	<u>2016</u>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 23,913	\$ 14,920
Advance deposits with insurance company and trustee	199,259	209,080
Receivables	1,083	1,724
Prepaid insurance	3,777	3,687
Restricted cash and cash equivalents	11,137	8,065
Premiums due from other entities	643	620
Total current assets	<u>239,813</u>	<u>238,096</u>
Noncurrent assets:		
Equity position in internal investments pools	94,076	86,347
Restricted investments	54,329	49,865
Total noncurrent assets	<u>148,405</u>	<u>136,212</u>
Total assets	<u>388,218</u>	<u>374,308</u>
Deferred Outflows of Resources	458	387
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	9,174	8,353
Agent commissions payable	270	260
Claims Payable	0	154
Accrued expenses and other liabilities	1,672	1,695
Total current liabilities	<u>58,830</u>	<u>61,281</u>
Estimated unpaid claims and claims adjustment expense net of current portion	118,106	122,068
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	<u>118,979</u>	<u>122,626</u>
Total liabilities	<u>177,809</u>	<u>183,907</u>
Deferred Inflows of Resources	37	304
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	57,123	57,123
Unrestricted	142,205	133,837
Net Assets (Deficiency)	11,501	(475)
Net position	<u>\$ 210,829</u>	<u>\$ 190,484</u>

Unaudited

West Virginia Board of Risk and Insurance Management  
 Statements of Revenues, Expenses, and Changes in Net Position

For the Three Months Ended September 30th

	2017	2016
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 20,063	\$ 17,750
Less coverage/reinsurance programs	<u>(1,322)</u>	<u>(1,669)</u>
Net operating revenues	<b>18,741</b>	16,081
 <b>Operating expenses</b>		
Claims and claims adjustment expense	11,424	16,484
General and administrative	<u>1,125</u>	<u>864</u>
Total operating expenses	<b>12,548</b>	17,347
 Operating income (loss)	 6,192	 (1,267)
 <b>Nonoperating revenues</b>		
Investment income	5,309	3,601
Appropriation Transfer SB602	-	<u>(2,810)</u>
Net nonoperating revenues	<u>5,309</u>	<u>791</u>
Changes in net position	<b>11,501</b>	(475)
 Total net position, beginning of year	 199,328	 190,960
 Total net position, end of period	 <b><u>\$ 210,829</u></b>	 <b><u>\$ 190,484</u></b>

*Unaudited*

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Four Months Ended October 31st

	<u>2017</u>	<u>2016</u>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	24,751	9,930
Advance deposits with insurance company and trustee	199,624	206,601
Receivables	5,017	10,496
Prepaid insurance	4,466	4,452
Restricted cash and cash equivalents	11,534	8,080
Premiums due from other entities	643	620
Total current assets	<u>246,035</u>	<u>240,180</u>
Noncurrent assets:		
Equity position in internal investments pools	94,975	86,191
Restricted investments	54,848	49,775
Total noncurrent assets	<u>149,823</u>	<u>135,965</u>
Total assets	<u>395,858</u>	<u>376,146</u>
Deferred Outflows of Resources	458	387
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	14,672	13,108
Agent commissions payable	360	350
Claims Payable	108	135
Accrued expenses and other liabilities	2,167	1,859
Total current liabilities	<u>65,021</u>	<u>66,271</u>
Estimated unpaid claims and claims adjustment expense net of current portion	124,431	122,368
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	<u>125,305</u>	<u>122,926</u>
Total liabilities	<u>190,325</u>	<u>189,197</u>
Deferred Inflows of Resources	37	304
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	57,123	57,123
Unrestricted	142,205	133,837
Net Assets (Deficiency)	6,625	(3,927)
Net position	<u>\$ 205,953</u>	<u>\$ 187,032</u>

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Four Months Ended October 31st

	<u>2017</u>	<u>2016</u>
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 26,341	\$ 23,614
Less coverage/reinsurance programs	(1,872)	(2,226)
Net operating revenues	<u>24,468</u>	<u>21,388</u>
<b>Operating expenses</b>		
Claims and claims adjustment expense	22,920	23,601
General and administrative	1,489	1,323
Total operating expenses	<u>24,409</u>	<u>24,924</u>
Operating income (loss)	59	(3,536)
<b>Nonoperating revenues</b>		
Investment income	6,565	2,418
Appropriation Transfer HB4261	-	(2,810)
Net nonoperating revenue (loss)	<u>6,565</u>	<u>(392)</u>
Changes in net position	6,625	(3,927)
Total net position, beginning of year	199,328	190,960
Total net position, end of period	<u>\$ 205,953</u>	<u>\$ 187,032</u>

*Unaudited*

## Department of Administration Real Estate Division Leasing Report

For the period of November 1 - 30, 2017

There were a total of 7 leasing changes for this period and they are as follows:

- 4 – Straight Renewal
- 2 – Renewal with Increase in Rent
- 1 – Cancellation

# Department of Administration Real Estate Division Leasing Report

For the period of November 1, 2017 through November 30, 2017

## STRAIGHT RENEWAL

### **DIVISION OF JUVENILE SERVICES**

**DJS-035** Renewal for 1 year consisting of 250 square feet of storage space at the current annual per square foot rate of \$4.80, annual cost \$1,200.00, 18 Blackberry Orchard, in the City of Danville, Boone County, West Virginia.

### **DIVISION OF MOTOR VEHICLES**

**DMV-023** Renewal for 5 years consisting of 10,387 square feet of office space at the current annual per square foot rate of \$15.15, annual cost \$157,363.05, MacCorkle Avenue and 57<sup>th</sup> Street, in the City of Charleston, Kanawha County, West Virginia.

### **DIVISION OF FORESTRY**

**FOR-089** Renewal for 1 year consisting of 250 square feet of office space at the current annual per square foot rate of \$12.00, annual cost \$3,000.00, full service, 300-B Second Avenue, in the City of Marlinton, Pocahontas County, West Virginia.

### **STATE TREASURER'S OFFICE**

**STO-007** Renewal for 3 years consisting of 1,172 square feet of office space at the current annual per square foot rate of \$8.75, annual cost \$10,255.00, full service, 200 Main Street, in the City of Beckley, Raleigh County, West Virginia.

## RENEWAL WITH INCREASE IN RENT

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

**HHR-212** Renewal for 3 years consisting of 1,255 square feet of office space and 100 square feet of storage space with an increase in the annual per square foot rate, for the office space, from \$13.50 to \$13.75 and the storage space remaining at the current monthly rate of \$15.00, annual cost \$17,436.24, full service, 405 Capitol Street, in the City of Charleston, Kanawha County, West Virginia.

### **DIVISION OF MOTOR VEHICLES**

**DMV-047** Renewal for 10 years consisting of 4,800 square feet of office space at the current annual per square foot rate of \$13.26, annual cost \$63,648.00, for years 1-5, and then an increase in the annual per square foot rate from \$13.26 to \$13.66, annual cost \$65,568.00, for years 6-10, full service, Third Avenue, in the City of Williamson, Mingo County, West Virginia.

## CANCELLATION

### **DEPARTMENT OF AGRICULTURE**

**AGR-049** Lease cancellation consisting of 280 square feet of office space, at the annual per square foot rate of \$12.00, annual cost \$3,360.00, full service, in the City of Oak Hill, Fayette County, West Virginia.

Real Estate Division  
 Monthly Summary of Lease Activity  
 November 1 - 30, 2017

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate	
1	Division of Juvenile Services	DJS-035	Marion	250	4.80	1,200	1	1,200	
2	Division of Motor Vehicls	DMV-023	Kanawha	10,387	15.15	157,363	5	786,815	
3	Division of Forestry	FOR-089	Pocahontas	250	12.00	3,000	1	3,000	
4	State Treasurer's Office	STO-007	Raleigh	1,172	8.75	10,255	3	30,765	
5	Department of Health and Human Resources	HHR-212	Kanawha	1,255	13.75	17,256	3	51,769	
	Department of Health and Human Resources	HHR-212	Kanawha	100		180	3	540	
6	Division of Motor Vehicls	years 1 - 5	DMV-047	Mingo	4,800	13.26	63,648	5	318,240
	Division of Motor Vehicls	years 6 - 10	DMV-047	Mingo	4,800	13.66	65,568	5	327,840

		81.37
<b>Total Rentable Square Feet</b>	<u>23,014</u>	
<b>Average Annual Rental Rate</b>		<u>11.62</u>
<b>Total Annual Rent</b>		<u>318,470</u>

**CANCELLATIONS**

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent
1	Department of Agriculture	AGR-049	Fayette	280	12.00	3,360

<b>Total Rentable Square Feet</b>	<u>280</u>
<b>Total Annual Rent</b>	<u>3,360</u>

**Joint Committee on Government and Finance**

**November 2017**

**Department of Health and Human Resources**

**MEDICAID REPORT  
September 2017 Data  
Revised November 14, 2017**



WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2018

MONTH OF SEPTEMBER 2017

	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	Current Month Ended 9/30/17	Current Month Ended 9/30/17	Year To-Date Thru 9/30/17	10/1/17 Thru 06/30/18
<b>EXPENDITURES:</b>						
Inpatient Hospital - Reg. Payments	141,892,118	79,122,814	6,684,318	6,087,121	23,606,345	55,516,469
Inpatient Hospital - DSH	54,140,231	54,000,000	-	-	13,534,118	40,465,882
Inpatient Hospital - Supplemental Payments	109,348,510	13,443,469	-	1,484,608	6,242,098	7,201,371
Inpatient Hospital - GME Payments	8,211,278	5,543,536	-	-	2,068,098	3,475,438
Mental Health Facilities	57,563,254	41,802,957	3,136,656	3,217,123	10,678,654	31,124,303
Mental Health Facilities - DSH Adjustment Payments	18,878,878	19,000,000	-	-	4,728,384	14,271,616
Nursing Facility Services - Regular Payments(2)	642,716,564	668,129,443	53,924,136	55,698,149	159,512,031	508,617,412
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	68,638,994	72,429,100	6,074,261	6,035,759	18,046,629	54,382,471
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-
Physicians Services - Regular Payments	72,513,494	40,593,136	2,672,810	3,123,514	9,890,476	30,702,660
Physicians Services - Supplemental Payments	22,615,437	2,780,376	-	-	5,053,381	(2,273,005)
Physician and Surgical Services - Evaluation and Management	3,028	2,400	-	-	(21)	2,421
Physician and Surgical Services - Vaccine Codes	-	-	-	-	-	-
Outpatient Hospital Services - Regular Payments	72,863,760	40,439,473	2,519,148	3,111,916	10,415,718	30,023,755
Outpatient Hospital Services - Supplemental Payments	217,795,914	26,776,155	-	-	21,123,658	5,652,497
Prescribed Drugs	208,527,799	874,100,228	54,303,991	68,041,500	110,934,159	763,166,069
Drug Rebate Offset - National Agreement	(183,668,526)	(361,441,697)	(4,333,811)	(10,192,657)	(18,654,112)	(342,787,585)
Drug Rebate Offset - State Sidebar Agreement	(7,530,775)	(19,598,573)	(83,693)	(552,680)	(1,396,334)	(18,202,239)
Drug Rebate Offset - MCO National	(236,294,808)	(60,753,263)	(20,367,017)	(1,713,243)	(57,368,457)	(3,384,806)
Drug Rebate Offset - MCO State Sidebar Agreement	(10,567,359)	(2,009,216)	(1,000,547)	(56,660)	(5,214,683)	3,205,467
Dental Services	13,832,447	11,544,365	806,096	889,627	2,860,869	8,683,496
Other Practitioners Services - Regular Payments	6,492,548	4,336,150	277,231	335,501	1,078,623	3,257,527
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-
Clinic Services	2,024,001	1,454,644	90,457	112,717	403,470	1,051,174
Lab & Radiological Services	14,824,783	8,032,059	586,839	618,129	2,116,965	5,915,094
Home Health Services	34,416,617	19,349,700	1,860,934	1,510,744	6,194,185	13,155,515
Hysterectomies/Sterilizations	61,552	43,000	5,196	3,308	19,417	23,583
Pregnancy Terminations (4)	92,535	345,000	15,476	28,750	83,610	261,390
EPSDT Services	1,552,044	1,385,662	124,034	106,678	385,657	1,000,005
Rural Health Clinic Services	5,544,926	3,073,135	200,804	236,424	1,374,473	1,698,662
Medicare Health Insurance Payments - Part A Premiums	18,956,782	19,557,254	1,594,985	1,629,771	4,898,261	14,658,993
Medicare Health Insurance Payments - Part B Premiums	110,218,602	114,952,633	9,677,282	9,579,386	28,991,302	85,961,331
120% - 134% Of Poverty	8,849,389	9,229,482	761,254	709,961	2,243,026	6,986,456
135% - 175% Of Poverty	-	-	-	-	-	-
Coinsurance And Deductibles	11,080,319	11,635,392	740,375	895,030	2,970,995	8,664,397

**WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES  
EXPENDITURES BY PROVIDER TYPE  
SFY2018**

**MONTH OF SEPTEMBER 2017**

	<b>ACTUALS</b>	<b>TOTAL</b>	<b>ACTUALS</b>	<b>ESTIMATE</b>	<b>ACTUALS</b>	<b>PROJECTED</b>
	SFY2017	SFY2018	Current Month Ended 9/30/17	Current Month Ended 9/30/17	Year To-Date Thru 9/30/17	10/1/17 Thru 06/30/18
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,776,593,830	1,755,736,548	142,998,764	146,311,379	376,467,080	1,379,269,468
Medicaid MCO - Evaluation and Management	-	-	-	-	-	-
Medicaid MCO - Vaccine Codes	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	-	-	-	-	-	-
Medicaid Health Insurance Payments: Group Health Plan Payments	657,626	679,300	64,336	52,254	112,772	566,528
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-
Home & Community-Based Services (MR/DD)	310,492,734	382,486,200	25,258,044	29,422,014	79,462,279	303,023,921
Home & Community-Based Services (Aged/Disabled)	103,840,769	110,289,297	7,358,651	8,533,544	24,382,720	85,906,577
Home & Community-Based Services (Traumatic Brain Injury)	1,488,193	1,511,600	129,209	116,251	399,048	1,112,552
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	73,980,196	79,356,029	5,873,988	6,113,364	17,657,435	61,698,594
Personal Care Services - SDS 1915(j)	-	-	-	-	-	-
Targeted Case Management Services - Com. Case Management	-	-	-	-	-	-
Targeted Case Management Services - State Wide	2,360,158	2,152,607	236,157	165,607	940,075	1,212,532
Primary Care Case Management Services	36	-	285	-	285	(285)
Hospice Benefits(3)	26,276,477	24,926,457	1,960,994	1,917,420	6,962,870	17,963,587
Emergency Services Undocumented Aliens	496,071	507,245	8,057	39,019	158,732	348,513
Federally Qualified Health Center	18,358,792	9,518,587	630,102	732,319	2,395,492	7,123,095
Non-Emergency Medical Transportation	35,431,782	36,856,203	2,863,842	2,838,573	8,666,904	28,189,299
Physical Therapy	1,905,207	1,124,844	60,871	86,571	263,185	861,659
Occupational Therapy	680,426	402,384	34,022	30,952	136,879	265,505
Services for Speech, Hearing & Language	478,404	286,408	25,277	22,034	83,899	202,509
Prosthetic Devices, Dentures, Eyeglasses	1,463,138	883,770	64,806	68,076	229,619	654,151
Diagnostic Screening & Preventive Services	437,675	225,171	14,504	17,321	54,628	170,543
Nurse Mid-Wife	136,524	146,453	7,304	11,265	23,555	122,898
Emergency Hospital Services	(77)	-	-	-	-	-
Critical Access Hospitals	34,698,879	19,515,585	1,488,910	1,501,743	8,238,840	11,276,745
Nurse Practitioner Services	3,220,367	2,024,085	118,202	155,730	465,904	1,558,181
School Based Services	12,819,369	12,999,994	392,194	1,000,003	28,481,169	(15,481,175)
Rehabilitative Services (Non-School Based)	64,792,629	53,725,474	4,250,699	4,136,343	16,495,689	37,229,785
Private Duty Nursing	7,552,577	5,105,500	391,399	393,310	1,548,361	3,557,139
Freestanding Birth Centers	-	-	-	-	-	-
Health Home for Enrollees w Chronic Conditions	263,932	224,565	27,464	17,274	106,667	117,898
Other Care Services	19,658,448	12,701,841	808,810	985,935	4,082,917	8,618,924
Less: Recoupments	-	-	(99,717)	-	(5,132,249)	5,132,249
<b>NET EXPENDITURES:</b>	<b>3,983,678,496</b>	<b>4,212,684,962</b>	<b>315,238,389</b>	<b>355,608,775</b>	<b>939,505,750</b>	<b>3,273,179,211</b>

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2018

**MONTH OF SEPTEMBER 2017**

Collections: Third Party Liability (line 9A on CMS-64)  
 Collections: Probate (line 9B on CMS-64)  
 Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)  
 Collections: Other (line 9D on CMS-64)

	<b>ACTUALS</b>	<b>TOTAL</b>	<b>ACTUALS</b>	<b>ESTIMATE</b>	<b>ACTUALS</b>	<b>PROJECTED</b>
	SFY2017	SFY2018	Current Month Ended 9/30/17	Current Month Ended 9/30/17	Year To-Date Thru 9/30/17	10/1/17 Thru 06/30/18
Collections: Third Party Liability (line 9A on CMS-64)	(8,663,735)	-	-	-	-	-
Collections: Probate (line 9B on CMS-64)	(513,508)	-	-	-	-	-
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(338,612)	-	-	-	-	-
Collections: Other (line 9D on CMS-64)	(21,817,774)	-	-	-	-	-
<b>NET EXPENDITURES and CMS-64 ADJUSTMENTS:</b>	<b>3,952,344,867</b>	<b>4,212,684,962</b>	<b>315,238,389</b>	<b>355,608,775</b>	<b>939,505,750</b>	<b>3,273,179,211</b>
Plus: Medicaid Part D Expenditures	42,112,339	44,357,292	3,687,739	3,696,441	11,100,440	33,256,852
Plus: State Only Medicaid Expenditures	445,061	280,700	29,412	48,131	141,826	138,874
Plus: Money Follow the Person Expenditures	1,896,869	2,126,650	158,921	163,588	505,223	1,621,427
<b>TOTAL MEDICAID EXPENDITURES</b>	<b>\$ 3,996,799,136</b>	<b>\$ 4,259,449,604</b>	<b>\$ 319,114,460</b>	<b>\$ 359,516,935</b>	<b>\$ 951,253,239</b>	<b>\$ 3,308,196,364</b>
Plus: Reimbursables (1)	3,982,371	-	344,614	393,834	1,117,093	(1,117,093)
Plus: NATCEP/PASARR/Eligibility Exams	271,038	288,422	8,676	22,186.33	16,584	271,838
Plus: HIT Incentive Payments	6,343,904	5,000,000	13,030	384,615	106,530	4,893,470
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,007,396,448</b>	<b>\$ 4,264,738,026</b>	<b>\$ 319,480,780</b>	<b>\$ 360,317,571</b>	<b>\$ 952,493,446</b>	<b>\$ 3,312,244,580</b>

- (1) This amount will revert to State Only if not reimbursed.
- (2) Of the amount in the "Nursing Facility Services-Regular Payments" line, \$1,426,075 is the amount paid to State Facilities year to date.
- (3) Of the amount in the "Hospice Benefits" line, \$1,960,994 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  
 SFY2018

	3 Months Actuals			9 Months Remaining	
MONTH OF SEPTEMBER 2017	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2017	Current Month Ended 9/30/17	Year-To-Date Thru 9/30/17	10/1/2017 Thru 6/30/18	SFY2018
<b>REVENUE SOURCES</b>					
Beg. Bal. (5084/1020 prior mth)	\$ 22,715,798	\$ 43,365,731	\$ 86,992,634	\$ -	\$ 86,992,634
<b>MATCHING FUNDS</b>					
General Revenue (0403/189)	394,899,115	19,902,138	49,804,277	398,727,804	448,532,081
MRDD Waiver (0403/466)	88,753,483	5,916,899	11,833,798	76,919,685	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,334	432,667	2,163,333	2,596,000
Tertiary Funding (0403/547)	6,356,000	529,666	1,059,333	5,296,667	6,356,000
Traumatic Brain Injury (0403/835)	800,000	53,333	106,666	693,334	800,000
Title XIX Waiver for Seniors (0403-533)	13,593,620	906,242	1,812,483	11,781,137	13,593,620
Medical Services Surplus (0403/633)	5,500,000	0	0	30,021,770	30,021,770
Waiver for Senior Citizens Surplus (0403/526)	-	0	0	0	0
Lottery Waiver (Less 550,000) (5405/539)	21,824,274	0	3,095,673	9,287,019	12,382,692
Lottery Waiver (0420/539)	12,142,184	0	5,395,942	16,187,824	21,583,766
Lottery Transfer (5405/871)	8,670,000	0	3,625,578	10,876,734	14,502,312
Excess Lottery (5365/189)	31,377,985	0	0	24,506,170	24,506,170
Lottery Surplus (5405/68199)	8,000,000	0	15,500,000	0	15,500,000
Lottery Surplus (5365/68100)	30,000,000	0	0	26,900,000	26,900,000
Trust Fund Appropriation (5185/189)	131,250,000		8,914,540	63,987,986	72,902,526
Provider Tax (5090/189)	196,831,229	13,790,769	49,595,252	164,706,595	214,301,847
NSGO UPL (5084/6717)	1,210,392	0	0	1,241,403	1,241,403
Certified Match	9,870,547	670,700	9,769,605	5,646,213	15,415,818
Reimbursables - Amount Reimbursed	4,460,819	657,379	657,696	-657,696	0
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	627,152	51,786	440,679	459,321	900,000
CHIP State Share	-		0	0	0
CMS - 64 Adjustments	(973,293)	0	0	0	0
<b>TOTAL MATCHING FUNDS</b>	\$ 990,505,306	\$ 86,060,978	\$ 249,036,823	\$ 848,745,299	\$1,097,782,122
<b>FEDERAL FUNDS</b>	\$ 3,098,950,199	\$ 280,569,647	\$ 750,651,992	\$ 2,562,741,548	\$3,313,393,540
<b>TOTAL REVENUE SOURCES</b>	\$ 4,089,455,505	\$ 366,630,625	\$ 999,688,815	\$3,411,486,848	\$4,411,175,663
<b>TOTAL EXPENDITURES:</b>					
Provider Payments	\$ 4,004,846,454	\$ 319,480,780	\$ 952,493,446	\$3,312,244,580	\$4,264,738,026
<b>TOTAL</b>	\$ 84,609,050	\$ 47,149,845	\$ 47,195,369		\$ 146,437,637

Note: FMAP (71.80% applicable Jul. - Sep. 2017) (73.24% applicable Oct. 2017 - Jun. 2018)

**Joint Committee on Government and Finance**

**December 2017**

**Department of Health and Human Resources**

**MEDICAID WAIVER REPORT  
October 2017 Data**

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

<b>Aged &amp; Disabled Waiver Reported October 31, 2017</b>	<b>FY 2017 YTD</b>	<b>Jul 17</b>	<b>Aug 17</b>	<b>Sep 17</b>	<b>Oct 17</b>	<b>Nov 17</b>	<b>Dec 17</b>	<b>Jan 18</b>	<b>Feb 18</b>	<b>Mar 18</b>	<b>Apr 18</b>	<b>May 18</b>	<b>Jun 18</b>	<b>FY2018 YTD</b>
<b>Slots Approved By CMS (1)</b>	6,151	5,752	5,752	5,752	5,752									5,752
-Slots Available for Traditional (non TMH-WV) enrollees	6,078	5,662	5,662	5,662	5,662									5,662
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees	73	90	90	90	90									90
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count	6,151	5,324	5,449	5,523	5,566									5,566
Applicants determined eligible this month and added to MEL (3)	1,440	98	119	116	112									445
Applicants determined ineligible	98	12	12	7	8									39
<b>ACTIVE MEMBERS</b>														
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count	5,349	5,302	5,373	5,395	5,381									5,381
<b>Active members enrolled during the calendar month</b>	877	28	150	95	65									338
-Total Active Traditional members enrolled during the calendar month	805	22	138	88	58									306
-Total Active TMH-WV members enrolled during the calendar month	72	6	12	7	7									32
Members discharged during the calendar month	1,099	75	79	73	79									306
ADW Members whose case was closed by reason	Member is deceased	600	40	39	36	45								160
	Other (4)	499	35	40	37	34								146
<b>MANAGED ENROLLMENT LIST (MEL)</b>														
# Eligible applicants closed during the calendar month (removed from MEL)	951	341	87	60	41									529
ADW Applicants removed from the MEL	Applicant offered a slot (Traditional + MFP)	626	325	79	41	29								474
	Applicant became deceased	114	14	7	8	9								38
	Other (5)	211	2	1	11	3								17
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting	32	28	28	33	36									31
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting	36	52	34	31	32									37
Applicants on the MEL at the end of the month	763	520	552	608	679									679
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days	242	272	283	261	272									272

(1) Of the 5,752 slots approved by CMS, 90 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. When it is identified that slots cannot be used for MFP transitions, these slots are made available for traditional (non-MFP) enrollees.

(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 Oct 31, 2017		FY 2016	July-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD2018
Slots approved by CMS		4,634	4,634	4,634	4,634	4,634									4,634
Total number of members served YTD (unduplicated slots used) (1)		4,634	4,568	4,568	4,567	4,567									4,567
Applicants determined eligible (2)		207	12	14	20	32									78
Applicants determined ineligible (3)		202	18	10	14	12									54
<b>ACTIVE MEMBERS</b>															
# of active members at the end of the month (unduplicated slots active) (1)		4,503	4,565	4,553	4,549	4,579									4,579
Discharged members at the end of the calendar month		147	5	12	6	8									31
Discharged members who were discharged by reason	Deceased	72	3	6	4	6									19
	Left program to enter a facility	21	2	3	0	0									5
	a. Hospital	0	0	0	0	0									0
	b. ICF/IID	2	1	1	0	0									2
	c. Nursing Facility	11	0	2	1	0									3
	d. Psychiatric Facility	0	0	0	0	0									0
	e. Rehabilitation Facility	0	0	0	0	0									0
	f. Other Facility	1	0	0	0	0									-
Other (6)	53	1	3	1	2									7	
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
Total number of applicants on the MEL at the end of the month		1,317	1,256	1,262	1,278	1,267									1,267
Number of applicants added to the MEL (4)		207	12	14	20	32									78
Applicants enrolled (removed from the MEL)		116	67	0	2	38									107
Applicants removed from the MEL due to Death (5)		7	0	2	0	2									4
Applicants removed from the MEL due to Other (6)		27	6	6	2	3									17
Applicants on the MEL who are in a Nursing Facility		0	0	3	9	10									10
Applicants on the MEL who are in an ICF/IID Group Home		22	24	26	22	49									49
Applicants on the MEL receiving Personal Care Services each month (8)		70	65	75	9	9									9
Longest on the MEL to date (7)		1494 Days	1,470	1,491	1,521	1,552									1,552

(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**

<b>Traumatic Brain Injury Waiver Reported October 31, 2017</b>	<b>FY 2017 YTD</b>	<b>Jul 17</b>	<b>Aug-17</b>	<b>Sep-17</b>	<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>	<b>Jan-18</b>	<b>Feb-18</b>	<b>Mar-18</b>	<b>Apr-18</b>	<b>May-18</b>	<b>Jun-18</b>	<b>FY2018 YTD</b>
Slots Approved By CMS (1)	70	66	66	66	66									66
-Slots Available for Traditional (non TMH-WV) enrollees	70	56	56	56	56									56
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees	0	10	10	10	10									10
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count	69	62	62	62	62									62
Applicants determined eligible this month and added to MEL (3)	27	3	2	0	0									5
Applicants determined ineligible	2	1	0	0	0									1
<b>ACTIVE MEMBERS</b>														
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count	61	62	62	62	59									59
Active members enrolled during the calendar month	9	2	0	0	0									2
-Total Active Traditional members enrolled during the calendar month	8	1	0	0	0									1
-Total Active TMH-WV members enrolled during the calendar month	1	1	0	0	0									1
Members discharged during the calendar month	11	1	0	0	3									4
TBIW Members whose case was closed by reason	Member is deceased	1	0	0	0	3								3
	Other (4)	10	1	0	0	0								1
<b>MANAGED ENROLLMENT LIST (MEL)</b>														
# Eligible applicants closed during the calendar month (removed from MEL)	15	0	0	0	0									0
TBIW Applicants removed from the MEL	Applicant offered a slot	14	0	0	0	0								0
	Applicant became deceased	0	0	0	0	0								0
	Other (5)	1	0	0	0	0								0
Applicants on the MEL who are in a nursing facility	1	0	0	0	0									0
Applicants on the MEL receiving Personal Care	0	1	1	0	0									1
Applicants on the MEL at the end of the month	12	13	15	15	15									15
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days	170	368	399	429	460									414

(1) Of the 66 slots approved by CMS, 10 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. Beginning SFY 2017-2018, the program was over the number of slots available for Traditional enrollees. There are no available Traditional slots beginning SFY 2017-2018, 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 2017*

Department of Health and Human Resources

State Children's Health Insurance Program  
UPDATE



**West Virginia Children's Health Insurance Program**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the three months ending September 30, 2017 and September 30, 2016**  
**(Modified Accrual Basis)**

	September 30, 2017	September 30, 2016	Variance	
<b>Revenues</b>				
Federal Grants	11,074,031	11,434,963	(360,932)	-3%
State Appropriations		0	0	0%
Premium Revenues	349,401	329,448	19,953	6%
Investment Income:				
Investment Earnings	<u>24,619</u>	<u>19,782</u>	<u>4,837</u>	<u>24%</u>
<b>Total Revenues</b>	<b><u>11,448,051</u></b>	<b><u>11,784,193</u></b>	<b><u>(336,142)</u></b>	<b><u>-3%</u></b>
<b>Expenditures:</b>				
Claims:				
Prescribed Drugs	2,364,479	1,921,100	443,379	23%
Outpatient Services	2,042,315	1,267,301	775,014	61%
Physicians & Surgical	1,927,771	3,242,117	(1,314,346)	-41%
Dental	1,896,772	1,751,623	145,149	8%
Inpatient Hospital Services	1,045,267	623,610	421,657	68%
Therapy	999,019	722,787	276,232	38%
Other Services	699,090	570,816	128,274	22%
Outpatient Mental Health	317,823	4,526	313,297	6922%
Vision	285,339	196,803	88,536	45%
Inpatient Mental Health	239,601	219,245	20,356	9%
Medical Transportation	187,875	18,543	169,332	913%
Durable & Disposable Med. Equip.	99,546	142,409	(42,863)	-30%
Less: Collections**	<u>(581,720)</u>	<u>(269,655)</u>	<u>(312,065)</u>	<u>116%</u>
Total Claims	<u>11,523,177</u>	<u>10,411,225</u>	<u>1,111,952</u>	<u>11%</u>
General and Admin Expenses:				
Salaries and Benefits	157,467	141,877	15,590	11%
Program Administration	1,068,695	747,198	321,497	43%
Eligibility	0	0	0	0%
Outreach & Health Promotion	32,677	17,591	15,086	86%
Current	<u>17,045</u>	<u>25,702</u>	<u>(8,657)</u>	<u>-34%</u>
Total Administrative	<u>1,275,884</u>	<u>932,368</u>	<u>343,516</u>	<u>37%</u>
<b>Total Expenditures</b>	<b><u>12,799,061</u></b>	<b><u>11,343,593</u></b>	<b><u>1,455,468</u></b>	<b><u>13%</u></b>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>(1,351,010)</b>	<b>440,599</b>	<b>(1,791,610)</b>	<b>-407%</b>
Unrealized Gain(loss) On Investments*	1,493	(7,952)	9,444	-119%
<b>Fund Equity, Beginning</b>	<b><u>7,781,507</u></b>	<b><u>8,268,031</u></b>	<b><u>(486,524)</u></b>	<b><u>-6%</u></b>
<b>Fund Equity, Ending</b>	<b><u>6,431,990</u></b>	<b><u>8,700,679</u></b>	<b><u>(2,268,689)</u></b>	<b><u>-26%</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  
 Budget to Actual Statement  
 State Fiscal Year 2018  
 For the Four Months Ended October 31, 2017**

	<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 Oct-17</u>	<u>Actual Amt Sep-17</u>	<u>Actual Amt Aug-17</u>
Projected Cost	\$50,205,506	\$16,735,169	\$16,324,785	\$410,384	2%	\$4,183,792	\$3,691,657	\$3,807,387	\$4,733,565
Premiums	2,403,240	\$801,080	\$477,905	-\$323,175	-40%	200,270	\$128,504	\$112,514	\$125,313
Subrogation & Rebates	<u>1,398,828</u>	<u>\$466,276</u>	<u>\$1,035,694</u>	<u>\$569,418</u>	<u>122%</u>	<u>116,569</u>	<u>\$464,765</u>	<u>\$0</u>	<u>\$9,848</u>
Net Benefit Cost	\$46,403,438	\$15,467,813	\$14,811,186	\$656,627	4%	3,973,808	\$3,098,388	\$3,694,873	\$4,598,404
Salaries & Benefits	\$702,625	\$234,208	\$200,659	\$33,550	14%	\$58,552	\$43,192	\$62,755	\$42,209
Program Administration	\$2,626,570	\$875,523	\$655,167	\$220,357	25%	218,881	\$166,656	\$276,301	\$209,818
Eligibility	\$326,676	\$108,892	\$3,622	\$105,270	97%	27,223	\$1,851		
Outreach & Health Prom.	\$392,012	\$130,671	\$10,190	\$120,481	92%	32,668	\$5,127	\$5,063	
Current Expense	<u>\$326,676</u>	<u>\$108,892</u>	<u>\$12,621</u>	<u>\$96,271</u>	<u>88%</u>	<u>27,223</u>	<u>\$3,690</u>	\$2,386	\$2,032
Total Admin Cost	\$4,374,559	\$1,458,186	\$882,259	\$575,927	39%	\$364,547	\$220,516	\$346,506	\$254,059
Total Program Cost	<u>\$50,777,997</u>	<u>\$16,925,999</u>	<u>\$15,693,445</u>	<u>\$1,232,554</u>	<u>7%</u>	<u>\$4,338,355</u>	<u>\$3,318,904</u>	<u>\$4,041,379</u>	<u>\$4,852,463</u>
Federal Share 100%	50,777,997	\$16,925,999	\$15,693,445	\$1,232,554	7%	\$4,338,355	\$3,318,904	\$4,041,379	\$4,852,463
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>\$50,777,997</u>	<u>\$16,925,999</u>	<u>\$15,693,445</u>	<u>\$1,232,554</u>	<u>7%</u>	<u>\$4,338,355</u>	<u>\$3,318,904</u>	<u>\$4,041,379</u>	<u>\$4,852,463</u>

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2017 Report.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

# WVCHIP Enrollment Report

ATTACHMENT 1

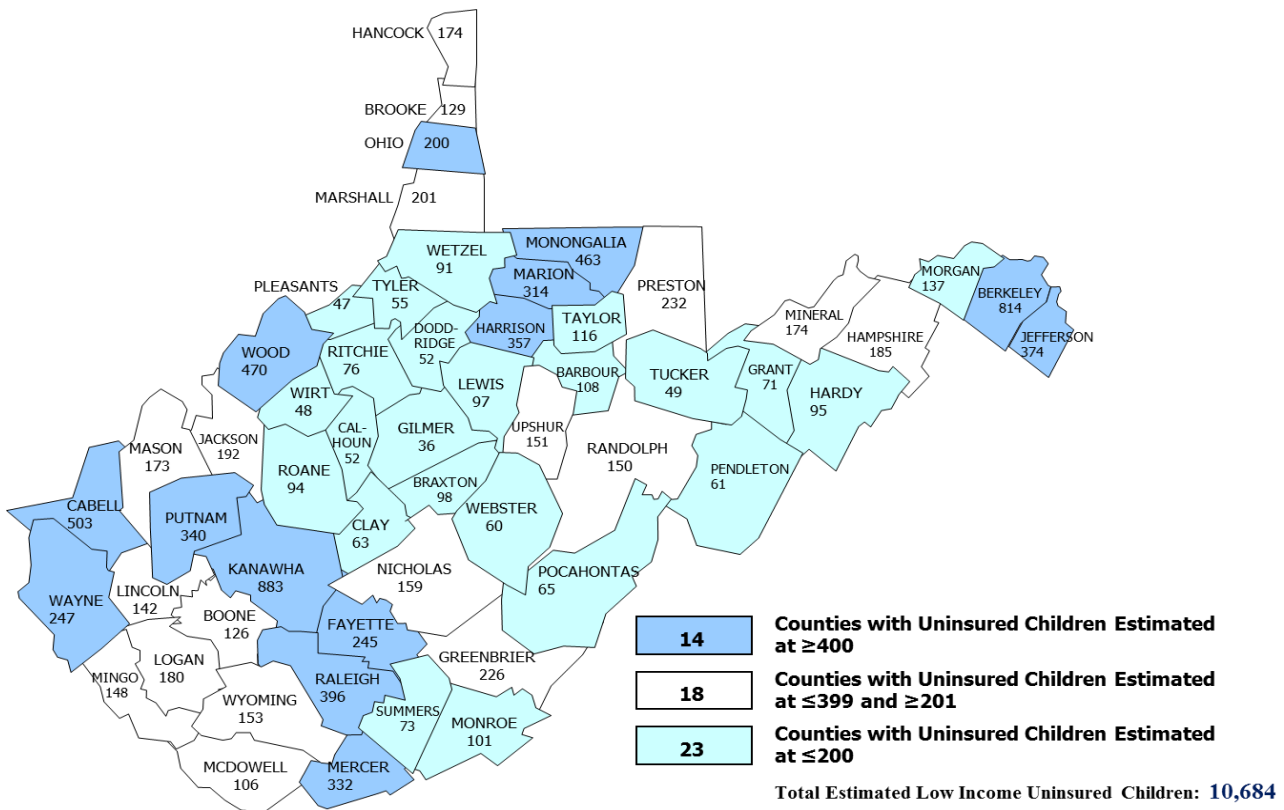
October 2017

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Oct-17	Total Medicaid Enrollment Oct-17	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Barbour	3,600	235	1,703	1,938	53.8%	108	33
Berkeley	26,251	1,560	11,622	13,182	50.2%	788	2
Boone	5,615	242	3,227	3,469	61.8%	168	25
Braxton	3,006	163	1,679	1,842	61.3%	90	40
Brooke	4,573	2	1,258	1,260	27.6%	137	31
Cabell	18,879	948	9,194	10,142	53.7%	566	4
Calhoun	1,518	97	871	968	63.8%	46	51
Clay	2,215	145	1,357	1,502	67.8%	66	44
Doddridge	1,673	100	732	832	49.7%	50	48
Fayette	9,438	647	5,319	5,966	63.2%	283	13
Gilmer	1,260	73	586	659	52.3%	38	54
Grant	2,555	129	1,149	1,278	50.0%	77	42
Greenbrier	7,131	578	3,672	4,250	59.6%	214	16
Hampshire	5,392	230	2,383	2,613	48.5%	162	27
Hancock	6,166	537	3,203	3,740	60.7%	185	20
Hardy	3,015	231	1,558	1,789	59.3%	90	39
Harrison	15,202	891	6,454	7,345	48.3%	456	7
Jackson	6,602	316	3,034	3,350	50.7%	198	18
Jefferson	12,679	605	3,886	4,491	35.4%	380	10
Kanawha	39,771	2,090	19,218	21,308	53.6%	1,193	1
Lewis	3,389	227	1,910	2,137	63.1%	102	37
Lincoln	4,930	241	3,093	3,334	67.6%	148	30
Logan	7,496	364	4,512	4,876	65.1%	225	15
Marion	11,227	618	5,245	5,863	52.2%	337	11
Marshall	6,886	261	2,953	3,214	46.7%	207	17
Mason	5,929	263	2,855	3,118	52.6%	178	21
McDowell	4,423	193	3,178	3,371	76.2%	133	32
Mercer	12,764	787	7,831	8,618	67.5%	383	9
Mineral	5,868	302	2,354	2,656	45.3%	176	23
Mingo	5,905	261	3,934	4,195	71.0%	177	22
Monongalia	15,294	825	5,520	6,345	41.5%	459	6
Monroe	2,835	244	1,196	1,440	50.8%	85	41
Morgan	3,596	252	1,448	1,700	47.3%	108	34
Nicholas	5,561	356	3,002	3,358	60.4%	167	26
Ohio	8,444	440	3,511	3,951	46.8%	253	14
Pendleton	1,462	76	600	676	46.2%	44	52
Pleasants	1,551	70	663	733	47.2%	47	50
Pocahontas	1,561	144	816	960	61.5%	47	49
Preston	6,536	410	3,091	3,501	53.6%	196	19
Putnam	13,150	633	4,334	4,967	37.8%	395	8
Raleigh	16,403	986	9,379	10,365	63.2%	492	5
Randolph	5,705	460	2,974	3,434	60.2%	171	24
Ritchie	2,205	114	1,088	1,202	54.5%	66	45
Roane	3,239	255	1,781	2,036	62.9%	97	38
Summers	2,521	162	1,431	1,593	63.2%	76	43
Taylor	3,514	189	1,613	1,802	51.3%	105	35
Tucker	1,371	101	569	670	48.9%	41	53
Tyler	1,924	86	809	895	46.5%	58	47

# WVCHIP Enrollment Report

October 2017

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Oct-17	Total Medicaid Enrollment Oct-17	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Upshur	4,996	303	2,882	3,185	63.7%	150	29
Wayne	9,516	377	4,870	5,247	55.1%	285	12
Webster	1,977	94	1,322	1,416	71.6%	59	46
Wetzel	3,466	152	1,835	1,987	57.3%	104	36
Wirt	1,201	65	738	803	66.9%	36	55
Wood	18,956	895	9,310	10,205	53.8%	569	3
Wyoming	5,116	287	2,743	3,030	59.2%	153	28
<b>Totals</b>	<b>387,459</b>	<b>21,312</b>	<b>187,495</b>	<b>208,807</b>	<b>53.9%</b>	<b>11,624</b>	

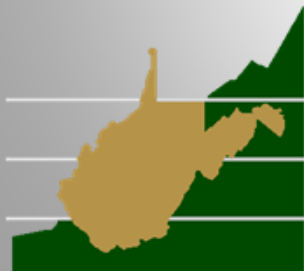


The above map shows the most recent 2013 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county 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

October 31, 2017



# Participant Plans Allocation & Performance Net of Fees

Period Ending: October 31, 2017

	6/30/2017		10/31/2017		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>WVIMB Fund Assets</b>	<b>18,283,189</b>	<b>100.0</b>	<b>18,969,099</b>	<b>100.0</b>							
<b>Pension Assets</b>	<b>14,791,142</b>	<b>80.9</b>	<b>15,384,102</b>	<b>81.1</b>							
Public Employees' Retirement System	6,288,320	34.4	6,582,054	34.7	1.4	3.2	5.2	17.9	8.3	10.0	6.3
Teachers' Retirement System	7,232,585	39.6	7,473,762	39.5	1.4	3.2	5.2	17.7	8.3	9.9	6.0
EMS Retirement System	70,196	0.4	74,798	0.4	1.4	3.2	5.2	17.9	8.3	9.9	
Public Safety Retirement System	639,380	3.5	659,717	3.5	1.4	3.2	5.2	17.8	8.3	9.9	6.3
Judges' Retirement System	189,254	1.0	198,608	1.0	1.4	3.2	5.2	17.9	8.4	10.0	6.3
State Police Retirement System	165,873	0.9	177,495	0.9	1.4	3.2	5.2	17.8	8.3	10.0	6.3
Deputy Sheriffs' Retirement System	198,732	1.1	210,013	1.1	1.4	3.2	5.2	17.8	8.3	10.0	6.3
Municipal Police & Firefighter Retirement System	5,356	0.0	6,170	0.0	1.4	3.2	5.1	17.4	8.1	9.5	
Municipal Model A	1,446	0.0	1,485	0.0	1.4	3.2	5.2	17.9	8.3		
<b>Insurance Assets</b>	<b>2,641,811</b>	<b>14.4</b>	<b>2,710,691</b>	<b>14.3</b>							
Workers' Compensation Old Fund	1,260,911	6.8	1,264,276	6.7	0.9	2.3	3.8	9.8	4.9	5.0	4.1
Workers' Comp. Self-Insured Guaranty Risk Pool	33,211	0.2	34,498	0.2	1.0	2.4	3.8	10.1	4.9	5.4	4.3
Workers' Comp. Self-Insured Security Risk Pool	53,908	0.3	55,143	0.3	1.0	2.4	3.8	10.2	4.9		
Workers' Comp. Uninsured Employers' Fund	11,797	0.1	12,237	0.1	1.0	2.3	3.7	10.0	4.7	5.2	4.1
Pneumoconiosis	250,631	1.4	255,965	1.3	1.0	2.4	3.8	10.2	4.8	5.4	4.7
Board of Risk & Insurance Management	144,341	0.8	149,823	0.8	1.0	2.3	3.8	10.2	4.8	5.4	5.1
Public Employees' Insurance Agency	153,908	0.8	159,294	0.8	0.9	2.2	3.5	9.7	4.7	5.3	4.9
WV Retiree Health Benefit Trust Fund	733,104	4.0	779,455	4.1	1.4	3.2	5.2	17.8	8.3	9.8	
<b>Endowment Assets</b>	<b>850,236</b>	<b>4.7</b>	<b>874,306</b>	<b>4.6</b>							
Berkeley County Development Authority	7,031	0.0	7,427	0.0	1.4	3.2	5.2	17.9			
Wildlife Fund	63,648	0.4	64,003	0.3	1.4	3.2	5.2	17.8	8.3	9.9	6.3
Prepaid Tuition Trust	49,025	0.3	47,931	0.3	0.9	2.5	4.1	13.5	6.8	7.9	5.6
Revenue Shortfall Reserve Fund	145,150	0.8	147,082	0.8	0.1	0.8	1.3	2.1	2.2	1.4	1.3
Revenue Shortfall Reserve Fund - Part B	425,111	2.4	437,861	2.4	0.6	1.8	3.0	9.3	4.8	4.8	3.1
WV DEP Trust	9,044	0.0	9,472	0.0	1.6	3.8	6.3	18.3	7.4	9.3	
WV DEP Agency	151,227	0.8	160,530	0.8	1.1	2.8	4.6	12.9	5.7		

Composite Asset Allocation & Performance Net of Fees

Period Ending: October 31, 2017

	Asset (\$000)	%	Performance %							
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	
Investment Pools Composite	18,980,968	100.00								
Total Equity Composite	9,506,248	50.07	2.07	4.99	8.46	25.93	9.64	12.80	6.14	
+/- Total Equity Base Index (b)			0.03	0.30	0.85	1.66	0.97	1.20	1.56	
Domestic Equity Composite	4,576,608	24.11	2.64	5.48	7.70	25.43	10.43	15.27	7.93	
+/- Russell 3000 Index			0.46	0.60	0.85	1.45	(0.10)	0.15	0.32	
International Equity Composite	4,929,640	25.96	1.54	4.53	9.12	26.32	8.57	10.16	4.07	
+/- MSCI AC World ex US IMI Index (c)			(0.35)	0.02	0.75	1.98	1.87	2.12	2.57	
Fixed Income Composite	3,435,046	18.10	0.12	1.04	1.61	4.50	3.51	3.27	4.56	
+/- Bloomberg Barclays Capital Universal (d)			0.00	0.41	0.48	2.74	0.69	0.78	(0.01)	
Core Fixed Income Composite	1,049,094	5.53	0.09	0.44	0.88	1.22	2.84	2.51		
+/- Bloomberg Barclays Capital Aggregate			0.03	(0.03)	(0.03)	0.32	0.44	0.47		
Total Return Fixed Income Composite (k)	2,385,952	12.57	0.12	1.30	1.93	5.95	3.79	3.62	4.90	
+/- Bloomberg Barclays Capital Universal			0.00	0.67	0.80	4.19	0.97	1.13	0.42	
TIPS Composite	371,287	1.96	0.20	0.63	1.10	(0.10)	1.40	(0.12)		
+/- Bloomberg Barclays Capital U.S.TIPS			(0.01)	0.00	0.02	0.02	0.00	(0.01)		
Cash Composite	101,659	0.54	0.09	0.27	0.36	0.75	0.39	0.29	0.54	
+/- Citigroup 90 Day T-Bill (e)			0.00	0.01	0.01	0.04	0.07	0.05	0.01	
Private Equity Composite	1,661,161	8.75	0.62	1.12	1.44	19.83	13.60	13.30		
+/- Russell 3000 + 3% (f, g)								(4.96)		
Real Estate Composite	1,640,921	8.65	1.14	1.14	1.23	9.25	9.60	10.09		
+/- NCREIF + 1% (f)								(1.35)		
Hedge Fund Composite	1,829,938	9.64	1.38	2.05	2.94	5.80	2.97	5.10		
+/- HFRI FOF + 1% (h)			0.18	(0.59)	(0.82)	(3.17)	(0.85)	1.31		
Opportunistic Income Composite	434,708	2.29	0.02	0.04	0.05	4.89				
+/- CS Leveraged Loan + 2.5%			(0.85)	(1.51)	(2.50)	(2.86)				



# Participant Plans Allocation vs. Strategy

Period Ending: October 31, 2017

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

## Pension Assets

Public Employees' Retirement System	25.8	27.5	27.8	27.5	14.1	15.0	10.2	10.0	10.1	10.0	9.1	10.0	2.7	0.0	0.2	0.0
Teachers' Retirement System	25.9	27.5	27.8	27.5	14.0	15.0	10.2	10.0	10.1	10.0	9.2	10.0	2.7	0.0	0.1	0.0
EMS Retirement System	25.6	27.5	27.8	27.5	14.4	15.0	10.2	10.0	10.1	10.0	9.0	10.0	2.7	0.0	0.2	0.0
Public Safety Retirement System	25.7	27.5	28.0	27.5	14.0	15.0	10.3	10.0	10.2	10.0	9.1	10.0	2.7	0.0	0.0	0.0
Judges' Retirement System	25.7	27.5	28.0	27.5	13.9	15.0	10.3	10.0	10.2	10.0	9.2	10.0	2.7	0.0	0.0	0.0
State Police Retirement System	25.5	27.5	27.6	27.5	14.4	15.0	10.2	10.0	10.1	10.0	9.0	10.0	2.7	0.0	0.5	0.0
Deputy Sheriffs' Retirement System	25.7	27.5	27.9	27.5	14.0	15.0	10.3	10.0	10.1	10.0	9.1	10.0	2.7	0.0	0.2	0.0
Municipal Police & Firefighter Retirement System	25.0	27.5	26.5	27.5	14.2	15.0	9.7	10.0	9.6	10.0	8.9	10.0	2.5	0.0	3.6	0.0
Municipal Model A	25.5	27.5	27.9	27.5	13.3	15.0	10.3	10.0	10.2	10.0	9.7	10.0	2.7	0.0	0.4	0.0

## Insurance Assets

Workers' Compensation Old Fund	15.3	15.0	16.3	15.0	50.2	50.0	0.0	0.0	0.0	0.0	14.9	15.0	0.0	0.0	3.3	5.0
Workers' Comp. Self-Insured Guaranty Risk Pool	15.2	15.0	16.1	15.0	44.8	45.0	0.0	0.0	0.0	0.0	19.8	20.0	0.0	0.0	4.1	5.0
Workers' Comp. Self-Insured Security Risk Pool	15.2	15.0	16.2	15.0	44.9	45.0	0.0	0.0	0.0	0.0	19.8	20.0	0.0	0.0	3.9	5.0
Workers' Comp. Uninsured Employers Fund	15.0	15.0	16.2	15.0	39.9	40.0	0.0	0.0	0.0	0.0	19.0	20.0	0.0	0.0	9.9	10.0
Pneumoconiosis	15.0	15.0	16.1	15.0	44.6	45.0	0.0	0.0	0.0	0.0	20.0	20.0	0.0	0.0	4.3	5.0
Board of Risk & Insurance Mgmt.	15.3	15.0	16.1	15.0	44.7	45.0	0.0	0.0	0.0	0.0	19.0	20.0	0.0	0.0	4.9	5.0
Public Employees' Insurance Agency	12.8	12.5	13.4	12.5	54.7	55.0	0.0	0.0	0.0	0.0	19.1	20.0	0.0	0.0	0.0	0.0
WV Retiree Health Benefit Trust Fund	25.7	27.5	27.4	27.5	14.3	15.0	10.2	10.0	10.1	10.0	9.0	10.0	2.7	0.0	0.6	0.0

## Endowment Assets

Berkeley County Development Authority	25.7	27.5	27.5	27.5	14.5	15.0	10.3	10.0	10.2	10.0	9.1	10.0	2.7	0.0	0.0	0.0
Wildlife Fund	25.6	27.5	27.6	27.5	14.2	15.0	10.4	10.0	10.2	10.0	9.1	10.0	2.7	0.0	0.2	0.0
Prepaid Tuition Trust	22.7	22.0	18.4	18.0	56.9	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	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	0.0	0.0
Revenue Shortfall Reserve Fund - Part B	11.3	11.3	12.0	11.3	76.7	77.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WV DEP Trust	32.1	32.5	34.1	32.5	14.6	15.0	0.0	0.0	0.0	0.0	19.2	20.0	0.0	0.0	0.0	0.0
WV DEP Agency	19.9	20.0	21.2	20.0	39.7	40.0	0.0	0.0	0.0	0.0	19.2	20.0	0.0	0.0	0.0	0.0

- (a) As of January 2014, the PERS Base is 30% Russell 3000, 30% MSCI ACW ex USA (IMI), and 40% Bloomberg Barclays Capital Universal. From April 2008 to December 2013, the PERS Base was 30% Russell 3000, 30% MSCI ACW ex USA (Standard), and 40% Bloomberg Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACW ex USA, and 40% Bloomberg Barclays Capital Aggregate.
- (b) As of January 2014, the Total Equity Base Index is 50% Russell 3000 and 50% MSCI ACW ex USA (IMI). From April 2008 to December 2013, the Total Equity Base 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 Bloomberg 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 GBIEM Diversified.
- (j) Prior to April 2008, the index was a custom index.
- (k) From October 2015, to March 2017, performance returns from the Opportunistic Income Pool are included in the Total Return Fixed Income Composite.

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

December 2017

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



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## **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 was 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.

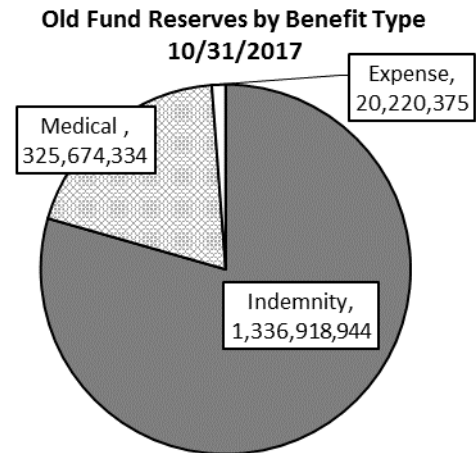
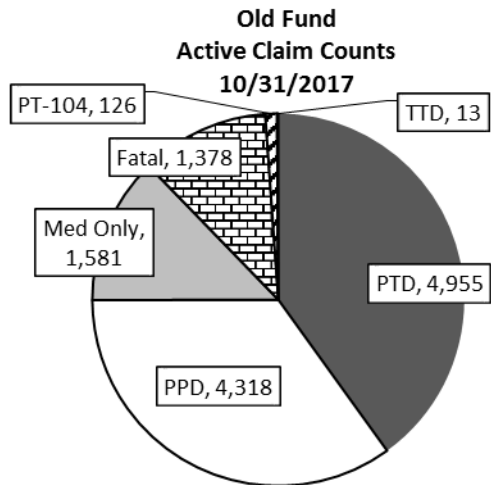
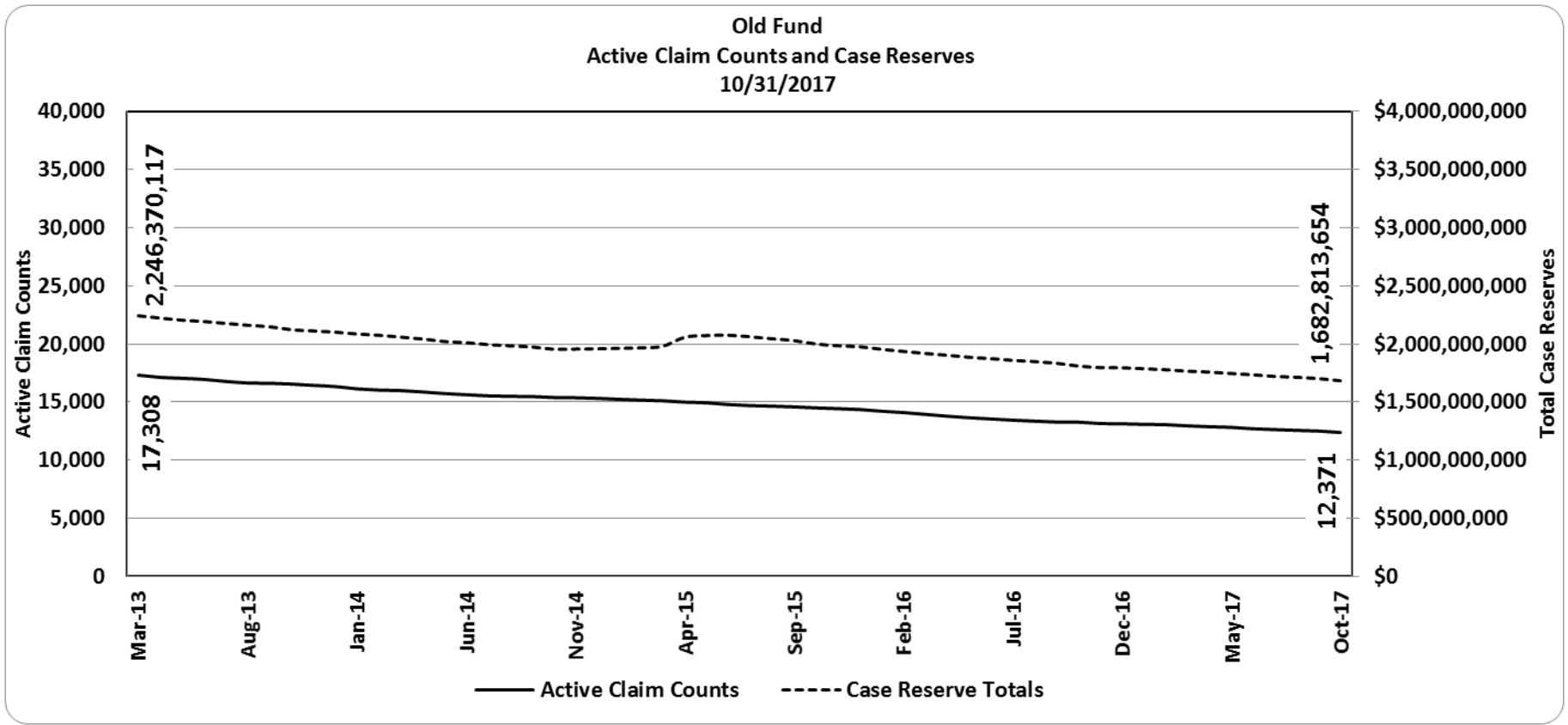
**Self-Insured Guaranty Fund:** State managed fund consisting of those funds transferred to it from the guaranty pool created pursuant to 85 CSR §19 (2004) and any future funds collected through continued administration of that exempt legislative rule as administered by the WVOIC and out of which workers' 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.

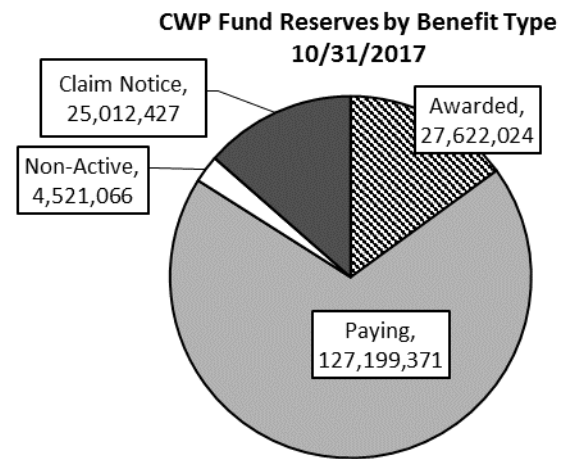
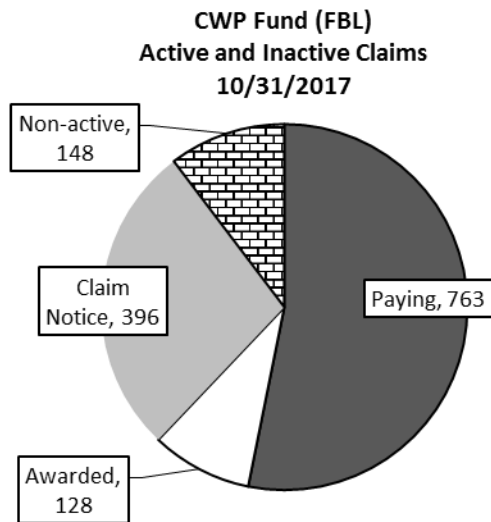
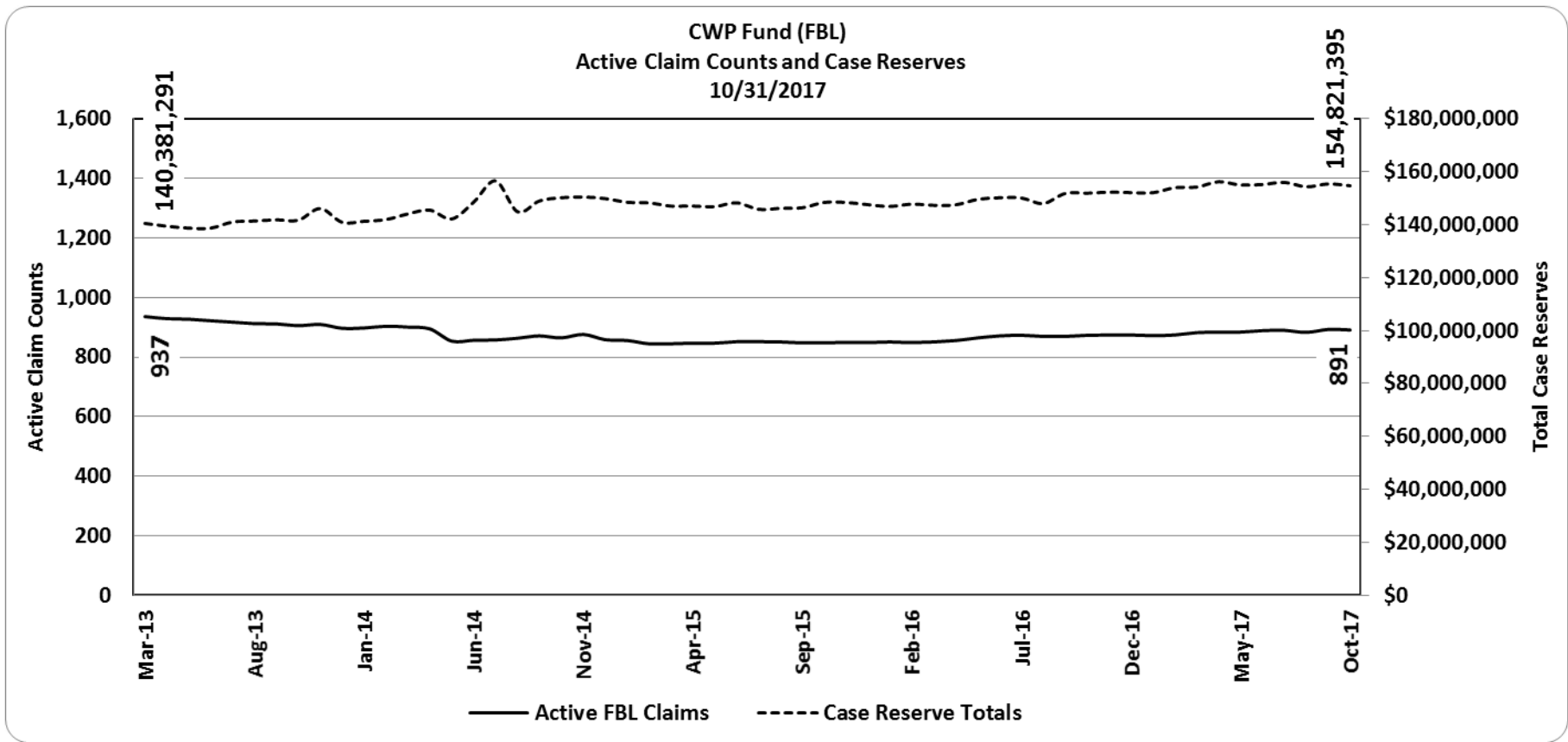
**Self-Insured Security Fund:** State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or 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.

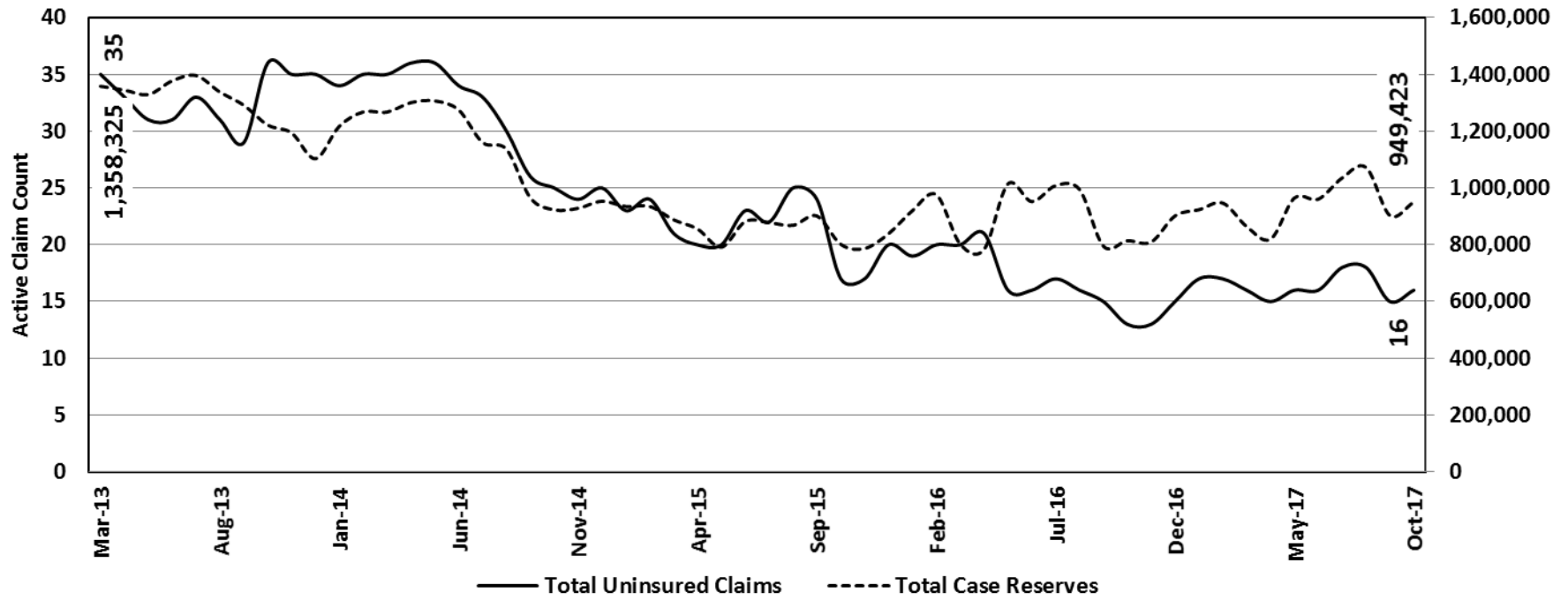
**TTD:** (Temporary Total Disability) an inability to return to substantial gainful employment requiring skills or activities comparable to those of one's previous gainful employment during the healing or recovery period after the injury. In order to receive TTD benefits, the injured worker must be certified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

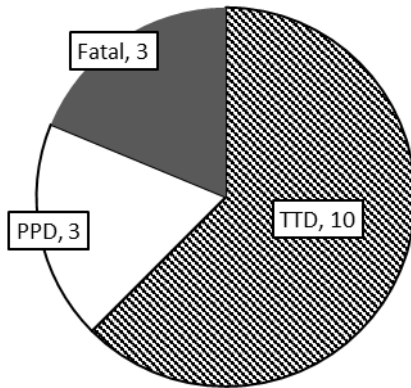




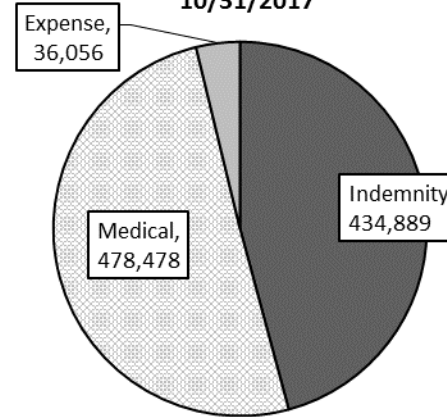
**Uninsured Fund  
Active Claim Counts and Case Reserves  
10/31/2017**



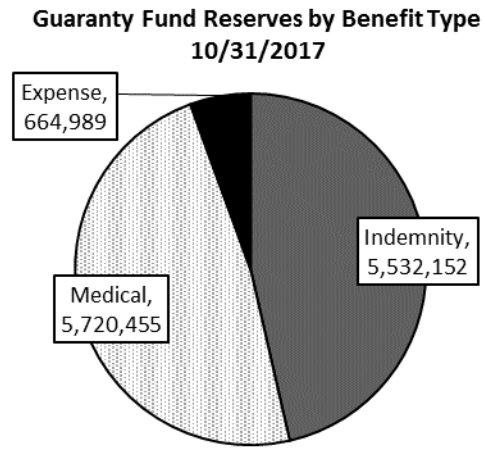
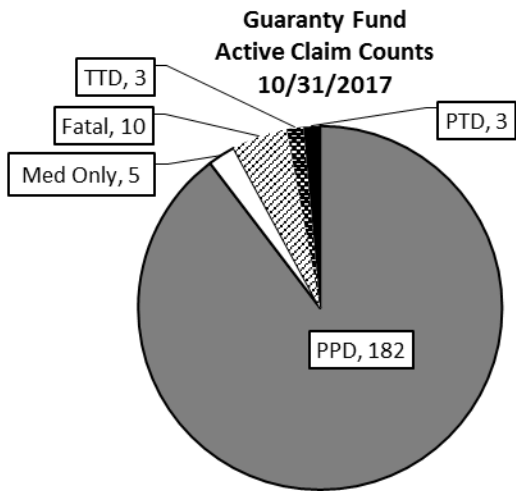
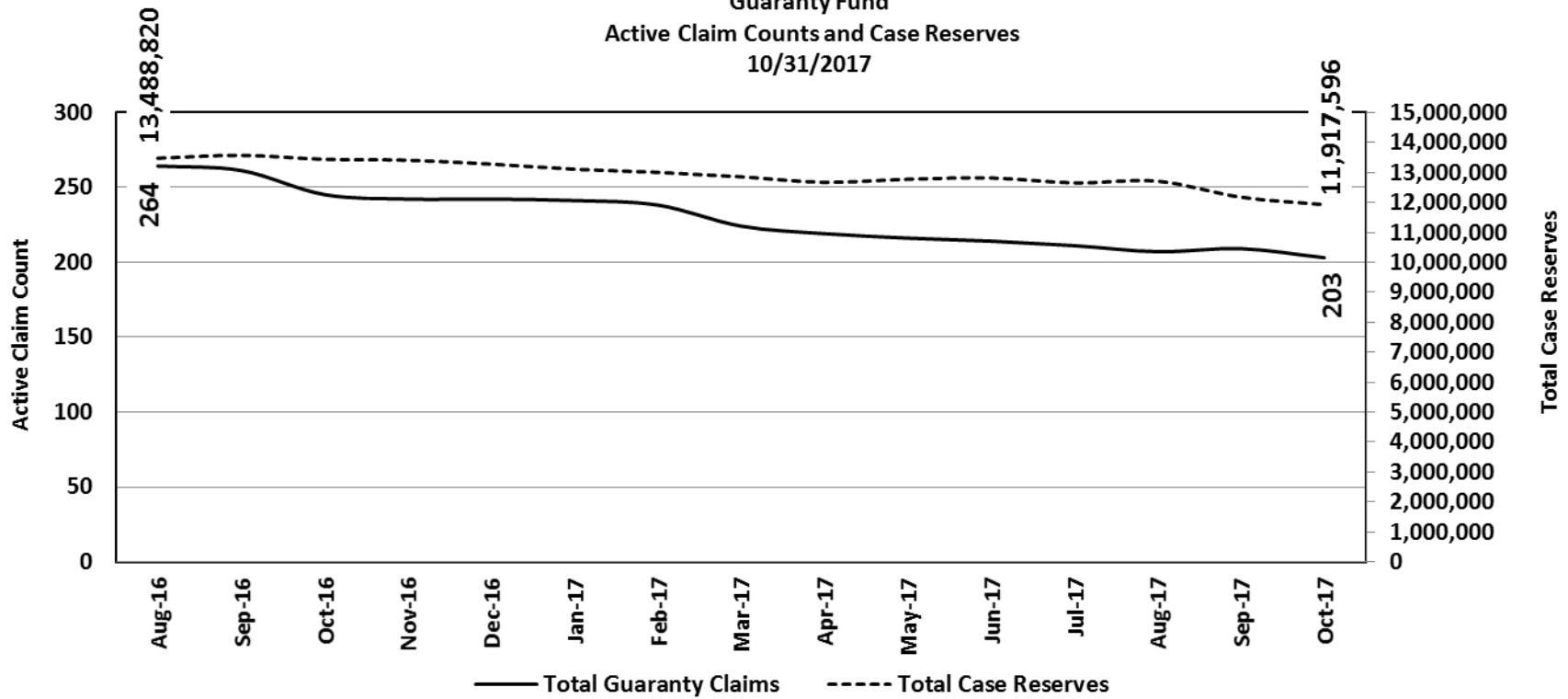
**Uninsured Fund  
Active Claim Counts  
10/31/2017**



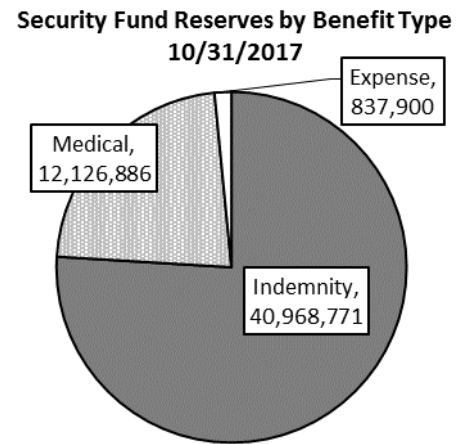
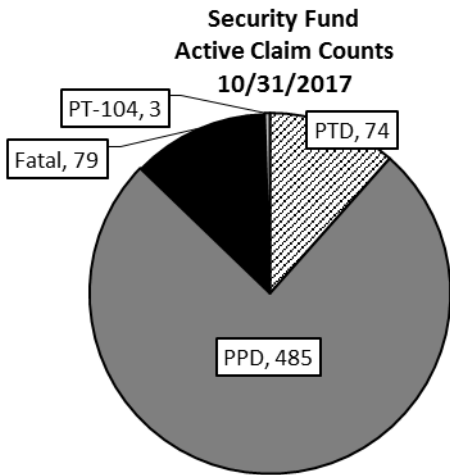
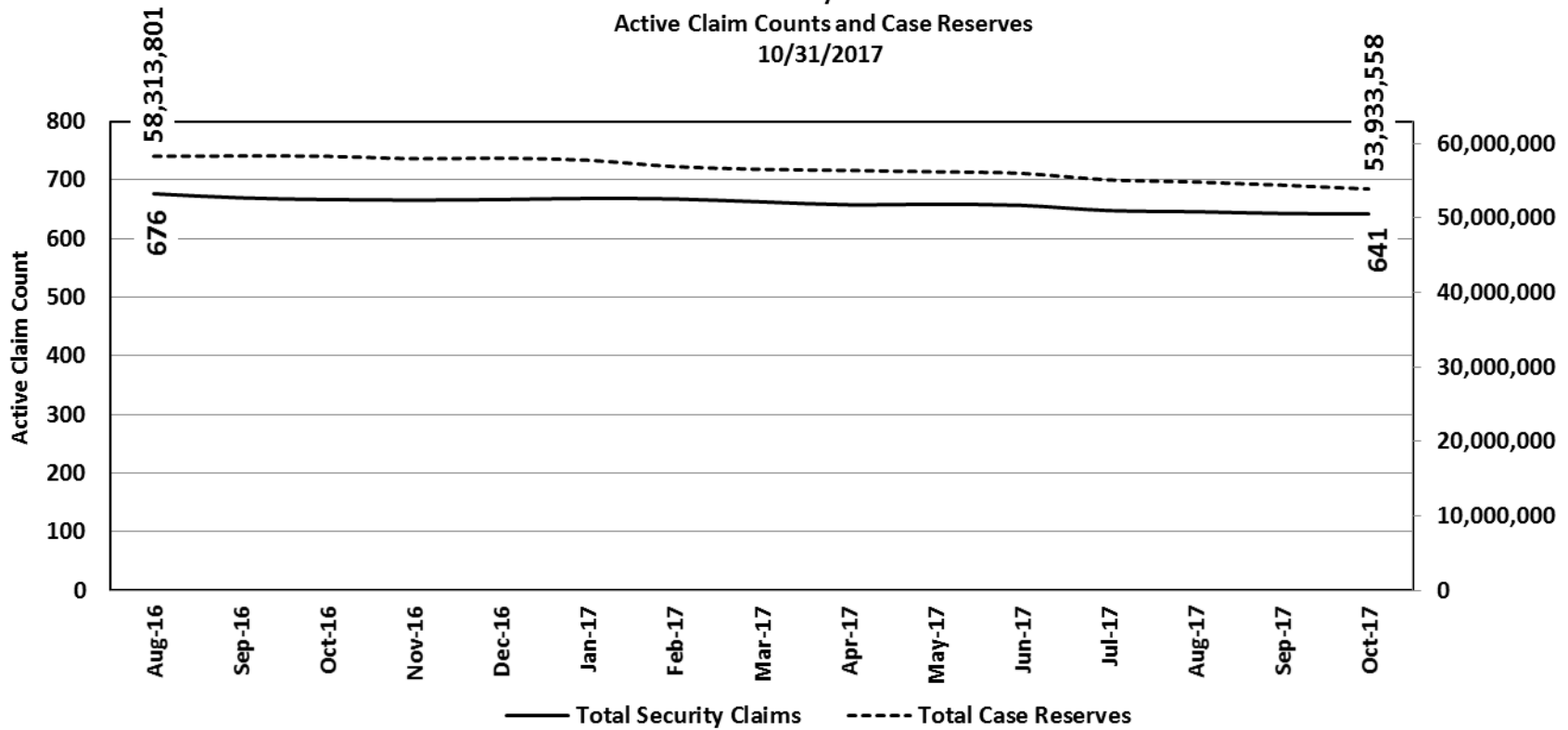
**Uninsured Fund Reserves by Benefit Type  
10/31/2017**



**Guaranty Fund  
Active Claim Counts and Case Reserves  
10/31/2017**



**Security Fund  
Active Claim Counts and Case Reserves  
10/31/2017**



OLD FUND CASH STATEMENT  
October 31, 2017

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>	<b>(17,275,184)</b>	<b>1,280,647,632</b>	<b>1,311,653,269</b>	<b>1,190,142,811</b>
<b>Revenues</b>						
Personal Income Tax	-	-	-	-	42,400,000	95,400,000
Severance Tax	-	13,887,551	(13,887,551)	13,887,551	73,068,796	125,703,925
Debt Reduction Surcharge	3,361,352	5,440,798	(2,079,446)	12,336,645	25,211,458	34,106,221
Self-Insured Debt Reduction Surcharge	588,878	1,821,849	(1,232,972)	4,346,111	6,209,330	8,859,759
Video Lottery	630,071	1,808,077	(1,178,006)	5,500,000	6,734,934	11,000,000
Employer Premium	19,388	25,862	(6,473)	62,806	111,955	202,532
Other Income - Return of Unclaimed Property	150,814	259,506	(108,692)	354,423	184,888	153,763
<b>Operating Revenues</b>	<b>4,750,503</b>	<b>23,243,643</b>	<b>(18,493,140)</b>	<b>36,487,535</b>	<b>153,921,361</b>	<b>275,426,199</b>
Investment / Interest Earnings (Losses)	38,416,656	47,430,852	(9,014,197)	112,116,554	(5,981,504)	34,715,474
<b>Total Revenues</b>	<b>43,167,159</b>	<b>70,674,496</b>	<b>(27,507,337)</b>	<b>148,604,089</b>	<b>147,939,857</b>	<b>310,141,673</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	7,094,817	8,987,605	(1,892,788)	27,437,375	26,890,541	29,881,043
Permanent Total Disability	29,602,179	31,355,680	(1,753,501)	92,140,733	98,784,921	104,948,107
Permanent Partial Disability	86,908	114,468	(27,560)	336,015	232,699	353,749
Temporary Disability	4,939	-	4,939	-	8,554	-
Fatals	7,290,354	7,904,915	(614,562)	22,990,499	24,098,586	25,497,598
104 weeks death benefit	1,634,034	1,920,461	(286,427)	5,825,439	6,990,581	5,883,387
Settlements	1,995,132	3,816,325	(1,821,193)	11,716,131	12,718,425	12,206,388
Loss Adjustment Expenses	452,901	446,939	5,961	1,446,808	1,970,779	2,029,136
Total	48,161,263	54,546,394	(6,385,131)	161,893,000	171,695,087	180,799,408
Less: Claims credits and overpayments	781,738	1,408,336	(626,598)	5,080,389	3,044,395	2,240,415
Total Benefits Paid	47,379,524	53,138,057	(5,758,533)	156,812,611	168,650,692	178,558,993
Administrative Expenses	2,060,224	2,368,946	(308,723)	9,066,663	10,294,801	10,060,064
<b>Total Expenditures</b>	<b>49,439,748</b>	<b>55,507,004</b>	<b>(6,067,256)</b>	<b>165,879,274</b>	<b>178,945,493</b>	<b>188,619,057</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(6,272,589)</b>	<b>15,167,492</b>	<b>(21,440,081)</b>	<b>(17,275,184)</b>	<b>(31,005,636)</b>	<b>121,522,616</b>
<b>Cash Ending Balances</b>	<b>1,257,099,858</b>	<b>1,295,815,124</b>	<b>(38,715,266)</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>	<b>1,311,665,427</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, 2017

				Three Year History for years ended:		
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	251,313,328	245,945,240	5,368,089	245,945,240	264,657,327	267,173,190
<b>Revenues</b>						
Investment Earnings (Losses)	7,517,823	8,169,012	(651,189)	22,100,417	(5,091,164)	10,347,881
Other Income - Return of Unclaimed Property	-	1,276	(1,276)	8,353	3,797	876
<b>Total Revenues</b>	<b>7,517,823</b>	<b>8,170,288</b>	<b>(652,466)</b>	<b>22,108,770</b>	<b>(5,087,367)</b>	<b>10,348,758</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	1,180,097	1,122,891	57,205	4,032,649	2,830,426	2,629,364
PTD and Fatal Indeminty	2,671,736	2,767,587	(95,851)	8,174,289	7,548,752	6,857,612
Loss Adjustment Expenses	1,166,707	1,137,496	29,211	3,783,923	2,629,468	2,633,172
Total	5,018,540	5,027,974	(9,434)	15,990,861	13,008,646	12,120,148
Less: Claims Credits and Overpayments	170,041	47,067	122,973	125,895	130,620	129,338
Total Benefits Paid	4,848,499	4,980,907	(132,407)	15,864,966	12,878,025	11,990,810
Administrative Expenses	294,830	215,682	79,148	875,715	746,696	873,810
<b>Total Expenditures</b>	<b>5,143,329</b>	<b>5,196,589</b>	<b>(53,259)</b>	<b>16,740,681</b>	<b>13,624,721</b>	<b>12,864,620</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>2,374,494</b>	<b>2,973,700</b>	<b>(599,206)</b>	<b>5,368,089</b>	<b>(18,712,088)</b>	<b>(2,515,863)</b>
<b>Cash Ending Balances</b>	<b>253,687,822</b>	<b>248,918,939</b>	<b>4,768,883</b>	<b>251,313,328</b>	<b>245,945,240</b>	<b>264,657,327</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, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>33,836,322</b>	<b>33,462,454</b>	<b>373,868</b>	<b>33,462,454</b>	<b>16,014,340</b>	<b>15,603,319</b>
<b>Revenues</b>						
Guaranty Risk Pool Assessments	-	-	-	-	18,684	89,571
Collateral Proceeds	-	-	-	-	19,422,025	-
Investment Earnings (Losses)	1,008,680	1,134,600	(125,920)	3,012,508	(155,883)	612,972
<b>Total Revenues</b>	<b>1,008,680</b>	<b>1,134,600</b>	<b>(125,920)</b>	<b>3,012,508</b>	<b>19,284,826</b>	<b>702,542</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	82,206	175,823	(93,616)	503,912	309,470	51,752
Permanent Total Disability	113,562	21,239	92,323	63,717	43,638	-
Permanent Partial Disability	215,787	332,573	(116,787)	972,712	612,823	20,788
Temporary Disability	23,604	151,872	(128,268)	375,328	303,724	114,835
Fatales	89,865	92,337	(2,471)	277,011	257,806	55,093
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	-	-	-	3,800	-	-
Non Awarded Partial Disability	2,181	-	2,181	4,407	9,377	-
Loss Adjustment Expenses	47,507	114,568	(67,061)	255,219	163,819	12,414
<b>Total</b>	<b>574,713</b>	<b>888,412</b>	<b>(313,699)</b>	<b>2,456,105</b>	<b>1,700,657</b>	<b>254,882</b>
Less: Claims Credits and Overpayments	2,471	1,671	800	2,723	17,176	(9,064)
<b>Total Benefits Paid</b>	<b>572,241</b>	<b>886,741</b>	<b>(314,499)</b>	<b>2,453,382</b>	<b>1,683,481</b>	<b>263,947</b>
Administrative Expenses	31,668	53,900	(22,232)	185,258	153,231	27,575
<b>Total Expenditures</b>	<b>603,909</b>	<b>940,641</b>	<b>(336,731)</b>	<b>2,638,640</b>	<b>1,836,711</b>	<b>291,522</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>404,770</b>	<b>193,959</b>	<b>210,811</b>	<b>373,868</b>	<b>17,448,114</b>	<b>411,021</b>
<b>Cash Ending Balances</b>	<b>34,241,092</b>	<b>33,656,413</b>	<b>584,679</b>	<b>33,836,322</b>	<b>33,462,454</b>	<b>16,014,340</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, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>54,448,203</b>	<b>53,859,338</b>	<b>588,865</b>	<b>53,859,338</b>	<b>9,208,803</b>	<b>7,137,316</b>
<b>Revenues</b>						
Security Risk Pool Assessments	-	-	-	-	230,340	1,114,180
Collateral Proceeds	-	-	-	-	47,503,193	1,425,061
Investment Earnings (Losses)	1,632,260	1,892,619	(260,359)	4,914,238	201,775	310,550
<b>Total Revenues</b>	<b>1,632,260</b>	<b>1,892,619</b>	<b>(260,359)</b>	<b>4,914,238</b>	<b>47,935,308</b>	<b>2,849,791</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	316,683	286,519	30,164	778,632	479,295	71,000
Permanent Total Disability	507,014	531,449	(24,435)	1,576,942	1,163,198	208,590
Permanent Partial Disability	-	-	-	-	7,560	38,698
Temporary Disability	-	-	-	-	-	-
Fatales	429,294	449,273	(19,979)	1,333,911	1,183,728	404,642
104 Weeks Death Benefit	24,197	68,815	(44,617)	134,935	92,595	-
Settlement Agreements	4,188	5,788	(1,600)	14,165	21,177	-
Loss Adjustment Expenses	27,737	63,503	(35,766)	151,558	54,047	12,113
<b>Total</b>	<b>1,309,113</b>	<b>1,405,346</b>	<b>(96,233)</b>	<b>3,990,143</b>	<b>3,001,600</b>	<b>735,042</b>
Less: Claims Credits and Overpayments	857	2,074	(1,217)	38,143	4,925	(1,392)
<b>Total Benefits Paid</b>	<b>1,308,256</b>	<b>1,403,272</b>	<b>(95,016)</b>	<b>3,952,000</b>	<b>2,996,676</b>	<b>736,434</b>
Administrative Expenses	78,785	80,279	(1,494)	373,374	288,097	41,870
<b>Total Expenditures</b>	<b>1,387,041</b>	<b>1,483,551</b>	<b>(96,510)</b>	<b>4,325,374</b>	<b>3,284,773</b>	<b>778,304</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>245,219</b>	<b>409,068</b>	<b>(163,849)</b>	<b>588,865</b>	<b>44,650,535</b>	<b>2,071,487</b>
<b>Cash Ending Balances</b>	<b>54,693,422</b>	<b>54,268,406</b>	<b>425,016</b>	<b>54,448,203</b>	<b>53,859,338</b>	<b>9,208,803</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, 2017

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>12,760,544</b>	<b>11,864,792</b>	<b>895,753</b>	<b>11,864,792</b>	<b>12,125,188</b>	<b>11,714,178</b>
<b>Revenues</b>						
Fines and Penalties	120,681	194,446	(73,765)	595,742	625,093	765,082
Investment Earnings (Losses)	345,904	334,650	11,254	962,646	(205,615)	408,442
<b>Total Revenues</b>	<b>466,585</b>	<b>529,096</b>	<b>(62,511)</b>	<b>1,558,387</b>	<b>419,478</b>	<b>1,173,523</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	3,798	8,602	(4,804)	30,783	47,718	22,011
Permanent Total Disability	-	-	-	-	-	-
Permanent Partial Disability	8,112	17,903	(9,791)	51,760	4,738	50,684
Temporary Disability	64,536	11,597	52,939	25,414	113,212	22,997
Fatals	16,677	16,677	-	50,030	52,164	87,881
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	85,000	177,715	(92,715)	255,715	228,577	82,110
Loss Adjustment Expenses	985	657	328	6,969	5,868	3,225
<b>Total</b>	<b>179,107</b>	<b>233,151</b>	<b>(54,044)</b>	<b>420,672</b>	<b>452,276</b>	<b>268,909</b>
Less: Claims Credits and Overpayments	-	800	(800)	33,341	1,558	(320,872)
<b>Total Benefits Paid</b>	<b>179,107</b>	<b>232,351</b>	<b>(53,244)</b>	<b>387,331</b>	<b>450,719</b>	<b>589,781</b>
Administrative Expenses	54,514	110,224	(55,710)	275,304	229,156	172,732
<b>Total Expenditures</b>	<b>233,621</b>	<b>342,575</b>	<b>(108,954)</b>	<b>662,635</b>	<b>679,875</b>	<b>762,513</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>232,963</b>	<b>186,520</b>	<b>46,443</b>	<b>895,753</b>	<b>(260,397)</b>	<b>411,010</b>
<b>Cash Ending Balances</b>	<b>12,993,508</b>	<b>12,051,312</b>	<b>942,196</b>	<b>12,760,544</b>	<b>11,864,792</b>	<b>12,125,188</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  
January 25, 2018

## OPERATING REPORT

### OCTOBER 2017

**Board of Treasury Investments**

315 70<sup>th</sup> Street, SE  
Charleston WV  
25304  
(304) 340-1564  
www.wvbt.com

**Board of Directors**

John D. Perdue,  
State Treasurer,  
Chairman

James C. Justice II,  
Governor

John B. McCuskey,  
State Auditor

Glenda Probst  
Appointed by the  
Governor

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

**Executive Staff**

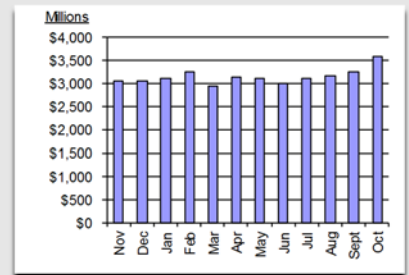
Executive  
Director  
Kara K. Hughes,  
CPA, MBA, CFE  
  
Chief Financial  
Officer  
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$3,577,405,000**

Last Month  
**\$3,236,652,000**

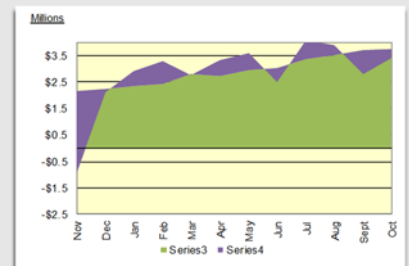
Beginning of Fiscal Year  
**\$2,999,927,000**



**Net Assets for the Past 12 Months**

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$14,225,000**



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

### Money Market Pools

As of October 31, 2017

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	1.2753%	38 Days	\$2.3 Billion
WV Gov't Money Market	0.9957%	31 Days	\$209.1 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 2017

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#### **Remarkably Low Market Volatility**

##### **Market Results**

Global equities racked up fresh gains in October amid positive economic signals across the globe. At home, the S&P 500 Index was up 2.3% as unemployment fell to 4.2%, the lowest it's been since 2001, and third-quarter GDP estimates exceeded expectations at 3.0%. Outside the United States, the MSCI EAFE Index returned 1.5%, driven by a rally in Japan as Prime Minister Shinzo Abe's Liberal Democratic Party maintained its parliamentary majority in a snap election. The euro, yen and pound weakened against the US dollar, limiting gains for unhedged investors. Emerging market equities were up 3.5%, according to the MSCI EM Index, amid strong quarterly-earnings reports.

The 10-year Treasury yield rose five basis points to 2.38% in October as US credit spreads modestly compressed, leading to mixed results across the domestic fixed-income spectrum. The Barclays US Treasury Index fell 0.1%, the Barclays US Credit Index gained 0.3%, and the Barclays US High Yield Index was up 0.4%. Global sovereign yields inched up, leading to a 0.4% decline in the Barclays Global Aggregate Index. In emerging markets, weakening currencies in Brazil, Russia and Mexico eroded fixed-income returns, with the JP Morgan GBI-EM Index falling 2.8%.

##### **Market Outlook**

Heading into the last two months of 2017, we have observed remarkably little market volatility. We remain biased towards international-developed and emerging-market stocks as expanding valuations in the US cut into future expected returns. US credit is also losing some of its luster as contracting spreads have lowered our return expectations. We still recommend investors allocate away from core bonds and into TIPS, and reduce their high-yield exposure in favor of other risk assets. We remain positive on macro hedge funds and strategies with a long-volatility bias, which can benefit from an uptick in volatility.

# West Virginia Board of Treasury Investments

## Financial Highlights as of October 31, 2017

### 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)
2017	1.5%	\$ 763.7
2016	1.6%	\$ 778.5
2015	0.7%	\$ 803.4
2014	1.0%	\$ 781.9
2013	0.4%	\$ 717.7

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

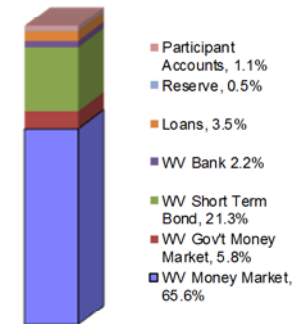


*Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool*

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

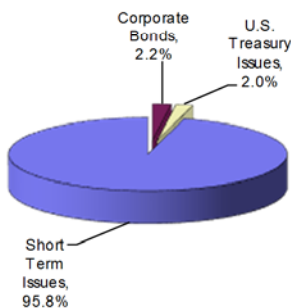
Pool	Net Asset Value	Oct Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 2,345,433	\$ 2,241	\$ 8,355
WV Gov't Money Market	209,068	188	707
WV Short Term Bond	763,697	778	4,338
WV Bank	77,316	78	292
Loans	124,378	90	359
Reserve	18,911	19	57
Participant Accounts	38,602	22	117
	<u>\$ 3,577,405</u>	<u>\$ 3,416</u>	<u>\$ 14,225</u>

#### Percent of Total Net Asset Value

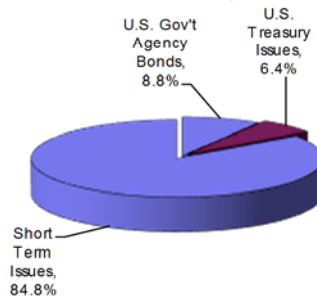


### Securities by Type for Operating Pools (Percentage of Asset Value)

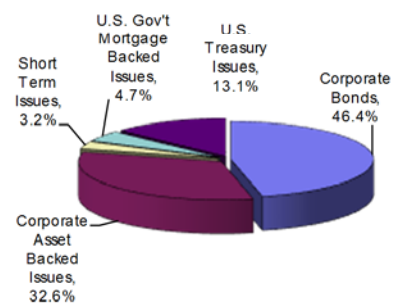
#### WV Money Market



#### WV Gov't Money Market



#### WV Short Term Bond



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**OCTOBER 31, 2017**  
*(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	\$ 2,369,392	\$ 209,095	\$ -	\$ 77,087	\$ 143,190	\$ -	\$ 2,798,764
At fair value	-	-	763,085	-	-	38,452	801,537
Other assets	1,507	42	2,047	239	114	151	4,100
Total assets	<u>2,370,899</u>	<u>209,137</u>	<u>765,132</u>	<u>77,326</u>	<u>143,304</u>	<u>38,603</u>	<u>3,604,401</u>
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased	25,466	69	1,435	10	15	1	26,996
Total liabilities	<u>25,466</u>	<u>69</u>	<u>1,435</u>	<u>10</u>	<u>15</u>	<u>1</u>	<u>26,996</u>
<b>Net Position</b>							
Held in trust for investment pool participants	2,345,433	209,068	763,697	77,316	143,289	-	3,538,803
Held in trust for individual investment account holders	-	-	-	-	-	38,602	38,602
Total net position	<u>\$ 2,345,433</u>	<u>\$ 209,068</u>	<u>\$ 763,697</u>	<u>\$ 77,316</u>	<u>\$ 143,289</u>	<u>\$ 38,602</u>	<u>\$ 3,577,405</u>
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 1,235	\$ 78	\$ 1,173	\$ 80	\$ 112	\$ 36	\$ 2,714
Net (amortization) accretion	1,124	125	2	-	-	(8)	1,243
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>2,359</u>	<u>203</u>	<u>1,175</u>	<u>80</u>	<u>112</u>	<u>28</u>	<u>3,957</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	121	15	82	2	3	-	223
Total investment expenses	<u>121</u>	<u>15</u>	<u>82</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>223</u>
Net investment income	2,238	188	1,093	78	109	28	3,734
Net realized gain (loss) from investments	3	-	18	-	-	-	21
Net increase (decrease) in fair value of investments	-	-	(333)	-	-	(6)	(339)
Net increase (decrease) in net position from operations	2,241	188	778	78	109	22	3,416
Participant transaction additions:							
Purchase of pool units by participants	1,131,968	21,831	2,865	75	13	-	1,156,752
Reinvestment of pool distributions	2,241	188	1,161	78	109	-	3,777
Contributions to individual investment accounts	-	-	-	-	-	45	45
Total participant transaction additions	<u>1,134,209</u>	<u>22,019</u>	<u>4,026</u>	<u>153</u>	<u>122</u>	<u>45</u>	<u>1,160,574</u>
Total additions	1,136,450	22,207	4,804	231	231	67	1,163,990
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	2,238	188	1,093	78	109	-	3,706
Net realized gain (loss) from investments	3	-	18	-	-	-	21
Total distributions to pool participants	<u>2,241</u>	<u>188</u>	<u>1,111</u>	<u>78</u>	<u>109</u>	<u>-</u>	<u>3,727</u>
Participant transaction deductions:							
Redemption of pool units by participants	787,261	31,860	-	75	1,051	-	820,247
Withdrawals from individual investment accounts	-	-	-	-	-	1,163	1,163
Total participant transaction deductions	<u>787,261</u>	<u>31,860</u>	<u>-</u>	<u>75</u>	<u>1,051</u>	<u>1,163</u>	<u>821,410</u>
Total deductions	<u>789,502</u>	<u>32,048</u>	<u>1,111</u>	<u>153</u>	<u>1,160</u>	<u>1,163</u>	<u>825,137</u>
Net increase (decrease) in net position from operations	346,948	(9,841)	3,693	78	(929)	(1,096)	338,853
Inter-pool transfers in	-	-	-	1,900	-	-	1,900
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,900</u>	<u>-</u>	<u>-</u>	<u>1,900</u>
Change in net position	346,948	(9,841)	3,693	1,978	(929)	(1,096)	340,753
Net position at beginning of period	1,998,485	218,909	760,004	75,338	144,218	39,698	3,236,652
Net position at end of period	<u>\$ 2,345,433</u>	<u>\$ 209,068</u>	<u>\$ 763,697</u>	<u>\$ 77,316</u>	<u>\$ 143,289</u>	<u>\$ 38,602</u>	<u>\$ 3,577,405</u>



STATE OF WEST VIRGINIA  
DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES

Jim Justice  
Governor

Commissioner's Office  
350 Capitol Street, Room 251  
Charleston, West Virginia 25301-3712  
Telephone: (304) 558-1700 Fax: (304) 558-1451

Bill J. Crouch  
Cabinet Secretary

December 4, 2017

Aaron Allred, Legislative Manger  
West Virginia Legislature  
Joint Committee on Government and Finance  
Room E-132  
State Capitol Complex  
1900 Kanawha Boulevard, East  
Charleston, WV 25305

RE: Substance Use Disorder Waiver

Dear Mr. Allred:

Thank you for contacting our office regarding the Substance Use Disorder (SUD Waiver)/BMS 1115 Demonstration Waiver. The Bureau for Medical Services is pleased to assist your office regarding this matter.

- (1) Information regarding the Substance Use Disorder (SUD Waiver)/BMS 1115 Demonstration Waiver as to how much additional funding may be available that would not have otherwise been available for substance abuse treatment, as requested by Speaker Armstead, during the November meeting;

*Approximately \$50 million in new SUD services will be implemented by demonstration year two (2) of the waiver (2019). Cost neutrality will be maintained over the five (5) year waiver period.*

- (2) How much funding actually goes into the Substance Use Disorder (SUD Waiver)/BMS 1115 Demonstration Waiver that is currently available now, as requested by Speaker Armstead, during the November meeting; and,

*Approximately \$80 million in existing SUD spending will transition to the waiver services.*

- (3) Information regarding the "Naloxone Initiative Program."

*West Virginia will design and implement a statewide initiative to make naloxone (Narcan®) widely available through our EMS system. Starting January 2018, EMS providers will be able to access Medicaid for the use of naloxone, as well as, the referral service for treatment for individuals at the time of crisis utilizing the 1-844-HELP4WV line.*



Aaron Allred  
December 4, 2017  
Page 2

We appreciate the opportunity to be of service. Please do not hesitate to reach out if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cynthia Beane', with a long horizontal flourish extending to the right.

Cynthia Beane, MSW, LCSW  
Commissioner

cc: Bill Crouch, Cabinet Secretary, Department of Health and Human Resources