

The Honorable Mitch Carmichael, Chair

**JOINT COMMITTEE ON  
GOVERNMENT AND FINANCE**

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**June 26, 2018**



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

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INTERIM COMMITTEE ATTENDANCE - RESULTS

TUESDAY, JUNE 26, 2018 - 02:00 PM

JOINT COMMITTEE ON GOVERNMENT AND FINANCE

**Attended:**

- Delegate Nelson
- Delegate Miley
- Delegate Cowles
- Speaker Armstead
- Senator Trump
- Senator Prezioso
- Senator Blair
- President Carmichael

**Submittor:**

Terri Stowers

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[Back to Attendance](#)

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(Speaker Armstead Presides)

**AGENDA**  
**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
**June 26, 2018**

2:00 pm – 3:00 pm

Senate Finance Room

1. **Approval of May 22, 2018 minutes:**

2. **Committee Reports/Requests:**

Parks, Recreation and Natural Resources Subcommittee approval of expenses for upcoming site visitations

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, 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 of WVCHIP)*

Investment Management Board Distribution

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

Workers Compensation

*(Melinda Kiss, Assistant Commissioner of Finance, West Virginia Office of the Insurance Commissioner)*

Board of Treasury Report Distribution

4. **Other Business:**

5. **Adjournment:**

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

May 22, 2018

2:00 p.m. – 3:00 p.m.

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

**President Carmichael:** “The Committee will come to order. The first item on the agenda is the approval of the April 16, 2018 minutes. I recognize Speaker Armstead.”

**Speaker Armstead:** “I move the minutes of the April 16, 2018 meeting of the Joint Committee on Government and Finance be approved as contained in the members packets.”

**President Carmichael:** “Speaker Armstead moves that the minutes be approved. Is there discussion? All in favor say aye, opposed no. The ayes appear to have it, the ayes do have it. I declare the minutes approved.”

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

**Speaker Armstead:** “Mr. President, I move that the Joint Legislative Committee on Flooding be authorized to conduct visitations to Rainelle and White Sulphur Springs, in Greenbrier County, Summersville and Richwood in Nicholas County, and various towns within Clay County to meet with and discuss the effects of the flooding, and what effect the flooding has had on those communities, and that the members and staff be reimbursed for their expenses. These exact dates will be set accordingly if this is approved.”

**President Carmichael:** “You heard the motion. Are there questions regarding the motion or discussion? If not, all those in favor say aye, those opposed no. The ayes appear to have it, the ayes do have it. I declare the motion approved.”

**President Carmichael:** “The next order of business before the Committee are the monthly and quarterly reports. Members will find in their packets the reports from each agency. I recognize Mark first. Mark Muchow. Is Mark in here? For the General Revenue and State Road Fund.”

**Mark Muchow:** “I’m Mark Muchow, with the Department of Revenue and reporting for the year-to-date and also for the month of April. April is always the number one revenue month of the year for any state that has income taxes. Particularly, personal income taxes, it will be the number one revenue month for the year, and it certainly was this past year. Our estimate for April was \$511.7M rounded off, and we collected \$535.3M which put us \$23.7M above estimate, and 6.3% ahead of last year, which brings the year-to-date numbers to \$3.501B was the estimate, \$3.497B in collections. We are about \$4.7M below estimate for the year...compared to last year we are ahead by about 4.4% or \$145.8M. I mentioned the other day that there’s no doubt at all that we will make the year-end estimate. I think that’s a given with the performance of April. April was the last month in question. There was just a little bit of concern in April that we might have seen some draw down of additional tax refunds or lower payments because we had some higher payments back in December that did not materialize. All states with the income taxes did fairly well in April. And, our income tax in April...we’re \$13M above estimate. We collected \$293.8M. That was 9.2% ahead of last year. It brings year-to-date collections to a little over \$1.6B vs. an estimate of \$1.55B. So, we are \$52.3M above estimate year-to-date, 6 1/2% ahead of last year.

Withholding Tax, which is the biggest component of the income taxes, is ahead by 51/2% year-to-date. If you take a look at the Workforce West Virginia employment reports for the last few months, we’re seeing significant growth in employment year over year, compared to the prior year. Private sector up about 1.2%. A lot of concentration in the goods producing sector, particularly construction and mining. A little bit of growth in manufacturing, some growth in private service industries as well. So, that’s all good. The personal income numbers and wage and salary numbers come out on a BEA quarterly basis have also been positive since the middle of 2017. So, pretty good lift there, it’s helping the income tax out.

The Sales Tax is doing better these days as well, even though we are still running below estimate. In April, we were about \$3M below estimate. But, compared to the prior year, we were up about 3.6%, which is probably one of our better growth months of the year. As of the end of October on the Sales Tax, we were running a negative .4% cumulative year-to-date, but, that has since then improved gradually each month. And, we are on a cumulative 1 1/2% ahead of last year. So, it is likely that we will meet or exceed our Sales Tax Estimates for the last two months of the year, if we had grown to a little bit more than 3%. If we had grown any more, like we did in April, in Sales Tax for the entire year, we would have met estimate. We just got off to a slow start at the beginning of the year.

Both the Severance Tax and B&O benefitted from the fact that April of this year ended on a Monday, whereas last year it ended on a Sunday. Sundays are bad days and Mondays

are good days. And, March of this year ended on a weekend day...not good. So, we've got a little bit of a push of revenue into April from March, and we also got some revenue in April that last year we collected at the end of May, put the two together, and made the Severance Tax and B&O Tax look very good. On the Severance Tax side, we collected \$40M in April vs. an estimate of \$34.9M. That was 5.1 ahead of estimate...67% ahead of last year. The industry is not growing 67%, but, we are getting the good push on both sides. The main numbers will be a little bit lower. Year-to-date on Severance is \$273.7M in collections vs. the estimate of \$289.5M. We're still running about \$15.8M below estimate year-to-date, but, compared to last year up 21.8%. I still think that there is a possibility that we could possibly hit estimate by the end of the year on Severance...not completely sure, but, we will be in the neighborhood.

The B&O had the similar situation there...the B&O collections were about double this year compared to last year, but that's again, because of the effect of the calendar year-to-date on B&O we are still about \$1.2M below estimate. We will hit the estimate on the B&O by the end of the year.

Insurance Premium Tax...you notice that those collections were \$30.3M this April vs. \$14.2M last April. That tax is due on a quarterly basis and the quarterly payment was due at the end of April last year, because April fell on a Sunday, and some of that money pushed into May. This year it all pushed into April. So, the May numbers will balance that out. Year-to-date we are running at about \$6.5M above estimate on insurance premium. It will be a whole lot closer to the estimate when the final numbers come in in June.

Tobacco Tax is one of the taxes that has underperformed this year. We were \$3.8M below estimate in April, down 12.3% from last year. And, year-to-date we are running \$13.8M below estimate and down about 10.4% from last year. I had staff kind of survey our surrounding states, and our surrounding states are experiencing declines in their tobacco tax revenues too. Some of that, is that some people are quitting and some might be due to substitution products involved. But, even Virginia was running 5% or 6% below last year's collections in their state. It's more than just West Virginia. Those are the major revenue sources for West Virginia for revenue.

The Road Fund also benefitted from that same calendar effect. Especially, the Motor Fuel Tax because it is due on the last day of every month. In April, we collected almost \$53.5M...the estimate was \$30.4M. We underperformed in March and overperformed in April. Compared to last year we were up 167.6%. Again, that is not the real growth rate. Year-to-date estimate is \$358.7 and we collected \$367.1M. That's about \$8.4M above estimate, about 16% ahead of last year, and that's about where we should be because the Fuel Tax was raised on July 1<sup>st</sup> of 2017. And, we will be in that neighborhood by the end of the year on Fuel Tax.

Registration fees \$12.1M in April compared to the estimate...it's up 1.9M...12% ahead of last year and year-to-date running about \$20.9M above estimate...and 56% ahead of last year. And, again, the reason for that is the fee increases that were imposed. And, by the

way, I believe there were revised monthly motor fuel estimates that came out for May. And, the reason why they were revised is that the registration fee number and the motor vehicle sales tax numbers were not in line with where they should have been in terms of the estimate. So, it brings them more in line from where they should be for the year. That was partially done because we were making preparation for the sale of bonds and needed to reflect revenues that were coming in. So, that's been done. So, by the end of the year those numbers will be pretty much on estimate. The Sales Tax in April running 40% ahead of last year...year-to-date up 9.3%. So, we are beginning to see the full impact of the increase in the sales tax on vehicles from 5% to 6%. Overall Road Fund up about 22.7%... year-to-date \$132M. The actual increase is probably a little less than that, because last year we had a big carryover of money into May. But, still the Road Fund is in good shape, and those monies will be available to service the bonds that are being issued in \$800M of State Road Fund bonds to help fix the roads of the State. With that I will open up to any questions you might have."

**President Carmichael:** "Questions from the Committee? I recognize Delegate Miley."

**Delegate Miley:** "Thank you, Mr. President. Mark, a couple of questions. With regard to the severance taxes that are \$15.7M below estimates, what component of the severance taxes are not meeting our estimates? Is it the coal severance? Or the gas? Or is it a combination of both?"

**Mark Muchow:** "Coal severance is meeting estimate. It's gas severance for the most part. It relates to earlier this year. We had a significant decline in price, and the pipelines went down to less than \$1.00 per million BTU back in October, and that takes a while for that to play out. But, now the prices are back up to where they need to be. They are above \$2.00. So, with that price on gas, we are still in pretty good shape there. To give you some idea...year-to-date we are probably running about 5% ahead of last year on coal. So, a little bit of gain there. On natural gas, we are running probably more than 30% above last year on gas. On oil, it is more than 50% ahead of last year. So, oil and gas are related to the price changes from the prior year."

**Delegate Miley:** "So, we are doing better than last year, but, it is not as good as you expected?"

**Mark Muchow:** "Not as good as expected. But, I think there is still a little bit of possibility that we might meet the year-end estimate on severance. It's going to depend upon the gas numbers in the last couple months of the year. Prices on the natural gas side have been more consistent recently."

**Delegate Miley:** "Ok."

**Mark Muchow:** "About where we want to be."

**Delegate Miley:** "With the regard to the tobacco products tax, we are \$13.7M below estimates, and you had indicated that that could be due to lack of usage or substitute

products. What kind of substitute products are you referring to that may not otherwise be taxed and collected somewhere else?”

**Mark Muchow:** “Even though we collect a tax on the products, we collect a tax on vaping products and on smokeless products. In a relative sense, we collect the higher degree of tax on cigarettes, and I think your substitution away from cigarettes to some of the other products, like the vaping products and other tobacco products. And then, we also have some problems with drugs in this state. Some people who would normally be addicted to tobacco are maybe addicted to some other substances, and that could have a play on the numbers too.”

**Delegate Miley:** “Sure. Is there any way for you to extrapolate the reduction of potential smokers and tobacco users into the cost savings over five, ten, or fifteen year period of time with regard to maybe the Medicaid expenditures? We are saving on the back end maybe?”

**Mark Muchow:** “That would be a calculation that I would defer to the folks that are in that line of work as opposed to... I’m purely a revenue guy, and in terms of trying to figure out the health care benefits...I will leave that up to the health care people.”

**Delegate Miley:** “Ok, thank you. Thank you, Mr. President.”

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

**Delegate Shott:** “Thank you, Mr. President. I was asked a question the other day by an accountant. I am not sure I understood the question. But, I said that I would pass it along. When we do our state income tax, we begin with a federally adjusted gross income. And, the question was...with the 20% reduction that non-corporate businesses get from their tax on a federal basis, is that going to affect our income tax collections? And, if it does, is there anything that we ought to do as far as modifying the starting point for calculating state income taxes?”

**Mark Muchow:** “During the regular session, the Legislature enacted update legislation to incorporate the definitions for a federal AGI for personal income tax, and for federal taxable income for corporate income tax. The adjustment that you are talking about...the 20% for pass-thru entities is what I call the below the line of adjustment. It’s calculated after you get the federal adjusted gross income, so, it should have no impact on the West Virginia tax system.”

**Delegate Shott:** “Very good. Thank you.”

**President Carmichael:** “Other questions? Other questions for the Committee? I recognize Speaker Armstead.”

**Speaker Armstead:** “Thank you, Mr. President. I just have a quick question. Looking at the Personal Income Tax that we are \$52M over estimates, it seems to be what’s basically offsetting all of these other areas where we are a little under estimates...do we anticipate that sort of trend being through the rest of the year in terms of...do we have any adjusted estimates of what that might end up being at the end of the year?”

**Mark Muchow:** “Well, we are going to be above \$1.9B at the end of this fiscal year, and the estimates for the next fiscal year are above almost \$2B for personal income tax. So, when we considered the estimates for next year, we built in the growth that was occurring this year. Both the Personal Income Tax and the Corporate Income Tax estimates for the current fiscal year which were established back in November of 2016...for the most part...we did a little bit of a modification in June of 2017...there was concern back then about the possibility for federal tax reform and no quite clear sense for what it was going to do for the state. So, those two estimates were probably a little bit more conservatively set a little lower than they would otherwise be, in anticipation or concern about federal tax reform. The federal tax reform played out in a manner that had less of an impact than originally thought. So, that provided some surplus for both the Personal Income Tax as well as the Corporate Income Tax. Corporate Income Tax not as high as the personal income tax at \$1.8M estimate above year-to-date. But, both of those are in positive territory, partly because of that. But, employment numbers last few months...we were predicting employment growth in 2016 that never happened. We were predicting employment growth in 2017, and it never happened. It was going the wrong way on us. This year, the greater growth on employment so far, is higher than what is in the forecast model. So, that’s good. As opposed to being disappointed, I’m happy...so...it’s always better to be happy than be disappointed.”

**Speaker Armstead:** “When you’re happy, we’re happy. Thank you.”

**President Carmichael:** “Any further questions? Comments? Yes, I recognize Delegate Boggs.”

**Delegate Boggs:** “Thank you, Mr. President. Mark, along those lines with the Consumer Sales Tax and Use Tax being down, and obviously, as the Speaker mentioned the Personal Income Tax up. When do you anticipate that all of the people are contributing to the Sales Tax...to the Personal Income Tax are going to start spending?”

**Mark Muchow:** “Well, they already are. That’s why the Sales Tax growth numbers in recent months have been in that 3-4-6% range which is good.”

**Delegate Boggs:** “Would it go up further than that?”

**Mark Muchow:** “Well, I don’t expect it to go up much further than that. We should have around 3 1/2%...give or take a little bit...growth in the Sales Tax for the next fiscal year, if all holds. The Sales Tax got off to a slow start because our economic recovery initially started out mainly in the energy sector. And, the energy sector does not employ a

whole lot of West Virginians. But, it provided a lot of revenue and a lot of growth. The growth coming mainly from exports, a tremendous growth in exports. Of course, that economic activity is not tied to Sales Tax. Only recently, with the employment enhancement that we have seen recently in months has it had a broader type of economic participation. So, as the participation in terms of job increases are in more sectors other than just energy...and related factors...we should see improved sales tax growth. Sales Tax growth numbers have been relatively soft for the Mid-Atlantic Region. So, it's not just West Virginia. Pennsylvania has been a little bit soft here recently. We think things are going to improve if we can continue to get this 1% plus employment growth weighed into next fiscal year, we will see much improved sales tax numbers."

**Delegate Boggs:** "Thank you."

**President Carmichael:** "Thank you. I hate to let you go because this is a great report. Thank you, so much. The next item on our agenda is Connie Kirk with the Unemployment Compensation Trust Fund. Connie."

**Connie Kirk:** "Good afternoon, Mr. President, Mr. Speaker and Members of the Committee. The projections for May for the Trust Fund balance is \$143,855,520.00. I also pulled the actuals of the financials for today, and the balance today is \$145,557,927.00. If you have any questions, I will be happy to answer them."

**President Carmichael:** "Questions? Questions for Connie? Yes, I recognize Senator Trump."

**Senator Trump:** "Thank you, Mr. President. Connie, thank you for your presentation. In past years...for a bunch of consecutive years run, we didn't borrow from the Rainy Day Fund or the Unemployment Compensation Fund. Is it safe to say that the trends that we are seeing on this will not be necessary?"

**Connie Kirk:** "If we trend the way we are right now, I do not think it would be necessary."

**Senator Trump:** "Ok. Thank you."

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

**Connie Kirk:** "Thank you."

**President Carmichael:** "Great report. Next item on our agenda is the PEIA, BRIM and Real Estate Report; Mary Jane Pickens, Deputy Secretary Department of Administration."

**Mary Jane Pickens:** "Good afternoon Mr. President, Mr. Speaker and members of the committee. Secretary Myers couldn't make it here this afternoon, but I am filling in for him. We've filed our reports for PEIA, BRIM and the Real Estate Division. They should be in

your packets, and I have representatives from those agencies here in case the committee has any questions.”

**President Carmichael:** “Questions from the Committee? Yes. I recognize Speaker Armstead.”

**Speaker Armstead:** “Thank you, Mr. President. Mary Jane...I was kind of impressed by one of the bullet points there in the talking points... is that we are currently ahead in PEIA by \$23M due to lower than forecasted expenses. And, I know that we have been talking over the past several months about the fact that we probably need, somewhere roughly in the neighborhood, of \$50M each year. Is that offset by that \$23M? How does that affect the projection that we would need a \$50M infusion each year or is that separate from that? Or is that part of the fund?”

**Mary Jane Pickens:** “I think that you would probably need Mr. Cheatham to respond to those kinds of questions in that he is present.”

**Speaker Armstead:** “Ok. Thank you.”

**President Carmichael:** “Ok, with leave of the committee we will have Director Ted Cheatham come forward.”

**Ted Cheatham:** “Ted Cheatham with PEIA. Yes.”

**Speaker Armstead:** “(Inaudible) Is that being projected for basically the whole fiscal year or is that projection that we are \$23M ahead now?”

**Ted Cheatham:** “We are \$23M ahead now. We are just seeing people getting out of their deductible periods. Claims are now about \$10M a week. We’ve had a great year so far. But, the next few months will be a lot higher. So, hopefully we can stay close to that.”

**Speaker Armstead:** “Ok. So, that will reduce the amount that the Legislature will have to come up with next year.”

**Ted Cheatham:** “Absolutely.”

**Speaker Armstead:** “Alright, thank you very much. Thank you.”

**President Carmichael:** “Other questions? For Ted or Mary Jane? If not, thank you very much.”

**Mary Jane Pickens:** “Thank you.”

**President Carmichael:** “Next item, DHHR, Brent are you ready? Alright. I call Cynthia Beane.”

**Tony Atkins:** “Good afternoon Mr. Speaker, Mr. President. I’m Tony Atkins, the Deputy Commissioner. Commissioner Beane is not available today to be with us.”

**President Carmichael:** “Do you care to make some comments about the report or are you just standing in for questions?”

**Tony Atkins:** “Just standing in for questions.”

**President Carmichael:** “Alright, I recognize Delegate Boggs.”

**Delegate Boggs:** “Thank you, Mr. President. Thank you for thinking ahead. Hi, Tony. How are you?”

**Tony Atkins:** “Good, Delegate Boggs.”

**Delegate Boggs:** “Just in terms of the waitlist for the Medicaid Waiver, the AD Waiver...is that creeping up? Is it about where we thought it would be? I know we have been trending downward.”

**Tony Atkins:** “We actually cleared all of the slots in January, and removed everyone from the waitlist. I think that there were 900 and some at that time. We’ve actually added about 693 folks actually receiving services since January. As of May 15, we have 282 on the waitlist.”

**Delegate Boggs:** “282.”

**Tony Atkins:** “282. We are effective June of this year going to be adding permanently to the number of slots, 693...which will take the total number of slots to 6,445.”

**Delegate Boggs:** “Ok, so CMS obviously did approve that? Or is that contingent on the...”

**Tony Atkins:** “Yes. But, there shouldn’t be any...”

**Delegate Boggs:** “Just anticipating that they will approve that.”

**Tony Atkins:** “Yes.”

**Delegate Boggs:** “Ok. So, in just a brief...on the IDD Waiver...I know that there was going to be...I think funding coming up for additional 50 slots to be filled. I know that that’s still going to leave a considerable number on that waitlist.”

**Tony Atkins:** “Yes. We do plan on adding 50 new slots starting July 1, of this year. Currently, there are 1,316 on the waitlist for the IDD Waiver. So, we will make some improvement, but, nowhere near what it would take to...”

**Delegate Boggs:** “Tony, what’s that...is there anyway...I mean, you may not know this off hand, but, what’s the average wait time on the IDD Waiver list for someone?”

**Tony Atkins:** “It’s a long time. It’s right at (inaudible) days, which Jeremiah just whispered to me, is about three years. That was as of the end of March.”

**Delegate Boggs:** “And, as a general rule, that’s usually people possibly go on that earlier in life, and are usually on that for extended periods?”

**Tony Atkins:** “Yes. That’s correct.”

**Delegate Boggs:** “Ok. One more question. Because, we don’t talk about this as much as we do...at least I don’t...the AD Waiver Program, but, how does that compare...I just want to get that out there publicly...how does that compare per client annually...AD Waiver vs. the IDD Waiver?”

**Tony Atkins:** “The AD Waiver...the average per member spent, for the Waiver is about \$25,000.00 per member. Of course, that’s compared to just the nursing home cost of about \$58,000.00 annually. And, then on the IDD Waiver, the annual cost there is about \$79,000.00. And, then that compares to the ICF cost which is about \$127,000.00. So, AD Waiver is about \$25,000.00, and the IDD is about \$79,000.00, just in the Waiver Program.”

**Delegate Boggs:** “Ok. A lot of money, but quite a substantial savings over the alternative.”

**Tony Atkins:** “Yes, very much so.”

**Delegate Boggs:** “Ok. Now, I know that there was supposed to be a meeting about a possibility of some of the providers for the AD Waiver seeing some type of an increase in that. Has that meeting taken place yet?”

**Tony Atkins:** “That meeting has occurred. Commissioner Beane did attend with some of the ADW providers. It was a positive meeting. She has me doing the analysis, as we speak, on what the potential would be to increase some of the provider rates in that.”

**Delegate Boggs:** “So, nothing has been determined?”

**Tony Atkins:** “It’s in the works.”

**Delegate Boggs:** “But, it’s in the works. Ok. Tony, thank you, very much. Mr. President, thank you.”

**President Carmichael:** “Thank you for your advocacy on this. You should be pleased of the whittling down of these lists. So, are there other questions? If not, thank you very much. The next item on the Agenda is the Children’s Health Insurance Program. Is Jeremiah here to speak to that?”

**Jeremiah Samples:** “Hello, Mr. President and Mr. Speaker. You have the CHIP report in your packet. I’d be happy to address any questions.”

**President Carmichael:** “Any questions of Jeremiah? Can you give us a summary of it?”

**Jeremiah Samples:** “CHIP as it currently stands is fully federally funded. That will begin to change in state fiscal year 2020 with staggering match rates. We will in essence be going back to the old match rate that pre-dated the ACA. And, so, we are going to have to prepare for about \$5M in 2020 that will in essence be the state’s percent of that program’s match. So, just as we are looking downstream, it’s a liability that we will have to now address.”

**President Carmichael:** “Thank you. Are there questions? I recognize Senator Blair for a comment.”

**Senator Blair:** “Thank you, Mr. Chairman. Jeremiah, I want to thank you for the work that you have been doing. And, for everybody who doesn’t know this, he has been coming in...in the DHHR...offering up ways to be able to do things for a more cost-effective manner. And, we’ve dealt with a lot of it, right behind that door back there. I just want to thank you personally for doing that. And, keep it coming. And, for anybody else that’s listening to it and any other agency out there, that’s what we are here for. If we can actually make things happen more efficiently like you have...and, I say you, because you are the lead that I have dealt with most of the time on this. I really, really appreciate that, and I like praising people, and hope I can get even more into the future. So, I wanted to take that opportunity to say that.”

**Jeremiah Samples:** “Well, thank you, Mr. Chairman. We have a really good team at the Department. And, really DHHR is one of the major agencies for expenditures of the state. We’ve worked very hard over the last few years to control that budget, and I think coupled with the news coming out of the Department of Revenue on the positive trajectory and the state’s economy, there’s nothing that we can do better for our programs than to get folks into jobs. So, it seems to be encouraging on all fronts, and we want to continue to be a part of the solution.”

**Senator Blair:** “God bless you.”

**President Carmichael:** “Thank you. Nice comment. The next item on our agenda is the Investment Management Board, Rodney Livingston.”

**Rodney Livingston:** “I need to send apologies from Craig Slaughter. He had car trouble on the way back from vacation. So, you guys are stuck with me today. I’m Rod Livingston, with the Investment Management Board. If we look at the last quarter, for the pension plans, obviously, it’s marginally positive. You all have the performance report. If you are looking fiscally year-to-date we’re looking at above 7 ½% as our target. It’s not a lot of ways above 7 ½%...we still have a couple of months to go. I don’t know what’s going to end up happening. So, I don’t want to mislead anybody thinking we’ve got it nailed. We’re kind of iffy there. On the insurance plans, obviously they suffered more. The more fixed income exposure they had, they suffered indeed more. If you look long-term, on the pension plans...ten years...they are approaching a 7 ½% return. Some of that is good returns and some of that is just getting the recovery from the great financial crisis. And, that’s going to bump up in the next couple of years as the returns from the great financial crisis drop off the ten-year exchange. Because we are almost ten years away from that, that’s just a factor of the time frame. If we drill down a little bit, domestic equity in March was negative. But, over the quarter was positive. The economy seems to be chugging along. Additionally, the returns of the stock market were helped by the record stock buy-backs...corporations using the corporate tax cut...to do that. Internationally, was marginally negative over the quarter. Last year, we had the euro boom which Europe actually did better last year than they have done in the previous decade. That seems to kind of be slackening now. There seems to be some slowing up in the returns there. We also had China trying to become a bigger role-player in the world. They are opening up the markets enough that they are starting to be included in the index, but not completely open yet. But, as we had at the end of March, we had the trading back and forth. If you give us these tariffs, we’ll give you those tariffs...there could be some trade wars. That obviously affected their returns. So, internationally, it suffered.

Fixed income was negative over the quarter. That implies rising rates. Now, we keep seeing the Fed talking about raising the rates on the short end. And, the rising rates as we look...have been flattened. The U-curve flattened, which means that the long-term didn’t rise very much. That would imply that the market is not really seeing inflation. The Dallas Fed recently said...President said... that their analysis that employment is full... As Mark talked earlier, in West Virginia he’s talking domestically, throughout the country that he thinks that it might be a little bit beyond full employment. That would seem to imply inflation picking up. April Consumer Price Index was only up 0.2%. That was really driven by oil prices. Some of that was driven by the U.S.’s withdrawal from the Iran deal, and some worry that the Iran oil was going to come off the market, and that’s what is going to decrease supply and all of that. We’ll see. It could also be that the U.S. has increased its issuance of long-term treasuries. Part of that is just to cover our deficit obviously. But, part of that might be leading into some reduction of returns...our yield on the long-term...supply and demand kind of thing. How much that is, we haven’t really seen. But, there could be some expectations of that going on. If we look at some of the other asset classes, the alternatives...the private equities chugging along... doing what we expected

providing good returns. The trade-off there is illiquidity. Real Estate...the returns are between fixed and equity. That's what we are looking for. Hedge Funds are fixed income like...but they are at a different path. They are performing when fixed income isn't, doing badly when fixed income is doing well...so, last quarter they did well. Fixed income didn't. Opportunistic income is still pretty young. There's not a lot of conclusions to be drawn there. It's looking good so far, but, I don't want to promise anything. Just in terms of identifying risks out there, if you turn the risks around, there's always opportunities. The trade war seems to be dissipating. China announced today that they have reduced their tariffs on the car manufacturers. That would be good news if that doesn't happen, but, you know, it could turn around, and we could end up in that. That would be bad for the markets. We could conceivably run into a hot war. The areas it seems most likely now, are North Korea, which is just a mind field, I guess, diplomatically, but, also probably literally. But, Iran and Saudi Arabia are having a shooting war now. That could blow up...that could get hotter...the U.S. could get drawn into that somehow or another. We could just see the economy just tail off. We've done really well after the financial crisis. But, we are sort of still back to where we were...little bit beyond, but not great. It feels...everyone thinks that it has a return now because it has been going on for so long. But, that speaks to more of the depth that we fell during that crisis. But, there might not be a reason for that to continue to grow. Those are just the possible issues out there. Obviously, any kind of crystal ball work is pretty cloudy. So, I don't know. I will take any questions you might have."

**President Carmichael:** "You covered a lot of ground there. Are there any questions? Just a comment. The returns are good this year. The returns are very good this year. So, thank you. Next item on the agenda is the Workers Compensation Report...Melinda Kiss."

**Melinda Kiss:** "Good afternoon, Mr. President, Mr. Speaker and members of the committee. Commissioner McVey is out of town. He sends his regrets he could not be here today. We have submitted our report and if anybody has any questions, I'll be happy to try to address those for you."

**President Carmichael:** "Are there questions of Ms. Kiss? If not, thank you very much. This concludes our reports. The others are in your packets. Other business...Scott Curnutte with the WV Law Institute, as well as Professor Bob Bastress."

**Professor Bob Bastress:** "Thank you, Mr. President. I am Bob Bastress. I currently serve as the Director and Secretary to the Law Institute. And, with me today, is the President of the Governing Council of the Institute, Scott Curnutte, who has been with the Institute now, for quite a number of years. He's going to give you some of the background on the Institute, and then I'll bring you up to speed on what we have been doing the last eight years or so."

**Scott Curnutte:** "Thank you, Mr. President, Mr. Speaker and members of the committee. The West Virginia Law Institute is the statutorily created advisory committee to the Legislature regarding law reform. And, since it's inception in 1988, we've had a

number of large scale multi-year projects including recommending reformation of the tax delinquency statutes, a major overhaul of intestate succession, an elective share probate type stuff, together with a number of others. In 2012, this committee saw fit to provide funding to the Law Institute to take on some additional tasks. Specifically, the Committee provided us some funding to pay law students on an ongoing basis so that we could take on smaller, more focused, and targeted research projects, and turn those around more quickly than we can for the contracted multi-year type projects. We've been good stewards of that money and Professor Bastress is going to be addressing that in a moment. But, we are seeking to get another tranche of funding to do those projects. I would point out that when we last received funding in 2012, we immediately took on six of these smaller, more targeted projects. To date, we have completed about ten of them and taken on...I think we have another five. To give you a sense of those fifteen projects...one came directly from an agency, and was funded by that agency. A couple came from State Bar Committees, a couple have come from judges, a couple have come from lawyer members, but the majority of them have come from the Legislative members who are members of our Institute. And with that, I would like to turn it back over and yield to Professor Bastress who is going to address any questions you may have about those projects."

**President Carmichael:** "Professor?"

**Professor Bob Bastress:** "Thank you. You can see in the hand-out we have provided that we have done twelve projects since 2010. Several of them were major projects and done under special contracts. The 2012 grant that Scott had mentioned was for \$30,000.00 and as of last week we have about \$9,200.00 left of that. While doing these twelve projects, we currently have, I think 6, that are in progress. So, we will be funding all of those six projects over the course of the summer. And, I think that will eat into the \$9,200.00 that I had just mentioned. And, of course, once that's out, we use all of the money... goes towards paying law students to do research. That research is supervised by me, and in some cases by private attorneys, and in some cases by other members of the Law School Faculty to ensure that we are putting out a decent product in the end. So, to continue that research level we are requesting basically, another \$30,000.00. And, if we spend it at the same rate that we did during the last six years, that would last us into the foreseeable future."

**President Carmichael:** "Are there questions? Yes, Delegate Shott."

**Delegate Shott:** "Thank you, Mr. President I would just like to add a comment. From the standpoint of the House Judiciary Committee, the Law Institute has been very helpful on a number of these projects. We've requested their assistance, and they've been very comprehensive responses, and timely made. So, for the benefit of the other members of the committee."

**President Carmichael:** "I recognize the Senate Judiciary Chair."

**Senator Trump:** “Thank you, Mr. President. I would ask concurrence to the remarks of my esteemed colleague from Mercer County. And, I had a question for Bob that I’m embarrassed to ask because I am a member of the Law Institute. Are the projects that are completed available to the general public on the website maintained by the Law Institute?”

**Professor Bob Bastress:** “I think that they are currently on the website. That was one thing that we were a little slack on was keeping that website up to date. But, as of...I believe...this year, we have put those on the website. About three quarters of them accordingly to Scott.”

**Senator Trump:** “Thank you. Ok.”

**President Carmichael:** “So, I appreciate that. Are there other questions or comments? I very much appreciate you being here today, and your presentation.”

**Professor Bob Bastress:** “We appreciate it as well. Thank you.”

**President Carmichael:** “The next item on our agenda, I am going to call Delegate Zatezalo to the podium to discuss the West Virginia Legislature accepting an invitation of becoming a member of the National Energy Council. So, if you would?”

**Delegate Zatezalo:** “Thank you, Mr. President. The opportunity has been given to us to join The Energy Council which is a national organization of legislators from states who produce energy. There are twelve states in this council including such places as Texas, Louisiana, Oklahoma, Colorado, Wyoming...all coal producing, wind producing...Kansas is part of it. It is an all-in energy council. I have had the opportunity to avail myself. I spoke at their meeting in Wichita with the late Corky Demarco. He and I went there to talk about oil and gas in West Virginia. But, there is a lot more to this organization as I found out. I think it is a really important organization to look seriously at. The reason for that is, it does a lot more than just one type of energy or another. It is all inclusive including renewables, wind power, solar power, and that type of thing. There are members of electrical producing units that utilize those types of resources so that we will have a heads up of any type of energy usage. Where I think it comes in, that is particularly important at this time, is the use of oil and gas and the feedstocks for natural gas liquids. The use of that is also something that they are very interested in. They have an organization called the Center for Legislative Environmental and Engineering Research, which is a consortium of private companies and academia that tackle problems that are energy related or environmental related that relate to energy. I have found that...as a matter of fact I have had conversations with the people of Shell Oil who are a member of this. And, that is important up in my district because they are building a major cracker plant ten miles north of West Virginia in Monaca, Pennsylvania. Down the road, that is going to have high importance to us when other customers come in to use property for building manufacturing facilities and the like. One of their sponsors is the American Society of Petrol Chemical Manufacturers. These are people that we are going to have to avail

ourselves of...that we are going to have to be able to discuss things with them, and that is also part of what we can do as a part of this Council. There is an upcoming meeting for the people who are coal people...the upcoming meeting...one of the big items on their agenda is rare earth element usage which is going to become a very big thing in this state, and they are wired into that as well. The reason I like this organization is because...I attended the Southern Legislative Conference which I think is an important group as well...but these people are focused on energy, and they delve into things that I have not seen this type of depth in research, and discussion in other places. And, for that matter, I really am a big proponent of us joining this organization. I talked with them a little bit about the energy storage hub, and they are inclined to support that. That would be another twelve states that would be in support of that type of operation...that type of development. I think it is an important thing. I will take any questions, and if I can answer them I will be glad to. I will tell you that the annual fee is \$38,000.00, which is \$19,000.00 from the Senate, and \$19,000.00 from the House. With that, I will entertain any questions, if I can answer them.”

**President Carmichael:** “Thank you for your presentation. Are there any questions from the committee? I recognize Delegate Boggs.”

**Delegate Boggs:** “Thank you, Mr. President. You mentioned the Southern Legislative Conference. Were you referring to the Southern States Energy Board?”

**Delegate Zatezalo:** “My understanding is that that is part of the SLC...the Southern States Energy Board...it’s the same sixteen states.”

**Delegate Boggs:** “So, how does this differ?”

**Delegate Zatezalo:** “This is national and, also has two Canadian provinces. It’s expanded and the thing that I like about it is that there are a lot of coal producing states in this conference that we do not normally...Montana is one...North Dakota is one...and Wyoming is one. And, they work hard on coal issues, as well as oil and gas and renewables.”

**Delegate Boggs:** “Ok, thank you.”

**President Carmichael:** “Further questions? If not, I recognize the Speaker for a motion.”

**Speaker Armstead:** “Mr. President, I move that the Legislature vote to join and become a member of The Energy Council.”

**President Carmichael:** “Are there questions on the motion? Discussion? If not, all in favor will say aye. Those opposed no. The ayes appear to have it, the ayes do have it. I declare the motion adopted. Is there any further business to come before the Committee? I recognize Senator Blair.”

**Senator Blair:** “I just want one thing...since we did this...and I am supportive of it. But, I would like to have a list...because I don't know where we are on this...of all the different things we belong to for the next meeting. So, we can look at it...to see whether there is anything that we would like to weed out at this point and time, if possible for that matter. Thank you.”

**President Carmichael:** “Yes. I recognize Speaker Armstead.”

**Speaker Armstead:** “Just in response, we have looked at some of that, and there are some that we are previously members of... that over the years we have either... I guess consciously decided not to be a member of or just decided not to include in the budget as far as dues for them. So, we have taken a look at that, and we do have a list. I think Aaron could surely get that to all of the members of this committee. But, there were probably...I think over 30 or 40...you know I don't know the exact number...maybe 30 groups at one point....”

**Aaron Allred:** “15....”

**Speaker Armstead:** “That we are now... I mean that there are others that were no longer part of it...I think it was a much longer list. We have been trying to figure out exactly what benefit we get from each of those, and if there is some overlap with others.”

**Senator Blair:** “I shouldn't have added that last sentence in regard to my comment on that. What I was asking for is that I don't know what we belong to. I know...obviously SLC and a couple like that...but I would like to see the whole list of what we are paying dues out to. And, I retract my comment, because I shouldn't have said it like that.”

**President Carmichael:** “Too late. It's already out there.”

**Senator Blair:** “It won't be the last time either.”

**President Carmichael:** “Well, is there further business to come before the committee? If not, I recognize Speaker Armstead for a motion.”

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

**President Carmichael:** “Heard the motion. All those in favor will say aye, those opposed no. The ayes appear to have it, the ayes do have it, I declare the committee adjourned.”

# WEST VIRGINIA LEGISLATURE

*Office of the Legislative Auditor*



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

*304-347-4870*

June 13, 2018

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

- West Virginia Lottery as of April 30, 2018:  
Gross profit for July 2017 - April 2018 was \$416.5 million. Gross profit for July 2016 – April 2017 was \$416.3 million.
- West Virginia Unemployment Compensation Fund as of May 31, 2018:  
Total disbursements were \$45.5 million lower than last fiscal year. Overall ending trust fund balance was \$68 million higher on May 31, 2018, than on May 31, 2017.
- General Revenue Fund as of May 31, 2018:  
The general revenue collections ended the eleventh month of fiscal year 2017-2018 at 100.6% of the estimate for the year.
- State Road Fund as of May 31, 2018:  
The state road fund collections ended the eleventh month of fiscal year 2017-2018 at 110% of the estimate for the year.

WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



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

MEMORANDUM

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

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

Date: June 16, 2018

Re: Review of West Virginia Lottery Financial Information  
As of April 30, 2018

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for April 30, 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 \$904.4 million for July - April 2018. Table games accounted for \$29.5 million of this total. Historic Resort Hotel video lottery and table games accounted for \$5.3 million of total gross receipts. Gross lottery revenue has increased by 1% when compared with July - April 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 - April 2018 was \$416.5 million; for July - April of last fiscal year it was \$416.3 million. Expressed as a percentage, gross profit is less than 1% higher for fiscal year 2018 than for fiscal year 2017.

Lottery continued

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

A total of \$400,146,000.00 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	\$67,329,000.00
Community and Technical College	\$4,998,000.00
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	\$9,995,000.00
School Building Authority	\$18,000,000.00
<b><u>SUBTOTAL BUDGETARY TRANSFERS</u></b>	<b>\$150,710,000.00</b>

Lottery continued

**Excess Lottery Fund**

Economic Development Fund	\$18,989,000.00
Higher Education Improvement Fund	\$15,000,000.00
General Purpose Fund	\$50,099,000.00
Higher Education Improvement Fund	\$22,352,000.00
State Park Improvement Fund	\$3,854,000.00
School Building Authority	\$18,995,000.00
Refundable Credit	\$9,247,000.00
WV Racing Commission	\$1,541,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$36,800,000.00
WV Lottery Statutory Transfers	\$48,620,000.00
General Revenue	\$0.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$36,828,000.00
<b>Total State Excess Lottery Revenue Fund</b>	<b>\$262,325,000.00</b>

Total Budgetary Distributions:	\$413,035,000.00
Veterans Instant Ticket Fund	\$534,000.00
<b>TOTAL TRANSFERS</b>	<b>*\$413,569,000.00</b>

\* CASH BASIS

Total Accrued last FY 2017:	\$132,693,000.00
Total Cash Distributions FY 2018:	\$413,569,000.00
Applied to FY 2017:	\$132,693,000.00
Applied to FY 2018:	\$280,876,000.00
Accrued for FY 2018 as of April 30:	\$119,270,000.00



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 April 30, 2018

A handwritten signature in blue ink, appearing to read "AHL", positioned to the right of the "TO:" and "FROM:" fields.

**DATE:** May 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 April 30, 2018 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$91,896,560 for the month of April.

Transfers of lottery revenue totaling \$38,573,105 made for the month of April 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 April 30, 2018 was 1,487 and 1,307 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

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FROM: Alan H. Larrick, Director

RE: Monthly Report on Lottery Operations  
Month Ending April 30, 2018

DATE: May 16, 2018

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Attachment

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Members of the West Virginia Lottery Commission



**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**April 30, 2018**

**WEST VIRGINIA LOTTERY**

**TABLE OF CONTENTS**

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

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

ASSETS	April 30, 2018	June 30, 2017
Current Assets:		
Cash and cash equivalents	\$ 131,490	\$ 156,550
Accounts receivable	37,750	27,533
Inventory	599	553
Other assets	<u>1,190</u>	<u>1,482</u>
Total Current Assets	<u>171,029</u>	<u>186,118</u>
Capital assets	57,294	55,732
Less accumulated depreciation and amortization	<u>(12,979)</u>	<u>(11,953)</u>
Net Capital Assets	<u>44,315</u>	<u>43,779</u>
Total Noncurrent Assets	<u>44,315</u>	<u>43,779</u>
Total Assets	<u>\$ 215,344</u>	<u>\$ 229,897</u>
Deferred outflows of resources	<u>\$ 2,795</u>	<u>\$ 2,795</u>
Total assets and deferred outflows	<u>\$ 218,139</u>	<u>\$ 232,692</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 119,270	\$ 132,693
Estimated prize claims	15,821	15,621
Accounts payable	1,409	1,404
Other accrued liabilities	<u>28,253</u>	<u>29,588</u>
Total Current Liabilities	<u>164,753</u>	<u>179,306</u>
Deferred inflows	<u>\$ 367</u>	<u>367</u>
Net Position:		
Net Investment in capital assets	44,315	43,779
Unrestricted	<u>8,704</u>	<u>9,240</u>
Total Net Position	<u>53,019</u>	<u>53,019</u>
Total net position, liabilities, and deferred inflows	<u>\$ 218,139</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 TEN MONTH PERIOD ENDED APRIL 30, 2018**  
(In Thousands)  
-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2018	FY 2017	FY 2018	FY 2017
Lottery revenues				
On-line games	\$ 4,968	\$ 4,893	\$ 66,891	\$ 59,633
Instant games	8,753	8,263	81,170	78,408
Racetrack video lottery	42,385	43,901	416,670	433,388
Limited video lottery	32,584	29,577	304,857	289,579
Table games	2,760	3,036	29,529	32,964
Historic resort	446	271	5,329	4,286
	<u>91,896</u>	<u>89,941</u>	<u>904,446</u>	<u>898,258</u>
Less commissions				
On-line games	356	338	4,680	4,163
Instant games	613	578	5,682	5,489
Racetrack video lottery	20,483	21,212	217,922	225,682
Limited video lottery	15,966	14,493	149,380	141,894
Table games	1,171	1,287	12,520	13,972
Historic resort	234	160	2,830	2,258
	<u>38,823</u>	<u>38,068</u>	<u>393,014</u>	<u>393,458</u>
Less on-line prizes	2,544	2,318	33,854	30,002
Less instant prizes	5,823	5,432	53,559	51,478
Less ticket costs	105	103	1,051	1,134
Less vendor fees and costs	563	843	6,463	5,852
	<u>9,035</u>	<u>8,696</u>	<u>94,927</u>	<u>88,466</u>
Gross profit	<u>44,038</u>	<u>43,177</u>	<u>416,505</u>	<u>416,334</u>
Administrative expenses				
Advertising and promotions	305	365	4,265	4,107
Wages and related benefits	831	847	8,368	8,505
Telecommunications	75	12	678	887
Contractual and professional	195	385	4,014	3,910
Rental	9	26	130	303
Depreciation and amortization	104	108	1,026	1,081
Other administrative expenses	211	91	1,422	1,262
	<u>1,730</u>	<u>1,834</u>	<u>19,903</u>	<u>20,055</u>
Other Operating Income	<u>7,833</u>	<u>7,914</u>	<u>11,818</u>	<u>10,208</u>
Operating Income	<u>50,141</u>	<u>49,257</u>	<u>408,420</u>	<u>406,487</u>
Nonoperating income (expense)				
Investment income	132	133	1,077	691
Distributions to municipalities and counties	(639)	(580)	(5,975)	(5,676)
Distributions -capital reinvestment	(843)	(870)	(3,376)	(3,761)
Distributions to the State of West Virginia	(48,791)	(47,940)	(400,146)	(397,741)
	<u>(50,141)</u>	<u>(49,257)</u>	<u>(408,420)</u>	<u>(406,487)</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 TEN MONTH PERIOD ENDED APRIL 30, 2018**

(In Thousands)

-Unaudited-

	2018	2017
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 906,047	\$ 990,585
Cash payments for:		
Personnel costs	(8,368)	(9,081)
Suppliers	(10,208)	(11,597)
Other operating costs	(485,870)	(530,087)
Cash provided by operating activities	<u>401,601</u>	<u>439,820</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(413,569)	(459,120)
Distributions to municipalities and counties	(5,884)	(6,220)
Distributions to racetrack from racetrack cap. reinv. fund	(6,933)	(10,434)
Cash used in noncapital financing activities	<u>(426,386)</u>	<u>(475,774)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(1,562)</u>	<u>(149)</u>
Cash flows from investing activities:		
Investment earnings received	<u>1,287</u>	<u>868</u>
Cash provided by investing activities	<u>1,287</u>	<u>868</u>
Increase (decrease) in cash and cash equivalents	(25,060)	(35,235)
Cash and cash equivalents - beginning of period	<u>156,550</u>	<u>166,621</u>
Cash and cash equivalents - end of period	<u>\$ 131,490</u>	<u>\$ 131,386</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 408,420	\$ 449,849
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	1,026	1,181
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(10,217)	(10,810)
(Increase) decrease in inventory	(46)	(213)
(Increase) decrease in other assets	82	236
Increase (decrease) in estimated prize claims	200	(112)
Increase (decrease) in accounts payable	5	(524)
Increase (decrease) in other accrued liabilities	2,131	213
Cash provided by operating activities	<u>\$ 401,601</u>	<u>\$ 439,820</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 April 30, 2018 the carrying amounts of deposits (overdraft) with financial institutions were \$484 thousand with a bank balance (overdraft) of \$517 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):

	April 30, 2018	June 30, 2017
Deposits with financial institutions	\$ 484	\$ 468
Cash on hand at the Treasurer's Office	7,799	17,239
Investments with BTI reported as cash equivalents	123,207	138,843
	\$ 131,490	\$ 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 April 30, 2018 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2017	Additions	Deletions	Historical Cost At April 30, 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 April 30, 2018
Buildings	\$ 5,247	\$ 1,013	\$ -	\$ 6,260
Equipment	6,706	13	-	6,719
	<u>\$ 11,953</u>	<u>\$ 1,026</u>	<u>\$ -</u>	<u>\$ 12,979</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 April 30, 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	\$ 1,979,976	\$ 31,957,360
Hot Lotto	-	2,219,730
Lotta America	341,972	2,393,624
Mega Millions	888,097	12,747,901
Total	\$ 3,210,045	\$ 49,318,615

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 990,004	\$ 15,979,898
Hot Lotto	-	974,129
Lotta America	170,987	1,196,846
Mega Millions	461,936	6,547,087
Total	\$ 1,622,927	\$ 24,697,960

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 April 30, 2018, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 120,466,632	\$ 1,582,256
Hot Lotto	6,918,607	493,881
Lotto America	909,937	63,546
Mega Millions	56,506,520	714,327
Total	\$ 184,801,696	\$ 2,854,010

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 \$15,355,042 at April 30, 2018, of which the Lottery's share was \$1,346,423.

**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 April 30, 2018 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Total credits played	\$ 478,485	\$ 495,038	\$ 4,661,430	\$ 4,828,969
Credits (prizes) won	(429,417)	(444,446)	(4,181,039)	(4,333,679)
Promotional credits played	(6,683)	(6,689)	(63,695)	(61,843)
MWAP Contributions	-	(2)	(26)	(59)
Gross terminal income	42,385	43,901	416,670	433,388
Administrative costs	(782)	(809)	(12,981)	(13,184)
Net Terminal Income	41,603	43,092	403,689	420,204
Less distribution to agents	(20,483)	(21,212)	(217,922)	(225,682)
Racetrack video lottery revenues	<u>\$ 21,120</u>	<u>\$ 21,880</u>	<u>\$ 185,767</u>	<u>\$ 194,522</u>

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

	April 30, 2018	Year-to-Date
State Lottery Fund	\$ 5,634	\$ 94,664
State Excess Lottery Revenue Fund	14,658	87,911
Capital Reinvestment Fund	828	3,192
Total nonoperating distributions	<u>\$ 21,120</u>	<u>\$ 185,767</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 April 30, 2018 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Total credits played	\$ 408,037	\$ 365,739	\$ 3,786,532	\$ 3,543,932
Credits (prizes) won	(375,453)	(336,162)	(3,481,675)	(3,254,353)
Gross terminal income	\$ 32,584	\$ 29,577	\$ 304,857	\$ 289,579
Administrative costs	(652)	(592)	(6,097)	(5,792)
Gross Profit	31,932	28,985	298,760	283,787
Commissions	(15,966)	(14,493)	(149,380)	(141,894)
Municipalities and Counties	(639)	(580)	(5,975)	(5,676)
Limited video lottery revenues	<u>\$ 15,327</u>	<u>\$ 13,912</u>	<u>\$ 143,405</u>	<u>\$ 136,217</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 April 30, 2018 were \$7,886,805 and \$84,367,346, 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	\$ 2,760	\$ 3,036	\$ 29,529	\$ 32,964
Interest on Table Games Fund	5	2	34	18
Administrative costs	(237)	(260)	(2,531)	(2,826)
Total Available for Distribution	<u>2,528</u>	<u>2,778</u>	<u>27,032</u>	<u>30,156</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	177	195	1,898	2,119
Thoroughbred & Greyhound Development Funds	142	156	1,519	1,695
Racing Association Pension Plan	70	76	744	830
Municipalities/ Counties	<u>782</u>	<u>860</u>	<u>8,359</u>	<u>9,328</u>
Total Distributions	<u>1,171</u>	<u>1,287</u>	<u>12,520</u>	<u>13,972</u>
Excess Lottery Fund	<u>\$ 1,357</u>	<u>\$ 1,491</u>	<u>\$ 14,512</u>	<u>\$ 16,184</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 April 30, 2018 and fiscal year-to-date follows (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Total credits played	\$ 5,109	\$ 6,617	\$ 63,592	\$ 56,539
Credits (prizes) won	(4,741)	(6,121)	(59,080)	(52,514)
Promotional credits played	(49)	(256)	(602)	(923)
Gross terminal income	<u>319</u>	<u>240</u>	<u>3,910</u>	<u>3,102</u>
Capital reinvestment	(15)	(11)	(184)	(146)
Excess Lottery Fund	(3)	(2)	(35)	(28)
Administrative costs	(17)	(13)	(211)	(168)
Hotel commissions	<u>(135)</u>	<u>(102)</u>	<u>(1,654)</u>	<u>(1,312)</u>
Net terminal income	149	112	1,826	1,448
Historic Resort Hotel Fund	95	71	1,161	921
Human Resource Benefit Fund	54	41	665	527

**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 April 30, 2018 were \$363,843 and \$4,054,732, 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	\$ 127	\$ 31	\$ 1,419	\$ 1,184
Administrative Costs	<u>(16)</u>	<u>(4)</u>	<u>(182)</u>	<u>(152)</u>
Total Available for Distribution	<b>111</b>	27	<b>1,237</b>	1,032
Historic Resort Hotel Fund	<b>93</b>	23	<b>1,034</b>	863
Human Resource Benefit Fund	<b>18</b>	4	<b>203</b>	169

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	\$ 95	\$ 1,161
Historic Resort Table Games	93	1,034
Interest on Historic Resort Hotel Fund	<u>1</u>	<u>5</u>
Historic Resort Hotel Fund Net Income	189	2,200
Municipalities/ Counties	27	308
Excess Lottery Fund	162	1,892
Total Distributions	<u>\$ 189</u>	<u>\$ 2,200</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 April 30, 2018 the Lottery has accrued additional distributions of \$119,270,020. 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>April 30, 2018</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 4,998
Bureau of Senior Services		67,329
Department of Education		18,006
Library Commission		11,423
Higher Education-Policy Commission		6,974
Tourism		6,456
Natural Resources		3,081
Division of Culture & History		3,500
Department of Education & Arts		948
General Revenue Fund		-
Economic Development Authority	999	9,995
School Building Authority	1,800	18,000
Total State Lottery Fund	<u>\$ 3,299</u>	<u>\$ 150,710</u>

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

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,899	\$ 18,989
Higher Education Improvement Fund	1,500	15,000
General Purpose Account	8,377	50,099
Higher Education Improvement Fund	3,738	22,352
State Park Improvement Fund	644	3,854
School Building Authority	1,899	18,995
Refundable Credit	3,020	9,247
WV Racing Commission	258	1,541
WV Department of Health and Human Resources	-	-
Teacher's Retirement Savings	-	-
Division of Human Services	-	36,800
WV Lottery Statutory Transfers	8,130	48,620
General Revenue	-	-
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	5,756	36,828
Total State Excess Lottery Revenue Fund	<u>\$ 35,221</u>	<u>\$ 262,325</u>
Total Budgetary distributions:	<u>\$ 38,520</u>	<u>\$ 413,035</u>
Veterans Instant Ticket Fund	\$ 50	\$ 534
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 38,570	\$ 413,569
Accrued nonoperating distributions, beginning	(109,049)	(132,693)
Accrued nonoperating distributions, end	<u>119,270</u>	<u>119,270</u>
	<u>\$ 48,791</u>	<u>\$ 400,146</u>

**NOTE 11 – LEASES**

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal year-to-date ended April 30, 2018 and April 30, 2017 approximated \$129,932 and \$303,084 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 April 30, 2018 and April 30, 2017 approximated \$860,651 and \$831,853 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 April 30, 2018 and fiscal year-to-date are as follows (in thousands):

	April 30, 2018	Year-to-Date
Employee contributions	\$ 26	\$ 287
Lottery contributions	132	755
Total contributions	\$ 158	\$ 1,042

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

**NOTE 14 - RISK MANAGEMENT**

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

**WORKERS' COMPENSATION INSURANCE**

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

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

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

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

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

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

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

**NOTE 15– OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

Funding Policy

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

The ARC rate is \$357 and \$429 per employee per month for the years ending June 30, 2017 and 2016 respectively. Through June 30, 2017 and 2016, the Lottery has paid premiums of \$288,942 and \$284,421. As of June 30, 2017 and 2016, the Lottery has recorded a liability of \$5,206,989 and \$4,990,361 on its balance sheet for OPEB.

**SCHEDULE OF REVENUES AND NET REVENUES OF THE  
 LOTTERY FUND AND EXCESS LOTTERY FUND  
 FOR THE NINE MONTH PERIOD ENDED APRIL 30, 2018  
 (In Thousands)**

	Current Month		FISCAL YEAR	
	Actual	Projected	Actual	Projected
Gross Revenues				
Instant games	8,753	7,667	81,169	76,667
On-line games	4,967	5,417	66,891	54,167
Racetrack video lottery	42,384	38,324	416,668	381,731
Limited video lottery	32,584	29,767	304,858	291,435
Racetrack table games	2,761	2,871	29,517	28,742
Historic resort	446	440	5,329	4,598
Total gross revenues	<b>91,895</b>	<b>84,486</b>	<b>904,432</b>	<b>837,340</b>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,015	891	10,142	8,910
On-line games	1,392	1,555	19,113	15,550
Racetrack Video Lottery	5,652	5,261	94,853	91,174
Total Lottery Fund net revenues	8,059	7,707	124,108	115,634
Excess Lottery Fund				
Racetrack Video Lottery	14,699	13,013	88,096	74,171
Limited Video Lottery	15,362	14,278	143,892	137,940
Limited Video Lottery Fees	7,594	7,500	10,376	12,954
Racetrack table games	1,358	1,408	14,512	14,099
Historic resort	165	145	1,926	1,746
Total Excess Lottery Fund Net Revenues	39,178	36,344	258,802	240,910
Total Net Revenues	<b>47,237</b>	<b>44,051</b>	<b>382,910</b>	<b>356,544</b>

WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



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

304-347-4870

Memorandum

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

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

Date: June 11, 2018

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

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

The net collections were 100.6% of the estimate for the fiscal year. Total collections were \$21.4 million above the estimate for the fiscal year.

Personal Income Tax collections were \$60.8 million above the estimate for the fiscal year.

Consumer sales and use tax collections were \$26.5 million below the estimate for the year.

Severance Tax was \$14 million below the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$5.6 million above the estimate for the fiscal year.

**State Road Fund**

The state road fund collections were 110% of the estimate for the fiscal year. Total collections were \$71.8 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 \$268,393,393.40 as of May 31, 2018.

Balance July 1, 2017	228,627,586.89
Fiscal year 17 surplus	38,000,000.00
Earnings	1,765,806.51
Balance May 31, 2018	268,393,393.40

Revenue Shortfall Reserve **Fund B** (Tobacco Settlement Monies) had a cash balance of \$440,596,436.31 as of May 31, 2018.

Balance July 1, 2017	423,784,505.60
Earnings	16,811,930.71
Balance May 31, 2018	440,596,436.31

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

Balance July 1, 2017	5,000,000.00
Balance May 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 May 31, 2018 OASIS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	<b>FINAL</b> MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Personal Income Tax	122,450,000	130,921,724	8,471,724	1,675,870,000	1,736,699,654	60,829,654
Consumer Sales Tax & Use Tax	105,600,000	105,972,958	372,958	1,129,800,000	1,103,281,169	-26,518,831
Severance Tax	35,000,000	36,818,945	1,818,945	324,500,000	310,529,417	-13,970,583
Corporate Net Income Tax	1,600,000	5,409,148	3,809,148	86,500,000	92,106,540	5,606,540
Insurance Tax	4,000,000	51,766	-3,948,234	120,900,000	123,501,436	2,601,436
Tobacco Products Tax	16,800,000	15,979,913	-820,087	176,900,000	162,306,305	-14,593,695
Business and Occupation	9,550,000	10,969,289	1,419,289	104,800,000	104,991,401	191,401
Liquor Profit Transfers	2,200,000	2,344,500	144,500	18,000,000	19,544,426	1,544,426
Departmental Collections	1,200,000	1,250,313	50,313	21,800,000	21,140,564	-659,436
Property Transfer Tax	700,000	1,137,457	437,457	9,400,000	10,801,439	1,401,439
Property Tax	320,000	206,616	-113,384	6,900,000	6,972,429	72,429
Beer Tax and Licenses	990,000	905,148	-84,852	6,730,000	6,421,795	-308,205
Miscellaneous Transfers	25,000	0	-25,000	460,000	2,263,560	1,803,560
Interest Income	1,500,000	783,271	-716,729	14,500,000	6,335,796	-8,164,204
Refundable Credit Reimb Liability	500,000	753,151	253,151	10,000,000	10,000,000	0
HB 102 - Lottery Transfers	4,787,000	12,237,971	7,450,971	60,214,000	62,336,765	2,122,765
Miscellaneous	400,000	1,983,287	1,583,287	10,100,000	19,075,090	8,975,090
Business Franchise Fees	65,000	97,004	32,004	605,000	641,370	36,370
Estate & Inheritance Tax	0	0	0	0	100	100
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfers	1,000,000	1,060,111	60,111	32,230,000	26,390,307	-5,839,693
Charter Tax	0	1,511	1,511	0	8,284	8,284
Video Lottery Transfers	0	24,178	24,178	0	396,615	396,615
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	0	0
<b>SUBTOTALS</b>	<b>308,687,000</b>	<b>328,908,259</b>	<b>20,221,259</b>	<b>3,810,209,000</b>	<b>3,825,744,461</b>	<b>15,535,461</b>
Less: Cash Flow Transfer	0	0	0	0	0	0
Less: Special Revenue Transfer	1,000,000	1,060,111	60,111	32,230,000	26,390,307	-5,839,693
<b>TOTALS</b>	<b>307,687,000</b>	<b>327,848,149</b>	<b>20,161,149</b>	<b>3,777,979,000</b>	<b>3,799,354,154</b>	<b>21,375,154</b>

Percent of Estimates 106.55% 100.57%

Collections this day 23,626,290

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

	MONTH ESTIMATES	NET MONTH COLLECTIONS	<b>FINAL</b> MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
<b>Motor Fuel Tax</b>	43,300,000	36,053,703	-7,246,297	402,000,000	403,134,492	1,134,492
<b>Sales/Privilege Tax</b>	19,699,000	23,226,350	3,527,350	211,545,000	208,256,454	-3,288,546
<b>Licenses &amp; Registration</b>	10,124,000	12,398,406	2,274,406	102,557,000	125,752,089	23,195,089
<b>Miscellaneous</b>	0	1,607,422	1,607,422	0	50,842,327	50,842,327
<b>Highway Litter Control</b>	141,000	88,066	-52,934	1,426,000	1,323,441	-102,559
<b>TOTALS</b>	<b>73,264,000</b>	<b>73,373,947</b>	<b>109,947</b>	<b>717,528,000</b>	<b>789,308,802</b>	<b>71,780,802</b>

**Percent of Estimates**

**100.15%**

**110.00%**

**Collections this day**

**25,824,076**

**REVENUE SHORTFALL RESERVE FUND 7005, Part A as of May 31, 2018 : \$ 268,393,393.40**

*\$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 May 31, 2018: \$440,596,436.31**

**PERSONAL INCOME TAX REFUND RESERVE FUND as of May 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: June 15, 2018

Re: West Virginia Unemployment Compensation Trust Fund

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

As of May 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	\$ 214,172,124.73
Disbursements July 1, 2017 thru June 30, 2018	\$ 138,191,847.85
Balance May 31, 2018	\$ 144,358,521.09

ITEMS OF NOTE:

Regular benefits paid for July - May 2018 were \$ 45 million less than July - May 2017.

Federal emergency benefits totaled \$ -46 thousand for July - May 2018. For July - May 2017, federal emergency benefits totaled \$ -110 thousand.

Total disbursements were \$ 45.5 million less in July - May 2018 than the preceding July - May 2017.

Receipts for July - May 2018, were \$ 7 million more than in July - May 2017. Overall ending trust fund balance was \$ 68 million higher on May 31, 2018 than on May 31, 2017.

Seasonally adjusted unemployment rates for May 2018 were 5.4 percent for West Virginia and 3.8 percent nationally.

Since May 2017, employment has increased by 17,100. Employment gains included 8,600 in government, this due entirely to election workers, 1,800 in educational and health services, 1,100 in mining and logging, 3,400 in construction, 700 in leisure and hospitality, 2,700 in trade, transportation, and utilities, and 500 in manufacturing. Employment declines included 500 in information, 1,000 in other services, and 200 in financial activities. Employment in professional and business services was unchanged over the year.

May 14, 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 May 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](mailto:Michelle.Painter@wv.gov).

Sincerely,



Russell L. Fry  
Acting Executive Director

RLF/gew

Enclosure

pc: Jim Justice

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

	MARCH 2017	APRIL 2017	MAY 2017	MARCH 2018	APRIL 2018	MAY 2018	THREE MONTH TOTAL VARIANCE *
<b>Balance Forward</b>	<b>\$64,686,166.37</b>	<b>\$51,630,018.98</b>	<b>\$82,043,102.87</b>	<b>\$73,376,687.75</b>	<b>\$82,041,198.92</b>	<b>\$116,216,761.66</b>	<b>\$72,974,241.42</b>
<b>Add Receipts:</b>							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$1,239,068.27	\$25,194,314.69	\$76,616,247.65	\$994,790.81	\$67,664,637.06	\$39,606,123.32	\$5,205,920.80
3. Federal Emergency Benefits (EUCEB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCCE (Federal Agencies)	\$72,187.84	\$64,230.16	\$68,034.98	\$77,409.79	\$74,680.16	\$67,966.12	\$34,602.11
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Read Act Funds**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Treasury Interest Credits	\$377,996.78	\$0.00	\$0.00	\$414,462.64	\$0.00	\$0.00	\$36,466.86
11. UCX (Military Agencies)	\$76,188.46	\$0.00	\$87,206.24	\$69,640.23	\$83,276.12	\$61,437.67	(\$13,621.44)
12. WV Senate Bill 558	\$0.00	\$0.00	(\$60,000,000.00)	\$0.00	\$0.00	\$0.00	\$50,000,000.00
13. CMAA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Receipts</b>	<b>\$1,786,440.34</b>	<b>\$25,313,026.62</b>	<b>\$26,641,487.86</b>	<b>\$1,668,203.47</b>	<b>\$87,092,692.38</b>	<b>\$39,734,626.11</b>	<b>\$55,263,368.13</b>
<b>Less Disbursements:</b>							
Debt Bond Repayment	\$14,687,682.21	\$14,802,347.95	\$12,060,869.57	\$12,768,132.66	\$14,384,380.37	\$10,467,808.71	(\$3,830,797.98)
Regular Benefits:	(\$9,968.63)	(\$36,063.78)	(\$4,966.00)	(\$2,344.88)	(\$3,206.00)	(\$2,678.13)	\$42,738.41
Federal Emergency Benefits (EUCEB)	(\$165.00)	(\$90.00)	(\$285.00)	(\$15.00)	\$0.00	(\$65.00)	\$385.00
Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UCCE (Federal Agencies)	\$74,712.27	\$66,978.62	\$63,209.30	\$75,864.61	\$66,694.16	\$70,471.61	\$28,020.28
UCX (Military Workers) Benefits	\$88,096.20	\$77,768.73	\$61,176.81	\$68,944.91	\$71,366.11	\$66,220.48	(\$20,511.24)
Read Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Disbursements</b>	<b>\$14,720,677.06</b>	<b>\$14,899,941.41</b>	<b>\$12,180,006.88</b>	<b>\$12,890,672.50</b>	<b>\$14,618,039.63</b>	<b>\$10,691,766.67</b>	<b>(\$3,780,155.54)</b>
<b>Trust Fund Balance</b>	<b>\$51,630,018.68</b>	<b>\$82,043,102.87</b>	<b>\$78,624,686.04</b>	<b>\$82,041,198.82</b>	<b>\$116,216,761.66</b>	<b>\$144,368,621.08</b>	<b>\$131,417,766.08</b>

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

\*\*Note: UJ 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 \$0.00

\*Note: Read Act funds of \$549,488.24 previously drawn down were unexpended and returned to Trust Fund on deposit with the U.S. Treasury.

**UC TRUST FUND BALANCES & PROJECTIONS - 2018**

June 6, 2018

Month	Receipts	Disbursements	Trust Fund Balance
<b>2017</b>			
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
<b>Totals - 2017</b>	<b>\$ 209,595,047</b>	<b>\$ 158,349,971</b>	<b>\$ 82,800,186</b>

<b>2018</b>			
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	\$ 67,692,592	\$ 14,518,039	\$ 115,215,752
May	\$ 39,734,526	\$ 10,591,757	\$ 144,358,521
June	\$ 2,150,753	\$ 8,710,749	\$ 137,798,525
July	\$ 28,775,549	\$ 11,130,596	\$ 155,443,478
August	\$ 19,795,645	\$ 9,027,421	\$ 166,211,702
September	\$ 1,562,935	\$ 7,130,751	\$ 160,643,886
October	\$ 20,558,400	\$ 9,099,205	\$ 172,103,081
November	\$ 11,984,328	\$ 8,387,920	\$ 175,699,489
December	\$ 1,445,987	\$ 11,536,798	\$ 165,608,678
<b>Totals - 2018</b>	<b>\$ 220,076,139</b>	<b>\$ 137,267,647</b>	<b>\$ 165,608,678</b>

1900 Kanawha Blvd E \* Building 3, Suite 300 \* Charleston, WV 25305

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## **PEIA June Interim Talking Points**

- **PEIA and RHBT preliminary financial results for April 2018 are available for your review.**
- **PEIA is currently ahead of plan by \$35 million. This is primarily due to lower than forecast expenses.**
- **RHBT is currently ahead of plan by \$53 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.wvpeia.com](http://www.wvpeia.com)

June 18, 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.

**West Virginia Retiree Health Benefit Trust Fund**  
**STATEMENT OF PLAN NET POSITION**  
**Monday, April 30, 2018**  
**(In Thousands)**

	<b>CURRENT YR</b>	<b>PRIOR YR</b>	<b>VARIANCE</b>	
			<b>\$</b>	<b>%</b>
<b>ASSETS</b>				
Cash - Operating Fund	\$6,138	\$1,988	\$4,150	209%
<b>INVESTMENTS</b>				
WV Board of Treasury Investments	60,744	96,042	(35,298)	(37%)
WV Investment Management Board	897,516	715,920	181,596	25%
Total Investments	<u>958,260</u>	<u>811,962</u>	<u>146,298</u>	<u>18%</u>
Due From / (To) WV PEIA	(9,911)	(1,587)	(8,324)	525%
<b>PREMIUM ACCOUNTS RECEIVABLE</b>				
Premium Accounts Receivable	2,794	2,070	724	35%
Less: Allowance for Doubtful Accounts	(104)	(406)	302	(74%)
Net - Premium Accounts Receivable	<u>2,690</u>	<u>1,664</u>	<u>1,026</u>	<u>62%</u>
Premium A/R - Annual Required Contributions	2,216,481	2,357,886	(141,405)	(6%)
Less: Allowance for Doubtful Accounts	(2,216,481)	(2,357,886)	141,405	(6%)
Net Premium A/R - ARC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0%</u>
Other Receivables	(1,745)	(2,631)	886	(34%)
<b>TOTAL ASSETS</b>	<b><u>955,432</u></b>	<b><u>811,396</u></b>	<b><u>144,036</u></b>	<b><u>18%</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources Related to Pension	339	241	98	41%
<b>LIABILITIES</b>				
Claims payable	8,650	10,190	(1,540)	(15%)
Accounts payable	48	20	28	140%
Accrued Liabilities	16,089	16,496	(407)	(2%)
<b>TOTAL LIABILITIES</b>	<b><u>24,787</u></b>	<b><u>26,706</u></b>	<b><u>(1,919)</u></b>	<b><u>(7%)</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources Related to Pension	25	196	(171)	(87%)
<b>NET POSITION RESTRICTED</b>				
<b>FOR POST EMPLOYMENT BENEFITS</b>	<b><u>\$930,959</u></b>	<b><u>\$784,735</u></b>	<b><u>\$146,224</u></b>	<b><u>19%</u></b>

Unaudited / Internal Use / Accrual Basis  
 StmtPlanNetAsset  
 5/31/2018 10:29 AM

**West Virginia Retiree Health Benefit Trust Fund**  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**For the Ten Months Ending Monday, April 30, 2018**  
 In Thousands

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE \$	%	PRIOR YR VARIANCE \$	%
<b>ADDITIONS</b>						
<b>Employer Premiums:</b>						
	\$2,571	\$2,759	(\$187)	(7%)	(\$93)	(3%)
	103,670	106,650	(2,980)	(3%)	(3,645)	(3%)
	0	0	0	0%	(55)	(100%)
	<b>106,241</b>	<b>109,409</b>	<b>(3,167)</b>	<b>(3%)</b>	<b>(3,793)</b>	<b>(3%)</b>
<b>Member Premiums:</b>						
	70,109	74,383	(4,274)	(6%)	2,259	3%
	20,443	20,922	(479)	(2%)	(957)	(4%)
	19,658	19,932	(274)	(1%)	564	3%
	<b>110,210</b>	<b>115,237</b>	<b>(5,027)</b>	<b>(4%)</b>	<b>1,866</b>	<b>2%</b>
	<b>216,451</b>	<b>224,646</b>	<b>(8,194)</b>	<b>(4%)</b>	<b>(1,926)</b>	<b>(1%)</b>
<b>Other Additions:</b>						
	1,000	1,000	0	0%	50	5%
	67,553	37,703	29,850	79%	(11,850)	(15%)
	25,000	25,000	0	0%	0	0%
	4,167	4,167	0	(0%)	0	0%
	<b>314,171</b>	<b>292,516</b>	<b>21,655</b>	<b>7%</b>	<b>(13,726)</b>	<b>(4%)</b>
<b>DEDUCTIONS</b>						
	116,072	126,128	10,056	8%	9,911	8%
	19,347	19,643	296	2%	(545)	(3%)
	45,033	60,545	15,511	26%	8,192	15%
	23,361	28,397	5,036	18%	2,938	11%
	27	27	0	0%	0	(2%)
	0	0	0	0%	167	100%
	1,166	884	(283)	(32%)	34	3%
	2,117	3,548	1,431	40%	1,011	32%
	<b>207,123</b>	<b>239,172</b>	<b>32,048</b>	<b>13%</b>	<b>21,707</b>	<b>9%</b>
	<b>107,048</b>	<b>53,344</b>	<b>53,703</b>	<b>101%</b>	<b>7,981</b>	<b>8%</b>
<b>NET POSITION INCREASE</b>						
	823,911	823,911	0	0%	138,243	20%
	<b>\$930,959</b>	<b>\$877,255</b>	<b>\$53,703</b>	<b>6%</b>	<b>\$146,224</b>	<b>19%</b>

Accrual Basis / Unaudited / Internal Use Only  
 5/31/2018 10:27:00 AM

**West Virginia Public Employees Insurance Agency**  
**Statement of Net Position**

Monday, April 30, 2018

(Dollars in Thousands)

(Unaudited-For Internal Use Only)

	CURRENT YR	PRIOR YR	VARIANCE	
			\$	%
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$11,953	\$9,322	\$2,631	28%
Equity position in internal investment pool	39,045	43,342	(4,297)	(10%)
Premiums receivable:				
Other, less allowance for doubtful accounts	9,674	6,510	3,164	49%
Due From RHBT	9,912	1,580	8,332	527%
Accounts receivable:				
Provider refunds, less allowance for doubtful accounts	1,653	878	775	88%
Prescription rebates	14,605	5,679	8,926	157%
Other	3,696	1,300	2,396	184%
Total current assets	90,538	68,611	21,927	32%
Noncurrent assets:				
Equity position in internal investment pools	199,279	152,268	47,011	31%
Equity position in internal investment pool – restricted	12,672	19,003	(6,331)	(33%)
Capital assets, net of accumulated depreciation	207	232	(25)	(11%)
Total noncurrent assets	212,158	171,503	40,655	24%
<b>Total assets</b>	<b>302,696</b>	<b>240,114</b>	<b>62,582</b>	<b>26%</b>
Deferred Outflows of Resources Related to Pensions	575	460	115	25%
<b>Liabilities</b>				
Current liabilities:				
IBNR	52,420	56,610	(4,190)	(7%)
Current claims payable	17,737	15,416	2,321	15%
Premium deficiency reserve		6,860	(6,860)	(100%)
Accounts payable	4,494	5,469	(975)	(18%)
Unearned revenue	7,741	4,595	3,146	68%
Other accrued liabilities	3,066	3,096	(30)	(1%)
Total current liabilities	85,458	92,046	(6,588)	(7%)
Noncurrent liabilities:				
Other Liabilities	903	528	375	71%
Other accrued liabilities: Premium stabilization fund	14,838	19,003	(4,165)	(22%)
<b>Total liabilities</b>	<b>101,199</b>	<b>111,577</b>	<b>(10,378)</b>	<b>(9%)</b>
Deferred Inflows of Resources Related to Pensions	44	343	(299)	(87%)
<b>Net position</b>				
Invested in capital assets	207	232	(25)	(11%)
Unrestricted	201,819	128,421	73,398	57%
<b>Total net position</b>	<b>202,026</b>	<b>128,653</b>	<b>73,373</b>	<b>57%</b>

**West Virginia Public Employees Insurance Agency**  
**Statement of Changes in Plan Net Position**  
**For the Ten Months Ending Monday, April 30, 2018**  
(Dollars in Thousands)  
(Unaudited-For Internal Use Only)

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR VARIANCE
	\$	\$	%	%
<b>OPERATING REVENUE</b>				
<b>Operating Revenue</b>				
	\$312,220	\$325,509	(\$13,289)	(4%)
	105,806	108,228	(2,422)	(2%)
	83,429	77,431	5,998	8%
	4,233	4,412	(179)	(4%)
	2,012	1,389	623	45%
	<b>507,700</b>	<b>516,969</b>	<b>(9,269)</b>	<b>(2%)</b>
<b>NON-OPERATING REVENUE</b>				
	1,117	1,099	18	2%
	8,333	8,333	0	0%
	7,877	5,042	2,835	56%
	124,113	133,333	(9,220)	(7%)
	<b>141,440</b>	<b>147,807</b>	<b>(6,367)</b>	<b>(4%)</b>
	<b>649,140</b>	<b>664,776</b>	<b>(15,636)</b>	<b>(2%)</b>
<b>EXPENSES</b>				
	312,141	354,217	42,076	12%
	108,961	110,209	1,248	1%
	36,016	36,914	898	2%
	9,306	7,399	(1,907)	(26%)
	389	1,214	825	68%
	3,931	2,613	(1,318)	(50%)
	1,032	1,099	67	6%
	269	269	0	0%
	0	0	0	0%
	124,113	133,333	9,220	7%
	<b>596,158</b>	<b>647,267</b>	<b>(51,109)</b>	<b>(8%)</b>
	<b>52,982</b>	<b>17,509</b>	<b>35,473</b>	<b>203%</b>
	149,044	149,044	0	0%
	<b>\$202,026</b>	<b>\$166,553</b>	<b>\$35,473</b>	<b>28%</b>
	<b>596,158</b>	<b>647,267</b>	<b>(51,109)</b>	<b>(8%)</b>
	<b>52,982</b>	<b>17,509</b>	<b>35,473</b>	<b>203%</b>
	149,044	149,044	0	0%
	<b>\$202,026</b>	<b>\$166,553</b>	<b>\$35,473</b>	<b>28%</b>
	<b>596,158</b>	<b>647,267</b>	<b>(51,109)</b>	<b>(8%)</b>
	<b>52,982</b>	<b>17,509</b>	<b>35,473</b>	<b>203%</b>
	149,044	149,044	0	0%
	<b>\$202,026</b>	<b>\$166,553</b>	<b>\$35,473</b>	<b>28%</b>
	<b>596,158</b>	<b>647,267</b>	<b>(51,109)</b>	<b>(8%)</b>
	<b>52,982</b>	<b>17,509</b>	<b>35,473</b>	<b>203%</b>
	149,044	149,044	0	0%
	<b>\$202,026</b>	<b>\$166,553</b>	<b>\$35,473</b>	<b>28%</b>

**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 Ten Months Ending April 30, 2018**

**Talking Points for June 2018 Interim Joint Committee Meeting**

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1. **Premium Revenue** thru April reflects the premiums earned for the first ten months of the fiscal year. Premium revenue has increased by about \$6.0 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 April plus reserve increases. Net claims payments for the current fiscal year to date are approximately \$6.7 million lower than for the same period last year. Claims reserves provisions have increased claims expense \$7.2 million in the current year vs. an increase of \$1.8 million for the prior year. The combined effect of these two items results in claims expense being \$1.3 million lower for the current year.
3. **Investment Income** for fiscal year 2018 reflects net earnings of \$6.1 million for the first ten months and is \$1.8 million less than last year due to negative returns on fixed income this fiscal year.
4. In July of 2017, the transfer of \$2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of SB602, decreased BRIM's net position for FY'17.
5. BRIM has no un-funded liability and continues to pursue pro-active loss control initiatives.

West Virginia Board of Risk and Insurance Management

Statements of Net Position

April 30th

	2018	2017
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 30,552	\$ 25,342
Advance deposits with insurance company and trustee	200,135	198,427
Receivables	3,366	2,313
Prepaid insurance	1,117	1,113
Restricted cash and cash equivalents	13,184	9,569
Premiums due from other entities	644	621
Total current assets	248,998	237,385
Noncurrent assets:		
Equity position in internal investments pools	96,411	90,411
Restricted investments	55,676	52,212
Total noncurrent assets	152,087	142,623
Total assets	401,085	380,008
<b>Deferred Outflows of Resources</b>		
Pension	457	387
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	14,838	12,996
Agent commissions payable	900	890
Claims Payable	287	10
Accrued expenses and other liabilities	3,471	2,914
Total current liabilities	67,209	67,629
Estimated unpaid claims and claims adjustment expense net of current portion	124,409	119,453
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	125,282	120,011
Total liabilities	192,491	187,640
<b>Deferred Inflows of Resources</b>		
Pension	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)	9,686	1,491
Net position	\$ 209,014	\$ 192,451

*Unaudited*

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

For the Ten Months Ended April 30th

	2018	2017
	<i>(In Thousands)</i>	
<b>Operating Revenues</b>		
Premium Revenues	\$ 65,354	\$ 59,410
Less - Excess Insurance	(5,402)	(5,568)
Net Operating Revenues	59,952	53,842
<b>Operating Expenses</b>		
Claims Expense	52,805	54,070
General & Administrative Expense	3,561	3,381
Total Operating Expenses	56,366	57,451
Operating Income (Loss)	3,587	(3,609)
<b>Nonoperating Revenues</b>		
Investment Income	6,099	7,910
Appropriation Transfer SB602	-	(2,810)
Total Nonoperating Revenues	6,099	5,100
Changes in net position	9,686	1,491
Total net position, beginning of period	199,328	190,960
Total net position, end of period	\$ 209,014	\$ 192,451

*Unaudited*

# Department of Administration Real Estate Division Leasing Report

For the period of May 1 - 31, 2018

There is a total of 30 leasing changes for this period and they are as follows:

- 2 – New Contract
- 13 – Straight Renewal – DOA OWNED
- 10 – Straight Renewal
- 2 – Renewal with Increase in Rent
- 1 – Renewal with Increase in Square Feet
- 2 – Non-Renewal

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

**NEW CONTRACT OF LEASE**

**INSIGHTS TRAINING GROUP, LLC**

**ITG-001-SUB** New Contract of Sub-Lease for 28 months consisting of 200 square feet of office space at the annual per square foot rate of \$12.00, annual cost \$2,400.00, full service, 304 Scott Avenue, in the City of Morgantown, Monongalia County, West Virginia.

**DIVISION OF MOTOR VEHICLES**

**DMV-021** New Contract of Lease for 5 years consisting of 6,600 square feet of office space at the annual per square foot rate of \$8.38, annual cost \$55,308.00, 428 Main Street, in the City of Logan, Logan County, West Virginia.

**STRAIGHT RENEWAL – DOA OWNED**

**DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY**

**MAP-002** Renewal for 1 year consisting of 5,590 square feet of office space at the current annual per square foot rate of \$10.72, annual cost \$59,924.80, full service, Building #1, 1900 Kanawha Boulevard, East, in the City of Charleston, Kanawha County, West Virginia.

**DIVISION OF CORRECTIONS**

**COR-085** Renewal for 1 year consisting of 24,722 square feet of office space at the current annual per square foot rate of \$9.81, annual cost \$242,522.82, full service, Building #82, 1490 Greenbrier Street, in the City of Charleston, Kanawha County, West Virginia.

**REGION II WORKFORCE INVESTMENT BOARD, INC.**

**WB2-004** Renewal for 3 years consisting of 4,936 square feet of office space at the current annual per square foot rate of \$17.00, annual cost \$83,912.00, full service, Building #32, 2999 Park Avenue, in the City of Huntington, Cabell County, West Virginia.

**PUBLIC PORT AUTHORITY**

**PPA-001** Renewal for 3 years consisting of 704 square feet of office space at the current annual per square foot rate of \$10.93, annual cost \$7,694.72, full service, Building #5, 1900 Kanawha Boulevard, East, in the City of Charleston, Kanawha County, West Virginia.

**REGION VI WORKFORCE INVESTMENT BOARD, INC.**

**WIB-003** Renewal for 1 year consisting of one cubicle of office space at the current annual cost of \$2,700.00, full service, located in Building #53, 153 West Main Street, in the City of Clarksburg, Kanawha County, West Virginia.

**GENERAL SERVICES DIVISION**

**GSD-006** Renewal for 1 year consisting of 3,399 square feet of office space at the current annual per square foot rate of \$11.00, annual cost \$37,389.00, full service, 218 California Avenue, Building #4, in the City of Charleston, Kanawha County, West Virginia.

## **STRAIGHT RENEWAL – DOA OWNED...CONTINUED**

### **GENERAL SERVICES DIVISION**

**GSD-003** Renewal for 1 year consisting of 9,858 square feet of office space at the current annual per square foot rate of \$10.72, annual cost \$105,677.76, full service, 1900 Kanawha Boulevard, East, Building #1, in the City of Charleston, Kanawha County, West Virginia.

### **DIVISION OF REHABILITATION SERVICES**

**DRS-089-SUB** Renewal for 3 years consisting of 2,796 square feet of office space at the current annual per square foot rate of \$17.00, annual cost \$47,532.00, 100 Municipal Plaza, Building #34 in the City of Weirton, Hancock County, West Virginia.

**DRS-054-SUB** Renewal for 3 years consisting of 5,482 square feet of office space at the current annual per square foot rate of \$13.15, annual cost \$72,087.96, Corner of Fifth and Avery Streets, Building #25 in the City of Parkersburg, Wood County, West Virginia.

**DRS-125-SUB** Renewal for 3 years consisting of 4,303 of office space at the current annual per square foot rate of \$19.00, annual cost \$81,757.00, 416 Adam Street, Building #54 in the City of Fairmont, Marion County, West Virginia.

### **DEPARTMENT OF FINANCE & ADMINISTRATION**

**F&A-027** Renewal for 3 years consisting of 9,207 of office space at the current annual per square foot rate of \$ 11.50, annual cost \$105,880.50, 2101 Washington Street, East Building #17 in the City of Charleston, Kanawha County, West Virginia.

### **DEPARTMENT OF ADMINISTRATION – FINANCE DIVISION**

**F&A-025** Renewal for 3 years consisting of 683 of office space at the current annual per square foot rate of \$8.95, annual cost \$6,112.85, 2019 Washington Street, East Building #15 in the city of Charleston, Kanawha County, West Virginia

### **DEPARTMENT OF ADMINISTRATION – PURCHASING DIVISION**

**PUR-001-SUB** Renewal for 3 years consisting of 12,107 of office space at the current annual per square foot rate of \$8.95, annual cost of \$108,357.65, Building #15 in the city of Charleston, Kanawha County, West Virginia.

## **STRAIGHT RENEWAL**

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

**HHR-247** Renewal for 2 years consisting of 122 square feet of office space at the current monthly rate of \$450.00, annual cost \$5,400.00, full service, 978 Blue Prince Road, in the City of Bluefield, Mercer County, West Virginia.

**HHR-226** Renewal for 5 years consisting of 3,500 square feet of office space at the current annual per square foot rate of \$14.00, annual cost \$48,999.96, 124 South High Street, in the City of Morgantown, Monongalia County, West Virginia.

## **STRAIGHT RENEWAL...CONTINUED**

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

**HHR-178** Renewal for 5 years consisting of 3,325 square feet of office space at the current annual per square foot rate of \$7.95, annual cost \$26,433.75, South High Street, in the City of Morgantown, Monogalia County, West Virginia.

### **BOARD OF REGISTERED FORESTERS**

**BRF-001** Renewal for 3 years consisting of 100 square feet of storage space at the current monthly rate of \$75.00, annual cost \$900, full service, 124 McGraw Street, in the City of Ripley, Jackson County, West Virginia.

### **NATIONAL COAL HERITAGE AUTHORITY**

**CHH-006** Renewal for 2 years consisting of 2,300 square feet of office space at the current annual per square foot rate of \$12.00, annual cost \$27,600, full service, located at 100 Kelly Avenue, in the City of Oakhill, Fayette County, West Virginia.

### **WORKFORCE WEST VIRGINIA**

**WVW-012-SUB** Renewal for 3 years consisting of 348 square feet of office space at the current annual per square foot rate of \$17.06, annual cost \$5,935.92, full service, New Martinsville Plaza, in the City of New Martinsville, Wetzel County, West Virginia.

### **GENERAL SERVICES DIVISION**

**GSD-012** Renewal for 1 year consisting of 80 parking spaces at the current monthly rate of \$1,720.00, annual cost \$20,640.00, full service, West Main & West Pike and 222 Hewes Avenue, in the City of Clarksburg, Harrison County, West Virginia.

### **RACING COMMISSION**

**RAC-002** Renewal for 5 years consisting of 4,169 square feet of office space at the current annual per square foot rate of \$12.50, annual cost \$52,112.52, full service, 900 Pennsylvania Avenue, in the City of Charleston, Kanawha County, West Virginia.

### **MUNICIPAL BONDS COMMISSION**

**MBC-005** Renewal for 5 years consisting of 2,484 square feet of office space at the current annual per square foot rate of \$12.50, annual cost \$31,050.00, full service, 900 Pennsylvania Avenue, in the City of Charleston, Kanawha County, West Virginia.

### **DIVISION OF NATURAL RESOURCES**

**NAT-111** Renewal for 3 years consisting of 6 boat slips at the current monthly rate of \$270.00, annual cost \$3,240.00, full service, 3 Airport Rd 85, in the City of Beaver, Raleigh County, West Virginia.

## **RENEWAL WITH INCREASE IN RENT**

### **DIVISION OF MINER'S HEALTH SAFETY AND TRAINING**

**MHS-031** Renewal for 5 years consisting of 5,510 square feet of office space with an increase in the annual per square foot rate from \$12.00 to \$14.00, annual cost \$77,140.00, full service, 14 Commerce Drive, in the City of Morgantown, Monongalia County, West Virginia.

**MHS-032** Renewal for 5 years consisting of 826 square feet of garage space with an increase in the annual per square foot rate from \$7.48 to \$8.48, annual cost \$7,004.48, full service, 14 Commerce Drive, in the City of Morgantown, Monongalia County, West Virginia.

## **RENEWAL WITH INCREASE IN SQUARE FEET**

### **DIVISION OF HIGHWAYS**

**HWY-001** Renewal for 3 years with an increase of square feet from 183,903 square feet to 206,663 square feet of office space and at the current annual per square foot rate of \$10.93, annual cost \$188,208.22, full service, 1900 Kanawha Boulevard, East, Building #5, in the City of Charleston, Kanawha County, West Virginia.

## **NON-RENEWAL**

### **DIVISION OF CORRECTIONS**

**COR-050** Lease cancellation consisting of 1,316 square feet of office space, at the annual per square foot rate of \$13.50 annual cost \$17,766.00, full service, 117 Court Street, in the City of Ripley, Jackson County, West Virginia.

### **DIVISION OF JUVENILE SERVICES**

**DJS-025** Lease non-renewal consisting of 4,411 square feet of office/storage/classroom space, at the annual per square foot rate of \$9.60 annual cost \$42,345.60, 284 Factory Street, in the City of Clarksburg, Harrison County, West Virginia.

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

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Insights Training Group, LLC	ITG-001	Monongalia	200	12.00	2,400	2	4,800
2	Division of Motor Vehicles	DMV-021	Logan	6,600	8.38	55,308	5	276,540
3	Department of Military Affairs and Public Safety	MAP-002	Kanawha	5,590	10.72	59,925	1	59,925
4	Division of Corrections	COR-085	Kanawha	24,722	9.81	242,523	1	242,523
5	Region II Workforce Investment Board, Inc.	WB2-004	Cabell	4,936	17.00	83,912	3	251,736
6	Public Port Authority	PPA-001	Kanawha	704	10.93	7,695	3	23,084
7	Region VI Workforce Investment Board, Inc.	WIB-003	Kanawha	1		2,700	1	2,700
8	General Services Division	GSD-006	Kanawha	3,399	11.00	37,389	1	37,389
9	General Services Division	GSD-003	Kanawha	9,858	10.72	105,678	1	105,678
10	Division of Rehabilitation Services	DRS-089	Hancock	2,796	17.00	47,532	3	142,596
11	Division of Rehabilitation Services	DRS-054	Wood	5,482	13.15	72,088	3	216,265
12	Division of Rehabilitation Services	DRS-125	Marion	4,303	19.00	81,757	3	245,271
13	Department of Administration	F&A-027	Kanawha	9,207	11.50	105,881	3	317,642
14	Department of Administration-Finance Division	F&A-025	Kanawha	683	8.95	6,113	3	18,339
15	Department of Administration-Purchasing Div.	PUR-001	Kanawha	12,107	8.95	108,358	3	325,073
16	Department of Health and Human Resources	HHR-247	Mercer	122		5,400	2	10,800
17	Department of Health and Human Resources	HHR-226	Monongalia	3,500	14.00	49,000	5	245,000
18	Department of Health and Human Resources	HHR-178	Monongalia	3,325	7.95	26,434	5	132,169
19	Board of Registered Foresters	BRF-001	Jackson	100		900	3	2,700
20	National Coal Heritage Authority	CHH-006	Fayette	2,300	12.00	27,600	2	55,200
21	Workforce West Virginia	WWV-012	Wetzel	348	17.06	5,937	3	17,811
22	General Services Division	GSD-012	Harrison	80		20,640	1	20,640
23	Racing Commission	RAC-002	Kanawha	4,169	12.50	52,113	5	260,563
24	Municipal Bonds Commission	MBC-005	Kanawha	2,484	12.50	31,050	5	155,250
25	Division of Natural Resources	NAT-111	Raleigh	3		3,240	3	9,720
26	Division of Miner's Health, Safety and Training	MHS-031	Monongalia	5,510	14.00	77,140	5	385,700
27	Division of Miner's Health, Safety and Training	MHS-032	Monongalia	826	8.48	7,004	5	35,022
28	Division of Highways	HWY-001	Kanawha	206,663	20.27	3,000	5	15,000

		287.87
<b>Total Rentable Square Feet</b>	<u>320,018</u>	
<b>Average Annual Rental Rate</b>	<u>12.52</u>	
<b>Total Annual Rent</b>		<u>1,328,715</u>

**NON-RENEWAL**

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent
1	Division of Corrections	COR-050	Jackson	1,316	13.50	17,766
2	Division of Juvenile Services	DJS-025	Harrison	4,411	9.60	42,346

<b>Total Rentable Square Feet</b>	<u>4,411</u>
<b>Total Annual Rent</b>	<u>42,346</u>

**Joint Committee on Government and Finance**

**June 2018**

**Department of Health and Human Resources**

**MEDICAID REPORT  
April 2018 Data**

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

	MONTH OF APRIL 2018		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	SFY2017	SFY2018	Current Month Ended 04/30/18	Current Month Ended 04/30/18	Year To-Date Thru 4/30/18	5/1/18 Thru 06/30/18
<b>EXPENDITURES:</b>								
Inpatient Hospital - Reg. Payments	141,892,118	79,122,814			8,677,041	5,867,180	78,050,228	1,072,586
Inpatient Hospital - DSH	54,140,231	54,000,000			-	4,485,699	40,237,156	13,762,844
Inpatient Hospital - Supplemental Payments	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			-	158,715	7,114,390	(1,570,854)
Mental Health Facilities	57,563,254	41,802,957			4,496,489	3,438,119	35,459,472	6,343,485
Mental Health Facilities - DSH Adjustment Payments	18,878,878	19,000,000			-	1,594,706	14,153,523	4,846,477
Nursing Facility Services - Regular Payments <sup>(1)</sup>	642,716,564	668,129,443			56,795,159	54,850,685	559,600,807	108,528,637
Nursing Facility Services - Supplemental Payments	-	-			-	-	-	-
Intermediate Care Facilities - Public Providers	-	-			-	-	-	-
Intermediate Care Facilities - Private Providers	68,638,994	72,429,100			5,505,432	6,218,939	58,289,003	14,140,097
Intermediate Care Facilities - Supplemental Payments	-	-			-	-	-	-
Physicians Services - Regular Payments	72,513,494	40,593,136			4,199,976	3,681,071	33,237,118	7,356,017
Physicians Services - Supplemental Payments	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			-	385	93	2,307
Physician and Surgical Services - Vaccine Codes	-	-			-	-	-	-
Outpatient Hospital Services - Regular Payments	72,863,760	40,439,473			4,715,807	3,521,634	34,562,747	5,876,727
Outpatient Hospital Services - Supplemental Payments	217,795,914	26,776,155			-	942,083	21,123,658	5,652,497
Prescribed Drugs	208,527,799	874,100,228			67,442,075	99,260,791	517,728,058	356,372,170
Drug Rebate Offset - National Agreement	(183,668,526)	(361,441,697)			(69,739,201)	(50,214,796)	(184,653,196)	(176,788,501)
Drug Rebate Offset - State Sidebar Agreement	(7,530,775)	(19,598,573)			(1,686,617)	(2,768,831)	(9,525,357)	(10,073,216)
Drug Rebate Offset - MCO National	(236,294,808)	(60,753,263)			(12,484,808)	11,237,357	(147,577,287)	86,824,024
Drug Rebate Offset - MCO State Sidebar Agreement	(10,567,359)	(2,009,216)			(18,035)	1,435,675	(11,558,069)	9,548,852
Dental Services	13,832,447	11,544,365			1,044,266	993,592	9,124,497	2,419,868
Other Practitioners Services - Regular Payments	6,492,548	4,336,150			460,196	386,730	3,583,170	752,979
Other Practitioners Services - Supplemental Payments	-	-			-	-	-	-
Clinic Services	2,024,001	1,454,644			136,305	113,207	1,282,904	171,740
Lab & Radiological Services	14,824,783	8,032,059			868,876	624,608	7,548,261	483,798
Home Health Services	34,416,617	19,349,700			2,773,362	1,114,216	21,766,204	(2,416,504)
Hysterectomies/Sterilizations	61,552	43,000			4,041	1,881	50,054	(7,054)
Pregnancy Terminations <sup>(2)</sup>	326,102	350,700			36,701	31,853	298,083	52,617
EPSDT Services	1,552,044	1,385,662			134,581	108,788	1,196,754	188,908
Rural Health Clinic Services	5,544,926	3,073,135			337,060	125,361	3,429,329	(356,194)
Medicare Health Insurance Payments - Part A Premiums	18,956,782	19,557,254			1,771,408	1,603,681	16,817,707	2,739,547
Medicare Health Insurance Payments - Part B Premiums	110,218,602	114,952,633			9,149,905	9,468,075	95,844,799	19,107,834
120% - 134% Of Poverty	8,849,389	9,229,482			716,766	777,350	7,624,022	1,605,460
135% - 175% Of Poverty	-	-			-	-	-	-
Coinsurance And Deductibles	11,080,319	11,635,392			1,453,784	1,112,254	9,552,963	2,082,429

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

	MONTH OF APRIL 2018		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	SFY2017	SFY2018	Current Month Ended 04/30/18	Current Month Ended 04/30/18	Year To-Date Thru 4/30/18	5/1/18 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	117,226,728	172,161,526	1,191,095,801	564,640,747
Medicaid MCO - Evaluation and Management	-	-	-	-	-	-	-	-
Medicaid MCO - Vaccine Codes	-	-	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan	-	-	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	-	-	-	-	-	-	-	-
Medicaid Health Insurance Payments: Group Health Plan Payments	657,626	679,300	657,626	679,300	76,003	68,266	520,478	158,822
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-	-	-
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-	-	-
Home & Community-Based Services (MR/DD)	310,492,734	382,486,200	310,492,734	382,486,200	26,531,367	38,212,295	258,470,585	124,015,615
Home & Community-Based Services (Aged/Disabled)	103,840,769	110,289,297	103,840,769	110,289,297	9,655,576	10,108,687	83,763,792	26,525,505
Home & Community-Based Services (Traumatic Brain Injury)	1,488,193	1,511,600	1,488,193	1,511,600	112,164	125,735	1,255,902	255,698
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	6,288,073	7,346,064	58,755,451	20,600,578
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	237,325	99,271	2,375,631	(223,024)
Primary Care Case Management Services	36	-	36	-	-	-	-	-
Hospice Benefits <sup>(3)</sup>	26,276,477	24,926,457	26,276,477	24,926,457	2,321,074	1,903,669	23,167,717	1,758,741
Emergency Services Undocumented Aliens	496,071	507,245	496,071	507,245	26,478	4,384	628,151	(120,906)
Federally Qualified Health Center	18,358,792	9,518,587	18,358,792	9,518,587	1,002,693	793,330	8,260,448	1,258,140
Non-Emergency Medical Transportation	35,431,782	36,856,203	35,431,782	36,856,203	2,822,337	3,272,122	28,552,425	8,303,778
Physical Therapy	1,905,207	1,124,844	1,905,207	1,124,844	95,605	106,011	831,486	293,358
Occupational Therapy	680,426	402,384	680,426	402,384	72,512	24,093	528,360	(125,977)
Services for Speech, Hearing & Language	478,404	286,408	478,404	286,408	32,288	19,855	265,583	20,825
Prosthetic Devices, Dentures, Eyeglasses	1,463,138	883,770	1,463,138	883,770	82,282	73,736	736,595	147,175
Diagnostic Screening & Preventive Services	437,675	225,171	437,675	225,171	9,264	19,563	152,530	72,641
Nurse Mid-Wife	136,524	146,453	136,524	146,453	14,449	15,700	98,384	48,069
Emergency Hospital Services	(77)	-	(77)	-	-	-	-	-
Critical Access Hospitals	34,698,879	19,515,585	34,698,879	19,515,585	2,174,592	1,002,907	21,109,236	(1,593,650)
Nurse Practitioner Services	3,220,367	2,024,085	3,220,367	2,024,085	260,733	178,802	1,881,219	142,866
School Based Services	12,819,369	12,999,994	12,819,369	12,999,994	745,795	(2,921,395)	34,003,530	(21,003,536)
Rehabilitative Services (Non-School Based)	64,792,629	53,725,474	64,792,629	53,725,474	6,973,772	3,651,326	52,282,204	1,443,270
Private Duty Nursing	7,552,577	5,105,500	7,552,577	5,105,500	569,721	361,706	4,709,658	395,842
Freestanding Birth Centers	-	-	-	-	-	-	-	-
Health Home for Enrollees w Chronic Conditions	263,932	224,565	263,932	224,565	76,781	(17,790)	608,400	(383,835)
Other Care Services	19,658,448	12,701,841	19,658,448	12,701,841	1,858,468	829,631	12,875,219	(173,378)
Less: Recoupments	-	-	-	-	(1,140,394)	91,925	(1,140,394)	1,140,394
<b>NET EXPENDITURES:</b>	<b>3,983,912,063</b>	<b>4,212,690,662</b>	<b>3,983,912,063</b>	<b>4,212,690,662</b>	<b>264,916,255</b>	<b>398,492,512</b>	<b>3,021,632,824</b>	<b>1,191,057,837</b>

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

MONTH OF APRIL 2018	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	Current Month Ended 04/30/18	Current Month Ended 04/30/18	Year To-Date Thru 4/30/18	5/1/18 Thru 06/30/18
Collections: Third Party Liability (line 9A on CMS-64)	(8,663,735)	-	-	-	(4,109,713)	4,109,713
Collections: Probate (line 9B on CMS-64)	(513,508)	-	-	-	(268,387)	268,387
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(338,612)	-	-	-	(182,558)	182,558
Collections: Other (line 9D on CMS-64)	(21,817,774)	-	-	-	(12,457,769)	12,457,769
<b>NET EXPENDITURES and CMS-64 ADJUSTMENTS:</b>	<b>3,952,578,434</b>	<b>4,212,690,662</b>	<b>264,916,255</b>	<b>398,492,512</b>	<b>3,004,614,397</b>	<b>1,208,076,264</b>
Plus: Medicaid Part D Expenditures	42,112,339	44,357,292	3,543,556	3,722,114	36,106,277	8,251,015
Plus: State Only Medicaid Expenditures	211,494	275,000	25,309	31,733	47,048,233	(46,773,233)
Plus: Money Follow the Person Expenditures	1,896,869	2,126,650	195,230	203,763	1,747,444	379,206
<b>TOTAL MEDICAID EXPENDITURES</b>	<b>\$3,996,799,136</b>	<b>\$4,259,449,604</b>	<b>\$ 268,680,351</b>	<b>\$ 402,450,122</b>	<b>\$3,089,516,352</b>	<b>\$1,169,933,252</b>
Plus: Reimbursables <sup>(4)</sup>	3,888,247	-	446,073	-	3,817,299	(3,817,299)
Plus: NATCEP/PASARR/Eligibility Exams	265,071	288,422	7,646	39,705	167,172	121,251
Plus: HIT Incentive Payments	3,894,001	5,000,000	1,062,929	755,131	2,114,934	2,885,066
<b>TOTAL EXPENDITURES</b>	<b>\$4,004,846,454</b>	<b>\$4,264,738,026</b>	<b>\$ 270,197,000</b>	<b>\$ 403,244,958</b>	<b>\$3,095,615,756</b>	<b>\$1,169,122,269</b>

- (1) Of the amount in the 'Nursing Facility Services - Regular Payments' line, \$1,273,169 is the amount paid to State Facilities year to date.  
(2) Pregnancy Terminations are State Only expenditures and are not currently claimed.  
(3) Of the amount in the 'Hospice Benefits' line, \$2,321,074 is the amount paid to Nursing Facilities for Hopsitce Benefits year to date.  
(4) This amount will revert to State Only if not reimbursed.

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

10 Months Actuals

2 Months Remaining

MONTH OF APRIL 2018	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2017	Current Month Ended 4/30/18	Year-To-Date Thru 4/30/18	5/1/2018 Thru 6/30/18	SFY2018
<b>REVENUE SOURCES</b>					
Beg. Bal. (5084/1020 prior mth)	22,715,798	73,418,366	86,992,634		86,992,634
<b>MATCHING FUNDS</b>					
General Revenue (0403/189)	394,899,115	37,725,590	303,220,899	145,311,182	448,532,081
MRDD Waiver (0403/466)	88,753,483	9,762,883	69,227,717	19,525,766	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,333	2,163,333	432,667	2,596,000
Tertiary Funding (0403/547)	6,356,000	529,667	5,296,667	1,059,333	6,356,000
Traumatic Brain Injury (0403/835)	800,000	88,000	624,000	176,000	800,000
Title XIX Waiver for Seniors (0403-533)	13,593,620	1,495,298	10,603,023	2,990,597	13,593,620
Medical Services Surplus (0403/633)	5,500,000	0	30,021,770	0	30,021,770
Waiver for Senior Citizens Surplus (0403/526)	-	0	0	0	0
Lottery Waiver (Less 550,000) (5405/539)	21,824,274	0	9,287,019	3,095,673	12,382,692
Lottery Waiver (0420/539)	12,142,184	0	20,487,825	1,095,941	21,583,766
Lottery Transfer (5405/871)	8,670,000	0	10,876,734	3,625,578	14,502,312
Excess Lottery (5365/189)	31,377,985	0	9,900,000	14,606,170	24,506,170
Lottery Surplus (5405/68199)	8,000,000	0	15,500,000	0	15,500,000
Lottery Surplus (5365/68100)	30,000,000	0	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	15,918,864	158,283,992	56,017,855	214,301,847
NSGO UPL (5084/6717)	1,210,392		68,035	1,173,368	1,241,403
Certified Match	9,870,547	664,758	14,901,284	514,535	15,415,818
Reimbursables - Amount Reimbursed	4,460,819	370,083	3,454,753	-3,454,753	0
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	627,152	57,946	842,663	57,337	900,000
CHIP State Share	-	0	0	0	0
CMS - 64 Adjustments	(973,293)	0	(306,071.86)	306,072	0
<b>TOTAL MATCHING FUNDS</b>	\$ 990,505,306	\$ 140,247,788	\$ 787,260,815	\$ 310,521,307	\$ 1,097,782,122
	-				
<b>FEDERAL FUNDS</b>	3,098,950,199	197,772,301	2,356,515,836	956,877,705	3,313,393,540
<b>TOTAL REVENUE SOURCES</b>	\$ 4,089,455,505	\$ 338,020,090	\$ 3,143,776,651	\$ 1,267,399,012	\$ 4,411,175,663
<b>TOTAL EXPENDITURES:</b>					
Provider Payments	\$ 4,004,846,454	\$ 270,197,000	\$ 3,095,615,756	\$ 1,169,122,269	\$ 4,264,738,026
<b>TOTAL</b>	\$ 84,609,050	\$ 67,823,090	\$ 48,160,894		\$ 146,437,637

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

**Joint Committee on Government and Finance**

**June 2018**

**Department of Health and Human Resources**

**MEDICAID WAIVER REPORT  
April 2018 Data**

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

Aged & Disabled Waiver Reported April 30, 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
<b>Slots Approved By CMS (1)</b>	6,151	5,752	5,752	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	5,662			5,662
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees	73	90	90	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	6,239	6,365			6,365
Applicants determined eligible this month and added to MEL (3)	1,440	98	119	116	112	106	93	83	93	118	135			1,073
Applicants determined ineligible	98	12	12	7	8	8	7	6	9	7	7			83
<b>ACTIVE MEMBERS</b>														
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count	5,349	5,302	5,373	5,395	5,381	5,338	5,291	5,256	5,486	5,685	5,758			5,758
<b>Active members enrolled during the calendar month</b>	877	28	150	95	65	40	30	57	313	289	135			1,202
-Total Active Traditional members enrolled during the calendar month	805	22	138	88	58	32	20	50	310	284	124			1,126
-Total Active TMH-WV members enrolled during the calendar month	72	6	12	7	7	8	10	7	3	5	11			76
Members discharged during the calendar month	1,099	75	79	73	79	83	77	92	83	90	62			793
ADW Members whose case was closed by reason														
Member is deceased	600	40	39	36	45	45	44	55	45	57	34			440
Other (4)	499	35	40	37	34	38	33	37	38	33	28			353
<b>MANAGED ENROLLMENT LIST (MEL)</b>														
# Eligible applicants closed during the calendar month (removed from MEL)	951	341	87	60	41	54	28	879	24	83	17			1,614
ADW Applicants removed from the MEL														
Applicant offered a slot (Traditional + MFP)	626	325	79	41	29	39	10	858	16	65	8			1,470
Applicant became deceased	114	14	7	8	9	8	10	7	7	12	7			89
Other (5)	211	2	1	11	3	7	8	14	1	6	2			55
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	3	2			19
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting	36	52	34	31	32	N/A	96	0	6	13	16			31
Applicants on the MEL at the end of the month	763	520	552	608	679	731	796	0	69	104	222			222
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	30	60			167

(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 the

(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**

<b>Intellectual/Developmental Disabilities Waiver Reported March 31, 2018</b>		<b>FY 2016</b>	<b>July-17</b>	<b>Aug-17</b>	<b>Sep-17</b>	<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>	<b>Jan-18</b>	<b>Feb-18</b>	<b>Mar-18</b>	<b>Apr-18</b>	<b>May-18</b>	<b>Jun-18</b>	<b>YTD2018</b>
Slots approved by CMS		4,634	4,634	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	4,626	4,626			4,626
Applicants determined eligible (2)		207	12	14	20	32	14	19	20	18	11	13			173
Applicants determined ineligible (3)		202	18	10	14	12	19	13	17	12	12	23			150
<b>ACTIVE MEMBERS</b>															
# of active members at the end of the month (unduplicated slots active) (1)		4,503	4,565	4,553	4,549	4,579	4,587	4,584	4,569	4,562	4,553	4,549			4,549
Discharged members at the end of the calendar month		147	5	12	6	8	7	7	18	8	10	5			86
Discharged members who were discharged by reason	Deceased	72	3	6	4	6	4	4	8	4	4	2			45
	Left program to enter a facility	21	2	3	0	0	2	1	3	1	5	1			18
	a. Hospital	0	0	0	0	0	0	0	0	0	0	0			-
	b. ICF/IID	2	1	1	0	0	2	1	3	0	1	1			10
	c. Nursing Facility	11	0	2	1	0	0	0	0	1	4	0			8
	d. Psychiatric Facility	0	0	0	0	0	0	0	0	0	0	0			-
	e. Rehabilitation Facility	0	0	0	0	0	0	0	0	0	0	0			-
	f. Other Facility	1	0	0	0	0	0	0	0	0	0	0			-
Other (6)	53	1	3	1	2	1	2	7	2	1	2			22	
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
Total number of applicants on the MEL at the end of the month		1,317	1,256	1,262	1,278	1,267	1,265	1,278	1,292	1,306	1,316	1,316			1,316
Number of applicants added to the MEL (4)		207	12	14	20	32	14	19	20	18	11	13			173
Applicants enrolled (removed from the MEL)		116	67	0	2	38	15	4	3	1	1	1			132
Applicants removed from the MEL due to Death (5)		7	0	2	0	2	0	1	3	2	0	0			10
Applicants removed from the MEL due to Other (6)		27	6	6	2	3	1	1	0	1	0	12			32
Applicants on the MEL who are in a Nursing Facility (9)		0	0	3	9	10	N/A	7	6	7	5	5			5
Applicants on the MEL who are in an ICF/IID Group Home (9)		22	24	26	22	49	N/A	103	104	111	112	117			117
Applicants on the MEL receiving Personal Care Services each month (8) (9)		70	65	75	9	9	N/A	84	84	85	88	93			93
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	1,585	1,575			1,575

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

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

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

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

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

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

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

<b>Traumatic Brain Injury Waiver Reported April 30, 2018</b>		<b>FY 2017</b>	<b>Jul 17</b>	<b>Aug-17</b>	<b>Sep-17</b>	<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>	<b>Jan-18</b>	<b>Feb-18</b>	<b>Mar-18</b>	<b>Apr-18</b>	<b>May-18</b>	<b>Jun-18</b>	<b>FY 2018 YTD</b>
Slots Approved By CMS (1)		70	66	66	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	56			56
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		0	10	10	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	81	83			83
Applicants determined eligible this month and added to MEL (3)		27	3	2	0	0	3	1	0	0	0	2			11
Applicants determined ineligible		2	1	0	0	0	2	0	0	0	0	0			3
<b>ACTIVE MEMBERS</b>															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		61	62	62	62	59	60	59	62	71	75	74			74
Active members enrolled during the calendar month		9	2	0	0	0	1	0	3	10	5	2			23
-Total Active Traditional members enrolled during the calendar month		8	1	0	0	0	0	0	2	10	4	2			19
-Total Active TMH-WV members enrolled during the calendar month		1	1	0	0	0	1	0	1	0	1	0			4
Members discharged during the calendar month		11	1	0	0	3	0	1	0	1	1	3			10
TBIW Members whose case was closed by reason	Member is deceased	1	0	0	0	3	0	0	0	0	1	1			5
	Other (4)	10	1	0	0	0	0	1	0	1	0	2			5
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
# Eligible applicants closed during the calendar month (removed from MEL)		15	0	0	0	0	0	0	19	0	0	1			20
TBIW Applicants removed from the MEL	Applicant offered a slot	14	0	0	0	0	0	0	18	0	0	1			19
	Applicant became deceased	0	0	0	0	0	0	0	0	0	0	0			0
	Other (5)	1	0	0	0	0	0	0	1	0	0	1			2
Applicants on the MEL who are in a nursing facility		1	0	0	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	0			0
Applicants on the MEL at the end of the month		12	13	15	15	15	18	19	0	0	0	1			1
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	0	10			296

(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 T 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 ap 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 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

*JUNE 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 Nine Months Ending March 31, 2018 and March 31, 2017**  
**(Modified Accrual Basis)**

	March 31, 2018	March 31, 2017	Variance	
<b>Revenues</b>				
Federal Grants	33,122,640	37,137,535	(4,014,895)	-11%
State Appropriations	0	0	0	0%
Premium Revenues	1,100,961	1,036,385	64,577	6%
Investment Income:				
Investment Earnings	<u>73,227</u>	<u>55,899</u>	<u>17,328</u>	<u>31%</u>
<b>Total Revenues</b>	<b><u>34,296,828</u></b>	<b><u>38,229,819</u></b>	<b><u>(3,932,991)</u></b>	<b><u>-10%</u></b>
<b>Expenditures:</b>				
Claims:				
Physicians & Surgical	8,588,136	12,278,275	(3,690,139)	-30%
Prescribed Drugs	6,897,812	6,834,109	63,703	1%
Dental	5,039,545	5,363,673	(324,128)	-6%
Outpatient Services	4,937,590	5,428,215	(490,625)	-9%
Inpatient Hospital Services	2,149,462	2,650,442	(500,980)	-19%
Other Services	1,599,559	1,688,454	(88,895)	-5%
Therapy	1,402,673	1,516,301	(113,628)	-7%
Inpatient Mental Health	517,695	608,843	(91,148)	-15%
Vision	433,048	579,421	(146,373)	-25%
Outpatient Mental Health	362,704	91,286	271,418	297%
Medical Transportation	270,541	195,976	74,565	38%
Durable & Disposable Med. Equip.	222,138	318,730	(96,592)	-30%
Less: Collections**	<u>(1,089,690)</u>	<u>(1,050,175)</u>	<u>(39,516)</u>	<u>4%</u>
Total Claims	<u>31,331,213</u>	<u>36,503,550</u>	<u>(5,172,338)</u>	<u>-14%</u>
General and Admin Expenses:				
Salaries and Benefits	436,987	420,437	16,550	4%
Program Administration	2,076,939	1,678,673	398,266	24%
Eligibility	7,609	69,823	(62,214)	-89%
Outreach & Health Promotion	10,190	65,484	(55,294)	-84%
Current	<u>36,060</u>	<u>115,026</u>	<u>(78,966)</u>	<u>-69%</u>
Total Administrative	<u>2,567,785</u>	<u>2,349,443</u>	<u>218,342</u>	<u>9%</u>
<b>Total Expenditures</b>	<b><u>33,898,998</u></b>	<b><u>38,852,993</u></b>	<b><u>(4,953,996)</u></b>	<b><u>-13%</u></b>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>397,830</b>	<b>(623,175)</b>	<b>1,021,005</b>	<b>-164%</b>
Unrealized Gain(loss) On Investments*	(29,343)	(512,456)	483,113	-94%
<b>Fund Equity, Beginning</b>	<b><u>7,119,917</u></b>	<b><u>8,268,031</u></b>	<b><u>(1,148,114)</u></b>	<b><u>-14%</u></b>
<b>Fund Equity, Ending</b>	<b><u>7,488,404</u></b>	<b><u>7,132,400</u></b>	<b><u>356,004</u></b>	<b><u>5%</u></b>

\* Short Term Bond Fund Investment began in November 2009

\*\* Collections are primarily drug rebates and subrogation

## PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program**  
**Budget to Actual Statement**  
**State Fiscal Year 2018**  
**For the 10 Months Ending April 30, 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 Apr-18</u>	<u>Actual Amt Mar-18</u>	<u>Actual Amt Feb-18</u>
Projected Cost	\$50,205,506	\$41,837,922	\$40,889,463	\$948,458	2%	\$4,183,792	\$3,425,727	\$4,960,873	\$5,382,809
Premiums	2,403,240	\$2,002,700	\$1,231,506	(\$771,195)	-39%	\$200,270	\$130,545	\$139,698	\$123,142
Subrogation & Rebates	<u>1,398,828</u>	<u>\$1,165,690</u>	<u>\$1,047,528</u>	<u>(\$118,162)</u>	<u>-10%</u>	<u>\$116,569</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Benefit Cost	\$46,403,438	\$38,669,532	\$38,610,430	\$59,102	0%	\$3,973,808	\$3,295,182	\$4,821,175	\$5,259,667
Salaries & Benefits	\$702,625	\$585,521	\$479,681	\$105,840	18%	\$58,552	\$42,694	\$62,862	\$43,588
Program Administration	\$2,626,570	\$2,188,808	\$2,648,378	(\$459,570)	-21%	\$218,881	\$267,768	\$266,489	\$204,073
Eligibility	\$326,676	\$272,230	\$9,980	\$262,250	96%	\$27,223	\$2,371	\$0	\$45
Outreach & Health Prom.	\$392,012	\$326,677	\$10,190	\$316,487	97%	\$32,668	\$0	\$0	\$0
Current Expense	<u>\$326,676</u>	<u>\$272,230</u>	<u>\$44,015</u>	<u>\$228,215</u>	<u>84%</u>	<u>\$27,223</u>	<u>\$7,955</u>	<u>\$994</u>	<u>\$9,353</u>
Total Admin Cost	\$4,374,559	\$3,645,466	\$3,192,244	\$453,222	12%	\$364,547	\$320,788	\$330,344	\$257,058
Total Program Cost	<u>\$50,777,997</u>	<u>\$42,314,998</u>	<u>\$41,802,674</u>	<u>\$512,323</u>	<u>1%</u>	<u>\$4,338,355</u>	<u>\$3,615,970</u>	<u>\$5,151,519</u>	<u>\$5,516,725</u>
Federal Share 100%	\$50,777,997	\$42,314,998	\$41,802,674	\$512,323	1%	\$4,338,355	\$3,615,970	\$5,151,519	\$5,516,725
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>\$42,314,998</u>	<u>\$41,802,674</u>	<u>\$512,323</u>	<u>1%</u>	<u>\$4,338,355</u>	<u>\$3,615,970</u>	<u>\$5,151,519</u>	<u>\$5,516,725</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

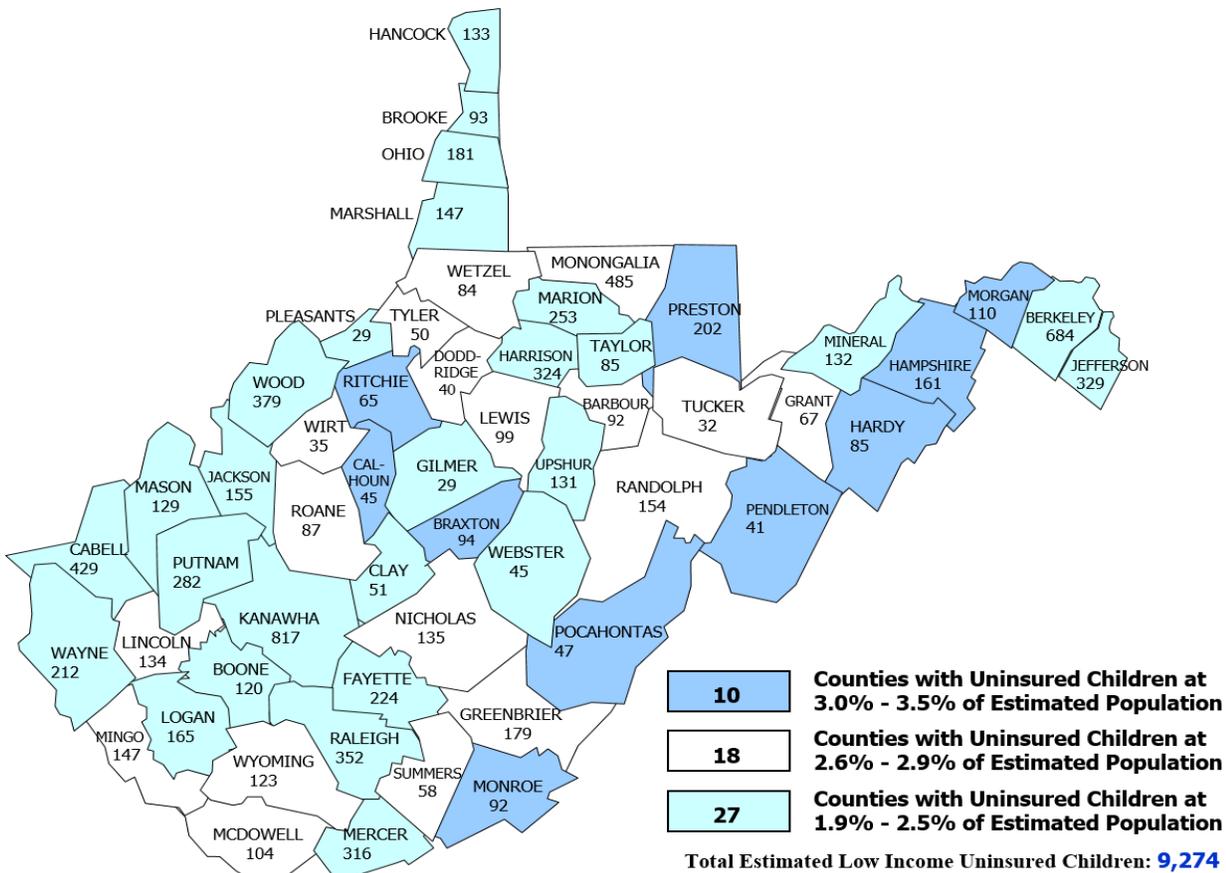
May 2018

County	County Pop. 2016 Est. (0-18 Yrs)	Total CHIP Enrollment May-18	Total Medicaid Enrollment May-18	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2016 Est. Uninsured 3%	2016 # Children Uninsured Ranking*
Barbour	3,470	226	1,632	1,858	53.5%	104	33
Berkeley	27,800	1,696	11,622	13,318	47.9%	834	2
Boone	5,087	252	3,139	3,391	66.7%	153	27
Braxton	2,947	167	1,573	1,740	59.0%	88	39
Brooke	4,185	1	1,176	1,177	28.1%	126	31
Cabell	19,601	958	8,992	9,950	50.8%	588	3
Calhoun	1,427	89	766	855	59.9%	43	51
Clay	2,041	121	1,323	1,444	70.7%	61	44
Doddridge	1,479	88	747	835	56.5%	44	49
Fayette	9,297	672	5,107	5,779	62.2%	279	12
Gilmer	1,212	65	581	646	53.3%	36	54
Grant	2,343	124	1,183	1,307	55.8%	70	42
Greenbrier	7,018	590	3,611	4,201	59.9%	211	16
Hampshire	4,619	260	2,339	2,599	56.3%	139	30
Hancock	5,876	529	3,206	3,735	63.6%	176	20
Hardy	2,847	251	1,504	1,755	61.6%	85	40
Harrison	15,199	921	6,354	7,275	47.9%	456	7
Jackson	6,506	333	2,968	3,301	50.7%	195	18
Jefferson	13,304	644	3,975	4,619	34.7%	399	9
Kanawha	38,824	2,085	19,023	21,108	54.4%	1,165	1
Lewis	3,432	266	1,855	2,121	61.8%	103	35
Lincoln	4,849	255	3,092	3,347	69.0%	145	28
Logan	7,095	402	4,442	4,844	68.3%	213	15
Marion	11,654	610	5,211	5,821	49.9%	350	11
Marshall	6,478	267	2,818	3,085	47.6%	194	19
Mason	5,798	235	2,891	3,126	53.9%	174	21
McDowell	3,994	176	3,095	3,271	81.9%	120	32
Mercer	12,774	763	7,788	8,551	66.9%	383	10
Mineral	5,626	294	2,322	2,616	46.5%	169	23
Mingo	5,632	257	3,769	4,026	71.5%	169	22
Monongalia	17,905	885	5,309	6,194	34.6%	537	5
Monroe	2,781	224	1,166	1,390	50.0%	83	41
Morgan	3,367	254	1,454	1,708	50.7%	101	36
Nicholas	5,271	379	2,959	3,338	63.3%	158	25
Ohio	8,365	429	3,502	3,931	47.0%	251	14
Pendleton	1,269	93	587	680	53.6%	38	52
Pleasants	1,473	82	631	713	48.4%	44	50
Pocahontas	1,517	141	781	922	60.8%	46	48
Preston	6,658	401	3,094	3,495	52.5%	200	17
Putnam	13,446	648	4,362	5,010	37.3%	403	8
Raleigh	16,494	994	8,964	9,958	60.4%	495	6
Randolph	5,586	446	3,000	3,446	61.7%	168	24
Ritchie	2,034	120	1,078	1,198	58.9%	61	45
Roane	3,116	247	1,747	1,994	64.0%	93	38
Summers	2,225	180	1,392	1,572	70.7%	67	43
Taylor	3,449	205	1,565	1,770	51.3%	103	34
Tucker	1,199	102	556	658	54.9%	36	55
Tyler	1,848	91	822	913	49.4%	55	46

# WVCHIP Enrollment Report

May 2018

County	County Pop. 2016 Est. (0-18 Yrs)	Total CHIP Enrollment May-18	Total Medicaid Enrollment May-18	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2016 Est. Uninsured 3%	2016 # Children Uninsured Ranking*
Upshur	5,197	324	2,890	3,214	61.8%	156	26
Wayne	8,809	392	4,772	5,164	58.6%	264	13
Webster	1,787	111	1,275	1,386	77.6%	54	47
Wetzel	3,255	158	1,825	1,983	60.9%	98	37
Wirt	1,245	66	683	749	60.2%	37	53
Wood	18,641	989	8,999	9,988	53.6%	559	4
Wyoming	4,707	276	2,639	2,915	61.9%	141	29
<b>Totals</b>	<b>384,058</b>	<b>21,834</b>	<b>184,156</b>	<b>205,990</b>	<b>53.6%</b>	<b>11,522</b>	

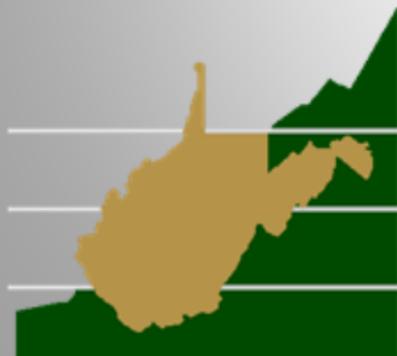


The above map shows the most recent 2016 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county 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

April 30, 2018



# Participant Plans Allocation & Performance Net of Fees

Period Ending: April 30, 2018

	6/30/2017		4/30/2018		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>WVIMB Fund Assets</b>	<b>18,283,189</b>	<b>100.0</b>	<b>19,374,985</b>	<b>100.0</b>							
<b>Pension Assets</b>	<b>14,791,142</b>	<b>80.9</b>	<b>15,634,042</b>	<b>80.7</b>							
Public Employees' Retirement System	6,288,320	34.4	6,708,418	34.6	0.6	(2.1)	8.9	12.0	7.8	8.6	7.2
Teachers' Retirement System	7,232,585	39.6	7,569,023	39.1	0.6	(2.1)	8.9	11.9	7.8	8.6	6.9
EMS Retirement System	70,196	0.4	78,053	0.4	0.6	(2.1)	8.9	11.9	7.8	8.6	7.2
Public Safety Retirement System	639,380	3.5	660,763	3.4	0.6	(2.1)	8.9	12.0	7.8	8.6	7.2
Judges' Retirement System	189,254	1.0	203,590	1.1	0.6	(2.1)	9.0	12.0	7.9	8.7	7.2
State Police Retirement System	165,873	0.9	186,645	1.0	0.6	(2.1)	8.9	11.9	7.8	8.6	7.2
Deputy Sheriffs' Retirement System	198,732	1.1	217,549	1.1	0.6	(2.1)	8.9	12.0	7.8	8.6	7.2
Municipal Police & Firefighter Retirement System	5,356	0.0	7,386	0.0	0.6	(2.1)	8.6	11.6	7.6	8.3	
Municipal Model A	1,446	0.0	1,490	0.0	0.6	(2.0)	8.9	12.0	7.8		
Municipal Model C			1,125	0.0	0.3	(2.4)					
<b>Insurance Assets</b>	<b>2,641,811</b>	<b>14.4</b>	<b>2,813,487</b>	<b>14.5</b>							
Workers' Compensation Old Fund	1,260,911	6.8	1,213,792	6.2	0.0	(1.9)	5.2	6.5	4.6	4.4	4.4
Workers' Comp. Self-Insured Guaranty Risk Pool	33,211	0.2	34,364	0.2	0.0	(1.9)	5.4	6.6	4.3	4.6	4.3
Workers' Comp. Self-Insured Security Risk Pool	53,908	0.3	54,089	0.3	0.0	(1.9)	5.4	6.6	4.4		
Workers' Comp. Uninsured Employers' Fund	11,797	0.1	12,974	0.1	0.0	(1.8)	5.4	6.6	4.2	4.5	4.0
Pneumoconiosis	250,631	1.4	249,386	1.3	0.0	(1.9)	5.4	6.6	4.3	4.6	4.9
Board of Risk & Insurance Management	144,341	0.8	152,087	0.8	0.0	(1.9)	5.4	6.6	4.2	4.6	5.4
Public Employees' Insurance Agency	153,908	0.8	199,279	1.0	(0.1)	(1.7)	4.8	6.0	4.1	4.5	5.0
WV Retiree Health Benefit Trust Fund	733,104	4.0	897,516	4.6	0.6	(2.1)	8.9	11.9	7.9	8.6	8.3
<b>Endowment Assets</b>	<b>850,236</b>	<b>4.7</b>	<b>927,456</b>	<b>4.8</b>							
Berkeley County Development Authority	7,031	0.0	7,688	0.0	0.6	(2.1)	8.9	12.0			
Wildlife Fund	63,648	0.4	63,267	0.3	0.6	(2.1)	8.9	11.9	7.9	8.6	7.1
Prepaid Tuition Trust	49,025	0.3	42,280	0.2	(0.7)	(3.0)	4.8	6.8	5.8	6.5	6.2
Revenue Shortfall Reserve Fund	145,150	0.8	167,215	0.9	(0.5)	(0.8)	0.9	1.1	1.6	1.1	1.7
Revenue Shortfall Reserve Fund - Part B	425,111	2.4	440,595	2.3	(0.3)	(1.8)	3.6	5.1	4.2	4.1	3.6
WV DEP Trust	9,044	0.0	9,761	0.1	0.3	(3.3)	9.6	11.7	6.8	7.8	
WV DEP Agency	151,227	0.8	196,650	1.0	0.0	(2.4)	6.3	8.0	5.1		

Composite Asset Allocation & Performance Net of Fees

Period Ending: April 30, 2018

	Asset (\$000)	%	Performance %							
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	
Investment Pools Composite	19,386,222	100.00								
Total Equity Composite +/- Total Equity Base Index (b)	9,340,155	48.18	0.58 (0.42)	(4.52) 0.41	12.99 1.18	16.12 1.19	9.18 1.05	10.50 0.98	7.59 1.53	
Domestic Equity Composite +/- Russell 3000 Index	4,466,595	23.04	0.21 (0.17)	(4.54) 0.72	12.03 1.13	14.17 1.12	10.15 (0.05)	12.85 0.10	9.32 0.19	
International Equity Composite +/- MSCI AC World ex US IMI Index (c)	4,873,560	25.14	0.93 (0.68)	(4.50) 0.10	13.80 1.11	17.83 1.03	8.05 2.07	7.97 1.72	5.57 2.69	
Fixed Income Composite +/- Bloomberg Barclays Capital Universal (d)	3,606,852	18.60	(0.71) (0.04)	(1.26) (0.15)	0.94 1.61	2.32 2.31	2.82 1.28	2.73 0.90	4.33 0.40	
Core Fixed Income Composite +/- Bloomberg Barclays Capital Aggregate	1,095,861	5.65	(0.72) 0.02	(0.85) 0.20	(0.71) 0.27	(0.02) 0.30	1.53 0.46	1.93 0.46		
Total Return Fixed Income Composite (k) +/- Bloomberg Barclays Capital Universal	2,510,991	12.95	(0.70) (0.03)	(1.43) (0.32)	1.66 2.33	3.35 3.34	3.37 1.83	3.08 1.25	4.78 0.85	
TIPS Composite +/- Bloomberg Barclays Capital U.S.TIPS	371,257	1.92	(0.07) (0.01)	0.01 0.00	1.30 0.03	0.30 0.03	1.04 0.00	(0.13) (0.01)		
Cash Composite +/- Citigroup 90 Day T-Bill (e)	99,406	0.51	0.14 0.01	0.37 0.00	1.03 0.01	1.16 0.01	0.59 0.05	0.40 0.04	0.41 (0.01)	
Private Equity Composite +/- Russell 3000 + 3% (f, g)	1,752,698	9.04	2.37	3.13	8.45	16.19	13.53	13.53 (2.32)		
Real Estate Composite +/- NCREIF + 1% (f)	1,709,973	8.82	1.09	2.37	5.76	9.51	9.31	9.44 (1.68)		
Hedge Fund Composite +/- HFRI FOF + 1% (h)	2,067,745	10.67	0.47 0.20	(0.38) 1.19	5.10 (0.65)	4.92 (1.31)	1.95 (0.90)	4.03 0.27		
Opportunistic Income Composite +/- CS Leveraged Loan + 2.5%	438,136	2.26	(0.05) (0.74)	1.00 (0.61)	1.95 (4.49)	4.26 (2.93)				

# Participant Plans Allocation vs. Strategy

Period Ending: April 30, 2018

	Domestic Equity		Int'l Equity		Fixed Income		Private Equity		Real Estate		Hedge Funds		Opportunistic Income		Cash	
	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %
<b>Pension Assets</b>																
Public Employees' Retirement System	24.7	27.5	26.9	27.5	14.5	15.0	10.5	10.0	10.3	10.0	10.2	10.0	2.6	0.0	0.3	0.0
Teachers' Retirement System	24.8	27.5	27.0	27.5	14.3	15.0	10.6	10.0	10.3	10.0	10.2	10.0	2.6	0.0	0.2	0.0
EMS Retirement System	24.7	27.5	26.8	27.5	14.8	15.0	10.4	10.0	10.2	10.0	10.1	10.0	2.6	0.0	0.4	0.0
Public Safety Retirement System	24.7	27.5	27.0	27.5	14.3	15.0	10.6	10.0	10.4	10.0	10.3	10.0	2.7	0.0	0.0	0.0
Judges' Retirement System	24.8	27.5	26.9	27.5	14.5	15.0	10.5	10.0	10.3	10.0	10.2	10.0	2.6	0.0	0.2	0.0
State Police Retirement System	24.8	27.5	26.9	27.5	14.7	15.0	10.4	10.0	10.1	10.0	10.1	10.0	2.6	0.0	0.4	0.0
Deputy Sheriffs' Retirement System	24.8	27.5	26.9	27.5	14.7	15.0	10.5	10.0	10.2	10.0	10.1	10.0	2.6	0.0	0.2	0.0
Municipal Police & Firefighter Retirement System	23.9	27.5	26.0	27.5	14.3	15.0	9.9	10.0	9.6	10.0	9.6	10.0	2.5	0.0	4.2	0.0
Municipal Model A	24.8	27.5	27.0	27.5	14.0	15.0	10.6	10.0	10.3	10.0	10.2	10.0	2.6	0.0	0.5	0.0
Municipal Model C	23.1	25.0	25.1	25.0	28.2	30.0	5.2	5.0	5.1	5.0	10.2	10.0	1.3	0.0	1.8	0.0
<b>Insurance Assets</b>																
Workers' Compensation Old Fund	14.5	15.0	15.8	15.0	50.7	50.0	0.0	0.0	0.0	0.0	15.6	15.0	0.0	0.0	3.4	5.0
Workers' Comp. Self-Insured Guaranty Risk Pool	14.4	15.0	15.6	15.0	45.0	45.0	0.0	0.0	0.0	0.0	20.4	20.0	0.0	0.0	4.6	5.0
Workers' Comp. Self-Insured Security Risk Pool	14.3	15.0	15.8	15.0	45.3	45.0	0.0	0.0	0.0	0.0	20.6	20.0	0.0	0.0	4.0	5.0
Workers' Comp. Uninsured Employers Fund	14.2	15.0	15.5	15.0	40.4	40.0	0.0	0.0	0.0	0.0	20.4	20.0	0.0	0.0	9.5	10.0
Pneumoconiosis	14.5	15.0	15.9	15.0	45.6	45.0	0.0	0.0	0.0	0.0	20.7	20.0	0.0	0.0	3.3	5.0
Board of Risk & Insurance Mgmt.	14.3	15.0	15.5	15.0	44.9	45.0	0.0	0.0	0.0	0.0	20.3	20.0	0.0	0.0	5.0	5.0
Public Employees' Insurance Agency	12.0	12.5	13.4	12.5	54.3	55.0	0.0	0.0	0.0	0.0	20.3	20.0	0.0	0.0	0.0	0.0
WV Retiree Health Benefit Trust Fund	24.7	27.5	26.8	27.5	14.9	15.0	10.4	10.0	10.1	10.0	10.1	10.0	2.6	0.0	0.4	0.0
<b>Endowment Assets</b>																
Berkeley County Development Authority	24.9	27.5	26.9	27.5	14.8	15.0	10.5	10.0	10.2	10.0	10.1	10.0	2.6	0.0	0.0	0.0
Wildlife Fund	24.7	27.5	26.8	27.5	14.5	15.0	10.6	10.0	10.3	10.0	10.3	10.0	2.6	0.0	0.2	0.0
Prepaid Tuition Trust	0.0	22.0	0.0	18.0	97.6	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	10.8	11.3	11.6	11.3	77.6	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	31.0	32.5	33.7	32.5	14.8	15.0	0.0	0.0	0.0	0.0	20.5	20.0	0.0	0.0	0.0	0.0
WV DEP Agency	18.9	20.0	20.5	20.0	39.8	40.0	0.0	0.0	0.0	0.0	20.1	20.0	0.0	0.0	0.7	0.0

- (a) As of January 2014, the PERS Base is 30% Russell 3000, 30% MSCI ACW ex USA (IMI), and 40% Bloomberg Barclays Capital Universal. From April 2008 to December 2013, the PERS Base was 30% Russell 3000, 30% MSCI ACW ex USA (Standard), and 40% Bloomberg Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACW ex USA, and 40% Bloomberg Barclays Capital Aggregate.
- (b) As of January 2014, the Total Equity Base Index is 50% Russell 3000 and 50% MSCI ACW ex USA (IMI). From April 2008 to December 2013, the Total Equity Base Index was 50% Russell 3000 and 50% MSCI ACW ex USA (Standard). Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCI ACW ex USA.
- (c) Prior to January 2014, the index was the MSCI ACW ex USA (Standard).
- (d) Prior to April 2008, the index was Bloomberg Barclays Capital Aggregate.
- (e) Prior to January 2014, the index was Citigroup 90 Day T-Bill plus 15 basis points.
- (f) The Private Equity Composite and Real Estate Composite are long-term programs whose benchmarks are only reported for 5 years and beyond.
- (g) Prior to January 2014, the index was S&P 500 plus 500 basis points.
- (h) Prior to January 2014, the index was Libor plus 400 basis points.
- (i) Franklin Benchmark is 50% JPM EMBI Global Diversified and 50% JPM GBI EM 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.
- (l) BlackRock replaced SSgA in April 2018. Performance reporting will start May 2018.

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

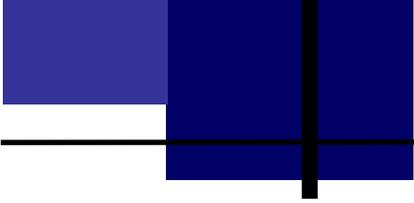
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**Status Report:**  
**Workers' Compensation**

Joint Committee on Government & Finance

June 2018

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



**Table of Contents:**

**Introduction**..... 3

**Definitions**.....4-6

**Monthly Claims Count and Reserve Charts** .....7-11

**Old Fund Cash Statements** ..... 12

**Coal Workers Pneumoconiosis Fund Cash Statement**..... 13

**Self-Insured Guaranty Fund Cash Statement** ..... 14

**Self-Insured Security Fund Cash Statement** ..... 15

**Uninsured Employers’ Fund Cash Statement** ..... 16

## **Introduction**

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

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

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

## Definitions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

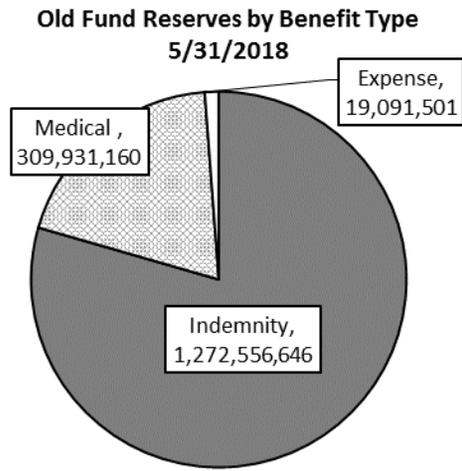
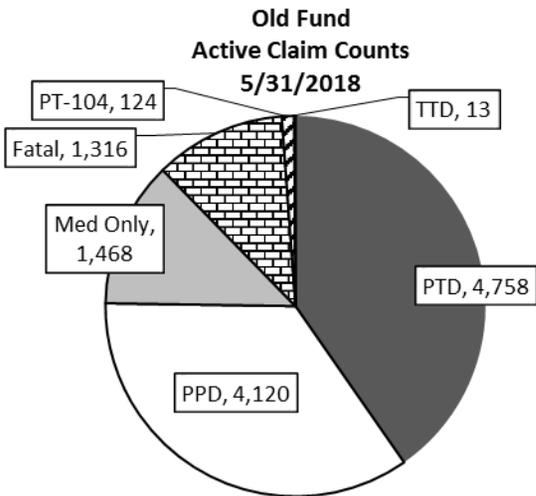
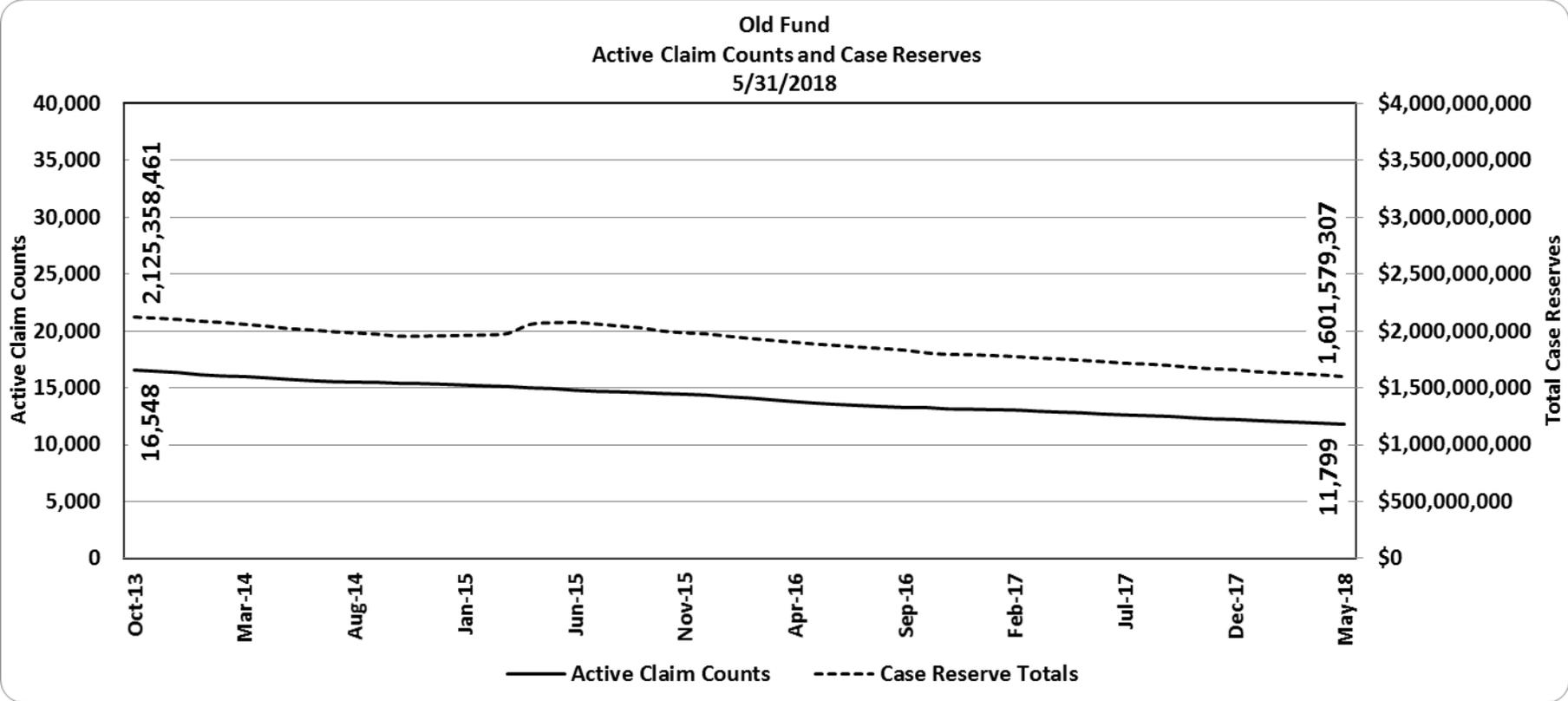
**Self-Insured Guaranty Fund:** State managed fund consisting of those funds transferred to it from the guaranty pool created pursuant to 85 CSR §19 (2004) and any future funds collected through continued administration of that exempt legislative rule as administered by the WVOIC and out of which workers'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

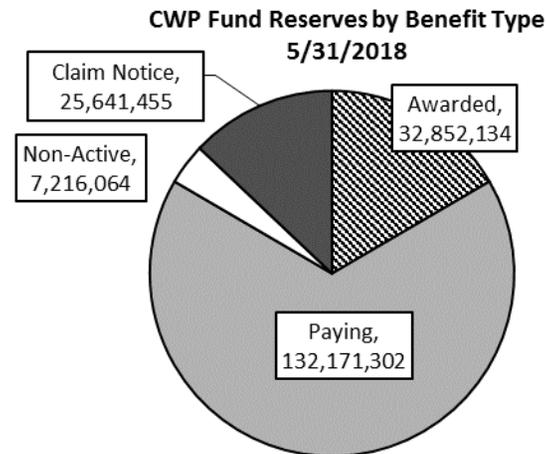
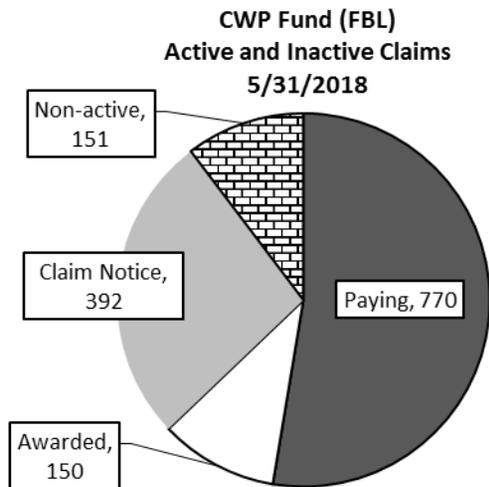
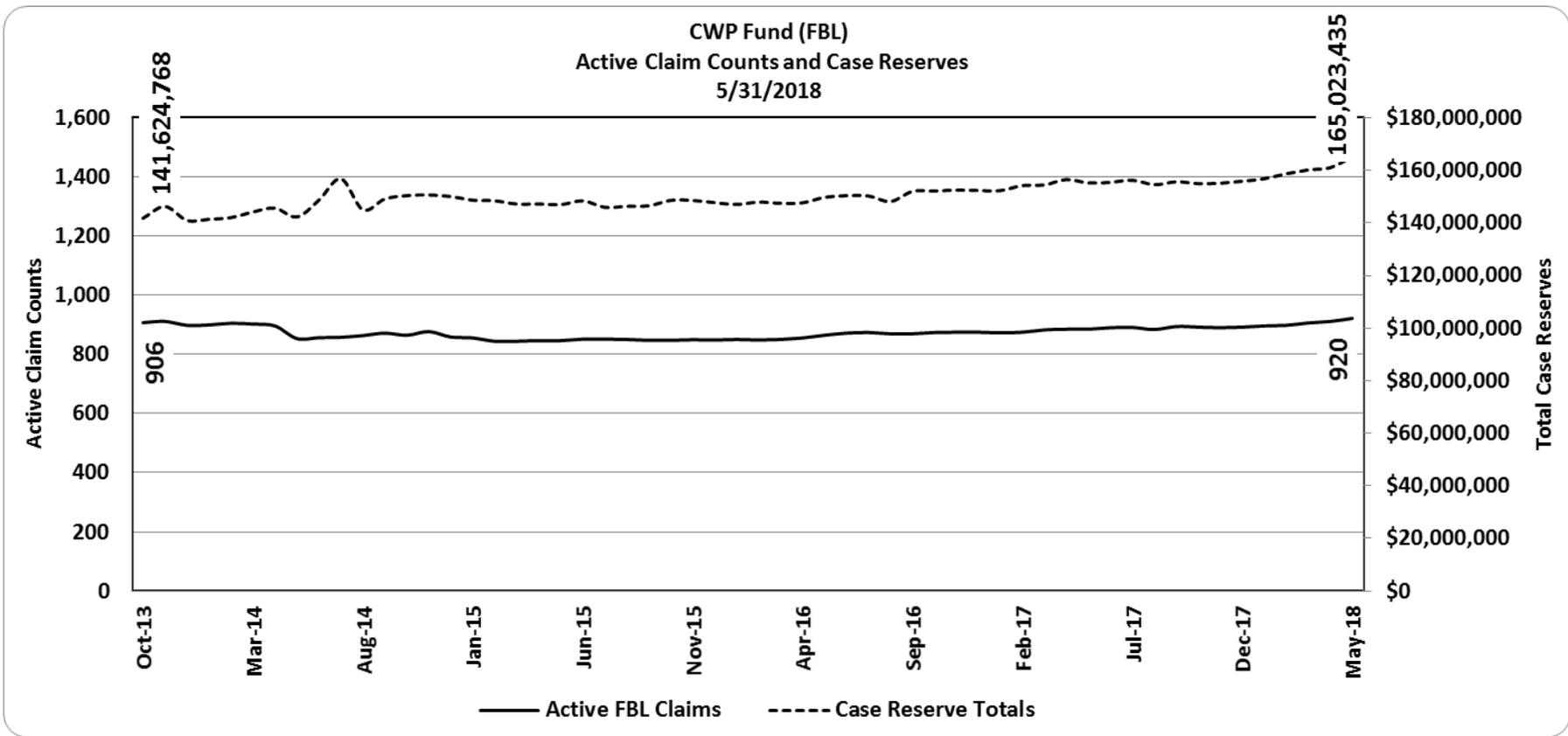
**Self-Insured Security Fund:** State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or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

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

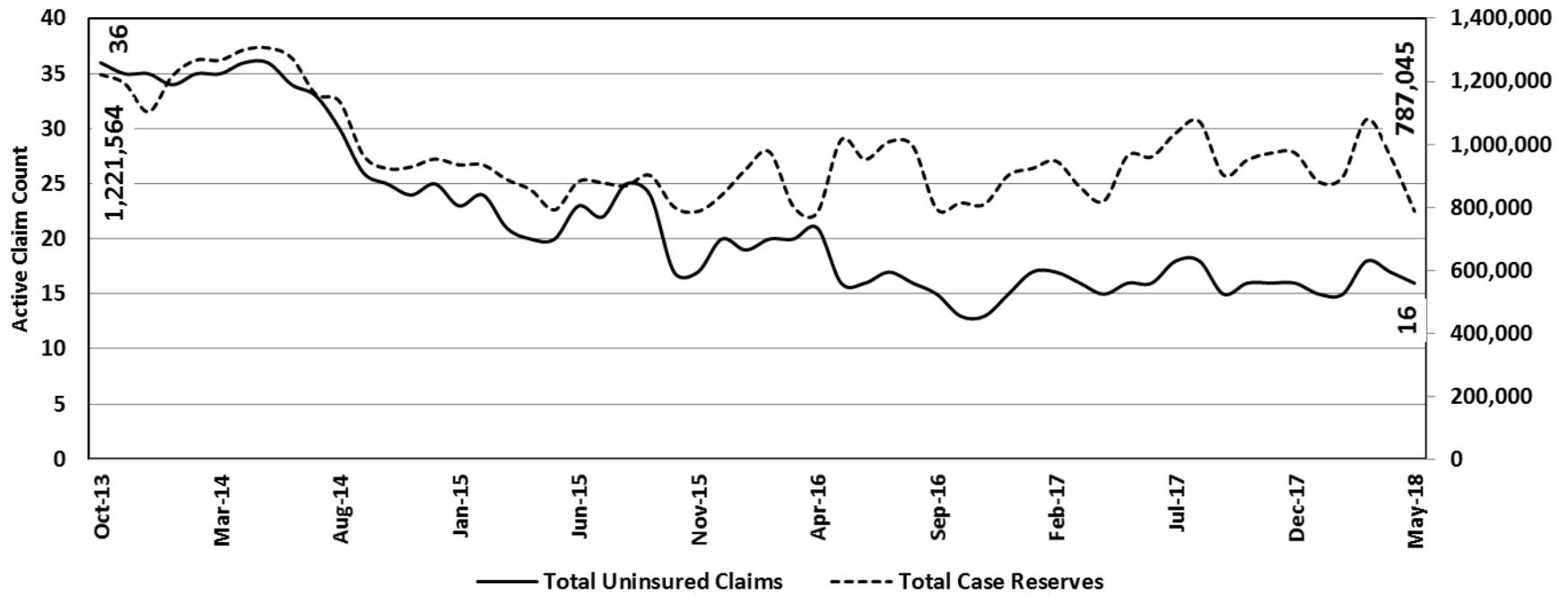
**TTD:** (Temporary Total Disability) an inability to return to substantial gainful employment requiring skills or activities comparable to those of one's previous gainful employment during the healing or recovery period after the injury. In order to receive TTD benefits, the injured worker must be certified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

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

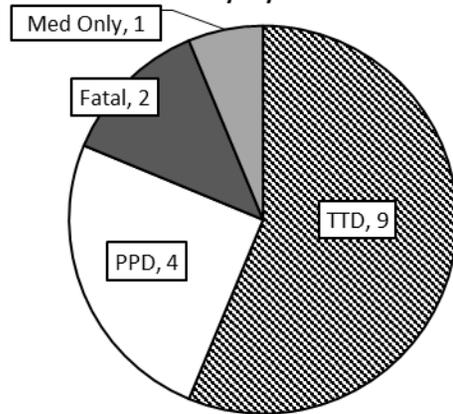




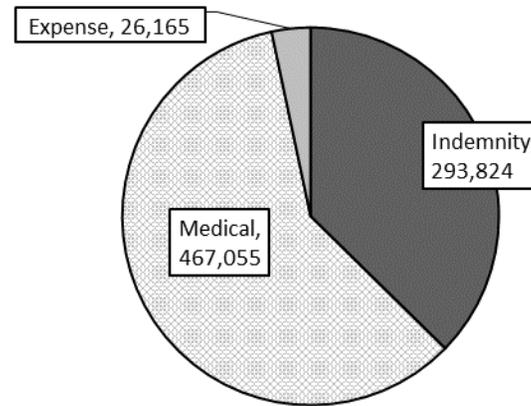
**Uninsured Fund  
Active Claim Counts and Case Reserves  
5/31/2018**

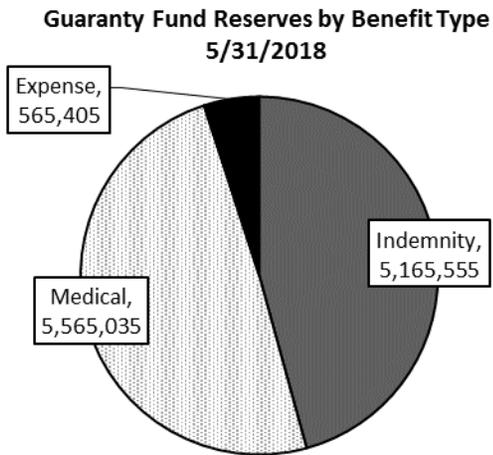
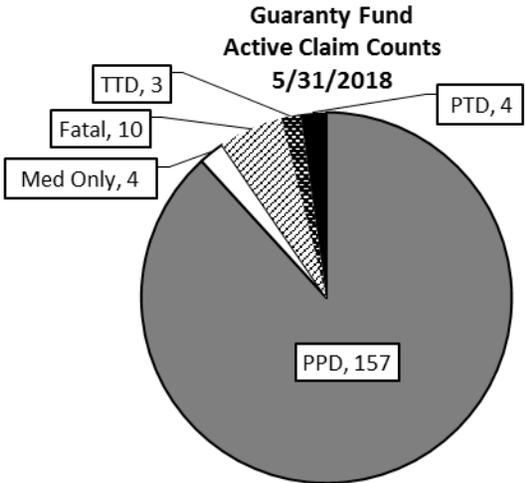
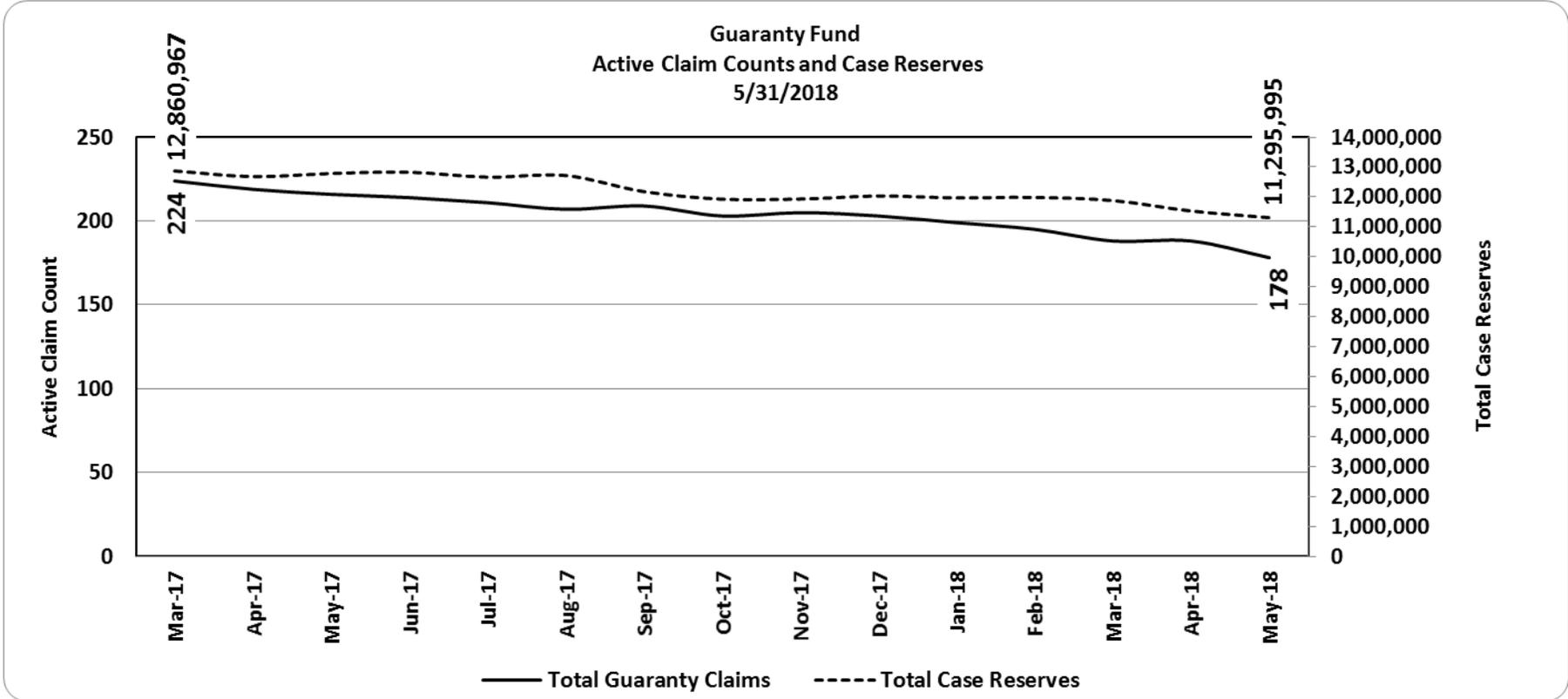


**Uninsured Fund  
Active Claim Counts  
5/31/2018**

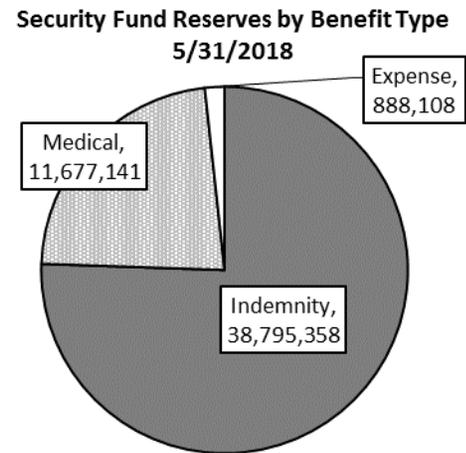
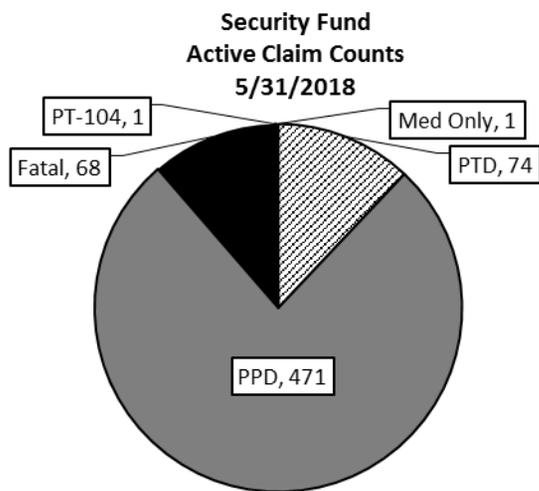
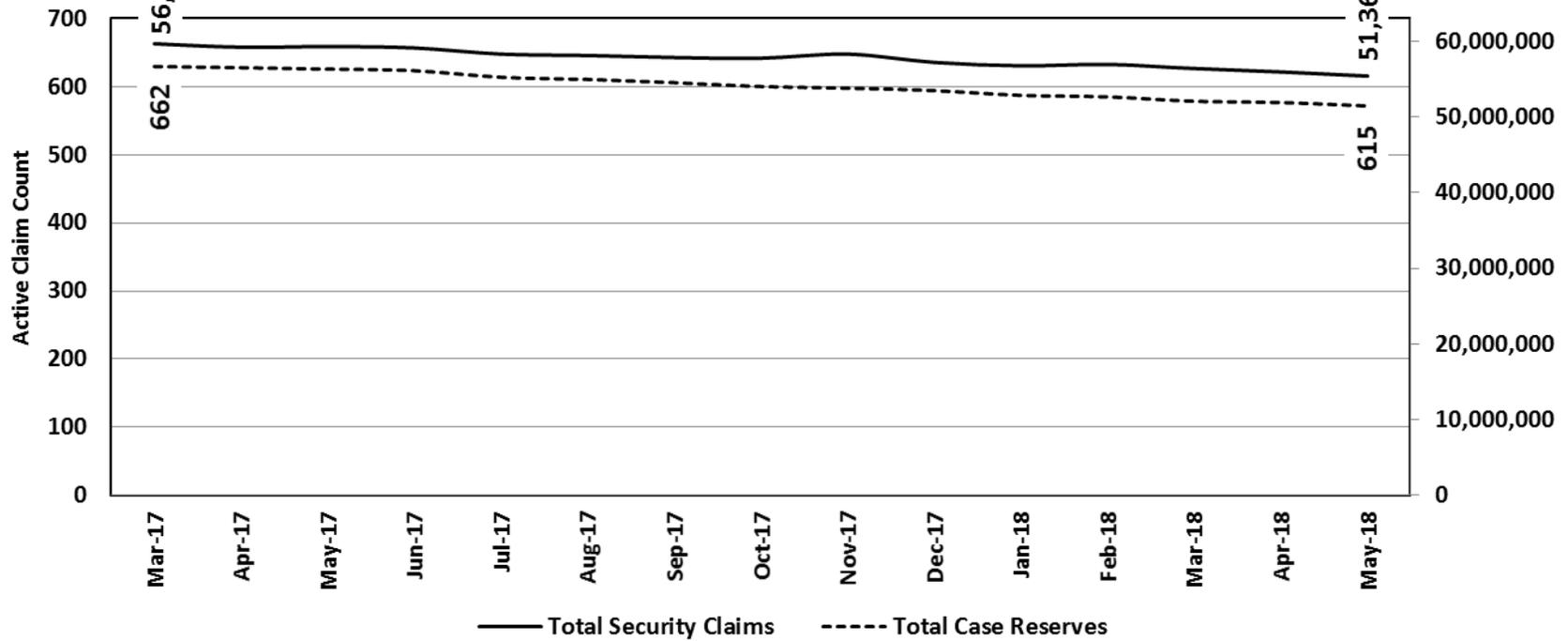


**Uninsured Fund Reserves by Benefit Type  
5/31/2018**





**Security Fund  
Active Claim Counts and Case Reserves  
5/31/2018**



OLD FUND CASH STATEMENT

May 31, 2018

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>	<b>(17,275,184)</b>	<b>1,280,647,632</b>	<b>1,311,653,269</b>	<b>1,190,142,811</b>
<b>Revenues</b>						
Personal Income Tax	-	-	-	-	42,400,000	95,400,000
Severance Tax	-	13,887,551	(13,887,551)	13,887,551	73,068,796	125,703,925
Debt Reduction Surcharge	6,666,641	12,055,798	(5,389,158)	12,336,645	25,211,458	34,106,221
Self-Insured Debt Reduction Surcharge	2,130,127	4,316,520	(2,186,393)	4,346,111	6,209,330	8,859,759
Video Lottery	2,637,325	5,500,000	(2,862,675)	5,500,000	6,734,934	11,000,000
Employer Premium	512,159	60,538	451,621	62,806	111,955	202,532
Other Income - Return of Unclaimed Property	273,871	354,423	(80,552)	354,423	184,888	153,763
<b>Operating Revenues</b>	<b>12,220,122</b>	<b>36,174,830</b>	<b>(23,954,708)</b>	<b>36,487,535</b>	<b>153,921,361</b>	<b>275,426,199</b>
Investment / Interest Earnings (Losses)	67,258,009	98,873,895	(31,615,886)	112,116,554	(5,981,504)	34,715,474
<b>Total Revenues</b>	<b>79,478,131</b>	<b>135,048,725</b>	<b>(55,570,594)</b>	<b>148,604,089</b>	<b>147,939,857</b>	<b>310,141,673</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	23,755,117	25,458,599	(1,703,482)	27,437,375	26,890,541	29,881,043
Permanent Total Disability	79,772,856	84,682,092	(4,909,236)	92,140,733	98,784,921	104,948,107
Permanent Partial Disability	275,395	313,122	(37,727)	336,015	232,699	353,749
Temporary Disability	18,268	-	18,268	-	8,554	-
Fatals	19,876,031	21,137,247	(1,261,216)	22,990,499	24,098,586	25,497,598
104 weeks death benefit	4,895,987	5,400,861	(504,874)	5,825,439	6,990,581	5,883,387
Settlements	6,374,154	11,078,636	(4,704,483)	11,716,131	12,718,425	12,206,388
Loss Adjustment Expenses	1,244,209	1,298,187	(53,977)	1,446,808	1,970,779	2,029,136
Total	136,212,017	149,368,744	(13,156,726)	161,893,000	171,695,087	180,799,408
Less: Claims credits and overpayments	2,756,892	4,745,178	(1,988,286)	5,080,389	3,044,395	2,240,415
Total Benefits Paid	133,455,126	144,623,566	(11,168,440)	156,812,611	168,650,692	178,558,993
Administrative Expenses	6,880,454	7,640,808	(760,353)	9,066,663	10,294,801	10,060,064
<b>Total Expenditures</b>	<b>140,335,580</b>	<b>152,264,374</b>	<b>(11,928,793)</b>	<b>165,879,274</b>	<b>178,945,493</b>	<b>188,619,057</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(60,857,449)</b>	<b>(17,215,649)</b>	<b>(43,641,800)</b>	<b>(17,275,184)</b>	<b>(31,005,636)</b>	<b>121,522,616</b>
<b>Cash Ending Balances</b>	<b>1,202,514,998</b>	<b>1,263,431,983</b>	<b>(60,916,985)</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>	<b>1,311,665,427</b>

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

COAL WORKERS PNEUMOCONIOSIS FUND  
May 31, 2018

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	251,313,328	245,945,240	5,368,089	245,945,240	264,657,327	267,173,190
<b>Revenues</b>						
Investment Earnings (Losses)	13,789,081	19,581,916	(5,792,835)	22,100,417	(5,091,164)	10,347,881
Other Income - Return of Unclaimed Property	645	8,353	(7,708)	8,353	3,797	876
<b>Total Revenues</b>	<b>13,789,725</b>	<b>19,590,269</b>	<b>(5,800,543)</b>	<b>22,108,770</b>	<b>(5,087,367)</b>	<b>10,348,758</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	6,422,822	3,647,640	2,775,181	4,032,649	2,830,426	2,629,364
PTD and Fatal Indeminty	7,270,947	7,413,108	(142,161)	8,174,289	7,548,752	6,857,612
Loss Adjustment Expenses	3,086,607	3,453,278	(366,671)	3,783,923	2,629,468	2,633,172
Total	16,780,376	14,514,027	2,266,349	15,990,861	13,008,646	12,120,148
Less: Claims Credits and Overpayments	265,556	119,813	145,743	125,895	130,620	129,338
Total Benefits Paid	16,514,820	14,394,214	2,120,606	15,864,966	12,878,025	11,990,810
Administrative Expenses	830,349	795,060	35,289	875,715	746,696	873,810
<b>Total Expenditures</b>	<b>17,345,169</b>	<b>15,189,274</b>	<b>2,155,895</b>	<b>16,740,681</b>	<b>13,624,721</b>	<b>12,864,620</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(3,555,444)</b>	<b>4,400,995</b>	<b>(7,956,438)</b>	<b>5,368,089</b>	<b>(18,712,088)</b>	<b>(2,515,863)</b>
<b>Cash Ending Balances</b>	<b>247,757,884</b>	<b>250,346,234</b>	<b>(2,588,349)</b>	<b>251,313,328</b>	<b>245,945,240</b>	<b>264,657,327</b>

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

SELF-INSURED GUARANTY RISK POOL  
May 31, 2018

Three Year History for years ended:

	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>33,836,322</b>	<b>33,462,454</b>	<b>373,868</b>	<b>33,462,454</b>	<b>16,014,340</b>	<b>15,603,319</b>
<b>Revenues</b>						
Guaranty Risk Pool Assessments	-	-	-	-	18,684	89,571
Collateral Proceeds	-	-	-	-	19,422,025	-
Investment Earnings (Losses)	1,856,994	2,670,527	(813,532)	3,012,508	(155,883)	612,972
<b>Total Revenues</b>	<b>1,856,994</b>	<b>2,670,527</b>	<b>(813,532)</b>	<b>3,012,508</b>	<b>19,284,826</b>	<b>702,542</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	217,600	435,451	(217,851)	503,912	309,470	51,752
Permanent Total Disability	173,289	58,407	114,882	63,717	43,638	-
Permanent Partial Disability	490,007	919,413	(429,406)	972,712	612,823	20,788
Temporary Disability	56,649	365,699	(309,050)	375,328	303,724	114,835
Fatals	234,155	253,927	(19,772)	277,011	257,806	55,093
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	170,000	3,800	166,200	3,800	-	-
Non Awarded Partial Disability	10,904	4,407	6,496	4,407	9,377	-
Loss Adjustment Expenses	121,284	234,055	(112,772)	255,219	163,819	12,414
Total	1,473,887	2,275,160	(801,273)	2,456,105	1,700,657	254,882
Less: Claims Credits and Overpayments	10,965	2,141	8,824	2,723	17,176	(9,064)
Total Benefits Paid	1,462,922	2,273,019	(810,097)	2,453,382	1,683,481	263,947
Administrative Expenses	104,004	162,793	(58,789)	185,258	153,231	27,575
<b>Total Expenditures</b>	<b>1,566,926</b>	<b>2,435,812</b>	<b>(868,886)</b>	<b>2,638,640</b>	<b>1,836,711</b>	<b>291,522</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>290,069</b>	<b>234,715</b>	<b>55,354</b>	<b>373,868</b>	<b>17,448,114</b>	<b>411,021</b>
<b>Cash Ending Balances</b>	<b>34,126,390</b>	<b>33,697,168</b>	<b>429,222</b>	<b>33,836,322</b>	<b>33,462,454</b>	<b>16,014,340</b>

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

SELF-INSURED SECURITY RISK POOL

May 31, 2018

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>54,448,203</b>	<b>53,859,338</b>	<b>588,865</b>	<b>53,859,338</b>	<b>9,208,803</b>	<b>7,137,316</b>
<b>Revenues</b>						
Security Risk Pool Assessments	-	-	-	-	230,340	1,114,180
Collateral Proceeds	-	-	-	-	47,503,193	1,425,061
Investment Earnings (Losses)	2,989,673	4,366,659	(1,376,987)	4,914,238	201,775	310,550
<b>Total Revenues</b>	<b>2,989,673</b>	<b>4,366,659</b>	<b>(1,376,987)</b>	<b>4,914,238</b>	<b>47,935,308</b>	<b>2,849,791</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	737,913	739,543	(1,629)	778,632	479,295	71,000
Permanent Total Disability	1,475,720	1,448,957	26,763	1,576,942	1,163,198	208,590
Permanent Partial Disability	-	-	-	-	7,560	38,698
Temporary Disability	-	-	-	-	-	-
Fatals	1,134,624	1,225,707	(91,083)	1,333,911	1,183,728	404,642
104 Weeks Death Benefit	37,804	128,840	(91,036)	134,935	92,595	-
Settlement Agreements	206,518	13,118	193,400	14,165	21,177	-
Loss Adjustment Expenses	84,770	138,160	(53,390)	151,558	54,047	12,113
Total	3,677,350	3,694,325	(16,975)	3,990,143	3,001,600	735,042
Less: Claims Credits and Overpayments	223,585	11,951	211,634	38,143	4,925	(1,392)
Total Benefits Paid	3,453,765	3,682,374	(228,610)	3,952,000	2,996,676	736,434
Administrative Expenses	261,557	318,350	(56,793)	373,374	288,097	41,870
<b>Total Expenditures</b>	<b>3,715,322</b>	<b>4,000,724</b>	<b>(285,402)</b>	<b>4,325,374</b>	<b>3,284,773</b>	<b>778,304</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(725,649)</b>	<b>365,935</b>	<b>(1,091,584)</b>	<b>588,865</b>	<b>44,650,535</b>	<b>2,071,487</b>
<b>Cash Ending Balances</b>	<b>53,722,554</b>	<b>54,225,274</b>	<b>(502,719)</b>	<b>54,448,203</b>	<b>53,859,338</b>	<b>9,208,803</b>

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

UNINSURED EMPLOYERS FUND

May 31, 2018

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>12,760,544</b>	<b>11,864,792</b>	<b>895,753</b>	<b>11,864,792</b>	<b>12,125,188</b>	<b>11,714,178</b>
<b>Revenues</b>						
Fines and Penalties	387,823	551,229	(163,406)	595,742	625,093	765,082
Investment Earnings (Losses)	653,213	849,659	(196,445)	962,646	(205,615)	408,442
<b>Total Revenues</b>	<b>1,041,037</b>	<b>1,400,888</b>	<b>(359,851)</b>	<b>1,558,387</b>	<b>419,478</b>	<b>1,173,523</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	144,307	27,445	116,862	30,783	47,718	22,011
Permanent Total Disability	-	-	-	-	-	-
Permanent Partial Disability	29,259	49,732	(20,473)	51,760	4,738	50,684
Temporary Disability	96,541	24,198	72,343	25,414	113,212	22,997
Fatals	45,861	45,861	-	50,030	52,164	87,881
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	344,000	255,715	88,285	255,715	228,577	82,110
Loss Adjustment Expenses	5,753	6,434	(681)	6,969	5,868	3,225
<b>Total</b>	<b>665,721</b>	<b>409,386</b>	<b>256,336</b>	<b>420,672</b>	<b>452,276</b>	<b>268,909</b>
Less: Claims Credits and Overpayments	3,083	28,800	(25,717)	33,341	1,558	(320,872)
<b>Total Benefits Paid</b>	<b>662,639</b>	<b>380,586</b>	<b>282,053</b>	<b>387,331</b>	<b>450,719</b>	<b>589,781</b>
Administrative Expenses	163,425	220,828	(57,403)	275,304	229,156	172,732
<b>Total Expenditures</b>	<b>826,064</b>	<b>601,414</b>	<b>224,650</b>	<b>662,635</b>	<b>679,875</b>	<b>762,513</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>214,973</b>	<b>799,475</b>	<b>(584,501)</b>	<b>895,753</b>	<b>(260,397)</b>	<b>411,010</b>
<b>Cash Ending Balances</b>	<b>12,975,517</b>	<b>12,664,266</b>	<b>311,251</b>	<b>12,760,544</b>	<b>11,864,792</b>	<b>12,125,188</b>

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

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTE**

Board Meeting  
August 08, 2018

## OPERATING REPORT

### APRIL 2018

**Board of Treasury Investments**

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

**Board of Directors**

John D. Perdue,  
State Treasurer,  
Chairman

James C. Justice II,  
Governor

John B. McCuskey,  
State Auditor

Glenda Probst  
Appointed by the  
Governor

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

**Executive Staff**

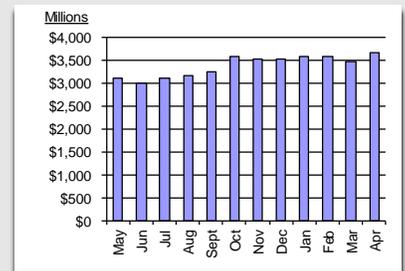
Executive Director  
Kara K. Hughes,  
CPA, MBA, CFE  
Chief Financial Officer  
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$3,664,719,000**

Last Month  
**\$3,469,142,000**

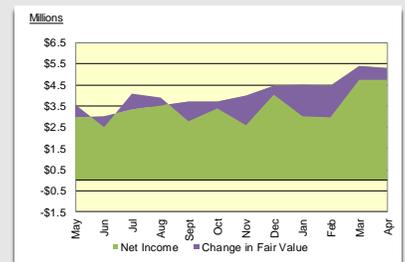
Beginning of Fiscal Year  
**\$2,999,927,000**



**Net Assets for the Past 12 Months**

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$36,353,000**



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

### Money Market Pools

As of April 30, 2018

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	1.8827%	31 Days	\$2.5 Billion
WV Gov't Money Market	1.5872%	26 Days	\$207.7 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

### APRIL 2018

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#### Expectations for Market Volatility

##### Market Results

Volatility continued to roil markets in April as trade tensions escalated between the US and China. However, developed market equities still ended the month in the black amid a stronger than expected earnings season; the S&P 500 Index returned 0.4% and the MSCI EAFE Index gained 2.3% for the month.

Within fixed income, the specter of rising inflation weighed on global bond prices with the 10-year Treasury hitting 3% in April – a first since 2014. Meanwhile, the German 10-year Bund rose six basis points to 0.56% and Japanese 10-year sovereign debt increased a basis point to 0.06%. As a result, fixed income was broadly negative for the month with the Barclays US Treasury and Barclays Credit indexes down 0.8% and 0.9%, respectively. Outside the US, the JPM GBI-EM Index declined 3.0% with local currencies weakening relative to the US dollar. In contrast, high-yield spreads narrowed, resulting in a 0.7% return for the Barclays High Yield Index.

Liquid real assets fared well in April with the WTI Crude Oil Spot Index increasing 5.6% as OPEC production cuts and geopolitical instability in some oil-producing regions soaked up excess oil inventories. Additionally, the Alerian MLP Index increased 8.1% for the month as fund flows and improving sentiment helped reverse the prior month's sharp decline.

##### Market Outlook

Despite the expectation for continued near-term volatility, NEPC's views remain broadly unchanged as strong growth and fundamentals form the underpinnings of our positive outlook on international and emerging stocks. Furthermore, we encourage the addition of safe-haven fixed-income exposure to mitigate potential market drawdowns and recommend maintaining a diversified risk-balanced portfolio. We also remind investors to evaluate market opportunities, particularly in the event of a more significant short-term dislocation.

# West Virginia Board of Treasury Investments

## Financial Highlights as of April 30, 2018

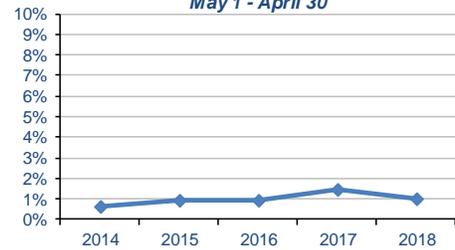
### WV Short Term Bond Pool

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

<u>May 1 - April 30</u>	<u>Return</u>	<u>Net Assets At Apr 30 (In Millions)</u>
2018	1.0%	\$ 706.9
2017	1.5%	\$ 754.3
2016	1.0%	\$ 803.1
2015	0.9%	\$ 768.9
2014	0.6%	\$ 767.6

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

*Past 12 Months  
May 1 - April 30*

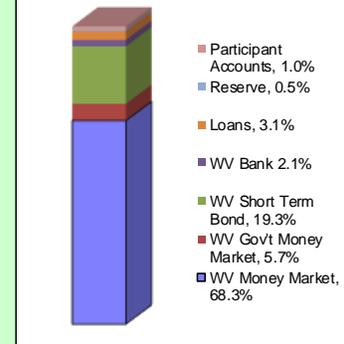


*Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool*

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

<u>Pool</u>	<u>Net Asset Value</u>	<u>Apr Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 2,504,963	\$ 3,550	\$ 26,444
WV Gov't Money Market	207,657	321	2,216
WV Short Term Bond	706,862	653	5,470
WV Bank	78,493	104	869
Loans	112,245	77	838
Reserve	19,061	29	207
Participant Accounts	35,438	24	309
	<u>\$ 3,664,719</u>	<u>\$ 4,758</u>	<u>\$ 36,353</u>

#### Percent of Total Net Asset Value

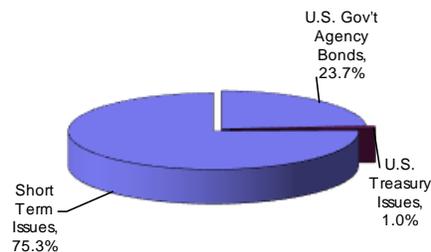


### Securities by Type for Operating Pools (Percentage of Asset Value)

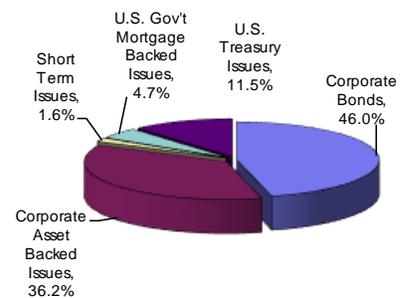
#### WV Money Market



#### WV Gov't Money Market



#### WV Short Term Bond



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**APRIL 30, 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>
<b>Assets</b>							
Investments:							
At amortized cost	\$ 2,503,690	\$ 207,665	\$ -	\$ 78,169	\$ 131,199	\$ -	\$ 2,920,723
At fair value	-	-	706,355	-	-	35,226	741,581
Other assets	1,652	47	1,971	326	110	212	4,318
Total assets	<u>2,505,342</u>	<u>207,712</u>	<u>708,326</u>	<u>78,495</u>	<u>131,309</u>	<u>35,438</u>	<u>3,666,622</u>
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased	379	55	1,464	2	3	-	1,903
Total liabilities	<u>379</u>	<u>55</u>	<u>1,464</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>1,903</u>
<b>Net Position</b>							
Held in trust for investment pool participants	2,504,963	207,657	706,862	78,493	131,306	-	3,629,281
Held in trust for individual investment account holders	-	-	-	-	-	35,438	35,438
Total net position	<u>\$ 2,504,963</u>	<u>\$ 207,657</u>	<u>\$ 706,862</u>	<u>\$ 78,493</u>	<u>\$ 131,306</u>	<u>\$ 35,438</u>	<u>\$ 3,664,719</u>
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 1,763	\$ 128	\$ 1,283	\$ 107	\$ 109	\$ 45	\$ 3,435
Net (amortization) accretion	1,920	209	(4)	-	-	(8)	2,117
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>3,683</u>	<u>337</u>	<u>1,279</u>	<u>107</u>	<u>109</u>	<u>37</u>	<u>5,552</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	132	16	77	3	3	-	231
Total investment expenses	<u>132</u>	<u>16</u>	<u>77</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>231</u>
Net investment income	3,551	321	1,202	104	106	37	5,321
Net realized gain (loss) from investments	(1)	-	4	-	-	-	3
Net increase (decrease) in fair value of investments	-	-	(553)	-	-	(13)	(566)
Net increase (decrease) in net position from operations	3,550	321	653	104	106	24	4,758
Participant transaction additions:							
Purchase of pool units by participants	993,789	16,484	413	109	1,509	-	1,012,304
Reinvestment of pool distributions	3,550	321	1,282	104	106	-	5,363
Contributions to individual investment accounts	-	-	-	-	-	-	-
Total participant transaction additions	<u>997,339</u>	<u>16,805</u>	<u>1,695</u>	<u>213</u>	<u>1,615</u>	<u>-</u>	<u>1,017,667</u>
Total additions	1,000,889	17,126	2,348	317	1,721	24	1,022,425
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	3,551	321	1,202	104	106	-	5,284
Net realized gain (loss) from investments	(1)	-	4	-	-	-	3
Total distributions to pool participants	<u>3,550</u>	<u>321</u>	<u>1,206</u>	<u>104</u>	<u>106</u>	<u>-</u>	<u>5,287</u>
Participant transaction deductions:							
Redemption of pool units by participants	758,123	50,343	105	109	960	-	809,640
Withdrawals from individual investment accounts	-	-	-	-	-	11,920	11,920
Total participant transaction deductions	<u>758,123</u>	<u>50,343</u>	<u>105</u>	<u>109</u>	<u>960</u>	<u>11,920</u>	<u>821,560</u>
Total deductions	<u>761,673</u>	<u>50,664</u>	<u>1,311</u>	<u>213</u>	<u>1,066</u>	<u>11,920</u>	<u>826,847</u>
Net increase (decrease) in net position from operations	239,216	(33,538)	1,037	104	655	(11,896)	195,578
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	239,216	(33,538)	1,037	104	655	(11,896)	195,578
Net position at beginning of period	2,265,747	241,195	705,825	78,389	130,651	47,334	3,469,141
Net position at end of period	<u>\$ 2,504,963</u>	<u>\$ 207,657</u>	<u>\$ 706,862</u>	<u>\$ 78,493</u>	<u>\$ 131,306</u>	<u>\$ 35,438</u>	<u>\$ 3,664,719</u>