

The Honorable Mitch Carmichael, Chair

**JOINT COMMITTEE ON
GOVERNMENT AND FINANCE**

Materials Distributed

April 16, 2018

Speaker Armstead Presides

AGENDA
JOINT COMMITTEE ON GOVERNMENT AND FINANCE
April 16, 2018

1:30 am – 2:30 pm

Senate Finance Room

1. **Approval of January 9, 2018 minutes**

2. **Committee Reports/Requests**

3. **Monthly/Quarterly Reports Received**

Status Reports on Lottery & Unemployment Compensation Fund

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**, Director, WVCHIP)

Investment Management Board Distribution

(**Craig Slaughter**, Executive Director-West Virginia Investment Management Board)

Workers Compensation

(**Melinda Kiss**, Assistant Commissioner Finance and **Amanda Hunter**, General Counsel)

Board of Treasury Report Distribution

4. **Other Business**

5. **Adjournment**

 **West Virginia Legislature**
2ND SESSION OF THE 83RD LEGISLATURE 

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INTERIM COMMITTEE ATTENDANCE - RESULTS

MONDAY, APRIL 16, 2018 - 01:30 PM

JOINT COMMITTEE ON GOVERNMENT AND FINANCE

Attended:

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

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**JOINT COMMITTEE ON GOVERNMENT AND FINANCE
(President Carmichael Presided)**

January 9, 2018

11:00 a.m. – 12:00 p.m.

Senate	House
Carmichael, Chair	Armstead, Chair
Blair	Cowles
Ferns	Miller, C.
Karnes	Nelson, E.
Plymale	Shott
Prezioso	Boggs
Trump	Miley

President Carmichael: “The Committee will come to order. The first item on the Agenda is the approval of the December 5, 2017, minutes. I recognize Speaker Armstead for a motion.”

Speaker Armstead: “Mr. President, I move the minutes be approved.”

President Carmichael: “Speaker Armstead moves the approval of the minutes. Is there discussion? If not, all in favor say aye, those opposed no. The ayes appear to have it, the ayes do have it. I declare the motion adopted. Committee Reports. I call on William Spencer.”

William Spencer: “Thank you, Mr. President, Mr. Speaker and Members of the Committee. My name is William Spencer, and I am the Director of the Legislative Budget Division. I am here to answer any questions you may have on these reports.”

President Carmichael: “Thank you William. Are there any questions on the Reports for Mr. Spencer? I recognize Senator Ferns.”

Senator Ferns: “Thank you Mr. Chairman. I was just scanning through the first couple pages of this in the Lottery Section. One question I had was in the State Lottery Fund...it says that it was close to \$4M for the Economic Development Authority, and in Excess Lottery there is Economic Development Fund. Can you tell me the difference between those two, the uses of those monies?”

William Spencer: “I need to refer that answer to the Lottery Commission.”

Senator Ferns: “Alright, thank you.”

William Spencer: “Is there anyone from Lottery here?”

Mike McKown: “I’m Mike McKown from the Budget Office. I’m not from the Lottery Commission, but I can probably answer a question for you. The forty and the four you are asking? I don’t have what you guys have in front of you, so.”

Senator Ferns: “No. If you are asking the dollar amounts, one is just under \$4M...the Economic Development Fund is just shy about \$8M as far as State Lottery and Excess Lottery. And, the reason I ask is that you know there has been a lot of discussion about increasing funding for economic development in this State and I just wanted to know what the money that they are currently getting is being used for...”

Mike McKown: “The \$40M that is currently in Excess Lottery...there’s a total of \$46M appropriated, I think, in Excess Lottery. \$40M of that is for infrastructure counsel and the rest of it is for...I know there was money put in there for State Parks. I know that Cacapon has just bonded some money. But, I’m not sure of the exact figures.”

Senator Ferns: “Alright, thank you.”

Mike McKown: “But, there is money in there for economic development.”

Senator Ferns: “Yes, I’m aware there is. I am looking at it. I was just trying to figure out what the purpose of it was. Ok. Thank you. Thank you, Mr. Chairman.”

President Carmichael: “Thank you, Mike. Next, I would like to call Mark Muchow to the podium for the General Road Fund and State Road Fund.”

Mark Muchow: “Mark Muchow, Department of Revenue. We will start with the General Revenue Fund for December. December was a relatively good month for General Revenue. Collections totaled \$367.5M. It was 11.5% ahead of last year, and also, \$16.8 above estimate. And, as a result of the surplus in December, Year-to-date Collections are almost \$1.969B. A little bit less than \$2.7M above estimate and compared to last year, we are ahead about 5.7%. The big story in December had a lot to do with some tax payer reaction to the recent Federal Tax Reform Act. The fourth quarter estimated tax payment is due by January 15, 2018. But, a lot of folks chose to get that money in December, so as to maximize the ability to take an itemized deduction in 2017 for fear that they might lose those itemized deductions in 2018. So, as a result of that, the Personal Income Tax was almost \$21.5M above estimate in December and 17.4% ahead of last year. Now, the Withholding Tax also did pretty well. The Withholding Tax is up 7.3% in December. So, that was relatively good for December for Withholding Tax. But, Estimated Income Tax Payments were up over 60% from last year...62% from last year. Non-Resident Withholding Tax Payments were almost double the amount last year. So, those are two big factors. Some of that will certainly come at the expense of some of the January collections, especially, in the next week or so when the estimated tax payment for January

is due. But, overall, the income tax, even with that behavioral reaction, the income tax is doing rather well. We are starting to see a little bit of employment increase. The November Report had the Private Sector Non-Fund Payroll up about six tenths of a percent from a year ago. And, certainly, we have seen a little bit of an increase in both construction and mining employment. So, the best news on the December Collections, and, also year to date, were Income Tax. Personal Income is about \$33M above estimate. Severance Tax, even though it missed the estimate, in December by a little over a million dollars, but we are still 30% higher than last year. Year-to-date Severance is up 46% from last year. And, basically, if we run even with last year, for the remainder of this fiscal year we should be pretty much right on estimate. We've had some wild gyrations in price on natural gas. A couple of months ago, it reached a low of about \$0.32 cents. Recently, it popped up way above \$5.00 temporarily. That was because of the cold snap. At least in the last couple of months we have been consistently above \$2.00 per million BTU. And, if we can hold on above that \$2.00 per million BTU level it should be good for the estimate for this fiscal year. The only detraction of significance in December is the Sales Tax. Sales Tax continues to underperform. It was 1.3% ahead of last year, but \$4.6M below estimate and year-to-date \$20M below estimate, and only 0.4% ahead of last year. So, we will have to watch that a little bit. Those numbers should improve a little bit in the second half of the year, but, much more sluggish than expected there. Going to the State Road Fund, in December we collected \$44.9M and the estimate was \$48.9M and that was about \$4M below estimate. Of course, the last collection date in December was the 29th and that was only half a day. But, for the most part, the Motor Fuel Excise Tax which is always due on the last calendar day of the month, and, we are relying on about a handful of suppliers to pay that tax. It all depends on the behavior of the suppliers. Certainly, a lot of that got carried over to the beginning of January. So, that's the reason why we missed the estimate by \$8.8M in December and we were 1 1/2% below last year's collections in December for Motor Fuel Tax. Year-to-date on Motor Fuel Tax we are still running about \$3.2M above estimate and 8% ahead of last year due to the July 1st tax change. Registration fees continue to move ahead as expected. They were \$3.8M above estimate in December, \$16.5M above estimate year-to-date. And, year-to-date is 79% higher than last year. Of course, registration fees were increased significantly on July 1st, and that reflects that. The one area that detracts a little bit is the Motor Vehicle Sales Tax. In December, collections were \$15.4M and the estimate was \$14.4. We were actually above estimate by almost a million dollars, but, we were behind last year by 3.2%. And, year-to-date, we are behind estimate by \$10.2M and behind last year's collections by 0.3%. That's despite the tax rate, at least for the sales of motor vehicles, rising from 5% to 6% at the beginning of the fiscal year. There is a lag of a couple of months before those collections come in. But, they indicate that motor vehicle sales are pretty sluggish right now, which is in line with the General Consumer Sales Tax which is also very sluggish at the present time. Does anyone have any questions?"

President Carmichael: "Thank you. Are there any questions? I recognize Senator Ferns.

Senator Ferns: "Thank you, Mr. President. Mark, if you mentioned this, I apologize, but what is the Miscellaneous?"

Mark Muchow: “Miscellaneous Receipts...for the most part...the biggest item in Miscellaneous Receipts is the proceeds from the Abandoned and Unclaimed Property, that comes from the Treasurer’s Office. And, on a quarterly basis, particularly in December, we would get a big chunk of money from that. I would have to go check to see how much was expected. In addition to that, I am aware that the Lottery money that was originally scheduled to go to Worker’s Compensation Old Debt Fund, but was diverted back to the General Revenue Fund. We initially put that in the Special Revenue category, but, I believe the Lottery Commission is actually transferred under the Miscellaneous Revenue category. So, that also enhances the Miscellaneous Revenue Line. It’s still in the same General Revenue Fund, it’s just under a different line item than we expected. So, you will notice that Special Revenues were below estimate year-to-date by about \$2.4M. The Miscellaneous year-to-date is about \$3.6M ahead. So, Miscellaneous net of that is going to be a little bit ahead but, not as much as it is suggesting.”

Senator Ferns: “What was that last part? You said the Miscellaneous is how much?”

Mark Muchow: “The year-to-date Miscellaneous Receipts, if I read across here correctly, \$3.6M ahead of estimate. The estimate was \$6M and we collected \$9.64M, so that is \$3.6M ahead of last year. At the same time, Special Revenue Transfers, which is that Worker’s Comp Diversion is about \$2.4M below estimate year-to-date. But, we are diverting the amount of money that was expected. That is not really off target.”

President Carmichael: “Further questions? I recognize Delegate Miley.”

Delegate Miley: “Thank you, Mr. President. Mr. Muchow, I want to ask you about the Consumer Sales Tax Collections. Through half the fiscal year, they are \$20M below estimate. Is that what I understand you said?”

Mark Muchow: “They are below estimate by \$20M and compared to last year’s General Revenue Fund Collections they are up a smidgit.”

Delegate Miley: “Ok. So, they are already \$20M below estimates. I have a few questions that are related. What do you attribute that to? Does it cause you any concern? Do you expect that to change going forward? And, why would you expect that to change?”

Mark Muchow: “Well, I expect it to change going forward because the highway folks are involved in more construction activity and construction activity will pick up the Sales Tax Receipts along with that. So, that’s a positive. If Non-Fund Payroll Employment actually continues to increase, which we expect it to happen...now, not a tremendous increase... but, at least that will be more money in people’s pockets which will mean more and more consumer spending. So, those are the good things like construction and retail trade or services, the taxable services related to increased incomes over time. On the flip side, I think the biggest item that detracts, other than our sluggish economy the last few years, the biggest item that detracts is the fact that we are spending more and more of our dollars

on healthcare over time. And, according to the U.S. Census Bureau, Department of Commerce, our total consumption in 2016 went up about 21/2% in West Virginia... 4% nationally, but 21/2% in West Virginia. But, somewhere around 36% of the increase was attributable to healthcare expenditures. And, healthcare expenditures are largely exempt from sales tax. So, we are spending much more on healthcare these days partly because of demographics.”

Delegate Miley: “Yeah sure, but you don’t expect that to change do you?”

Mark Muchow: “That’s not...”

Delegate Miley: “The increasing cost of healthcare?”

Mark Muchow: “That’s not changing. It’s a demographic fact and that’s something that we have to take into consideration over time.”

Delegate Miley: “Ok. Thank you.”

Mark Muchow: “I haven’t found the fountain of youth yet.”

President Carmichael: “Further questions, I recognize Senator Trump.”

Senator Trump: “Thank you, Mr. President. Mark, the highlight of this report, on the General Revenue Report anyway, is that as of the end of December 2017, actual revenues are ahead of estimates for the year.”

Mark Muchow: “Yes.”

Senator Trump: “Before December 31, 2017, when was the last time, the last month when we could say that?”

Mark Muchow: “We probably had individual months when we were above estimate...”

Senator Trump: “Year-to-date.”

Mark Muchow: “The last time we were half way through the year was 2012. At fiscal year, 2013...December 2012, which was about five years ago. Which, coincides incidentally with the coal industry had basically peaked at that time and we started on a down hill slide. If I were on a ski slope, it would be a Black Diamond Ski Slope. And, we went on the Black Diamond south and it kept going south. And, it finally bottomed out in October of 2016. And, now, we are on an uphill track, and that uphill track for both the coal industry and recent higher natural gas prices have really helped that.”

Senator Trump: “Thank you.”

President Carmichael: “Further questions, I recognize Delegate Shott.”

Delegate Shott: “Thank you, Mr. President. Mark, how soon will we know the contribution of the tax change law, with regard to income tax, effect on the increase in personal income tax collections? In other words, you attribute significant amount, as I heard you, to people anticipating a payment of estimated taxes. So, how soon will we really know whether that was all of the change of the improvement, or is it just a component of the improvement in personal income tax collections?”

Mark Muchow: “Well, a lot of things are happening on the Personal Income Tax front. Some of the gains in December will come at the expense of January. When January collections come in, I expect to see the number come down a little bit on the Personal Income Tax. So, we have to wait until April when people file their annual returns to see if their estimated payments were higher than normal which would mean less payments coming in in April and more refunds in April. So, that is what we call the April surprise period. Once we get past April and early May we should have a good handle on the current fiscal year. Of course, all states with exception of maybe Pennsylvania, all states will have income taxes that involve updates to the Federal Tax Code that will be considered this Legislative Session. There’s a few states with automatic updates and there are some like West Virginia, that requires an Act of the Legislature each year on the updates. The impact on the update side is not tremendous for West Virginia, because a lot of the items that were changed to the Federal level were items that West Virginia does not tie into, particularly tax rate changes...the child tax credit...that type of thing. But, there are a couple of things that West Virginia will have to consider on the update side. Some, which if not updated, one way or another, could enhance tax collections and some that could decrease tax collections. So, it goes both directions.”

Delegate Shott: “The other thing you mentioned was the increase in withholding taxes. Is that something that a person would voluntarily choose to do through their employment because of the changes in the taxes or is that more likely to reflect improving income over the population?”

Mark Muchow: “I think it is a combination of improving income. We’ve had three consecutive quarters...we haven’t measured the fourth quarter yet...but three consecutive quarters of growth of wage and salary income which is positive for the Personal Income Tax. Also, when you talk about the end of the year, you may be talking about some bonus payments. And, I wouldn’t be surprised if a few employees got bonus payments. Sometimes when you see those spikes in December...this isn’t the only year that has occurred...sometimes there is a little bit of bonus payments in the factor. Now, bonus payments may have been tied to the federal tax changes as well. So, as to why people provide bonuses, there are different reasons under different circumstances.

Delegate Shott: “So, January numbers will probably provide a more accurate...”

Mark Muchow: “A little more accurate on the Estimated Income Tax but we are not

growing 62%. We are growing but not 62%, and Personal Income on the overall size has not grown 17%. We will see that kind of smooth out in the next few months.”

Delegate Shott: “Thank you, Mark.”

President Carmichael: “Thank you. Further questions? I recognize the Speaker for a question.”

Speaker Armstead: “Thank you, Mr. President. Mark, just kind of going back to the natural gas projections. Do you...and, I know they are very volatile right now, but, do you go back through as you...I know we don’t get necessarily adjusted projections once we pass the budget. But, do you go back through and adjust those internally just to try to get a feel of where you think things are going to be based on the trends you are seeing? And, have you done that in terms of natural gas...do you project that or suspect that there’s going to be...I know that that is very speculative in nature, but, where do you think that is going from looking at the trends you are seeing?”

Mark Muchow: “First, the official projections remain in place. They are not changed. I can tell you that a large portion of the increase in those official projections that occurred at the end of the last fiscal year were due to the natural gas forecast changing. That was a big component, bigger than coal by far. It is not only gas, but also oil and liquids. But, we monitor that, and when we do, and in the in between months we keep an eye on it. But, also when we do the new estimates, that comes into factor for next year based upon where we think we will be now. I can tell you that long term there is more upside on natural gas than downside. But, we are a little cautious, especially in the first couple of years here going out, because there is still a big pipeline infrastructure issue that needs to be dealt with. But, once that is dealt with, I think there is more upside than downside on gas by far.”

Speaker Armstead: “So, correct me if I’m wrong, but, you are basically saying that a lot of the uptake we are seeing now, you had already anticipated in the numbers you had. So, it is not like we are going to see from the fact that it is up a little bit more now, in terms of the cost, and that is pretty much already incorporated into what the projections were going into this fiscal year and not something that is going to give us basically a bonus as we go through the year?”

Mark Muchow: “Well, I can never say that there won’t be a bonus or surprise the other way, both ways with gas. But, we are still running below estimate year-to-date on Severance Tax because I thought we would have more at this time in gas, being that we had a bit of a swoon in the late summer months. But, the overall average price that’s in the assumptions is \$2.22. I don’t think we are going to be too far off of that. We seem to be stuck in that \$2.00-\$2.50 range right now. And, the outlook for the future we will get more of that on Thursday. We see those prices trending upward a little bit, but, we are a little bit cautious on the trend up because of what happens when we have weather that is not cooperative, like it has been the last couple of weeks, or it gets too mild and you have

all of this gas trying to find a market at the same time.”

Speaker Armstead: “Alright, thank you. Thank you, Mr. President.”

President Carmichael: “Further questions? If not, thank you very much Mark...good report. Next, is Connie Kirk, Unemployment.”

Connie Kirk: “Good morning, Mr. Speaker, Mr. President, and Members of the Committee. The unemployment projections for January is \$81,236,399.00, and I will answer any questions that you may have.”

President Carmichael: “Just state your name for the record for those that may not know you.”

Connie Kirk: “Connie Kirk.”

President Carmichael: “Are there questions of Ms. Kirk? Alright.”

Connie Kirk: “Thank you.”

President Carmichael: “Thank you very much. Next, is John Myers. John.”

John Myers: “Good morning. My name is John Myers, Secretary of Administration. Mr. Speaker, Mr. President, Members of the Committee, thank you for having us here today. Included in your packets today are reports for BRIM, PEIA, and the Real Estate Division. My staff and I are here to answer any questions you may have.”

President Carmichael: “Thank you, Mr. Myers. Are there questions from the Committee? If not, thank you very much. Happy New Year.”

John Myers: “Thank you.”

President Carmichael: “Cynthia Beane with Department of Health and Human Resources. I know there will be a question for you.”

Cynthia Beane: “Good morning Mr. Speaker, Mr. President and Members of the Committee. My name is Cynthia Beane, Commissioner of Bureau of Medical Services, Department of Health and Human Resources. The reports are before you and information that we have submitted to the Committee. Are there any questions?”

President Carmichael: “I recognize Delegate Boggs for a question.”

Delegate Boggs: “Thank you, Cindy for being here, and I apologize for missing you last month.”

Cynthia Beane: “That’s ok Delegate Boggs. I missed you as well.”

Delegate Boggs: “Listen, I wanted to touch base with you about the waiting list. I see the waiting list is creeping up again, and the average number of days on the waiting list...what do you attribute that to?”

Cynthia Beane: “The waiting list is creeping up, but, as I mentioned the last time I was here, we did not project the increase in our FMAP, so, we are evaluating currently perhaps adding more slots for this year. And, hopefully we will be done with that evaluation soon. So, due to looking at our budget and efficiencies, I think eventually we will be able to add more slots. It creeps up because we are not releasing as many slots because we are not going to go over the number right now.”

Delegate Boggs: “Well, when you say increasing the slots, I know a few months ago that you mentioned that there was a plan to cut, and then you came back later and said that that had been scratched. So, now we are looking at actually increasing the number of slots. Could you give us some idea as to what number you are looking to increase to?”

Cynthia Beane: “I am very hopeful that there will be enough to alleviate some of the individuals that you are seeing on the list, but I do not have a definite number for you today. But, I should probably have a definite number for you by next Committee.”

Delegate Boggs: “Will that be a number that you can provide or that the Department can provide prior to the end of the session and the budget, so that that can be factored in?”

Cynthia Beane: “Absolutely. And, let me just be clear that any increase in slots would be within the Budget Line Item. It wouldn’t be asking for increased dollars. We are evaluating how long it takes. I think I mentioned in here at the last committee, even though we will give a slot to an individual, but sometimes they will take two or three months before they actually initiate service. So, that is funding and efficiencies that we might have some extra money to add some individuals. So, while I do anticipate that we will be able to hopefully increase our availability of services for members, it will not be an increase in the line item for the Budget.”

Delegate Boggs: “So, you anticipate that it won’t be increased, but that it also won’t be decreased?”

Cynthia Beane: “Correct.”

Delegate Boggs: “Ok. Let me ask you another question about KEPRO?”

Cynthia Beane: “Yes.”

Delegate Boggs: “Do we have a contract now with WVMI like we used to or is that KEPRO?”

Cynthia Beane: “That’s KEPRO. Those are competitively bid contracts. So, the vendor that got the award this last time was KEPRO.”

Delegate Boggs: “How much is that contract and for how long?”

Cynthia Beane: “It’s typically five years. I would have to go back and look. I can find out for you how much the contract is for. They do a variety of services for us and not just the ADA Waiver Service. They do all of our utilization management, our IDD Waivers, our other waiver programs, our ASO services. But, I can go back and find out some details for you. If you are looking for it specifically towards the ADA Waiver.”

Delegate Boggs: “I’m looking at that and personal care. I’m looking toward the fact that in the past, the Agency RN’s did the assessment.”

Cynthia Beane: “Hmm hmm.”

Delegate Boggs: “Now, granted if they did the assessment, it still had to be signed off on by a physician. So, it wasn’t the Agency approving people, it was the Agency doing the initial assessment, but, an attending physician had to sign off on that. Am I correct on that?”

Cynthia Beane: “You are correct.”

Delegate Boggs: “Okay. Why are we paying someone to do something that the RN’s before from the Agencies were doing at a substantially less cost than we are paying? Because this goes back to several years ago, I think initially the WVMI contract was something like \$10M over four years, and it amounted to paying an outside agency...some of the care agencies were doing or taking the initial assessments, and I don’t know that we got any better results. Any thoughts on that?”

Cynthia Beane: “So, one of the things that we look at at the Medicaid Agencies is how we can better manage our programs and efficiencies. So, if I looked at my personal care line, my number of individuals receiving personal care, my costs for personal care has continued to escalate up. Personal Care Nationally is a program that nationally has had lots of fraud in those programs. And, so with the Waiver Programs, it is an independent entity that has no stake in the game. If I am an independent entity and I go out and evaluate you, I know you qualify for that program. I am not going to benefit by putting you on the program. The personal care nurses that currently, and I am not accusing anybody of anything, but the personal care nurses that currently evaluate before the policy change would have more of a stake in the game. If the individual is eligible for that service, then that agency is going to provide services to that person. I understand what you are saying, about the doctor signing off, but the doctors sign off on a lot of things that nurses put in front of them that they might have not seen that individual that day or maybe even that month, or even know if that individual still has those deficits.”

Delegate Boggs: “I had trouble with the concept a long time ago. I still have trouble now, because I think we are assuming...we are basically accusing people of being guilty until they prove themselves innocent. And, I think the vast majority of people are trying to go out and give honest fair assessments, and I just don’t understand why we are paying an outside agency to do something that was being done as part of the process, when the physician has to ultimately be the one who decides that. So, I know that that is a policy decision, but, the money that pays for these assessments with this contract...where does that come from and is that money that would be necessarily available to increase the number of slots or increase the reimbursements?”

Cynthia Beane: “So, Personal Care is not a slot driven program. So, the Personal Care Program is open-ended. So, it’s not like when I see my spin going up on Personal Care, I can clamp it down. So, I can’t say that only 5,000 members in West Virginia get Personal Care. In fact, our Personal Care numbers are way beyond the Aged and Disabled Waiver numbers. So, with Personal Care, KEPRO has always managed our Personal Care Program with regards to authorization. This is just an extra step that they will now be doing. And, like I said, it is a program that nationally has been reviewed in many other states. There have been findings in others states of abuse of the program. So, it’s just a way for us to manage...so, if after a couple years...you know they are just now getting started, if we find that it has no effect we can then evaluate and say, maybe we need to go back to the old way. However, I do know that when we started the Aged and Disabled Waiver Program on an independent evaluator, there were several people in the Program at the time...now this is many years ago...that WVMI went out and found out that those individuals didn’t qualify for the Program.”

Delegate Boggs: “Mr. President, if I might share, there was one instance that I became aware of, and this has been several years ago...about the time-frame we are talking about...but, someone was cut off of the program, an individual who gave me their permission to go to their home and visit. And, what it amounts to is that it was an elderly gentleman...without getting into too many details, suddenly, someone that he was used to taking care of him was not there. And, the young lady was an RN, who was fully qualified and came in did not know him, did not know the family and they were asking him a series of questions. One of them being, “Can you go to the restroom by yourself?” And, the gentleman said, “Sure.” He was embarrassed. He had to have someone pick him up and take him and bring him back. But, he didn’t understand the question. Someone also asked him, “Can you take your own meds?” He said, “Absolutely.” But, his idea of taking his medicine was somebody dosing them and putting them in his hand, holding them up to his mouth and giving him a drink. But, the evaluator meant, can you get up and go to the medicine cabinet to where you store your medicine, dose it yourself, take it, and be responsible? We’re talking apples and oranges, and it just always concerns me when we have these opportunities where someone comes in, and does not know the situation. They are very quick to say, “Not really”. They don’t know these folks. And, I don’t want to see people fall through the cracks. So, again, I just think that we need to be very cautious when we’re assuming that people, because they may have some skin in the game, they

are not going to be honest. And, that if we can save some money that we need to be airing on the side of the people that need the services.”

Cynthia Beane: “I totally agree.”

Delegate Boggs: “And, by the way, that one situation was reversed on hearing.”

Cynthia Beane: “Sure.”

Delegate Boggs: “Because of that.”

Cynthia Beane: “Sure.”

Delegate Boggs: “That’s the extent of my questions, but I appreciate it Mr. President. Cindy, thank you.”

Cynthia Beane: “Thank you.”

President Carmichael: “You always have great questions and we appreciate your input. I recognize Delegate Nelson.”

Delegate Nelson: “Thank you, Mr. President. Thank you, Cindy. Actuals vs. Estimates...25% spend less than estimate during the month of October which appeared to be in two line items. MCO Expenditures were down some \$30M or 20%. That’s our biggest line item. Can you enlighten the Committee why we had such a drop below estimate?”

Cynthia Beane: “So, the MCO Line Item there...there is a program called the Direct Payment Program...it’s a program that those direct payments go to our hospitals. Previously, they were UPL payments. We are working with CMS to finalize our Direct Payment Program process to get those funds to the hospitals. So, that money will be going out. It’s just not out yet because CMS has to approve it.

Delegate Nelson: “So, it is a timing issue.”

Cynthia Beane: “It’s a timing issue.”

Delegate Nelson: “So, maybe another timing issue is the prior page. Prescribed Drugs which is our second largest expenditure on a gross basis. But, there are a bunch of these rebate line items. Can you expand a little bit on our rebate system or the set up of drugs? Because, in fact, during October we were rebated more money than we spent.”

Cynthia Beane: “So, again, it’s a timing issue. Our rebate program, however, is very robust and we are seeing pharmacy savings in our pharmacy line item as well. But, it’s not a net positive.”

Delegate Nelson: “Why don’t we receive a net number, instead of a gross, and then a rebate?”

Cynthia Beane: “The Rebate Program...and I really probably would...any detailed questions about our Rebate Program...I would like to have my Pharmacy Director, Vicky Cunningham give those to you. But, the Rebate Program is very robust and that’s the way that all Medicaid Agencies kind of fund their Medicaid Program. And, the pharmaceutical companies will offer the Medicaid Agency a rebate. So, for example, an expensive drug like Vivitrol, that is used for substance abuse is very expensive. It’s a little over \$1,200.00 a month for the individual. However, on the back end of that, that pharmaceutical company will negotiate rebates with the Medicaid Agency. So, we are not actually paying that \$1,200.00 a month. In fact, we would pay far, far less.”

Delegate Nelson: “Is this a CMS driven line item or is that here at the State?”

Cynthia Beane: “It’s not necessarily CMS. It’s...If leave of the Committee, I ask Tony Adkins to come up and talk about it. It’s not necessarily CMS driven.”

Delegate Nelson: “I think when you come for the Agency meeting, at least to the two Finance Committees to please talk about this. But, I do want to end up with one other...Last week, CNBC reported that drug companies had underpaid to a tune of over \$1B in rebates. Can you speak to the article?”

Cynthia Beane: “I cannot speak to the article, because I haven’t seen the article that you are talking about. But, I can tell you that West Virginia’s Rebate Program is very robust and that is something that we do a very good job at in keeping our pharmaceutical costs down in the Medicaid Program. So, I don’t know if they have underpaid in other states. But, I think that in our State, we have a robust rebate program.”

Delegate Nelson: “So, what is our audit process to make sure that we are getting our rebateable dollars to the extent that we should receive those?”

Cynthia Beane: “We have staff that audit that internally every month. We do all kinds of different internal processes on our rebate program and I can get you those details.”

Delegate Nelson: “Well, maybe we can talk some more in Finance Committee.”

Cynthia Beane: “Sure.”

Delegate Nelson: “Thank you, Mr. President.”

President Carmichael: “Thank you. Further questions? I recognize Senator Karnes.”

Senator Karnes: “Thank you, Mr. President. You included a copy of the form for the

physician certification relating to termination?”

Cynthia Beane: “Yes, Sir.”

Senator Karnes: “And, some of what I was asking about before, I believe I do see in here which is what we call medical necessity and then it has a list of things that may apply.”

Cynthia Beane: “Yes, Sir.”

Senator Karnes: “I think that most people when they see medical necessity they think that the life of the mother is in danger. But, some of the factors that are included here are things like: emotional, psychological, familial, or age factors. Do you have an idea of how familial would be a medical necessity?”

Cynthia Beane: “So, my understanding in asking individuals about the form before I got here that would be familiar is that the interpretation would be like an incestuous relationship.”

Senator Karnes: “Well, that’s a thing that is on item two below where there’s actually a certification that says which one to pick.”

Cynthia Beane: “Sure.”

Senator Karnes: “But, item one has that, and then, item two specifically says pregnancy resulting from incest. So, it seems redundant.”

Cynthia Beane: “It might well be redundant. This form has been in existence in the Medicaid Program for over sixteen years.”

Senator Karnes: “Where does the form come from? Is it directly a result of a rule or law for these items to be included on the form? How was the form developed?”

Cynthia Beane: “It’s my understanding of the form is that...like I said, this is prior to me coming into the Agency. It was over fifteen years ago, and it is when the Medicaid Agency was directed to cover abortions, through the work of the Panepento Decision, that there was to be a form for medical necessity.”

Senator Karnes: “But, what I mean is these particular choices? For example, emotional. How is emotional tied to medical necessity?”

Cynthia Beane: “You would have to ask the physician. I mean, I am not the physician certifying that it is medically necessary. So, it would be up to the physician to decide. I think that these are just examples that were put on the form way back when.”

Senator Karnes: “Okay. So, if the form needed to be changed, what would the process

be for doing that?”

Cynthia Beane: “We would have to go through our Legal Counsel to see what was directed in to the work of the Panepento Decision to make sure that the form was compliant with that decision.”

Senator Karnes: “Okay. So, can you maybe provide that sort of information to the Committee again, so we could look for ourselves and see whether or not these are the types of things that that particular decision required?”

Cynthia Beane: “Sure.”

Senator Karnes: “Thank you.”

President Carmichael: “Further questions? Thank you. So, you will provide that to the Committee at the next Committee Meeting?”

Cynthia Beane: “Sure.”

President Carmichael: “Further questions? I recognize Delegate Miller.”

Delegate Miller: “Thank you, Cindy for being here. I find the pregnancy termination analysis somewhat shocking. Just from 2013, when there were 502 abortions or terminations and in 2017 there were 1,560. Do you have any idea of what happened, or why there would be such a huge increase?”

Cynthia Beane: “I can’t speculate as to why there is an increase in abortions or terminations. I have no idea.”

Delegate Miller: “Does Medicaid still cover contraception?”

Cynthia Beane: “Absolutely, in fact, we cover contraception. We have LARC initiatives which are long acting contraceptions. We cover sterilizations. We cover all of the different options for a woman.”

Delegate Miller: “Is there any way to determine age brackets for these terminations of the mothers or perspective mothers?”

Cynthia Beane: “I would have to look to see if we can get that entered in our data pool, Delegate Miller. I’m not sure if we have the age, but I will see if we can pull that from the claim?”

Delegate Miller: “I would be curious, if you can find that. Thank you.”

President Carmichael: “Further questions? Cynthia, since we won’t be meeting as a

Joint Committee again, can we ask you to get that information to Mr. Allred by the 16th? Is that too? That's a week. You need a little more time?"

Cynthia Beane: "A little more time would be great."

President Carmichael: "17th?"

Cynthia Beane: "Just because, I know even though the report we got, sometimes when we pull the initial report, the numbers will look odd. And, then we will pull it again to make sure that the numbers are correct."

President Carmichael: "That was only a week, so two weeks would be the 23rd? Will that work?"

Cynthia Beane: "Two weeks would be awesome."

President Carmichael: "Thank you. Other questions? I recognize Speaker Armstead."

Speaker Armstead: "Thank you, Mr. President. Thank you, Ms. Beane. Going back to a question and I wouldn't necessarily expect you to know the reason why those numbers went up in terms of the pregnancy termination analysis that was included. But, it seems like it basically doubled between 2015 and 2016, or almost...not quite doubled. But, was there any change in eligibility standards or anything that you know of that would have...aside from the physical fact of whether someone sought a termination...was there any change in the eligibility requirements or anything in the law?"

Cynthia Beane: "Pregnant women have always been covered at 150% of the FPL. So, pregnant women even prior to expansion would have been covered under Medicaid. So, you know, I'm not sure what's caused it. But, our pregnant women category has always been 150% of FPL. So, that hasn't changed."

Speaker Armstead: "So, it really wouldn't have been any legal change that would have taken place at that time that would have caused that. It would have just been a greater demand for those services?"

Cynthia Beane: "Not that I am aware of, sir."

Speaker Armstead: "Thank you."

President Carmichael: "I recognize Delegate Shott."

Delegate Shott: "Thank you, Mr. President. Just to follow up on this form. Does it say on the form as to whether or not the Department has a policy as to whether a drug addicted mother would create a medical necessity for termination? Or, do you know if there have been any communications with the physicians who are involved in this program?"

Apparently, there must be a bunch of them. Do you know whether that would be an acceptable condition to attach?"

Cynthia Beane: "No, and I do want to let you guys know that the form is an example and it is really up to the physician to certify as to whether it is medically necessary. The physician may have a reason that is not on the form that might be a medically necessary reason that he is performing the termination. So, no there have not been any discussions about drug addicted mothers and terminations."

Delegate Shott: "Is there any indication that that is being used as a reason for this increase in the number of abortions?"

Cynthia Beane: "We would not know."

Delegate Shott: "Thank you."

President Carmichael: "Are there others who desire to ask questions that have not...? Yes, I recognize Delegate Miley."

Delegate Miley: "Thank you, Mr. President. Ms. Beane, I know you provided a list of ICD10-Codes used for pregnancy terminations to be reimbursed by Medicaid. Is there a list of these ICD-10 Codes that provides greater explanation? The only thing I have in front of me is Z3A.08-8 weeks gestation of pregnancy. And, then it goes to 9 weeks gestation of pregnancy. I thought we were going to get not just a list of ICD-10 Codes but a description of what those codes mean."

Cynthia Beane: "So, I can look to see if there is an additional descriptor. But, usually those codes are used for the weeks of pregnancy terminations. But, I can see if we can find additional..."

Delegate Miley: "Maybe I wasn't clear. I thought the ICD-10 Codes that were used to justify the reimbursement by Medicaid was going to be a description of the condition which caused the pregnancy termination. These ICD-10 Codes that you are telling me are...or at least as I understand you...is just to identify which week of gestation the termination occurred?"

Cynthia Beane: "Yes. So, basically the ICD-10 Codes that would be put onto the claim that would be for the individual for the termination...would be the individual's diagnosis for termination which would be the pregnancy...the weeks."

Delegate Miley: "Ok, I'm sorry...so..."

Cynthia Beane: "So, that's what we gave you. But, I am not quite sure..."

Delegate Miley: "Ok. Let me tell you what I was thinking we were going to get."

Cynthia Beane: “Ok.”

Delegate Miley: “I mean, there’s been some concerns raised about the reasons for which pregnancy is terminated. Maybe that would help address some of the questions we’ve had based upon a diagnosis made by a physician. As opposed to just a representation that it occurred during the 11th week or the 10th week.”

Cynthia Beane: “I don’t know that the physician would always put that on the claim. I don’t know if we would have that information. The individual might have other diagnosis. For example, the individual might have a substance abuse diagnosis, but we wouldn’t know if that was the reason that the termination occurred.”

Delegate Miley: “Ok, it was just my mistake as to misunderstanding as to what the ICD-10 Codes were that reflected pregnancy terminations. Ok, thank you.”

Cynthia Beane: “Sure.”

President Carmichael: “Further questions? I recognize Delegate Cowles.”

Delegate Cowles: “Thank you, Mr. President. Cindy, you mentioned in passing that we have always covered West Virginia Medicaid up to 150% of the federal poverty limit.”

Cynthia Beane: “For pregnant women.”

Delegate Cowles: “For pregnant women, yes.”

Cynthia Beane: “Yes. That’s federal. That’s all Medicaid agencies, not just West Virginia.”

Delegate Cowles: “What do you mean that’s federal? I thought that only West Virginia Medicaid pays for pregnancy terminations and the Federal Government doesn’t.”

Cynthia Beane: “No, I mean as far as the category for pregnant women. The coverage category for pregnant women. So, meaning that if I come to the Medicaid Agency, whether I am in Kentucky, West Virginia or Ohio, and I’m pregnant, I’m covered as long as I’m under 150% FPL. That’s what I meant.”

Delegate Cowles: “Ok. So, we use that standard to apply to pregnancy terminations for West Virginia Medicaid pregnant mothers?”

Cynthia Beane: “So, once a member gets a medical card, then it’s up to that member as to their course of treatment. So, most of the members in West Virginia Medicaid get prenatal care and those kinds of things. However, we have some that choose termination.”

Delegate Cowles: “Right. But, there’s no internal...whatever the Federal Government sets is what we do at 150%?”

Cynthia Beane: “Absolutely.”

Delegate Cowles: “Thank you.”

President Carmichael: “Further questions? I recognize Senator Karnes.”

Senator Karnes: “Thank you, Mr. President. So, Delegate Shott raised a good question or a good point, and something else if you can find out for us, I would like to know...maybe some other folks on the Committee as well. The idea that 1,560 terminations...and I guess, we know why our population keeps shrinking in the State of West Virginia. But, 1,560 terminations sounds like a lot of different doctors. Is this information in any way compiled that you can tell us for example, even if we redact names, such as Doctor A does this many of these 1,560, and Dr. B and so on...Perhaps get us a top 10 list of doctors that are engaged in this particular activity. And, then Delegate Boggs, you know again very much correctly, we weren’t necessarily interested in what week this occurred...but, how many pregnancies according to this checkbox out of the 1,560 were a result of incest? How many were a result of rape? How many were a result of...I mean the boxes have been checked and I assume that somewhere there is a pile of paper...”

Cynthia Beane: “The pile of paper would be in all of those different doctor’s offices in individual charts of their clients, so we don’t have that. But, we certainly could find and redact names and tell you how many doctors are performing terminations.”

Senator Karnes: Ok, and then finally can you maybe on the same line again produce and I’m going to guess right now that you don’t have the information anywhere, but maybe it is something that we need to address and that is some type of list or number that says the number of times that a doctor said, “I’m sorry, in this particular case, this is not medically necessary so we can’t do this.”

Cynthia Beane: “I don’t think that I would have that information.”

Senator Karnes: “I’m going to probably bet that that has probably never happened in this State with these guys, but if it is something that it can be collected somewhere, I’d sure like to know it.”

Cynthia Beane: “I don’t know how we would collect that information.”

Senator Karnes: “Thanks.”

President Carmichael: “Further questions? If not, the 23rd and if you could provide that information to Aaron and he will get it to the Committee. So, thank you.”

Cynthia Beane: “Thank you.”

President Carmichael: “Stacey Shamblin, CHIP Program.”

Stacey Shamblin: “Good morning Mr. President, Mr. Speaker and Members of the Committee. I’m Stacey Shamblin and I’m Acting Director of CHIP. You have your report, and if you have any questions, I would be happy to answer them.”

President Carmichael: “Are there questions of Ms. Shamblin? If not, thank you very much.”

Stacey Shamblin: “Thank you.”

President Carmichael: “Craig Slaughter with the Investment Management Board.”

Craig Slaughter: “Craig Slaughter, Executive Director of the Investment Management Board. You have the November 30, 2017, report in your packet. It shows that Public Employee’s Retirement is up 6.7%. December was a good month also, so, we are probably through the first six months, I am going to estimate that we are up 7 1/2-8% for the fiscal year which of course is good news as long as it holds up.”

President Carmichael: “That is great news. Are there questions? I recognize Delegate Nelson.”

Delegate Nelson: “Thank you, Mr. President. Boy, these numbers are fantastic. As we have talked before, how about your Board and looking ahead in potential policy changes or discussion as it relates to the market that we are in right now?”

Craig Slaughter: “I am not sure that I completely understand your question. Are you asking what we might do differently from an asset allocation standpoint?”

Delegate Nelson: “Yes.”

Craig Slaughter: “Going forward. We probably won’t make any changes. The things we have done in anticipation, we’re starting to worry about equity markets. This economy is going to die. We are going to have a recession at some point, we just don’t know when. The stock market will probably predict that recession. That’s what it usually does, by some number of months. But, again, you just never know. If I have some insight as to what that would be, I would be more than happy to share it with you and I don’t have it right now. It’s usually the unforeseen thing that pops up, or it is the central banks raising interest rates because they are worried about inflation. It doesn’t look like inflation is particularly rampant. Central banks across the developed world are being very cautious about raising rates. It seems like this may run a little while longer, even though it’s been a long time. But, that being said, we’ve reduced our equity. We did this about six or seven months

ago. We made an allocation change. We took 5% from equity and stocks and moved it into what we call opportunistic income, which is private credit structures that are a floating rate, so that we can capture any rate increases, and they are also short term. So, they are duration short. We think that's good. If we think we can see something with the equity market we may reduce the equity allocation a little bit more. But, outside of that, I don't really foresee anything at this point. We are talking about whether we should get more conservative in our fixed income portfolio too. But, I would like to see if the rate has...we've talked about if the rate is normalized, now what that is...that's always a hard question. If they normalize, perhaps, we ought to add treasuries to the portfolio for protection. But, there's a down side to that also. Quite a lot of things we are thinking about."

Delegate Nelson: "How often does your Board meet?"

Craig Slaughter: "At least every quarter."

Delegate Nelson: "And, how often are you and the investment counselors meeting at the same time on a regular basis?"

Craig Slaughter: "Staff talks to our money managers and consultants. We have a whole panel of external service providers that we access for information. We talk to those people on a regular basis. And, our general consultant comes in and speaks with the Board every quarter. We have other consultants for some of the alternative assets that come at various times of the year."

Delegate Nelson: "Keep up the good work. I'm sorry I didn't have some of my money with you."

Craig Slaughter: "Thank you."

President Carmichael: "Great report. Are there further questions? If not, thank you very much."

Craig Slaughter: "Thank you, gentlemen and ladies."

President Carmichael: "Andrew Pauley with Workers Compensation."

Andrew Pauley: "Thank you, Mr. President, Mr. Speaker, and Members of the Committee. I'm Andrew Pauley. I'm Deputy Commissioner-General Counsel to the Insurance Commissioner's Office. I'd be happy to answer any questions that the Committee may have."

President Carmichael: "Are there questions of Mr. Pauley? I recognize Delegate Shott."

Delegate Shott: "Thank you, Mr. President. Looking at the old Fund Cash Statement.

You all have had substantial increase in your investment and interest earnings. I assume those are realized as opposed to unrealized, is that fair to say?"

Andrew Pauley: "That's correct."

Delegate Shott: "Where do we stand on certification of full funding of the old fund?"

Andrew Pauley: "Delegate Shott, that's a policy decision that the Governor has to make. Our last actuary report has the deficit at about \$29M dollars. The past couple years due to the budget deficit, obviously, there's been redirection of the remaining funds that are paid into the payout. There's been basically a couple of debt reduction charges, and I think that there is still a little terminal lottery that's paid into it. A little bit...\$10M or \$11M. So, we are really close. Obviously, compensation claims are long tailed and there's many factors; adverse court decisions, adverse legislation, or other issues can factor into all of that. But, at the end of the day, it's a policy decision for the Governor. I'm sure the Budget is factored into that and Secretary of Revenue."

Delegate Shott: "I've noticed that our expenditures exceeded our operating income, as well as the interest in earnings. I guess my question is are we getting closer to full funding certification or are we moving away from full funding certification?"

Andrew Pauley: "I would say we are getting closer. The deficit number, that \$29M is down from over nearly \$3B, so, it's come down to about \$29M...and I think it was around 50 some without the redirection. So, it's continuing to drop down. And, just depending on the Budget and what's done with the Budget will be determinative of the amounts."

Delegate Shott: "Thank you."

President Carmichael: "Further questions? I recognize Senator Blair."

Senator Blair: "Thank you, Mr. Chairman and Mr. President. I've got two questions, actually. The first one is I'd like to meet with you later on because we need to come to an end with this, one way or another for me. If we quit putting money in, because this is projected out, and we just didn't put anything else in, how many years would it be that we could fund the claims that are coming in? Do you see what I'm saying? The \$29M...just don't pay anything anymore...would it just be ten years, twenty years, thirty years because it's projected way out?"

Andrew Pauley: "Right. I don't have that exact target date, but, yes there is over a billion dollars cash on hand and we would continue to pay those out with what's in the Fund itself. And, there's not an actual progression, but usually, these long tailed claims, they could be thirty years or so. So, it just depends on the situation. As I said, if there is adverse legislative decisions, adverse court decisions, that can cause that to go up or down. An example of that would be that we have the CWP Fund, which is the Coal Worker's Pneumoconiosis Fund that we no longer get any premium for that Fund. We are running

it off, just as you said. And, there was a change in federal legislation, the Byrd Amendments, which allowed widows benefits to be obtained in a particular way. That's caused that Fund to go north a little bit. So, it just depends on a number of factors as to how the run-off occurs. It can be faster or sooner or it can be longer depending on all of those factors. And, the claimant's history and the experience. Some of these are black lung claims and occupational pneumoconiosis disease claims that manifest themselves later on that can have a high severity. So, it just depends on the situation."

Senator Blair: "So, you see why I am curious about that?"

Andrew Pauley: "Yes."

Senator Blair: "And, my last question on that...lets say that we take care of the rest of the funding, the \$29M...it's done this year. And, then thirty years from now, when the final thing is paid, and yet there is still \$50M in there...where's that money go to? Does it come back to General Revenue? Where would that money go?"

Andrew Pauley: "It would be a fund to the State, yes."

Senator Blair: "Thank you. Again, when you leave let's get together, so we can talk more about this coming to an end on this one way or another."

Andrew Pauley: "Today?"

Senator Blair: "Yes."

Andrew Pauley: "Ok."

President Carmichael: "You can set up your meeting later. Thank you. Further questions? If not, thank you, Mr. Pauley. Other business to come before the Committee? If not, I recognize the Speaker for a motion."

Speaker Armstead: "Mr. President, I move that we adjourn."

President Carmichael: "Heard the motion. All those in favor, say aye. Those opposed no. I declare the meeting adjourned."

WEST VIRGINIA LEGISLATURE

Office of the Legislative Auditor



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1900 Kanawha Blvd. East
Charleston, WV 25305-0590*

304-347-4870

April 06, 2018

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

- West Virginia Lottery as of January 31, 2018:
Gross profit year to date was \$280.1 million. Gross profit for fiscal year 2017 was \$282.6 million.
- West Virginia Unemployment Compensation Fund as of March 31, 2018:
Total disbursements were \$43.6 million lower than in fiscal year 2017. Overall ending trust fund balance was \$10.4 million higher on March 31, 2018 than on March 31, 2017.
- General Revenue Fund as of March 31, 2018:
The general revenue collections ended the ninth month of fiscal year 2018 at 99.2% of the estimate for the year.
- State Road Fund as of March 31, 2018:
The state road fund collections ended the ninth month of fiscal year 2018 at 107.7% of the estimate for the year.

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor



*Budget Division
Building 1, Room 314-West Wing
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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: April 6, 2018

Re: Review of West Virginia Lottery Financial Information
As of January 31, 2018

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for January 31, 2018, 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 \$619.6 million for July - January 2018. Table games accounted for \$20.3 million of this total. Historic Resort Hotel video lottery and table games accounted for \$3.9 million of total gross receipts. Gross lottery revenue has decreased by 0.2% when compared with July - January 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 - January 2018 was \$280 million; for July - January of last fiscal year it was \$282.6 million. Expressed as a percentage, gross profit is less than 1% lower for fiscal year 2018 than for fiscal year 2017.

Lottery continued

Operating Transfers to the State of West Virginia:

A total of \$265,950,000.00 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	\$63,029,000.00
Community and Technical College	\$3,499,000.00
Department of Education	\$18,006,000.00
Library Commission	\$11,423,000.00
Higher Education-Policy Commission	\$6,974,000.00
Tourism	\$6,456,000.00
Department of Natural Resources	\$3,081,000.00
Division of Culture and History	\$3,500,000.00
Department of Education and Arts	\$948,000.00
General Revenue Fund	\$0.00
Economic Development Authority	\$6,996,000.00
School Building Authority	\$12,600,000.00
<u>SUBTOTAL BUDGETARY TRANSFERS</u>	\$136,512,000.00

Lottery continued

Excess Lottery Fund

Economic Development Fund	\$13,292,000.00
Higher Education Improvement Fund	\$10,500,000.00
General Purpose Fund	\$28,904,000.00
Higher Education Improvement Fund	\$12,896,000.00
State Park Improvement Fund	\$2,223,000.00
School Building Authority	\$13,296,000.00
Refundable Credit	\$681,000.00
WV Racing Commission	\$889,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$26,900,000.00
WV Lottery Statutory Transfers	\$28,050,000.00
General Revenue	\$0.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$21,986,000.00
Total State Excess Lottery Revenue Fund	\$159,617,000.00

Total Budgetary Distributions:	\$296,129,000.00
Veterans Instant Ticket Fund	\$306,000.00
TOTAL TRANSFERS	*\$296,435,000.00

* CASH BASIS

Total Accrued last FY 2017:	\$132,693,000.00
Total Cash Distributions FY 2018:	\$296,435,000.00
Applied to FY 2017:	\$132,693,000.00
Applied to FY 2018:	\$163,742,000.00
Accrued for FY 2018 as of January 31:	\$102,208,000.00




P.O. BOX 2067
CHARLESTON, WV 25327

ALAN H. LARRICK
DIRECTOR

PHONE: 304.558.0500
wvlottery.com

MEMORANDUM

TO: Joint Committee on Government and Finance
FROM: Alan H. Larrick, Director 
RE: Monthly Report on Lottery Operations
Month Ending January 31, 2018

DATE: February 16, 2018

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

Financial statements of the Lottery for the month ending January 31, 2018 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$83,371,511 for the month of January.

Transfers of lottery revenue totaling \$26,483,907 made for the month of January 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 January 31, 2018 was 1,479 and 1,292 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 January 31, 2018

DATE: February 16, 2018

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

Financial statements of the Lottery for the month ending January 31, 2018 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$83,371,511 for the month of January.

Transfers of lottery revenue totaling \$26,483,907 made for the month of January 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 January 31, 2018 was 1,479 and 1,292 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
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Members of the West Virginia Lottery Commission



WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

**FINANCIAL STATEMENTS
-UNAUDITED-**

January 31, 2018

WEST VIRGINIA LOTTERY

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

ASSETS	January 31, 2018	June 30, 2017
Current Assets:		
Cash and cash equivalents	\$ 124,404	\$ 156,550
Accounts receivable	25,929	27,533
Inventory	541	553
Other assets	<u>1,355</u>	<u>1,482</u>
Total Current Assets	<u>152,229</u>	<u>186,118</u>
Capital assets	57,294	55,732
Less accumulated depreciation and amortization	<u>(12,667)</u>	<u>(11,953)</u>
Net Capital Assets	<u>44,627</u>	<u>43,779</u>
Total Noncurrent Assets	<u>44,627</u>	<u>43,779</u>
Total Assets	<u>\$ 196,856</u>	<u>\$ 229,897</u>
Deferred outflows of resources	<u>\$ 2,795</u>	<u>\$ 2,795</u>
Total assets and deferred outflows	<u>\$ 199,651</u>	<u>\$ 232,692</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 102,208	\$ 132,693
Estimated prize claims	16,498	15,621
Accounts payable	1,315	1,404
Other accrued liabilities	<u>26,244</u>	<u>29,588</u>
Total Current Liabilities	<u>146,265</u>	<u>179,306</u>
Deferred inflows	<u>\$ 367</u>	<u>367</u>
Net Position:		
Net Investment in capital assets	44,627	43,779
Unrestricted	<u>8,392</u>	<u>9,240</u>
Total Net Position	<u>53,019</u>	<u>53,019</u>
Total net position, liabilities, and deferred inflows	<u>\$ 199,651</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 SEVEN MONTH PERIOD ENDED JANUARY 31, 2018

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2018	FY 2017	FY 2018	FY 2017
Lottery revenues				
On-line games	\$ 7,834	\$ 5,298	\$ 48,259	\$ 42,275
Instant games	9,103	8,737	54,268	53,659
Racetrack video lottery	35,398	39,418	288,811	301,239
Limited video lottery	27,827	27,049	204,038	196,542
Table games	2,783	3,310	20,340	23,812
Historic resort	426	465	3,889	3,070
	<u>83,371</u>	<u>84,277</u>	<u>619,605</u>	<u>620,597</u>
Less commissions				
On-line games	539	383	3,370	2,956
Instant games	637	612	3,799	3,756
Racetrack video lottery	17,100	19,073	156,133	161,673
Limited video lottery	13,635	13,254	99,979	96,306
Table games	1,180	1,403	8,624	10,092
Historic resort	219	255	2,101	1,603
	<u>33,310</u>	<u>34,980</u>	<u>274,006</u>	<u>276,386</u>
Less on-line prizes	3,763	2,552	24,483	21,543
Less instant prizes	6,024	5,726	35,710	35,190
Less ticket costs	123	108	711	789
Less vendor fees and costs	945	677	4,586	4,127
	<u>10,855</u>	<u>9,063</u>	<u>65,490</u>	<u>61,649</u>
Gross profit	<u>39,206</u>	<u>40,234</u>	<u>280,109</u>	<u>282,562</u>
Administrative expenses				
Advertising and promotions	294	16	3,387	2,834
Wages and related benefits	761	784	5,649	5,717
Telecommunications	68	63	479	679
Contractual and professional	364	347	2,582	2,641
Rental	(3)	32	90	223
Depreciation and amortization	104	108	714	757
Other administrative expenses	170	131	865	1,007
	<u>1,758</u>	<u>1,481</u>	<u>13,766</u>	<u>13,858</u>
Other Operating Income	<u>126</u>	<u>132</u>	<u>3,704</u>	<u>2,063</u>
Operating Income	<u>37,574</u>	<u>38,885</u>	<u>270,047</u>	<u>270,767</u>
Nonoperating income (expense)				
Investment income	85	105	734	370
Distributions to municipalities and counties	(545)	(530)	(3,999)	(3,852)
Distributions -capital reinvestment	(708)	(780)	(832)	(1,178)
Distributions to the State of West Virginia	(36,406)	(37,680)	(265,950)	(266,107)
	<u>(37,574)</u>	<u>(38,885)</u>	<u>(270,047)</u>	<u>(270,767)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>53,019</u>	<u>52,372</u>	<u>53,019</u>	<u>52,372</u>
Net position, end of period	<u>\$ 53,019</u>	<u>\$ 52,372</u>	<u>\$ 53,019</u>	<u>\$ 52,372</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE SEVEN MONTH PERIOD ENDED JANUARY 31, 2018

(In Thousands)

-Unaudited-

	2018	2017
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 624,913	\$ 617,297
Cash payments for:		
Personnel costs	(5,649)	(5,618)
Suppliers	(7,454)	(7,884)
Other operating costs	(336,464)	(340,961)
Cash provided by operating activities	<u>275,346</u>	<u>262,834</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(296,435)	(318,985)
Distributions to municipalities and counties	(4,001)	(3,865)
Distributions to racetrack from racetrack cap. reinv. fund	(6,349)	(8,754)
Cash used in noncapital financing activities	<u>(306,785)</u>	<u>(331,604)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(1,562)</u>	<u>(146)</u>
Cash flows from investing activities:		
Investment earnings received	<u>855</u>	<u>493</u>
Cash provided by investing activities	<u>855</u>	<u>493</u>
Increase (decrease) in cash and cash equivalents	(32,146)	(68,423)
Cash and cash equivalents - beginning of period	<u>156,550</u>	<u>166,621</u>
Cash and cash equivalents - end of period	<u>\$ 124,404</u>	<u>\$ 98,198</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 270,047	\$ 270,767
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	714	757
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	1,604	(5,363)
(Increase) decrease in inventory	12	(218)
(Increase) decrease in other assets	6	216
Increase (decrease) in estimated prize claims	877	(696)
Increase (decrease) in accounts payable	(89)	(684)
Increase (decrease) in other accrued liabilities	2,175	(1,945)
Cash provided by operating activities	<u>\$ 275,346</u>	<u>\$ 262,834</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 January 31, 2018 the carrying amounts of deposits (overdraft) with financial institutions were \$484 thousand with a bank balance (overdraft) of \$518 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):

	January 31, 2018	June 30, 2017
Deposits with financial institutions	\$ 484	\$ 468
Cash on hand at the Treasurer's Office	15,883	17,239
Investments with BTI reported as cash equivalents	108,037	138,843
	\$ 124,404	\$ 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 January 31, 2018 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2017	Additions	Deletions	Historical Cost At January 31, 2018
Construction in Progress	\$ 1,350	\$ 20	\$ (741)	\$ 629
Buildings	46,207	2,036	-	48,243
Land	1,434	247	-	1,681
Equipment	6,741	-	-	6,741
	<u>\$ 55,732</u>	<u>\$ 2,303</u>	<u>\$ (741)</u>	<u>\$ 57,294</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2017	Additions	Deletions	Historical Cost At January 31, 2018
Buildings	\$ 5,247	\$ 705	\$ -	\$ 5,952
Equipment	6,706	9	-	6,715
	<u>\$ 11,953</u>	<u>\$ 714</u>	<u>\$ -</u>	<u>\$ 12,667</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, the LOTTO AMERICA® 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®, LOTTO AMERICA®, 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 January 31, 2018 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	\$ 3,928,609	\$ 24,213,941
Hot Lotto	-	2,219,730
Lotta America	480,466	1,159,637
Mega Millions	1,722,016	8,379,929
Total	\$ 6,131,091	\$ 35,973,237

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,964,456	\$ 12,107,938
Hot Lotto	-	974,129
Lotta America	240,235	579,826
Mega Millions	895,536	4,275,575
Total	\$ 3,100,227	\$ 17,937,468

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

At January 31, 2018, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 118,901,915	\$ 1,582,256
Hot Lotto	6,918,607	493,881
Lotto America	536,244	37,472
Mega Millions	47,965,522	626,962
Total	\$ 174,322,288	\$ 2,740,571

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

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

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 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 \$15,377,983 at January 31, 2018, of which the Lottery's share was \$1,421,200.

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 January 31, 2018 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Total credits played	\$ 404,473	\$ 435,870	\$ 3,249,629	\$ 3,364,258
Credits (prizes) won	(363,497)	(390,853)	(2,915,644)	(3,019,671)
Promotional credits played	(5,576)	(5,593)	(45,155)	(43,297)
MWAP Contributions	(2)	(6)	(19)	(51)
Gross terminal income	35,398	39,418	288,811	301,239
Administrative costs	(630)	(735)	(10,621)	(10,697)
Net Terminal Income	34,768	38,683	278,190	290,542
Less distribution to agents	(17,100)	(19,073)	(156,133)	(161,673)
Racetrack video lottery revenues	<u>\$ 17,668</u>	<u>\$ 19,610</u>	<u>\$ 122,057</u>	<u>\$ 128,869</u>

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

	January 31, 2018	Year-to-Date
State Lottery Fund	\$ 4,690	\$ 77,673
State Excess Lottery Revenue Fund	12,284	43,691
Capital Reinvestment Fund	694	693
Total nonoperating distributions	<u>\$ 17,668</u>	<u>\$ 122,057</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 January 31, 2018 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Total credits played	\$ 347,636	\$ 330,515	\$ 2,527,026	\$ 2,400,672
Credits (prizes) won	(319,809)	(303,466)	(2,322,988)	(2,204,130)
Gross terminal income	\$ 27,827	\$ 27,049	\$ 204,038	\$ 196,542
Administrative costs	(557)	(541)	(4,081)	(3,931)
Gross Profit	27,270	26,508	199,957	192,611
Commissions	(13,635)	(13,254)	(99,979)	(96,306)
Municipalities and Counties	(545)	(530)	(3,999)	(3,852)
Limited video lottery revenues	<u>\$ 13,090</u>	<u>\$ 12,724</u>	<u>\$ 95,979</u>	<u>\$ 92,453</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 January 31, 2018 were \$7,950,980 and \$58,113,999, 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	\$ 2,783	\$ 3,310	\$ 20,340	\$ 23,812
Interest on Table Games Fund	3	2	21	11
Administrative costs	(239)	(284)	(1,743)	(2,041)
Total Available for Distribution	<u>2,547</u>	<u>3,028</u>	<u>18,618</u>	<u>21,782</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	179	213	1,308	1,531
Thoroughbred & Greyhound Development Funds	143	170	1,046	1,225
Racing Association Pension Plan	70	83	512	599
Municipalities/ Counties	788	937	5,758	6,737
Total Distributions	<u>1,180</u>	<u>1,403</u>	<u>8,624</u>	<u>10,092</u>
Excess Lottery Fund	<u>\$ 1,367</u>	<u>\$ 1,625</u>	<u>\$ 9,994</u>	<u>\$ 11,690</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 January 31, 2018 and fiscal year-to-date follows (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Total credits played	\$ 5,009	\$ 5,261	\$ 47,541	\$ 38,256
Credits (prizes) won	(4,646)	(4,825)	(44,165)	(35,619)
Promotional credits played	(70)	(73)	(430)	(455)
Gross terminal income	<u>293</u>	<u>363</u>	<u>2,946</u>	<u>2,182</u>
Capital reinvestment	(14)	(17)	(138)	(102)
Excess Lottery Fund	(3)	(3)	(27)	(19)
Administrative costs	(16)	(20)	(159)	(118)
Hotel commissions	<u>(124)</u>	<u>(153)</u>	<u>(1,246)</u>	<u>(923)</u>
Net terminal income	136	170	1,376	1,020
Historic Resort Hotel Fund	86	108	875	649
Human Resource Benefit Fund	50	62	501	371

**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 January 31, 2018 were \$380,877 and \$2,694,028, 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	\$ 133	\$ 102	\$ 943	\$ 888
Administrative Costs	<u>(17)</u>	<u>(13)</u>	<u>(121)</u>	<u>(114)</u>
Total Available for Distribution	116	89	822	774
Historic Resort Hotel Fund	97	74	688	647
Human Resource Benefit Fund	19	15	134	127

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	\$ 86	\$ 875
Historic Resort Table Games	97	688
Interest on Historic Resort Hotel Fund	<u>1</u>	<u>3</u>
Historic Resort Hotel Fund Net Income	184	1,566
Municipalities/ Counties	26	220
Excess Lottery Fund	158	1,346
Total Distributions	<u>\$ 184</u>	<u>\$ 1,566</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 January 31, 2018 the Lottery has accrued additional distributions of \$102,208,017. The Lottery is a non-appropriated state agency and therefore does not have a legally adopted annual budget.

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

<u>BUDGETARY DISTRIBUTIONS</u>	<u>January 31, 2018</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 3,499
Bureau of Senior Services	1,315	63,029
Department of Education	454	18,006
Library Commission	288	11,423
Higher Education-Policy Commission	176	6,974
Tourism	465	6,456
Natural Resources	77	3,081
Division of Culture & History	(332)	3,500
Department of Education & Arts	24	948
General Revenue Fund	-	-
Economic Development Authority	999	6,996
School Building Authority	1,800	12,600
Total State Lottery Fund	\$ 5,766	\$ 136,512

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,899	\$ 13,292
Higher Education Improvement Fund	1,500	10,500
General Purpose Account	4,709	28,904
Higher Education Improvement Fund	2,101	12,896
State Park Improvement Fund	362	2,223
School Building Authority	1,899	13,296
Refundable Credit	-	681
WV Racing Commission	145	889
WV Department of Health and Human Resources	-	-
Teacher's Retirement Savings	-	-
Division of Human Services	-	26,900
WV Lottery Statutory Transfers	4,570	28,050
General Revenue	-	-
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	3,497	21,986
Total State Excess Lottery Revenue Fund	\$ 20,682	\$ 159,617
Total Budgetary distributions:	\$ 26,448	\$ 296,129
Veterans Instant Ticket Fund	\$ 36	\$ 306
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 26,484	\$ 296,435
Accrued nonoperating distributions, beginning	(92,286)	(132,693)
Accrued nonoperating distributions, end	102,208	102,208
	\$ 36,406	\$ 265,950

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 January 31, 2018 and January 31, 2017 approximated \$89,616 and \$223,243 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 January 31, 2018 and January 31, 2017 approximated \$601,419 and \$569,580 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 January 31, 2018 and fiscal year-to-date are as follows (in thousands):

	January 31, 2018	Year-to-Date
Employee contributions	\$ 26	\$ 197
Lottery contributions	61	471
Total contributions	\$ 87	\$ 668

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 57th 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 SEVEN MONTH PERIOD ENDED JANUARY 31, 2018
 (In Thousands)**

	Current Month		FISCAL YEAR	
	Actual	Projected	Actual	Projected
Gross Revenues				
Instant games	9,103	7,667	54,268	53,667
On-line games	7,834	5,417	48,259	37,917
Racetrack video lottery	35,398	32,799	288,811	266,179
Limited video lottery	27,827	27,222	204,039	197,802
Racetrack table games	2,774	2,713	20,327	20,031
Historic resort	426	379	3,889	3,384
Total gross revenues	83,362	76,197	619,593	578,980
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,101	891	6,931	6,237
On-line games	2,446	1,555	13,720	10,885
Racetrack Video Lottery	4,699	8,103	77,816	75,316
Total Lottery Fund net revenues	8,246	10,549	98,467	92,438
Excess Lottery Fund				
Racetrack Video Lottery	12,307	6,139	43,766	34,929
Limited Video Lottery	13,122	12,155	96,374	94,084
Limited Video Lottery Fees	4	-	2,774	5,454
Racetrack table games	1,367	1,331	9,994	9,825
Historic resort	162	120	1,371	1,313
Total Excess Lottery Fund Net Revenues	26,962	19,745	154,279	145,605
Total Net Revenues	35,208	30,294	252,746	238,043

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: April 06, 2018

Re: Status of General Revenue Fund and State Road Fund as of
March 31, 2018 (FY 18)

We have reviewed the cash flow of the West Virginia general revenue fund as of March 31, 2018 which is the end of the ninth month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 99.22% of the estimate for the fiscal year. Total collections were \$23.2 million below the estimate for the fiscal year.

Personal Income Tax collections were \$39 million above the estimate for the fiscal year.

Consumer sales and use tax collections were \$24 million below the estimate for the year.

Severance Tax was \$21 million below the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$2.8 million below the estimate for the fiscal year.

State Road Fund

The state road fund collections were 107.8% of the estimate for the fiscal year. Total collections were \$45 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 \$267,787,700.85 as of March 31, 2018.

Balance July 1, 2017	228,627,586.89
Fiscal year 17 surplus	38,000,000.00
Earnings	1,160,113.96
Balance March 31, 2018	267,787,700.85

Revenue Shortfall Reserve **Fund B** (Tobacco Settlement Monies) had a cash balance of \$441,428,518.57 as of March 31, 2018.

Balance July 1, 2017	423,784,505.60
Earnings	17,644,012.97
Balance March 31, 2018	441,428,518.57

The **Personal Income Tax Reserve** Fund had a \$5 million cash balance as of March 31, 2018.

Balance July 1, 2017	5,000,000.00
Balance March 31, 2018	5,000,000.00

* - \$60 million loaned to General Revenue Fund 7/1/2017 for beginning of year cash flow, paid 9/18/2017; re-loaned 09/28/17, repaid 12/18/17.

GENERAL REVENUE FUND FY 2017-2018

By Source and by Month
 Monthly Revenue Estimates
 as of March 31, 2018 OASIS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Personal Income Tax	130,500,000	127,934,926	-2,565,074	1,272,720,000	1,312,006,151	39,286,151
Consumer Sales Tax & Use Tax	99,200,000	96,103,337	-3,096,663	927,300,000	903,374,455	-23,925,545
Severance Tax	28,000,000	33,175,836	5,175,836	254,600,000	233,693,417	-20,906,583
Corp Income /Business Franchise	8,200,000	1,841,540	-6,358,460	64,200,000	61,405,887	-2,794,113
Insurance Tax	21,800,000	22,102,761	302,761	91,900,000	93,188,132	1,288,132
Tobacco Products Tax	18,100,000	14,356,517	-3,743,483	143,500,000	133,497,182	-10,002,818
Business and Occupation	7,500,000	7,988,900	488,900	83,750,000	79,450,938	-4,299,062
Liquor Profit Transfers	1,500,000	1,508,750	8,750	13,800,000	15,189,426	1,389,426
Departmental Collections	1,100,000	1,458,962	358,962	19,500,000	18,542,849	-957,151
Property Transfer Tax	800,000	638,046	-161,954	8,000,000	9,020,000	1,020,000
Property Tax	1,320,000	1,347,276	27,276	5,890,000	5,994,186	104,186
Beer Tax and Licenses	540,000	502,400	-37,600	5,140,000	4,910,962	-229,038
Miscellaneous Transfers	25,000	104,331	79,331	410,000	2,263,560	1,853,560
Interest Income	1,400,000	104,274	-1,295,726	11,500,000	4,707,689	-6,792,311
Senior Tax Credit Reimbur Lty	2,800,000	3,087,965	287,965	6,000,000	6,226,746	226,746
HB 102 - Lottery Transfers	7,515,000	6,732,752	-782,248	46,985,000	41,721,608	-5,263,392
Miscellaneous Receipts	2,600,000	4,076,752	1,476,752	9,100,000	15,613,347	6,513,347
Business Fran Registration Fees	65,000	69,375	4,375	494,000	486,311	-7,689
Estate & Inheritance Tax	0	0	0	0	100	100
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfers	5,520,000	4,337,656	-1,182,344	25,080,000	19,879,096	-5,200,904
Charter Tax	0	-1,903	-1,903	0	6,485	6,485
Video Lottery Transfers	0	151,019	151,019	0	330,509	330,509
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	0	0
SUBTOTALS	338,485,000	327,621,471	-10,863,529	2,989,869,000	2,961,509,036	-28,359,964
Less: Cash Flow Transfer	0	0	0	0	0	0
Less: Special Revenue Transfer	5,520,000	4,337,656	-1,182,344	25,080,000	19,879,096	-5,200,904
TOTALS	332,965,000	323,283,815	-9,681,185	2,964,789,000	2,941,629,940	-23,159,060

Percent of Estimates 97.09% 99.22%

Collections this day 42,191,438

**STATE ROAD FUND FY 2017-2018
By Source and by Month
Monthly Revenue Estimates
as of March 31, 2018 OASIS**

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Gasoline & Motor Carrier Rd Tax	30,100,000	16,313,867	-13,786,133	328,300,000	313,608,629	-14,691,371
Privilege Tax	20,548,000	21,723,663	1,175,663	170,906,000	163,347,037	-7,558,963
Licenses & Registration	11,606,000	10,805,458	-800,542	82,187,000	101,200,669	19,013,669
Miscellaneous	0	380,893	380,893	0	48,247,035	48,247,035
Highway Litter Control	161,000	156,525	-4,475	1,143,000	1,147,566	4,566
TOTALS	62,415,000	49,380,405	-13,034,595	582,536,000	627,550,935	45,014,935
Percent of Estimates		79.12%			107.73%	
Collections this day		11,752,335				

REVENUE SHORTFALL RESERVE FUND 7005, Part A as of March 31, 2018 : \$ 267,787,700.85

\$60 million loaned to General Revenue Fund 7/1/2017 for beginning of year cash flow, repaid 09/18/2017; reloaned 9/28/17, repaid 12/18/17.

REVENUE SHORTFALL RESERVE FUND 7006, Part B as of March 31, 2018: \$441,428,518.57

PERSONAL INCOME TAX REFUND RESERVE FUND as of March 31, 2018: \$5,000,000.00

Prepared by the Legislative Auditor's Office, Budget Division

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor



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

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

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

Date: April 6, 2017

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the March 31, 2018 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of March 31, 2018 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	\$ 106,745,006.26
Disbursements July 1, 2017 thru June 30, 2018	\$ 113,082,051.55
Balance March 31, 2018	\$ 62,041,198.92

ITEMS OF NOTE:

Regular benefits paid for July - March 2018 were \$ 43.3 million less than July - March 2017.

Federal emergency benefits totaled \$ -40 thousand for July - March 2018. For July - March 2017, federal emergency benefits totaled \$ -69 thousand.

Total disbursements were \$ 43.6 million less in July - March 2018 than the preceding July - March 2017.

Receipts for July - March 2018, were \$ 48.4 million less than in July - March 2017. Overall ending trust fund balance was \$ 10.4 million higher on March 31, 2018 than on March 31, 2017.

Seasonally adjusted unemployment rates for February 2018 were 5.4 percent for West Virginia and 4.1 percent nationally.

Since February 2017, employment has increased by 7,300. Employment gains included 1,400 in educational and health services, 1,700 in mining and logging, 4,300 in construction, 1,200 in leisure and hospitality, 1,000 in trade, transportation, and utilities, 600 in manufacturing, and 100 in financial activities. Employment declines included 700 in information, 400 in professional and business services, 700 in other services, and 1,200 in government.

April 6, 2018

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

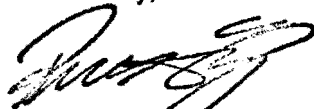
RE: Monthly Status Report

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 March 2018.

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.

Sincerely,



Russell L. Fry
Acting Executive Director

RLF/gew

Enclosure

pc: Jim Justice

1900 Kanawha Blvd., E. • Building 3, Suite 300 • Charleston, WV 25305
304.558.2631 304.558.3512 (fax)

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

	<u>JANUARY 2017</u>	<u>FEBRUARY 2017</u>	<u>MARCH 2017</u>	<u>JANUARY 2018</u>	<u>FEBRUARY 2018</u>	<u>MARCH 2018</u>	<u>THREE MONTH TOTAL VARIANCE *</u>	
Balance Forward	<u>\$81,555,110.40</u>	<u>\$74,897,575.04</u>	<u>\$64,585,155.37</u>	<u>\$82,800,185.87</u>	<u>\$80,474,378.65</u>	<u>\$73,375,567.75</u>	<u>\$15,612,291.46</u>	
Add Receipts:								
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1. Bond Assessment
2. Regular Contributions:	<u>\$15,345,892.07</u>	<u>\$7,744,552.59</u>	<u>\$1,239,068.27</u>	<u>\$15,674,280.52</u>	<u>\$8,796,678.99</u>	<u>\$994,790.81</u>	<u>\$1,136,237.39</u>	2. Regular Contributions:
3. Federal Emergency Benefits (EUCOB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	3. Federal Emergency Ben
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	4. Federal Share Extended E
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	5. Temp Federal Addition
6. UCFE (Federal Agencies)	<u>\$100,861.24</u>	<u>\$78,030.15</u>	<u>\$72,187.84</u>	<u>\$99,137.63</u>	<u>\$94,936.51</u>	<u>\$77,409.79</u>	<u>\$20,404.70</u>	6. UCFE (Federal Agencies
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	7. Special Administrative
8. Reed Act Funds**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	8. Reed Act Funds
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	9. UC Modernization Ince
10. Treasury Interest Credits	\$0.00	\$0.00	\$377,995.78	\$0.00	\$0.00	\$414,462.64	\$36,466.86	10. Treasury Interest Cred
11. UCX (Military Agencies)	<u>\$101,476.00</u>	<u>\$79,904.14</u>	<u>\$76,188.45</u>	<u>\$81,553.48</u>	<u>\$72,633.58</u>	<u>\$69,540.23</u>	<u>(\$33,841.30)</u>	11. UCX (Military Agencye
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	12. WV Senate Bill 558
13. CMIA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	13. CMIA Receipts
Total Monthly Receipts	<u>\$15,548,229.31</u>	<u>\$7,902,486.88</u>	<u>\$1,765,440.34</u>	<u>\$15,854,971.63</u>	<u>\$8,964,249.08</u>	<u>\$1,556,203.47</u>	<u>\$1,159,267.65</u>	Total Monthly Receipts
Less Disbursements:								Less Disbursements:
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	Debt Bond Repayment
Regular Benefits:	<u>\$22,012,428.63</u>	<u>\$18,064,600.93</u>	<u>\$14,587,882.21</u>	<u>\$18,024,210.90</u>	<u>\$15,895,382.86</u>	<u>\$12,758,132.66</u>	<u>(\$7,987,185.35)</u>	Regular Benefits:
Federal Emergency Benefits (EUCOB)	<u>(\$7,933.50)</u>	<u>(\$7,375.76)</u>	<u>(\$9,958.63)</u>	<u>(\$3,110.00)</u>	<u>(\$2,920.88)</u>	<u>(\$2,344.88)</u>	<u>\$16,892.13</u>	Federal Emergency Benef
Federal Share Extended Benefits (EB)	<u>(\$159.00)</u>	<u>(\$195.00)</u>	<u>(\$155.00)</u>	\$0.00	<u>(\$90.00)</u>	<u>(\$15.00)</u>	<u>\$404.00</u>	Federal Share Extended E
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Emergency Benefits (TEI
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Temp Federal Additional
UCFE (Federal Workers) Benefits	<u>\$99,952.54</u>	<u>\$78,570.24</u>	<u>\$74,712.27</u>	<u>\$89,066.21</u>	<u>\$96,328.66</u>	<u>\$75,854.81</u>	<u>\$8,014.43</u>	UCFE (Federal Workers) E
UCX (Military Workers) Benefits	<u>\$101,476.00</u>	<u>\$79,306.14</u>	<u>\$68,096.20</u>	<u>\$70,611.74</u>	<u>\$74,359.34</u>	<u>\$58,944.91</u>	<u>(\$44,962.35)</u>	UCX (Military Workers) B
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Reed Act Funds
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Special Administrative Tr
Total Monthly Disbursements	<u>\$22,205,764.67</u>	<u>\$18,214,906.55</u>	<u>\$14,720,577.05</u>	<u>\$18,180,778.85</u>	<u>\$16,063,059.98</u>	<u>\$12,890,572.30</u>	<u>(\$8,006,837.14)</u>	Total Monthly Disbur
Trust Fund Balance	<u>\$74,897,575.04</u>	<u>\$64,585,155.37</u>	<u>\$51,630,018.66</u>	<u>\$80,474,378.65</u>	<u>\$73,375,567.75</u>	<u>\$62,041,198.92</u>	<u>\$24,778,396.25</u>	Trust Fund Balance

* 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>

UC TRUST FUND BALANCES & PROJECTIONS - 2018

April 4, 2018

Month	Receipts	Disbursements	Trust Fund Balance
2017			
Balance 1/1/2017			\$ 31,555,110
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	\$ 11,449,630	\$ 9,823,071	\$ 94,929,427
December	\$ 1,381,472	\$ 13,510,713	\$ 82,800,186
Totals - 2017	\$ 209,595,047	\$ 158,349,971	\$ 82,800,186

2018			
January	\$ 15,854,972	\$ 18,180,779	\$ 80,474,379
February	\$ 8,964,249	\$ 16,063,060	\$ 73,375,568
March	\$ 1,556,203	\$ 12,890,572	\$ 62,041,199
April	\$ 26,495,144	\$ 12,723,060	\$ 75,813,283
May	\$ 80,220,645	\$ 10,383,429	\$ 145,650,499
June	\$ 2,150,753	\$ 8,710,749	\$ 139,090,503
July	\$ 28,775,549	\$ 11,130,596	\$ 156,735,456
August	\$ 19,795,645	\$ 9,027,421	\$ 167,503,680
September	\$ 1,562,935	\$ 7,130,751	\$ 161,935,864
October	\$ 20,558,400	\$ 9,099,205	\$ 173,395,059
November	\$ 11,984,328	\$ 8,387,920	\$ 176,991,467
December	\$ 1,445,987	\$ 11,536,798	\$ 166,900,656
Totals - 2018	\$ 219,364,810	\$ 135,264,340	\$ 166,900,656

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PEIA
April 2018
Interim Packet

PEIA April Interim Talking Points

- **PEIA and RHBT preliminary financial results for April 2018 are available for your review.**
- **PEIA is currently ahead of plan by \$28 million. This is primarily due to marginally lower than forecast expenses.**
- **RHBT is currently ahead of plan by \$56 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 139\$ and \$42 million respectively.**
- **These reserve levels represent 20% and 29% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**

Jim Justice
Governor



Ted Cheatham
Director

WV Toll-free: 1-888-680-7342 • Phone: 1-304-558-7850 • Fax: 1-304-558-2470 • Internet: www.wypeia.com

April 5, 2018

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

1. The Fiscal Year 2018 12/31/17 Quarterly 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	\$139,206,427	\$41,685,646	\$960,348,474

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	\$139,206,427	\$41,685,646	\$180,892,073
Percentage	19.7%	29.6%	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	\$960,348,474
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
February 2018	\$28,897,000	\$17,477,000	\$46,374,000

Sincerely,



Jason A. Haught, CPA
Chief Financial Officer

West Virginia Retiree Trust
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Eight Months Ending Wednesday, February 28, 2018
In Thousands

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR VARIANCE
	\$		\$	%
ADDITIONS				
Employer Premiums:				
Health premiums	\$2,137	\$2,137	(\$150)	(7%)
Pay Go Premiums	90,423	90,423	(2,590)	(3%)
Annual required contributions	43	43	0	0%
Total Employer Premiums	91,380	92,603	(2,740)	(3%)
Member Premiums:				
Health premiums	54,268	54,268	(3,371)	(6%)
Pay Go Premiums	18,037	18,037	(340)	(2%)
Life Insurance Premiums	15,248	15,248	(230)	(1%)
Total Member Premiums	87,553	87,553	(3,941)	(4%)
Total Premium Additions	180,156	180,156	(6,681)	(4%)
Other Additions:				
Retiree Drug Subsidy	800	800	0	0%
Investment Income	61,720	61,720	37,635	125%
General Revenue Transfer - OPEB Liability	20,000	20,000	0	0%
General Revenue Transfer - Premium	3,333	3,333	0	(0%)
TOTAL ADDITIONS	266,009	266,009	30,953	13%
DEDUCTIONS				
Payments to Managed Care Org.	102,368	102,368	7,908	8%
Life Insurance Expense	15,040	15,040	230	1%
Medical Claims Expense	42,354	42,354	13,010	27%
Pharmacy Claims Expense	21,000	21,000	3,385	15%
Comparative Effectiveness Research Fee	21	21	0	0%
ACA Reinsurance Contribution	133	133	0	0%
Administrative Service Fees (External)	993	993	(224)	(32%)
Other Operating Expenses	2,279	2,279	1,098	39%
TOTAL DEDUCTIONS	184,188	184,188	25,408	13%
NET POSITION INCREASE	48,602	61,821	56,359	116%
Net Position Restricted for Post Employment Benefits				
Beginning of Period Total Net Position	823,911	685,668	0	0%
End of Period Total Net Position	\$872,513	\$767,489	\$56,359	6%
Accrual Basis / Unaudited / Internal Use Only 3/30/2018 10:17 AM				

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Position
For the Eight Months Ending Wednesday, February 28, 2018
(Dollars in Thousands)
(Unaudited-For Internal Use Only)

	ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR VARIANCE
				\$	%
OPERATING REVENUE					
Premium Revenue					
Health Insurance - State Gov. - Employers	\$348,318	\$260,407	\$348,318	(\$10,193)	(4%)
Health Insurance - State Gov. - Employees	86,542	86,582	86,542	(1,889)	(2%)
Health Insurance - Local Gov. - All	76,102	61,945	76,102	415	1%
Administrative Fees, Net of Refunds	3,165	3,529	3,165	(420)	(12%)
Other Premium Revenue	989	1,111	989	450	41%
Total Operating Revenue	401,937	413,574	515,116	(11,637)	(3%)
NON-OPERATING REVENUE					
Life Insurance	884	879	1,127	5	1%
Direct Transfer	6,667	6,667	6,667	0	0%
Interest and Investment Income	8,218	4,034	8,880	4,184	104%
WV RHBT Pay Go Premiums	103,736	106,667	0	(2,931)	(3%)
Total Non-Operating Revenue	119,505	118,247	16,674	1,258	1%
TOTAL REVENUE	521,442	531,821	531,790	(10,379)	(2%)
EXPENSES					
Claims Expense - Medical	239,938	276,343	259,413	36,405	13%
Claims Expense - Drugs	86,176	86,527	91,323	351	0%
Payments to Managed Care Org.	28,821	29,531	27,804	710	2%
Administrative Service Fees	7,374	5,919	7,020	(1,455)	(25%)
Wellness and Disease Management	321	972	1,012	651	67%
Other Operating Expenses	3,096	2,090	2,414	(1,006)	(48%)
Life Insurance Expense	826	880	1,051	54	6%
ACA Comparative Effectiveness Fee	215	215	210	0	0%
ACA Reinsurance Contribution	0	0	1,200	0	0%
WV RHBT Pay Go Premiums	103,736	106,667	108,459	2,931	3%
TOTAL EXPENSES	470,503	509,144	499,906	38,641	8%
YTD Surplus (Deficit)	50,940	22,677	31,884	28,263	125%
Total Net Position, Beginning of Period	149,044	149,044	98,130	0	0%
Total Net Position, End of Period	\$199,984	\$171,721	\$130,014	\$28,263	16%
				\$69,970	54%
				29,403	6%

**West Virginia Board of Risk and Insurance Management
Unaudited Statement of Net Position and
Statement of Revenues, Expenses and Changes in Net Position
For the Eight Months Ending February 28, 2018**

Talking Points for April 2018 Interim Joint Committee Meeting

1. **Premium Revenue** thru February reflects the premiums earned for the first eight months of the fiscal year. Premium revenue has increased by \$5.2 million for FY'18 based on the actuarially projected increase in loss pics for the current year.
2. **Claims Expense** reflects all claims payments made thru February plus reserve increases. Net claims payments for the current fiscal year to date are approximately \$7.3 million lower than for the same period last year. Claims reserves provisions have increased claims expense \$3.9 million in the current year vs. an increase of \$2.8 million for the prior year. The combined effect of these two items results in claims expense being \$6.2 million lower for the current year.
3. **Investment Income** for fiscal year 2018 reflects net earnings of \$6.5 million for the first eight months and is \$2.0 million more than last year due to better equity returns this fiscal year.
4. 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 Eight Months Ended February 28th

	<u>2018</u>	<u>2017</u>
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,905	\$ 24,644
Advance deposits with insurance company and trustee	199,978	198,356
Receivables	5,402	1,851
Prepaid insurance	2,233	2,226
Restricted cash and cash equivalents	12,994	9,392
Premiums due from other entities	643	620
Total current assets	<u>249,156</u>	<u>237,089</u>
Noncurrent assets:		
Equity position in internal investments pools	96,734	89,085
Restricted investments	55,864	51,446
Total noncurrent assets	<u>152,597</u>	<u>140,531</u>
Total assets	<u>401,753</u>	<u>377,620</u>
Deferred Outflows of Resources	458	387
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	15,957	14,116
Agent commissions payable	720	710
Claims Payable	13	0
Accrued expenses and other liabilities	2,830	2,514
Total current liabilities	<u>67,234</u>	<u>68,159</u>
Estimated unpaid claims and claims adjustment expense net of current portion	121,137	120,446
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	<u>122,010</u>	<u>121,004</u>
Total liabilities	<u>189,244</u>	<u>189,163</u>
Deferred Inflows of Resources	37	304
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	61,063	57,123
Unrestricted	138,265	133,837
Net Assets (Deficiency)	13,601	(2,419)
Net position	<u>\$ 212,929</u>	<u>\$ 188,540</u>

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Eight Months Ended February 28th

	<u>2018</u>	<u>2017</u>
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 52,740	\$ 47,757
Less coverage/reinsurance programs	(4,285)	(4,453)
Net operating revenues	<u>48,455</u>	<u>43,304</u>
Operating expenses		
Claims and claims adjustment expense	38,506	44,693
General and administrative	2,824	2,756
Total operating expenses	<u>41,330</u>	<u>47,449</u>
Operating income (loss)	7,125	(4,145)
Nonoperating revenues		
Investment income	6,476	4,536
Appropriation Transfer SB 602	—	(2,810)
Net nonoperating revenues	<u>6,476</u>	<u>1,725</u>
Changes in net position	13,601	(2,419)
Total net position, beginning of year	199,328	190,960
Total net position, end of period	<u>\$ 212,929</u>	<u>\$ 188,540</u>

Unaudited

Department of Administration Real Estate Division Leasing Report
For the period of January 1 - 31, 2018

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

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

Department of Administration Real Estate Division Leasing Report
For the period of January 1, 2018 through January 31, 2018

NEW CONTRACT OF LEASE – DOA OWNED

WORKFORCE WEST VIRGINIA

WWV-043 New Contract of Lease for 34 months consisting of 46,426 square feet of office space at the annual per square foot rate of \$19.00, annual cost \$882,094.00 and 1,420 square feet of storage space at the annual per square foot rate of \$14.00, annual cost \$19,880.00, full service, 1900 Kanawha Boulevard, East, Building #3, in the City of Charleston, Kanawha County, West Virginia.

DIVISION OF CORRECTIONS

COR-096 New Contract of Lease for 10 years consisting of 39,853 square feet of office and storage space at the annual rate of \$1.00, Tenant shall be responsible for general building maintenance, repair, and utility costs, 617 Broad Street, Building #20, in the City of Charleston, Kanawha County, West Virginia.

SUPREME COURT OF APPEALS

SCA-005 New Contract of Lease for 5 years consisting of 5,462 square feet of storage space, in lieu of rent will reimburse 27% of utility and maintenance costs to Division of Corrections (main Tenant in the building), 617 Broad Street, Building #20, in the City of Charleston, Kanawha County, West Virginia.

NEW CONTRACT OF LEASE

DIVISION OF CORRECTIONS

COR-097 New Contract of Lease for 10 years consisting of 17,944 square feet of office and storage space at the annual per square foot rate of \$8.75, annual cost \$157,010.00, 1201 Greenbrier Street, in the City of Charleston, Kanawha County, West Virginia.

CONSOLIDATED PUBLIC RETIREMENT BOARD

CPR-006 New Contract of Lease for 2 years consisting of 3,000 square feet of office space at the annual per square foot rate of \$10.95, annual cost \$32,850.00, 4112 MacCorkle Avenue, in the City of Charleston, Kanawha County, West Virginia.

DIVISION OF FORESTRY

FOR-072 New Contract of Lease for 5 years consisting of 450 square feet of office space at the annual per square foot rate of \$7.33, annual cost \$3,300.00, full service, 425 East Main Street, in the City of Kingwood, Preston County, West Virginia.

STRAIGHT RENEWAL

DEPARTMENT OF VETERANS ASSISTANCE

VET-042 Renewal for 1 year consisting of 759 square feet of office space at the current annual per square foot rate of \$13.25, annual cost \$10,056.75, 216 Market Street, in the City of Spencer, Roane County, West Virginia.

RENEWAL WITH INCREASE IN SQUARE FEET

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-210 Renewal for 3 years with an increase of square feet from 48 square feet to 148 square feet of office space which increased the monthly rate from \$100.00 to \$250.00, annual cost \$3,000.00, full service, 670 Lower Washington Street, in the City of Elizabeth, Wirt County, West Virginia.

INCREASE IN SQUARE FEET – DOA OWNED

DIVISION OF PUBLIC TRANSIT

DPT-001 Addendum to increase from 4,147 square feet to 4,538 square feet of office space at the current annual per square foot rate of \$10.93, annual cost \$49,600.34, full service, 1900 Kanawha Boulevard, East, Building #5, in the City of Charleston, Kanawha County, West Virginia.

CANCELLATION

DEPARTMENT OF VETERANS ASSISTANCE

VET-030 Lease cancellation consisting of approximately 2,045 square feet of office space, at the annual per square foot rate of \$10.40, annual cost \$21,268.00, 1321 Plaza East, Charleston, Kanawha County, West Virginia.

MEDICAL IMAGING & RADIATION THERAPY TECHNOLOGY BOARD OF EXAMINERS

RTB-003 Non-Renewal consisting of 672 square feet of office space, at the annual per square foot rate of \$7.14, annual cost \$4,800.00, Intersection of Route 19 South and Mt. View Road, in the City of Cool Ridge, Raleigh County, West Virginia.

ATTORNEY GENERAL'S OFFICE

AGO-019 Non-Renewal consisting of 3,488 square feet of office/storage space, at annual per square foot rate of \$9.65, annual cost \$33,659.20, 2012 Quarrier Street, in the city of Charleston, Kanawha County, West Virginia.

Real Estate Division
 Monthly Summary of Lease Activity
 January 1 - 31, 2018

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	WorkForce West Virginia - Office	WWV-043	Kanawha	46,426	19.00	882,094	3	2,646,282 *
	WorkForce West Virginia - Storage	WWV-043	Kanawha	1,420	14.00	19,880	3	59,640
2	Division of Corrections	COR-096	Kanawha	39,853	0.00	1	10	10
3	Supreme Court of Appeals	SCA-005	Kanawha	5,462	0.00	0	5	0
4	Division of Corrections	COR-097	Kanawha	17,944	8.75	157,010	10	1,570,100 *
5	Consolidated Public Retirement Board	CPR-006	Kanawha	3,000	10.95	32,850	2	65,700
6	Division of Forestry	FOR-072	Preston	450	7.33	3,299	5	16,493
7	Department of Veteran's Assistance	VET-042	Roane	759	13.25	10,057	1	10,057
8	Department of Health and Human Resources	HHR-210	Wirt	148	20.27	3,000	5	15,000
9	Division of Public Transit	DPT-001	Kanawha	4,538	10.93	49,600	0.5	24,800

	104.48
Total Rentable Square Feet	<u>120,000</u>
Average Annual Rental Rate	<u>10.45</u>
Total Annual Rent	<u>1,157,791</u>

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

CANCELLATIONS

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent
1	Department of Veteran's Assistance	VET-030	Kanawha	2,045	10.40	21,268
2	Medical Imaging & Radiation Therapy Board	RTB-003	Raleigh	672	7.14	4,798
3	Attorney General's Office	AGO-019	Kanawha	3,488	9.65	33,659

Total Rentable Square Feet	<u>3,488</u>
Total Annual Rent	<u>33,659</u>

Department of Administration Real Estate Division Leasing Report
For the period of February 1 - 28, 2018

There is a total of 8 leasing changes for this period and they are as follows:

- 4 – New Contract of Lease
- 2 – Straight Renewal
- 2 – Decrease in Square Feet – DOA Owned

Department of Administration Real Estate Division Leasing Report
For the period of February 1, 2018 through February 28, 2018

NEW CONTRACT OF LEASE- DOA OWNED

WV MEDICAL IMAGING AND RADIATION THERAPY TECHNOLOGY BOARD OF EXAMINERS

RTB-004 New Contract of Lease for 5 years consisting of 960 square feet of office space, at the annual per square foot rate of \$10.00, annual cost \$9,600.00, full service, 1124 Smith Street, in the City of Charleston, Kanawha County, West Virginia.

NEW CONTRACT OF LEASE

DIVISION OF MOTOR VEHICLES

DMV-046 New Contract of Lease for 5 years consisting of 4,700 square feet of office space at the annual per square foot rate of \$12.00, annual cost \$56,400.00, full service, Pendleton Business Center, State Route 220, in the City of Franklin, Pendleton County, West Virginia.

DIVISION OF FORESTRY

FOR-021 New Contract of Lease for 5 years consisting of 5,120 square feet of office space at the annual per square foot rate of \$4.22, annual cost \$21,600.00, 878 East Main Street, in the City of Milton, Cabell County, West Virginia.

PUBLIC DEFENDER SERVICES

PDS-001 New Contract of Lease for 5 years consisting of 7,195 square feet of office space at the annual per square foot rate of \$12.60, annual cost \$90,657.00, full service, One Players Club Drive, in the City of Charleston, Kanawha County, West Virginia.

STRAIGHT RENEWAL

DEPARTMENT OF AGRICULTURE

AGR-030-223 Renewal for 5 years consisting of 247 square feet of office space at the current annual per square foot rate of \$13.70, annual cost \$3,383.88, 463 Ragland Road, in the City of Beckley, Raleigh County, West Virginia.

PUBLIC SERVICE COMMISSION, CONSUMER ADVOCATE DIVISION

PSC-006 Renewal for 1 year consisting of 3,352 square feet of office space at the current annual per square foot rate of \$10.45, annual cost \$35,028.40, full service, 723 Kanawha Boulevard East, in the City of Charleston, Kanawha County, West Virginia.

DECREASE IN SQUARE FEET- DOA OWNED

DIVISION OF REHABILITATION SERVICES

DRS-120 Decrease in square feet from 4,660 square feet to 4,285 square feet of office space at the current annual per square foot rate of \$12.00, annual cost \$51,420, full service, 130 Stratton Street, in the City of Logan, Logan County, West Virginia.

DIVISION OF REHABILITATION SERVICES

DRS-082 Decrease in square feet from 8,701 square feet to 7,832 square feet of office space at the current annual per square foot rate of \$17.00, annual cost \$133,144.00, full service, 2699 Park Avenue, in the City of Huntington, Cabell County, West Virginia.

Real Estate Division
 Monthly Summary of Lease Activity
 February 1 -28, 2018

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Division of Motor Vehicles	DMV-046	Pendleton	4,700	12.00	56,400	5	282,000
2	Division of Forestry	FOR-021	Cabell	5,120	4.22	21,606	5	108,032
3	Public Defender Services	PDS-001	Kanawha	7,195	12.60	90,657	5	453,285
4	WV Medical Imaging and Radiation Therapy Board	RTB-004	Kanawha	960	10.00	9,600	5	48,000
5	Department of Agriculture	AGR-030	Raleigh	247	13.70	3,384	5	16,920
6	Public Service Commission	PSC-006	Kanawha	3,352	10.45	35,028	1	35,028
7	Division of Rehabilitation Services	DRS-120	Logan	4,285	12.00	51,420	1	51,420
8	Division of Rehabilitation Services	DRS-082	Cabell	7,832	17.00	133,144	1	133,144

		91.97
Total Rentable Square Feet	<u>33,691</u>	
Average Annual Rental Rate		<u>11.50</u>
Total Annual Rent		<u>401,240</u>

Department of Administration Real Estate Division Leasing Report
For the period of March 1 - 31, 2018

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

- 3 – Straight Renewal – DOA OWNED
- 2 – Straight Renewal
- 2 – Renewal with Increase in Rent

Department of Administration Real Estate Division Leasing Report
For the period of March 1, 2018 through March 31, 2018

STRAIGHT RENEWAL – DOA OWNED

DIVISION OF PUBLIC TRANSIT

DPT-001 Renewal for 1 year consisting of 4,538 square feet of office space at the current annual per square foot rate of \$10.93, annual cost \$49,600.32, full service, Building #5, 1900 Kanawha Boulevard, East, in the City of Charleston, Kanawha County, West Virginia.

STATE TAX DEPARTMENT

TAX-010 Renewal for 1 year consisting of 4,562 square feet of office space at the current annual per square foot rate of \$12.94, annual cost \$59,032.32, full service, Building #23, 407 Neville Street, in the City of Beckley, Raleigh County, West Virginia.

STATE TAX DEPARTMENT

TAX-025 Renewal for 1 year consisting of 2,271 square feet of office space at the current annual per square foot rate of \$13.15, annual cost \$29,863.68, full service, Building #25, 5th and Avery Streets, in the City of Parkersburg, Wood County, West Virginia.

STRAIGHT RENEWAL

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-201 Renewal for 1 year consisting of 5,972 square feet of lab space at the current annual per square foot rate of \$7.00, annual cost \$41,804.04, 4710 Big Chimney Drive, in the City of Big Chimney, Kanawha County, West Virginia.

DIVISION OF MOTOR VEHICLES

DMV-012 Renewal for 5 years consisting of 8,866 square feet of office and storage space at the current annual per square foot rate of \$3.29, annual cost \$29,196.00, 1317 Hansford Street, in the City of Charleston, Kanawha County, West Virginia.

RENEWAL WITH INCREASE IN RENT

DIVISION OF FORESTRY

FOR-065 Renewal for 10 years consisting of 1 square foot of tower monitoring space with an increase in the annual rate from \$900.00 to \$1,140.00, annual cost \$1,140.00, Mann Mountain, in the City of Gauley, Fayette County, West Virginia.

WORKFORCE WEST VIRGINIA

WWV-030 New Contract of Lease for 5 years consisting of 4,500 square feet of office space at the annual per square foot rate of \$12.38, annual cost \$55,710.00, full service, 1275 Warwood Avenue, in the City of Wheeling, Ohio County, West Virginia.

Real Estate Division
 Monthly Summary of Lease Activity
 March 1 - 31, 2018

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Division of Public Transit	DPT-001	Kanawha	4,538	10.93	49,600	1	49,600
2	State Tax Department	TAX-010	Raleigh	4,562	12.94	59,032	1	59,032
3	State Tax Department	TAX-025	Wood	2,271	13.15	29,864	1	29,864
4	Department of Health and Human Resources	HHR-201	Kanawha	5,972	7.00	41,804	1	41,804
5	Division of Motor Vehicles	DMV-012	Kanawha	8,866	3.29	29,169	5	145,846
6	Division of Forestry	FOR-065	Fayette	1	0.00	1,140	10	11,400
7	WorkForce West Virginia	WWV-030	Ohio	4,500	12.38	55,710	5	278,550

		59.69
Total Rentable Square Feet	<u>30,710</u>	
Average Annual Rental Rate		<u>9.95</u>
Total Annual Rent		<u>266,319</u>

Joint Committee on Government and Finance

April 2018

Department of Health and Human Resources

**MEDICAID REPORT
February 2018 Data**

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

	MONTH OF FEBRUARY 2018		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	SFY2017	SFY2018	Current Month Ended 02/28/18	Current Month Ended 02/22/18	Year To-Date Thru 2/28/18	3/1/18 Thru 06/30/18
EXPENDITURES:								
Inpatient Hospital - Reg. Payments	141,892,118	79,122,814	141,892,118	79,122,814	9,201,987	5,867,180	60,002,943	19,119,871
Inpatient Hospital - DSH	54,140,231	54,000,000	54,140,231	54,000,000	4,083,396	4,485,699	31,169,204	22,830,796
Inpatient Hospital - Supplemental Payments	109,348,510	13,443,469	109,348,510	13,443,469	-	1,200,229	6,242,098	7,201,371
Inpatient Hospital - GME Payments	8,211,278	5,543,536	8,211,278	5,543,536	2,523,146	158,715	7,114,390	(1,570,854)
Mental Health Facilities	57,563,254	41,802,957	57,563,254	41,802,957	2,562,488	3,438,119	27,591,518	14,211,439
Mental Health Facilities - DSH Adjustment Payments	18,878,878	19,000,000	18,878,878	19,000,000	4,718,005	1,594,706	14,149,767	4,850,233
Nursing Facility Services - Regular Payments ⁽⁴⁾	642,716,564	668,129,443	642,716,564	668,129,443	55,422,451	54,850,685	450,501,330	217,628,113
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	68,638,994	72,429,100	68,638,994	72,429,100	6,144,825	6,218,939	47,174,864	25,254,236
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-	-	-
Physicians Services - Regular Payments	72,513,494	40,593,136	72,513,494	40,593,136	3,360,267	3,681,071	25,244,156	15,348,980
Physicians Services - Supplemental Payments	22,615,437	2,780,376	22,615,437	2,780,376	-	(410,145)	5,241,246	(2,460,870)
Physician and Surgical Services - Evaluation and Management	3,028	2,400	3,028	2,400	-	385	93	2,307
Physician and Surgical Services - Vaccine Codes	-	-	-	-	-	-	-	-
Outpatient Hospital Services - Regular Payments	72,863,760	40,439,473	72,863,760	40,439,473	3,605,049	3,521,634	26,107,067	14,332,406
Outpatient Hospital Services - Supplemental Payments	217,795,914	26,776,155	217,795,914	26,776,155	-	942,083	21,123,658	5,652,497
Prescribed Drugs	208,527,799	874,100,228	208,527,799	874,100,228	50,850,250	99,260,791	395,001,858	479,098,370
Drug Rebate Offset - National Agreement	(183,668,526)	(361,441,697)	(183,668,526)	(361,441,697)	(5,109,748)	(50,214,796)	(102,721,245)	(258,720,452)
Drug Rebate Offset - State Sidebar Agreement	(7,530,775)	(19,598,573)	(7,530,775)	(19,598,573)	(5,831)	(2,768,831)	(7,768,710)	(11,829,863)
Drug Rebate Offset - MCO National	(236,294,808)	(60,753,263)	(236,294,808)	(60,753,263)	(1,074,883)	11,237,357	(134,914,281)	74,161,018
Drug Rebate Offset - MCO State Sidebar Agreement	(10,567,359)	(2,009,216)	(10,567,359)	(2,009,216)	(3,055)	1,435,675	(11,545,111)	9,535,895
Dental Services	13,832,447	11,544,365	13,832,447	11,544,365	779,021	993,592	7,224,507	4,319,858
Other Practitioners Services - Regular Payments	6,492,548	4,336,150	6,492,548	4,336,150	325,875	386,730	2,632,673	1,703,477
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-	-	-
Clinic Services	2,024,001	1,454,644	2,024,001	1,454,644	130,909	113,207	1,016,295	438,349
Lab & Radiological Services	14,824,783	8,032,059	14,824,783	8,032,059	744,903	624,608	5,827,420	2,204,640
Home Health Services	34,416,617	19,349,700	34,416,617	19,349,700	1,697,278	1,114,216	16,676,842	2,672,858
Hysterectomies/Sterilizations	61,552	43,000	61,552	43,000	6,961	1,881	41,753	1,247
Pregnancy Terminations ⁽²⁾	326,102	350,700	326,102	350,700	33,436	31,853	228,254	122,446
EPSDT Services	1,552,044	1,385,662	1,552,044	1,385,662	102,897	108,788	957,335	428,327
Rural Health Clinic Services	5,544,926	3,073,135	5,544,926	3,073,135	234,351	125,361	2,831,973	241,162
Medicare Health Insurance Payments - Part A Premiums	18,956,782	19,557,254	18,956,782	19,557,254	1,715,239	1,603,681	13,323,733	6,233,521
Medicare Health Insurance Payments - Part B Premiums	110,218,602	114,952,633	110,218,602	114,952,633	9,565,221	9,468,075	77,161,184	37,791,449
120% - 134% Of Poverty	8,849,389	9,229,482	8,849,389	9,229,482	778,674	777,350	6,135,056	3,094,426
135% - 175% Of Poverty	-	-	-	-	-	-	-	-
Coinsurance And Deductibles	11,080,319	11,635,392	11,080,319	11,635,392	1,100,145	1,112,254	6,796,552	4,838,840

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

	MONTH OF FEBRUARY 2018		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	SFY2017	SFY2018	Current Month Ended 02/28/18	Current Month Ended 02/22/18	Year To-Date Thru 2/28/18	3/1/18 Thru 06/30/18
Medicaid Health Insurance Payments: Managed Care Organizations (1,776,593,830	1,755,736,548	1,776,593,830	1,755,736,548	123,394,677	172,161,526	960,202,459	795,534,089
Medicaid MCO - Evaluation and Management	-	-	-	-	-	-	-	-
Medicaid MCO - Vaccine Codes	-	-	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Pla	-	-	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	-	-	-	-	-	-	-	-
Medicaid Health Insurance Payments: Group Health Plan Payments	657,626	679,300	657,626	679,300	63,291	68,266	393,971	285,329
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-	-	-
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-	-	-
.	310,492,734	382,486,200	310,492,734	382,486,200	26,348,557	38,212,295	207,330,356	175,155,844
Home & Community-Based Services (Aged/Disabled)	103,840,769	110,289,297	103,840,769	110,289,297	8,110,342	10,108,687	66,753,683	43,535,614
Home & Community-Based Services (Traumatic Brain Injury)	1,488,193	1,511,600	1,488,193	1,511,600	142,882	125,735	1,033,035	478,565
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	73,980,196	79,356,029	5,666,507	7,346,064	46,845,590	32,510,439
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	2,360,158	2,152,607	164,210	99,271	1,927,566	225,041
Primary Care Case Management Services	36	-	36	-	-	-	-	-
Hospice Benefits ⁽³⁾	26,276,477	24,926,457	26,276,477	24,926,457	2,718,222	1,903,669	18,338,734	6,587,724
Emergency Services Undocumented Aliens	496,071	507,245	496,071	507,245	44,923	4,384	537,661	(30,416)
Federally Qualified Health Center	18,358,792	9,518,587	18,358,792	9,518,587	809,277	793,330	6,365,288	3,153,300
Non-Emergency Medical Transportation	35,431,782	36,856,203	35,431,782	36,856,203	2,856,594	3,272,122	22,893,744	13,962,459
Physical Therapy	1,905,207	1,124,844	1,905,207	1,124,844	81,485	106,011	657,640	467,204
Occupational Therapy	680,426	402,384	680,426	402,384	54,000	24,093	374,656	27,728
Services for Speech, Hearing & Language	478,404	286,408	478,404	286,408	20,780	19,855	213,413	72,995
Prosthetic Devices, Dentures, Eyeglasses	1,463,138	883,770	1,463,138	883,770	58,021	73,736	585,967	297,803
Diagnostic Screening & Preventive Services	437,675	225,171	437,675	225,171	10,942	19,563	137,164	88,007
Nurse Mid-Wife	136,524	146,453	136,524	146,453	9,579	15,700	73,406	73,047
Emergency Hospital Services	(77)	-	(77)	-	-	-	-	-
Critical Access Hospitals	34,698,879	19,515,585	34,698,879	19,515,585	1,845,660	1,002,907	17,077,836	2,437,749
Nurse Practitioner Services	3,220,367	2,024,085	3,220,367	2,024,085	230,692	178,802	1,376,217	647,868
School Based Services	12,819,369	12,999,994	12,819,369	12,999,994	447,189	(2,921,395)	31,927,220	(18,927,226)
Rehabilitative Services (Non-School Based)	64,792,629	53,725,474	64,792,629	53,725,474	2,854,976	3,651,326	39,568,222	14,157,251
Private Duty Nursing	7,552,577	5,105,500	7,552,577	5,105,500	383,532	361,706	3,713,304	1,392,196
Freestanding Birth Centers	-	-	-	-	-	-	-	-
Health Home for Enrollees w Chronic Conditions	263,932	224,565	263,932	224,565	54,263	(17,790)	455,574	(231,009)
Other Care Services	19,658,448	12,701,841	19,658,448	12,701,841	1,205,994	829,631	9,813,056	2,888,785
Less: Recoupments	-	-	-	-	(772,153)	91,925	(836,074)	836,074
NET EXPENDITURES:	3,983,912,063	4,212,690,662	3,983,912,063	4,212,690,662	330,297,699	398,492,512	2,438,328,109	1,774,362,553

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

MONTH OF FEBRUARY 2018	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	Current Month Ended 02/28/18	Current Month Ended 02/22/18	Year To-Date Thru 2/28/18	3/1/18 Thru 06/30/18
Collections: Third Party Liability (line 9A on CMS-64)	(8,663,735)	-	-	-	(2,054,125)	2,054,125
Collections: Probate (line 9B on CMS-64)	(513,508)	-	-	-	(168,725)	168,725
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(338,612)	-	-	-	(106,488)	106,488
Collections: Other (line 9D on CMS-64)	(21,817,774)	-	-	-	(10,054,413)	10,054,413
NET EXPENDITURES and CMS-64 ADJUSTMENTS:	3,952,578,434	4,212,690,662	330,297,699	398,492,512	2,425,944,359	1,786,746,303
Plus: Medicaid Part D Expenditures	42,112,339	44,357,292	3,505,240	3,722,114	29,032,661	15,324,630
Plus: State Only Medicaid Expenditures	211,494	275,000	46,467,824	25,386	47,005,890	(46,730,890)
Plus: Money Follow the Person Expenditures	1,896,869	2,126,650	158,047	163,010	1,409,645	717,005
TOTAL MEDICAID EXPENDITURES	\$ 3,996,799,136	\$ 4,259,449,604	\$ 380,428,811	\$ 402,403,022	\$ 2,503,392,556	\$ 1,756,057,048
Plus: Reimbursables ⁽¹⁾	3,888,247	-	406,446	-	2,938,434	(2,938,434)
Plus: NATCEP/PASARR/Eligibility Exams	265,071	288,422	6,211	31,764	128,475	159,947
Plus: HIT Incentive Payments	3,894,001	5,000,000	(126,006)	604,105	729,175	4,270,825
TOTAL EXPENDITURES	\$ 4,004,846,454	\$ 4,264,738,026	\$ 380,715,462	\$ 403,038,891	\$ 2,507,188,640	\$ 1,757,549,386

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

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

(3) Of the amount in the "Hospice Benefits" line, \$18,222,331.08 is the amount paid to Nursing Facilities for Hospice Benefits year to date.

(4) Of the amount in the "Nursing Facility Services - Regular Payments" line, \$12,901,392.43 is the amount paid to State Facilities year to date.

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 MEDICAID CASH REPORT
 SFY2018

8 Months Actuals

4 Months Remaining

MONTH OF FEBRUARY 2018	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2017	Current Month Ended 02/28/2018	Year-To-Date Thru 02/28/2018	3/1/2018 Thru 6/30/2018	SFY2018
REVENUE SOURCES					
Beg. Bal. (5084/1020 prior mth)	22,715,798	102,895,577	86,992,634		86,992,634
MATCHING FUNDS					
General Revenue (0403/189)	394,899,115	35,703,945	239,791,365	208,740,716	448,532,081
MRDD Waiver (0403/466)	88,753,483	7,396,124	52,068,711	36,684,772	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,333	1,730,666	865,334	2,596,000
Tertiary Funding (0403/547)	6,356,000	529,667	4,237,334	2,118,666	6,356,000
Traumatic Brain Injury (0403/835)	800,000	66,667	469,334	330,666	800,000
Title XIX Waiver for Seniors (0403-533)	13,593,620	1,132,802	7,974,924	5,618,696	13,593,620
Medical Services Surplus (0403/633)	5,500,000	-	30,021,770	0	30,021,770
Waiver for Senior Citizens Surplus (0403/526)	-	-	0	0	0
Lottery Waiver (Less 550,000) (5405/539)	21,824,274	3,095,673	9,287,019	3,095,673	12,382,692
Lottery Waiver (0420/539)	12,142,184	5,395,941	16,187,825	5,395,941	21,583,766
Lottery Transfer (5405/871)	8,670,000	3,625,578	10,876,734	3,625,578	14,502,312
Excess Lottery (5365/189)	31,377,985	-	0	24,506,170	24,506,170
Lottery Surplus (5405/68199)	8,000,000	-	15,500,000	0	15,500,000
Lottery Surplus (5365/68100)	30,000,000	-	26,900,000	0	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	17,400,000	124,574,152	89,727,695	214,301,847
NSGO UPL (5084/6717)	1,210,392	-	68,035	1,173,368	1,241,403
Certified Match	9,870,547	739,776	13,641,445	1,774,373	15,415,818
Reimbursables - Amount Reimbursed	4,460,819	0	3,084,669	-3,084,669	0
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	627,152	52,779	722,394	177,606	900,000
CHIP State Share	-		0	0	0
CMS - 64 Adjustments	(973,293)		37,396	(37,396)	0
TOTAL MATCHING FUNDS	990,505,306	178,250,862	\$653,080,946	\$444,701,176	\$1,097,782,122
FEDERAL FUNDS	3,098,950,199	232,815,306	1,883,533,786	1,429,859,755	3,313,393,540
TOTAL REVENUE SOURCES	\$ 4,089,455,505	\$ 411,066,168	\$ 2,536,614,732	\$ 1,874,560,931	\$ 4,411,175,663
TOTAL EXPENDITURES:					
Provider Payments	\$ 4,004,846,454	\$ 380,715,462	\$ 2,507,188,641	\$ 1,757,549,385	\$ 4,264,738,026
TOTAL	\$ 84,609,050	\$ 30,350,706	\$ 29,426,091		\$ 146,437,637

Joint Committee on Government and Finance

April 2018

Department of Health and Human Resources

**MEDICAID WAIVER REPORT
February 2018 Data**

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

Aged & Disabled Waiver Reported February 28, 2018	FY 2017 YTD	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	FY2018 YTD
Slots Approved By CMS (1)	6,151	5,752	5,752	5,752	5,752	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	5,662	5,662	5,662					5,662
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees	73	90	90	90	90	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	5,590	5,610	5,627	5,944					5,944
Applicants determined eligible this month and added to MEL (3)	1,440	98	119	116	112	106	93	83	93					820
Applicants determined ineligible	98	12	12	7	8	8	7	6	9					69
ACTIVE MEMBERS														
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	5,338	5,291	5,256	5,486					5,486
Active members enrolled during the calendar month	877	28	150	95	65	40	30	57	313					778
-Total Active Traditional members enrolled during the calendar month	805	22	138	88	58	32	20	50	310					718
-Total Active TMH-WV members enrolled during the calendar month	72	6	12	7	7	8	10	7	3					60
Members discharged during the calendar month	1,099	75	79	73	79	83	77	92	83					641
ADW Members whose case was closed by reason	Member is deceased	600	40	39	36	45	45	44	55	45				349
	Other (4)	499	35	40	37	34	38	33	37	38				292
MANAGED ENROLLMENT LIST (MEL)														
# Eligible applicants closed during the calendar month (removed from MEL)	951	341	87	60	41	54	28	879	24					1,514
ADW Applicants removed from the MEL	Applicant offered a slot (Traditional + MFP)	626	325	79	41	29	39	10	858	16				1,397
	Applicant became deceased	114	14	7	8	9	8	10	7	7				70
	Other (5)	211	2	1	11	3	7	8	14	1				47
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting	32	28	28	33	36	N/A	40	0	0					24
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting	36	52	34	31	32	N/A	96	0	6					36
Applicants on the MEL at the end of the month	763	520	552	608	679	731	796	0	69					69
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days	242	272	283	261	272	248	226	0	22					198

(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 Feb 28, 2018		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	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	4,619	4,623	4,625	4,625					4,625
Applicants determined eligible (2)		207	12	14	20	32	14	19	20	18					149
Applicants determined ineligible (3)		202	18	10	14	12	19	13	17	12					115
ACTIVE MEMBERS															
# of active members at the end of the month (unduplicated slots active) (1)		4,503	4,565	4,553	4,549	4,579	4,587	4,584	4,569	4,562					4,562
Discharged members at the end of the calendar month		147	5	12	6	8	7	7	18	8					71
Discharged members who were discharged by reason	Deceased	72	3	6	4	6	4	4	8	4					39
	Left program to enter a facility	21	2	3	0	0	2	1	3	1					12
	a. Hospital	0	0	0	0	0	0	0	0	0					0
	b. ICF/IID	2	1	1	0	0	2	1	3	0					8
	c. Nursing Facility	11	0	2	1	0	0	0	0	1					4
	d. Psychiatric Facility	0	0	0	0	0	0	0	0	0					0
	e. Rehabilitation Facility	0	0	0	0	0	0	0	0	0					0
	f. Other Facility	1	0	0	0	0	0	0	0	0					0
Other (6)	53	1	3	1	2	1	2	7	2					19	
MANAGED ENROLLMENT LIST (MEL)															
Total number of applicants on the MEL at the end of the month		1,317	1,256	1,262	1,278	1,267	1,265	1,278	1,292	1,306					1,306
Number of applicants added to the MEL (4)		207	12	14	20	32	14	19	20	18					149
Applicants enrolled (removed from the MEL)		116	67	0	2	38	15	4	3	1					130
Applicants removed from the MEL due to Death (5)		7	0	2	0	2	0	1	3	2					10
Applicants removed from the MEL due to Other (6)		27	6	6	2	3	1	1	0	1					20
Applicants on the MEL who are in a Nursing Facility (9)		0	0	3	9	10	N/A	7	6	7					7
Applicants on the MEL who are in an ICF/IID Group Home (9)		22	24	26	22	49	N/A	103	104	111					111
Applicants on the MEL receiving Personal Care Services each month (8) (9)		70	65	75	9	9	N/A	84	84	85					85
Longest on the MEL to date (7)		1494 Days	1,470	1,491	1,521	1,552	1,581	1,612	1,640	1,668					1,668

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

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

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

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

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

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

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

Traumatic Brain Injury Waiver Reported February 28, 2018	FY 2017 YTD	Jul 17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	FY2018 YTD
Slots Approved By CMS (1)	70	66	66	66	66	66	66	66	66					66
-Slots Available for Traditional (non TMH-WV) enrollees	70	56	56	56	56	56	56	56	56					56
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees	0	10	10	10	10	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	63	63	66	76					76
Applicants determined eligible this month and added to MEL (3)	27	3	2	0	0	3	1	0	0					9
Applicants determined ineligible	2	1	0	0	0	2	0	0	0					3
ACTIVE MEMBERS														
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count	61	62	62	62	59	60	59	62	71					71
Active members enrolled during the calendar month	9	2	0	0	0	1	0	3	10					16
-Total Active Traditional members enrolled during the calendar month	8	1	0	0	0	0	0	2	10					13
-Total Active TMH-WV members enrolled during the calendar month	1	1	0	0	0	1	0	1	0					3
Members discharged during the calendar month	11	1	0	0	3	0	1	0	1					6
TBIW Members whose case was closed by reason	Member is deceased	1	0	0	0	3	0	0	0					3
	Other (4)	10	1	0	0	0	0	1	1					3
MANAGED ENROLLMENT LIST (MEL)														
# Eligible applicants closed during the calendar month (removed from MEL)	15	0	0	0	0	0	0	19	0					19
TBIW Applicants removed from the MEL	Applicant offered a slot	14	0	0	0	0	0	18	0					18
	Applicant became deceased	0	0	0	0	0	0	0	0					0
	Other (5)	1	0	0	0	0	0	1	0					1
Applicants on the MEL who are in a nursing facility	1	0	0	0	0	0	0	0	0					0
Applicants on the MEL receiving Personal Care	0	1	1	0	0	1	1	0	0					0
Applicants on the MEL at the end of the month	12	13	15	15	15	18	19	0	0					0
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days	170	368	399	429	460	490	521	0	0					333

(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

APRIL 2018

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 Eight Months Ending February 28, 2018 and February 28, 2017
(Modified Accrual Basis)

	February 28, 2018	February 28, 2017	Variance	
Revenues				
Federal Grants	28,979,654	32,407,945	(3,428,291)	-11%
State Appropriations				
Premium Revenues	961,263	921,400	39,864	4%
Investment Income:				
Investment Earnings	<u>64,702</u>	<u>53,740</u>	<u>10,962</u>	<u>20%</u>
Total Revenues	<u>30,005,619</u>	<u>33,383,085</u>	<u>(3,377,466)</u>	<u>-10%</u>
Expenditures:				
Claims:				
Physicians & Surgical	7,801,040	11,479,845	(3,678,805)	-32%
Prescribed Drugs	6,100,709	5,919,572	181,137	3%
Dental	4,641,890	4,719,927	(78,037)	-2%
Outpatient Services	3,960,493	3,999,257	(38,764)	-1%
Inpatient Hospital Services	1,690,434	2,552,110	(861,676)	-34%
Other Services	1,428,102	1,378,761	49,341	4%
Therapy	1,289,453	1,428,578	(139,125)	-10%
Vision	397,375	548,264	(150,889)	-28%
Inpatient Mental Health	369,958	541,560	(171,602)	-32%
Outpatient Mental Health	314,642	75,240	239,402	318%
Medical Transportation	240,942	162,047	78,895	49%
Durable & Disposable Med. Equip.	195,177	297,642	(102,465)	-34%
Less: Collections**	<u>(1,086,652)</u>	<u>(1,036,354)</u>	<u>(50,298)</u>	<u>5%</u>
Total Claims	<u>27,343,563</u>	<u>32,066,449</u>	<u>(4,722,886)</u>	<u>-15%</u>
General and Admin Expenses:				
Salaries and Benefits	374,125	379,508	(5,383)	-1%
Program Administration	1,856,682	900,054	956,628	106%
Eligibility	7,609	0	7,609	
Outreach & Health Promotion	10,190	60,222	(50,032)	-83%
Current	<u>35,066</u>	<u>101,127</u>	<u>(66,061)</u>	<u>-65%</u>
Total Administrative	<u>2,283,672</u>	<u>1,440,911</u>	<u>842,761</u>	<u>58%</u>
Total Expenditures	<u>29,627,235</u>	<u>33,507,360</u>	<u>(3,880,125)</u>	<u>-12%</u>
Excess of Revenues				
Over (Under) Expenditures	378,384	(124,276)	502,659	-404%
Unrealized Gain(loss) On Investments*	(25,653)	(16,529)	(9,124)	55%
Fund Equity, Beginning	<u>7,119,917</u>	<u>8,268,031</u>	<u>(1,148,114)</u>	<u>-14%</u>
Fund Equity, Ending	<u>7,472,648</u>	<u>8,127,227</u>	<u>(654,579)</u>	<u>-8%</u>

* 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 Eight Months Ending February 28, 2018**

	<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 Feb-18</u>	<u>Actual Amt Jan-18</u>	<u>Actual Amt Dec-17</u>
Projected Cost	\$50,205,506	\$33,470,337	\$32,962,315	\$508,023	2%	\$4,183,792	\$5,382,809	\$2,940,004	\$3,446,754
Premiums	2,403,240	\$1,602,160	\$961,263	(\$640,897)	-40%	\$200,270	\$123,142	\$143,745	\$107,307
Subrogation & Rebates	<u>1,398,828</u>	<u>\$932,552</u>	<u>\$1,047,528</u>	<u>\$114,976</u>	<u>12%</u>	<u>\$116,569</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,834</u>
Net Benefit Cost	\$46,403,438	\$30,935,625	\$30,953,524	-\$17,898	0%	\$3,973,808	\$5,259,667	\$2,796,259	\$3,327,612
									\$0
Salaries & Benefits	\$702,625	\$468,417	\$374,125	\$94,292	20%	\$58,552	\$43,588	\$43,179	\$43,345
Program Administration	\$2,626,570	\$1,751,047	\$2,114,121	(\$363,074)	-21%	\$218,881	\$204,073	\$49,554	\$502,964
Eligibility	\$326,676	\$217,784	\$7,609	\$210,175	97%	\$27,223	\$45	\$0	\$0
Outreach & Health Prom.	\$392,012	\$261,341	\$10,190	\$251,151	96%	\$32,668	\$0	\$0	\$0
Current Expense	<u>\$326,676</u>	<u>\$217,784</u>	<u>\$35,066</u>	<u>\$182,718</u>	<u>84%</u>	<u>\$27,223</u>	<u>\$9,353</u>	<u>\$1,493</u>	<u>\$2,564</u>
Total Admin Cost	\$4,374,559	\$2,916,373	\$2,541,112	\$375,261	13%	\$364,547	\$257,058	\$94,226	\$548,873
Total Program Cost	<u>\$50,777,997</u>	<u>\$33,851,998</u>	<u>\$33,494,635</u>	<u>\$357,363</u>	<u>1%</u>	<u>\$4,338,355</u>	<u>\$5,516,725</u>	<u>\$2,890,485</u>	<u>\$3,876,485</u>
Federal Share 100%	\$50,777,997	\$33,851,998	\$33,494,635	\$357,363	1%	\$4,338,355	\$5,516,725	\$2,890,485	\$3,876,485
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>\$33,851,998</u>	<u>\$33,494,635</u>	<u>\$357,363</u>	<u>1%</u>	<u>\$4,338,355</u>	<u>\$5,516,725</u>	<u>\$2,890,485</u>	<u>\$3,876,485</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

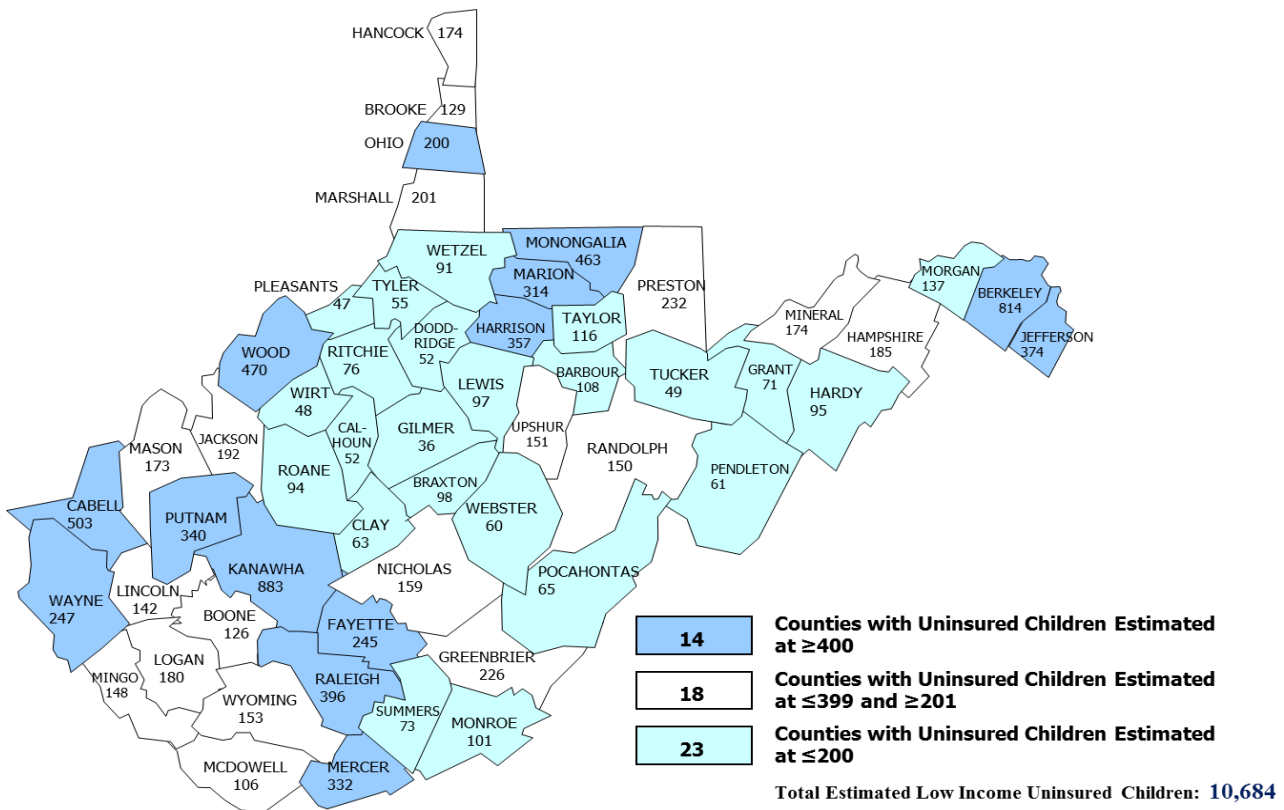
March 2018

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Mar-18	Total Medicaid Enrollment Mar-18	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Barbour	3,600	240	1,657	1,897	52.7%	108	33
Berkeley	26,251	1,665	11,506	13,171	50.2%	788	2
Boone	5,615	230	3,162	3,392	60.4%	168	25
Braxton	3,006	176	1,578	1,754	58.3%	90	40
Brooke	4,573	1	1,210	1,211	26.5%	137	31
Cabell	18,879	961	9,047	10,008	53.0%	566	4
Calhoun	1,518	92	801	893	58.8%	46	51
Clay	2,215	119	1,330	1,449	65.4%	66	44
Doddridge	1,673	97	734	831	49.7%	50	48
Fayette	9,438	663	5,116	5,779	61.2%	283	13
Gilmer	1,260	66	564	630	50.0%	38	54
Grant	2,555	123	1,123	1,246	48.8%	77	42
Greenbrier	7,131	579	3,619	4,198	58.9%	214	16
Hampshire	5,392	254	2,337	2,591	48.1%	162	27
Hancock	6,166	512	3,227	3,739	60.6%	185	20
Hardy	3,015	251	1,518	1,769	58.7%	90	39
Harrison	15,202	898	6,366	7,264	47.8%	456	7
Jackson	6,602	325	3,016	3,341	50.6%	198	18
Jefferson	12,679	621	3,972	4,593	36.2%	380	10
Kanawha	39,771	2,077	19,030	21,107	53.1%	1,193	1
Lewis	3,389	255	1,847	2,102	62.0%	102	37
Lincoln	4,930	248	3,065	3,313	67.2%	148	30
Logan	7,496	386	4,488	4,874	65.0%	225	15
Marion	11,227	614	5,205	5,819	51.8%	337	11
Marshall	6,886	252	2,867	3,119	45.3%	207	17
Mason	5,929	255	2,884	3,139	52.9%	178	21
McDowell	4,423	180	3,108	3,288	74.3%	133	32
Mercer	12,764	777	7,715	8,492	66.5%	383	9
Mineral	5,868	299	2,319	2,618	44.6%	176	23
Mingo	5,905	248	3,797	4,045	68.5%	177	22
Monongalia	15,294	875	5,371	6,246	40.8%	459	6
Monroe	2,835	235	1,176	1,411	49.8%	85	41
Morgan	3,596	256	1,425	1,681	46.7%	108	34
Nicholas	5,561	360	2,948	3,308	59.5%	167	26
Ohio	8,444	426	3,438	3,864	45.8%	253	14
Pendleton	1,462	88	579	667	45.6%	44	52
Pleasants	1,551	83	652	735	47.4%	47	50
Pocahontas	1,561	142	777	919	58.9%	47	49
Preston	6,536	406	3,081	3,487	53.3%	196	19
Putnam	13,150	632	4,371	5,003	38.0%	395	8
Raleigh	16,403	997	9,058	10,055	61.3%	492	5
Randolph	5,705	446	3,010	3,456	60.6%	171	24
Ritchie	2,205	112	1,073	1,185	53.7%	66	45
Roane	3,239	250	1,719	1,969	60.8%	97	38
Summers	2,521	168	1,381	1,549	61.4%	76	43
Taylor	3,514	205	1,503	1,708	48.6%	105	35
Tucker	1,371	105	564	669	48.8%	41	53
Tyler	1,924	92	834	926	48.1%	58	47

WVCHIP Enrollment Report

March 2018

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Mar-18	Total Medicaid Enrollment Mar-18	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Upshur	4,996	333	2,904	3,237	64.8%	150	29
Wayne	9,516	391	4,768	5,159	54.2%	285	12
Webster	1,977	110	1,287	1,397	70.7%	59	46
Wetzel	3,466	151	1,807	1,958	56.5%	104	36
Wirt	1,201	69	689	758	63.1%	36	55
Wood	18,956	956	9,045	10,001	52.8%	569	3
Wyoming	5,116	272	2,666	2,938	57.4%	153	28
Totals	387,459	21,624	184,334	205,958	53.2%	11,624	

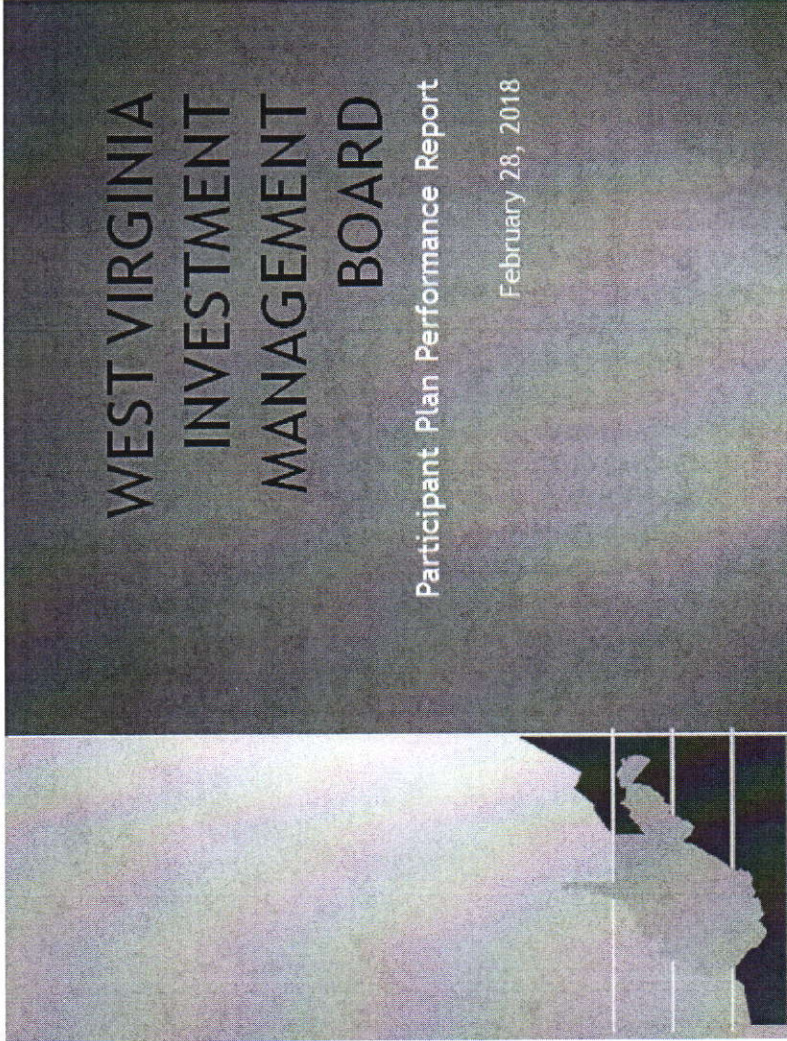


The above map shows the most recent 2013 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county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

February 28, 2018



Participant Plans Allocation & Performance Net of Fees

Period Ending: February 28, 2018

	6/30/2017		2/28/2018		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
WVIMB Fund Assets	18,283,189	100.0	19,467,814	100.0							
Pension Assets	14,791,142	80.9	15,733,365	80.8							
Public Employees' Retirement System	6,288,320	34.4	6,742,661	34.6	(2.1)	2.1	8.9	14.8	8.5	9.5	7.4
Teachers' Retirement System	7,232,585	39.6	7,627,794	39.3	(2.1)	2.1	8.9	14.7	8.4	9.4	7.1
EMS Retirement System	70,196	0.4	77,742	0.4	(2.1)	2.1	8.9	14.8	8.5	9.4	
Public Safety Retirement System	639,380	3.5	668,254	3.4	(2.1)	2.1	8.9	14.8	8.5	9.4	7.4
Judges' Retirement System	189,254	1.0	204,337	1.0	(2.1)	2.1	9.0	14.8	8.5	9.5	7.4
State Police Retirement System	165,873	0.9	185,599	1.0	(2.1)	2.1	8.9	14.8	8.5	9.5	7.4
Deputy Sheriffs' Retirement System	198,732	1.1	217,436	1.1	(2.1)	2.1	8.9	14.8	8.5	9.5	7.4
Municipal Police & Firefighter Retirement System	5,356	0.0	6,908	0.0	(2.1)	2.0	8.7	14.4	8.2	9.1	
Municipal Model A	1,446	0.0	1,506	0.0	(2.0)	2.1	8.9	14.8	8.4		
Municipal Model C			1,128	0.0	(2.0)						
Insurance Assets	2,641,811	14.4	2,804,594	14.4							
Workers' Compensation Old Fund	1,260,911	6.8	1,238,851	6.3	(1.6)	1.0	5.5	8.6	5.0	4.8	4.5
Workers' Comp. Self-Insured Guaranty Risk Pool	33,211	0.2	34,692	0.2	(1.6)	1.2	5.7	8.6	4.8	5.2	4.4
Workers' Comp. Self-Insured Security Risk Pool	53,908	0.3	54,939	0.3	(1.6)	1.1	5.7	8.7	4.8		
Workers' Comp. Uninsured Employers' Fund	11,797	0.1	13,084	0.1	(1.5)	1.3	5.7	8.5	4.6	5.0	4.1
Pneumoconiosis	250,631	1.4	255,801	1.3	(1.6)	1.2	5.7	8.6	4.7	5.1	5.0
Board of Risk & Insurance Management	144,341	0.8	152,597	0.8	(1.6)	1.2	5.7	8.6	4.7	5.1	5.5
Public Employees' Insurance Agency	153,908	0.8	161,711	0.8	(1.5)	0.9	5.1	7.7	4.5	5.0	5.1
WV Retiree Health Benefit Trust Fund	733,104	4.0	892,919	4.6	(2.0)	2.1	8.9	14.8	8.5	9.4	
Endowment Assets	850,236	4.7	929,855	4.8							
Berkeley County Development Authority	7,031	0.0	7,690	0.0	(2.1)	2.1	9.0	14.8			
Wildlife Fund	63,648	0.4	64,801	0.3	(2.1)	2.1	8.9	14.8	8.5	9.4	7.4
Prepaid Tuition Trust	49,025	0.3	42,729	0.2	(2.0)	0.7	5.9	10.1	6.4	7.4	6.6
Revenue Shortfall Reserve Fund	145,150	0.8	166,912	0.9	(1.0)	(0.8)	0.7	1.6	1.7	1.3	2.0
Revenue Shortfall Reserve Fund - Part B	425,111	2.4	441,428	2.3	(1.6)	0.2	3.8	7.1	4.6	4.5	3.9
WV DEP Trust	9,044	0.0	9,836	0.1	(2.5)	2.5	10.4	15.2	7.5	8.8	
WV DEP Agency	151,227	0.8	196,459	1.0	(1.9)	1.3	6.9	10.7	5.7		

Composite Asset Allocation & Performance Net of Fees

Period Ending: February 28, 2018

	Asset (\$000)	%	Performance %												
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year						
Investment Pools Composite	19,474,565	100.00													
Total Equity Composite	9,704,479	49.83	(3.52)	3.22	14.17	21.23	10.18	11.86	8.16						
+/- Total Equity Base Index (b)			0.62	0.49	1.43	1.84	1.19	1.11	1.55						
Domestic Equity Composite	4,645,108	23.85	(3.43)	2.26	13.33	17.57	10.22	14.35	9.94						
+/- Russell 3000 Index			0.26	(0.14)	0.59	1.35	(0.37)	(0.02)	0.16						
International Equity Composite	5,059,371	25.98	(3.60)	4.12	14.88	24.52	9.93	9.21	6.11						
+/- MSCI/AC World ex US IMI Index (c)			0.99	1.07	2.18	1.94	2.66	2.11	2.84						
Fixed Income Composite	3,555,117	18.26	(0.99)	(0.61)	1.21	3.74	3.15	3.02	4.37						
+/- Bloomberg Barclays Capital Universal (d)			(0.04)	0.86	1.72	2.77	1.45	0.91	0.38						
Core Fixed Income Composite	1,064,546	5.47	(0.83)	(1.47)	(0.68)	0.93	1.66	2.14							
+/- Bloomberg Barclays Capital Aggregate			0.12	0.17	0.19	0.42	0.52	0.43							
Total Return Fixed Income Composite (k)	2,490,571	12.79	(1.06)	(0.25)	2.04	4.97	3.78	3.41	4.86						
+/- Bloomberg Barclays Capital Universal			(0.11)	1.22	2.55	4.00	2.08	1.30	0.88						
TIPS Composite	378,887	1.95	(0.97)	(0.91)	0.30	(0.15)	0.79	(0.12)							
+/- Bloomberg Barclays Capital U.S. TIPS			0.00	0.01	0.02	0.03	0.00	(0.01)							
Cash Composite	97,737	0.50	0.10	0.32	0.75	1.00	0.50	0.36	0.42						
+/- Citigroup 90 Day T-Bill (e)			(0.01)	0.00	0.00	0.02	0.05	0.05	(0.01)						
Private Equity Composite	1,670,247	8.58	(0.41)	1.50	4.73	16.54	13.93	13.64							
+/- Russell 3000 + 3% (f, g)								(3.92)							
Real Estate Composite	1,679,452	8.62	0.25	1.39	3.58	8.92	9.25	9.72							
+/- NCREIF + 1% (f)								(1.52)							
Hedge Fund Composite	1,940,060	9.96	(0.31)	2.45	5.18	5.26	2.40	4.66							
+/- HFRI FOF + 1% (h)			0.86	0.16	(1.07)	(2.65)	(0.97)	0.66							
Opportunistic Income Composite	448,586	2.30	0.47	0.49	1.41	5.03									
+/- CS Leveraged Loan + 2.5%			0.08	(1.78)	(3.78)	(1.86)									

Participant Plans Allocation vs. Strategy

Period Ending: February 28, 2018

	Domestic Equity		Intl 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	25.6	27.5	27.8	27.5	14.4	15.0	10.0	10.0	10.1	10.0	9.4	10.0	2.7	0.0	0.0	0.0
Teachers' Retirement System	25.5	27.5	27.9	27.5	14.2	15.0	10.0	10.0	10.1	10.0	9.5	10.0	2.7	0.0	0.1	0.0
EMS Retirement System	25.6	27.5	27.8	27.5	14.5	15.0	9.9	10.0	10.0	10.0	9.4	10.0	2.7	0.0	0.1	0.0
Public Safety Retirement System	25.5	27.5	27.9	27.5	14.1	15.0	10.1	10.0	10.1	10.0	9.6	10.0	2.7	0.0	0.0	0.0
Judges' Retirement System	25.6	27.5	27.8	27.5	14.4	15.0	10.0	10.0	10.0	10.0	9.5	10.0	2.7	0.0	0.0	0.0
State Police Retirement System	25.6	27.5	27.7	27.5	14.5	15.0	9.9	10.0	10.0	10.0	9.4	10.0	2.7	0.0	0.2	0.0
Deputy Sheriffs' Retirement System	25.6	27.5	27.8	27.5	14.5	15.0	10.0	10.0	10.0	10.0	9.4	10.0	2.7	0.0	0.0	0.0
Municipal Police & Firefighter Retirement System	25.5	27.5	27.6	27.5	14.6	15.0	9.9	10.0	10.0	10.0	9.4	10.0	2.7	0.0	0.3	0.0
Municipal Model A	25.4	27.5	27.7	27.5	13.7	15.0	10.0	10.0	10.1	10.0	9.9	10.0	2.7	0.0	0.5	0.0
Municipal Model C	23.6	25.0	25.6	25.0	27.7	30.0	4.9	5.0	4.9	5.0	10.1	10.0	1.3	0.0	1.9	0.0
Insurance Assets																
Workers' Compensation Old Fund	14.8	15.0	16.3	15.0	49.8	50.0	0.0	0.0	0.0	0.0	15.0	15.0	0.0	0.0	4.1	5.0
Workers' Comp. Self-Insured Guaranty Risk Pool	14.8	15.0	16.1	15.0	44.4	45.0	0.0	0.0	0.0	0.0	19.9	20.0	0.0	0.0	4.8	5.0
Workers' Comp. Self-Insured Security Risk Pool	14.9	15.0	16.1	15.0	44.7	45.0	0.0	0.0	0.0	0.0	20.1	20.0	0.0	0.0	4.2	5.0
Workers' Comp. Uninsured Employers Fund	14.2	15.0	15.4	15.0	37.5	40.0	0.0	0.0	0.0	0.0	18.6	20.0	0.0	0.0	14.3	10.0
Pneumoconiosis	14.7	15.0	16.1	15.0	44.5	45.0	0.0	0.0	0.0	0.0	20.1	20.0	0.0	0.0	4.6	5.0
Board of Risk & Insurance Mgmt.	14.9	15.0	16.1	15.0	44.4	45.0	0.0	0.0	0.0	0.0	19.5	20.0	0.0	0.0	5.1	5.0
Public Employees' Insurance Agency	12.4	12.5	13.5	12.5	54.5	55.0	0.0	0.0	0.0	0.0	19.6	20.0	0.0	0.0	0.0	0.0
WV Retiree Health Benefit Trust Fund	25.3	27.5	27.4	27.5	14.6	15.0	9.8	10.0	9.9	10.0	9.3	10.0	2.6	0.0	1.1	0.0
Endowment Assets																
Berkeley County Development Authority	25.6	27.5	27.6	27.5	14.7	15.0	10.0	10.0	10.0	10.0	9.4	10.0	2.7	0.0	0.0	0.0
Wildlife Fund	25.5	27.5	27.6	27.5	14.6	15.0	10.0	10.0	10.0	10.0	9.5	10.0	2.7	0.0	0.1	0.0
Prepaid Tuition Trust	22.4	22.0	18.4	18.0	56.8	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	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	11.1	11.3	12.1	11.3	76.8	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	31.6	32.5	34.1	32.5	14.7	15.0	0.0	0.0	0.0	0.0	19.6	20.0	0.0	0.0	0.0	0.0
WV DEP Agency	19.1	20.0	20.7	20.0	38.2	40.0	0.0	0.0	0.0	0.0	19.1	20.0	0.0	0.0	2.9	0.0

- (a) As of January 2014, the PERS Base is 30% Russell 3000, 30% MSCIACW ex USA (IMI), and 40% Bloomberg Barclays Capital Universal. From April 2008 to December 2013, the PERS Base was 30% Russell 3000, 30% MSCIACW ex USA (Standard), and 40% Bloomberg Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCIACW ex USA, and 40% Bloomberg Barclays Capital Aggregate.
- (b) As of January 2014, the Total Equity Base Index is 50% Russell 3000 and 50% MSCIACW ex USA (IMI). From April 2008 to December 2013, the Total Equity Base Index was 50% Russell 3000 and 50% MSCIACW ex USA (Standard). Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCIACW ex USA.
- (c) Prior to January 2014, the index was the MSCIACW 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 GBIE M 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.

Disclaimer

Period Ending: February 28, 2018

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Status Report:
Workers' Compensation

Joint Committee on Government & Finance

April 2018

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.

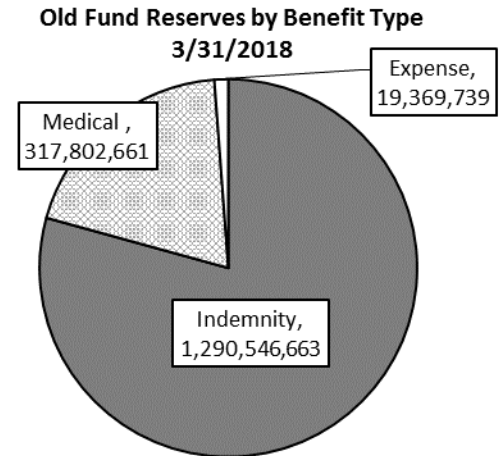
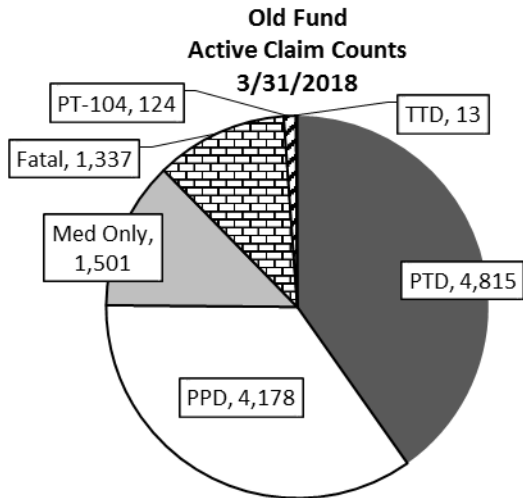
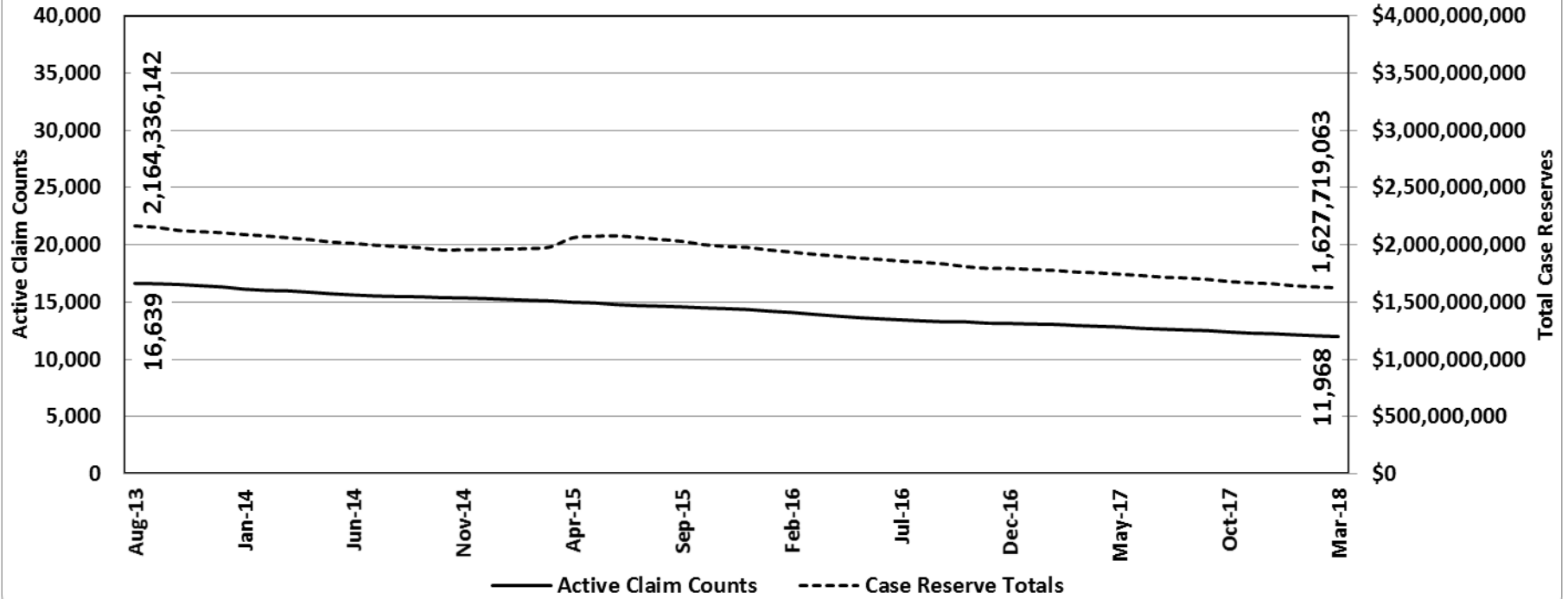
Self-Insured Security Fund: State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last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

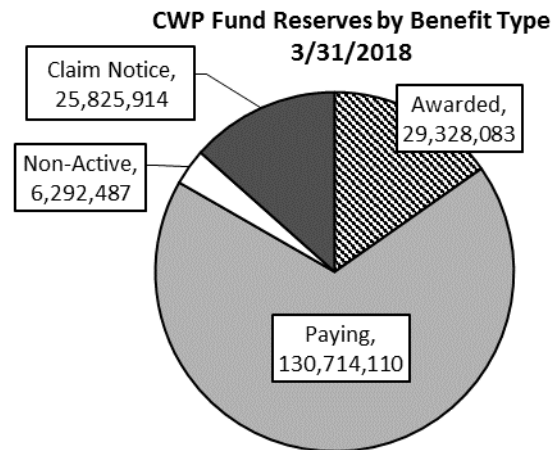
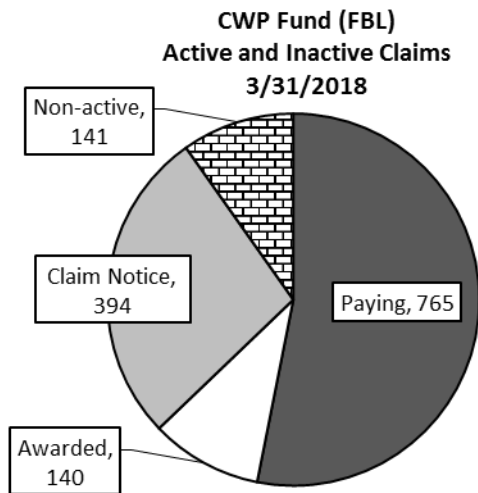
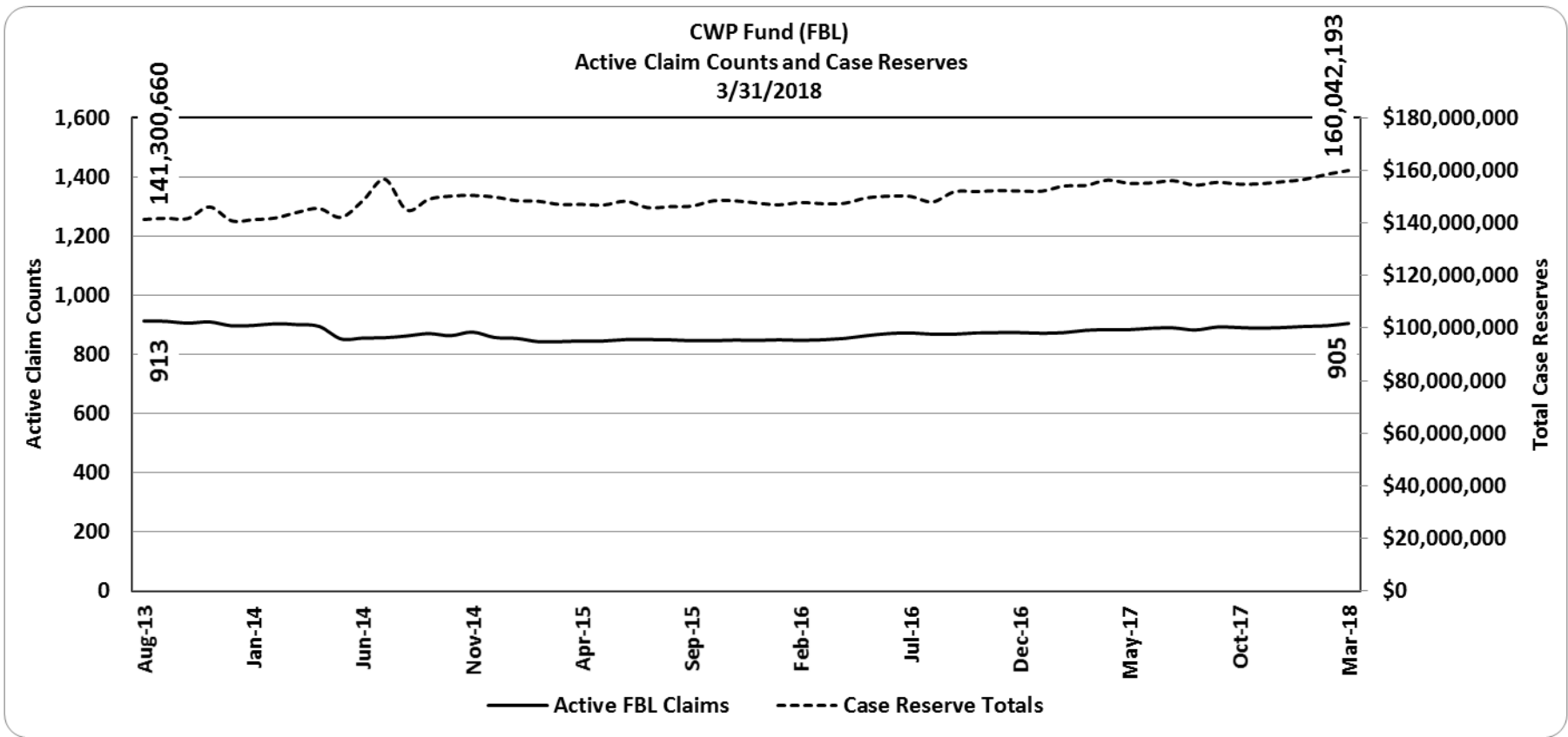
TPD: (Temporary Partial Disability) also referred to as TPR, is paid when an injured worker is released to return to work with restrictions or modifications that restrict he/she from obtaining their pre-injury wages. The TPD benefit is paid at seventy percent of the difference between the average weekly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

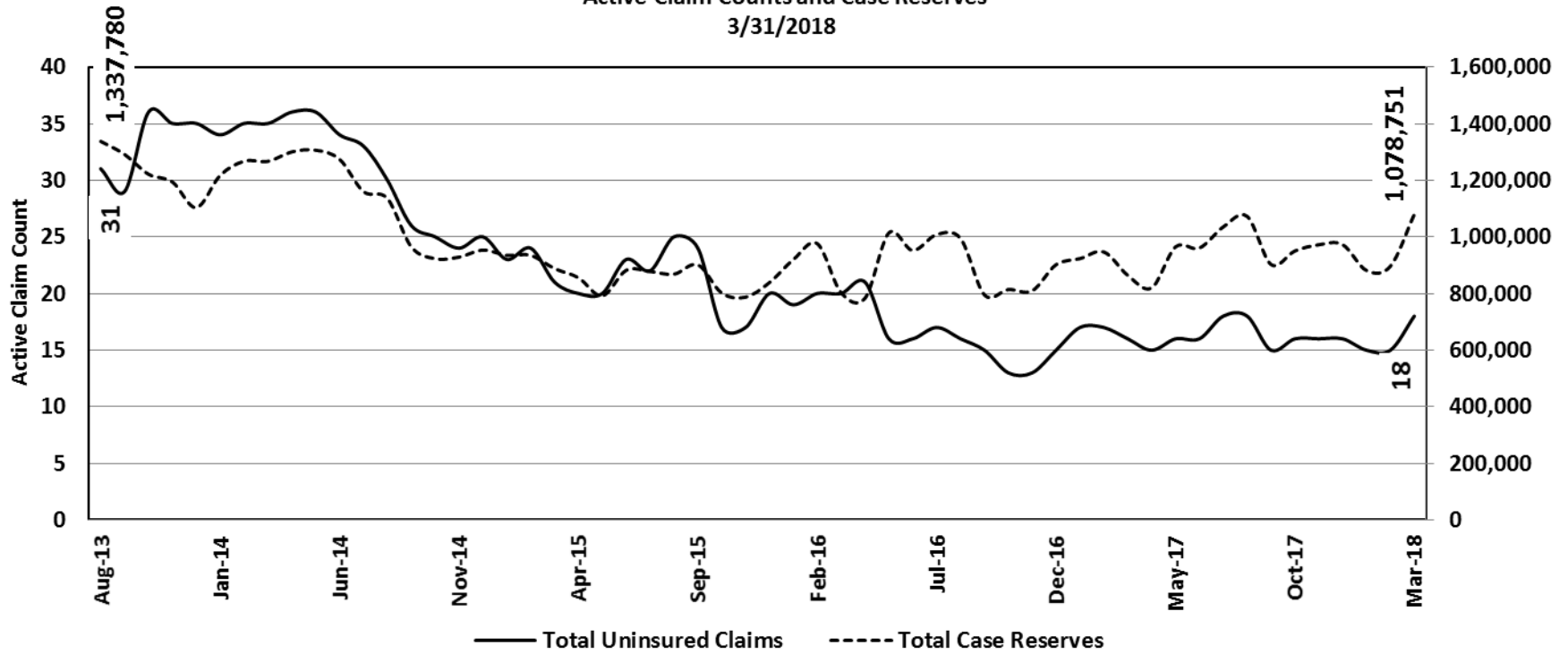
Uninsured Fund: State managed fund into which assessments to carriers or employers received are held, and out of which workers' compensation benefits may be paid to claimant employees of employers who were uninsured if the date of injury or date of last exposure is January 1, 2006 or later.

**Old Fund
Active Claim Counts and Case Reserves
3/31/2018**

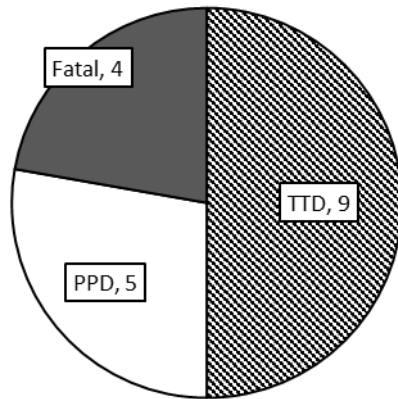




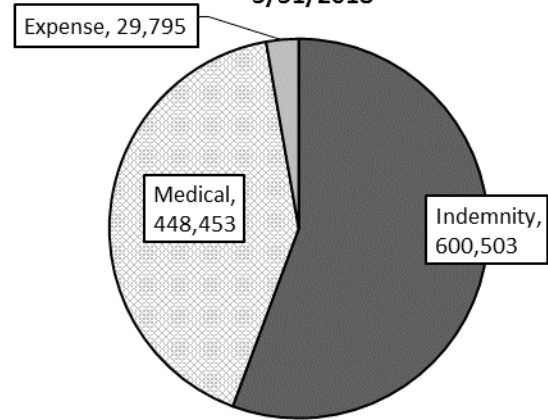
**Uninsured Fund
Active Claim Counts and Case Reserves
3/31/2018**

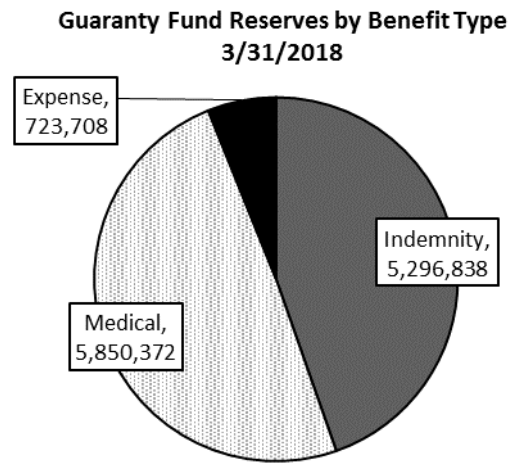
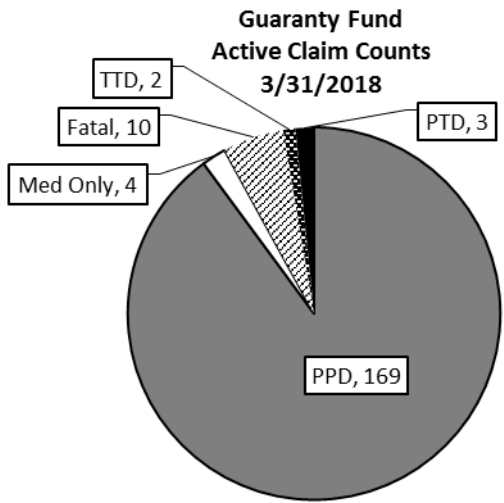
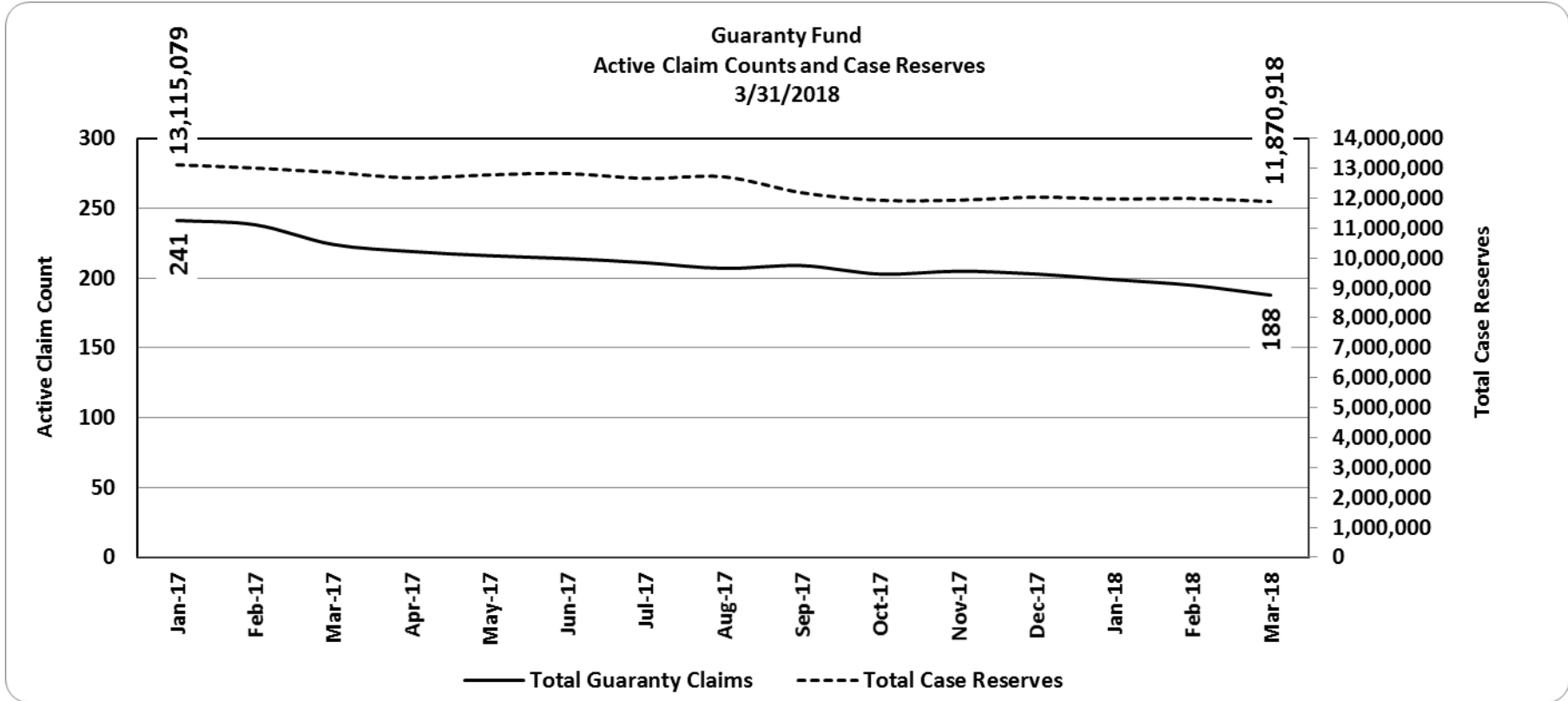


**Uninsured Fund
Active Claim Counts
3/31/2018**

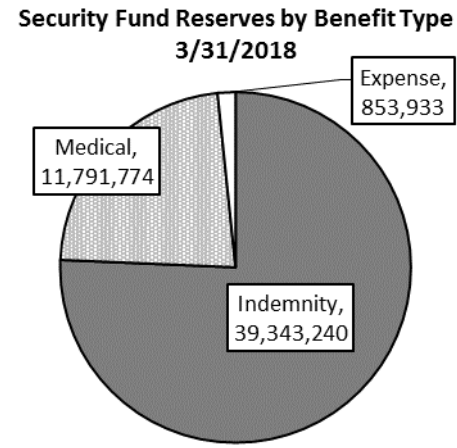
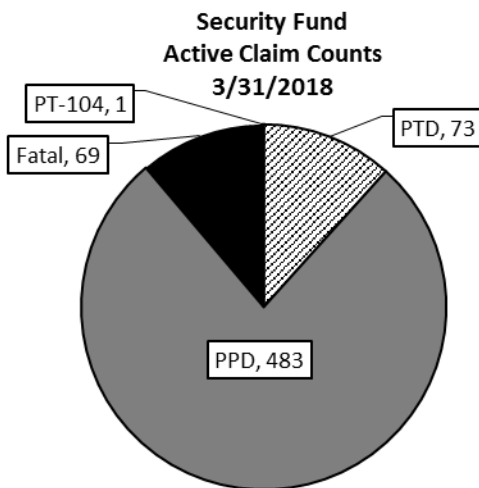
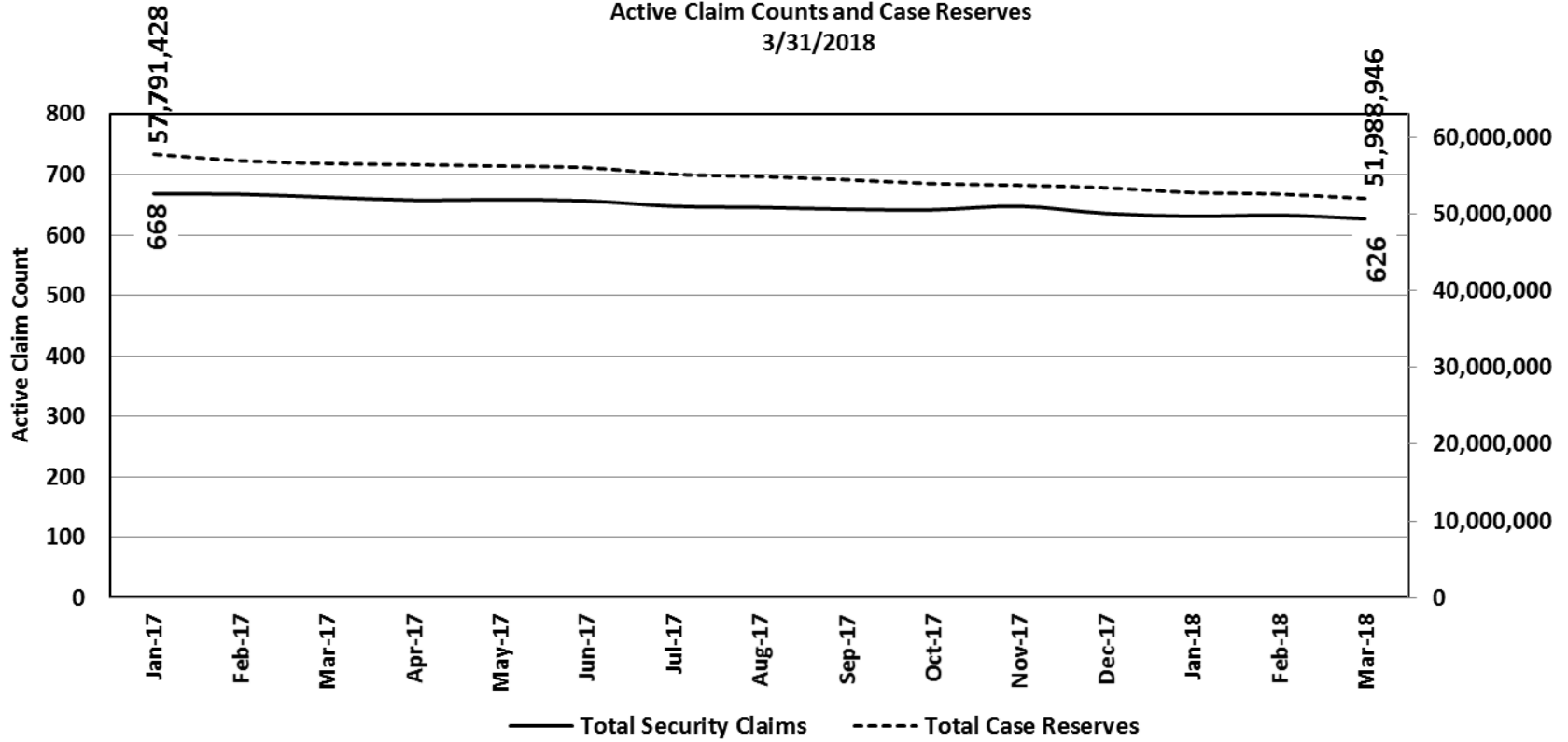


**Uninsured Fund Reserves by Benefit Type
3/31/2018**





**Security Fund
Active Claim Counts and Case Reserves
3/31/2018**



OLD FUND CASH STATEMENT
March 31, 2018

				Three Year History for years ended:		
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
Cash Beginning Balances	1,263,372,448	1,280,647,632	(17,275,184)	1,280,647,632	1,311,653,269	1,190,142,811
Revenues						
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	5,082,251	8,655,798	(3,573,547)	12,336,645	25,211,458	34,106,221
Self-Insured Debt Reduction Surcharge	1,544,113	3,087,414	(1,543,301)	4,346,111	6,209,330	8,859,759
Video Lottery	1,765,145	3,604,987	(1,839,843)	5,500,000	6,734,934	11,000,000
Employer Premium	192,954	51,064	141,890	62,806	111,955	202,532
Other Income - Return of Unclaimed Property	271,283	354,423	(83,140)	354,423	184,888	153,763
Operating Revenues	8,855,745	29,641,237	(20,785,492)	36,487,535	153,921,361	275,426,199
Investment / Interest Earnings (Losses)	71,472,282	78,976,495	(7,504,213)	112,116,554	(5,981,504)	34,715,474
Total Revenues	80,328,027	108,617,732	(28,289,705)	148,604,089	147,939,857	310,141,673
Expenditures						
Claims Benefits Paid:						
Medical	19,507,831	21,051,961	(1,544,130)	27,437,375	26,890,541	29,881,043
Permanent Total Disability	65,640,122	69,684,619	(4,044,498)	92,140,733	98,784,921	104,948,107
Permanent Partial Disability	214,504	259,573	(45,069)	336,015	232,699	353,749
Temporary Disability	5,180	-	5,180	-	8,554	-
Fatals	16,362,227	17,419,576	(1,057,348)	22,990,499	24,098,586	25,497,598
104 weeks death benefit	3,955,327	4,309,734	(354,407)	5,825,439	6,990,581	5,883,387
Settlements	5,659,872	9,633,221	(3,973,349)	11,716,131	12,718,425	12,206,388
Loss Adjustment Expenses	1,032,266	1,063,132	(30,866)	1,446,808	1,970,779	2,029,136
Total	112,377,329	123,421,815	(11,044,486)	161,893,000	171,695,087	180,799,408
Less: Claims credits and overpayments	2,552,379	3,093,599	(541,219)	5,080,389	3,044,395	2,240,415
Total Benefits Paid	109,824,950	120,328,217	(10,503,267)	156,812,611	168,650,692	178,558,993
Administrative Expenses	5,553,940	6,190,883	(636,943)	9,066,663	10,294,801	10,060,064
Total Expenditures	115,378,890	126,519,100	(11,140,210)	165,879,274	178,945,493	188,619,057
Excess (Deficiency) of Revenues over Expenditures	(35,050,862)	(17,901,368)	(17,149,494)	(17,275,184)	(31,005,636)	121,522,616
Cash Ending Balances	1,228,321,585	1,262,746,264	(34,424,679)	1,263,372,448	1,280,647,632	1,311,665,427

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
March 31, 2018

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
Cash Beginning Balances	251,313,328	245,945,240	5,368,089	245,945,240	264,657,327	267,173,190
Revenues						
Investment Earnings (Losses)	14,631,074	15,898,236	(1,267,162)	22,100,417	(5,091,164)	10,347,881
Other Income - Return of Unclaimed Property	645	2,552	(1,908)	8,353	3,797	876
Total Revenues	<u>14,631,719</u>	<u>15,900,789</u>	<u>(1,269,070)</u>	<u>22,108,770</u>	<u>(5,087,367)</u>	<u>10,348,758</u>
Expenditures						
Claims Benefits Paid:						
Medical	2,581,142	3,065,452	(484,309)	4,032,649	2,830,426	2,629,364
PTD and Fatal Indeminty	5,888,711	6,086,951	(198,240)	8,174,289	7,548,752	6,857,612
Loss Adjustment Expenses	<u>2,524,516</u>	<u>2,914,081</u>	<u>(389,565)</u>	<u>3,783,923</u>	<u>2,629,468</u>	<u>2,633,172</u>
Total	10,994,370	12,066,484	(1,072,114)	15,990,861	13,008,646	12,120,148
Less: Claims Credits and Overpayments	<u>239,639</u>	<u>113,379</u>	<u>126,261</u>	<u>125,895</u>	<u>130,620</u>	<u>129,338</u>
Total Benefits Paid	10,754,730	11,953,105	(1,198,375)	15,864,966	12,878,025	11,990,810
Administrative Expenses	667,093	645,942	21,151	875,715	746,696	873,810
Total Expenditures	<u>11,421,823</u>	<u>12,599,047</u>	<u>(1,177,224)</u>	<u>16,740,681</u>	<u>13,624,721</u>	<u>12,864,620</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,209,895</u>	<u>3,301,741</u>	<u>(91,847)</u>	<u>5,368,089</u>	<u>(18,712,088)</u>	<u>(2,515,863)</u>
Cash Ending Balances	<u>254,523,223</u>	<u>249,246,981</u>	<u>5,276,243</u>	<u>251,313,328</u>	<u>245,945,240</u>	<u>264,657,327</u>

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
March 31, 2018

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
Cash Beginning Balances	33,836,322	33,462,454	373,868	33,462,454	16,014,340	15,603,319
Revenues						
Guaranty Risk Pool Assessments	-	-	-	-	18,684	89,571
Collateral Proceeds	-	-	-	-	19,422,025	-
Investment Earnings (Losses)	1,972,334	2,157,481	(185,146)	3,012,508	(155,883)	612,972
Total Revenues	1,972,334	2,157,481	(185,146)	3,012,508	19,284,826	702,542
Expenditures						
Claims Benefits Paid:						
Medical	177,609	323,456	(145,847)	503,912	309,470	51,752
Permanent Total Disability	156,224	47,788	108,436	63,717	43,638	-
Permanent Partial Disability	427,416	786,877	(359,462)	972,712	612,823	20,788
Temporary Disability	56,649	257,557	(200,908)	375,328	303,724	114,835
Fatals	192,929	207,758	(14,829)	277,011	257,806	55,093
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	-	3,800	(3,800)	3,800	-	-
Non Awarded Partial Disability	10,904	4,407	6,496	4,407	9,377	-
Loss Adjustment Expenses	102,657	203,595	(100,938)	255,219	163,819	12,414
Total	1,124,388	1,835,239	(710,852)	2,456,105	1,700,657	254,882
Less: Claims Credits and Overpayments	11,148	2,141	9,008	2,723	17,176	(9,064)
Total Benefits Paid	1,113,240	1,833,099	(719,859)	2,453,382	1,683,481	263,947
Administrative Expenses	85,387	142,060	(56,673)	185,258	153,231	27,575
Total Expenditures	1,198,627	1,975,159	(776,532)	2,638,640	1,836,711	291,522
Excess (Deficiency) of Revenues over Expenditures	773,708	182,322	591,386	373,868	17,448,114	411,021
Cash Ending Balances	34,610,030	33,644,776	965,254	33,836,322	33,462,454	16,014,340

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
March 31, 2018

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
Cash Beginning Balances	54,448,203	53,859,338	588,865	53,859,338	9,208,803	7,137,316
Revenues						
Security Risk Pool Assessments	-	-	-	-	230,340	1,114,180
Collateral Proceeds	-	-	-	-	47,503,193	1,425,061
Investment Earnings (Losses)	3,171,362	3,525,969	(354,607)	4,914,238	201,775	310,550
Total Revenues	3,171,362	3,525,969	(354,607)	4,914,238	47,935,308	2,849,791
Expenditures						
Claims Benefits Paid:						
Medical	605,018	626,763	(21,746)	778,632	479,295	71,000
Permanent Total Disability	1,134,048	1,189,680	(55,632)	1,576,942	1,163,198	208,590
Permanent Partial Disability	-	-	-	-	7,560	38,698
Temporary Disability	-	-	-	-	-	-
Fatals	940,716	1,004,178	(63,462)	1,333,911	1,183,728	404,642
104 Weeks Death Benefit	37,804	114,664	(76,859)	134,935	92,595	-
Settlement Agreements	204,424	11,024	193,400	14,165	21,177	-
Loss Adjustment Expenses	66,877	120,466	(53,589)	151,558	54,047	12,113
Total	2,988,887	3,066,774	(77,887)	3,990,143	3,001,600	735,042
Less: Claims Credits and Overpayments	193,542	6,609	186,933	38,143	4,925	(1,392)
Total Benefits Paid	2,795,345	3,060,165	(264,820)	3,952,000	2,996,676	736,434
Administrative Expenses	209,444	263,418	(53,974)	373,374	288,097	41,870
Total Expenditures	3,004,789	3,323,583	(318,794)	4,325,374	3,284,773	778,304
Excess (Deficiency) of Revenues over Expenditures	166,573	202,386	(35,813)	588,865	44,650,535	2,071,487
Cash Ending Balances	54,614,776	54,061,724	553,052	54,448,203	53,859,338	9,208,803

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, w/OASIS. The Self Insured Security Cash Statement is unaudited information.

UNINSURED EMPLOYERS FUND
March 31, 2018

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
Cash Beginning Balances	12,760,544	11,864,792	895,753	11,864,792	12,125,188	11,714,178
Revenues						
Fines and Penalties	266,695	416,461	(149,766)	595,742	625,093	765,082
Investment Earnings (Losses)	692,912	686,609	6,304	962,646	(205,615)	408,442
Total Revenues	959,607	1,103,070	(143,462)	1,558,387	419,478	1,173,523
Expenditures						
Claims Benefits Paid:						
Medical	57,404	23,422	33,982	30,783	47,718	22,011
Permanent Total Disability	-	-	-	-	-	-
Permanent Partial Disability	21,727	45,676	(23,949)	51,760	4,738	50,684
Temporary Disability	69,609	16,318	53,291	25,414	113,212	22,997
Fatals	37,523	37,523	-	50,030	52,164	87,881
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	334,000	219,715	114,285	255,715	228,577	82,110
Loss Adjustment Expenses	5,703	6,390	(687)	6,969	5,868	3,225
Total	525,966	349,044	176,922	420,672	452,276	268,909
Less: Claims Credits and Overpayments	3,083	28,800	(25,717)	33,341	1,558	(320,872)
Total Benefits Paid	522,883	320,244	202,639	387,331	450,719	589,781
Administrative Expenses	108,084	168,338	(60,254)	275,304	229,156	172,732
Total Expenditures	630,967	488,582	142,385	662,635	679,875	762,513
Excess (Deficiency) of Revenues over Expenditures	328,640	614,487	(285,847)	895,753	(260,397)	411,010
Cash Ending Balances	13,089,184	12,479,279	609,905	12,760,544	11,864,792	12,125,188

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, w/OASIS. 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
April 26, 2018

OPERATING REPORT

FEBRUARY 2018

Board of Treasury Investments

315 70th 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

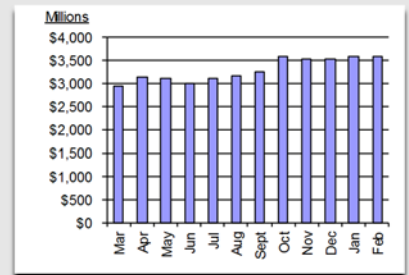
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$3,575,191,000

Last Month
\$3,584,413,000

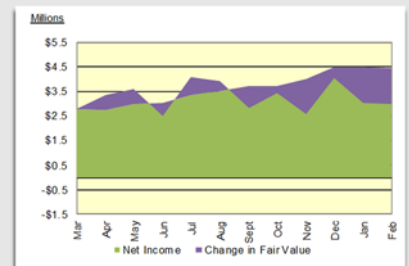
Beginning of Fiscal Year
\$2,999,927,000



Net Assets for the Past 12 Months

Total Net Income & Changes in Fair Value

Fiscal Year
\$26,870,000



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

Money Market Pools

As of February 28, 2018

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	1.5677%	40 Days	\$2.3 Billion
WV Gov't Money Market	1.2996%	33 Days	\$229.1 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

FEBRUARY 2018

Volatility Results in Moderate Correction

Market Results

Global equities snapped their winning streak amid a spike in volatility, resulting in a moderate correction early February. Investors' concerns around rising wage inflation potentially leading to more aggressive rate hikes by the Fed and a larger projected government deficit interrupted the S&P 500's golden run of 15 straight months of gains as the index tumbled 3.7%. International equities were in the red as well with the MSCI EAFE and MSCI EM indexes declining 4.5% and 4.6%, respectively.

The specter of higher inflation also weakened government bond prices with the 10-year Treasury up 16 basis points at 2.86% and the 30-year Treasury increasing 19 basis points to 3.12%. Liquid real assets declined sharply with the Alerian MLP Index falling 9.7% last month, as higher Treasury yields took some of the shine off risky investments. Treasury-based indexes continued their decline with the Barclays Long Treasury Index down 3%. Despite beliefs that recent elections in Italy and political wrangling in Germany would weigh on international yields, 10-year German and Japanese sovereign bonds ended the month little changed.

Market Outlook

At NEPC, our views remain broadly unchanged despite volatility rearing its head. We still prefer international and emerging markets equities relative to domestic stocks. At the same time, we acknowledge the likelihood of additional uncertainty given potential trade disruptions and recent electoral developments in Europe. For fixed income, we maintain our recommendation for investors to reduce credit exposure with spread compression, and favor the addition of TIPS given the potential for higher inflation. Finally, we remind investors to be vigilant in the face of elevated volatility and to adhere to disciplined rebalancing if and when deeper selloffs occur.

West Virginia Board of Treasury Investments Financial Highlights as of February 28, 2018

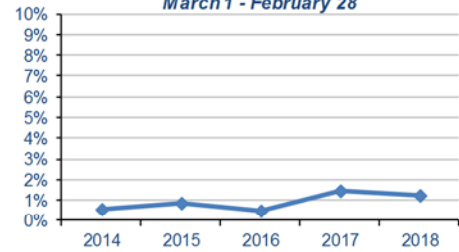
WV Short Term Bond Pool

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

<u>March 1 - February 28</u>	<u>Return</u>	<u>Net Assets At Feb 28 (In Millions)</u>
2018	1.2%	\$ 736.3
2017	1.8%	\$ 754.4
2016	0.5%	\$ 794.4
2015	0.9%	\$ 766.8
2014	0.5%	\$ 767.0

WV Short Term Bond Pool Rates of Return

*Past 12 Months
March 1 - February 28*

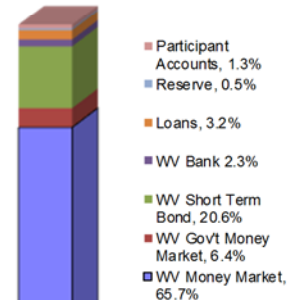


Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool

Summary of Value and Earnings *(In Thousands)*

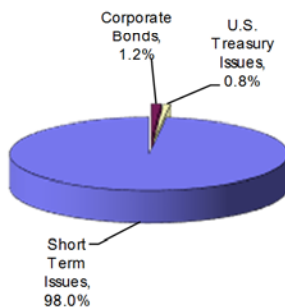
<u>Pool</u>	<u>Net Asset Value</u>	<u>Feb Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 2,348,109	\$ 2,802	\$ 19,321
WV Gov't Money Market	229,056	242	1,592
WV Short Term Bond	736,302	(287)	4,241
WV Bank	82,979	92	655
Loans	112,461	73	680
Reserve	19,003	24	149
Participant Accounts	47,281	31	232
	<u>\$ 3,575,191</u>	<u>\$ 2,977</u>	<u>\$ 26,870</u>

Percent of Total Net Asset Value

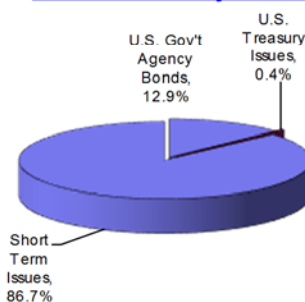


Securities by Type for Operating Pools *(Percentage of Asset Value)*

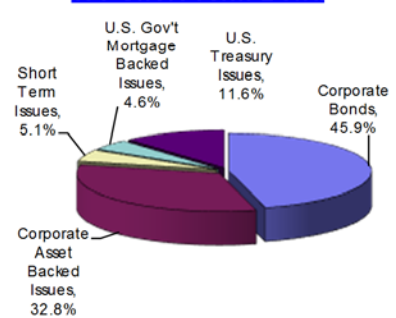
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
FEBRUARY 28, 2018
(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>
Assets							
Investments:							
At amortized cost	\$ 2,347,428	\$ 229,090	\$ -	\$ 82,687	\$ 131,371	\$ -	\$ 2,790,576
At fair value	-	-	735,770	-	-	47,126	782,896
Other assets	1,156	28	2,059	298	100	156	3,797
Total assets	<u>2,348,584</u>	<u>229,118</u>	<u>737,829</u>	<u>82,985</u>	<u>131,471</u>	<u>47,282</u>	<u>3,577,269</u>
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	475	62	1,527	6	7	1	2,078
Total liabilities	<u>475</u>	<u>62</u>	<u>1,527</u>	<u>6</u>	<u>7</u>	<u>1</u>	<u>2,078</u>
Net Position							
Held in trust for investment pool participants	2,348,109	229,056	736,302	82,979	131,464	-	3,527,910
Held in trust for individual investment account holders	-	-	-	-	-	47,281	47,281
Total net position	<u>\$ 2,348,109</u>	<u>\$ 229,056</u>	<u>\$ 736,302</u>	<u>\$ 82,979</u>	<u>\$ 131,464</u>	<u>\$ 47,281</u>	<u>\$ 3,575,191</u>
Additions							
Investment income:							
Interest and dividends	\$ 1,348	\$ 84	\$ 1,270	\$ 95	\$ 100	\$ 45	\$ 2,942
Net (amortization) accretion	1,580	173	(7)	-	-	(8)	1,738
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>2,928</u>	<u>257</u>	<u>1,263</u>	<u>95</u>	<u>100</u>	<u>37</u>	<u>4,680</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	127	15	80	3	3	-	228
Total investment expenses	<u>127</u>	<u>15</u>	<u>80</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>228</u>
Net investment income	2,801	242	1,183	92	97	37	4,452
Net realized gain (loss) from investments	1	-	4	-	-	-	5
Net increase (decrease) in fair value of investments	-	-	(1,474)	-	-	(6)	(1,480)
Net increase (decrease) in net position from operations	2,802	242	(287)	92	97	31	2,977
Participant transaction additions:							
Purchase of pool units by participants	618,693	18,082	-	97	25	-	636,897
Reinvestment of pool distributions	2,772	242	1,146	92	97	-	4,349
Contributions to individual investment accounts	-	-	-	-	-	-	-
Total participant transaction additions	<u>621,465</u>	<u>18,324</u>	<u>1,146</u>	<u>189</u>	<u>122</u>	<u>-</u>	<u>641,246</u>
Total additions	624,267	18,566	859	281	219	31	644,223
Deductions							
Distributions to pool participants:							
Net investment income	2,801	242	1,183	92	97	-	4,415
Net realized gain (loss) from investments	1	-	4	-	-	-	5
Total distributions to pool participants	<u>2,802</u>	<u>242</u>	<u>1,187</u>	<u>92</u>	<u>97</u>	<u>-</u>	<u>4,420</u>
Participant transaction deductions:							
Redemption of pool units by participants	616,395	24,082	7,442	97	1,007	-	649,023
Withdrawals from individual investment accounts	-	-	-	-	-	-	-
Total participant transaction deductions	<u>616,395</u>	<u>24,082</u>	<u>7,442</u>	<u>97</u>	<u>1,007</u>	<u>-</u>	<u>649,023</u>
Total deductions	<u>619,197</u>	<u>24,324</u>	<u>8,629</u>	<u>189</u>	<u>1,104</u>	<u>-</u>	<u>653,443</u>
Net increase (decrease) in net position from operations	5,070	(5,758)	(7,770)	92	(885)	31	(9,220)
Inter-pool transfers in	-	-	-	-	-	-	-
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	5,070	(5,758)	(7,770)	92	(885)	31	(9,220)
Net position at beginning of period	<u>2,343,039</u>	<u>234,814</u>	<u>744,072</u>	<u>82,887</u>	<u>132,349</u>	<u>47,250</u>	<u>3,584,411</u>
Net position at end of period	<u>\$ 2,348,109</u>	<u>\$ 229,056</u>	<u>\$ 736,302</u>	<u>\$ 82,979</u>	<u>\$ 131,464</u>	<u>\$ 47,281</u>	<u>\$ 3,575,191</u>