

State of West Virginia

# Executive Budget

## Fiscal Year 2013

Volume I

Budget Report



Earl Ray Tomblin  
Governor





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January 11, 2012

To the Members of the 80th Legislature of the State of West Virginia:

In accordance with the Constitution of the State of West Virginia, presented herewith is the Executive Budget document for the fiscal year ending June 30, 2013. It details a complete plan for proposed expenditures and estimated revenues for the fiscal year. The document includes statements of the following:

- 1) Bonded Indebtedness of the State of West Virginia;
- 2) Cash and investment balances of all funds of the State of West Virginia;
- 3) Revenues for all funds of the State of West Virginia; and
- 4) Revenues, expenditures, and changes in fund balances for Fiscal Year 2013.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,149,751,000; for the Lottery Fund of \$145,025,203; for the State Excess Lottery Revenue Fund of \$290,974,890; and for the State Road Fund of \$1,210,665,199.

I look forward to working with the 80th Legislature of the State of West Virginia to meet the continuing challenges and opportunities so together we can move West Virginia forward in a rapidly changing international economy.

Sincerely,

A handwritten signature in blue ink that reads "Earl Ray Tomblin".

Earl Ray Tomblin  
Governor



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**State of West Virginia**

For the Fiscal Year Beginning

**July 1, 2011**

*Linda C. Danison* *Jeffrey R. Egan*

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the State of West Virginia for its annual budget for the fiscal year beginning July 1, 2011.

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

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

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# Reader's Guide to the Executive Budget

## ***The Executive Budget***

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

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

The budget is presented in three separate documents:

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

***Volume I Budget Report*** contains:

“Executive Summary”

Governor's Message that discusses the major goals and objectives addressed by the budget  
“Six Year Financial Plan”

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

“Budget Planning”—items such as:

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

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

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

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

***Volume II Operating Detail*** contains narrative and financial information on all appropriated departments, bureaus, commissions, agencies, divisions, and programs of state government. (It also includes major component agencies [e.g., BRIM, PEIA, CPRB, etc.] that may not normally have appropriated accounts.) *Volume II Operating Detail* also contains:

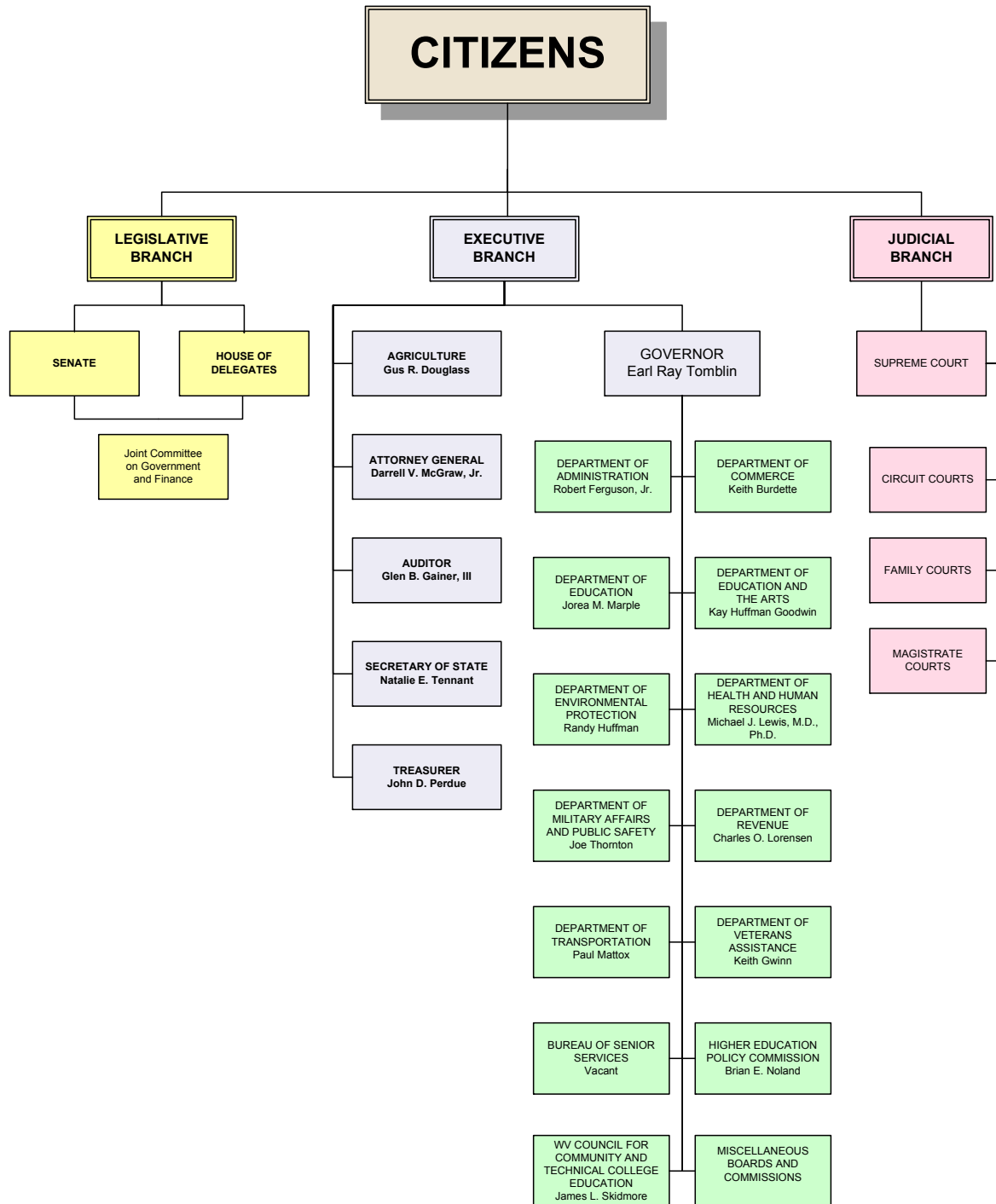
“Economic Forecast”—a comprehensive, up-to-date forecast and analysis of the economy as it relates to West Virginia and to the nation

“State Profile” presents relevant historical, statistical, geographical, demographical, and interesting information about West Virginia

“Capital Projects”—projects/programs currently budgeted in FY 2012, recommended for FY 2013 (with brief descriptions), and projected for FY 2014 through FY 2017

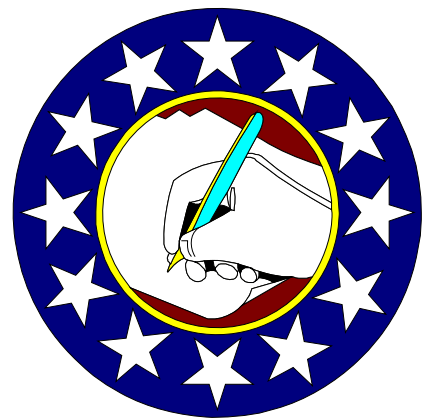
“Appendices”—a glossary of commonly used budgetary terms; a glossary of acronyms; and an index that enables readers to quickly locate any department, bureau, agency, commission, division, or program information.

# State of West Virginia





# EXECUTIVE SUMMARY





# Governor's Executive Message



**Governor Earl Ray Tomblin  
State of West Virginia**

## ***Chapter 1: Individual Effort for a Collective Gain – the West Virginia Way.***

We are on the verge of experiencing a new and dynamic chapter in the history of West Virginia. Avenues of opportunities lay before us. There will be challenges along the way, but make no mistake, our trajectory is upward. It is our strength, talent, creativity, and clarity of purpose that gives us the capacity to achieve greatness.

And while we can achieve greatness, our success is not guaranteed. Outcomes will be based on our willingness to use our unique abilities and skills for a greater West Virginia. Each of us can make a difference in the lives of our people and our state. And with the knowledge and confidence that the State of our State is stable and strong, NOW IS THE TIME to build on our strong foundation.

This is not Washington D.C., where partisan bickering has subverted the legislative process. **This is West Virginia**, where the republican and democrat, liberal and conservative, come together, resolve differences, and take decisive action. This ability was made clear, when we came together and overwhelmingly passed legislation to develop the Marcellus Shale, create jobs, and provide economic benefits to the entire state.

This is not Washington D.C., where uncontrolled spending has led to uncertainty, a lack of confidence, and a fundamental breakdown in the operation of government. **This is West Virginia**, where we figured out in a realistic way to cut waste, balance the budget, reduce the tax burden when it is responsible to do so, and commit to our citizens and our businesses that this is a great place to work, live, and play.

This is not Washington D.C., where the EPA and other governmental agencies engage in backdoor policymaking that threatens the very livelihood of so many of our fellow citizens. **This is West Virginia**, where we appreciate the need for reasonable, open environmental regulations but understand the fundamental need for jobs and for low cost, reliable energy developed right here in the United States of America.

We have a responsibility to the people of West Virginia to manage our state's finances responsibly. I take that responsibility extremely seriously. Our continued success depends on the choices that we make about every dollar

## *Executive Summary Governor's Message*

we take in and every dollar we spend. And not every governor can say this: I present to you the 2013 General Revenue Fund budget that is balanced. This is a budget that contains no new taxes. This is a budget that contains no new tax increases. In fact, this year alone, we will provide \$54 million of food sales tax relief, with a tax reduction initiated just ten days ago and another reduction scheduled in July. And this year we have reduced the tax burden on businesses, both large and small, to the tune of approximately \$30 million a year, as both our business franchise tax and corporate net income tax rates have been reduced. Think a moment of these changes! Over \$80 million of tax relief will go into effect this year from reductions in these three taxes alone.

We in West Virginia must continue to forge our own path. We must continue to build bridges between business and labor to create jobs. We must come together regardless of our political persuasion—to put West Virginia First. Our citizens demand it—and their message is clear—they want good paying jobs. Therefore, I ask each of you to join me in building a better, stronger, and more vibrant West Virginia—not just for tomorrow—but also for generations to come.

### **Chapter 2: Delivering for West Virginia: Jobs, Jobs, and More Jobs.**

A year ago, I pledged to go anywhere, do anything, and spend every waking moment focused on expanding the number of jobs in West Virginia. Our focus must be laser sharp on creating the right economic environment where the private sector is encouraged to invest, expand, and come here to create the jobs of tomorrow. Good paying jobs with benefits—jobs that will allow hardworking West Virginians to provide a good life for his or her family. After a year of leading our State, I want you to know my commitment to that vision is stronger than ever.

2011 was a year of significant progress, as companies invested almost \$3 billion in our state. That is a 36% increase in investment over 2010. We are exporting more of our resources and products, as West Virginia's exports increased by 43% in the first six months of 2011 compared to the same time period in 2010.

Investment came from companies like Toyota, which invested \$64 million and is adding 40 more jobs in Putnam County. It came from Quad Graphics in Berkeley County, which made a \$15 million investment to strengthen its manufacturing platform, a move that will create 400 new local jobs there. Nationally recognized and respected companies like Macy's, Amazon, and FedEx have either expanded or are expanding, right here in West Virginia. I am confident that this activity is only the beginning for us.

2011 once again demonstrated our national leadership in energy production. We successfully recruited new companies to West Virginia, like MarkWest Liberty, which has announced that it will invest \$200 million to build a new natural gas processing facility and pipeline in Wetzel County. And MarkWest is investing \$200 million for an expansion in Marshall County.

There is Aqua Transfer and Oilfield Solutions, a high-tech company relying on natural gas development. This company has chosen Upshur County to open a new office that will create 50 jobs.

And of course, companies like Arch, Alpha, United Coal, and countless other mining companies continue to invest in West Virginia, maintaining and creating jobs. Coal is and always will be a part of our future. And I am thrilled that these and other companies continue to place their confidence to invest in West Virginia.

We all know that we are part of a worldwide economy. West Virginia continues to demonstrate that it can compete on a global level. As an example, Carbonxt Inc., an Australian company, announced plans to build a \$30 million plant to convert coal into a carbon product that will help make coal-fired plant emissions burn cleaner. This clean coal technology will be produced right here in Kanawha County and will create 40 high-tech, natural resource jobs.

## *Executive Summary*

### *Governor's Message*

While we have made progress and our unemployment rate remains below the national average, we need more well-paying stable jobs. Too many of our citizens are still suffering from the recent recession. We need our housing market to recover. We must stop the outsourcing of American jobs to foreign countries, and we must reinvigorate manufacturing in our state! After all, this is West Virginia where “Made in America” still has meaning!

As leaders of this State, we need to understand that our mission is to foster job development. It is our responsibility to have the discipline, the know-how, the determination, and most importantly – the pride – to take steps that will unleash the engines of our economic future. We must take a generational view to this responsibility so that our children and our grandchildren can stay and flourish in West Virginia. **Now is the time** to stand up and be counted as West Virginians who can and will make a difference. Join me in leading this effort.

How can we make a difference? I have several goals for our State. First, we must be responsible stewards of State finances and live within our means, just as we did with our West Virginia Unemployment Trust Fund. Our fund is solvent, while 27 other states have had to borrow more than \$38 billion from the federal government. Those states now have additional taxes on their employers, while West Virginia's debt-free status makes us very attractive to employers.

And I am so pleased to mention that our workers' compensation rates have been reduced by more than 47% since 2005 **AND** are now below the national average!! For the first time, our outstanding liability for the workers' compensation Old Fund is less than \$1 billion. It is hard to believe that the end to our workers' compensation problem is within sight.

Second, we will continue to fight efforts by the federal government to halt the mining and use of coal. And our efforts are paying off. A few months ago, a federal court ruled that the federal EPA overstepped its authority. And we will keep fighting until the federal government recognizes that one of the keys to America's future is the use and promotion of our natural resources. It is a fight from which I will not shrink, and one that I fully expect to win.

Just as we must continue to mine coal, we must make certain that our miners are safe. I am proud of many of the steps we have taken this past year. For example, we have implemented a new rock dusting laboratory. We have increased the salaries for our mine inspectors. We are re-checking our rescue chambers to make sure they are safe. And we have diligently worked to determine the causes of the Upper Big Branch disaster.

To build on this progress, I will submit legislation designed to improve mine safety. Therefore, I will propose legislation that will enhance rock dusting standards, protect whistleblowers, mandate methane sensors at long walls, increase pre-shift reviews, prohibit mines from announcing that an inspector is coming, and provide more training for self-rescuers. We will also begin a year-long study on the training of our inspectors, our foremen, and our miners. We must take all steps necessary to make sure that we never suffer another tragedy. Even one death in the mining industry is just unacceptable.

**Now is the time** to make sure that our mine workers are drug-free. Much like Virginia and Kentucky, we will implement a drug testing program for any person that needs a mine certificate from the State. No workplace can tolerate a person impaired by drugs, particularly our mines.

In addition to our use of coal, we must take advantage of the potential lying thousands of feet below the surface of West Virginia in the Marcellus Shale. The extraction of natural gas and other byproducts will be a significant job creator and provide billions of dollars' worth of economic benefits to our State. Just a few weeks ago history was made when the West Virginia Legislature, with bipartisan support, passed reasonable regulations to protect the environment while providing the certainty needed to create new job opportunities right here at home.

## *Executive Summary Governor's Message*

And I am proud to announce that 400 more jobs will be coming to Harrison County based in part in the potential of the Marcellus Shale. These jobs, created by a new development led by Baker Hughes, is another sign of the potential to create West Virginia jobs in the natural gas industry.

One of the biggest potential benefits of the Marcellus Shale development is the prospect of an ethane steam cracker. A cracker would mean a multibillion dollar, multiyear investment in West Virginia with over 5,000 construction jobs and hundreds of good paying permanent jobs. And with it could come the rebirth of the manufacturing sector in West Virginia. Bringing a cracker and related development has been my number one goal for economic development.

Natural gas can help reduce our dependence on foreign oil. Technology is now available and cost-effective to retrofit our vehicles to run on natural gas. And I have entered into an agreement with Oklahoma, Wyoming, Pennsylvania, Colorado, Utah, and Maine to encourage and work with automakers to increase production of cars that run on natural gas. I will be working with these and many others to begin powering our cars and buses with fuels that we produce right here in West Virginia. It is in America's best interest, and we can lead the way.

We cannot forget the importance that appropriate infrastructure plays in West Virginia's economy. From water and sewer to new schools to roads and broadband access, we must find ways to invest in infrastructure. To aid in that goal, this year I will submit legislation that will call for part of surplus revenues to be placed into an infrastructure fund once the Revenue Shortfall Reserve Fund (Rainy Day Fund) reaches 15% of the General Revenue Fund.

### **Chapter 3: Veterans and Jobs**

As we embark upon a new year, we tend to take stock of where we have been and most certainly make note of where we would like to go. At no other time does this sense of past and future resonate more with our fellow citizens, than with the joy and anticipation of the homecoming of our troops.

I think it is fitting that we express our heartfelt thanks as our troops return home. We are so glad that the best among us, who volunteered to serve and protect our liberty, are back.

As we welcome our troops home and wait eagerly for others to return, we must do all that we can to help with welcoming these brave men and women back to life at home and providing rewarding opportunities for these heroes. They are returning with significant skills and experiences learned from their military training that will lead to employment opportunities here at home.

That is why I am proud to announce the West Virginia Employment Initiative Program. **Now is the time** to increase employment opportunities for military members and veterans by providing job training and vocational counseling, facilitating job searches, and referring qualified applicants to any job openings. It is right and fitting that we do all that we can to serve those who have sacrificed and done so much to preserve our freedom and protect us from harm.

### **Chapter 4: Strengthening Our Education System**

Everything I have touched upon centers around providing opportunities for all West Virginians. If we are going to succeed, we must provide a world class education for our children and adults. We must start by refocusing our education system on the best interest of the student. If we want our children to have a future of their own choosing, we must meet their educational needs from the first day of school until graduation and beyond. We must elevate our aspirations, and challenge one another to participate in the world as productive, job-creating, income-earning members of society.

## *Executive Summary*

### *Governor's Message*

To get a better understanding of best practices in our sister states and identify efficiencies in our education system, including the School Building Authority, the Department of Education and the Arts, regional education service agencies, and county school boards, we hired outside private experts to conduct an efficiency audit.

As a result of that work, we now have ideas that can save approximately \$90 million for use in our education system every year. These recommendations have the potential to eliminate overlap and allow our schools to work smarter and more efficiently.

The audit identified potential areas where West Virginia can develop its best practices for our education system. The audit recommends using new technologies to assist rural communities, giving local officials more authority over their schools, evaluating teachers using fairer and better methods, enhancing our teacher mentoring program, and adequately compensating our professional educators. We cannot achieve all of these goals overnight. It is important that every person concerned about our education system has the opportunity to adequately review and discuss this report so we can take advantage of its recommendations, and do so in a way that is right for West Virginia.

This year, I will introduce legislation incorporating student achievement into teacher performance evaluations. This bill will codify a pilot program currently in place that seeks to expand our current educator evaluation system and require yearly assessments of teacher performance for all teachers. This plan can help make our many good teachers great and identify a teacher who needs to improve performance—all to the benefit of our students.

I will also introduce legislation that will establish a pilot program to improve struggling local schools. Under this pilot program, local administrators and educators will be granted flexibility to try to attract qualified teachers into those local schools and obtain better results for our students. This legislation will be done in coordination with the Reconnecting McDowell Project, a private-public partnership involving over 40 organizations that will focus on jobs and economic development, housing, transportation, technology, and services for students and their families and especially education.

I am pleased to announce that Save the Children has agreed to match \$1 million in state funds with a \$500,000 investment in McDowell County. Save the Children will partner with three elementary schools and administrators to focus on literacy. Children in rural counties should have the same chance to succeed as children who live in the most affluent suburbs of America. With this great effort, I am confident that we will bring those opportunities to the children of McDowell County.

As we do every year, I also want to congratulate a teacher who strives to bring out the best in their students. It is very encouraging to know that we have wonderful, committed teachers like Robert Morris of Clay County High School. Mr. Morris is the Toyota Motor Manufacturing, Highmark Blue Cross Blue Shield teacher of the year. Robert teaches agriculture and forestry in Clay County, while also continuing his own education through WVU's Extended Learning program. So let us congratulate Mr. Robert Morris of Clay County High School for being Toyota Motor Manufacturing, Highmark Blue Cross Blue Shield Teacher of the year. And let's thank Yoji Suzuki, President and Mike Lutz, General Manager of Toyota Motor Manufacturing of West Virginia along with Fred Earley, President and Cathy McAlister, Communications and Public Relations Manager of Highmark Blue Cross Blue Shield for their continuing support of our educators.

Learning opportunities come in all forms and are not restricted just to the classroom. Another landmark educational opportunity is taking shape in Fayette County. In 2013, more than 50,000 Boy Scouts and Scouters from around the country will converge on the Summit Bechtel Reserve as the new home of many Boy Scout activities, including the National Jamboree and the World Jamboree in 2019. I want to personally thank you for choosing West Virginia as the Scouts permanent home—you have made a perfect choice and one that will continue to bring you great adventures for years to come.



## *Executive Summary*

### *Governor's Message*

We will also continue to bridge the gap between our education system, job creation, and workforce development. One of the best examples of the fusion of these three areas can be found in Morgantown at Protea Biosciences. Protea was launched as a spin-off from West Virginia University in 2001 and was financed largely by a loan from West Virginia Jobs Investment Trust. Protea has been recently recognized for its innovative development of specialized laser technology, which will greatly advance the field of medical and cancer research. Protea represents in every way what I know West Virginia can produce both educationally and in career development.

#### **Chapter 5: Substance Abuse and Jobs**

Reducing the unemployment rate is not just about education or the availability of jobs. There are some places in West Virginia where jobs are available but there are not enough drug-free West Virginians to fill them. It is hard to believe, but I have seen it firsthand. I ask that you join me and the more than 1,000 individuals who have been working hard to find solutions to end substance abuse. We must dedicate ourselves to addressing substance abuse and drug-related crimes. Doing so will allow us to reinvigorate our education system, recruit and expand our employment prospects, and make our communities safer.

Illegal drug use and the abuse of prescription drugs affect us all. It affects the poor, the affluent, the educated, and everyone in between. And substance abuse in our state is getting worse—especially prescription and synthetic drug abuse. That is why this past year I formed the Governor's Substance Abuse Advisory Council and six Regional Task Forces.

My Advisory Council and Task Forces have been collecting the facts, working with prevention, detection, and treatment experts in order to increase access to effective programs currently in place while also further developing the state's substance abuse prevention and treatment delivery system. I have learned a lot in the past four months through this effort.

I have learned that we must use technology to fight our drug problems. Solving our drug problems is not just about increasing criminal penalties. Making a difference is about using technology for better enforcement. We must, for example, use our prescription monitoring program so that when an abuser tries to doctor shop or pharmacy shop, we stop it.

I have also learned that far too often graduates of our State programs do not return to the work force because they cannot pass a drug test. When this happens we have lost valuable education dollars, we have lost a productive member of our community, and we have lost the opportunity to strengthen our economy. I will therefore require that individuals pass a drug screening prior to enrolling in our state's training programs. **Now is the time** to get serious about ending drug abuse and addiction.

#### **Chapter 6: Our Commitment to Fiscal Responsibility**

Tackling our state's drug problems will take time, commitment, and perseverance. The same is true with respect to handling the State's finances. Our nation is still recovering from a terrible recession. The global economy is threatened by instability in Europe and beyond. And someday soon the federal government must make difficult choices—choices that will ultimately impact our State's ability to balance our budget.

We have much to be proud of in West Virginia. Our finances continue to be a source of strength benefitting all West Virginians. We have a proven track record of balancing budgets. We have one of the best rainy day funds in the nation, with a balance of over \$819 million. And West Virginia continues to make all required payments to its retirement systems. West Virginia maintains a strong current cash flow and continues to pay its bills on time.



## *Executive Summary Governor's Message*

Over the past several years, we have taken steps to reduce the corporate net income tax and to phase out the sales tax on food as well as the business franchise tax. These tax changes provide relief for our taxpayers while making our state more competitive for business growth. I am pleased to say the budget I have submitted assumes that those phase-outs and reductions will occur, providing tax relief to our seniors, families, and employers.

While we can be very proud of these accomplishments, we cannot rest on our laurels. We face a future with exploding Medicaid expenses, enrollment, and medical inflation; declining lottery revenues; and uncertain economic times.

We will meet these challenges with the same steady, pragmatic approach that we have applied over the past 25 years as we have grown from a State on the brink of bankruptcy to become a beacon of fiscal health in a nation where shortfalls have been the norm in recent years.

We changed our mindset and our spending practices to accomplish fiscal strength and stability. And it has made all the difference in the world. I want to thank each member of the West Virginia Legislature, as well as the governors who came before me, who sometimes stood up against harsh criticism and held tight to the budget. I am determined to live up to the standards we have set together over the past 25 years.

While I am pleased with this success, we have one more, large outstanding obligation that we must address for the future of our state: other postemployment benefits or OPEB. We knew we had some hard choices to make, and we made them. Along with that commitment to act responsibly, just last month, the PEIA Board took a monumental step forward, and cut our OPEB liability in half. This was a significant effort led by a host of groups, including several unions. I want to thank them for stepping up to the plate and helping to solve this issue. Today, OPEB is the last unfunded liability we have to solve, and I will provide specific legislation this session to eliminate it once and for all! **Now is the time!**

With OPEB under control, West Virginia will have the ability to reach the upper echelon of financial strength and stability. This is what business investors want to see—a state that can stand on its own financially. West Virginia has proven it can stand on its own, and recent investments have demonstrated that West Virginia is a state where businesses want to invest and create jobs.

### **Chapter 7: Conclusion**

More jobs and lower taxes is not just a slogan. We are making it happen in West Virginia. We are not sitting on our accomplishments. We are reshaping our future. We are building a new West Virginia. One where our schools prepare our children for future employment, our communities are drug-free, good jobs are plentiful, and our families stay in West Virginia.

Help me make this happen. Together we can make a difference. Together we can make West Virginia all it can be.

Thank you, God bless you, God bless America, and God bless the Great State of West Virginia!

## **Six Year Financial Plan**

The “Great Recession” continues to wreak havoc on states’ budgets. However, West Virginia remains ahead of the curve, performing better than most other states and is staying on track with funding of its financial obligations. West Virginia remains in a strong position to tackle anticipated budget challenges that lie ahead such as skyrocketing Medicaid costs and expanding federal deficits that certainly will stress the State’s budget. Keeping an eye toward out-year budgets, the Governor, in his FY 2013 budget recommendations, begins addressing Medicaid’s unsustainable long-term funding issues. Also, the West Virginia PEIA Finance Board recently passed rules that cut the OPEB unfunded liability and call for fiscally responsible funding levels for retiree health care in future years.

Unlike many other states over the past few years, West Virginia did not furlough or lay off state employees or teachers. We maintain a strong cash flow and continue to pay our bills on time. Our current FY 2012 General Revenue collections are running ahead of General Revenue estimates. Lottery Revenue collections for FY 2012 are on pace to meet their revenue estimates. During 2011, we again received bond rating upgrades from Wall Street and have one of the strongest rainy day funds in the country.

The State’s relatively strong financial position has not occurred by accident. The use of long-term budget planning, through the State’s Six Year Financial Plan, highlighted the need for conservative budget planning even during prerecessionary periods of revenue surge. Our budgets generally have used onetime surpluses and federal stimulus dollars to fund onetime needs and to assist in short-term revenue shortfalls.

Six years ago, West Virginia initiated this comprehensive, easy-to-follow, “Six Year Financial Plan.” It is used as a planning tool for analyzing future budgets, and any budget gaps shown must be balanced. This year’s “Six Year Financial Plan” includes information on anticipated revenues and expenditures through FY 2017. As part of the plan, the basic revenue assumptions and the major expenditure drivers and planning processes are included, along with other smaller, yet consistent, items that continue to drive up expenditures over time. The goal of the “Six Year Financial Plan” is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2013 budget, but also, the larger, long-term implications of the decisions made today on the future fiscal outlook. The “Six Year Financial Plan” does not reflect Special or Federal funds, although the funding and planning processes of these types of funds are definitely a major driver of total state revenue and spending. This plan is developed with extensive review of the major financial impacts of Special and Federal cash flows and reflects their impact. Using this plan, it is easy to see where the projected expenditures begin to outpace projected revenues (beginning in FY 2014), and it becomes obvious that any surplus revenues from previous fiscal years should not be expended for items that would add new obligations to the “base budget,” but rather should, as in recent fiscal years, be used mostly for onetime needs or held for use to assist in offsetting anticipated future shortfalls.

### **Revenue**

As shown in the “General Revenue Fund—Statement of Revenues by Source” (see the “Financial Statements” chapter), revenue collections are projected to rise in the short term by an annual average of less than 1.1% between FY 2011 and FY 2013 and in the longer term by slightly more than 1.8% per year between FY 2011 and FY 2017. This trend of slow growing revenues follows a year of rebound from recession in FY 2011 with a revenue growth rate of 8.1%. In the two year period prior to FY 2011, revenues fell by an aggregate amount of nearly \$170 million or 4.3% due to the impact of the “Great Recession.” The average annual revenue growth rate between FY 2008 and FY 2011 was just 1.1%. Actual year-to-date FY 2013 General Revenue Fund collections through December 30, 2011, are 1.8% higher than collections for the same period in the prior year. The increase in revenue is largely attributable to a combination of higher energy prices and some pent-up consumption growth in an environment with stabilizing employment. After losing nearly 30,000 payroll jobs between peak employment during the third quarter of 2008 and the first quarter of 2010, the state’s economy added more than 20,000 payroll jobs over the past 20 months. Personal income withholding tax revenues are 7.7% above prior year collections, and sales and use tax receipts are up by 4.4% through the end of November. Payroll employment is forecasted to continue growing at an average rate somewhere between 0.8% and 1.0% per year during the six year forecast.

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The state is benefiting from foreign trade growth and growth in coal prices. The value of West Virginia based foreign good exports through October 2011 is more than \$7.3 billion, an amount nearly 39% higher than the prior year. Both the manufacturing and mining sectors are benefiting from growth in foreign trade. Overall coal exports are up more than 62%, and metallurgical coal exports are up 58% this year after roughly doubling in value in the prior year. An increase in demand for both steam and metallurgical coal leads to higher average coal prices with the average overall price rising from roughly \$68 per ton in 2009 to roughly \$85 per ton in 2011. Future uncertainty in European markets (accounting for more than 40% of all West Virginia exports) as well as in many other foreign markets is a key factor to the current forecast of very sluggish revenue growth over the forecast period.

After a near meteoric rise over the past three years, foreign demand for West Virginia coal is expected to weaken significantly in the near future along with lower economic growth in Europe and elsewhere. Steam coal production and prices are also likely to soften over time due to increased competition from other coal producing states, increased competition from lower priced natural gas and increased environmental regulation of coal-fired power plants. State coal production is anticipated to average little more than 126 million tons per year, a level significantly below the 140 million ton average of the past couple years or the near 160 million ton average of the past decade. Reduced severance tax revenues from coal will hopefully be offset by increased revenues from natural gas associated with continued development of natural gas from the Marcellus Shale formation.

Most sources of revenue are estimated to grow during the six-year forecast period. However, lottery revenues in the General Revenue Fund, Regular Lottery Fund, and Excess Lottery Fund are anticipated to decline during the first half of the forecast period before stabilizing due to the impact of additional competition, mainly from the State of Ohio. Due to the increased competition, total estimates for FY 2013 State receipts from Lottery are expected to decrease by \$78 million from forecasted FY 2012 receipts.

Recent tax law changes phasing out the sales tax on groceries for home consumption between January 2012 and July 2013 and phasing in a coal severance tax revenue sharing program benefiting local county governments between FY 2013 and FY 2017 will also contribute toward slower State revenue growth over the next five years. The aggregate value of these two changes is in excess of \$100 million, including roughly \$80 million in tax relief to West Virginia citizens.

Following declines of 0.7% in FY 2009 and 3.7% in FY 2010, General Revenue Fund collections rose by 8.1% in FY 2011. Collections are anticipated to rise by an annual average of roughly 1.1% between FY 2011 and FY 2013. General Revenue Fund growth for the FY 2013 to FY 2017 period averages roughly 1.8% in comparison with the long-term average General Fund growth rate of 4.0%.

### **Expenditures**

State agencies were again asked to submit their FY 2013 General Revenue appropriation requests at 100% of their previous fiscal year's budgeted levels, less any onetime appropriations. The FY 2013 General Revenue base budget is recommended by the Governor to be \$125 million higher than the FY 2012 base budget funding level with the biggest increase attributable to the Medicaid program. Various onetime appropriations are also being recommended by the Governor to be funded using previous years' cash surpluses currently on hand.

Beginning with FY 2014, projected expenditures start to outpace projected revenues. The main cost driver in the "Six Year Financial Plan" includes providing health care through the Medicaid program. Increasing costs of maintaining adequate correctional facilities for juveniles and adults is also a concern in future years. It is a goal of Governor Tomblin to work to contain the growth of these key budget drivers in order to be able to fund other priorities required of state government.

West Virginia is one of a handful of states that did not make reductions to FY 2008 or FY 2009 budgets. However, a midyear budget reduction was implemented in FY 2010 due to the slowing of revenue collections. FY 2011 finished

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with a healthy general revenue surplus of over \$338 million. West Virginia remains on track for a balanced budget for FY 2012, and no adjustments are anticipated. While continuing to use our conservative budgeting approach, the budget for FY 2013 includes major increases for the State's share of Medicaid funding, social services, and corrections. Funding is also included to fully fund Public Education's School Aid Formula and all retirement system obligations. Although there will be challenges in future budgets, any budget gaps will be addressed and balanced. The Governor is dedicating most of the surpluses associated with higher energy prices and strong gaming revenues toward necessary onetime improvements and anticipated budgetary shortfalls in the Medicaid program. Careful budgetary planning and responsible government initiatives will continue to serve West Virginia well during these unique economic times.

### Six Year Financial Plan Through FY 2017 General and Lottery Revenues (In Thousands)

	Actual FY 2011	Budgeted FY 2012	Recommended FY 2013	Projected FY 2014	Projected FY 2015	Projected FY 2016	Projected FY 2017
<b>Estimated Revenue</b>							
General Revenue	\$4,063,786	\$4,015,621	<b>\$4,149,751</b>	\$4,219,276	\$4,383,261	\$4,531,291	\$4,656,920
General Revenue - (Surplus used from previous FYs)	51,977	188,290	<b>65,000</b>	0	0	0	0
Lottery	164,127	163,764	<b>128,627</b>	125,040	126,217	126,390	126,390
Lottery - (Surplus used from previous FYs)	0	2,541	<b>16,398</b>	0	0	0	0
Excess Lottery	201,079	181,737	<b>173,877</b>	165,308	167,993	167,993	167,993
Excess Lottery - (Surplus used from previous FYs)	82,958	45,618	<b>24,498</b>	0	0	0	0
<b>Total Available</b>	<b>\$4,563,927</b>	<b>\$4,597,571</b>	<b>\$4,558,151</b>	<b>\$4,509,624</b>	<b>\$4,677,471</b>	<b>\$4,825,674</b>	<b>\$4,951,303</b>
<b>Estimated Expenditures</b>							
Previous Year's Base Budget			<b>\$4,426,927</b>	\$4,552,805	\$4,851,852	\$5,030,909	\$5,195,723
<b>(Base Budget FY12) and (Base Budget Growth for out-years): *</b>							
Legislature and Court of Claims		30,402	<b>3,389</b>	450	1,275	1,125	950
Supreme Court		94,298	<b>3,456</b>	1,300	3,700	3,250	2,750
Public Defender		31,625	<b>0</b>	0	0	0	0
PERS Employer Contribution		58,985	<b>2,065</b>	0	0	0	0
PEIA Premiums		333,904	<b>6,366</b>	14,000	15,000	16,000	17,000
Teachers' Retirement Savings Realized		34,216	<b>3,784</b>	4,000	4,000	4,000	4,000
Teachers' Retirement System		447,211	<b>(8,211)</b>	0	0	0	0
State Aid to Schools (PEIA and Retirement included above)		1,220,321	<b>5,545</b>	4,750	11,100	18,000	15,000
Public Education - All Other		181,958	<b>6,507</b>	1,600	1,600	1,600	1,600
Medicaid		396,239	<b>52,767</b>	201,339	54,164	41,592	32,671
DHHR- Non-Medicaid		450,200	<b>32,394</b>	2,000	2,000	2,000	2,000
Correctional Facilities		143,627	<b>14,400</b>	9,000	9,000	19,000	9,000
State Police		65,159	<b>788</b>	500	500	500	500
Public Safety Retirement Plan A / State Police Plan B		27,590	<b>(6,926)</b>	0	0	0	0
Higher Education		482,356	<b>4,500</b>	0	0	0	(1,000)
All Other Items (net)		428,836	<b>4,848</b>	4,400	20,000	0	0
Salary Enhancements **			<b>206</b>	50,708	51,718	52,747	250
Unanticipated Expenditures			<b>0</b>	5,000	5,000	5,000	5,000
<b>Total Ongoing Base Budget</b>	<b>\$4,286,764</b>	<b>\$4,426,927</b>	<b>\$4,552,805</b>	<b>\$4,851,852</b>	<b>\$5,030,909</b>	<b>\$5,195,723</b>	<b>\$5,285,444</b>
Onetime Expenditures, Expirations and Adjustments	241,888	170,644	<b>35,079</b>	47,109	26,500	5,000	5,000
Onetime Reduction Adjustments	(115,438)		<b>(29,733)</b>				
Transfer to Rainy Day Fund	150,668						
<b>Estimated Balance (Gaps)</b>	<b>\$45</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$389,337)</b>	<b>(\$379,938)</b>	<b>(\$375,049)</b>	<b>(\$339,141)</b>

**Note: This six-year financial plan is a tool for analyzing future budgets. Out-year gaps must be balanced.**

\* FY 2013-FY 2017 Expenditure Growth is the additional amount required annually to fund existing programs.

\*\* Includes base building pay raises of 2% for FY 2014, FY 2015 and FY 2016.

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While much has been accomplished to make state government more responsible, such as controlling the cost of providing services and reducing unfunded liabilities, more work remains. Greater efficiencies must be achieved, programs must be evaluated to ensure the outcomes meet the original intent, and new ways of doing business must be explored in order to continue to provide the citizens with the services they expect and deserve.

### **Revenue Assumptions in the “Six Year Financial Plan”**

#### **General Revenue**

Actual General Revenue collections for FY 2011 totaled \$4.064 billion. FY 2012 estimated collections total \$4.016 billion. The General Revenue collection amounts are projected to increase approximately 0.8% for FY 2013 (over anticipated actual collections), 1.7% for FY 2014, and by an average of 3.3% per year for FY 2015 through FY 2017.

#### **General Revenue—(Surplus from previous FYs)**

The Governor recommends that most of the \$109.941 million of currently unappropriated surplus General Revenue be used to fund various onetime needs and Medicaid. These recommended appropriations are in addition to the \$78.395 million that has already been appropriated during FY 2012, bringing the total to \$188.290 million (the amount shown in the FY 2012 budgeted column). The Governor also recommends that up to \$65 million of any General Revenue surplus remaining at the end of FY 2012 also be appropriated for Medicaid during FY 2013.

#### **Lottery**

The regular Lottery funds are dedicated by statute for use for senior citizens, education, and tourism. Since General Revenue funds are used for the same programs, Lottery funds are included here as part of the total available, and program funding may be shifted between the two revenue sources. Lottery revenues are projected to fall over 21% from FY 2012 to FY 2013 then remain relatively flat through FY 2017.

#### **Lottery—(Surplus from previous FYs)**

In FY 2012, Lottery Surplus used from previous fiscal years totals \$2.541 million. An additional \$16.398 million of surplus funds are recommended to be used to balance FY 2013 appropriations in the Regular Lottery Fund.

#### **Excess Lottery**

The Excess Lottery Fund will continue to be a major source of funding, although increased lottery sales competition from other states will affect collections in FY 2013 and the out-years. Revenues are projected to decrease through FY 2014, and then remain flat through FY 2017.

#### **Excess Lottery—(Surplus from previous FYs)**

In FY 2012, Excess Lottery Surplus used from previous fiscal years totals \$45.618 million. An additional \$24.498 million of surplus funds are recommended to be used to balance FY 2013 appropriations in the Excess Lottery Fund.

### **Estimated Expenditures in the “Six Year Financial Plan”**

#### **Previous Years’ Base Budget**

The previous year’s base budget is the base operating budget for ongoing expenditures for current programs and services provided to the citizens of West Virginia. The base budget does not contain items of a onetime nature. Each fiscal year begins with the base budget as reflected from the previous fiscal year. Each year’s total base budget is the amount required to maintain the current level of service and any additional increases of funding required to continue an on-going level of services.

#### **(Base Budget FY 2012) and (Base Budget Growth for out-years)**

The various items that comprise expenditure growth are the “budget drivers” that have the greatest impact on increases to expenditures, or they may be items of a less significant amount but continue to increase over time.



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The amounts listed for Base Budget FY 2012 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth for out-years (FY 2013–FY 2017) are the additional amounts necessary on an annual basis to maintain or enhance the services to the required level. These amounts are added to the Base Budget in FY 2012 to determine that particular fiscal year's Total Ongoing Base Budget. For FY 2013, most items have been recommended to be increased while only two are recommended for decrease.

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

**Legislature and Court of Claims.** The Constitution requires that the Governor request funding for the Legislature as they requested. The Legislature Joint Expenses requested \$2.346 million more than their FY 2012 base appropriation and the Court of Claims estimates that their FY 2013 appropriations at \$7 million, a \$1.043 increase over FY 2012. The Legislature's future budgets are estimated to grow each year at the same growth rate as the total available revenues.

**Supreme Court.** The Constitution requires that the Governor request funding for the Supreme Court as they requested. The Supreme Court requested \$3.296 million more than their appropriations for FY 2012. Also included is restoration of \$160,000 for the Judge's Retirement System, which brings that line item back to the FY 2012 funding level. The Supreme Court's future budgets are estimated to grow each year at the same growth rate as the total available revenues.

**Public Defender.** The Public Defender Services office continues to require increased funding each year. In addition to the FY 2012 appropriation of over \$31 million, the Governor recommends a supplemental surplus appropriation of \$13 million (included in the FY 2012 “Onetime Expenditures” line of the Six Year Financial Plan), bringing the total FY 2012 appropriations to over \$44 million.

**PERS Employer Contribution.** Although investments earned over 20% during FY 2011, the “smoothing” of the losses in investments that occurred during FY 2009 will require an increase in the employer match contribution from 14.5% to 15% of salary costs in FY 2013, costing the General and Lottery funds an additional \$2.065 million in FY 2013. The FY 2014–FY 2017 estimates assume investments return to the annual 7.5% gains required in the long-term funding plan, but additional increases in the employer match rate may be required after FY 2013.

**PEIA Premiums.** Funding is increased by four percent to cover PEIA employers' premium match for FY 2013, costing an additional \$13.267 million. The School Aid Formula does allow for the funding of 252 additional employees in FY 2013, but an adjustment is made due to appropriated amounts in previous fiscal years exceeding the actual required amounts of the employer's share of premium costs by \$6.901 million. Significant double digit percentage increases are projected over the course of the next four fiscal years if current levels of benefits continue to be offered to employees and retirees, requiring multimillion dollar increases in the General and Lottery funds' share of premiums. Thus, PEIA's outlook for the future continues to be a major concern and represents another of the major financial challenges facing West Virginia. PEIA cannot assume the economic conditions of the state will continue to permit increased premium revenues for the agency, nor can PEIA assume trend results will continue to be lower than anticipated. Additional funding increases of four percent are included in the out-years.

**Teachers' Retirement Savings Realized.** W.Va. Code §18-7A-39 requires any savings realized from the reduction in employer contributions for current retirement benefits—being the difference between the required employer contributions that would have been required into the Teachers' Defined Contribution System and the required employer contribution for normal cost into the State Teachers' Retirement System—shall be deposited into the Employee Pension and Health Care Benefits Fund. This estimated calculation requires funding in FY 2013 of an additional \$3.784 million, bringing the total funding for FY 2013 to \$38 million.

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**Teachers' Retirement System.** The State has made significant strides toward the long-term funding of the State's retirement systems. Of the additional surplus revenues available during FY 2005–FY 2010, an additional \$748 million was used to help pay down the unfunded liability in the Teachers' Retirement System, drastically reducing the unfunded liabilities of that system. During the 2007 Legislative Regular Session, legislation was approved that authorized the sale of Tobacco Settlement Bonds. The bonds were sold in June 2007 and netted over \$807 million in proceeds for the State's Teachers' Retirement System. These bond proceeds, along with additional extra retirement contributions made recently, result in total additional deposits of \$1.555 billion being placed into the pension system.

The efforts to pay down the State's massive retirement debt has resulted in the Teachers' Retirement System's percentage funded increasing from 22% funded at the end of FY 2004 to an estimated 53.2% funded at the end of FY 2011.

Due to investment gains of over 20% occurring in FY 2011, the current amortization schedule for the Teachers' Retirement System requires funding in FY 2013 of \$8.211 million **less than** the FY 2012 funding level. If earnings are more than 7.5% per year, the funding level can be lowered, if earnings are less than 7.5%, the funding level must be raised. FY 2014–FY 2017 assumes future investment earnings of 7.5%.

**State Aid to Schools.** The State Aid to Schools Formula for public education (excluding PEIA and retirement costs shown in other lines on the six year plan) requires an increase of \$5.545 million for FY 2013. Notable changes from the prior year's base budget include an additional \$8 million for transportation costs due to significant increases in fuel costs, increased funding in Local Share of almost \$9 million over last year, and 252 additional positions funded by the School Aid Formula. Budget projections for the out-years are based on projected student enrollments and cost estimates relating to the School Aid Formula.

**Public Education - All Other.** The Department of Education and Schools for the Deaf and the Blind's employees are statutorily paid at the same county pay rates as professional educators and service personnel. Employees' salaries increase with additional years of service. Also, adjustments for Increased Enrollment, Safe Schools, Student Enrichment Program, and other statutory requirements are also accounted for here.

**Medicaid.** State Medicaid funding is dependent primarily on four funding sources—General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. Controlling the growth of this program is critical to both the fiscal health of the state and the people who depend on the Medicaid program for vital services. To restrain the future growth of the program, the Department of Health and Human Resources will continue to focus on managing Medicaid like other health insurance programs. Medicaid is confronted with a fundamental problem—how to design an appropriate benefit package for the poorest and most disabled citizens of West Virginia and ensure access to Medicaid services, yet still meet cost containment and program integrity goals. The administration is committed to containing the burgeoning costs of this program. Beginning in FY 2013, Medicaid costs will put a heavy burden on State revenues, and program changes are inevitable in order to avoid future funding crises.

Developing changes in this program is exceedingly difficult because Medicaid operates as an entitlement program for all citizens that meet the eligibility criteria, and the cost of the program is determined by the number of eligible individuals, how often they utilize health care services, and the cost of the health care services. Therefore, the State must budget for all program costs incurred by the clients. The program costs cannot be controlled through budget restrictions and appropriation caps without changes to the eligibility criteria, the types of services covered, or the rates paid for services. Reducing program eligibility, eliminating covered services, and reducing payments for services may shift the burden to other social service providers as clients seek other sources of assistance. The healthcare industry in general (hospitals, physicians, clinics, etc.) may also experience the possibility of decreased revenues from the Medicaid program and an increase in uncompensated care as clients seek medical care without coverage. Since Medicaid revenue has become a significant factor in the health care industry, any reductions will cause cost shifting and other adjustments throughout the state's health care system.

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Several other factors also influence the increase in the Medicaid program, including medical inflation, the economy, and how health care continues to be addressed at the federal level. If the Medicaid Provider Tax, Medical Services Trust Fund, and Lottery sources of the State match remain relatively constant and costs continue to climb, the General Revenue Fund will have to supply the additional funds.

In FY 2012 Medicaid total expenditures are estimated to be \$2.976 billion. Of this total, \$2.156 billion is the federal share, while \$820 million is the state share. Appropriations in FY 2012 from General Revenue, Lottery, Medical Services Trust Fund, the Provider Tax, and other State Certified Match total only \$587 million. In order to reach the state share total needed in FY 2012 of \$820 million, an estimated \$233 million will be spent from balances that have accumulated in the various Medicaid accounts.

If the FY 2012 levels of program offerings in the State's Medicaid program are maintained in FY 2013, total Medicaid costs would rise to about \$3.057 billion, a growth of \$81 million. Of this total, \$2.193 billion would be the federal share and \$864 million would be the state share.

However, the Governor's FY 2013 budget recommends slowing the growth in West Virginia's Medicaid program, with total Medicaid costs rising to \$3.002 billion. Of this recommended total, \$2.154 billion would be the federal share and \$848 million would be the state share. In order to reach the state share total needed, an estimated \$157 million will be spent from balances that have accumulated in the various Medicaid accounts, along with recommended increased General and Lottery Revenue funding of \$100 million (coming from FY 2012 and FY 2013 funding sources) and increased spending of \$2.8 million in the Provider Tax account and \$1.7 million in State Certified Match funds. This spending level will exhaust all balances in the various Medicaid accounts, requiring major increases to appropriations beginning in FY 2014 if more cost controls are not implemented.

If the FY 2013 level of program offerings in the State's Medicaid program is maintained in FY 2014, additional funding of over \$201 million will be needed for FY 2014.

**DHHR - Non-Medicaid.** The Governor recommends an increase of \$32.394 million in the FY 2013 base budget for DHHR non-Medicaid related items. These changes include over \$7.75 million in additional funding for psychiatric diversions, \$21.809 million increase in Social Services, and \$3 million for the Behavioral Health Program. The out-years reflect additional funding for various DHHR needs.

**Correctional Facilities.** Payments to federal, county, and/or regional jails continue to rise each year and require an additional \$5 million for FY 2013 over the FY 2012 base funding level. Additional inmates, increased aged inmate population, increased chronic medical illnesses, and the rising cost of medical care in general continue to place pressure on correctional funding. The FY 2013 budget also provides \$9 million in increased funding for the operations of all the correctional facilities and \$400,000 of additional funding for the Huttonsville Work Camp. The out-years include funding for overall operations at the correctional facilities.

**State Police.** Funding is added for statutory longevity and career progression increases and to hire additional forensic lab analysts.

**Public Safety Retirement Plan A /State Police Plan B.** Due to investment gains during FY 2011, the current amortization schedule for the Public Safety Retirement Plan A requires \$6,451,000 **less funding** in FY 2013. The employer contribution for the State Police Retirement Plan B will allow the employers' match to decrease from 17.5% to 16% of employees' salaries. Total funding needs will decrease \$6.926 million in FY 2013. FY 2014–FY 2017 assumes investment earnings of 7.5%.

**Higher Education.** Higher Education's FY 2013 base budget increases include \$1 million for WVU Health Sciences, \$2 million for Community and Technical Colleges' workforce development programs, and \$1.5 million for four-year colleges and universities' institutional support.



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**All Other Items (Net).** These include increases to base expenditures not already included in other lines of the “Six Year Financial Plan.” For FY 2013, additional funding is included for new mine inspectors, the West Virginia Development Office’s Local Economic Development Assistance Program, State Capitol Building operations, and other miscellaneous changes.

**Salary Enhancements.** FY 2013, as well as all out-years, includes \$250,000 for the pay equity initiative. The out-years of the State’s “Six Year Financial Plan” also include monies for possible pay raises of 2% in FY 2014–FY 2016.

**Unanticipated Expenditures.** The out-years include \$5 million for unexpected funding needs.

**Onetime Expenditures, Expirations and Adjustments.** In addition to the Total Ongoing Base Budget, Onetime Expenditures are also included. These expenditures are not included in the Total Ongoing Base Budget because they do not require ongoing funding in future years, but the amount will be expended during the current fiscal year and, therefore, must be reduced from the revenue available in that fiscal year to arrive at the estimated balance. Onetime expenditures in FY 2012 total \$170.644 million. FY 2013 funding includes onetime funding of \$4 million for the Governor’s Contingency Fund. Also included is onetime funding of \$31.079 million for Medicaid.

**Onetime Reduction Adjustments.** Onetime reductions included in FY 2011 are amounts reduced in Public and Higher Education accounts that were backfilled with Federal Education Stabilization funds. Included in FY 2013 is an adjustment of \$2.5 million in the Volunteer Fire Departments’ workers’ compensation subsidy (there is a sufficient balance available for FY 2013) and \$27.233 million of FY 2013 Medicaid base building funds that have been recommended from unappropriated FY 2012 sources. These onetime reductions are included in the beginning base budget for FY 2013 and beyond.

**Transfer to Rainy Day Fund.** Statute requires that half of any General Revenue surplus (up to 13% of the total appropriations from the General Revenue Funds for the fiscal year just ended) be transferred to the Rainy Day Fund A to be used to offset any projected shortfall in the future, used for paying unfunded retirement/benefit liabilities, or used for other expenditures. At the end of FY 2011, the General Revenue Fund had a surplus of \$338.809 million, of which \$150.668 million was transferred to the Rainy Day Fund A (which brought the Rainy Day Fund A to 13% of the total appropriations of FY 2011).

**Estimated Balance (Gaps).** The Estimated Balance is strictly the excess or deficit (gap) of revenues versus expenditures on an annual basis. The balance is not carried forward to the following fiscal year, but may be used to soften any future budget gaps. As is clearly seen in the “Six Year Financial Plan” beginning in FY 2014, substantial budget gaps are predicted. These future budget gaps must be and will be addressed and balanced.

### **Six Year Plan Summary**

The “Six Year Financial Plan” includes the best estimate of revenues and expenditures based on currently known facts and are the best assumptions we can make on a future basis. The further into the future we project revenues and expenditures, the greater the chance of deviation from the projections. For example, the end of the next budget year, FY 2013, is still 18 months into the future from the date the projections were completed. The General Revenue Fund estimate is over \$4.1 billion for FY 2013. Just a one percent deviation from the estimate will result in a \$41 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$82 plus million (\$41 million under estimate to \$41 million over estimate).

The same may be said regarding expenditures. Although we have included all known expenditures with the best projections available for future increases, many unknowns obviously exist. What will happen with the national economy? Will the stock market continue its current pace? How will federal health care legislation affect West Virginia? A large portion of the budget is expended for health care—both Medicaid and public employees’ health

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insurance expenditures. Small fluctuations in the projected cost of health care can result in large dollar differences in the required expenditures for these services. For Medicaid, a one percent change in the federal match rate results in a difference in state funding of approximately \$30 million.

Not included in the projected expenditures is any additional funding for inflationary expenses to cover the rising cost of energy consumption for State-owned buildings and vehicles, OPEB funding, or funding for any major new program.

### **Budget Summary**

#### **FY 2011**

Beginning in FY 2009 and continuing into FY 2010, the national economy changed, and West Virginia, along with every other state, experienced unrealized losses in their long-term investment portfolios. While other states had to make midyear revisions to their revenue estimates and budget cuts to their FY 2008 and FY 2009 budgets, West Virginia remained among a handful of states that did not have to implement budget reductions for these fiscal years. However, due to the slowing of the economy in the first half of FY 2010, West Virginia did implement a 3.4% mid-year budget cut for FY 2010 resulting in budget reductions totaling \$119 million. All of the cuts to public and higher education were backfilled with Federal Education Stabilization funds and resulted in “net zero” cuts to public and higher education for FY 2010 and FY 2011. Reductions to the State’s Medicaid program were offset with an enhanced Federal Medical Assistance Percentage (FMAP) rate which required no program benefit reductions. However, these enhanced matching rates have now expired.

The end of FY 2011 again saw surpluses for the General Revenue and Lottery funds—the General Revenue Fund with a surplus of over \$338 million. Over \$150 million was transferred to the Rainy Day Fund A. The Rainy Day Funds A and B totaled \$819 million at December 31, 2011, totaling 20% of the FY 2012 General Revenue total appropriations. Current surplus General Revenue balances are recommended to be appropriated during FY 2012.

Surpluses at the end of FY 2011 in the Regular Lottery Fund totaled more than \$16 million; all of these surpluses are recommended to be used to balance the FY 2013 budget. Surpluses in the Regular Lottery Fund at the end of FY 2011 totaled more than \$24 million; all of these surpluses are also recommended to be used to balance the FY 2013 budget.

#### **FY 2012**

FY 2012’s General Revenue collections are officially estimated to be \$4.016 billion, or 1.19% less than the record-setting FY 2011 revenue collections. However, through the first five months of FY 2012, collections were \$27.3 million, or two percent ahead of official estimates.

Regular Lottery and Excess Lottery revenues estimates available for appropriation decrease by five percent below FY 2011 actual collections. Lottery collections through the first four months of FY 2012 were \$37 million above estimate.

FY 2012’s major budget expenditure driver increase was funding for pay raises for teachers, service personnel, and state employees. FY 2012 expenditures from General and Lottery Funds are expected to total \$4.60 billion.

#### **FY 2013**

General revenues for FY 2013 are predicted to grow to \$4.15 billion, or 3.3% above the FY 2012 official revenue estimate. Lottery and Excess Lottery revenues available for appropriations are expected to drop by almost 12.5%.

Major budget expenditures recommended for FY 2013 include an additional \$100 million in state Medicaid funding. Additional funding of almost \$22 million for Social Services is included in the Governor’s recommendations, as is \$7.75 million of new base building dollars for psychiatric diversions from state hospitals. Correctional facilities receive increased base building funding of \$14.4 million. Also, the Public Employees Retirement System’s employers’ match

*Executive Summary  
Six Year Financial Plan*

will increase from 14.5% in FY 2012 to 15% in FY 2013 due to the smoothing of investment losses that occurred during FY 2009. This will require increased funding in General and Lottery revenue funds of over \$2 million in FY 2013. The Teachers' Retirement required funding will decrease by an estimated \$8.2 million due to investment gains in FY 2011. FY 2013 expenditures from General and Lottery Funds are expected to total \$4.56 billion.

Careful budgetary planning, with an eye on future budget requirements, will continue to be a fundamental part of West Virginia's approach to maintaining balanced budgets while providing necessary services to her citizens.



# SUMMARY FINANCIAL STATEMENTS

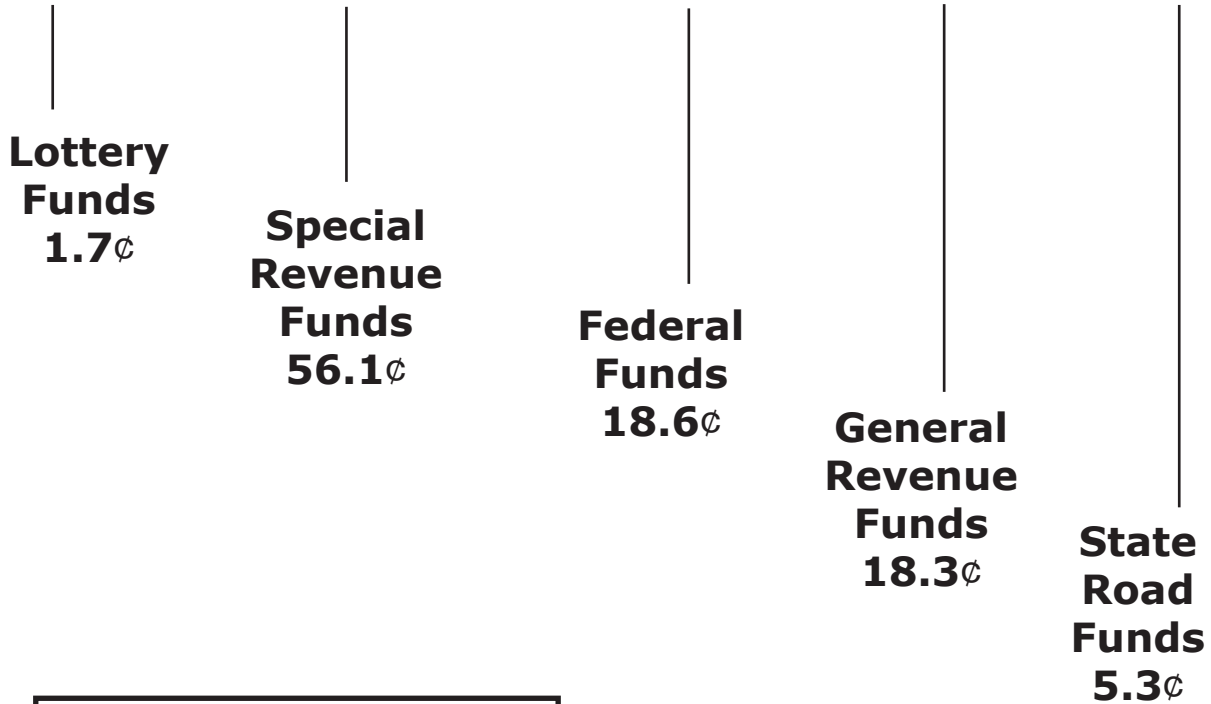
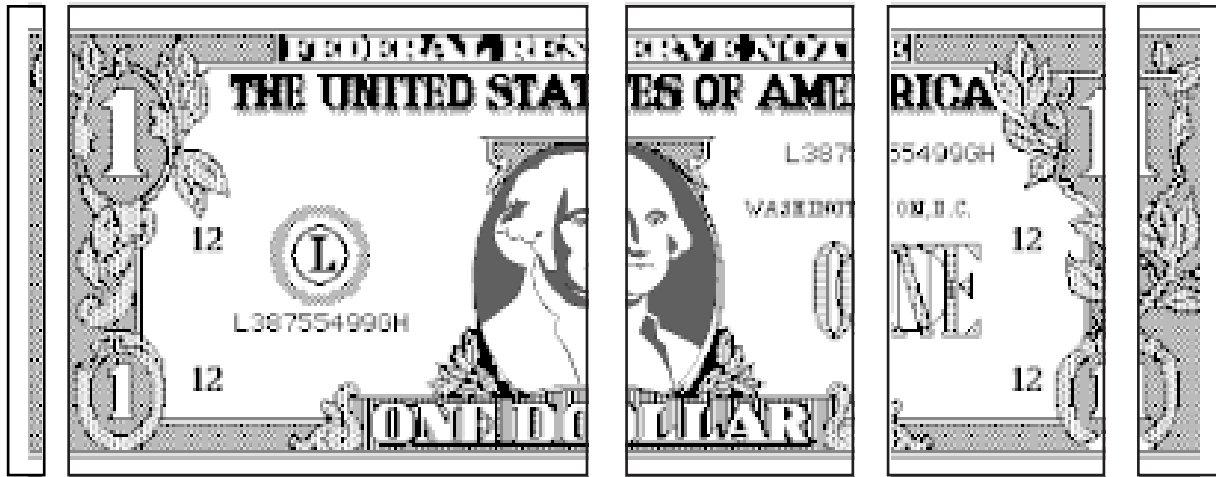




# Summary Financial Statements

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

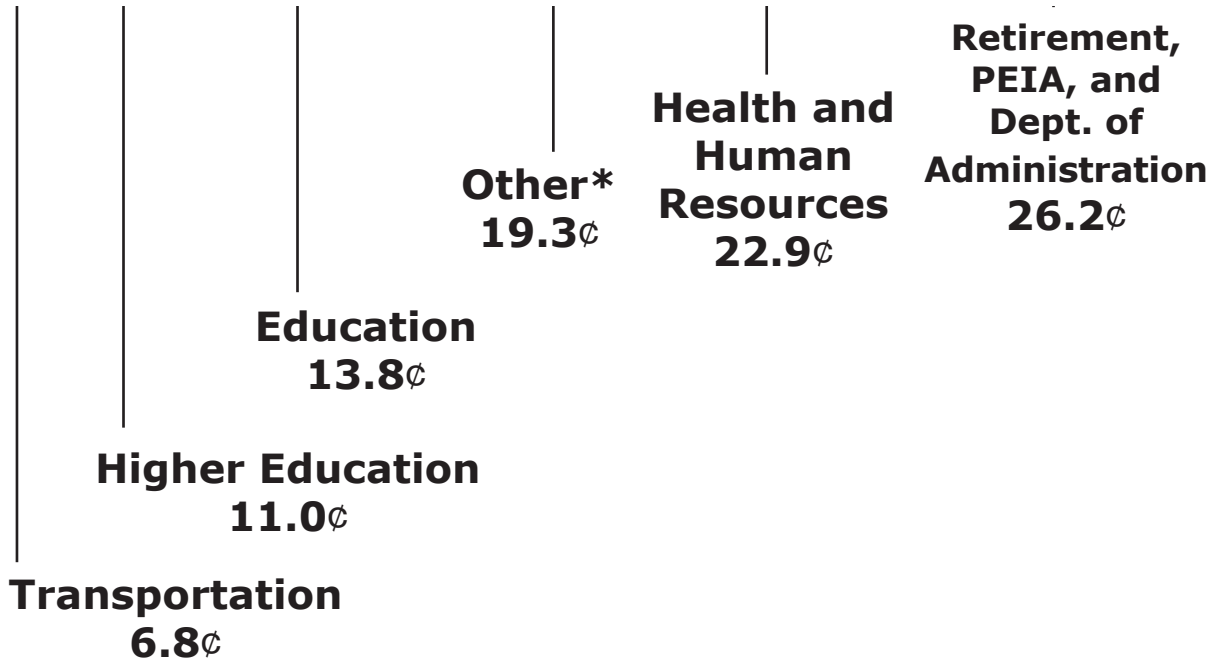
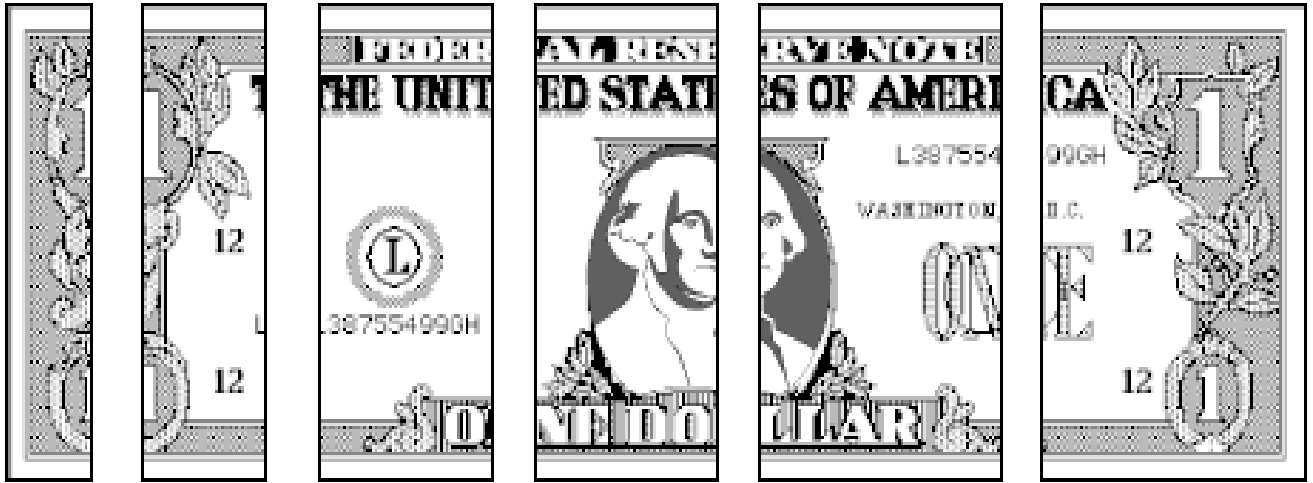
- Summary of Total FY 2013 Budget — All Funds (Where the State Dollar Comes From and Where the State Dollar Goes)
- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for Appropriated Funds (narrative and statement)
- Cash and Investment Balances of All Funds Fiscal Year Ending June 30, 2011
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2011
- General Revenue Fund — Statement of Revenues by Source FY 2009 through FY 2015
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund — Overview by Functional Category FY 2011 through FY 2013
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2012/Recommended Supplemental Appropriations FY 2012
- General Revenue Fund Major Constitutional and Statutory Requirements FY 2013
- Lottery Fund — Overview by Functional Category FY 2011 through FY 2013
- Lottery Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- Excess Lottery Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- Excess Lottery Fund — Overview by Functional Category FY 2011 through FY 2013
- State Road Fund — Statement of Revenues by Source FY 2009 through FY 2015
- State Road Fund — Statement of Revenues, Expenditures and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2011



**TOTAL REVENUE**  
**\$22.7 Billion**  
**(All Funding Sources)**

# Where The State Dollar Comes From (FY 2013 Estimate)





<b>*Other</b>	<b>19.3¢</b>	
Legislature		0.2¢
Judicial		0.7¢
Executive		2.7¢
Commerce		1.8¢
Education & the Arts		0.9¢
Environment		2.3¢
Military Affairs & Public Safety		3.6¢
Revenue **		4.9¢
Senior Services		0.5¢
Veterans Assistance		0.1¢
Misc. Boards & Commissions		1.6¢

**TOTAL EXPENDITURES**  
**\$19.2 Billion**  
**(All Funding Sources)**

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

## Where The State Dollar Goes (Governor's Recommended FY 2013 Budget)

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

The following Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for Appropriated Funds reflects actual, budgeted, and recommended revenues and expenditures for FY 2011, FY 2012, and FY 2013, respectively, for all funds that are specifically appropriated by the Legislature and included in the Budget Act. The revenues are listed by source of funds, and the disbursements are listed at the department/bureau level. See the “Revenue Sources” chapter for a more detailed explanation of each source of funds.

All revenues (actual, budgeted, and recommended) reflect the revenues actually collected or estimated to be collected from July 1 to June 30 of each fiscal year. All expenditures (actual, budgeted, and recommended) reflect the disbursements actually made or estimated to be made during the fiscal year. For appropriations that expire at the end of the fiscal year, expenditures would be included through July 31 (13th month/31 day closeout period). For unexpended amounts that are reappropriated to the next fiscal year, expenditures are included through June 30—there is no 13th month/31 day closeout period for reappropriations. Any unexpended amounts remaining in nonexpiring appropriations are carried forward to the next fiscal year as of July 1.

Each fund on the Statement is made up of multiple accounts containing from approximately 20 individual appropriations for the State Road Fund to hundreds of individual appropriations for the Special Revenue Fund.

The General Revenue Fund and the State Road Fund are true financial funds and must maintain positive fund balances in the respective “bottom lines” in order to process payments for obligations when due. State law requires sufficient funds to be available, both in the individual appropriation and the total fund, before payments may be released. Therefore, the total fund “cash flow” is carefully monitored to ensure funds are available, as required, throughout the fiscal year.

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

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

**FY 2011 Actuals** are the total actual revenues and expenditures for all appropriated funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

**The FY 2012 Budgeted revenue estimate** for the General Revenue Fund and State Road Fund reflects the Governor’s official revenue estimate as submitted to the Legislature on August 1, 2011, and August 18, 2011, respectively. The Governor provides the official revenue estimates for the budget and those estimates do not require legislative approval.

**FY 2012 Budgeted expenditures** reflect the amounts budgeted prior to the beginning of the 2012 Legislative session and include amounts that have been reappropriated from prior year unexpended appropriations.

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

**Why Budgeted Expenditures Appear Significantly Different from Actual and Recommended Expenditures**

While the Actuals may have included reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended expenditures do not reflect any anticipated reappropriations being available during FY 2013. Although the FY 2012 Budgeted amounts are available to spend during the fiscal year, the likelihood of expending the entire amount is extremely remote. Generally, a significant amount of the authorized expenditures remains unspent at the end of each fiscal year and is reappropriated to the next ensuing fiscal year. Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2012 will be less than the total authorized budgeted amounts.

For General Revenue and Special Revenue funds, the prior year reappropriated amounts are significant. The General Revenue Fund budgeted FY 2012 expenditures include \$425.6 million and the Appropriated Special Revenue funds (includes Lottery funds) include \$270.8 million in reappropriated amounts.

Because these reappropriated funds are included in the FY 2012 Budgeted expenditures, it may appear that these Budgeted expenditures are not in line with the actual FY 2011 expenditures or the FY 2013 recommendations.

**FY 2013 Recommendations** are the amounts that the Governor is proposing to the Legislature for appropriation. As discussed above, the recommendations do not include any amounts that will ultimately be available for expenditure as a reappropriated or surplus expenditure.

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

	General Fund			Appropriated Federal Fund		
	Actuals FY 2011	Budgeted FY 2012	Recommended FY 2013	Actuals FY 2011	Budgeted FY 2012	Recommended FY 2013
Beginning Fund Balance	\$521,286	\$764,346	\$124,030	\$65,196	\$99,444	\$72,912
Transfer to Rainy Day Fund	(51,314)	(150,668)	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	-	-	-
Prior Year Refunds/Redeposits	348	209	-	-	-	-
<b>Revenues</b>						
<b>Taxes</b>						
Consumer Sales & Use	1,148,244	1,178,500	1,197,000	-	-	-
Personal Income	1,593,169	1,646,600	1,721,600	-	-	-
Business and Occupation	127,591	122,700	122,900	-	-	-
Severance	440,875	445,400	461,500	-	-	-
Corporation Net Income and Business Franchise Tax	302,978	173,500	248,700	-	-	-
Highway Litter Control	-	-	-	-	-	-
Gasoline and Motor Fuel	-	-	-	-	-	-
Automobile (Privilege) Sales	-	-	-	-	-	-
Other	232,259	234,300	235,700	-	-	-
Intergovernmental	-	-	-	3,858,204	4,204,790	4,120,726
Licenses, Permits & Fees	10,738	9,270	9,000	-	-	-
Departmental Collections	15,840	16,500	17,000	-	-	-
Interest Income	12,043	31,000	12,000	-	-	-
Other	180,049	157,851	124,351	-	-	-
Industrial Access Road Transfer	-	-	-	-	-	-
<b>Total Revenues</b>	<b>4,063,786</b>	<b>4,015,621</b>	<b>4,149,751</b>	<b>3,858,204</b>	<b>4,204,790</b>	<b>4,120,726</b>
<b>Expenditures</b>						
Legislature	26,980	122,920	33,791	634	3,000	3,000
Judicial	113,866	149,566	124,935	871	5,500	1,632
Executive	62,046	115,929	48,604	210,077	257,847	110,044
Administration	77,144	117,573	74,328	42,358	38,038	47,957
Commerce	63,606	114,520	70,013	78,127	169,048	124,793
Education	1,798,854	1,974,873	2,018,210	377,529	519,139	462,385
Education and the Arts	33,697	40,174	34,043	66,390	104,741	99,358
Environment	7,935	11,546	8,386	111,520	180,380	173,414
Health and Human Resources	790,813	895,431	856,373	2,790,382	2,695,395	2,866,963
Military Affairs & Public Safety	355,980	407,382	357,802	112,194	170,328	160,599
Revenue **	27,794	51,483	30,366	112	14,210	14,211
Transportation	6,055	16,939	7,157	19,128	42,739	44,846
Veterans Assistance	-	13,057	11,663	-	12,988	6,911
Senior Services	169	16	20,895	13,402	14,534	14,536
Higher Education	404,821	474,069	453,185	-	-	-
Misc. Boards & Commissions	-	-	-	1,232	3,435	3,519
<b>Total Expenditures</b>	<b>3,769,760</b>	<b>4,505,478</b>	<b>4,149,751</b>	<b>3,823,956</b>	<b>4,231,322</b>	<b>4,134,168</b>
<b>Ending Fund Balance</b>	<b>\$764,346</b>	<b>\$124,030</b>	<b>\$124,030</b>	<b>\$99,444</b>	<b>\$72,912</b>	<b>\$59,470</b>

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

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

For a total summary of all revenues and expenditures including nonappropriated funds, see "Where The State Dollar Comes From" and "Where The State Dollar Goes" in this section.

State Road Fund			Appropriated Special Revenue Fund *			Total All Appropriated Funds		
Actuals FY 2011	Budgeted FY 2012	Recommended FY 2013	Actuals FY 2011	Budgeted FY 2012	Recommended FY 2013	Actuals FY 2011	Budgeted FY 2012	Recommended FY 2013
\$154,955	\$125,907	\$11,253	\$1,834,435	\$1,967,567	\$1,653,414	\$2,575,872	\$2,957,264	\$1,861,609
-	-	-	-	-	-	(51,314)	(150,668)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	3,241	-	-	3,589	209	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,148,244	1,178,500	1,197,000
-	-	-	-	-	-	1,593,169	1,646,600	1,721,600
-	-	-	-	-	-	127,591	122,700	122,900
-	-	-	-	-	-	440,875	445,400	461,500
-	-	-	-	-	-	302,978	173,500	248,700
1,912	1,680	1,755	-	-	-	1,912	1,680	1,755
397,749	380,700	410,000	-	-	-	397,749	380,700	410,000
172,453	151,114	174,014	-	-	-	172,453	151,114	174,014
27,185	54,110	37,250	-	-	-	259,444	288,410	272,950
503,818	538,400	497,000	(748)	-	-	4,361,274	4,743,190	4,617,726
91,194	88,988	92,787	-	-	-	101,932	98,258	101,787
-	-	-	1,606,622	1,963,772	1,808,248	1,622,462	1,980,272	1,825,248
-	-	-	-	-	-	12,043	31,000	12,000
-	-	-	-	-	-	180,049	157,851	124,351
(3,000)	(3,000)	(3,000)	-	-	-	(3,000)	(3,000)	(3,000)
1,191,311	1,211,992	1,209,806	1,605,874	1,963,772	1,808,248	10,719,175	11,396,175	11,288,531
-	-	-	2,616	40,834	4,147	30,230	166,754	40,938
-	-	-	1,000	1,000	1,000	115,737	156,066	127,567
-	-	-	21,488	33,076	32,946	293,611	406,852	191,594
-	-	-	57,666	122,877	95,352	177,168	278,488	217,637
-	-	-	47,159	80,847	51,630	188,892	364,415	246,436
-	-	-	200,442	164,496	109,746	2,376,825	2,658,508	2,590,341
-	-	-	20,618	27,384	23,097	120,705	172,299	156,498
-	-	-	30,860	64,257	68,804	150,315	256,183	250,604
-	-	-	289,980	400,587	549,338	3,871,175	3,991,413	4,272,674
-	-	-	27,975	39,615	28,923	496,149	617,325	547,324
-	-	-	503,435	838,183	788,488	531,341	903,876	833,065
1,220,359	1,326,646	1,210,665	4,762	20,342	16,342	1,250,304	1,406,666	1,279,010
-	-	-	-	6,750	6,646	-	32,795	25,220
-	-	-	72,767	77,102	53,904	86,338	91,652	89,335
-	-	-	111,245	222,400	105,985	516,066	696,469	559,170
-	-	-	83,970	138,175	145,398	85,202	141,610	148,917
1,220,359	1,326,646	1,210,665	1,475,983	2,277,925	2,081,746	10,290,058	12,341,371	11,576,330
<b>\$125,907</b>	<b>\$11,253</b>	<b>\$10,394</b>	<b>\$1,967,567</b>	<b>\$1,653,414</b>	<b>\$1,379,916</b>	<b>\$2,957,264</b>	<b>\$1,861,609</b>	<b>\$1,573,810</b>

**Cash and Investment Balances of All Funds**  
**Fiscal Year Ending June 30, 2011**  
**(Nearest Dollar)**

	<b>Fund No.</b>	<b>Cash Balance</b>	<b>Investments</b>	<b>Total Balance</b>
General Revenue Fund	01	\$792,926,842	\$0	\$792,926,842
State Road Fund	02	10,826,276	124,125,463	134,951,739
Natural Resources Fund	03	9,673,392	64,264,261	73,937,653
Consolidated Pool and Investments	09	(2,092,059,765)	2,443,898,229	351,838,464
Consolidated Federal Funds (Special Revenue)	12	70,115,775	6,120,264	76,236,039
Special Revenue Funds (Departments and Institutions)	13	1,135,614,681	4,669,160,785 <sup>1</sup>	5,804,775,466
Special Revenue Funds (Higher Education)	14	48,577,287	370,805,622	419,382,909
Human Services Fund	16	241,836,950	167,828,290	409,665,240
Public Employees' Retirement System	17	577,304	4,390,454,227	4,391,031,531
Teachers' Retirement System	18	6,615,764	5,044,314,608	5,050,930,372
West Virginia University - Medical School Fund	20	21,120	6,733,905	6,755,025
<b>Total</b>		<b>\$224,725,626</b>	<b>\$17,287,705,654</b>	<b>\$17,512,431,280</b>

<sup>1</sup>See next page for detail.

**Detailed Investments Fund 13**  
**Fiscal Year Ending June 30, 2011**  
**(Nearest Dollar)**

Attorney General	\$681,323
Auditor's Office	6,703,372
Board of Risk and Insurance Management	166,586,416
Building Commission	9,556,082
Court of Claims	5,507,617
Consolidated Public Retirement Board	795,590,993
Criminal Justice	10,348,579
Culture and History	2,076,028
Department of Administration	546,116,451
Department of Education	4,490,558
Higher Education Policy Commission	28,974,014
Department of Education and the Arts	1,339,672
Department of Revenue	659,127,115
Department of Transportation	5,659,869
Development Office	0
Division of Human Services	19,350,566
Division of Labor	6,889,598
Division of Natural Resources	3,757,671
Environmental Protection	245,048,824
Governor's Office	0
Insurance Commissioner	1,234,824,337
Lottery Commission	218,490,416
Municipal Bond Commission	164,292,895
Public Employees Insurance Agency	241,289,596
Regional Jail Authority	36,942,282
State Police	7,781,628
State Rail Authority	4,987,953
Treasurer's Office	169,994,769
Water Development Authority	18,817,469
Division of Forestry	2,247,088
Secretary of State	3,441,354
Economic Development Authority	48,246,250
<b>Total Detail Fund 13</b>	<b><u><u>\$4,669,160,785</u></u></b>

**General Revenue Fund**  
**Statement of Revenues by Source**  
**FY 2009 Through FY 2015**  
**(Expressed in Thousands)**

Source of Revenue	FY 2009 Actual Collections	FY 2010 Actual Collections	FY 2011 Actual Collections	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
Business and Occupation Tax	\$150,293	\$133,386	\$127,591	\$122,700	\$122,900	\$119,400	\$114,000
Consumers Sales and Use Tax	1,110,017	1,095,686	1,148,244	1,178,500	1,197,000	1,199,000	1,230,100
Personal Income Tax	1,557,403	1,446,852	1,593,169	1,646,600	1,721,600	1,795,000	1,898,000
Liquor Profit Transfers	16,961	14,558	15,200	15,300	15,300	15,400	15,500
Racing Fees	480	336	21	0	0	0	0
Beer Tax and Licenses	8,638	8,435	8,479	8,600	8,600	8,600	8,600
Tobacco Products Tax (Cigarette & Other)	115,095	114,128	110,760	112,500	106,600	105,500	104,500
Estate Tax	29	100	0	0	0	0	0
Business Franchise Fees	1,936	2,125	2,239	670	400	375	350
Charter Tax	424	176	151	0	0	0	0
Property Transfer Tax	8,537	7,933	8,108	8,100	8,500	8,850	9,360
Property Tax	5,616	5,834	6,016	6,000	6,100	6,200	6,300
Insurance Tax	103,322	103,677	107,202	107,700	114,500	116,500	118,500
Departmental Collections	14,597	14,807	15,840	16,500	17,000	17,100	17,200
Corporate Income/Business Franchise Tax	270,237	232,859	302,978	173,500	248,700	250,900	239,500
Miscellaneous Transfers	130	239	332	700	2,500	2,500	2,500
Interest Income	21,855	11,907	12,043	31,000	12,000	21,000	40,000
Severance Tax	359,578	400,591	440,875	445,400	461,500	446,400	472,300
Telecommunication Tax	230	76	23	0	0	0	0
Miscellaneous Receipts	19,853	5,884	11,924	3,500	3,500	3,500	3,500
HB102 - Lottery Transfers	127,900	127,900	127,900	127,900	92,600	92,600	92,600
Video Lottery Transfers	1,049	969	528	0	0	0	0
Liquor License Renewal	0	21,544	14,611	451	451	451	451
Senior Citizen Tax Credit Reimbursement	7,372	8,371	9,553	10,000	10,000	10,000	10,000
Total	<u>\$3,901,552</u>	<u>\$3,758,373</u>	<u>\$4,063,787</u>	<u>\$4,015,621</u>	<u>\$4,149,751</u>	<u>\$4,219,276</u>	<u>\$4,383,261</u>



# General Revenue Fund

## Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Actual Beginning Cash Balance July 1, 2011	\$792,926,842	
Less:	31 Day Disbursements (July 1, 2011 - July 31, 2011)	(28,580,912)	
Plus:	Prior Year Reimbursements (July 1, 2011 - July 31, 2011)	14,673	
Less:	Prior Year Appropriations Forwarded	<u>(425,551,354)</u>	
	Accumulated Surplus from FY 2011 @ July 31, 2011	\$338,809,249	
Less:	Transfer to Revenue Shortfall Reserve Fund (Statutory)	(150,667,826)	
Less:	Surplus Appropriations (FY 2012 Budget Bill HB 2012 - 2011 Regular Session)	(45,081,990)	
Less:	Surplus Appropriations (FY 2012 SB 1004 - 2011 1st Extraordinary Session)	(33,003,108)	
Less:	Surplus Appropriations (FY 2012 SB 1007 - 2011 1st Extraordinary Session)	(310,000)	
Plus:	Prior Year Reimbursements (August 1, 2011 - December 31, 2011)	149,838	
Plus:	Prior Year Expirations from Special Revenue	45,132	
Less:	Recommended Surplus Supplemental Appropriations (2012 Regular Session)	<u>(109,895,396)</u>	
	Estimated Unappropriated Surplus Balance @ June 30, 2012		<b>\$45,899</b>
Plus:	Revenue Estimate FY 2012	\$4,015,621,000	
Less:	Regular Appropriations FY 2012	(4,001,532,057)	
Less:	Recommended Supplemental Appropriation (2012 Regular Session)	<u>(14,088,943)</u>	
	Estimated Unappropriated Balance from FY 2012 @ June 30, 2012 *		<b>\$0</b>
Plus:	Revenue Estimate FY 2013	\$4,149,751,000	
Less:	Recommended Regular Appropriations FY 2013 (2012 Regular Session)	<u>(4,149,751,000)</u>	
	Estimated Unappropriated Balance from FY 2013 @ June 30, 2013		<b>\$0</b>
	Total Estimated Unappropriated Balance @ June 30, 2013		<u><b>\$45,899</b></u>

\* The Governor's FY 2013 Budget Bill recommends up to \$65 million for Medicaid from any General Revenue surplus remaining at the end of FY 2012.

# General Revenue Fund

## Overview by Functional Category

### FY 2011 through FY 2013

(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2011	Total Appropriations FY 2012 *
<b>LEGISLATURE</b>			
Senate	0165	5,320,022	6,452,206
House of Delegates	0170	8,656,044	9,404,031
Joint Expenses/Claims against State	0175	13,004,072	14,545,839
<b>Subtotal</b>		<b>26,980,138</b>	<b>30,402,076</b>
<b>JUDICIAL</b>			
Supreme Court	0180	<b>113,866,369</b>	<b>120,483,624</b>
<b>EXECUTIVE</b>			
Office of the Governor	0101	4,820,507	5,377,950
Custodial Fund	0102	583,474	606,666
Civil Contingent Fund	0105	14,211,807	0
State Auditor's Office	0116	3,470,903	6,257,232
State Treasurer's Office	0126	3,730,206	3,929,577
Department of Agriculture	0131	12,341,880	12,531,891
WV Conservation Agency	0132	14,313,274	15,759,704
Meat Inspection	0135	700,433	718,278
Agricultural Awards	0136	58,650	58,650
WV Agricultural Land Protection Auth	0607	93,636	102,743
Attorney General's Office	0150	5,107,288	5,926,428
Secretary of State	0155	2,612,344	1,617,165
State Election Commission	0160	1,024	9,761
<b>Subtotal</b>		<b>62,045,426</b>	<b>52,896,045</b>
<b>ADMINISTRATION</b>			
Office of the Secretary	0186	15,558,441	16,926,513
Consolidated Public Retirement Board	0195	0	908,000
Division of Finance	0203	949,026	15,921,299
General Services Division	0230	2,841,216	2,993,175
Purchasing Division	0210	1,051,502	1,177,097
Travel Management	0615	1,711,060	1,823,244
Comm on Uniform State Laws	0214	42,565	46,550
Public Employees Grievance Board	0220	969,741	1,094,893
Ethics Commission	0223	665,566	755,305
Public Defender Services	0226	38,538,762	31,853,009
Comm Purchase for Handicapped	0233	2,040	5,055
Public Employees Insurance Agency	0200	3,500,000	3,500,000
WV Prosecuting Attorneys Institute	0557	222,718	239,767
Childrens' Health Insurance Agency	0588	10,425,628	10,925,514
Real Estate Division	0610	666,139	1,002,727
<b>Subtotal</b>		<b>77,144,404</b>	<b>89,172,148</b>

Plus: Reappropriated FY 2012	Total Available FY 2012	Total Request FY 2013 **	Governor's Recommendations FY 2013	Percentage of Total
27,559,001	34,011,207	6,452,206	6,452,206	0.16%
6,831,690	16,235,721	9,404,031	9,404,031	0.23%
58,127,391	72,673,230	17,934,895	17,934,895	0.43%
<b>92,518,082</b>	<b>122,920,158</b>	<b>33,791,132</b>	<b>33,791,132</b>	<b>0.81%</b>
<b>29,082,340</b>	<b>149,565,964</b>	<b>123,779,299</b>	<b>124,935,220</b>	<b>3.01%</b>
3,191,709	8,569,659	5,377,950	5,400,747	0.13%
26,801	633,467	606,666	609,480	0.01%
45,712,147	45,712,147	4,000,000	4,000,000	0.10%
2,807,886	9,065,118	3,757,232	3,786,333	0.09%
411,377	4,340,954	4,179,577	3,951,235	0.10%
2,142,758	14,674,649	14,106,891	12,261,699	0.30%
6,705,489	22,465,193	10,673,061	10,405,848	0.25%
0	718,278	718,278	723,550	0.02%
0	58,650	58,650	58,650	0.00%
38,281	141,024	102,743	103,488	0.00%
804,156	6,730,584	6,392,274	5,977,198	0.14%
1,192,296	2,809,461	1,307,165	1,315,636	0.03%
0	9,761	9,761	9,761	0.00%
<b>63,032,900</b>	<b>115,928,945</b>	<b>51,290,248</b>	<b>48,603,625</b>	<b>1.17%</b>
23,576,746	40,503,259	16,926,513	16,930,288	0.41%
0	908,000	0	0	0.00%
72,920	15,994,219	921,299	923,471	0.02%
0	2,993,175	5,591,000	4,016,402	0.10%
0	1,177,097	1,177,097	1,185,740	0.03%
0	1,823,244	8,375,944	1,830,301	0.04%
0	46,550	46,550	46,550	0.00%
45,034	1,139,927	1,096,208	1,095,080	0.03%
0	755,305	755,305	758,945	0.02%
4,631,996	36,485,005	46,408,307	31,861,648	0.77%
0	5,055	5,055	5,055	0.00%
0	3,500,000	5,500,000	3,500,000	0.08%
74,558	314,325	239,767	240,739	0.01%
0	10,925,514	10,925,514	10,926,364	0.26%
0	1,002,727	1,002,727	1,007,646	0.02%
<b>28,401,254</b>	<b>117,573,402</b>	<b>98,971,286</b>	<b>74,328,229</b>	<b>1.79%</b>

**General Revenue Fund**  
**Overview by Functional Category**  
(Continued)

<b>DEPARTMENT/Agency</b>	<b>Fund #</b>	<b>Actual Expenditures FY 2011</b>	<b>Total Appropriations FY 2012 *</b>
<b>COMMERCE</b>			
Office of the Secretary	0606	1,442,390	392,565
Tourism	0246	(375)	0
Forestry	0250	4,325,729	5,329,855
Geological & Economic Survey	0253	3,452,506	3,539,328
Development Office	0256	21,909,164	20,973,083
Division of Labor	0260	3,152,938	3,420,520
Division of Natural Resources	0265	16,981,410	17,467,197
Miners' Health, Safety & Training	0277	10,181,943	12,831,804
Board of Coal Mine Health & Safety	0280	277,770	390,209
Mine Safety & Technical Review	0285	66,866	78,000
WorkForce West Virginia	0572	94,934	95,000
Division of Energy	0612	1,720,432	1,926,567
Occupational Safety and Health	0616	0	98,500
<b>Subtotal</b>		<b>63,605,707</b>	<b>66,542,628</b>
<b>EDUCATION</b>			
School Lunch Program	0303	2,444,184	2,473,776
FFA-FHA Camp & Conference Center	0306	1,062,041	1,084,835
State Department of Education	0313	46,956,070	45,864,914
Aid for Exceptional Children	0314	26,884,379	28,401,246
State Aid to Schools	0317	1,681,630,403	1,848,337,175
State Board of Ed-Vocational Division	0390	26,473,820	27,411,627
Education Performance Audits	0573	672,948	719,619
WV Schools for the Deaf & the Blind	0320	12,730,017	13,073,923
<b>Subtotal</b>		<b>1,798,853,862</b>	<b>1,967,367,115</b>
<b>EDUCATION AND THE ARTS</b>			
Office of the Secretary	0294	6,634,116	7,428,553
Culture and History	0293	6,350,736	6,384,145
Library Commission	0296	2,108,093	1,923,134
Educational Broadcasting Authority	0300	5,386,657	5,638,430
Division of Rehabilitation Services	0310	13,217,243	14,163,575
<b>Subtotal</b>		<b>33,696,845</b>	<b>35,537,837</b>
<b>ENVIRONMENTAL PROTECTION</b>			
Environmental Quality Board	0270	143,478	145,022
Environmental Protection	0273	7,692,109	11,087,353
Air Quality Board	0550	99,822	101,783
<b>Subtotal</b>		<b>7,935,409</b>	<b>11,334,158</b>

Plus: Reappropriated FY 2012	Total Available FY 2012	Total Request FY 2013 **	Governor's Recommendations FY 2013	Percentage of Total
0	392,565	392,565	394,771	0.01%
459,168	459,168	0	0	0.00%
0	5,329,855	5,380,855	4,528,347	0.11%
917,461	4,456,789	3,690,524	3,562,664	0.09%
41,561,126	62,534,209	20,124,333	24,658,644	0.59%
0	3,420,520	4,093,333	3,445,355	0.08%
5,039,959	22,507,156	22,467,197	17,625,616	0.42%
0	12,831,804	13,166,804	13,105,255	0.32%
0	390,209	390,209	391,458	0.01%
0	78,000	78,000	78,000	0.00%
0	95,000	420,000	95,000	0.00%
0	1,926,567	1,926,567	1,928,192	0.05%
0	98,500	51,500	200,000	0.00%
<b>47,977,714</b>	<b>114,520,342</b>	<b>72,181,887</b>	<b>70,013,302</b>	<b>1.69%</b>
0	2,473,776	2,495,173	2,496,873	0.06%
0	1,084,835	1,085,685	1,089,885	0.03%
5,154,811	51,019,725	74,139,436	50,906,950	1.23%
2,040,624	30,441,870	31,081,560	28,580,941	0.69%
0	1,848,337,175	1,882,762,311	1,892,984,606	45.62%
265,923	27,677,550	29,796,906	28,121,083	0.68%
0	719,619	701,097	702,060	0.02%
44,869	13,118,792	13,288,408	13,327,637	0.32%
<b>7,506,227</b>	<b>1,974,873,342</b>	<b>2,035,350,576</b>	<b>2,018,210,035</b>	<b>48.63%</b>
2,502,570	9,931,123	6,478,553	6,540,444	0.16%
1,759,087	8,143,232	14,138,145	5,671,185	0.14%
0	1,923,134	3,423,134	1,936,558	0.05%
260,453	5,898,883	7,638,430	5,676,060	0.14%
113,698	14,277,273	14,163,575	14,218,405	0.34%
<b>4,635,808</b>	<b>40,173,645</b>	<b>45,841,837</b>	<b>34,042,652</b>	<b>0.82%</b>
0	145,022	145,022	145,579	0.00%
212,007	11,299,360	13,526,353	8,138,274	0.20%
0	101,783	101,783	102,313	0.00%
<b>212,007</b>	<b>11,546,165</b>	<b>13,773,158</b>	<b>8,386,166</b>	<b>0.20%</b>

**General Revenue Fund**  
**Overview by Functional Category**  
(Continued)

<b>DEPARTMENT/Agency</b>	<b>Fund #</b>	<b>Actual Expenditures FY 2011</b>	<b>Total Appropriations FY 2012 *</b>
<b>HEALTH AND HUMAN RESOURCES</b>			
Office of the Secretary	0400	621,219	644,785
Division of Health-Central Office	0407	76,079,058	82,714,428
Consolidated Medical Service Fund	0525	157,044,378	182,106,927
WV Drinking Water Treatment	0561	700,000	700,000
Human Rights Commission	0416	1,352,489	1,398,873
Human Services	0403	555,016,161	569,271,792
<b>Subtotal</b>		<b>790,813,305</b>	<b>836,836,805</b>
<b>MILITARY AFFAIRS &amp; PUBLIC SAFETY</b>			
Office of the Secretary	0430	1,402,852	2,002,928
Adjutant General - State Militia	0433	26,887,970	28,034,798
Adjutant General - Military Fund	0605	48,243	200,000
Parole Board	0440	1,089,964	1,145,291
Homeland Security Emergency Mgmt	0443	2,916,476	3,340,945
Corrections Central Office	0446	712,158	694,485
Correctional Units	0450	160,889,737	171,344,049
WV State Police	0453	99,835,563	104,792,084
Veterans Affairs ***	0456	10,468,723	0
Veterans Home ***	0460	1,089,857	0
Fire Commission	0436	81,156	81,156
Justice and Community Services	0546	5,077,811	7,522,795
Juvenile Services	0570	43,669,180	45,936,353
Protective Services Division	0585	1,809,893	2,322,321
<b>Subtotal</b>		<b>355,979,583</b>	<b>367,417,205</b>
<b>REVENUE</b>			
Office of the Secretary	0465	746,152	1,389,061
Tax Division	0470	25,617,076	27,519,596
State Budget Office	0595	775,867	918,311
Athletic Commission	0523	19,645	55,973
Office of Tax Appeals	0593	635,574	667,122
<b>Subtotal</b>		<b>27,794,314</b>	<b>30,550,063</b>
<b>TRANSPORTATION</b>			
State Rail Authority	0506	2,493,570	2,580,751
Public Transit	0510	2,174,565	2,786,009
Public Port Authority	0581	220,383	408,836
Aeronautics Commission	0582	1,165,996	1,374,788
<b>Subtotal</b>		<b>6,054,514</b>	<b>7,150,384</b>

Plus: Reappropriated FY 2012	Total Available FY 2012	Total Request FY 2013 **	Governor's Recommendations FY 2013	Percentage of Total
123,026	767,811	644,669	648,115	0.02%
15,755,777	98,470,205	83,401,396	81,749,614	1.97%
42,564,670	224,671,597	202,671,279	177,329,094	4.27%
0	700,000	943,000	700,000	0.02%
0	1,398,873	1,573,873	1,408,960	0.03%
150,338	569,422,130	743,278,097	594,537,457	14.33%
<b>58,593,811</b>	<b>895,430,616</b>	<b>1,032,512,314</b>	<b>856,373,240</b>	<b>20.64%</b>
1,738,117	3,741,045	2,560,436	2,046,687	0.05%
9,112,700	37,147,498	21,034,798	18,089,284	0.44%
0	200,000	200,000	200,000	0.00%
31,491	1,176,782	1,171,963	1,152,663	0.03%
1,984,388	5,325,333	9,004,095	3,354,755	0.08%
34,770	729,255	694,485	712,214	0.02%
18,052,557	189,396,606	288,976,336	180,556,851	4.35%
1,976,648	106,768,732	111,464,851	95,457,882	2.30%
0	0	0	0	0.00%
0	0	0	0	0.00%
0	81,156	81,156	81,156	0.00%
1,654,459	9,177,254	8,287,327	7,531,841	0.18%
1,733,954	47,670,307	48,561,353	46,280,388	1.12%
3,646,115	5,968,436	2,322,321	2,337,756	0.06%
<b>39,965,199</b>	<b>407,382,404</b>	<b>494,359,121</b>	<b>357,801,477</b>	<b>8.62%</b>
241,519	1,630,580	789,061	794,615	0.02%
19,240,418	46,760,014	27,510,956	27,720,838	0.67%
1,321,286	2,239,597	1,368,073	1,122,446	0.03%
0	55,973	55,973	56,100	0.00%
129,983	797,105	667,122	671,771	0.02%
<b>20,933,206</b>	<b>51,483,269</b>	<b>30,391,185</b>	<b>30,365,770</b>	<b>0.73%</b>
1,228,360	3,809,111	2,571,690	2,583,872	0.06%
4,826,304	7,612,313	3,086,009	2,786,009	0.07%
1,412,284	1,821,120	408,836	410,957	0.01%
2,321,713	3,696,501	1,374,788	1,376,321	0.03%
<b>9,788,661</b>	<b>16,939,045</b>	<b>7,441,323</b>	<b>7,157,159</b>	<b>0.17%</b>

**General Revenue Fund**  
**Overview by Functional Category**  
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2011	Total Appropriations FY 2012 *
<b>VETERANS ASSISTANCE</b>			
Department of Veterans Assistance	0456	0	10,405,997
Veterans Home	0460	0	1,158,387
<b>Subtotal</b>		<b>0</b>	<b>11,564,384</b>
<b>SENIOR SERVICES</b>			
Bureau of Senior Services	0420	<b>169,481</b>	<b>0</b>
<b>HIGHER EDUCATION</b>			
HEPC-Administration	0589	64,852,202	73,656,342
HEPC-System	0586	277,310,143	309,558,420
Council for C&T College Education	0596	62,658,243	69,457,921
<b>Subtotal</b>		<b>404,820,588</b>	<b>452,672,683</b>
<b>MISCELLANEOUS BOARDS &amp; COMMISSIONS</b>			
National Coal Heritage Area Authority		0	0
Coal Heritage Highway Authority		0	0
Enterprise Resource Planning Board		0	0
<b>Subtotal</b>		<b>0</b>	<b>0</b>
<b>TOTAL GENERAL REVENUE</b>		<b>3,769,759,945</b>	<b>4,079,927,155</b>

\* Total Appropriations FY 2012 include surplus appropriations of \$78,395,098.

\*\* Total Request FY 2013 is Current-Level Request plus General Revenue Improvement Requests.

\*\*\* See new Department of Veterans Assistance in FY 2012.



<b>Plus: Reappropriated FY 2012</b>	<b>Total Available FY 2012</b>	<b>Total Request FY 2013 **</b>	<b>Governor's Recommendations FY 2013</b>	<b>Percentage of Total</b>
1,492,085	11,898,082	12,438,937	10,491,866	0.25%
0	1,158,387	1,243,387	1,170,859	0.03%
<b>1,492,085</b>	<b>13,056,469</b>	<b>13,682,324</b>	<b>11,662,725</b>	<b>0.28%</b>
<b>15,437</b>	<b>15,437</b>	<b>0</b>	<b>20,895,150</b>	<b>0.50%</b>
8,122,030	81,778,372	112,656,342	68,668,676	1.65%
1,755,874	311,314,294	312,158,420	312,837,697	7.54%
11,518,719	80,976,640	76,257,921	71,678,745	1.73%
<b>21,396,623</b>	<b>474,069,306</b>	<b>501,072,683</b>	<b>453,185,118</b>	<b>10.92%</b>
0	0	200,000	0	0.00%
0	0	700,000	0	0.00%
0	0	50,000,000	0	0.00%
<b>0</b>	<b>0</b>	<b>50,900,000</b>	<b>0</b>	<b>0.00%</b>
<b>425,551,354</b>	<b>4,505,478,509</b>	<b>4,605,338,373</b>	<b>4,149,751,000</b>	<b>100.00%</b>

**General Revenue Fund  
Recommended Surplus Supplemental Appropriations  
FY 2012  
(Nearest Dollar)**

Agriculture - Lab Relocation to WV Education, Research and Technology Park	\$1,000,000
ERP - Funding for the State's new accounting system	30,400,000
Public Defender - Private counsel billings are exceeding FY 2012 appropriations	13,000,000
Forestry - Additional Operating funding	300,000
Forestry - Storage Building	75,000
DNR - Canaan Valley Resort State Park	2,000,000
Public Education - Gilmer County - Tax Assessment Error	209,171
Culture and History - Culture Center exterior waterproofing	304,000
Environmental Protection - Underground Storage Tank Insurance Fund	1,300,000
DHHR - Sharpe Hospital - HVAC System Equipment	5,000,000
DHHR - Multiple Facilities - Roof, gutter, and general repairs	1,000,000
DHHR - Social Services - additional funding needed for FY 2012	8,673,484
DHHR - WV Works Program - additional funding	313,455
DHHR - Tuberculosis Control - Enhancement	36,545
DHHR - Medicaid - Base building funding for FY 2013	13,144,112
Corrections - Operations - for multiple facilities	5,000,000
Corrections - Accelerated Parole Pilot	1,500,000
Corrections - Huttonsville Work Camp - fully fund operational cost	439,629
Corrections - Regional Jails Payments - (new total for FY 2012 \$35,000,000)	9,000,000
Corrections - Various Facilities - Capital Outlays and Maintenance Projects	5,000,000
Corrections - Completion of Phase I at new Parkersburg Correctional Facility	1,500,000
Corrections - Phase II at new Parkersburg Correctional Facility	4,000,000
Veterans Assistance - Veterans' Bonus	1,000,000
Higher Education - Community and Technical Colleges - Capital Improvements	2,700,000
Higher Education - WV Education, Research and Technology Park - Operations (2nd year)	3,000,000
<b>Recommended Surplus Supplementals - FY 2012</b>	<b>\$109,895,396</b>

**General Revenue Fund  
Recommended Supplemental Appropriations  
FY 2012  
(Nearest Dollar)**

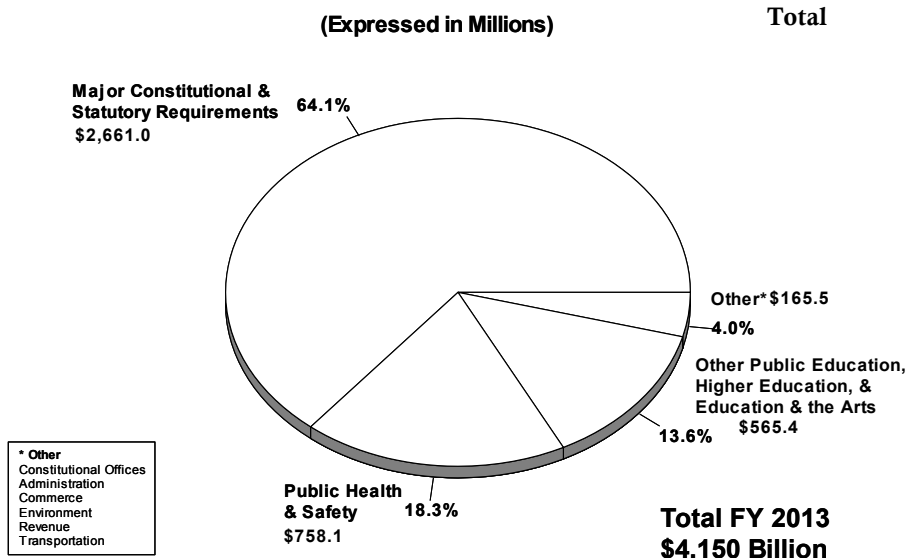
DHHR - Medicaid	\$14,088,943
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# General Revenue Major Constitutional and Statutory Requirements Fiscal Year 2013

Each year there are several major constitutional or statutory requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2013 Executive Budget recommendations include expenditures of \$2.66 billion of these major requirements and make up 66.1% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 35.9% of the total General Revenue funds available, are considered necessary for public health, safety, and education of West Virginia citizens may include but are not limited to: Division of Corrections, West Virginia State Police, Behavioral Health, Rehabilitation Services, Children's Health Insurance Program, Schools for the Deaf and the Blind, and Higher Education that supports public universities and colleges and provides student financial aid.

		<b>Appropriations</b> (in millions)
<b>LEGISLATIVE BRANCH</b>		\$33.8
<b>JUDICIAL BRANCH</b>		122.0
<b>DEPARTMENT OF EDUCATION</b>		
State Aid to Schools	1,204.2	
Public Employees Insurance Agency (School Aid Formula)	226.5	1,430.7
<b>DEBT SERVICE</b>		
School Building Authority	23.3	
Lease Rental Payments for debt service on correctional facilities	16.0	39.3
<b>SOCIAL SECURITY MATCHING</b>		42.3
<b>PUBLIC EMPLOYEES INSURANCE AGENCY</b>		95.4
<b>RETIREMENT</b>		
Judges' Retirement	2.9	
Public Employees Retirement	49.6	
Teachers' Retirement	439.0	
Trooper Retirement	20.7	512.2
<b>PUBLIC DEFENDER SERVICES</b>		31.9
<b>MEDICAID</b>		353.4
<b>Total</b>		<b>\$2,661.0</b>



# Lottery Fund

## Overview by Functional Category

### FY 2011 through FY 2013

(Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2011	Total Appropriations FY 2012
<b>ADMINISTRATION</b>			
Education, Arts, Sciences, & Tourism			
Debt Service Fund	2252	\$7,998,060	\$10,000,000
<b>Subtotal</b>		<b>7,998,060</b>	<b>10,000,000</b>
<b>COMMERCE</b>			
Division of Tourism	3067	8,747,784	7,359,034
Division of Natural Resources	3267	10,484,175	3,388,135
<b>Subtotal</b>		<b>19,231,959</b>	<b>10,747,169</b>
<b>EDUCATION</b>			
State Department of Education	3951	33,099,970	30,572,949
School Building Authority	3963	17,997,510	18,000,000
<b>Subtotal</b>		<b>51,097,480</b>	<b>48,572,949</b>
<b>EDUCATION AND THE ARTS</b>			
Office of the Secretary	3508	1,323,116	1,839,364
Culture and History	3534	5,623,294	5,873,361
Library Commission	3559	10,623,749	11,267,970
<b>Subtotal</b>		<b>17,570,159</b>	<b>18,980,695</b>
<b>SENIOR SERVICES</b>			
Bureau of Senior Services	5405	63,456,040	64,796,775
<b>HIGHER EDUCATION</b>			
Community & Technical College			
Capital Improvement Fund	4908	5,023,169	5,000,000
Higher Education Policy Commission	4925	12,508,416	8,207,519
<b>Subtotal</b>		<b>17,531,585</b>	<b>13,207,519</b>
<b>TOTAL LOTTERY</b>		<b>\$176,885,283</b>	<b>\$166,305,107</b>

\* Total Request FY 2013 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2012	Total Available FY 2012	Total Request FY 2013 *	Governor's Recommendation FY 2013	Percentage of Total
\$0	\$10,000,000	\$10,000,000	\$10,000,000	6.90%
<b>0</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>6.90%</b>
2,894,961	10,253,995	7,359,034	7,383,843	5.09%
5,917,854	9,305,989	3,388,135	3,414,660	2.35%
<b>8,812,815</b>	<b>19,559,984</b>	<b>10,747,169</b>	<b>10,798,503</b>	<b>7.45%</b>
11,433,429	42,006,378	\$30,597,308	30,611,626	21.11%
0	18,000,000	18,000,000	18,000,000	12.41%
<b>11,433,429</b>	<b>60,006,378</b>	<b>48,597,308</b>	<b>48,611,626</b>	<b>33.52%</b>
220,760	2,060,124	3,539,364	1,840,266	1.27%
2,427,115	8,300,476	6,324,261	5,874,256	4.05%
408,900	11,676,870	11,720,808	11,274,390	7.77%
<b>3,056,775</b>	<b>22,037,470</b>	<b>21,584,433</b>	<b>18,988,912</b>	<b>13.09%</b>
<b>2,353,315</b>	<b>67,150,090</b>	<b>\$64,796,775</b>	<b>43,404,075</b>	<b>29.93%</b>
4,975,019	9,975,019	10,000,000	5,000,000	3.45%
3,809,691	12,017,210	8,207,519	8,222,087	5.67%
<b>8,784,710</b>	<b>21,992,229</b>	<b>18,207,519</b>	<b>13,222,087</b>	<b>9.12%</b>
<b>\$34,441,044</b>	<b>\$200,746,151</b>	<b>\$173,933,204</b>	<b>\$145,025,203</b>	<b>100.00%</b>

## Lottery Fund

### Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

Plus:	Revenue Estimate FY 2012	164,564,000
Less:	Veterans Fund	<u>(800,000)</u>
	Revenue Available for FY 2012 Appropriations	182,703,310
Less:	Regular Appropriations FY 2012	<u>(166,305,107)</u>
	Estimated Unappropriated Balance @ June 30, 2012	16,398,203
Plus:	Revenue Estimate FY 2013	129,427,000
Less:	Veterans Fund	<u>(800,000)</u>
	Revenue Available for FY 2013 Appropriations	145,025,203
Less:	Recommended Regular Appropriations FY 2013 (2012 Regular Session)	<u>(145,025,203)</u>
	Estimated Unappropriated Balance @ June 30, 2013	<u><u>\$0</u></u>

## Excess Lottery Fund Statement of Revenues, Expenditures, and Changes in Cash Balance (Nearest Dollar)

	Balance @ July 1, 2011	\$75,416,182
Less:	Reserve for Cash Flow / Contingencies	<u>(5,300,000)</u>
	Unappropriated Balance @ July 1, 2011	70,116,182
Plus:	Revenue Estimate FY 2012	339,637,000
Less:	Catastrophic Event Contingency	<u>(30,000,000)</u>
	Available for FY 2012 Appropriations	379,753,182
Less:	Regular Appropriations FY 2012	<u>(355,255,292)</u>
	Estimated Unappropriated Balance @ June 30, 2012	24,497,890
Plus:	Revenue Estimate FY 2013	266,477,000
Less:	Recommended Regular Appropriations FY 2013 (2012 Regular Session)	<u>(290,974,890)</u>
	Estimated Unappropriated Balance @ June 30, 2013	<u><u><b>\$0</b></u></u>

# Excess Lottery Fund Overview by Functional Category FY 2011 through FY 2013 (Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2011	Total Appropriations FY 2012
<b>STATUTORY APPROPRIATIONS:</b>			
<b>DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)</b>			
Economic Development Authority	9065	\$19,000,000	\$19,000,000
Higher Education Improvement Fund	4297	15,000,000	15,000,000
School Building Authority	3514	19,000,000	19,000,000
Division of Natural Resources	3277	5,006,309	5,000,000
Infrastructure Council	3390	40,000,000	46,000,000
<b>Subtotal</b>		<b>98,006,309</b>	<b>104,000,000</b>
<b>TRANSFERS</b>			
Refundable Credit	7207	9,553,377	10,000,000
General Revenue	7206	65,000,000	65,000,000
PROMISE Scholarship	4295	29,000,000	29,000,000
Racing Commission-Special Breeders Compensation	7308	2,000,000	2,000,000
<b>Subtotal</b>		<b>105,553,377</b>	<b>106,000,000</b>
<b>TOTAL STATUTORY APPROPRIATIONS:</b>		<b>203,559,686</b>	<b>210,000,000</b>
<b>APPROPRIATIONS ABOVE EXCESS LOTTERY STATUTORY REQUIREMENTS:</b>			
Joint Expenses (TRAFFIC)	1736	0	0
Office of the Governor	1046	0	0
Transfer to General Revenue	7208	62,900,000	62,900,000
Division of Finance-ERP	2208	3,014,713	0
Teachers' Retirement Fund-Unfunded Liability	3517	89,597,503	47,139,292
Public Defender Services	2422	7,360,775	0
Transfer to School Access Safety	3517	5,000,000	0
Transfer to Teachers' Retirement Savings Realized	7208	32,772,000	34,216,000
WV Development Office	3170	270,418	1,000,000
Department of Education	3517	32,993	0
Division of Health	5219	16,910	0
Secretary of Military Affairs and Public Safety- Interoperable Communications	6005	1,792,098	0
Division of Corrections-Capital	6283	1,825,000	0
Human Services-Medical Services	5365	0	0
Higher Education-Administration	4932	1,191,638	0
<b>TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:</b>		<b>205,774,048</b>	<b>145,255,292</b>
<b>TOTAL EXCESS LOTTERY</b>		<b>\$409,333,733</b>	<b>\$355,255,292</b>

\* Total Request FY 2013 is Current-Level Request plus Improvement Requests.



<b>Plus: Reappropriated FY 2012</b>	<b>Total Available FY 2012</b>	<b>Total Request FY 2013*</b>	<b>Governor's Recommendation FY 2013</b>	<b>Percentage of Total</b>
0	\$19,000,000	\$19,000,000	\$19,000,000	6.53%
0	15,000,000	15,000,000	15,000,000	5.16%
0	19,000,000	19,000,000	19,000,000	6.53%
9,309,939	14,309,939	5,000,000	5,000,000	1.72%
0	46,000,000	46,000,000	46,000,000	15.81%
<b>9,309,939</b>	<b>113,309,939</b>	<b>104,000,000</b>	<b>104,000,000</b>	<b>35.74%</b>
0	10,000,000	10,000,000	10,000,000	3.44%
0	65,000,000	65,000,000	65,000,000	22.34%
0	29,000,000	29,000,000	29,000,000	9.97%
0	2,000,000	2,000,000	2,000,000	0.69%
<b>0</b>	<b>106,000,000</b>	<b>106,000,000</b>	<b>106,000,000</b>	<b>36.43%</b>
<b>9,309,939</b>	<b>219,309,939</b>	<b>210,000,000</b>	<b>210,000,000</b>	<b>72.17%</b>
20,000,000	20,000,000	0	0	0.00%
163,349	163,349	0	0	0.00%
0	62,900,000	56,477,000	27,600,000	9.49%
26,944,540	26,944,540	0	0	0.00%
0	47,139,292	0	0	0.00%
0	0	0	0	0.00%
0	0	0	0	0.00%
0	34,216,000	0	38,000,000	13.06%
6,430,920	7,430,920	0	0	0.00%
0	0	0	0	0.00%
464,665	464,665	0	0	0.00%
2,119,589	2,119,589	0	0	0.00%
7,050,000	7,050,000	0	0	0.00%
0	0	0	15,374,890	5.28%
28,569,422	28,569,422	0	0	0.00%
<b>91,742,485</b>	<b>236,997,777</b>	<b>56,477,000</b>	<b>80,974,890</b>	<b>27.83%</b>
<b>\$101,052,424</b>	<b>\$456,307,716</b>	<b>\$266,477,000</b>	<b>\$290,974,890</b>	<b>100.00%</b>

**State Road Fund**  
**Statement of Revenues by Source**  
**FY 2009 Through FY 2015**  
**(Expressed in Thousands)**

Source of Revenue	FY 2009 Actual Collections	FY 2010 Actual Collections	FY 2011 Actual Collections	FY 2012 Revised Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
Gasoline and Motor Carrier Road Tax	\$384,539	\$390,916	\$397,749	\$380,700	\$410,000	\$441,000	\$435,600
Registration Fees	89,428	87,388	91,194	88,988	92,787	96,765	97,229
Registration Fee: Highway Litter Control	1,673	1,539	1,912	1,680	1,755	1,816	1,835
Sales (Privilege) Tax	150,794	148,314	172,453	151,114	174,014	174,878	175,694
Less Transfer to Industrial Access Road Fund	(3,010)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income	43,589	54,544	27,185	54,110	37,250	36,335	36,680
Federal Reimbursement:							
Interstate Construction	124,652	80,556	99,997	144,000	108,000	115,000	110,000
Other Federal Aid Programs	245,192	235,946	256,287	286,400	290,000	325,000	325,000
Appalachian Program	84,713	78,893	61,137	88,000	96,000	65,000	65,000
Federal Economic Stimulus	5,034	99,871	86,397	20,000	3,000	0	0
<b>Total</b>	<b>\$1,126,604</b>	<b>\$1,174,967</b>	<b>\$1,191,311</b>	<b>\$1,211,992</b>	<b>\$1,209,806</b>	<b>\$1,252,794</b>	<b>\$1,244,038</b>

# State Road Fund

## Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2011	\$125,907,693
Plus:	Revised Revenue Estimate FY 2012 @ January 11, 2012	<u>1,211,992,000</u>
	Available for FY 2012 Appropriations	\$1,337,899,693
Less:	Regular Appropriations FY 2012 - Division of Highways	(1,126,224,821)
	Regular Appropriations FY 2012 - Division of Motor Vehicles	(40,578,725)
	Regular Appropriations FY 2012 - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund	(2,390,821)
	FY 2012 Supplemental Appropriations (2011 1st Extraordinary Session)	(62,500,000)
	FY 2012 Supplemental Appropriation (2011 2nd Extraordinary Session)	(15,000,000)
	Recommended FY 2012 Supplemental Appropriations (2012 Regular Session)	<u>(78,000,000)</u>
	Estimated Unappropriated Balance @ June 30, 2012	\$11,253,347
Plus:	Revenue Estimate FY 2013	1,209,806,000
Less:	Recommended Regular Appropriations FY 2013 - Division of Highways	(1,164,634,495)
	Recommended Regular Appropriations FY 2013 - Division of Motor Vehicles	(40,578,725)
	Recommended Regular Appropriations FY 2013 - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund	<u>(3,500,000)</u>
	Estimated Unappropriated Balance @ June 30, 2013	<u><u><b>\$10,394,148</b></u></u>

# Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2011 (Expressed in Thousands)

	Actual 6/30/09*	Actual 6/30/2010*	Actual 6/30/11*	Estimated 6/30/12*	Estimated 6/30/13*
<b>General Obligation Debt</b>					
Road Bonds	\$371,105	\$339,515	\$305,460	\$270,595	\$245,365
Infrastructure Bonds**	269,272	260,141	250,517	239,360	228,442
SUBTOTAL	640,377	599,656	555,977	509,955	473,807
<b>Revenue Bonds</b>					
School Building Authority	214,125	201,045	187,380	173,090	158,160
School Building Authority (Lottery)	85,650	71,715	57,130	41,790	25,615
School Building Authority (Excess Lottery)	102,145	99,310	120,940	116,590	112,420
School Building Authority, QSCBs (Excess Lottery)	0	78,200	150,480	150,480	150,480
Tobacco Settlement Finance Authority	890,287	887,373	887,962	887,000	886,500
Highways, Commissioner of	165,160	144,315	122,795	100,370	77,000
1997 EAST Fund (Lottery)	16,805	7,690	0	0	0
2010 EAST Fund (Lottery)	0	0	153,705	151,020	148,250
Economic Development Authority (Lottery)	206,480	198,590	190,415	181,920	173,070
WV Infrastructure and Jobs Development Council	122,875	120,565	118,175	115,710	113,230
SUBTOTAL	1,803,527	1,808,803	1,988,982	1,917,970	1,844,725
<b>Capital Leases &amp; Notes Payable</b>					
Governmental Funds	307,862	306,158	295,334	283,232	271,332
Internal Service	14,914	29,986	32,004	30,000	28,000
SUBTOTAL	322,776	336,144	327,338	313,232	299,332
<b>TOTAL</b>	<b>\$2,766,680</b>	<b>\$2,744,603</b>	<b>\$2,872,297</b>	<b>\$2,741,157</b>	<b>\$2,617,864</b>

\*Actual and Estimated balances do not include unamortized discounts/premiums/issuance costs.

\*\*Estimates for Infrastructure bonds include refunding bonds issued subsequent to June 30, 2011.

# Major Reserve/Stabilization Accounts

## **Revenue Shortfall Reserve Fund (Rainy Day Fund)**

The State established a Revenue Shortfall Reserve Fund (Rainy Day Fund) that began with surplus funds available at the close of FY 1994. (W.Va. Code §11B-2-20 was passed March 11, 1994.) Funds may be used for revenue shortfalls, emergency needs caused by acts of God or natural disasters, or for other fiscal needs.

Current West Virginia Code requires the first 50% of all surplus General Revenue funds accrued during the fiscal year just ended be deposited into the fund until the aggregate amount of the fund is equal to 13% of the total appropriations from the General Revenue Fund for the fiscal year just ended. The first \$100 million in the fund is invested by the West Virginia Board of Treasury Investments and any amounts over \$100 million is invested by the West Virginia Investment Management Board. As of December 31, 2011, the fund contained \$505.2 million, 12.4% of FY 2012 appropriations.

Since the fund was created in 1994, \$675.2 million has been deposited into the fund, which includes transfers in and interest; \$170 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects.

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

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

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

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

Expenditures may not be made from the Rainy Day Fund—Part B unless all moneys in the Rainy Day Fund have been first expended. After June 30, 2025, interest and other return earned on moneys in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health program services, and agencies; funding for any State-owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On December 31, 2011, the balance in the Rainy Day Fund—Part B was \$313.9 million.

## **Income Tax Refund Reserve Fund**

An Income Tax Refund Reserve Fund was established during FY 1990 (W.Va. Code §11-21-93) to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires.

## Major Reserve/Stabilization Accounts

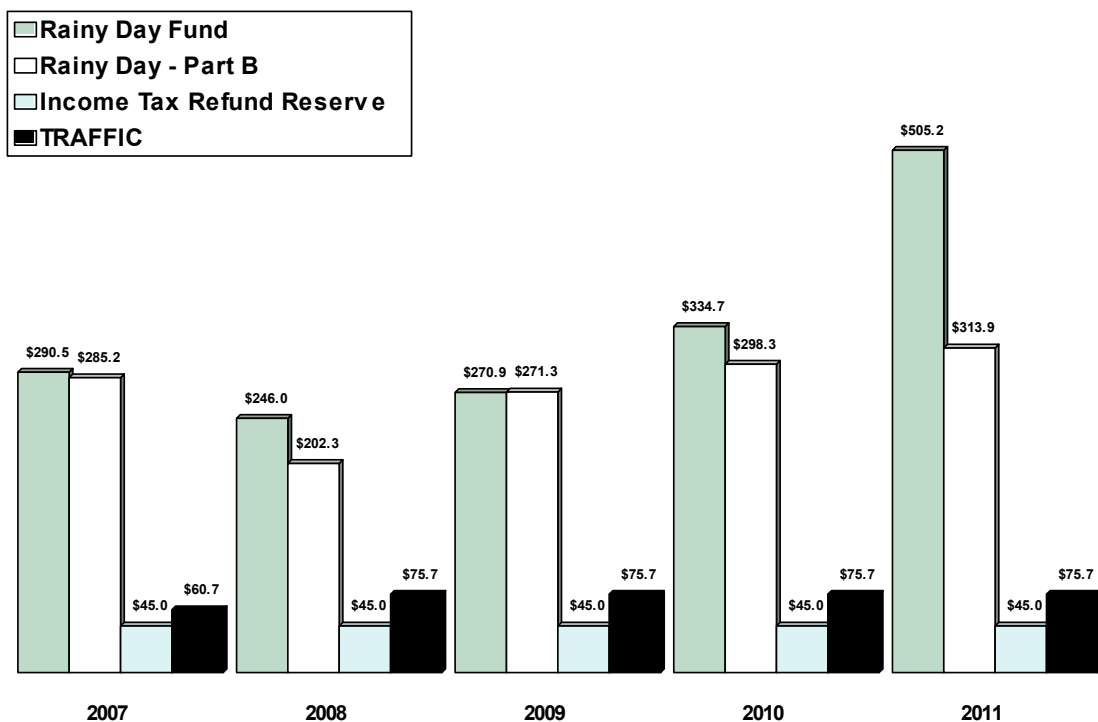
The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds. On December 31, 2011, the balance in the Income Tax Refund Reserve Fund was \$45 million which represents about 1.1% of the total FY 2012 General Revenue Fund budget.

### Tax Reduction and Federal Funding Increased Compliance (TRAFFIC)

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

Since the inception of the TRAFFIC account, \$156.7 million has been deposited into the account and \$81.0 million has been appropriated from the account (mostly for meeting shortfalls in Medicaid match funds, for flood victim assistance, or additional payments to unfunded liabilities in the State retirement systems). As of December 31, 2011, \$75.7 million remains available for use as the Legislature and Governor may determine.

## Reserve Balances\* (Expressed in Thousands)



\* Balance as of December 31 each year

# BUDGET PLANNING







# Long-Range Issues

## Introduction

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

## Infrastructure Projects/Improvements

### Highway Infrastructure

The greatest issue facing the Department of Transportation is the lack of sufficient funds in the State Road Fund. That fund, which provides funding to the Division of Highways, Division of Motor Vehicles, and the Office of Administrative Hearings, receives its revenue almost entirely from dedicated tax revenues. Those tax revenues increased between FY 2010 and FY 2011, increasing \$35.2 million or 6%. While Motor Fuel Excise Tax collections exceeded the revenue collected in FY 2010 by \$6.8 million or 2%, Sales (Privilege) Tax, Registration Fees, and Litter Control Fees respectively were \$24.1 million or 16%, \$3.8 million or 4%, and \$0.4 million or 24% above FY 2010 revenues. Neither the Department of Revenue nor the Division of Motor Vehicles (DMV) projects any substantial growth in revenues through FY 2017. The long-term forecast provided by the Department of Revenue predicts a continued decline in fuel consumption that is offset somewhat by projected yearly increases in the variable component of the Motor Fuel Excise Tax rate.

The projected revenues are inadequate to permit the Division of Highways to satisfactorily achieve its mission of maintaining a safe and efficient highway system. System preservation needs are not being met, and as a result, highways are deteriorating. The cost of replacing all state-maintained bridges that are over 60 years old is approximately \$1 billion, and highway slips and slides totaling \$10 million have been identified. The division's current goal of resurfacing roadways on a 12-year average cycle requires approximately 1,880 miles to be paved annually. Based upon an average cost of \$220,000 per mile, nearly \$414 million will need to be committed annually to achieve that goal, which is significantly more than the division anticipates it can dedicate at present funding levels. Purchases of equipment used by maintenance forces is underfunded at least \$15 million each year. Finally, the division has identified over \$16 billion in new construction that cannot be undertaken due to a lack of funds. Since it is more important to maintain existing infrastructure than to build new highways, most of these projects will never be constructed.

Reimbursement from the federal Highway Trust Fund is also a concern. First, current federal projections, assuming current spending levels, show that the trust fund will be insolvent in federal fiscal year (FFY) 2012. Should that occur, reimbursement for expenditures on approved federal projects will be delayed, conceivably for an extended period, and federal funding of new projects will cease. The federal Highway Trust Fund neared insolvency in FFY 2010 and FFY 2011, but transfers of funds from federal General Fund forestalled that event. Secondly, the current six-year transportation legislation expired on September 30, 2009, and the size and scope of new multiyear legislation remains unknown. While there has been some support to increase the funding available in the next six-year appropriation, there is little appetite for increasing the federal fuel tax to provide the additional revenue. As such, the current proposal by the House of Representatives would scale back investment in infrastructure to existing revenue levels; however, that proposal has not been well received in the Senate. If Congress resolves the Trust Fund's solvency problem and provides additional funding, the Division of Highways will need to obligate more State Road Fund matching dollars in order to take advantage of the federal funds. If the House proposal should prevail, the Division of Highways will have to scale back its program accordingly. In either scenario, preservation of the highways and bridges maintained purely with state dollars will continue to decline.

Wilbur Smith Associates has recently completed updating the State's Long Range Transportation Plan. As part of that document, long range estimates indicate that the Division of Highways will need to invest \$1.2 billion

## *Long-Range Issues*

annually to address needs on the existing highway and bridge system (exclusive of routine maintenance), which is approximately \$489 million more per year than the division is currently forecasting it will be able to invest. To address the long list of desired expansion efforts will require even more funding. Without a major increase in revenues, through a rapid and lasting exit from the recession, higher tax and fee rates, alternative funding sources, or a combination of all three, the Division of Highways cannot reduce the backlog of structurally deficient bridges, continue to modernize facilities, and maintain the existing network in its present condition.

### **Public Transportation:**

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

The future of public transit and the addition of new service areas in West Virginia will be heavily dependent upon the investment that the state and federal governments make. Public transit funding is provided under the same legislation that funds highways. Funding issues concerning both the highway and mass transit trust funds make it unlikely that the program will be reauthorized until 2012 or 2013. Significant changes are being proposed in the federal transit programs, but given increased fuel costs, the renewed interest in public transit, and the emphasis on global warming, it is anticipated that transit will experience a significant increase in funding in reauthorization. How the program will be reconfigured is still being considered, but it is likely that some programs will be combined with others and new ones created.

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

### **West Virginia Regional Jail and Correction Facility Authority**

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

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

The regional jail facilities were developed as a result of a Master Plan approved in 1989 that outlined ten regions in the state. There are ten regional jails currently in operation (Eastern in Berkeley County, Central in Braxton County, South Central in Kanawha County, Southern in Raleigh County, Northern in Marshall County, Southwestern in Logan County, Potomac Highlands in Hampshire County, North Central in Doddridge County, Western in Cabell County, and Tygart Valley in Randolph County).

The authority's second mission is to acquire, construct, and/or renovate regional jails, correctional facilities, and juvenile detention facilities. The first phase of construction occurred as a result of the 1990 sale of \$118,694,767

## *Long-Range Issues*

of lease revenue bonds by the West Virginia Building Commission. The sale met approximately 50% of the adult correctional construction needs of the State at that time. The original bond was refunded in 1998 to reduce interest cost from 6.92% to 4.97% and to fund the construction of the Tygart Valley Regional Jail from the additional savings realized.

The West Virginia Legislature appropriated \$10 million from the General Revenue fund in fiscal year 1995 and another \$10 million in fiscal year 1997. These funds were used to construct the Southwestern Regional Jail.

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

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

The first two series of these bonds were issued by the Economic Development Authority in January 2002. The first series repaid the balance owed to PERS, funding the construction of the Anthony Correctional Center, North Central Regional Jail, Potomac Highlands Regional Jail, Eastern Regional Jail, Lakin Correctional Center for Women, Donald R. Kuhn Juvenile Center, Western Regional Jail, Industrial Home for Youth, and the renovation of the Davis Center, Denmark Correctional Center, and Pruntytown Correctional Center, including the warden's residence located at the facility. The second series funded the \$6 million dormitory and Prison Industries construction at the Lakin Correctional Center for Women and the \$6 million James "Tiger" Morton Juvenile Center.

During February 2003, the third series of these bonds was sent to market. This sale funded the \$6.8 million J.M. "Chick" Buckbee Juvenile Center, the \$6 million Robert Shell Juvenile Center, the \$6 million Gene Spadaro Juvenile Center, and \$3.1 million for renovations to transform the old Eastern Regional Jail into the Martinsburg Correctional Center, a 120-bed intake center for the Division of Corrections.

In January 2004, the final series of these lease revenue bonds were issued in order to fund the construction of a new Davis Juvenile Center in Tucker County (renamed the James H. "Honey" Rubenstein Juvenile Center), renovations and additions to the Eastern Regional Juvenile Detention Center (which reopened as the Vickie V. Douglas Juvenile Center), additions to Huttonsville Correctional Center, additional funds for the dormitory and Prison Industries construction at the Lakin Correctional Center for Women, and renovations to the Johnston School at the Industrial Home for Youth at Salem.

### **Infrastructure Improvement Amendment**

The Infrastructure and Jobs Development Council reports that approximately \$2.7 billion in projects have been funded to date by leveraging council funds with federal and other sources. Projects approved by the committee range from traditional infrastructure including water, sanitary sewer, storm water facilities, and roadways for industrial parks to revitalization projects that will result in economic development in some of the state's larger cities. The approved projects leverage approximately \$754 million from other sources of funding resulting in close to \$1 billion of investment in the State of West Virginia.

A selected, defined portion of repayments from loans has been dedicated to pay debt service for the bond issue. The bond issue closed in January 2004 in the amount of \$249,895,000 that generated funds to cover the entire \$225,855,802 needed to fund the 48 approved projects, \$18,989,900 to the debt service reserve account, \$4,904,054

## *Long-Range Issues*

to fund the cost of issuance, and \$145,244 deposited to the bridge loan fund to be administered by the Council for Community and Economic Development.

### **School Building Authority**

The School Building Authority of West Virginia was created in 1989 to provide State funds for the construction and maintenance of primary and secondary school facilities to meet an estimated \$1.2 billion need. Since that time, that amount has grown substantially due to the continued rise in construction costs.

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

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

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

In 2007, the School Access Safety Act was passed. This legislation established a School Access Safety Fund into which funding would be placed for school access safety grants by the SBA. The Legislature allocated \$10 million per year for FY 2008, FY 2009, and FY 2010, and allocated \$5 million in FY 2011. Thirty million of the \$35 million was allocated to each county based on their net enrollment. Five million of the \$35 million was dedicated to tactical surveys of West Virginia schools.

During the 2001 Legislative Session, additional annual funding was earmarked from Excess Lottery revenues for the SBA's Debt Service Fund, but stipulated that these monies were available for the “pay-as-you-go” program until such bonds were authorized by the Legislature. During the course of the 2008 Legislative Session, the SBA was authorized to utilize these funds to sell school construction bonds. The monies from the sale of these bonds would be utilized in order to supplement the “pay-as-you-go” school construction program. This also provided an opportunity for the SBA to sell bonds on a more frequent basis, thereby enabling the authority to establish a three-year bond sale cycle. More frequent, continuous, and sustainable expenditures over an extended period of time will have a cumulative effect on the local economy through employment, taxes, and local production. The construction generated by the SBA funds will alleviate the need for reactive expenditures created by emergency repairs that only provide short-term solutions to health and safety issues.

Since the inception of the SBA, over \$1.69 billion in state dollars and \$1.23 billion in local dollars have been dedicated to West Virginia school facilities. This equates to 32 new high schools, 30 new middle schools, 69 new elementary schools, 85 major school addition/renovation projects, and over 1,210 minor renovation projects.

## **Health Care**

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

In addition to these national trends, West Virginia faces other obstacles unique to the Mountain State. According to the most recent report of residential deaths by state reported by the National Center for Health Statistics (2009), West Virginia has the highest crude death rate per 100,000 population of all states (including the District of Columbia) for the following major disease/injury groups: all causes of death combined, cancer, diabetes, heart disease, accidental injuries, and chronic lower respiratory disease. West Virginia also ranked in the top five in stroke, influenza/pneumonia, and nephritis and other related kidney syndromes. Even when adjusted for West Virginia's aged population, the state remains ranked in the worst five states on diabetes and chronic lower respiratory diseases.

Maternal smoking during pregnancy continues to be a major issue in West Virginia. The latest available U.S. figures show 10.4% of mothers smoked during pregnancy in 2007. West Virginia's percentage (highest in U.S.) was over two and a half times higher at 26.8% in 2007. The latest available West Virginia data shows an increase to 27.2% in 2009.

According to the Center for Disease Control and Prevention and the West Virginia Health Statistics Center, data from the 2010 Behavioral Risk Factor Surveillance System indicate that West Virginia also ranks high in the nation in the prevalence of several chronic diseases and risk factors for disease. West Virginia had the fourth highest prevalence of diabetes in 2010 at 11.7% compared to a national average of 8.7%, ranked third in the prevalence of cardiovascular disease at 11.6% compared to 8.4% nationally. West Virginia was also first in current smoking at 26.8% compared to 17.3% nationally; third in obesity at 32.9% compared to 27.6% nationally; and third in fair or poor health status at 23.4% compared to 15.0% nationally. The latest available data for hypertension prevalence was in 2009 where West Virginia was ranked first at 37.6% compared to 29.3% nationally.

## **Medicaid**

West Virginia began its Medicaid program in 1966, one year after it was approved as an amendment to the Social Security Act. Starting in 1988, the federal oversight agency, Health Care Financing Administration (now the Centers for Medicare and Medicaid Services), began requiring states to expand coverage to include new classes of eligible individuals.

The West Virginia Medicaid Program provides insurance coverage to approximately 415,000 West Virginia citizens. Children comprise 50% of the Medicaid population, while 28% are categorized as blind and disabled, 15% are adults and the remaining 7% defined as the elderly.

Five categories of services accounted for approximately 66% of total Medicaid expenditures during FY 2011. These services are nursing home, inpatient hospital (includes outpatient services and supplemental payments; excludes DSH payments), home and community-based services provided under waiver authority, capitated service agreements, and prescription drugs (net of rebate collections). The largest increases in FY 2011 occurred in nursing homes and home and community-based services provided under waiver authority.

To the state's poorest and most disabled citizens, Medicaid offers a comprehensive benefit package that includes access to prescription drug coverage, long-term care options including community-based care, mental health services, primary care services, nonemergency medical transportation, as well as other benefits that are not traditionally offered through private insurance plans. Financial support for this program comes from federal and state revenue. Unlike the PEIA program (which is financed with all state dollars), the Medicaid program is financed at an approximate 25% state and 75% federal match, meaning that for every dollar the State invests, we are able to match



## *Long-Range Issues*

that with approximately three federal dollars. With the passage of the American Reinvestment and Recovery Act of 2009 (P.L. 111-5) and the Education Jobs and Medical Assistance Act (P.L. 111-226), the federal match rate was increased through June 30, 2011.

State Medicaid funding is dependent primarily on four funding sources: General Revenue, Lottery, Medical Services Trust Fund, and Provider Tax. State Medicaid appropriated funding has increased from approximately \$334 million in 1995 to over \$562 million in 2012.

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

It is currently estimated that without any program changes the cost for the Medicaid program will increase at a rate of approximately three percent per year. It is also assumed that as West Virginia's economy continues to improve, the federal match will decline by approximately 0.5% per year beginning in SFY 2013. Assuming that the Provider Tax, trust fund, and lottery sources of State match remain relatively constant, the General Revenue fund will have to supply the additional funds to cover future increases in cost. Any future increase or decrease in non-general revenue funding sources will impact the amount of General Revenue required to cover the total State match cost.

### **West Virginia Children's Health Insurance Program (WVCHIP)**

WVCHIP provides full-range health insurance coverage to children of working families with incomes up to 300% of the federal poverty level. At September 30, 2011, 24,632 children were enrolled, about the same as the enrollment level the previous year. Targeted outreach efforts are focused on the goal of enrolling all eligible children with an emphasis on the July 2011 expansion of the WVCHIP Premium group. The West Virginia Children's Health Insurance Board oversees WVCHIP's benefit plan and finances to ensure that funding is sufficient to support the services covered by the insurance program.

WVCHIP along with West Virginia Medicaid is a participant in a major federal demonstration grant to promote medical homes and pediatric quality. \$11,277,261 was awarded to the three states of Oregon (lead state), West Virginia, and Alaska, and grant activity is ongoing through 2014.

In 2012, WVCHIP will be actively involved in planning for West Virginia's Health Benefit Exchange that must be ready for certification by the USDHHS in 2013. Federal funding of these activities is through the office of the Insurance Commissioner.

### **Public Employees Insurance Agency**

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

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

## Long-Range Issues

Effective January 1, 2000, the Finance Board must submit a prospective financial plan encompassing five fiscal years. Beginning with FY 2002, the finance board must develop annual financial plans that generate revenues sufficient to fund a reserve of at least ten percent of projected total plan costs. The financial plan must be submitted to the Governor and the Legislature by January 1 of the preceding year with an effective date for the financial plan of July 1 of each plan year.

PEIA and its Finance Board continue to struggle with the rising costs of health care. Increasing health care costs continue in all aspects of health care. The current financial plan assumes health care costs to increase annually by the following rates:

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<b>Medical</b>	5.5%	6.0%	6.5%	7.0%
<b>Drug</b>	9.0%	9.5%	10.0%	10.5%

These trend increase assumptions will result in the following increases:

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<b>Medical</b>	\$19 million	\$22 million	\$26 million	\$29 million
<b>Drug</b>	\$10 million	\$13 million	\$15 million	\$17 million

These assumed increases will require the board to raise premiums or modify benefits to maintain the required minimum reserves. The current financial plan assumes premium increases to offset these increases resulting in the following reserve levels that do meet the required levels:

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<b>Reserve</b>	\$167 million	\$157 million	\$176 million	\$217 million

PEIA continues to pursue the development of cost-efficient yet effective programs to give its members the most services for their premiums. Benefit design, wellness, and disease management programs are continuously reviewed and modified in this pursuit. Although health care cost trends persist, PEIA will be vigilant to maintain an affordable, quality healthcare insurance.

### **Retiree Health Benefits Trust Fund**

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

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

The retiree plan must be subsidized by the active policy premiums. The current rate of subsidization for the fund is approximately 70%. Determining a long-range solution to the West Virginia OPEB Plan's unfunded liability is of utmost importance. The PEIA Finance Board recently took steps to control the state's share contributed to retiree premium subsidies, allowing increases in subsidies of no more than three percent per year.

Not including the Annual Required Contribution (ARC) to fully fund the OPEB, the current financial plan projects positive net assets through FY 2016. The Trust completed FY 2011 with total net assets of \$423 million and total claims expense of \$154 million and capitations of \$45 million. Current claim expense trend assumptions for FY 2012 through FY 2016 go from 5.5% for medical and 9% for drugs to 7% for medical and 10.5% for drugs. These trend

## *Long-Range Issues*

assumptions result in increases of \$102 million in expenses for the Trust over the next five fiscal years. Fiscal year results remain positive however as the board anticipates interest revenue, benefit changes, and premium increases to offset these increases. The Trust is forecast to have an ending reserve of \$619 million by fiscal year end 2016.

### **Insurance Reform**

#### **Board of Risk and Insurance Management Insurance Programs**

The Board of Risk and Insurance Management (BRIM) provides a comprehensive risk management program for the State. BRIM also provides a similar program to qualifying non-State agency entities, such as local governments and nonprofit organizations. In addition, BRIM administers a coal mine subsidence program that was legislatively expanded in 1985 to include all types of building structures with the maximum amount of insurance available increased from \$50,000 to \$75,000 per structure.

In December 2001, as a result of a medical malpractice insurance crisis in the state, the West Virginia Legislature passed House Bill 601 (the House Bill 601 Program) that authorized BRIM to provide medical malpractice and general liability coverage to private health care providers. In 2003, House Bill 2122 was passed that provided a mechanism for those private physicians who were being insured through BRIM to novate to the newly formed West Virginia Physicians' Mutual Insurance Company, effective July 1, 2004. All policies have been terminated as of June 30, 2004, and the program is in runoff mode only for any claims that may be submitted on any tail policies that were purchased.

House Bill 2122 also provided significant medical liability reform. The significant areas of medical liability reform included, but were not limited to a board to study the feasibility of the creation of a patient injury compensation fund, enhancement of the "certificate of merit," limits on third party bad faith, a \$250,000 cap on noneconomic damages, elimination of joint liability, and limit on trauma liability at \$500,000.

As a result of the feasibility study, the Patient Injury Compensation Fund (PICF) was created by passage of House Bill 4740 in March 2004. The revenue appropriated to the PICF is not reflected in BRIM financial statements, but rather in the State financial statements. The State financial statements reflect total retained earnings in the PICF of \$5,346,281 at June 30, 2009; \$4,522,538 at June 30, 2010, and \$4,031,897 at year end June 30, 2011. There were no expenditures in FY 2009, and there was one claim assessed against the PICF in both FY 2010 and FY 2011. The actual claims payments, including related expenses, were \$903,025 for FY 2010 and \$498,763 for FY 2011.

Overall, BRIM management has eliminated its net asset deficiency. This deficiency had occurred in prior years due to unanticipated losses and adverse loss development in each of the state agency and Senate Bill 3 (nonprofit) programs in the areas of general liability and medical malpractice claims. In FY 2004, BRIM management adopted a financial stability plan that enabled the deficiency in net assets to be eliminated over several years. As a result, as of June 30, 2011, BRIM reported positive net assets in every program that it administers. Management anticipates that it should be able to adequately maintain a level of net assets to support the insurance programs that it administers for the foreseeable future while continuing to provide quality cost-effective coverage within those programs.

BRIM's financial position has steadily improved in recent years. A combination of comprehensive rating programs, effective claims administration processes, refinements in BRIM's actuarially determined claims reserves, better investment earnings, and targeted loss control practices have all contributed to this improvement. At year end June 30, 2009, BRIM's total retained earnings were \$150,958,000. At year end June 30, 2010, BRIM's audited financials show total retained earnings of \$192,207,000. At year end June 30, 2011, BRIM's total retained earnings were \$219,828,000.



### **Workers' Compensation**

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

The State retained all liabilities incurred prior to July 1, 2005, and those liabilities, as well as certain assets, were transferred into the Workers' Compensation Old Fund ("Old Fund"). As of June 30, 2011, the fund deficit in the Old Fund was estimated to be \$964.6 million (liabilities discounted at five percent). Senate Bill 1004 included a plan to address the outstanding deficit formerly in the Workers' Compensation Fund and now residing in the Old Fund. The custodian of the Old Fund is the Treasurer's Office, and the Insurance Commissioner serves as the administrator. Several sources of revenue were dedicated to pay the liabilities of the Old Fund, including the following:

- A premium surcharge on workers' compensation policies;
- An assessment to self-insured employers;
- New severance taxes for extraction industries (coal, natural gas, and timber);
- Excess lottery revenues; and
- \$95.4 million in personal income tax collections.

When combined, these revenue sources are estimated to yield approximately \$250 million annually and will remain in place until the Old Fund debt is eliminated.

The privatization of the system and the dedication of new revenues for the Old Fund have provided the State with an opportunity to properly manage the residual liabilities and eventually eliminate the deficit currently in the Old Fund. It is important to note that several steps toward eliminating the deficit were previously taken in 2003 when the Legislature enacted major workers' compensation reform that has affected and will continue to affect the actuarially determined estimated liability for unpaid claims of the Old Fund. The legislation, approved as Senate Bill 2013:

- Changed the methodology regarding the determination of eligibility for and the computation of disability benefits in order to provide responsible benefit reductions;
- Provided for tighter control on health care expenditures;
- Provided for tighter control of premium dodgers; and
- Created an employer violator system.

On July 1, 2004, the West Virginia Supreme Court upheld a key piece of the 2003 legislation in the *Wampler Foods, Inc. v. Workers' Compensation Div.* (602 S.E. 2nd 805, W.Va., Jul 01, 2004) decision affirming that the new law enacted under Senate Bill 2013 will be applied to new awards on or after July 1, 2003, regardless of the effective injury date. As a result of this decision, a \$330 million reduction (due to Senate Bill 2013) recognized in the June 30, 2003, financial statements' discounted claims liability number was not modified, and an additional \$144 million related to the new law was recognized in the June 30, 2004, financial statements. Prior to privatization, these steps had a significant and positive impact on the ability to operate a solvent fund on a prospective basis.

## Long-Range Issues

### Pensions

#### State Retirement Systems

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

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

- Teachers' Retirement System—Instituted a 40-year payment plan to be completed by June 30, 2034. The payment plan was revised in 1999 to provide that all improvements be funded over seven years from the improvement date. Effective in 2005, only retiree improvements of not more than one percent of liabilities are allowable and must be amortized over six years;
- Judges' Retirement System—Instituted a 25-year payment plan to be completed by June 30, 2018. Effective in 2005, active improvements are not allowable until after the payment plan is completed and retiree improvements are limited to one percent of liabilities and must be amortized over six years. The payment plan was completed July 1, 2007, 11 years ahead of schedule;
- Public Safety Retirement System (Plan A)—Instituted a 30-year payment plan to be completed by June 30, 2025. Effective in 2005, active improvements are not allowable until after the payment plan is completed.

The unfunded actuarial liability for each plan is as follows:

	<b>July 1, 2010, Actuarial Valuation Unfunded Actuarial Liability</b>		<b>2010 Results Projected UAAL to July 1, 2011</b>	
PERS	\$1,351,221,000	(74.6% funded) <sup>1</sup>	\$1,488,134,000	(73.5% funded)
TRS	\$4,760,772,000	(46.5% funded) <sup>1</sup>	\$4,441,169,000	(53.2% funded)
JRS	(\$6,806,000)	(107.1% funded) <sup>1</sup>	(\$21,732,000)	(121.1% funded)
Public Safety—Plan A	\$186,285,000	(68.5% funded) <sup>1</sup>	\$120,410,000	(80.2% funded)
State Police—Plan B	\$16,436,000	(76.2% funded) <sup>1</sup>	\$8,737,000	(89.0% funded)

<sup>1</sup> Per plan, funded percentage of actuarial value of plan assets as a percent of actuarial accrued liabilities, including projected salary increases. The actuarial value of assets is equal to market value for all plans except PERS. PERS adopted an actuarial value of assets with asset smoothing over four years starting prospectively on July 1, 2009.

The 2010 Results Projected UAAL to July 1, 2011, project the 2010 Actuarial Valuation results to 2011 recognizing actual investment return rate experience for each plans' trust fund as reported by the Investment Management Board for the year ending June 30, 2011. The July 1, 2011, Actuarial Valuations will include the remaining actual experience for each plan when the valuations become available, including actual contributions, benefit payments, salary increases, mortality, retirement, and turnover experience for the year ending June 30, 2011.

The projected July 1, 2011 result for TRS includes the impact of a 2011 Experience Study on the actuarial assumptions to be applied to the July 1, 2011, actuarial valuation for TRS. For PERS, asset smoothing adopted effective July 1, 2009, was projected based on the third year of the phase-in the four-year smoothing period for PERS.

## *Long-Range Issues*

### **Summary**

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

- Imposed fiscal discipline in funding the state's retirement systems, health care plans, and workers' compensation costs;
- Performed a statewide overhaul of school facilities and established measurable performance standards for all grade levels;
- Replaced an inefficient, costly, and outdated system of county jails with a modern, efficient, and effective system of regional jails, along with the renovation and construction of prisons and juvenile facilities;
- Addressed water and sewer project needs through bond financing and cost-sharing with federal grant and loan programs;

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

# Budget Overview

## ***The Executive Budget Process Policy***

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

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

For all appropriated accounts, the "current level" is defined as the same amount of funds the department/bureau/commission/division has for the current fiscal year (FY 2012) less any one time appropriations. For the FY 2013 budget request, the department/bureau/commission/division is permitted to move funds between appropriations, programs, or agencies within the department; however, there can be no increase in the total request over the current year's appropriation with the exception of the legislative and judicial budgets and statutory increases (such as for the Department of Education). The "current level" request allows department/bureau/commission/division heads to redirect their limited amount of resources to the highest priority areas without an increase in their total budget. For FY 2013, agencies were asked to submit their requests at FY 2012 funding levels.

All appropriation requests that are above the "current level" must be submitted as a separate "improvement package" stating the purpose, benefits, and needs of the additional funding. Each such improvement above the "current level" is considered individually.

Appropriation requests are reviewed by the Secretary of Revenue, the State Budget Office, and the Governor's Office. Budget hearings are generally held with the departments/bureaus/commissions/divisions to discuss their requests. During these budget hearings, the departments/bureaus/commissions/divisions have the opportunity to provide the Governor's Office and the Department of Revenue with additional information to support their requests, answer questions, and bring to the forefront any specific needs such as legislative and federal mandates or court ordered funding.

These budget hearings also provide the time to discuss, in general terms, any future capital projects and funding options. All the departments/bureaus/commissions/divisions are required to submit capital expenditure plans with their appropriation requests. These plans summarize projects budgeted for the current fiscal year, requested for the next fiscal year, and estimated for future years. This allows the state to apply sound financial planning for future capital needs.

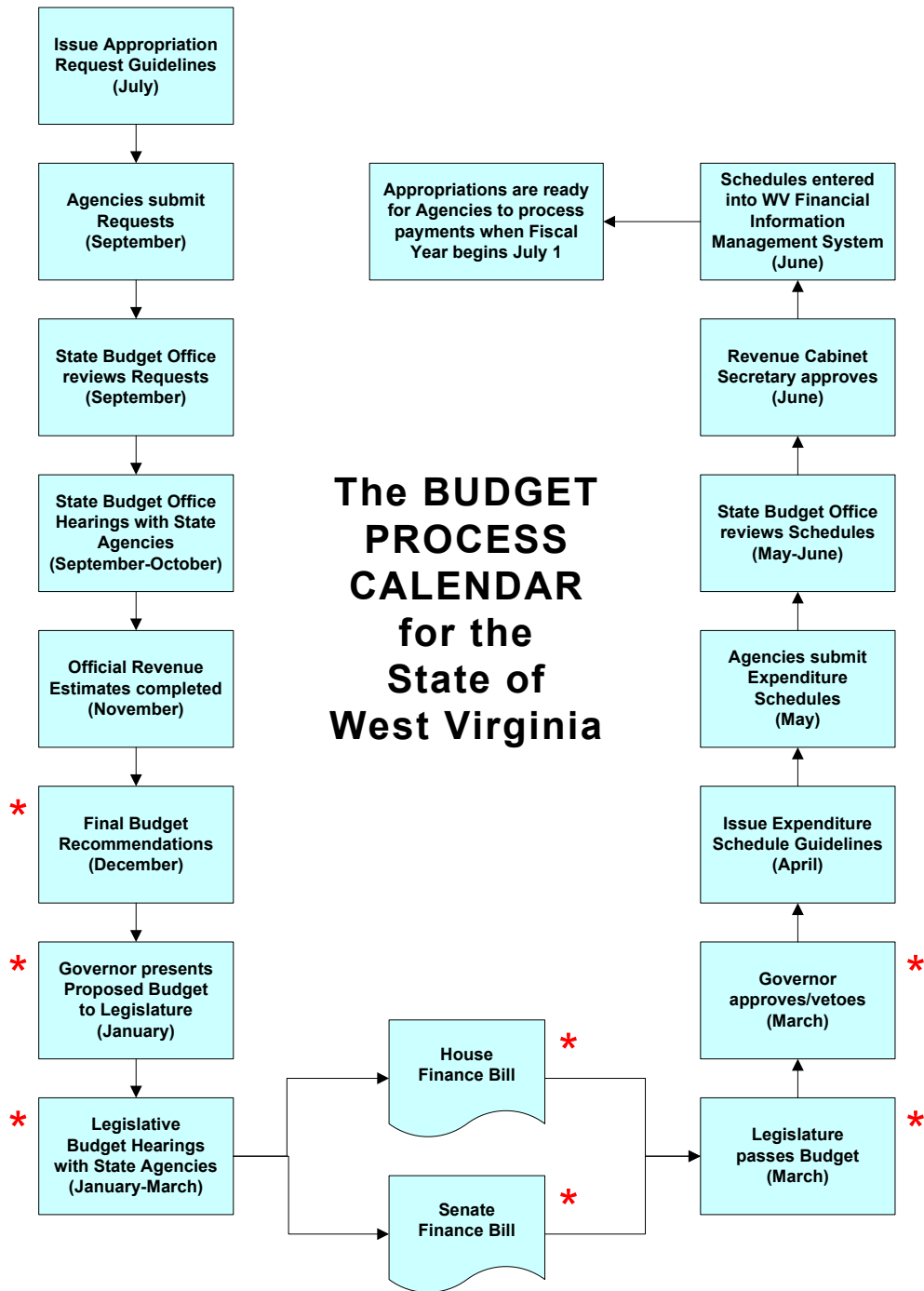
## **Balanced Budget**

After the budget hearings, the official revenue estimates for the upcoming budget year are finalized. The Governor then makes budget recommendations based upon program priorities, requirements, court orders, and the availability of funds. The Governor, under the authority of the Constitution of West Virginia, has the sole responsibility to establish the official revenue estimates of the State. The budget is developed on a cash basis, including only revenues and expenditures expected to be realized during the fiscal year plus any surplus balance from the previous fiscal year available for appropriation. The Governor is not legally required to submit a balanced budget; however, as a matter of practice, the Governor submits a budget that is balanced. A "balanced budget" recommends and appropriates only those revenues recognized in the "official revenue estimates" as provided by the Governor and may also include any unappropriated surplus balances available from the prior year.

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

## Budget Overview

The Governor's Executive Budget consists of the *Operating Detail*, the *Budget Report*, and the Budget Bill. The *Operating Detail* contains organizational charts, descriptive narrative information for every department/bureau/ commission, division, and program, detailed financial information related to actual expenditures, current budget, and requested appropriations by program and by fund, an economic forecast, a profile of the state, and capital projects.



\* Following a regular gubernatorial election, these steps in the budget process are delayed by one month.

## *Budget Overview*

The *Budget Report* contains the executive message; financial statements that include the official revenue estimates for the State along with available fund balances, actual prior year expenditures, current year budgeted amounts, and the Governor's recommendations for the next fiscal year; and the budget plan. The Budget Bill includes the language required to legally enact the budget or appropriations bill.

### **The Legislative Budget Process Policy**

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

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

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

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

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

Any Budget Act items or parts thereof that have been vetoed by the Governor may be restored by two-thirds vote of each house of the Legislature. A bill, item, or part thereof, that is not returned by the Governor within five days (Sundays excepted) after the bill has been presented to him shall become a law in like manner as if he had signed the bill, unless the Legislature, by adjournment, prevents such return, in which case it shall be filed in the office of the secretary of state, within five days after such adjournment, and shall become a law; or it shall be so filed within such five days with the objections of the Governor, in which case it shall become law to the extent not disapproved by the Governor. Should the Governor fail to approve or disapprove it within the allotted five-day period, the Budget Act will become law as if the Governor had signed it.

### **Budget Amendment Policy**

#### **Supplemental Appropriation Bills**

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

## *Budget Overview*

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

### **Budget Act Specific Transfer Language**

The Budget Act contains specific language allowing:

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

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

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

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

### **Legislative and Judicial Amendments**

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

### **Governor's Increased Spending Authority Authorization**

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

#### *Special Revenue*

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

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

If the Governor approves the plan of expenditure and justification statement and is satisfied the expenditure is required to defray the additional cost of the service or activity of the spending unit, the Governor may authorize the



## *Budget Overview*

use of the additional funds. If the Governor intends to authorize the additional spending, notification of the intent is provided to the President of the Senate, the Speaker of the House, and the Chairmen of the Senate and the House Finance committees providing them a three week opportunity for review and concurrence. If there are any questions or issues regarding the need for additional spending authority, all parties work together to reach a mutual agreement on the issue. If the agreement is to proceed with the authorization, notices of such authorization are sent to the State Auditor, the State Treasurer, and the Legislative Auditor.

### *Federal Revenue*

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

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

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

## **Financial Related Policies**

### **Accounting and Auditing Procedures**

The financial activities of the State are accounted for in individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. For financial reporting purposes, the reporting entity is divided into the primary government and the discretely presented component units.

The modified cash basis of accounting is the budgetary basis of accounting followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year end; however, appropriations for buildings, land, and capital outlays remain in effect until three years after the passage of the act by which the appropriations were made. The State Auditor reviews all transactions of all funds to ensure that an appropriation for expenditures has been made, there is a balance in the appropriation sufficient to cover the expenditure, and evidence of services rendered or materials received supports the claim against the State.

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

The Legislative Auditor compiles fiscal information for the Legislature; makes a continuous audit and analysis of the State budget, revenues, and expenditures; makes periodic post-audits of the revenues and expenditures of the



## *Budget Overview*

spending units of the State government; reports any misapplication of State funds or erroneous, extravagant, or unlawful expenditures by any spending unit; and makes recommendations to the Legislature concerning the post-audit findings, the revenues, and expenditures of the State and the organization and functions of the State and its spending units. A copy of each audit report, when completed and certified by the Legislative Auditor, is filed with the Department of Administration as a public record and with the Attorney General for any action he may deem necessary.

### **Basis for Budgeting All Funds**

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

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

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

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

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

### **Cash Management and Investment Procedures**

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

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

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

## *Budget Overview*

The West Virginia Board of Treasury Investments (BTI) is responsible for investing the operating funds (short-term funds) of the state which are referred to as the Consolidated Fund. The State Treasurer is chairperson of this five-member board. The BTI maintains ten investment pools. Three main pools are utilized for investing excess state cash and local government monies. The West Virginia Money Market Pool and the West Virginia Government Money Market Pool are both rated AAAM by Standard and Poor's. The West Virginia Short-Term Bond Pool is a bond mutual fund used for investments that have a perceived longer investment horizon.

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

### **Evaluation and Monitoring Procedures**

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

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

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

### **Risk Management**

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

## *Budget Overview*

The State has obtained coverage for job-related injuries of employees by its participation in the private insurance market. In exchange for the payment of premiums the State has transferred its risk related to on-the-job injuries for employees. The State has also retained a specific portion of its worker's compensation risk, as it has entered into a high deductible arrangement with the insurance carrier.

The State has obtained health coverage for its employees through its participation in West Virginia Public Employees Insurance Agency (PEIA) which provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related State and non-State agencies. In exchange for the payment of premiums, the State has transferred its risk-related health coverage for employees.

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

### **Asset Inventory Management**

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

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

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

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

### **Compensated Absences**

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

### **Performance Measurement in the Budget Process**

State agencies are required to submit division-level performance measures as part of the appropriation request process. Performance measures are a tool used by all levels of management, as well as the public, to determine whether a program is accomplishing its mission efficiently and effectively. Although every effort is made to provide services at the lowest possible unit, it is most important to ensure that an agency provides a measurable benefit to the citizens it is designed to serve.

## *Budget Overview*

The focus for the FY 2013 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2009 to FY 2011) and the performance-level objectives the program is trying to achieve in FY 2012 and FY 2013 based on current level funding. For the most recently completed year, both projected and actual performance data is shown to provide information on the success of the agency in meeting their goals.

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

Although appropriations are not based on the performance measures reported by the agencies, the intent of performance measurement is to encourage cabinet secretaries/agency heads/managers to learn and become more accustomed to measuring their agencies' performance and to make more informed decisions on where to allocate funds to best serve their clients (making their budget recommendations to the State Budget Office and the Governor as a part of the Appropriation Request process).

### **Legislative Performance Review**

The Legislature's Performance Evaluation and Research Division (PERD), within the Legislative Auditor's Office, operates under the authority of the West Virginia Performance Review Act, W.Va. Code §4-10-1. PERD also conducts performance reviews under authority of West Virginia Code §4-2-5, which gives the Legislative Auditor discretionary authority to examine the performance of every spending unit of the State. PERD conducts evaluations of executive agencies in compliance with Generally Accepted Government Auditing Standards. Results of the evaluations are reported to the Joint Committees on Government Operation during interim sessions of the Legislature.

The schedule of departments to be reviewed by PERD and the year in which they are to be conducted is determined in statute by the Legislature. Also, performance reviews can be initiated by either of the Joint Committees or by the Legislative Auditor. There are three basic types of reviews under the Performance Review Act: 1) Agency Reviews, 2) Compliance Reviews, and 3) Regulatory Board Reviews.

**Agency Reviews** are on the agencies of specific departments. PERD cannot review every agency within a department, so discretion and prioritization are used to determine which agencies will be reviewed. Agency Reviews of departments are required to be conducted at least once every six years.

**Compliance Reviews** determine the progress an agency has made in improving its performance and how an agency has complied with recommendations made in a previous review.

**Regulatory Board Reviews** are conducted on regulatory boards established under Chapter 30 of the state Code that regulate certain professions. A regulatory board must be reviewed at least once every 12 years. PERD's review makes a determination of whether a board complies with the general provisions of Chapter 30 and other applicable laws. The general provisions impose a host of requirements on regulatory boards such as requiring financial self-sufficiency, a proper disciplinary procedure, and continuing education. PERD may also determine if there is a continued need for the regulatory board.

Upon receiving the evaluation report from PERD, the Joint Committee on Government Operations expects the agency to respond to the findings of the report and indicate what corrective action, if necessary, will be taken. Depending on the findings of a review, the Joint Committee on Government Operations may request a compliance review be conducted.

## *Budget Overview*

The departments that will be reviewed in the current and upcoming years are listed below.

- \* 2012, the Department of Health and Human Resources and the Bureau of Senior Services.
- \* 2013, the Department of Transportation.

Agencies subject to **Regulatory Board Reviews** in the current and upcoming years are listed below.

- \* 2012, Board of Occupational Therapy; Board of Examiners for Speech-Language Pathology and Audiology; and Medical Imaging and Radiation Therapy Board of Examiners.
- \* 2013, Board of Professional Surveyors; Board of Registration for Foresters; and Board of Registration for Professional Engineers.

# Human Resources

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

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

The **Employee Information and Payroll Audit Section** provides human resource information to employees, administrators, and the public. It also establishes and maintains employee information systems and records for all employees and assures compliance with merit system standards and other applicable rules, policies, and procedures through a system of audits.

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

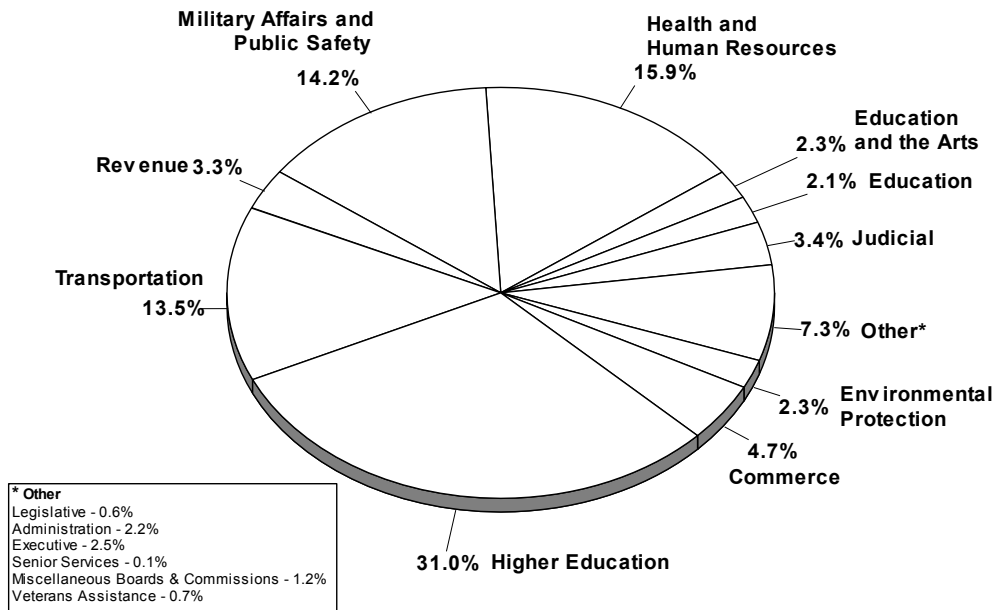
The **Organization and Human Resource Development Section** provides training and development programs for all state employees. In addition to providing advice and services for agency-specific training and development programs, the section administers the supervisor/manager training program policy.

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

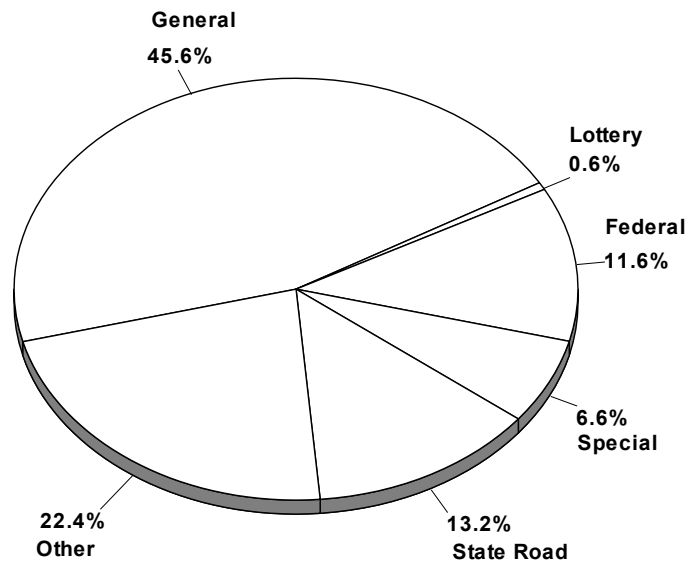
As of November 30, 2011, the State had approximately 37,709 filled, permanent, full-time equivalent employees, including approximately 10,960 employed by the Higher Education Policy Commission and approximately 1,205 employed by the Council for Community and Technical College Education. Public school teachers and school service personnel for grades K-12 are not included in these totals, as they are considered county school board employees.

# Schedule of Recommended Budgeted Full-Time Equivalents (FTE) Permanent Positions FY 2013 40,741.88 FTEs

## By Department



## By Fund





# Schedule of Budgeted Full-Time Equivalents All Funds

## Permanent Positions FY 2011 through FY 2013

Department/Agency	FY 2011 11-30-2010	FY 2012 11-30-2011	FY 2013 Recommended
<b>TOTAL BUDGETED FTE PERMANENT POSITIONS</b>	<b>39,994.03</b>	<b>40,600.55</b>	<b>40,741.88</b>
<b>LEGISLATURE</b>			
Senate	41.00	46.00	46.00
House of Delegates	59.00	60.00	60.00
Joint Expenses	137.00	137.00	137.00
<b>TOTAL - LEGISLATURE</b>	<b>237.00</b>	<b>243.00</b>	<b>243.00</b>
<b>TOTAL - JUDICIAL</b>	<b>1,334.60</b>	<b>1,368.10</b>	<b>1,368.10</b>
<b>EXECUTIVE</b>			
Governor's Office	96.25	98.80	98.80
State Auditor's Office	184.75	195.55	191.13
Treasurer's Office	136.85	141.70	141.70
Agriculture, Department of <sup>1</sup>	357.75	360.75	360.75
Attorney General's Office <sup>2</sup>	178.66	191.63	191.63
Secretary of State	57.50	57.50	57.50
<b>TOTAL - EXECUTIVE</b>	<b>1,011.76</b>	<b>1,045.93</b>	<b>1,041.51</b>
<b>DEPARTMENT OF ADMINISTRATION</b>			
Office of the Secretary	7.40	7.35	7.35
Consolidated Public Retirement Board	84.00	84.00	84.00
Finance, Division of	13.00	13.00	13.00
Information Services & Communications, Division of	388.93	388.85	387.80
General Services, Division of	127.25	126.80	127.25
Purchasing, Division of	40.65	39.65	39.55
Surplus Property	15.55	16.55	15.18
Travel Management	14.00	16.00	16.00
Board of Risk and Insurance Management	25.60	25.60	25.60
Education & State Employees' Grievance Board	11.00	12.00	12.00
Ethics Commission <sup>1</sup>	6.50	7.35	7.35
Public Defender Services	16.00	16.00	16.00
Personnel, Division of	66.62	66.62	66.62
Public Employees Insurance Agency	41.20	41.30	41.20
Prosecuting Attorneys Institute	7.00	7.00	7.00
Children's Health Insurance Agency	9.00	9.00	9.00
Office of Technology	4.00	4.00	4.00
Retiree Health Benefits Trust Fund	19.66	19.70	19.66
Real Estate Division	10.15	10.60	10.15
<b>TOTAL - ADMINISTRATION</b>	<b>907.51</b>	<b>911.37</b>	<b>908.71</b>

<sup>1</sup> FY 2012 added two FTEs for the Chesapeake Bay Watershed.

<sup>2</sup> FY 2012 added FTEs for the criminal convictions and habeas corpus appeals and for the statutory change that requires the Attorney General's Office to be prosecutors in DMV hearings.

<sup>1</sup> FY 2012 added one FTE to address increased complaints in a timely manner.



*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 11-30-2011</b>	<b>FY 2013 Recommended</b>
<b>DEPARTMENT OF COMMERCE</b>			
Office of the Secretary	3.00	3.00	3.00
Tourism, Division of	66.80	66.80	66.80
Forestry, Division of	118.00	120.00	120.00
Geological and Economic Survey	54.00	53.10	53.10
Development Office	105.00	108.00	108.00
Labor, Division of	113.00	113.00	113.00
Natural Resources, Division of	823.95	824.12	824.12
Miners' Health, Safety and Training, Division of <sup>1</sup>	146.00	158.00	160.00
Board of Coal Mine Health and Safety	2.00	3.00	3.00
WorkForce West Virginia <sup>2</sup>	501.57	486.97	463.97
Energy, Division of	11.00	11.00	11.00
<b>TOTAL - COMMERCE</b>	<b>1,944.32</b>	<b>1,946.99</b>	<b>1,925.99</b>

<sup>1</sup> FY 2012 added 12 FTEs for underground mine Inspectors; FY 2013 added two FTEs for coal dust and rock dust sampling Inspectors.

<sup>2</sup> FY 2013 reduced FTEs related to federal ARRA funding.

<b>DEPARTMENT OF EDUCATION</b>			
Education, State Department of <sup>1</sup>	598.90	604.20	603.65
WV Schools for the Deaf & the Blind	217.70	217.00	217.00
State FFA-FHA Camp & Conference Center	34.30	34.20	34.20
School Building Authority	11.00	11.00	11.00
<b>TOTAL - EDUCATION</b>	<b>861.90</b>	<b>866.40</b>	<b>865.85</b>

<sup>1</sup> FY 2012 added four FTEs for the Kenneth (Honey) Rubenstein Juvenile Center and five FTEs for the Davis Center for Girls.

<b>DEPARTMENT OF EDUCATION AND THE ARTS</b>			
Office of the Secretary	28.60	28.60	28.60
Culture and History, Division of <sup>1</sup>	120.00	121.00	120.00
Library Commission	54.00	53.00	52.00
Educational Broadcasting Authority	96.70	96.70	96.70
Rehabilitation Services, Division of	655.50	655.50	655.50
<b>TOTAL - EDUCATION AND THE ARTS</b>	<b>954.80</b>	<b>954.80</b>	<b>952.80</b>

<sup>1</sup> FY 2012 added one FTE for Camp Washington Carver.

<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			
Air Quality Board	1.30	1.30	1.30
Environmental Protection, Division of <sup>1</sup>	894.63	894.45	907.12
Environmental Quality Board	1.70	1.70	1.70
Solid Waste Management Board	13.00	13.00	13.00
Oil and Gas Conservation Commission	1.50	1.50	1.50
<b>TOTAL - ENVIRONMENTAL PROTECTION</b>	<b>912.13</b>	<b>911.95</b>	<b>924.62</b>

<sup>1</sup> FY 2013 added 14 FTEs related to the Horizontal Well Act.

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 11-30-2011</b>	<b>FY 2013 Recommended</b>
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
Office of the Secretary	7.52	7.52	7.52
Health, Division of <sup>1</sup>	2,714.34	2,705.87	2,853.27
Health Care Authority <sup>2</sup>	48.00	54.00	54.00
Human Rights Commission	31.00	31.00	31.00
Human Services, Division of <sup>3</sup>	3,465.63	3,531.38	3,531.38
<b>TOTAL - HEALTH AND HUMAN RESOURCES</b>	<b>6,266.49</b>	<b>6,329.77</b>	<b>6,477.17</b>

<sup>1</sup> FY 2013 added 150 FTEs for staffing a 50-bed expansion at William R. Sharpe, Jr. Hospital.

<sup>2</sup> FY 2012 added six FTEs to move workers from contractual status.

<sup>3</sup> FY 2012 added 67.28 FTEs for child protective case workers.

**DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY**

Office of the Secretary	26.00	26.00	26.00
Adjutant General <sup>1</sup>	378.00	419.03	437.03
WV Board of Parole	16.00	16.00	16.00
Homeland Security and Emergency Management	53.00	53.00	53.00
Corrections, Division of <sup>2</sup>	1,991.75	2,062.75	2,062.75
WV State Police <sup>3</sup>	1,080.00	1,088.50	1,084.50
Veterans Affairs, Division of (includes Veterans' Home) <sup>4</sup>	279.89	0.00	0.00
Regional Jail and Correctional Facility Authority	1,034.00	1,034.00	1,034.00
Fire Commission <sup>5</sup>	47.00	53.00	53.00
Justice and Community Services, Division of	41.50	40.65	39.87
Juvenile Services, Division of <sup>6</sup>	910.00	935.60	935.60
Division of Protective Services	40.00	40.00	40.00
<b>TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY</b>	<b>5,897.14</b>	<b>5,768.53</b>	<b>5,781.75</b>

<sup>1</sup> FY 2013 added 18 FTEs, federally supported, for the Joint Interagency Training and Education Center.

<sup>2</sup> FY 2012 includes 21 FTEs for the Beckley Work Release and Charleston Work Release, 43 FTEs for Parkersburg Correctional Center, and 2.31 FTEs for the Accelerated Parole program.

<sup>3</sup> FY 2013 deleted temporary cadet positions; Added five new FTEs for forensic analysts.

<sup>4</sup> FY 2012 became a stand-alone department-level entity with five new FTEs for the Veterans Cemetery.

<sup>5</sup> FY 2011 included two FTEs for fire safety plans examiners.

<sup>6</sup> FY 2012 added 26 FTEs for the Davis Center for the Girls.

**DEPARTMENT OF REVENUE**

Office of the Secretary	9.00	8.50	9.00
Tax Division	478.00	478.00	478.00
State Budget Office <sup>1</sup>	10.00	11.00	11.00
Insurance Commissioner	400.10	399.70	399.70
Lottery Commission	230.75	231.00	231.00
Racing Commission <sup>2</sup>	44.76	54.73	54.73
Alcohol Beverage Control Administration	112.12	112.12	112.12
Office of Tax Appeals	9.00	9.00	9.00
Municipal Bond Commission	4.00	4.00	4.00
Banking, Division of	32.00	32.00	32.00
<b>TOTAL - REVENUE</b>	<b>1,329.73</b>	<b>1,340.05</b>	<b>1,340.55</b>

<sup>1</sup> FY 2012 added one FTE for a budget analyst position.

<sup>2</sup> FY 2012 added ten FTEs to meet legislative requirements for race judges, investigators, and stewards.

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 11-30-2011</b>	<b>FY 2013 Recommended</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Motor Vehicles, Division of <sup>1</sup>	609.00	594.00	594.00
Highways, Division of <sup>2</sup>	4,744.00	4,839.50	4,839.50
State Rail Authority	24.00	24.00	24.00
Public Transit, Division of	10.00	10.00	10.00
Public Port Authority	4.00	4.00	4.00
Aeronautics Commission	3.00	3.00	3.00
Office of Administrative Hearings	30.00	30.00	30.00
<b>TOTAL - TRANSPORTATION</b>	<b>5,424.00</b>	<b>5,504.50</b>	<b>5,504.50</b>

<sup>1</sup> FY 2012 reflects the reduction of positions moved to the new Office of Administrative Hearings during FY 2011.

<sup>2</sup> Approved quota slots per fiscal year (FY 2011 - 5,347; FY 2012 - 5,325; FY 2013 - 5,418).

**DEPARTMENT OF VETERANS ASSISTANCE <sup>1</sup>**

Veterans Assistance	0.00	235.94	235.94
Veterans Home	0.00	47.70	47.70
<b>TOTAL - VETERANS ASSISTANCE</b>	<b>0.00</b>	<b>283.64</b>	<b>283.64</b>

<sup>1</sup> FY 2012 is the first year as a stand-alone department (previously a division of the Department of Military Affairs and Public Safety).

**TOTAL - BUREAU OF SENIOR SERVICES** **36.20**      **36.30**      **36.30**

**HIGHER EDUCATION POLICY COMMISSION**

HEPC - Administration <sup>1</sup>	73.63	77.83	76.50
West Virginia University	6,781.86	6,776.83	6,776.83
Marshall University	1,749.82	1,787.21	1,787.21
Osteopathic School of Medicine	251.28	278.21	278.21
Bluefield State College	213.18	212.93	212.93
Concord University	283.47	295.02	295.02
Fairmont State University	468.73	482.68	482.68
Glenville State College	204.20	212.27	212.27
Shepherd University	438.59	455.17	455.17
West Liberty University	288.34	322.46	322.46
West Virginia State University	385.56	398.00	398.00
WVNET	43.66	45.66	45.66
<b>TOTAL - HIGHER EDUCATION POLICY COMMISSION <sup>2</sup></b>	<b>11,182.32</b>	<b>11,344.27</b>	<b>11,342.94</b>

<sup>1</sup> FY 2012 included increased FTEs from additional grant revenue resulting in additional administrative staff.

<sup>2</sup> FY 2012 included increased FTEs for institutions related to faculty due to increased enrollment.

*FTE Schedule of All Funds (Continued)*

<b>Department/Agency</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 11-30-2011</b>	<b>FY 2013 Recommended</b>
<b>COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION</b>			
Council - Administration	12.00	13.00	13.00
Mountwest Community and Technical College	107.00	110.00	110.00
New River Community and Technical College	132.00	150.14	150.14
Pierpont Community and Technical College	94.84	100.37	100.37
Blue Ridge Community and Technical College	85.75	95.95	95.95
Kanawha Valley Community and Technical College	93.28	111.28	111.28
Bridgemont Community and Technical College	72.37	75.52	75.52
West Virginia University at Parkersburg	214.01	214.79	214.79
Southern West Virginia Community and Technical College	237.27	208.84	208.84
West Virginia Northern Community and Technical College	150.56	154.06	154.06
West Virginia Eastern Community and Technical College	32.60	38.10	38.10
<b>TOTAL - COUNCIL FOR C&amp;T COLLEGE EDUCATION <sup>1</sup></b>	<b>1,231.68</b>	<b>1,272.05</b>	<b>1,272.05</b>

<sup>1</sup> FY 2012 included increased FTEs for administrative support after separation from four-year institutions and grant management.

**MISCELLANEOUS BOARDS AND COMMISSIONS**

Barbers and Cosmetologists, Board of	9.00	10.00	10.00
Board of Medicine <sup>1</sup>	12.00	14.00	14.00
Courthouse Facilities Improvement Authority	2.00	2.00	2.00
Hospital Finance Authority	1.00	1.00	1.00
Licensed Practical Nurses	4.00	4.00	4.00
Public Service Commission	333.22	334.22	333.72
Real Estate Commission <sup>2</sup>	11.00	12.00	12.00
Registered Nurses	9.50	11.00	11.00
Water Development Authority	20.06	20.06	20.06
West Virginia Economic Development Authority	9.88	9.88	9.88
Other Boards	50.79	54.74	54.74
<b>TOTAL - MISC. BOARDS AND COMMISSIONS</b>	<b>462.45</b>	<b>472.90</b>	<b>472.40</b>

<sup>1</sup> FY 2012 added two FTEs for records management and disciplinary counsel.

<sup>2</sup> FY 2012 added one FTE as investigator.

# Schedule of Budgeted Full-Time Equivalents By Source of Funds

## Permanent Positions FY 2011 through FY 2013

By Department/Funding Source	FY 2011 11-30-2010	FY 2012 11-30-2011	FY 2013 Recommended
<b>ALL DEPARTMENTS/AGENCIES</b>			
General	17,834.29	18,408.07	18,557.18
Federal	4,676.96	4,726.94	4,731.03
Lottery	267.49	240.70	239.95
Special	2,628.45	2,667.00	2,699.77
State Road Fund	5,324.00	5,394.50	5,366.50
Nonappropriated Special	9,262.84	9,163.34	9,147.45
<b>TOTAL</b>	<b>39,994.03</b>	<b>40,600.55</b>	<b>40,741.88</b>
<b>LEGISLATURE</b>			
General	231.00	237.00	237.00
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	6.00	6.00	6.00
Nonappropriated Special	0.00	0.00	0.00
<b>TOTAL</b>	<b>237.00</b>	<b>243.00</b>	<b>243.00</b>
<b>JUDICIAL</b>			
General	1,334.60	1,368.10	1,368.10
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	0.00	0.00	0.00
<b>TOTAL</b>	<b>1,334.60</b>	<b>1,368.10</b>	<b>1,368.10</b>
<b>EXECUTIVE</b>			
General	585.33	590.21	589.77
Federal	52.31	58.12	53.97
Lottery	0.00	0.00	0.00
Special	222.23	233.76	229.48
Nonappropriated Special	151.89	163.84	168.29
<b>TOTAL</b>	<b>1,011.76</b>	<b>1,045.93</b>	<b>1,041.51</b>
<b>DEPARTMENT OF ADMINISTRATION</b>			
General	130.18	131.28	140.83
Federal	7.00	7.00	7.00
Lottery	0.00	0.00	0.00
Special	455.25	472.56	471.29
Nonappropriated Special	315.08	300.53	289.59
<b>TOTAL</b>	<b>907.51</b>	<b>911.37</b>	<b>908.71</b>
<b>DEPARTMENT OF COMMERCE</b>			
General	726.27	732.69	734.69
Federal	637.38	617.66	595.66
Lottery	128.80	128.80	128.80
Special	265.41	264.73	263.73
Nonappropriated Special	186.46	203.11	203.11
<b>TOTAL</b>	<b>1,944.32</b>	<b>1,946.99</b>	<b>1,925.99</b>

*FTE Schedule by Source of Funds (Continued)*

<b>By Department/Funding Source</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 11-30-2011</b>	<b>FY 2013 Recommended</b>
<b>DEPARTMENT OF EDUCATION</b>			
General	603.95	606.19	605.49
Federal	143.80	147.87	147.37
Lottery	49.92	49.67	48.92
Special	33.45	30.95	30.95
Nonappropriated Special	30.78	31.72	33.12
<b>TOTAL</b>	<b>861.90</b>	<b>866.40</b>	<b>865.85</b>
<b>DEPARTMENT OF EDUCATION AND THE ARTS</b>			
General	442.57	446.09	445.09
Federal	458.42	459.40	459.40
Lottery	17.38	17.88	17.88
Special	5.08	4.08	4.08
Nonappropriated Special	31.35	27.35	26.35
<b>TOTAL</b>	<b>954.80</b>	<b>954.80</b>	<b>952.80</b>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			
General	97.55	96.85	98.55
Federal	347.62	341.14	342.39
Lottery	0.00	0.00	0.00
Special	269.44	268.22	280.74
Nonappropriated Special	197.52	205.74	202.94
<b>TOTAL</b>	<b>912.13</b>	<b>911.95</b>	<b>924.62</b>
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
General	3,603.04	3,633.52	3,774.93
Federal	2,367.75	2,394.05	2,404.54
Lottery	0.00	0.00	0.00
Special	118.00	113.50	115.00
Nonappropriated Special	177.70	188.70	182.70
<b>TOTAL</b>	<b>6,266.49</b>	<b>6,329.77</b>	<b>6,477.17</b>
<b>DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY</b>			
General	4,332.54	4,193.10	4,189.19
Federal	351.76	362.41	378.34
Lottery	0.00	0.00	0.00
Special	114.61	117.90	120.10
Nonappropriated Special	1,098.23	1,095.12	1,094.12
<b>TOTAL</b>	<b>5,897.14</b>	<b>5,768.53</b>	<b>5,781.75</b>
<b>DEPARTMENT OF REVENUE</b>			
General	437.00	436.50	437.00
Federal	0.00	3.00	7.00
Lottery	0.00	0.00	0.00
Special	618.98	625.55	621.55
Nonappropriated Special	273.75	275.00	275.00
<b>TOTAL</b>	<b>1,329.73</b>	<b>1,340.05</b>	<b>1,340.55</b>

*FTE Schedule by Source of Funds (Continued)*

<b>By Department/Funding Source</b>	<b>FY 2011 11-30-2010</b>	<b>FY 2012 11-30-2011</b>	<b>FY 2013 Recommended</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
General	12.50	12.50	12.50
Federal	16.00	18.00	17.00
Lottery	0.00	0.00	0.00
Special	52.00	60.00	89.00
State Road Fund <sup>1</sup>	5,324.00	5,394.50	5,366.50
Nonappropriated Special	19.50	19.50	19.50
<b>TOTAL</b>	<b>5,424.00</b>	<b>5,504.50</b>	<b>5,504.50</b>
<sup>1</sup> The Division of Highways has approved quota slots per fiscal year (FY 2011 - 5,347; FY 2012 - 5,325; FY 2013 - 5,418) from this funding source.			
<b>DEPARTMENT OF VETERANS ASSISTANCE</b>			
General	0.00	257.99	257.99
Federal	0.00	24.70	24.70
Lottery	0.00	0.00	0.00
Special	0.00	0.95	0.95
Nonappropriated Special	0.00	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>283.64</b>	<b>283.64</b>
<b>BUREAU OF SENIOR SERVICES</b>			
General	0.00	0.00	0.00
Federal	12.51	11.78	11.78
Lottery	3.13	3.32	3.32
Special	1.99	1.91	1.91
Nonappropriated Special	18.57	19.29	19.29
<b>TOTAL</b>	<b>36.20</b>	<b>36.30</b>	<b>36.30</b>
<b>HIGHER EDUCATION POLICY COMMISSION</b>			
General	4,392.85	4,706.77	4,706.77
Federal	243.72	240.43	240.10
Lottery	68.26	41.03	41.03
Special	112.47	106.95	105.95
Nonappropriated Special	6,365.02	6,249.09	6,249.09
<b>TOTAL</b>	<b>11,182.32</b>	<b>11,344.27</b>	<b>11,342.94</b>
<b>COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION</b>			
General	904.91	959.28	959.28
Federal	10.91	13.50	13.50
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	315.86	299.27	299.27
<b>TOTAL</b>	<b>1,231.68</b>	<b>1,272.05</b>	<b>1,272.05</b>
<b>MISCELLANEOUS BOARDS AND COMMISSIONS</b>			
Federal	27.78	27.88	28.28
Lottery	0.00	0.00	0.00
Special	353.54	359.94	359.04
Nonappropriated Special	81.13	85.08	85.08
<b>TOTAL</b>	<b>462.45</b>	<b>472.90</b>	<b>472.40</b>





# REVENUE SOURCES





# Revenue Sources

The revenues necessary to finance state government are collected from a variety of sources. All sources are dedicated to a specific fund or account and may only be appropriated or used in the manner as prescribed by law. Some of the funds of the State of West Virginia are subject to direct appropriation by the Legislature and are specifically included in the appropriations (budget) bill submitted by the Governor to the Legislature for their consideration and final passage of a budget.

All funds of the State of West Virginia fall into one of five categories and are subject to legislative review and oversight. Other than the exceptions mentioned below, these funds are subject to appropriation by the Legislature:

- General Revenue Fund
- State Road Fund
- Lottery and Excess Lottery Funds
- Federal Funds
- Special Revenue Funds

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

The **General Revenue Fund** (or General Fund) consists primarily of the major tax revenue of the state such as Consumer Sales Tax and Use Tax, Personal Income Tax, Business and Occupation Tax, Corporate Net Income Tax/ Business Franchise Tax, Tobacco Products Tax, and Severance Tax. These taxes comprise approximately 93% of the General Revenue Fund. The remaining seven percent of the General Revenue Fund is a combination of lesser taxes along with fees such as Liquor Profit Transfers and transfers from lottery revenues.

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

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

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

**Lottery Funds** consist of revenue derived from the sale of lottery tickets or games, limited video lottery, and table games. House Bill 102 passed in 2001 provided for changes in the Lottery Act and Racetrack Video Lottery Act as well as the creation of the Limited Video Lottery Act. In addition, House Bill 102 created an Excess Lottery Fund and stipulates to which fund lottery profits are to be directed; the Lottery Fund or the Excess Lottery Fund. Also, during the 2007 Regular Legislative Session, HB 2718 allows for table games at West Virginia racetracks (if approved by local option election).

## Revenue Sources

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

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

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

The Table Games Fund may be used to enable the aged and disabled citizens of West Virginia to stay in their homes through the provision of home and community-based services received from annual license fees. Table Game revenues can also be used for the purpose of accelerating the reduction of existing unfunded liabilities and existing bond indebtedness of the State.

**Federal Funds** are received directly from the federal government and may only be used for the specific purpose for which they are intended. Federal Funds consist of any financial assistance made directly to any state department/bureau/commission/division by the United States government, whether a loan, grant, subsidy, augmentation, reimbursement, or any other form of such assistance, including federal matching funds.

Federal Funds have become a substantial part of the operation of state government, either as part of ongoing programs or structured to institute state action. In all cases, Federal Funds are a significant feature of state services and the budget process.

With the following exceptions, Federal funds must be included in the Budget Act and appropriated by the Legislature (as required by W.Va. Code §4-11-6):

- Federal Funds received by state institutions of higher education, by students, or by faculty members of such institutions for instructional or research purposes and federal funds received for student scholarships or grants-in-aid.
- Federal nondiscretionary pass-through funds earmarked in specified amounts or appropriations for transmittal to local political subdivisions or to designated classes of organizations and individuals who do not require State-matching funds and do not permit discretion in their distribution by the receiving state spending unit.
- Federal Funds made available to the State for costs and damages resulting from natural disasters, civil disobedience, or an occurrence declared by the Governor as a state of emergency.
- Federal Funds received by the West Virginia Division of Highways or the West Virginia Commissioner of Highways.

**Special Revenue Funds** consist of individual accounts created for a specific purpose and the revenues may be expended only for that specific purpose unless otherwise directed by the Legislature. These accounts generate revenue derived from permits, licenses, and established rates or fees for services provided either to the public, other state agencies, or non-State governmental entities. These accounts are generally “from collections” and the spending is limited to the amount collected or the amount appropriated by the Legislature, whichever is less. Proprietary funds and trust funds are included in the budget as Special Revenue Funds.

Certain special revenue accounts are specifically appropriated by the Legislature and included in the Budget Act. Other Special Revenue accounts, generally referred to as “nonappropriated,” are not specifically appropriated and are

## *Revenue Sources*

not included in the Budget Act. These nonappropriated Special Revenue accounts derive their authority to expend funds from general law and language contained in the Budget Act for that particular fiscal year.

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

### **Revenue Estimates**

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

The final forecast for an upcoming fiscal year is derived from the November economic forecasts approximately seven months prior to the beginning of a fiscal year. The forecast is adjusted at the conclusion of each Regular Legislative Session to incorporate any fiscal changes associated with tax law modifications. Even though numerous economic events and other changes occur seven to 19 months after the development of the final fiscal year forecast, the official revenue estimates seldom change. However, staff monitors actual revenue collections on a daily and monthly basis. If the revenue estimates ever appear to be too optimistic given tax collection trends and economic conditions, such determinations are immediately forwarded to policymakers. Projected revenue shortfalls do result in mid-year budget reductions, as was the case for FY 2010. Based upon results over the past two decades, the probability of a revenue shortfall issue in any given year is less than 30%.

### **Additional Revenue Information**

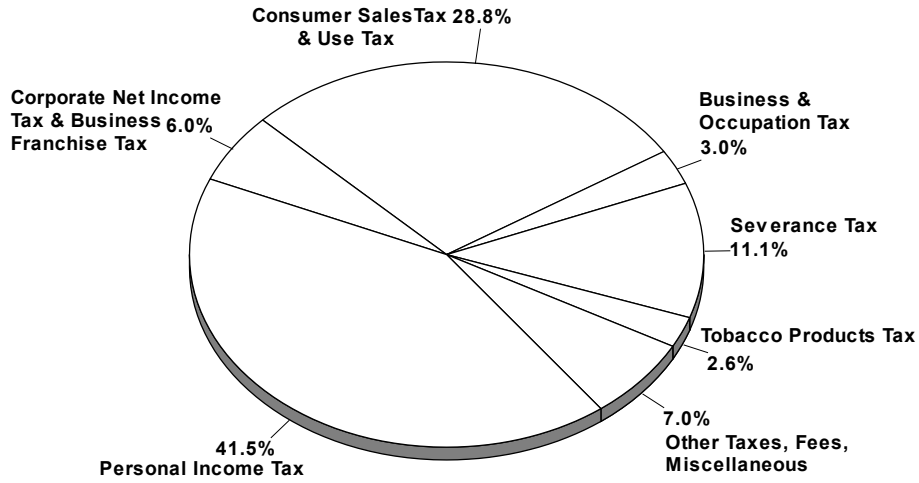
The following pages contain graphs and explanations of the sources of estimated revenues and areas of expenditure for General, State Road, Lottery, and Federal Funds. Due to the multitudinal sources of revenue, only the area of estimated expenditures is depicted for the Special Revenue Funds. The Medicaid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

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

# General Revenue Fund

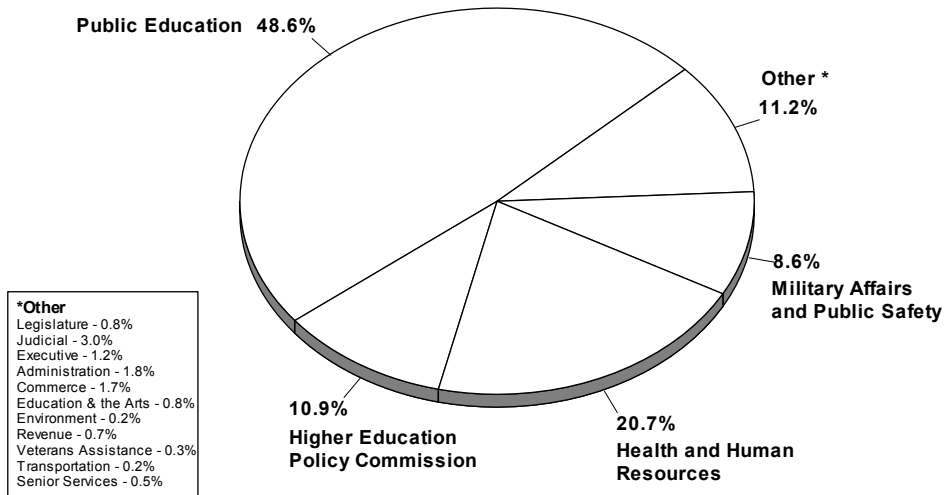
## Sources of Revenue

Fiscal Year 2013  
\$4.150 Billion  
(Estimated)



## Recommended Expenditures

Fiscal Year 2013  
\$4.150 Billion



# Personal Income Tax

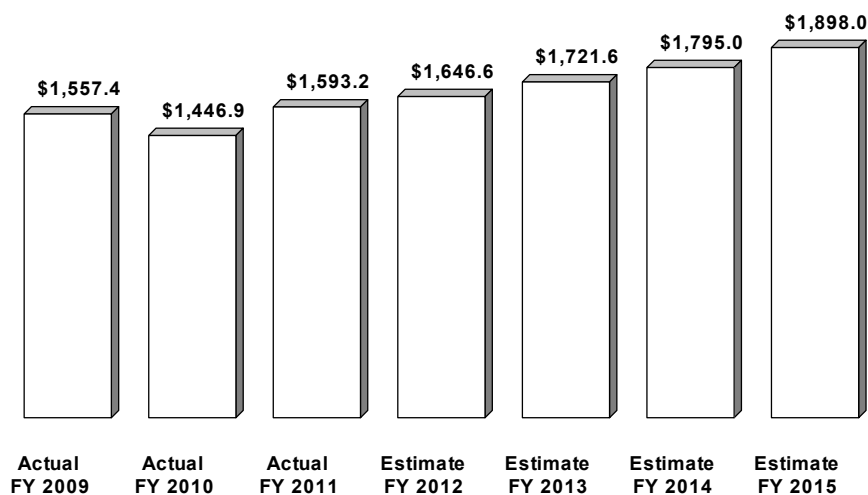
Personal Income Tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 71% of all Personal Income Tax receipts. After increasing at an average annual rate of 0.8% between 2003 and 2008, the West Virginia economy shed payroll employment jobs at a rate of 4.7% in 2009 and 3.3% in 2010. Through October, the number of payroll employment jobs has risen 0.3 percent in 2011. According to the most recent forecasts from IHS Global Insight, payroll employment is expected to rebound with an annual growth rate averaging roughly 1.2% between 2011 and 2017. IHS Global Insight projects personal income to increase 3.8% in 2011 and to rise by roughly four percent annually between 2011 and 2017.

Income tax collections are projected to rise 3.4% in FY2012 and increase at an average annual rate of roughly 4.7% during the FY 2013–FY 2017 forecast period.

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

- Tax on West Virginia taxable income:**
- 3.0% on the first \$10,000 of taxable income.
  - 4.0% on taxable income between \$10,000 and \$25,000.
  - 4.5% on taxable income between \$25,000 and \$40,000.
  - 6.0% on taxable income between \$40,000 and \$60,000.
  - 6.5% on taxable income in excess of \$60,000.
  - Accounts for 41.5% of total General Revenue Fund.

## Personal Income Tax (Expressed in Millions)



## Consumer Sales Tax and Use Tax

Consumer Sales and Use Tax collections depend heavily upon retail sales (52%) and taxable services (24%) activities. The tax base includes most retail sales except for automobiles, gasoline, prescription drugs, purchases made with food stamps, and (due to a reduced tax rate of three percent) 50% of the value of food for home consumption. The sales tax rate on food for home consumption will be further reduced to 2% as of January 1, 2012; to 1% as of July 1, 2012; and 0% as of July 1, 2013 [if the balance in the Rainy Day Fund is at 12.5% of the FY 2013 General Revenue budget, on December 31, 2012]. The reduced rate of tax does not apply to sales, purchases, and uses by consumers of prepared food; food sold through vending machines; and soft drinks. These items are taxed at the full 6% rate.

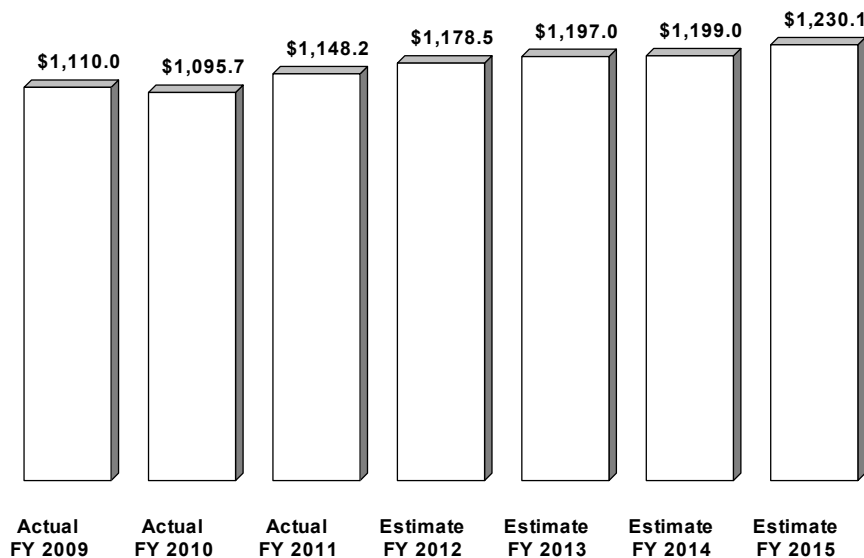
Retail sales growth depends upon changes in population, disposable personal income, inflation rates, interest rates, consumer debt, and consumer confidence. Disposable income growth is forecast to fall slightly from 2.7% in FY 2011 to 2.6% in FY 2012. Thereafter, disposable personal income is forecast to rise by an average annual rate of 3.9% between FY 2012 and FY 2017.

After rising by an estimated 3.5% in FY 2012, Consumer Sales and Use Tax collections are forecast to slow to an average annual growth rate of 2.2% during the FY 2012–FY 2017 forecast period.

In addition to the General Revenue Fund, some Consumer Sales Tax collections go into special revenue accounts for the benefit of school construction, highway maintenance, and E-911 funded programs (i.e., \$46.4 million in FY 2011, \$46.7 million in FY 2012, \$47.1 million in FY 2013, \$47.4 million in FY 2014, and \$47.8 million in FY 2015).

- **6% Sales and Use Tax on most goods and services.**
- **3% Sales and Use Tax on food and food ingredients that are not prepared.**  
**The tax rate on these purchases declined to 2% on January 1, 2012, and will decline to 1% on July 1, 2012.**
- **Total Sales and Use Tax accounts for 28.8% of total General Revenue Fund.**

### Consumer Sales Tax and Use Tax (Expressed in Millions)





*General Revenue Fund*  
**Severance Tax**

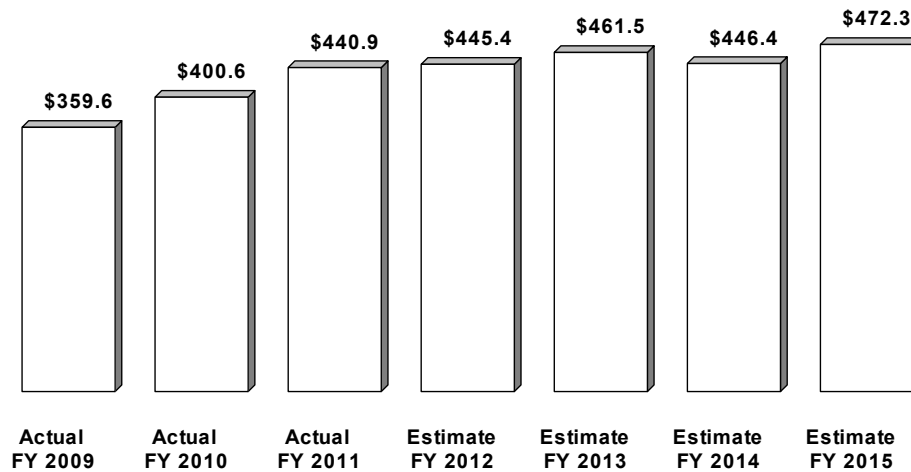
Severance Tax collections are attributable to coal production (88.0%), natural gas production (9.8%), and the production of various other natural resource products (2.2%). Other natural resources products include timber, oil, coalbed methane, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2011, Severance Tax receipts were deposited in the State General Revenue Fund (86.2%), the State Infrastructure Fund (4.7%), local government funds (9.0%), and the State Division of Forestry (0.1%). The first \$24 million of annual receipts is dedicated to the Infrastructure Fund.

Severance Tax collection growth largely depends upon changes in coal and natural gas production and their respective prices. Coal prices rose dramatically over the past five years due primarily to growing global demand and supply limitations in the world market. The average price per ton of West Virginia coal rose from slightly less than \$30 per ton in 2003 to roughly \$85 per ton in 2011. Severance Tax receipts grew by more than 200% between FY 2004 and FY 2011 in response to these higher prices. A slow growing economy, a weakening European economy, and increased competition from natural gas will lead to an expected 13% decrease in coal production over the next five years along with some decrease in price, especially over the next year or two. The expected trend for natural gas during the forecast period is somewhat the opposite of coal with natural gas production increasing while prices remain stable. The increase in natural gas production is attributable in part to continuing development of Marcellus Shale deposits. Since coal and natural gas represent roughly 98% of the Severance Tax, the combined price and production projections will result in some year to year variance in collections.

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

- **Privilege tax on gross receipts with a base rate of 5.0%. (Reduced rates for underground thin seam coal, waste coal, and timber.)**
- **Applies to natural resources (coal, gas, oil, other) production.**
- **Accounts for 11.1% of total General Revenue Fund.**

**Severance Tax**  
 (Expressed in Millions)



# Corporation Net Income Tax and Business Franchise Tax

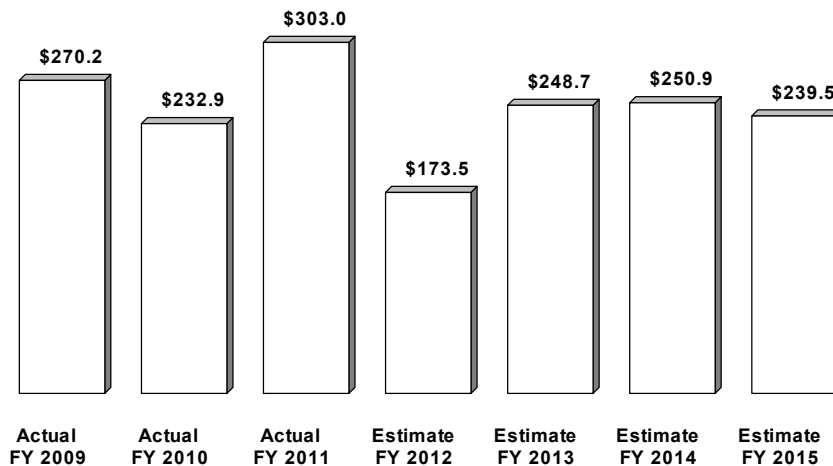
The Corporation Net Income Tax taxes net profits of incorporated entities doing business in West Virginia. The Business Franchise Tax taxes the net equity component (defined as the value of capital stock, preferred stock, paid-in capital, and retained earnings) of business balance sheets and applies to most corporations, partnerships, and limited liability companies. Domestic corporate profits fell in 2007 and 2008 after an extended period of above average growth. However, after a mild recovery, domestic corporate profits are projected to continue growing during the forecast period at an average annual rate of roughly two percent. In addition, retained earnings, a component of balance sheet net equity, are at high levels following growth of over 100% in 2009 and 19% in 2010 as corporations sought to improve their balance sheets. Although retained earnings are predicted to decline at an average annual rate of roughly one percent over the 2011 to 2017 period, there is an expectation of significant year to year variance in retained earnings in the forecast.

Since remittances of the Corporation Net Income Tax and Business Franchise Tax may lag the associated economic period by up to 18 months, the decline in corporate profits through 2008 resulted in reduced tax collections through 2010. The combined effect of scheduled decreases in both the Corporation Net Income Tax rate and the Business Franchise Tax rate will be offset in the first two years of the forecast period due to a steep rise in retained earnings, continued modest increases in corporate profits, and the anticipated expiration of temporary bonus depreciation at the end of calendar year 2012. However, collections are expected to decrease over the last three years of the forecast as projected modest increases in corporate profits will be more than offset by the impact of reduced tax rates.

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

- **Corporation Net Income Tax applies to C corporations. The tax base is modified federal taxable income apportioned to West Virginia with a current tax rate of 7.75% effective January 1, 2012.**
- **Business Franchise Tax applies to most corporations, partnerships, and limited liability companies. The tax base is net equity apportioned to West Virginia with a current tax rate of 0.27% effective January 1, 2012.**
- **The Corporation Net Income Tax rate will decrease in stages from 7.75% to 6.5% effective January 1, 2014.**
- **The Business Franchise Tax rate will decrease in stages from 0.27% to 0.0% by January 1, 2015.**
- **Accounts for 6.0% of total General Revenue Fund.**

## Corporation Net Income Tax & Business Franchise Tax (Expressed in Millions)



# Business and Occupation Tax

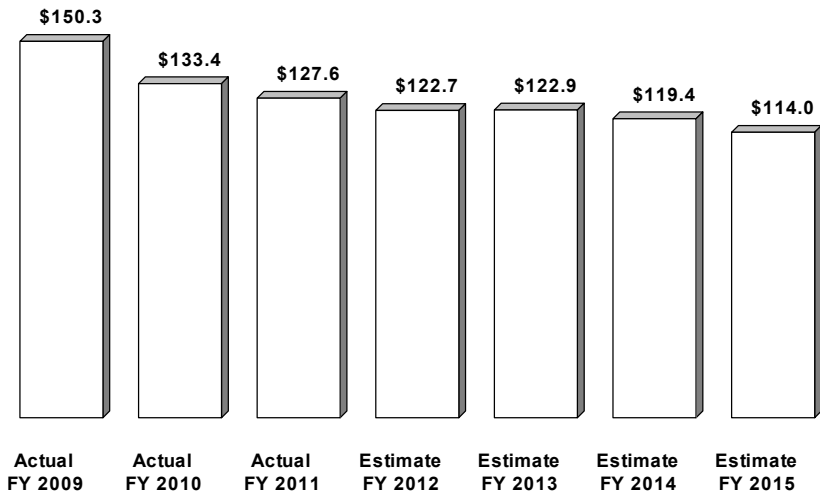
The Business and Occupation Tax (B&O Tax) consists of three distinct components: a capacity or unit-based tax on electric power generation and distribution, a gross receipts tax on nonelectric public utilities, and a per unit tax on gas storage operators. During the forecast period, B&O Tax collections will decline steadily through the first part of the period before a modest increase near the end of the period.

For electric power producers, the general tax rate is \$22.78 per kilowatt of taxable capacity. Plants with flue gas desulfurization systems are subject to a lower tax rate of \$20.70 per kilowatt. The installation of fuel gas desulfurization systems at existing power plants that was generally completed by the end of 2010 resulted in a shift of a large portion of the tax base to the lower tax rate. The shift to the lower tax rate along with an increase in investment tax credits due to recent capital investments reduced total Business and Occupation Tax collections by roughly one-third from FY 2006 to FY 2012. In response to a series of proposed U. S. Environmental Protection Agency regulations that would impact coal-fired electric generating plants, some West Virginia plants may be retired. The retired plants will further reduce the tax base and lead to further declines in Business and Occupation Tax revenue.

The tax on natural gas receipts applies only to public utility sales. Exempt non-utility sales represent roughly 41.3% of all natural gas sales in West Virginia. In addition to the tax on public utilities, West Virginia imposes a tax on natural gas storage activities. Revenue from this source should remain fairly stable during the forecast period. The U.S. Energy Information Administration projects slight increases of less than one percent per year in natural gas prices at the beginning of the forecast period and increases of roughly three percent per year through the remainder of the forecast period. However, increases in tax collections from natural gas utilities during the forecast period will be more than offset by declines attributable to tax collections from electric power generation activity.

- **Privilege tax on units of activity or gross receipts.**
- **Applies to public utilities, electric power generators, natural gas storage.**
- **Tax rates and base vary.**
- **Accounts for 3.0% of total General Revenue Fund.**

**Business and Occupation Tax**  
(Expressed in Millions)

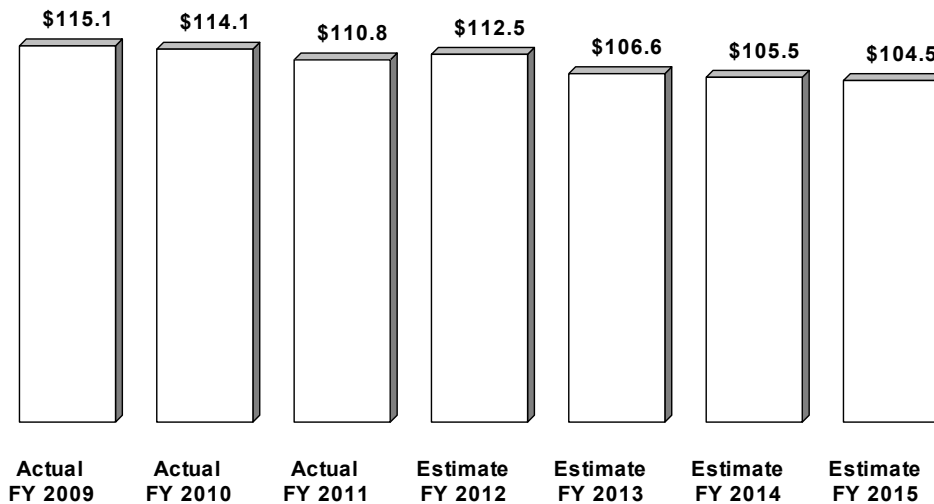


# Tobacco Products Tax

The Tobacco Products Tax consists of a per pack tax on cigarettes and a percentage tax on the wholesale price of other tobacco products. Programs continuing to discourage tobacco usage will dampen the outlook for long-term revenue growth for this tax. However, tax rate increases that are implemented in the states surrounding West Virginia can result in short-term increases in revenue. Tobacco Products Tax collections are forecast to decline by an average of 1.8% per year during the FY 2012–FY 2017 forecast period due to reduced consumption.

- Tax of \$0.55 per pack of 20 cigarettes.
- Tax of 7% of the wholesale price on tobacco products other than cigarettes.
- Accounts for 2.6% of total General Revenue Fund.

## Tobacco Products Tax (Expressed in Millions)



## Other Taxes and Fees

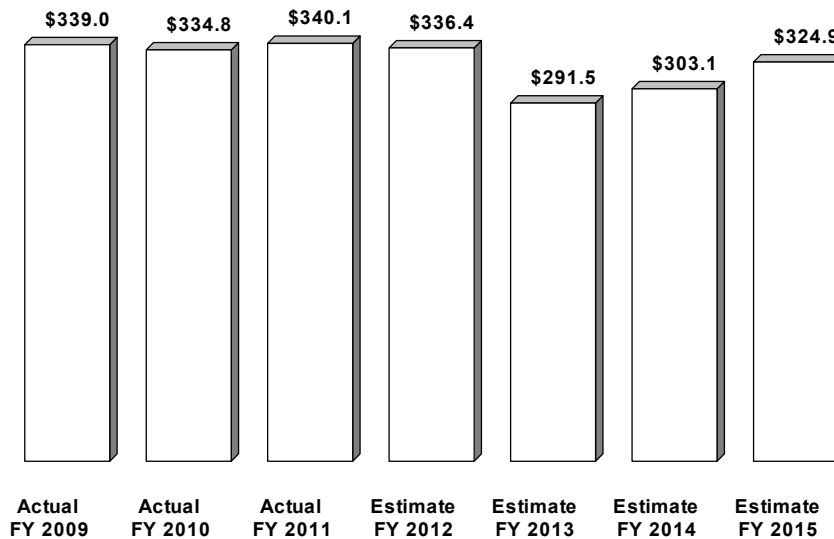
These other taxes, licenses, fees, and receipts consist of Insurance Premiums Tax, Liquor Profit Transfers, Beer Tax and Licenses, Business Franchise Registration Fees, Property Tax, Property Transfer Tax, Departmental Collections, Interest Income, Miscellaneous Receipts, Miscellaneous Transfers, Video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

Although the Telecommunications Tax is included in this group, no net collections from this source are anticipated during the forecast period. In addition, enacted tax modernization legislation to eliminate Business Franchise Registration renewal fees will result in significant declines in this revenue source.

The annual appropriated Excess Lottery Transfer to the State General Revenue Fund is expected to be \$92.6 million per year for the forecast period, a 27.6% decline from annual appropriated transfers prior to FY 2013. Most of the forecasted revenue from the ten-year retail liquor establishment license renewal program was collected during FY 2010 and FY 2011, and the remainder of forecasted revenue will spread out over a period of up to five years.

- **Accounts for 7.0% of total General Revenue Fund.**

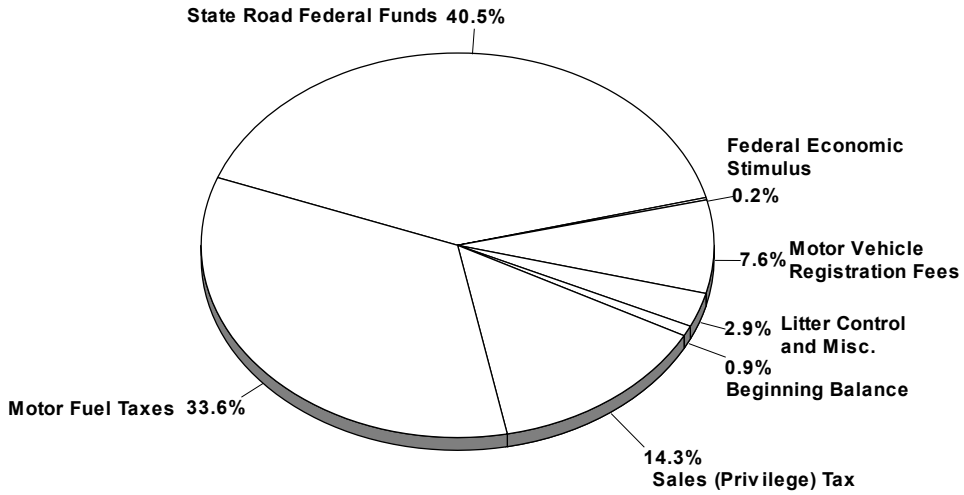
### Other Taxes and Fees (Expressed in Millions)



# State Road Fund

## Sources of Revenue

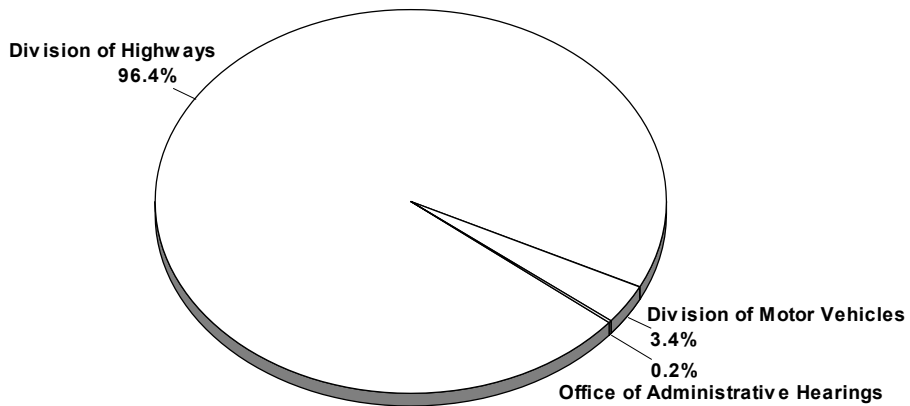
Fiscal Year 2013  
\$1.221 Billion\*  
(Estimated)



\*Includes Beginning Cash Balance plus FY 2013 Revenue.

## Recommended Expenditures

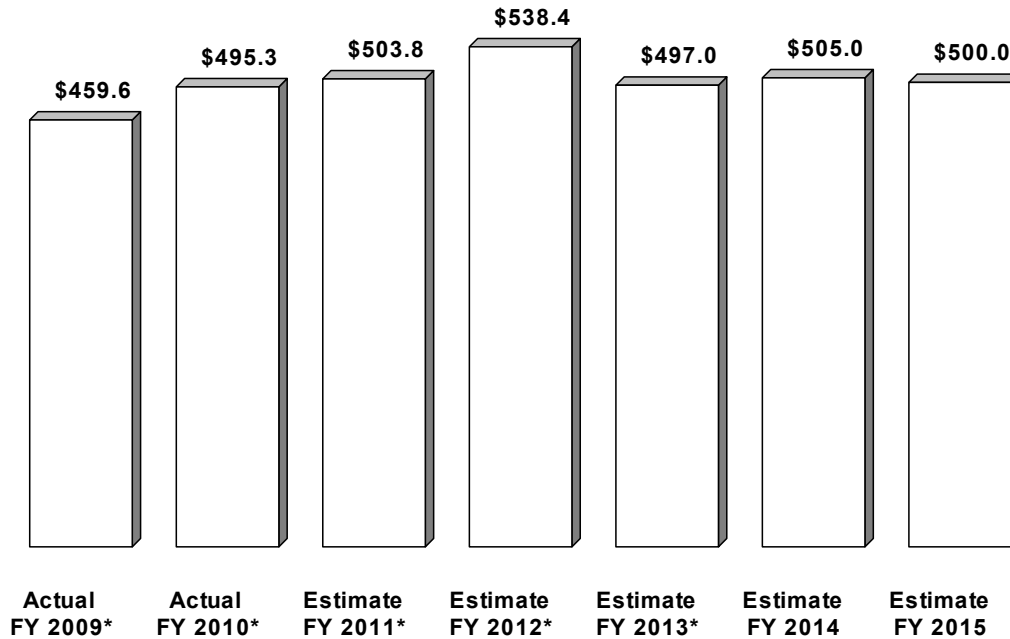
Fiscal Year 2013  
\$1.211 Billion



# State Road Federal Funds

- Federal funds are received by the Division of Highways for Interstate Construction, Appalachian Programs, Other Federal Aid programs, and Federal Economic Stimulus.
- These funds become part of the State Road Fund or Coal Resource Transportation Road Fund and are included in the amounts budgeted for each fund.
- Accounts for 41.1% of the total State Road Fund.

## State Road Federal Funds (Expressed in Millions)



\* Includes Federal Economic Stimulus of \$5.0 million in FY 2009, \$99.9 million in FY 2010, \$86.4 million in FY 2011, \$20.0 million in FY 2012, and \$3.0 million in FY 2013.

# Motor Fuel Taxes

## Motor Fuel Excise Tax

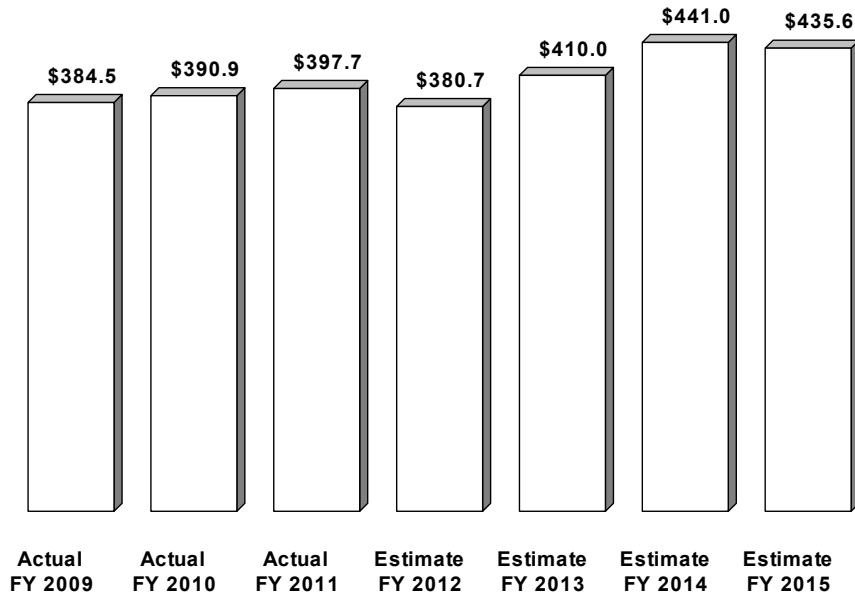
- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to five percent of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from a terminal in another state for delivery in this state.
- The average wholesale price shall not be less than \$2.34 per gallon, which generates a minimum tax rate of \$0.117 per gallon.
- By December 1st of each year, the tax commissioner must calculate the average wholesale price and variable rate from sales data from the previous July through October. Calculated rate is effective for the next calendar year. The calculated price and calculated rate may not deviate by more than ten percent from the prior year.

## Motor Carrier Road Tax

- Equivalent to the Motor Fuel Excise Tax on motor fuel.
- Imposed upon every motor carrier with a vehicle that is designed to transport persons or property having two or more axles with a gross vehicle weight exceeding 26,000 pounds, including road tractors and tractor trucks.
- Based upon each gallon of motor fuel used in the carrier's operations in the state.
- Carrier is entitled to a refund for fuel purchased in the state but used out of state.
- Carriers domiciled in the state are charged an annual fee of \$10 for two identification markers.

• Accounts for 33.9% of the total State Road Fund.

## Motor Fuel Taxes (Expressed in Millions)

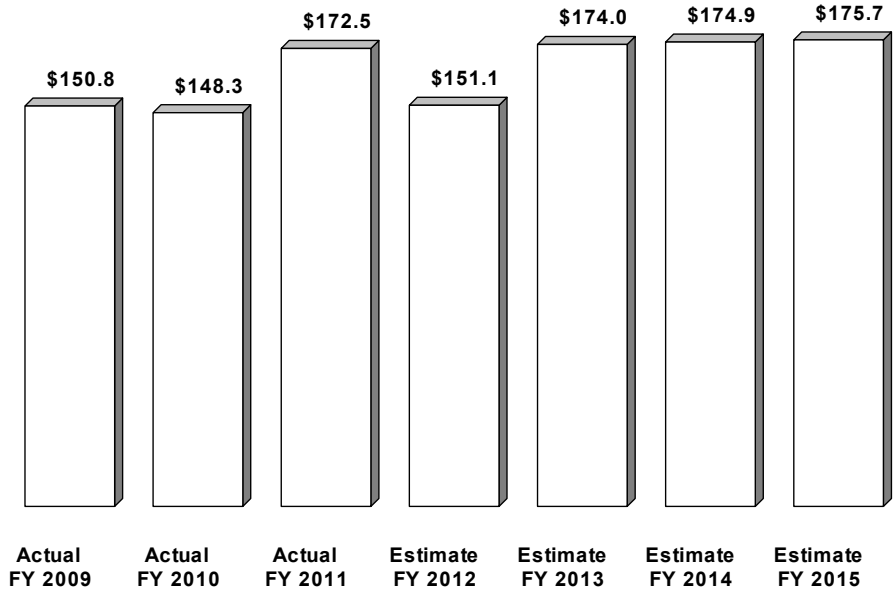




# Sales Tax (formerly Privilege Tax)

- The Sales Tax is imposed for obtaining the certificate of Title on a vehicle at the time of purchase or lease.
- Tax amounts to five percent of the value of the vehicle at the time of such certification.
- Accounts for 14.4% of the total State Road Fund.

## Sales (Privilege) Tax (Expressed in Millions)



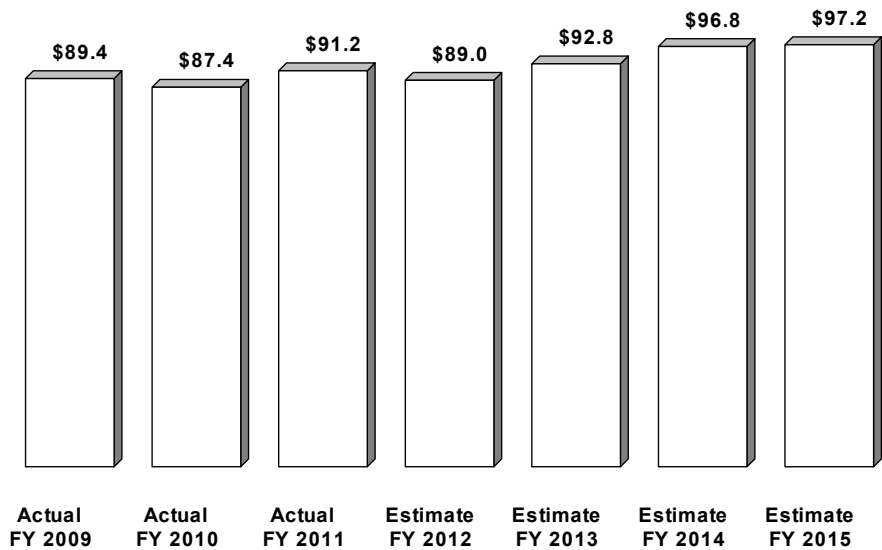
State Road Fund

# Registration Fees

The Division of Motor Vehicles collects numerous fees that are required to be deposited in the State Road Fund, including: certificate of title, vehicle licenses (registration), dealers' and wreckers' licenses, and operator licenses and renewals.

- Accounts for 7.7% of the total State Road Fund.

## Motor Vehicle Registration Fees (Expressed in Millions)



# West Virginia Lottery

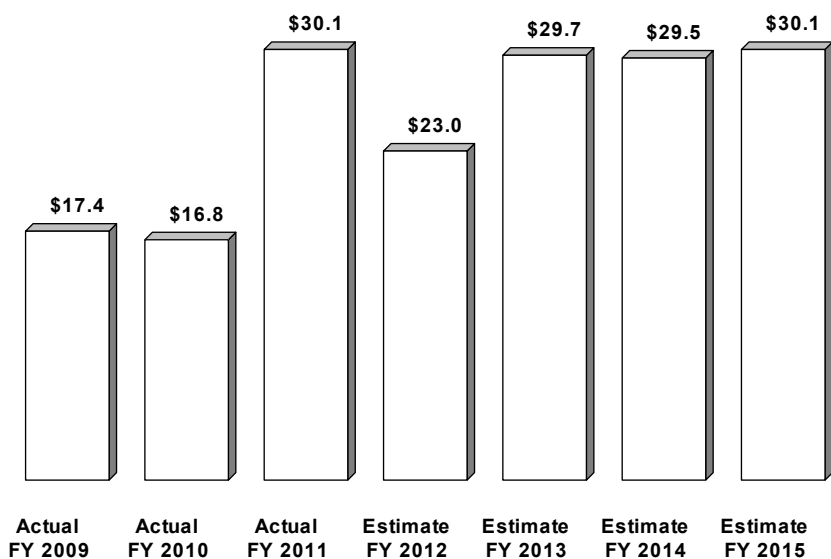
West Virginia Lottery gross revenue decreased 9.0% in FY 2010 and 2.5% in FY 2011. The decrease is primarily the result of increased competition in neighboring states and the downturn in the overall economy. Gross revenues include ticket sales of on-line and instant games, Racetrack Video Lottery, Limited Video Lottery revenue, Table Games, and Historic Resort Hotel revenues. Correspondingly, net revenue decreased by 7.7% and 0.6% for FY 2010 and FY 2011, respectively. Racetrack Video Lottery decreased by 12.0% during FY 2010 and 2.6% during FY 2011. Limited Video Lottery decreased by 3.7% in FY 2010 and increased by 0.1% in FY 2011.

For FY 2012 the official estimate reflects a decrease in gross revenue of 5% from the prior year. Racetrack Video Lottery is projected to decrease 2%, and Limited Video Lottery is projected to decrease 5% due to increased competition in bordering states. On-line sales are projected to increase by 6%, and instant ticket sales are projected to decrease by 12%. Table Games revenue is 100% statutorily distributed and should provide \$22.45 million in net revenue to the State's Debt Reduction Fund. Historic Resort Hotel revenue is 100% statutorily distributed and should provide \$509,000 in net revenue to the State's Debt Reduction Fund and \$1.7 million to the State's General Revenue Fund.

In FY 2013, the gross revenue estimate is expected to have a 14% decrease. On-line game sales are projected to decrease by 15%. Instant game sales are projected to increase by 4%. Racetrack Video Lottery revenue is projected to decrease 26%. Limited Video Lottery revenue is expected to remain level. Table Games should provide \$29.1 million in net revenue to the State's Debt Reduction Fund. Historic Resort Hotel revenues games should provide \$505,000 to the State's Debt Reduction Fund and provide \$1.7 million to the State's General Revenue Fund.

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

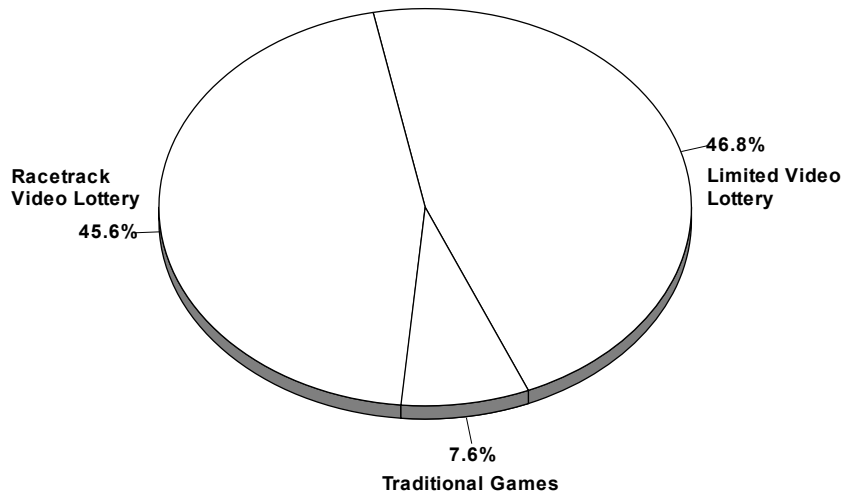
## West Virginia Lottery Table Games Revenue Dedicated to State Debt Reduction (Expressed in Millions)



# West Virginia Lottery

## Sources of Revenue

Fiscal Year 2013  
\$395.9 Million \*  
(Estimated)

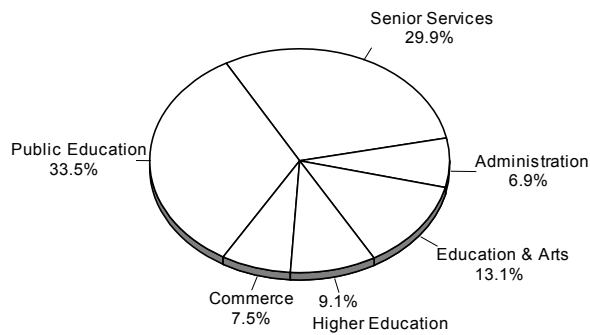


\* Does not include beginning cash balance.

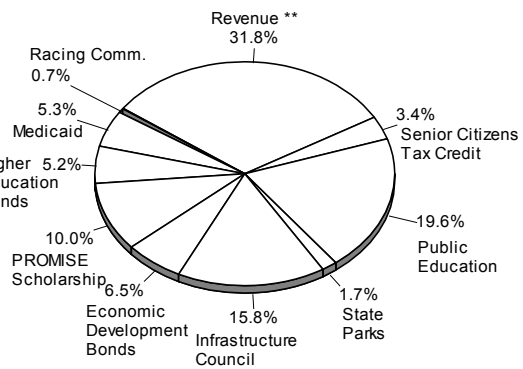
## Recommended Expenditures

Fiscal Year 2013  
\$436.0 Million

**Lottery Fund\***  
**\$145.0 Million**



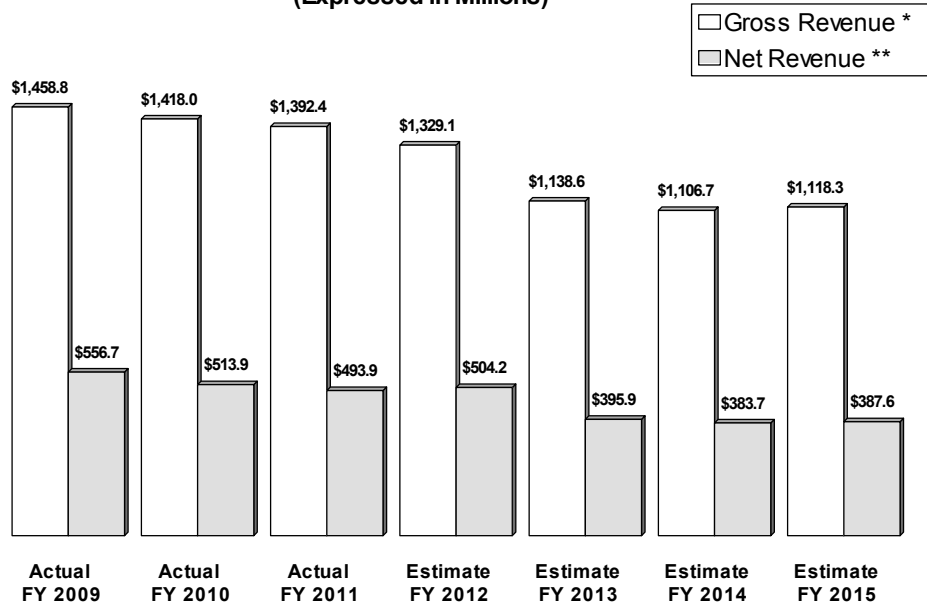
**Excess Lottery Fund \***  
**\$291.0 Million**



\* Expenditures include FY 2013 revenues and beginning balances.

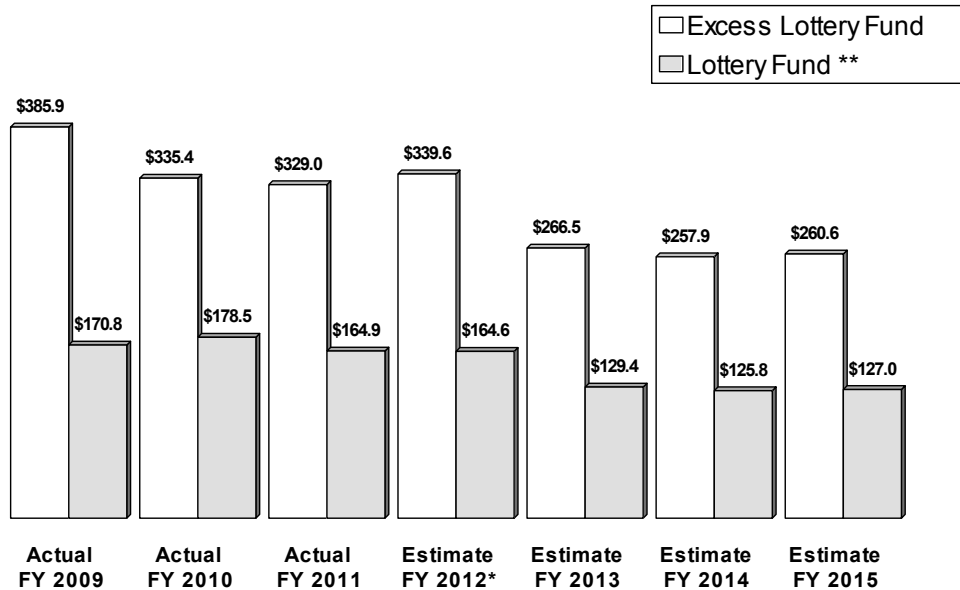
\*\* Transfer to General Revenue Fund.

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



\* Includes \$30 million for catastrophic events and cash flow which are not available for appropriation. Excludes Table Games and Historic Resort Hotel revenues.  
 \*\* Includes \$800,000 for Veterans Lottery Fund.

**West Virginia Lottery  
Net Revenue Distribution  
(Expressed in Millions)**

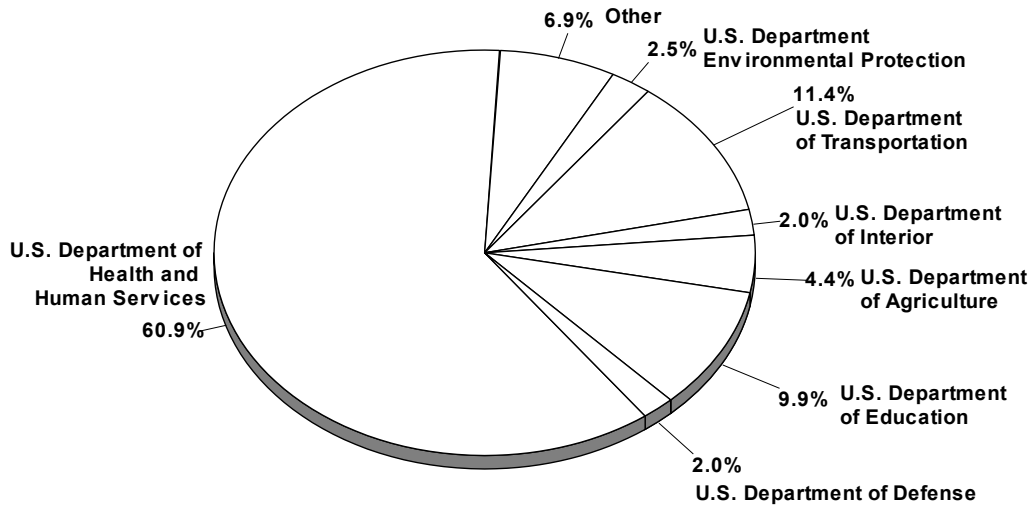


\* Includes \$30 million for catastrophic events and cash flow which is not available for appropriation in the Excess Lottery Fund.  
 \*\* Includes \$800,000 for Veterans Lottery Fund.

# Federal Funds

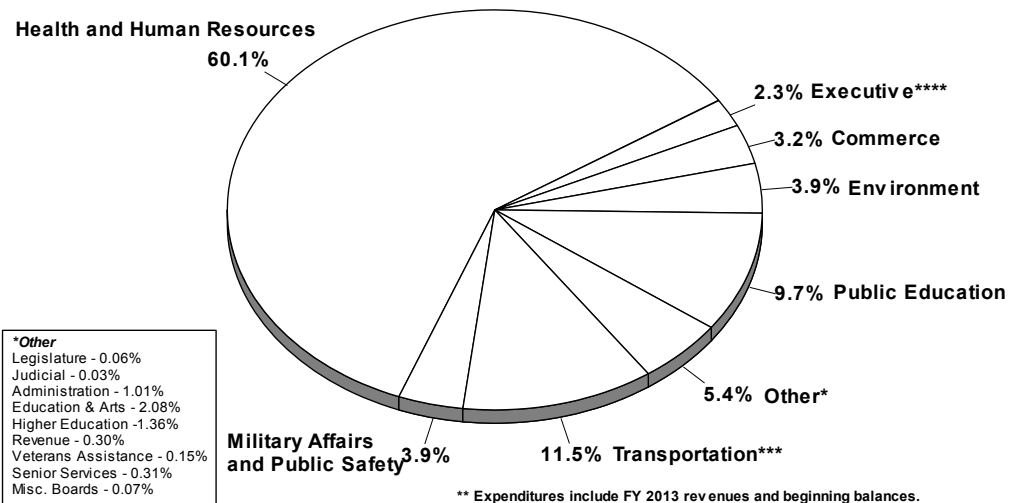
## Sources of Revenues

Fiscal Year 2013  
\$4.744 Billion  
(Estimated)



## Recommended Expenditures\*\*

Fiscal Year 2013  
\$4.768 Billion



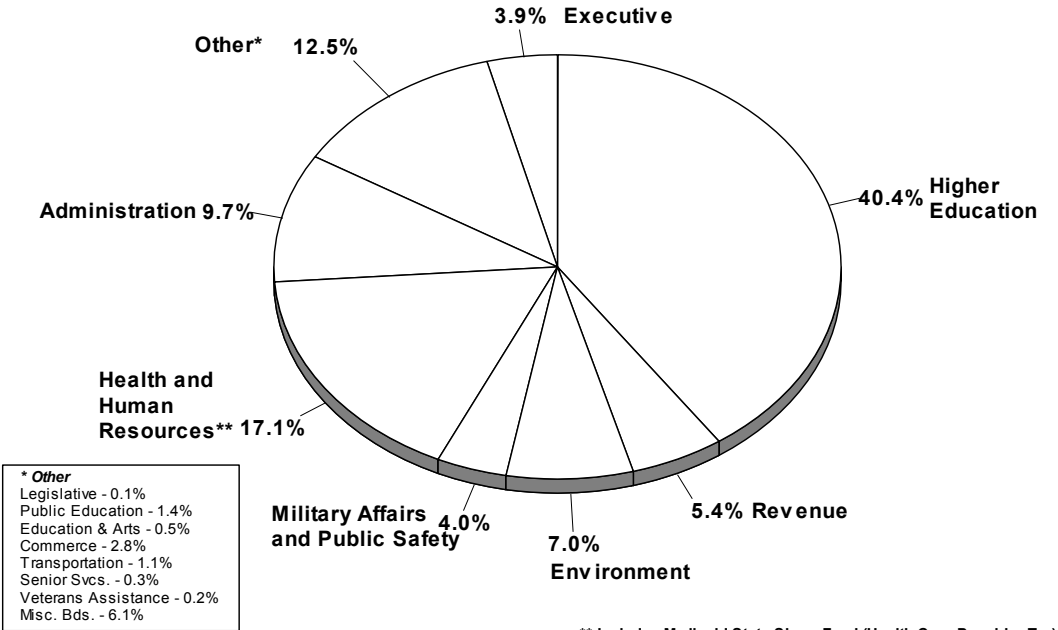
\*\* Expenditures include FY 2013 revenues and beginning balances.  
 \*\*\*Includes Federal Funds that are appropriated as part of the State Road Fund.  
 \*\*\*\*Includes Education Stabilization and Ed Jobs funds.

# Special Revenue Funds

**Does not include:**

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

## Recommended Expenditures Fiscal Year 2013 \$3.850 Billion



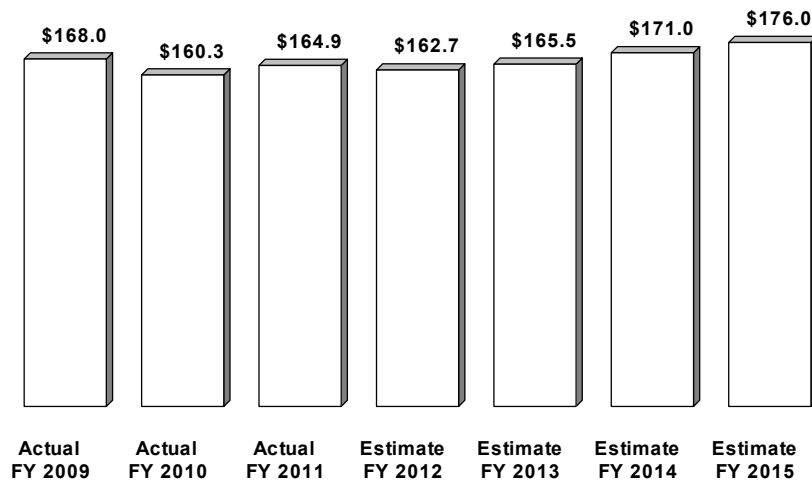
# Medicaid State Share Fund

The Medicaid State Share Fund consists of provider taxes, paid by the various health care providers, to be utilized as matching funds for the Federal-State Medicaid Program. The provider taxes were initially enacted in 1993 as a funding mechanism to help supplement the State General Revenue Fund appropriation for the Medicaid Program. The Federal-State Medicaid Program grew significantly from roughly \$300 million in FY 1989 to nearly \$2.79 billion in FY 2011 (based on Legislative Oversight Commission on Health and Human Resources Accountability reports, which do not include prior period adjustments), a rate of growth that was more than two times greater than the growth rate for the State General Revenue Fund. During the forecast period, the federal government will fund roughly 72% of the Medicaid Program in West Virginia through a match of roughly \$3 per every \$1 of State funds appropriated for the program. In FY 2011, the Medicaid State Share Fund generated nearly \$165 million or roughly 21% of the State matching funds for the Medicaid Program. Based upon long-term trends, Medicaid Program costs are rising by approximately 11% per year while General Revenue Fund collections are increasing by an average of roughly two to three percent per year.

Legislation enacted in 2001 phased out various individual provider taxes over a ten-year period. As of July 1, 2011, the tax applies to services of ambulatory surgical centers, independent laboratory and x-ray facilities, inpatient and outpatient hospitals, intermediate care facilities for mentally handicapped, nursing homes, and behavioral health centers.

- **1.75% to 5.50% tax on gross receipts from various medical service providers in West Virginia.**
- **Accounts for 21% of State match for Medicaid Program.**

## Medicaid State Share Fund (Expressed in Millions)





# DEBT SUMMARY





# Debt Summary

More than twenty independent agencies, authorities, boards and departments have the power to issue debt. Recognizing the need to manage debt, the Debt Management Act of 1991 created the Division of Debt Management within the State Treasurer's Office. The division is authorized to develop long-term debt plans, evaluate cash flow projections for existing debt and proposed issues, act as a liaison with the Legislature, assist in the issuance of debt, and issue a report on debt.

## State Indebtedness

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

## Approval of State Bond Issues

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

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

## Ratings and Ratios

As of June 30, 2011, West Virginia's general obligation bond rating was Aa1/AA/AA by Moody's Investors Service, Standard & Poor's, and Fitch Ratings respectively. Subsequent to June 30, 2011, Fitch Ratings upgraded the State's rating to AA+ which is only one "notch" below the highest possible rating of AAA (triple-A). The upgrade was revealed by Fitch in a July 8, 2011, rating report in conjunction with the State's issuance of Economic Development Authority, Regional Jail and Correctional Facilities Authority refunding bonds. According to the report, the upgrade reflects "... the state's consistently positive financial operations, including the expansion of reserves, and an ongoing commitment to reducing long-term liabilities." The rating report noted that West Virginia's economic base had diversified but also warned that the state is still susceptible to the cyclical natural resources industry. It also noted that wealth and other demographic indicators are weak; however, the state had been able to generate budget surpluses despite revenue weakness during the most current recession.

On May 25, 2011, Moody's released its "2011 State Debt Medians Report" that compares states on various debt ratios. At the time of this report, West Virginia was rated Aa1; therefore the following tables compare West Virginia with other states of that same rating. These states, of course, differ from West Virginia in their fiscal composition, debt issuance practices, population, income levels, and other economic indicators. However, a comparison of debt ratios demonstrates that West Virginia is within a moderate range of these key indicators as shown.

## Debt Summary

**Net Tax Supported Debt as a Percentage of Personal Income and Per Capita  
of Similarly Rated States (Rated Aa1 by Moody's Investors Service)  
(taken from Moody's Investors Service, 2011 State Debt Medians, May 2011)**

<u>% of Personal Income</u>		<u>Per Capita</u>	
North Dakota	0.8%	North Dakota	\$315
Montana	1.1%	Arkansas	\$361
Arkansas	1.1%	Montana	\$371
Colorado	1.3%	Idaho	\$519
Idaho	1.6%	Colorado	\$524
New Hampshire	1.9%	New Hampshire	\$812
Alabama	2.6%	Alabama	\$856
Pennsylvania	2.7%	Ohio	\$1,007
Minnesota	2.8%	Pennsylvania	\$1,075
Ohio	2.8%	Florida	\$1,150
Florida	3.0%	Minnesota	\$1,159
Kansas	3.2%	West Virginia	\$1,221
West Virginia	3.8%	Kansas	\$1,239
Oregon	5.6%	Oregon	\$2,006
Washington	6.2%	Washington	\$2,626
Massachusetts	9.5%	Massachusetts	\$4,711

### Debt Limits

#### Short-Term Debt

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

#### Long-Term Debt

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

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

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

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

Neither the West Virginia Constitution nor its statutes establish a general limit on all types of debt. For general obligation bonds, the limits are established in the amendment authorizing the debt. For revenue bonds and

## *Debt Summary*

mortgages, debt limits are established at the individual issuer level, either by establishing a dollar ceiling on the total outstanding principal or setting the amount of the appropriation for debt service. While no limits are placed on the other debt instruments, all agreements for installment purchases or capital leases must be approved in advance by the Department of Administration. That review encompasses the entire transaction, including the repayment ability of the agency.

The existing and any proposed debt is well within acceptable limits, and our debt levels are considered moderate. At the present time, the current and planned future bonded debt does not have any adverse impact on the general operating budget of the State.

### **State of West Virginia Bond Issuing Authorities**

<b>Issuing Authority</b>	<b>Debt Limit (Cap)</b>
Governor	Per amendment
Armory Board	Per available revenues
Community Infrastructure Authority	Per available revenues
Division of Natural Resources, Director	Per available revenues
Economic Development Authority	N/A
Economic Development Authority Grant Committee	Per authorized projects
Education, Board of	Per available revenues
Governing Board of Higher Education	Per available revenues
Hatfield-McCoy Regional Recreation Authority	Per available revenues
Higher Education Policy Commission	Various—Per available revenues
Highway Commissioner	Per available revenues
Hospital Finance Authority	N/A
Housing Development Fund	N/A
Independent Higher Education Loan Bond Program	\$30 million
Infrastructure and Jobs Development Council	Per available revenues
Outdoor Heritage Conservation Board	Per available revenues
Parkway Authority	\$200 million
Public Energy Authority	N/A
Public Port Authority	Per revenues
Rail Authority	Per revenues
Regional Jail and Correctional Facilities Authority	Various—per project and available revenues
Solid Waste Management Board	\$100 million
School Building Authority	Per appropriation and available revenues
Tobacco Settlement Finance Authority	Per available revenues
Water Development Authority	Per available revenues

*Debt Summary*

# General Obligation Bonds

General obligation bonds pledging the full faith and credit of the State may be authorized only by constitutional amendment. Each amendment must be approved by two-thirds of both houses of the Legislature before submission to the voters. Enabling legislation is then required for amendments receiving voter approval. As of June 30, 2011, \$555,977,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

### General Obligation Bonds Outstanding June 30, 2011

Amendment	Principal Outstanding June 30, 2011 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$250,517	First \$24 million of Severance Tax
Safe Roads Amendment of 1996	(net) \$305,460	Road Fund

### General Obligation Debt Various Ratios as of June 30:

Ratio	2009	2010	2011	Notes for June 30, 2011, Ending (figures listed in thousands)
GO Debt Service as a percent of the General Revenue Fund (GRF)	1.9%	2.0%	1.7%	GO Debt Service of \$70,857 GRF of \$4,063,786
GO Debt as a percent of Personal Income (PI)	1.1%	1.0%	0.9%	GO Debt of \$555,977 PI of \$59,325,000
GO Debt per Capita	\$353	\$329	\$300	GO Debt of \$555,977 Population of 1,853

## Issued General Obligation Bonds

### 1950 Veterans Bonus Amendment

The 1950 amendment authorized general obligation bonds to be issued in an amount not to exceed \$90 million for the purpose of paying a bonus to veterans of World War I and World War II. In 1951 and 1952, \$67.5 million were sold and have been retired.

### 1956 Korean Veterans Bonus Amendment

The 1956 amendment authorized general obligation bonds to be issued in an amount not to exceed \$90 million for the purpose of paying a bonus to veterans of the Korean Conflict. In 1957 and 1958, \$21.652 million were sold, and \$11 million were refunded in 1962. All outstanding bonds have been retired.

*Debt Summary*  
**General Obligation Bonds**

**1972 Better School Building Amendment**

The 1972 amendment authorized \$200 million in general obligation bonds to be distributed to the county boards of education for the construction, renovation, remodeling, and equipping of elementary and secondary public school buildings or facilities. All outstanding bonds have been retired.

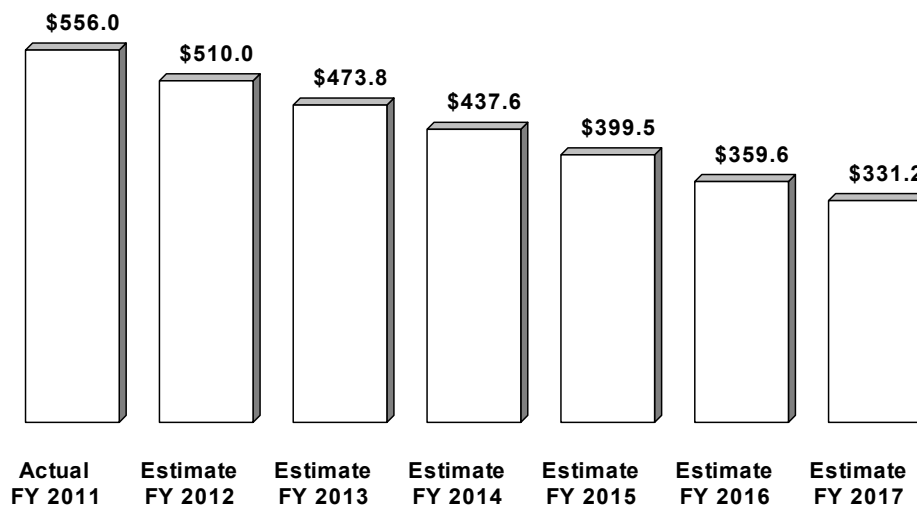
**1973 Better Highways Amendment**

General obligation bonds were authorized to be issued in an amount not to exceed \$500 million, with \$230 million for bridge replacement and improvement, \$130 million for completion of the Appalachian Highway System, \$50 million for upgrading sections of trunkline and feeder systems, \$50 million for upgrading West Virginia Route 2, \$100 million for upgrading state and local service roads, and \$50 million for construction, reconstruction, improving, and upgrading of U.S. Route 52 between Huntington and Bluefield. All outstanding bonds have been retired.

**1994 Infrastructure Improvement Amendment**

The 1994 amendment authorized \$300 million in general obligation bonds for construction, repair, and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction, and improvement of economic development sites. Severance taxes have been dedicated to fund repayment of the bonds. Enabling legislation was enacted in 1995. Litigation challenging the passage of the amendment was decided on December 14, 1995, by the West Virginia Supreme Court of Appeals validating the amendment. The initial issue of \$60 million was sold May 22, 1996, and the second issue of \$57 million was sold December 10, 1996. An issuance of approximately \$92 million occurred in February 1998. The final issue of approximately \$91 million was issued in May 1999, bringing the aggregate amount of bonds to the authorized \$300 million amount. By structuring one of the issues

**General Obligation Debt Outstanding**  
**Fiscal Years 2011 - 2017**  
**As of June 30, 2011**  
**(Expressed in Millions)**



## *Debt Summary* *General Obligation Bonds*

with capital appreciation bonds to minimize debt service over the next seven years, an additional \$50 million was available for projects. In November 2006, the West Virginia Infrastructure and Jobs Development Council issued \$94.2 million of refunding bonds that refunded more than \$95 million of outstanding bonds. Subsequent to June 30, 2011, the Council once again took advantage of favorable interest rates and refunded more than \$19.1 million with the issuance of \$18.6 million in general obligation refunding bonds. The principal outstanding at June 30, 2011 was \$250,517,000 (net of advance refunded bonds). All of the bonds will be fully retired in FY 2027.

### **1996 Safe Roads Amendment**

The 1996 amendment authorized \$550 million in general obligation bonds to match available federal funds for highway construction and general highway construction or for improvements in each of the 55 counties. The legislation authorizing the amendment specified the bonds to be sold over a five-year period in increments of \$110 million each. The bonds are payable from the State Road Fund. Enabling legislation was passed during the 1997 legislative session. \$220 million in Road Bonds were issued in July 1998, and another \$110 million were issued in July 1999, July 2000, and July 2001, respectively. In May 2005, the State issued \$321.4 million of refunding bonds that refunded approximately \$320 million of the previously issued bonds. In July 2010 the State refunded another \$37 million of Safe Road bonds that provided the state with a net present value savings of more than \$4 million. At June 30, 2011, \$305,460,000 was outstanding. The bonds will be fully retired by 2025.

### ***Authorized But Unissued General Obligation Bonds***

#### **1973 Vietnam Veterans Bonus Amendment**

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

#### **1992 Veterans Bonus Amendment**

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

#### **2004 Veterans Bonus Amendment**

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



*Debt Summary*

## General Obligation Debt Outstanding at June 30, 2011 (Expressed in Thousands)

	Final Maturity Date	Interest Rate(s) %	06/30/11 Balance*
<b>Road Bonds</b>			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment (net)	2025	4.00 - 5.50	305,460
<b>Infrastructure Bonds</b>			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	4.25 - 7.625	250,517
<b>TOTAL</b>			<b>\$555,977</b>

### Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2011, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Amount to be accrued	Total
2012	49,277	23,401	118	72,796
2013	39,712	21,235	473	61,420
2014	39,425	19,543	815	59,783
2015	40,824	17,840	1,136	59,800
2016	42,325	16,037	1,430	59,792
2017-2021	161,840	56,810	12,645	231,295
2022-2026	165,227	21,138	22,168	208,533
2027-2031	17,347	327	5,338	23,012
<b>TOTAL</b>	<b>\$555,977</b>	<b>\$176,331</b>	<b>\$44,123</b>	<b>\$776,431</b>

\* Balances do not include unamortized discounts/premiums/issuance costs.  
Balances also do not include the issuance of General Obligation refunding bonds issued subsequent to June 30, 2011.

## **Revenue Bonds**

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

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

Approximately \$1.9 billion in revenue bonds were outstanding at June 30, 2011. A brief review of each issuer follows.

### **Tobacco Settlement Finance Authority**

The Tobacco Settlement Finance Authority was created to issue special revenue obligation bonds that are payable from and secured by the State of West Virginia's right, title, and interest to tobacco settlement revenue. This revenue is received under the terms of the master settlement agreement between participating tobacco product manufacturers, 46 states, and six other U.S. jurisdictions. In June 2007, the authority issued \$1.1 billion (accrued value) in two different series of bonds that are anticipated to mature in 2029. The proceeds of the first two series of bonds were directed to the West Virginia Teachers' Retirement System. At June 30, 2011, the principal outstanding on the bonds totaled approximately \$888 million.

### **West Virginia Commissioner of Highways**

In October 2006, April 2007, and March 2009, the commissioner of highways issued special obligation notes in the form of Grant Anticipation Revenue Vehicles or GARVEEs, as they have become known. The issuance of GARVEEs requires that a highway project be approved as a federal-aid debt-financed (bond, certificate, note, or other debt instrument) project in order to receive payments for eligible debt-related costs. Once a project is selected for bond financing, the project is submitted to the Federal Highway Administration for approval as an advance construction project. The advance construction designation will ensure that the project follows federal-aid procedures and will preserve the eligibility to reimburse debt-related costs with future federal-aid funds. At June 30, 2011, the principal outstanding on the three series of notes totaled \$122 million. The notes are expected to mature in September 2015.

### **West Virginia Infrastructure and Jobs Development Council**

The West Virginia Infrastructure and Jobs Development Council was created to review the preliminary application for waste water facilities, water facilities or combination projects, or infrastructure projects seeking State funding. The council is to make a written recommendation as to the infrastructure project financing in terms of the kind, amount, and source of funding, which the project sponsor should pursue and which the state infrastructure agency or agencies should consider an appropriate investment of public funds. In the alternative, the council may make a determination that the project or infrastructure project is not eligible for funding assistance from any state infrastructure agency or the project or that the infrastructure project is not otherwise an appropriate or prudent investment of State funds, and make a recommendation that the project sponsor not seek funding from any state infrastructure agency. The primary source of repayment for the revenue bonds is the receipt of repayments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation bond proceeds. At June 30, 2011, \$118 million were outstanding.

### **Economic Development Grant Committee/Economic Development Authority**

The West Virginia Economic Development Grant Committee was created to issue economic development grants throughout the State of West Virginia. During FY 2004, the Economic Development Authority issued bonds totaling more than \$249.8 million to fund the grants of the committee. The bonds are secured by an annual pledge of \$19 million from the Excess Lottery Fund. At June 30, 2011, \$190 million were outstanding.

## *Debt Summary Revenue Bonds*

During FY 2011, the Economic Development Authority issued \$155.6 million of Lottery Revenue Bonds.

The bonds were issued to finance various projects including the following:

- \* Renovations and repairs at various Colleges and Universities;
- \* Building renovation of the West Virginia Education, Research, and Technology Park for the Higher Education Policy Commission;
- \* Various renovations at the Capitol Complex; and
- \* Various renovations at state parks throughout West Virginia.

As of June 30, 2011, approximately \$153.7 million remain outstanding. The bonds have a level debt service of approximately \$9.9 million until they mature on June 15, 2040.

### **School Building Authority Capital Improvement Revenue Bonds**

The School Building Authority Capital Improvement Revenue bonds that utilize General Revenue appropriations for repayment consist of two refunding issuances. The principal outstanding on these bonds totaled \$187 million as of June 30, 2011. No “new money” bonds may be issued utilizing General Revenue appropriations for repayment.

### **School Building Authority Lottery and Excess Lottery Revenue Bonds**

The West Virginia School Building Authority was the first West Virginia state agency to issue bonds backed by revenues from the West Virginia Lottery. The first Lottery Revenue Bonds were issued in 1994 in the amount of \$135.6 million. Those bonds matured in 2004. The School Building Authority then issued another series of bonds in 2004 that will mature in FY 2015. The principal outstanding on these Lottery Bonds was \$57 million at June 30, 2011.

The School Building Authority has also issued more than \$127 million in revenue bonds that are backed by certain funds from the Excess Lottery Revenue Fund. The principal outstanding on these bonds totaled approximately \$121 million as of June 30, 2011.

Three additional series of Excess Lottery Revenue Bonds have been issued as qualified school construction bonds (QSCBs), which are federal tax credit bonds. This means that in lieu of receiving interest, purchasers of the bonds receive a tax credit in the amount established by the Internal Revenue Service. The School Building Authority will only be repaying the principal on the bonds, not any interest. The principal outstanding on all QSCBs which are backed by the West Virginia Excess Lottery Revenue Fund was approximately \$138 million (net of debt service sinking funds).

*Debt Summary*

## Revenue Bonds

### Summary of Debt Service Requirements Outstanding at June 30, 2011 (Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2002 & 2007	2022	3.75-5.00	187,380
School Building Authority (Lottery)	2004	2014	5.00-5.25	57,130
School Building Authority (Excess Lottery)	2008 & 2010	2030	3.00-5.25	120,940
School Building Authority QSCBs (Excess Lottery)	2009 & 2010	2024 & 2026	0	150,480
Tobacco Settlement Finance Authority*	2007	2047	7.467-8.5	887,962
Highways, Commissioner of	2006-2009	2015	4.00-5.00	122,795
WV Infrastructure and Jobs Development Council	2003-2007	2045	3.00-5.00	118,175
Education, Arts, Sciences, and Tourism Fund (Lottery)	2010	2040	2.00-5.00	153,705
Economic Development Authority (Lottery)	2004	2026	3.57-6.07	190,415
Subtotal				1,988,982
Less:				
School Building Authority Debt Service Reserve Fund				(23,021)
School Building Authority Debt Service Reserve Fund (Lottery)				(14,180)
School Building Authority Debt Service Sinking Fund - QSCBs (Excess Lottery)				(12,488)
Economic Development Authority Debt Service Reserve Fund (Lottery)*				(23,210)
Net revenue bonds outstanding				<u>\$1,916,083</u>

### Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2011, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	Principal	Interest	Amount to be accrued	Total
2012	88,790	104,478	15,822	209,090
2013	93,240	99,923	17,196	210,359
2014	98,560	94,879	18,688	212,127
2015	95,075	89,528	20,311	204,914
2016	91,490	84,488	22,073	198,051
2017-2021	350,225	360,292	142,657	853,174
2022-2026	440,935	248,618	216,292	905,845
2027-2031	601,875	117,523	327,936	1,047,334
2032-2036	104,538	778,289	299,368	1,182,195
2037-2041	56,020	450,305	63,496	569,821
2042-2046	7,755	799	0	8,554
	<u>\$2,028,503</u>	<u>\$2,429,122</u>	<u>\$1,143,839</u>	<u>\$5,601,464</u>

\*Balance represents accreted value of bonds and does not include unamortized discounts/premiums/issuance costs.

*Debt Summary*

## **Capital Leases**

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

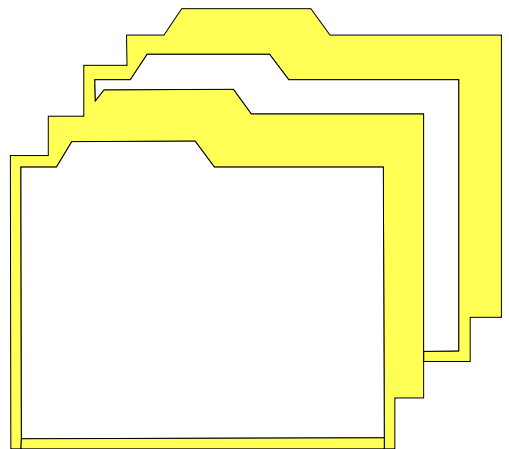
- The lease transfers ownership of the leased asset at the end of the lease term.
- The lease terms and conditions contain a bargain purchase option which allows the state to buy the leased asset for substantially less than the estimated value of the leased item.
- The term of the lease is 75% or more of the estimated economic life of the leased asset. Estimated economic life is the estimated useful life of the asset for the purpose for which it was intended, regardless of the term of the lease. For example, if a copier with an estimated economic life of ten years were leased for eight years, it would meet this criterion.
- The present value of the future minimum lease payments at the beginning of the lease equals or exceeds 90% of the fair value of the asset.

Capital leases have been entered into by numerous state agencies to meet equipment needs, such as telecommunications and postal equipment. The leases are short-term and are subject to annual appropriation and availability of general and special revenues.

The outstanding balance of primary government capital leases was \$327 million at June 30, 2011.



# APPENDICES







# Glossary

## A

**Accrual** - An accounting method that reports income when earned and expenses when incurred.

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

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

**Annual Increment** - Funds appropriated for eligible employees and paid once annually at the rate of \$60 per full year of service with a minimum of three years of service.

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

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

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

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

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

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

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

**Bureau** - An organizational unit of state government established by law and headed by a commissioner or other statutory officer of an agency within that bureau, such as the Bureau of Senior Services.

## B

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

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

**Bond** - A long-term IOU or promise to pay. It is a promise to repay a specified amount of money (the face amount of the bond) on a particular date (the maturity date). Bonds (which can be general obligation or revenue bonds) are used to finance capital projects.

## C

**Capital Improvements/Programs/Expenditures** -

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

**Cash Basis** - A basis of accounting in which transactions are recognized only when cash is increased or decreased (revenue received and expenses paid).

**Civil Contingent Fund** - The civil contingent fund is appropriated by the Legislature to the Governor to be available for payment of expenses incurred when executing a law for which there is no specific appropriation or any other expenses for which the Governor deems necessary or proper, such as unanticipated emergencies.

**Commission** - An organizational unit of state government established by law that is headed by a group of persons directed to perform a specific duty, such as the Higher Education Policy Commission or Public Service Commission.

**Current Expenses** - Expenditures for operating costs other than personal services or employee benefits. Equipment, repairs and alterations, buildings, other assets, or lands are not included.

**Current Level** - Normally refers to the total dollars (less onetime appropriations) in the current fiscal year which are available for the next fiscal year. For FY 2013, the “current level” is defined as 100% of the FY 2012 base budget for the General Revenue Fund and Regular Lottery fund appropriation.

## D

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

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

**Disbursement** - The expenditure of monies from an account.

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

## E

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

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

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

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

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

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

## Appendix A/Glossary

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

## F

**Federal Fiscal Year** - October 1 through September 30.

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

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

**Full-time Equivalent Position (FTE)** - A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time typist working for 20 hours per week would be the equivalent to 0.50 of a full-time position.

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

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

## G

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

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

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

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

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

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

**Governmental Funds** - All funds except profit and loss funds (e.g., enterprise funds, internal services funds, and trust funds).

## I

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

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

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

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

## L

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

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

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

## M

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

## N

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

## O

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

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

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

**Other Postemployment Benefits** - Postemployment benefits that an employee receives during retirement, usually benefits other than pensions.

## P

**Performance Measures** - Tool used by all levels of management, as well as the public, to determine whether a program is accomplishing its mission efficiently and effectively.

**Personal Services** - Expenditures for salaries, wages, and other compensation paid to full-time, part-time, and temporary employees of the spending unit.

**Program** - A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. A unit can be a division, a section, or a workgroup. Each program has an identifiable service or output and objectives to effectively provide the service.

**Proprietary Funds** - These funds account for the operations of state agencies that provide goods and/or services to the general public or state agencies and governmental units. (See "Enterprise Funds" and "Internal Service Funds.")

## R

**Rainy Day Fund** - (See "Revenue Shortfall Reserve Fund.")

**Reappropriated Funds** - Those funds which are remaining at the end of the fiscal year which, through specific language in the budget bill, are authorized to be made available for expenditure in the next fiscal year.

**Reimbursements** - Repayments from one agency to another to properly allocate expenditures to the correct agency and adjust account ledger balances/disbursements.

## Appendix A/Glossary

**Repairs and Alterations** - Expenditures for routine maintenance and repairs to structures and minor improvements to property which do not increase the capital assets.

**Revenue** - Sources of income financing the operation of government.

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

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

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

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

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

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

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

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

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

## S

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

## T

**Trust Funds** - A fund comprised of a variety of assets intended to provide benefits to an individual or organization at a certain age or when a specified event occurs.

## U

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

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

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



# Glossary of Acronyms

## A

AARP	American Association of Retired Persons
ABCA	Alcohol Beverage Control Administration
ABE	Adult Basic Education
ACH	Automated Clearing House
ACA	American Correctional Association
ACT	American College Test
	Association of Classroom Teachers
ACT EXPLORE	A test for eighth graders
ACT PLAN	A test for tenth graders
ADA	Americans with Disabilities Act of 1990
AFRC	Armed Forces Reserve Center
AIDS	Acquired immunodeficiency syndrome
AP	Advanced Placement
AQI	Air quality index
AQS	Air quality standards
ARC	Annual required contribution
	Appalachian Regional Commission
ARRA	American Recovery and Reinvestment Act of 2009
ATM	Asynchronous transfer mode
	Automated teller machine
ATV	All-terrain vehicle

## B

B&O	Business and Occupation
bbf	Barrel
BCSE	Bureau for Child Support Enforcement
BHMF	Behavioral Health and Health Facilities
BLS	Bureau of Labor Statistics
BMPs	Best management practices
BMRC	Biomedical Research Center
BMS	Bureau for Medical Services
BRFSS	Behavior Risk Factor Survey
BRIM	Board of Risk and Insurance Management
BRMC	Blanchette Rockefeller Medical Center
BRNI	Blanchette Rockefeller Neurosciences Institute
BTI	West Virginia Board of Treasury Investments

## C

CAC	Creative Arts Center
CAFR	Comprehensive Annual Financial Report
CAFO	Concentrated animal feeding operations
CAPS	Cooperative Agricultural Pest Survey
CBF	Community-based facilities
CCTCE	Council for Community and Technical College Education
CD or CD-ROM	Compact disc (read-only memory)
CDC	Center for Disease Control
CDL	Commercial Driver's License
CEASD	Council of Educational Administrators for Schools for the Deaf
CEO	Chief executive officer
CERT	Community Emergency Response Team
	Computer Emergency Response Team
CFO	Chief financial officer
CFR	Code of Federal Regulations
CJSAC	Criminal Justice Statistical Analysis Center
CLE	Continuing Legal Education
COG	Continuity of government
CON	Certificate of Need
COOP	Continuity of operations plan
COPS	Community-oriented policing services
CPASS	College of Physical Activities and Sports Sciences
CPD	Center for Professional Development
CPI	Consumer Price Index
CPI-U	Consumer Price Index for all urban consumers
CPRB	Consolidated Public Retirement Board
CPS	Child Protective Services
CPTED	Crime prevention through environmental design
CPU	Central processing unit
CRTS	Coal Resource Transportation System
CSR	Code of State Regulations
CTC	Community and Technical College
CTE	Career and Technical Education
CTO	Chief technology officer
CV	Crime victims
CVISN	Commercial Vehicles Information Systems Network
CWSRF	Clean Water State Revolving Fund
CY	Calendar year

## Appendix B/Glossary of Acronyms

### D

DARE.....	Drug Abuse Resistance Education
DASD.....	Direct access storage device
DCJS.....	Division of Criminal Justice Services
DDS.....	Disability Determination Services
DEA.....	U.S. Drug Enforcement Administration
DEP.....	Department/Division of Environmental Protection
DHHR.....	Department of Health and Human Resources
DHSEM.....	Division of Homeland Security and Emergency Management
DJS.....	Division of Juvenile Services
DMV.....	Division of Motor Vehicles
DNA.....	Deoxyribonucleic Acid
DNR.....	Division of Natural Resources
DOC.....	Division of Corrections
DOH.....	Division of Highways
DOJ.....	U.S. Department of Justice
DOL.....	Division of Labor
DOT.....	Department of Transportation
DSH.....	Disproportionate Share Hospital
DSRS.....	Deputy Sheriff's Retirement System
DTP.....	Desktop procedures
DUI.....	Driving under the influence
DUNS.....	Data Universal Numbering System
DVD.....	Digital video disk
DWTRF.....	Drinking Water Treatment Revolving Fund
DVA.....	Department of Veterans Assistance

### E

E & G.....	Education and General
EAST.....	Education, Arts, Science, and Tourism
EBA.....	Educational Broadcasting Authority
EDA.....	Economic Development Authority
EDGE.....	Earn A Degree-Graduate Early
EEO.....	Equal employment opportunity
EEOC.....	U.S. Equal Employment Opportunity Commission
EFT.....	Electronic fund transfers
EHR.....	Electronic health records
EMS.....	Emergency Medical Services
ENODS.....	Electronic notice of deposits
EOL.....	End of life
EPA.....	U.S. Environmental Protection Agency
EPICS.....	Employees Payroll Information Control System

EPSCoR.....	Experimental Program to Stimulate Competitive Research
EPSCoT.....	Experimental Program to Stimulate Competitive Technology
E-Rate.....	Schools and Libraries Universal Service Program (electronic rate)
EPSDT.....	Early and Periodic Screening, Diagnosis, and Treatment
ERP.....	Enterprise Resource Planning
ESAR-VHP.....	Emergency System for the Advanced Registration of Volunteer Health Professionals
ESG.....	Emergency shelter grants
ESL.....	English as a Second Language

### F

FAA.....	Federal Aviation Administration
FAIR.....	Family Alzheimer's In-Home Respite
FARS.....	Financial Accounting and Reporting Section
FBI.....	Federal Bureau of Investigation
FCC.....	Federal Communications Commission
FEMA.....	Federal Emergency Management Agency
FFY.....	Federal fiscal year
FHWA.....	Federal Highway Administration
FLEP.....	Stewardship and Forest Land Enhancement Program
FLOW.....	Future Leaders of Watershed
FMAP.....	Federal Medical Assistance Percentage
FMRS.....	Fayette, Monroe, Raleigh, Summers counties
FOIA.....	Freedom of Information Act
FPL.....	Federal Poverty Level
FPY.....	Federal program year
FRN.....	Family Resource Network
FSIS.....	Food Safety and Inspection Service
FTA.....	Federal Transit Administration
FTE.....	Full-time equivalent
FY.....	Fiscal year

### G

GAAP.....	Generally accepted accounting principles
GARVEE.....	Grant Anticipation Revenue Vehicle
GASB.....	Governmental Accounting Standards Board
GDP.....	Gross domestic product



## Appendix B/Glossary of Acronyms

GED ..... General Equivalency Diploma  
 GFOA ..... Government Finance Officers  
 Association of the United States  
 and Canada  
 GIS ..... Geographical information system  
 GO ..... General obligation  
 GOEO ..... Governor’s Office of Economic  
 Opportunity  
 GOHELP ..... Governor’s Office of Health  
 Enhancement and Lifestyle Planning  
 GRDAC ..... Gus R. Douglas Agricultural Center  
 GPS ..... Global positioning satellite system  
 ..... Global positioning system  
 GRF ..... General Revenue Fund  
 GSD ..... General Services Division  
 GSP ..... Gross state product

### H

HAVA ..... Help America Vote Act  
 HAZMAT ..... Hazardous materials  
 HB ..... House Bill  
 HCA ..... Health Care Authority  
 HEAPS ..... Higher Education Adult Part-time Student  
 HEPC ..... Higher Education Policy Commission  
 HIDTA ..... High intensity drug trafficking area  
 HIPAA ..... Health Insurance Portability and  
 Accountability Act  
 HIT ..... Health information technology  
 HIV ..... Human immunodeficiency virus  
 HMO ..... Health maintenance organization  
 HMVMT ..... Hundred million vehicle miles traveled  
 HOPE ..... Helping Others Pursue Excellence  
 HOPWA ..... Housing Opportunities for Persons  
 with AIDS  
 HRIS ..... Human Resource Information System  
 HRSA ..... Health Resources and Services  
 Administration  
 HSC ..... Health Science Center  
 HSER ..... Homeland Security and Emergence  
 Response  
 HSIPR ..... High-Speed Intercity Passenger Rail  
 HSTW ..... High Schools That Work  
 HUD ..... U.S. Housing and Urban Development  
 HVAC ..... Heating, ventilation, and air-conditioning

### I

ID ..... Identification

IDEA ..... Individuals with Disabilities Education Act  
 I-DOC ..... A payment made in the form of a  
 check  
 IEP ..... Individual education plan  
 IFLOWS ..... Integrated Flood Observing and Warning  
 System  
 IFTA ..... International Fuel Tax Agreement  
 IMCinROADS ..... Information Network for Resident On-  
 line Access and Delivery of Services  
 INSITE ..... An in-house program for families of  
 blind, preschool children  
 IOU ..... I owe you  
 IRI ..... International roughness index  
 IRP ..... International Registration Plan  
 IRS ..... Internal Revenue Service  
 IS&C ..... Information Services and  
 Communications  
 IS&T ..... Information Services and Technology  
 ISTE ..... Intermodal Surface Transportation  
 Efficiency Act  
 IT ..... Information technology

### J

JCEBP ..... Justice Center of Evidence-Based  
 Practice  
 JFHQ ..... Joint facilities headquarters  
 JRS ..... Judges Retirement System

### K

K-3 ..... Kindergarten through 3rd grade  
 K-12 ..... Kindergarten through 12th grade  
 KVCTC ..... Kanawha Valley Community and  
 Technical College

### L

LAN ..... Local area network  
 LATA ..... Local access transport area  
 LEAs ..... Local educational agencies  
 LEAP ..... Leveraging Education Assistance  
 Partnerships  
 LIFE ..... Legislative Initiatives for the Elderly  
 LiHEAP ..... Low Income Home Energy Assistance  
 Program

## Appendix B/Glossary of Acronyms

LIMS ..... Laboratory Information Management System  
 LLC ..... Limited liability company  
 LPN ..... Licensed Practical Nurse  
 LVL ..... Limited video lottery

### M

MAPD ..... Medicare Advantage Prescription Drug  
 MAPP ..... Matching Advertising Partnership Program  
 MAPS ..... Department of Military Affairs and Public Safety  
 MATRIC ..... Mid-Atlantic Technology, Research, and Innovation Center  
 MHC ..... Mountain Health Choices  
 MIP ..... Major improvements program  
 MLMP ..... Mineral Lands Mapping Project  
 MMIS ..... Medicaid Management Information system  
 M.P.H. .... Master of Public Health degree  
 MPMP ..... Mineral parcel mapping project  
 MSA ..... Metropolitan statistical area  
 MSHA ..... Mine Safety and Health Administration (federal)

### N

N/A ..... Not available  
           ..... Not applicable  
 NAAQS ..... National ambient air quality standards  
 NAICS ..... North American Industry Classification System  
 NCIC ..... National Crime Information Center  
 NCLB ..... No Child Left Behind  
 NEA ..... National Endowment for the Arts  
 NHS ..... National Highway System  
 NHTSA ..... National Highway Traffic Safety Administration  
 NOAA ..... National Oceanic and Atmospheric Administration  
 NOx ..... Nitrogen oxides  
 NPDES ..... National Pollutant Discharge Elimination System  
 NPS ..... Nonpoint pollution source  
 NRAO ..... National Radio Astronomy Observatory

### O

OAH ..... Office of Administrative Hearings  
 OASDI ..... Old-Age, Survivors, and Disability Insurance (Social Security)  
 OBHS ..... Office of Behavioral Health Services  
 OEA ..... Office of Environmental Advocate  
 OEPA ..... Office of Education Performance Audit  
 OIC ..... Offices of Insurance Commissioner  
 OMB ..... U.S. Office of Management and Budget  
 OMHS&T ..... Office of Miners' Health Safety and Training  
 OPEB ..... Other postemployment benefits  
 OSHA ..... Occupational Safety and Health Administration  
 OT ..... Office of Technology

### P

PAI ..... Prosecuting Attorney's Institute  
 PASS ..... Partnerships to Assure Student Success  
 PBS ..... Public Broadcasting Service  
 P-card ..... State purchasing card  
 PC ..... Personal computer  
 PCMH ..... Patient-centered medical home  
 PCP ..... Primary care physician/provider  
 PCR ..... Polymerase chain reaction  
 PD ..... Public defender  
 PDC ..... Public defender corporations  
 PDF ..... Portable document format  
 PDS ..... Public Defender Services  
 PDL ..... Preferred drug list  
 PDS ..... West Virginia Public Defender Services  
 PEIA ..... Public Employees Insurance Agency  
 PERD ..... Performance Evaluation and Research Division (section of the West Virginia Legislative Auditor's Office)  
 PERS ..... Public Employees Retirement System  
 PI ..... Personal income  
 PICF ..... Patient Injury Compensation Fund  
 PIMS ..... Position Information Management System  
 P.L. .... Public Law  
 PLC ..... Public Land Corporation  
 PM 2.5 ..... Particulate matter less than 2.5 microns in diameter  
 PPOD ..... Pollution Prevention and Open Dump Cleanup  
 PROMISE ..... Providing Real Opportunities for Maximizing In-State Student Excellence

Appendix B/Glossary of Acronyms

PSC ..... Public Service Commission  
 ..... Potomac State College  
 PY ..... Program year

**Q**

Q ..... Quarter  
 QSCBs..... Qualified school construction bonds

**R**

RAPIDS ..... Recipient Automated Payment and Information Data System  
 RCL..... Regulated consumer lenders  
 RCRA..... Resource Conservation Recovery Act  
 REAP ..... Rehabilitation Environmental Action Plan  
 REDI ..... Responder Emergency Deployment Information  
 REIS..... Regional Economic Information System  
 RESAs..... Regional educational service agencies  
 RFP..... Request for proposals  
 RFQ..... Request for quotations  
 RHBT..... Retiree Health Benefits Trust  
 ROMA..... Results-oriented management and accountability

**S**

SAFETEA ..... Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003  
 SAFETEA-LU ..... Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users  
 SAS 70 ..... Statement on Audit Standards No. 70  
 SB ..... Senate Bill  
 SBA..... School Building Authority  
 SBDC..... Small Business Development Center  
 SBIC..... Small Business Investment Corporation  
 SBIR..... Small Business Innovation Research  
 SBIRT..... Screening, brief intervention, and referral to treatment  
 SBVR..... South Branch Valley Railroad  
 SCORE..... Service Corps of Retired Executives

SCSEP..... Senior Community Service Employment program  
 SHARES ..... Saving History and Reaching Every Student  
 SHINE..... Senior Health Insurance Network  
 SHP ..... State Health Insurance Assistance Program  
 SKI-HI..... An in-house program for families of deaf and hard-of-hearing preschool children  
 SLA ..... Service level agreements  
 SME ..... Society of Manufacturing Engineers  
 SO2 ..... Sulfur dioxide  
 SOP ..... Standard operating procedures  
 SRA..... State Rail Authority  
 SREB..... Southern Regional Education Board  
 SRIC..... Snow removal and ice control  
 SSI ..... Supplemental Security Income  
 SSDI..... Social Security Disability Insurance  
 STARBASE ..... Science and Technology Academies Reinforcing Basic Aviation and Space Exploration  
 STD ..... Sexually transmitted disease  
 STEM..... Science, technology, engineering and math  
 STS..... Slow the Spread  
 STTR..... Small Business Technology Transfer

**T**

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

Appendix B/Glossary of Acronyms

**U**

U&CF..... Urban and Community Forestry  
 UAAL..... Unfunded Actuarial Accrued Liability  
 UCC ..... Uniform Commercial Code  
 U.S. .... United States  
 USDA..... United States Department of Agriculture  
 USDA-FSIS ..... Food Safety and Inspection Service  
 USDC ..... United States Department of Commerce  
 USDHHS..... United States Department of Health and  
 Human Services  
 USDOE ..... United States Department of Energy  
 USFDA..... United States Food and Drug  
 Administration

**V**

VA ..... Veterans Administration (federal)  
 VHF..... Very high frequency  
 VISTA ..... Vendor Inquiry System to the Auditor  
 ..... Volunteers in Service to America  
 VITA..... Volunteer Income Tax Assistance  
 VOI/TIS ..... Violent offender incarceration/Truth  
 in sentencing  
 VoIP..... Voice over Internet Protocol  
 VPN..... Virtual private network

**W**

WCF ..... Workers' Compensation Fund  
 WVDE..... West Virginia Department of Education  
 WDA ..... Water Development Authority  
 WESTEST 2..... West Virginia Educational Standards  
 Test, version from 2009  
 WIA..... Workforce Investment Act  
 WIC..... Women, Infants, and Children  
 WIP ..... Watershed Implementation Plan  
 WISER ..... World Institute for Strategic  
 Economic Research  
 WMA..... Wildlife management area  
 W.Va. .... West Virginia  
 WV ..... West Virginia  
 WV WORKS..... West Virginia's welfare reform initiative  
 WVABCA..... West Virginia Alcohol Beverage  
 Control Administration  
 WVPR..... West Virginia Public Radio  
 WVCA..... West Virginia Commission on the Arts  
 ..... West Virginia Conservation Agency

WVCCTCE..... West Virginia Community and Technical  
 College System  
 WVCHIP..... Children's Health Insurance Program  
 WVCR..... West Virginia Central Railroad  
 WVDA ..... West Virginia Department of Agriculture  
 WVDE..... West Virginia Department of Education  
 WVDO ..... West Virginia Development Office  
 WVDOC ..... West Virginia Division of Corrections  
 WVDOH ..... West Virginia Division of Highways  
 WVEIS..... West Virginia Educational Information  
 System  
 WVFAIR..... West Virginia Financial Aid Information  
 and Resources  
 WVFIMS..... West Virginia Financial Information  
 Management System  
 WVIHY ..... West Virginia Industrial Home for Youth  
 WVIJDC ..... West Virginia Infrastructure and Jobs  
 Development Council  
 WVIOF ..... West Virginia Industries of the Future  
 WVLC..... West Virginia Library Commission  
 WVMEP..... West Virginia Manufacturing Extension  
 Partnership  
 WVNET ..... West Virginia Network for Educational  
 Telecomputing  
 WVPASS..... West Virginia Partnership to Assure  
 Student Success  
 WVPBS..... West Virginia Public Broadcasting  
 Service  
 WVPDS..... West Virginia Public Defender Services  
 WVPMIC ..... West Virginia Physician's Mutual  
 Insurance Company  
 WVPPA..... West Virginia Public Port Authority  
 WVRC..... West Virginia Rehabilitation Center  
 WVRDC..... West Virginia Rural  
 Development Council  
 WVREDI..... West Virginia Responder Emergency  
 Deployment Information System  
 WVSAO..... West Virginia State Auditor's Office  
 WVSU..... West Virginia State University  
 WVU ..... West Virginia University  
 WVUIT ..... West Virginia University Institute  
 of Technology

**Y**

YTD ..... Year to Date