

State of
West Virginia

**Executive Budget
Fiscal Year 2015**

**Volume I
Budget Report**



**Earl Ray Tomblin
Governor**



Office of the Governor
State Capitol
1900 Kanawha Blvd., East
Charleston, WV 25305

State of West Virginia
Earl Ray Tomblin
Governor

Telephone: (304) 558-2000
Toll Free: 1-888-438-2731
FAX: (304) 342-7025
www.governor.wv.gov

January 8, 2014

To the Members of the 81st 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, 2015. 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 2015.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,271,251,000; for the Lottery Fund of \$140,976,000; for the State Excess Lottery Revenue Fund of \$260,776,000; for the State Road Fund of \$1,159,391,708; for Appropriated Special Revenue funds of \$1,703,866,612; for Appropriated Federal funds of \$4,545,723,225; for Nonappropriated Federal funds of \$120,760,844; and for Nonappropriated Special Revenue funds of \$10,190,605,511 for a grand total of \$22,393,350,900.

I look forward to working with the 81st 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

West Virginia

For the Fiscal Year Beginning

July 1, 2013

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, 2013.

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.

State Budget Office Staff

Robert S. Kiss
Cabinet Secretary
Department of Revenue

Mike McKown
Director
State Budget Office

Tammy Scruggs
Assistant Director
State Budget Office

Andy Wood
Budget Analyst II

Evan Dewey
Budget Analyst I

Jeffrey R. Conley
Budget Analyst I

Diana L. Schwab
Public Information Specialist III

Jerri Rucker
Administrative Secretary

Jackie Cox
Budget Assistant, Lead

Sharon K. Sommerville
Budget Assistant

Londa Justus
Assistant

State Budget Office
State of West Virginia
Building One, Room W-310
1900 Kanawha Boulevard, East
Charleston WV 25305-0171
304-558-0040 phone / 304-558-1588 fax
www.budget.wv.gov state.budget.office@wv.gov

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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 four 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”

“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”—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 a 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, 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

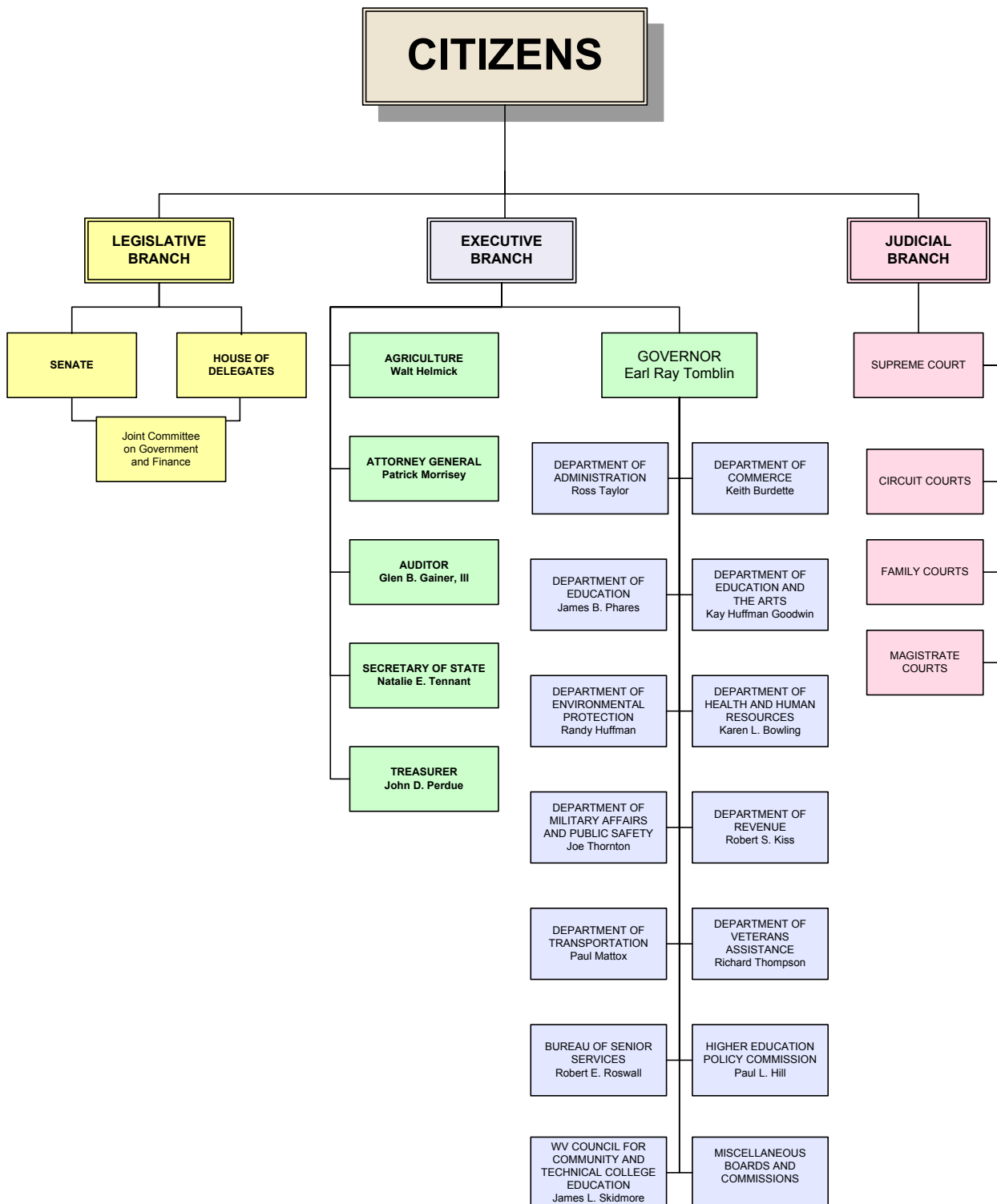
“State Profile”—presents relevant historical, statistical, geographical, demographical, and interesting information about West Virginia

“Capital Projects”—projects/programs currently budgeted in FY 2014, recommended for FY 2015 (with brief descriptions), and projected for FY 2016 through FY 2019

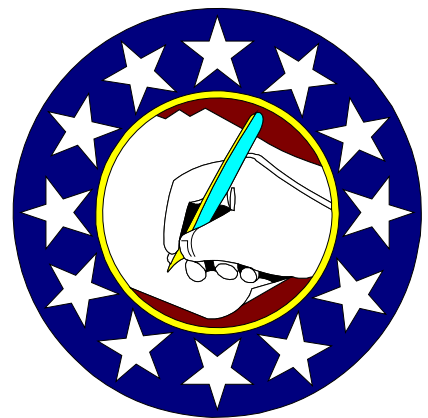
“Appendices”—a glossary of commonly used budgetary terms; a glossary of acronyms

The *Account Detail* provides the detailed budgetary information for FY 2013 Actual State expenditures, FY 2014 Budgeted expenditures, FY 2015 Current-Level Request, and the Governor's FY 2015 Recommendation.

State of West Virginia Organizational Chart



EXECUTIVE SUMMARY



Governor's Executive Message



Governor Earl Ray Tomblin
State of West Virginia

I've learned a lot since I first walked into the capitol nearly 40 years ago as a member of the House of Delegates, then as a State Senator. Since becoming your Governor, I've learned even more.

I've learned how incredibly important it is to be a good steward of the people's money. And how important it is to say yes when you can and being strong enough to say no when you can't. Working together, we've shown the rest of the country the keys to fiscal responsibility.

Fiscal Responsibility

The State of our State is strong. We pay our bills on time. We've invested in our future by continuing to work together as we face the challenges ahead. We will not impose financial burdens on future generations.

In fact, our reserve fund, or "Rainy Day" fund, is one of the healthiest in the nation. We did not get here by accident; we got here by planning, patience, and foresight. Our combined Rainy Day funds have a balance of over \$900 million and have helped to protect and improve the state's credit rating for 20 years.

We have ensured timely and sound pension contributions. Liabilities in the Workers' Compensation program were about \$8 billion just nine years ago. By the end of this year, the State's worker's compensation unfunded liability is expected to be less than \$500 million. We have not had a general tax increase since 1996. Unlike other states that had to drain their reserve funds during the recent recession, West Virginia did not have to borrow one dime. Because of the work we have done during the past three years, and through the work we will continue to do together, we will continue to cultivate a better future for all West Virginians. We will create positive opportunities for our seniors, our veterans, our students, our families, our businesses, and our communities. We continue to experience positive change across the Mountain State and have set in motion many initiatives that will not be fully realized until long after my term has ended.

Executive Summary Governor's Message

Appalachian Shale Cracker Enterprise

Last October, I led a trade mission to Europe with stops in Spain, France, Germany, Italy, and Switzerland. I have made jobs my number one priority. I will go anywhere and meet with anyone to bring good paying jobs to West Virginia.

During that trip, we met with a number of prospects and several have already committed to investing in our state. West Virginia has a reputation around the world as a strong competitor. Our manufacturing sectors, plastics, machinery, chemicals, aerospace, medical products, and automotive, have grown substantially over the last three years. Exports have increased from \$9 billion in 2011 to over \$11 billion last year and outpaced the national growth rate.

From the first day of my Administration, I made it a priority to take advantage of the vast resources of the Marcellus and Utica Shale gas reserves. We must be prepared for big opportunities when they call.

At my request, the Legislature enacted important new legislation to provide a stable and predictable regulatory framework for oil and gas producers. This important bipartisan legislation is recognized as a model for horizontal drilling in the region.

Our law has led to new investments in drilling and infrastructure in West Virginia, spurring job growth and increasing the tax base for counties and schools. The resources of this state should be used here and not piped somewhere else. Therefore, at my request, the Legislature passed a bill to encourage Marcellus-to-Manufacturing investments to foster the development of a revitalized high tech chemical industry with enduring high-paying jobs.

Last fall, I was extremely excited to announce that our shared vision is paying off. We have created unprecedented opportunity for generations of West Virginians.

The Appalachian Shale Cracker Enterprise or "Project ASCENT" is a defining moment for economic development in the Mountain State. The decision by the Brazilian company Odebrecht on a strategic site in Wood County for the location of its ethane cracker, and three polyethylene plants, is a game-changer for West Virginia.

Wood County provides a unique opportunity to construct a cracker that maximizes the downstream value-added benefits of the abundant Marcellus and Utica Shale reserves. The construction phase of this project alone is expected to create approximately 10,000 jobs.

New Business Investments

Highlighting our recent international achievements includes the \$20 million expansion of Sogefi Group that will add 250 jobs to the product line at its plant in Prichard, West Virginia.

Serving new markets for coal, CarboNyx, a Texas-based company, will invest tens of millions of dollars in a new Jackson County plant. This new development will create 60 jobs in its first phase. The plant constructed this year will make a carbon alloy replacement for coke, a key ingredient for steelmaking. And best of all, CarboNyx will use West Virginia coal in its manufacturing process.

To keep our coal industry thriving, we must continue to seek out new markets and uses for it, while doing what we can, and what we must, to help the industry reduce costs, and be more productive, efficient, safe, and environmentally friendly.

Executive Summary

Governor's Message

While I will never back down from the U.S. Environmental Protection Agency (EPA) because of its misguided policies on coal, we should remind ourselves a challenge doesn't always lead to confrontation. Last summer, I sat across the table from EPA Administrator Gina McCarthy and shared our story. We have been hit hard, but with perseverance, I believe the obstacles can be overcome.

Gestamp, an automotive stamping plant in South Charleston continues to grow, having expanded several times since opening in 2012. Gestamp continues to prove that government can be an effective business partner and has announced its investment of \$100 million and a minimum of 400 jobs in the next five years.

This year marks the 25th year since our West Virginia Development Office established roots in Japan. Today, 20 Japanese companies continue to invest in West Virginia including internationally recognized Toyota, Hino Motors, and NGK Spark Plugs.

These companies have achieved success, in part, because of the strong work ethic, dedication, and productivity of our world class workforce. This, combined with the development of the Marcellus Shale, and prospects for value-added products, along with growth in small business, demonstrates that we are moving forward.

Infrastructure and Small Businesses

As we celebrate these new investments, there are other types of investments we often take for granted: investments in water and sewer infrastructure, schools, airports, rail and intermodal facilities, and broadband. Used by all of us, roads and bridges are one of the biggest investments and come at a cost.

The Legislature, in a bipartisan fashion, had the wisdom and foresight to enact two pieces of legislation in 2013 that are already paying off for our State Road Fund. The continuation of Design-Build and Public-Private Partnerships is allowing the Division of Highways to be more innovative in the construction of our roads and bridges.

While we have reason to celebrate the huge success we have made in the areas of construction, manufacturing, and energy development, we must never forget that West Virginia small businesses make up 96% of all employers in the state.

They are the cornerstones of our growing economy, which is why it is so important we continue taking steps to maintain our status as a business friendly state, attracting more jobs and developing a broader tax base to meet our demands for goods and services without raising taxes.

We've planted the seeds for small business start-ups and growing small business by phasing out the business franchise tax next year, cutting the corporate income tax, and reducing workers compensation rates. West Virginia is attracting new and diversified jobs.

Investors from across the Mountain State know how important it is to support small business and entrepreneurs. The Angel Investment Fund, recently established by a group of investors, have pooled their money to invest in private companies which demonstrates the potential for sustainable growth in new jobs and increased profits for West Virginians. Their support will provide an important source of capital for growing firms and will assist companies with the potential to do great things for the people of West Virginia.

Workforce Development

One of the most important keys to our growth and economic success is our educated workforce. We must have skilled workers to fill jobs.

Executive Summary Governor's Message

To reach this goal, education is the number one qualifier for the jobs of today—and tomorrow. The acronym STEM that stands for Science, Technology, Engineering, and Math, is something that we've all heard much about.

Emphasis on STEM in education will prepare our children for tomorrow's jobs. It will develop skilled workers and professionals for qualified employment. Nationwide, the facts show that there is a shortage of workers with backgrounds in science, technology, engineering, and math. West Virginia is no different. We have listened to those employers who tell us that we must increase the number of STEM workers, many of whom can be educated in our career and technical schools. To make it easier for students to pursue a technical education without having to shuttle between career centers and high schools, I included funding in the budget to locate math and English teachers in our career centers. I want to minimize the obstacles for our students who pursue a career-technical education.

In addition, I am reconstituting the STEM Commission in order to promote student interest in these subjects, to make the most of federal STEM initiatives, and to expand math and science education beyond the classroom. Our children will struggle to succeed without the foundation of a good education.

Education and Improved Student Achievement

Education is work—hard work. Last year, I shared with you my goals for public education:

- * All students will read on grade level by the third grade;
- * All graduates will be college or career ready and;
- * Every student will be taught by great teachers.

We have made progress in each of these areas.

The State Board of Education has imposed a new requirement that all graduates intending to teach elementary school must first pass a comprehensive exam that will certify they understand how to teach reading. Last year, we provided funds to initiate the "Advanced Careers Program." To date, five career and technical education sites are implementing these career courses. By 2016, all 32 sites in West Virginia will implement high-standard career technical programs.

My proposed budget provides another \$500,000 to assure students pursuing a technical career have the knowledge and skills they need to be successful.

I am asking the State Board of Education to place special emphasis on initiating needed programs in regions where companies are locating.

For the first time in the history of our state, teachers and principals have a voice in who teaches with them in their schools. As we continue to hold schools and teachers more accountable for the performance of their students, it makes sense that they have a say in who works on their team.

We asked the State Board of Education to study and report on allowing our school systems to hire more teachers who might not have a traditional teaching background, especially for those in hard-to-fill positions. I have reviewed those recommendations and will be proposing legislation to make sure our students have a qualified teacher leading the class.

I believe every student can learn, and for too long we have made excuses for the poor performance of our students. We must set high expectations for every student.

I'm always proud to highlight the accomplishments of our teachers. We should honor the work of our teachers and the work done by all of our educators and public servants, not only by recognizing them, but by committing to help them prepare and educate our children.

Executive Summary

Governor's Message

This is a year of tough financial choices for our state. Our budget is strained. However, we must invest in our future and invest in our children and those called to public service.

I am committed to funding a two percent pay raise for all teachers and school service personnel who invest in our children. I'm also asking for a modest pay increase for our state employees who have been asked to do more with less. I will also ask the State Board of Education to implement an "A through F" grading system for our schools. This is a system we all understand and has been a proven success in 16 other states.

This rating system will provide a better indicator of school wide achievement. I believe it will engage communities with their schools and encourage everyone to strive for excellence.

College students across the Mountain State report problems with the flow of class credits between public institutions of higher learning. This increases their financial burden and delays the completion of their degrees. States across the nation have solved this dilemma.

I ask for your commitment in making our students successful by supporting legislation to solve this credit transfer issue. I also challenge our colleges and universities across the state to accomplish this goal.

Substance Abuse and Smarter Corrections

We have to be vigilant and emphasize that education must also include addressing the epidemic of drug abuse. Since I launched the Governor's Advisory Council on Substance Abuse, thousands of individuals have come together to achieve common goals that were developed collaboratively, to fight substance abuse in West Virginia.

Families across the state asked for increased availability of substance abuse services. I listened to your requests and, with the help of the Legislature, more assistance is now available.

- * New recovery coaches are available in North Central West Virginia to help support those leaving substance abuse treatment programs.
- * New detox stabilization units will begin operating in the Northern Panhandle and in Greenbrier and Logan counties.
- * Programs like the Healing Place in Huntington are expanding their services to reach out to more people needing help.
- * Last spring, we began to improve public safety and reduce prison overcrowding by enacting my Justice Reinvestment Initiative with bipartisan support. Since that time, my Administration has rolled up its sleeves to begin implementing these reforms to build a foundation that will, over time, transform the landscape of our criminal justice system for the better.

I am especially proud of our Administration for developing innovative, collaborative solutions that will help former inmates recover from substance abuse, find a job, and be productive members of society.

Although the work has just begun, and will continue for some time, we can already see the roots of progress taking hold and the sprouts of early success. Today, I am proud to tell you that since June we have reduced overcrowding in our regional jails by more than 600 individuals. We have also reduced the overall number of corrections inmates—for the first time in 16 years—by almost 300 individuals.

Now, through our Justice Reinvestment efforts, we are moving our inmates out of Regional Jails and into placements offering substance abuse and job training services.

Executive Summary

Governor's Message

Emergency Response

The derecho, Superstorm Sandy, and flooding around the state have demonstrated our state's ability to come together to meet any disaster.

The National Boy Scout Jamboree was a highlight of last summer. West Virginia welcomed more than 40,000 scouts, troop leaders, and volunteers to The Summit in Fayette County. They climbed mountains, tamed the New River, and experienced 12 unforgettable days of "wild and wonderful" adventure. In addition to enjoying and learning about our great state, the scouts also performed service projects throughout southern West Virginia.

Most important, we helped support the safety of 40,000 scouts during the Jamboree by following the Boy Scout Motto, "Be Prepared." Recognizing that the Jamboree could overburden local health and public safety resources, I issued an executive order declaring a State of Emergency—the only tool available by statute to ensure adequate health and safety support. It wasn't really a State of Emergency—it was actually a State of Preparedness.

This "State of Preparedness" concept can be applied to future jamborees, winter storms, and any other predictable natural disaster. That is why I will be asking the Legislature to introduce a bill authorizing the mobilization of medical services, law enforcement, and equipment in preparation for emergencies. Like the Boy Scouts, West Virginia should always "Be Prepared."

Serving our Military

In April of 2013, I issued an executive order creating the Governor's Commission on Military Spousal Licensure to examine ways to ease the burdens faced by military spouses in obtaining professional licenses when moving to West Virginia. Based on the hard work and recommendations of the Commission, chaired by First Lady Joanne Jaeger Tomblin and Amy Hoyer, the wife of our Adjutant General James Hoyer, I will be proposing legislation providing temporary licensure options for military spouses.

Spouses could begin working in West Virginia within a month of applying for a license, while going through the normal process to obtain a permanent license.

Honoring Veterans

West Virginia must also be prepared to take care of our beloved veterans—those who gave when the country called. The Department of Veterans Assistance is helping veterans further their education. In conjunction with the Hershel Woody Williams Medal of Honor Foundation, the Department unveiled the first ever Gold Star Families Memorial Monument. This monument located at the Donel C. Kinnard Memorial State Veterans Cemetery honors the family members of those who have lost a loved one in combat.

In tough economic times we hear the word "homeless" so often that sometimes we forget it can also describe veterans who have risked their lives but struggle to find a livelihood. Our West Virginia Veterans Home is working with the federal Veterans Administration Medical Center's Homeless Veterans Resource Center to provide immediate shelter to homeless veterans.

Tackling Homelessness

Homelessness also includes hard-working families who can't make ends meet. It includes people with disabilities and children without support. Homelessness is devastating. We cannot turn our backs on these fellow West Virginians in need.

Executive Summary

Governor's Message

I have revived the Interagency Council on Homelessness to bring together leaders who will work within the community to end homelessness in West Virginia.

Supporting our Senior Citizens

Our seniors have collective wisdom—they've seen more, done more, and learned more. With 10,000 individuals reaching age 65 each day in the United States, the need for qualified, registered in-home care workers is increasing exponentially. Until now, families have not had a good way to identify and research the backgrounds of providers.

The In-Home Care registry will provide a starting point for families just beginning their search for a provider. It will help families sort through the important information—listing only providers who have passed a background check and including the provider's level of training and experience. This registry will help give West Virginians the peace of mind they deserve, when searching for a provider to entrust with the care of their loved ones.

Better Government

In tough economic times it is more important than ever to eliminate government waste. That's why I will be proposing legislation reforming our purchasing laws to ensure that every dollar of state money is spent with the proper oversight to achieve the best value.

Because of this commitment to a good, responsive, and efficient government, I have identified more than 70 boards, commissions, and councils that no longer operate, but linger on the books creating ambiguity and clutter. I plan to dissolve 19 of these groups by executive order, and I will submit legislation to eliminate the rest of these obsolete boards.

In Closing

I'm proud of the work we've done, working together, and I'm proud of the opportunities we now have for our children.

In speaking directly to the next generation of West Virginians: our state has never had the solid financial security you enjoy today, or the opportunities you will have tomorrow.

It's up to you now. Stay in school, stay off drugs, apply yourself, and find your passion.

The jobs will be here for you. The present is bright. The future is brighter.

For those who have left the Mountain State—come home. Come home to take advantage of the growing opportunities we are creating for you.

Six Year Financial Plan

Unlike many states over the past few years, West Virginia did not furlough or lay off state employees or teachers. The General Revenue Fund has maintained a strong cash flow, and we continue to pay our bills on time. During 2013, we have maintained our bond rating upgrades received in 2011. West Virginia's rainy day funds are among the best in the country, and we again funded 100% of our required retirement contributions. West Virginia continues to stay on track with the funding of its financial obligations. Our current FY 2014 General Revenue collections are expected to be \$60 million short of estimate (-1.5%) and will necessitate a midyear budget cut to keep expenditures in line with anticipated revenues. Lottery Revenue collections for FY 2014 are again on pace to exceed their revenue estimates.

West Virginia remains in a strong position to address anticipated budget challenges that lie ahead—such as continued increases to state appropriations for the Medicaid Program and the expanding federal deficits—that will certainly stress the State's budget. Keeping an eye toward out-year budget gaps, the Governor, in his FY 2015 budget recommendations, continues to address the State's largest budget driver—Medicaid.

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 pre-recessionary periods of revenue surge. Our budgets generally have used onetime surpluses to fund onetime needs and to assist in short-term revenue shortfalls.

Eight 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 2019. 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 2015 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 definitely impact total state revenue and spending. This plan is developed with extensive review of the major financial implications of Special and Federal cash flows. Using this plan, it is easy to see where the projected expenditures begin to outpace projected revenues (beginning in FY 2016), and it becomes obvious that any surplus revenues from upcoming 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 cautiously 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 roughly 2.6% between FY 2013 and FY 2015 and in the longer term by roughly 3.4% per year between FY 2013 and FY 2019. Absent the projected adoption of \$60.3 million in revenue enhancements, the projected revenue growth rate between FY 2013 and FY 2015 would be just 1.9% as opposed to 2.6%. The revenue enhancement proposals include (1) acceleration of a portion of sales and use tax payments and personal income tax withholding payments normally due in July back to late June, (2) elimination of the diversion of general fund sales and use tax collections to the State Road Fund for a period of two years, (3) elimination of the general fund corporation net income tax revenue diversion to the Public Port Authority for a period of two years, (4) repeal of the Strategic Research and Development Tax Credit, and (5) a one-time transfer of an additional \$12 million from the Abandoned and Unclaimed Property Account to General Revenue in FY 2015.

With the exception of a brief one year rebound of 8.1% in FY 2011, overall revenue growth has been very sluggish since the onset of the recent Great Recession. The average annual revenue growth rate between FY 2008 and FY 2013 is less than 0.7%. In addition, actual year-to-date FY 2014 General Revenue Fund collections through December 31, 2013,

Executive Summary

Six Year Financial Plan

are 2.9% lower than collections for the same period in the prior year. The decrease in revenue is partially attributable to a 17.3% decrease in business and occupation tax collections largely due to the retirement of older coal-fired electric power generation facilities. A temporary motor vehicle tax credit program has contributed to lower personal income tax receipts and phased-in tax reductions have contributed to lower sales tax and corporate tax collections. Higher severance tax collections have helped offset a portion of the aforementioned tax revenue decreases. Increased severance tax revenue from natural gas production has more than offset decreased coal severance tax revenues in recent months. Natural gas severance tax revenues are rising due to significant increase in production along with a more stable pricing environment. However, coal severance tax collections continue to decline due to a combination of lower coal sales and lower coal prices, especially for metallurgical coal. The recent coal industry decline is a contributing factor toward a recent pattern of very sluggish wage growth in the state.

West Virginia's annualized wage growth averaged less than 1.0% between the second quarter of CY 2012 and the second quarter of CY 2013. However, signs of overall economic improvement are on the horizon. The third quarter CY 2013 annualized wage growth rate improved to 2.8%, with additional improvement anticipated over the next year. Payroll employment growth is also gradually improving toward an annualized rate of roughly 1.0%. Higher employment translates to improved growth in personal income tax, the single largest source of General Revenue for the state. Through the first five months of FY 2014, personal income withholding tax revenues are 0.2% below prior year collections. However, the collection growth rate improved from a decline of 2.0% during the first three months of the year to an increase of 2.6% over the past two months. Year-to-date sales and use tax receipts are down by 0.4% due to the combination of the impact of sluggish income growth and the recent elimination of the sales tax on groceries.

The coal industry is in a state of contraction due to a trend of decline in demand for domestic steam coal and sluggish foreign demand for metallurgical coal over the past year. Meanwhile, the natural gas industry boom continues with production growth of roughly 50% over the past twelve months and higher more stable pricing this year. The increase in natural gas prices helps stabilize demand for domestic steam coal as utilities switch from gas back to coal in a competitive pricing environment. However, a longer term decline in West Virginia domestic steam coal demand is still projected due to a combination of an ample supply of low-cost competing natural gas from shale production, below average long-term energy demand growth, and stricter environmental standards for electric power plants.

In response to stricter environmental standards, the electric power industry is retiring roughly 8.5% of its total national coal-fired electric power generation capacity, including roughly 15% of West Virginia coal-fired electric power generation capacity, between 2012 and 2016. Increasing foreign demand for coal and other products partially offsets decreases in the domestic market. However, foreign markets are also more volatile than domestic markets. The value of West Virginia based bituminous coal exports rose by 39% in CY 2012 to nearly \$7.4 billion. However, lower export demand for both metallurgical coal and steam coal are contributing to a decline of more than 33% in the value of coal exports in CY 2013. A significant portion of the decline in the value of coal exports is attributable to lower coal prices with the average price of metallurgical coal exports down nearly 27% through the first half of CY 2013.

Overall West Virginia coal production is down by roughly five percent from last year, and year-to-date coal severance tax collections are down by roughly 14% as of the end of October. 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 gradually decrease from the 140 million ton average of the past few years to slightly more than 100 million tons by the end of the forecast period. Reduced severance tax revenues from coal should be offset by increased revenues from natural gas associated with the continued development of natural gas from the Marcellus Shale formation. The abundance of low cost natural gas should also translate to some rebound in the manufacturing sector in the near future along with some related gains in both sales tax and income tax collections.

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 in the short term. The aggregate value

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Six Year Financial Plan

of these two changes is in excess of \$100 million, including roughly \$80 million in tax relief to residents. Following a two year period of little or no anticipated increase, General Revenue Fund growth for the FY 2015 to FY 2019 period is forecast to average a much better 3.8% in comparison with the long-term average General Fund growth rate of 4.0%. A portion of the improved growth is tied to the anticipated reallocation of \$60.4 million in annual personal income tax receipts from the Old Workers Compensation Debt Fund back to the General Revenue Fund as early as FY 2017.

**Six Year Financial Plan
Through FY 2019
General and Lottery Revenues**
(In Thousands)

	Actual FY 2013	Budgeted FY 2014	Recommended FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019
Estimated Revenue							
General Revenue	\$4,104,138	\$4,136,001	\$4,271,251	\$4,411,926	\$4,661,795	\$4,818,755	\$4,952,375
General Revenue - estimated FY 2014 shortfall	0	(60,000)	0	0	0	0	0
General Revenue - expirations to FY 2014 General Revenue	0	27,000	0	0	0	0	0
General Revenue - (Surplus used/available from previous FYs)	208,736	15,133	0	0	0	0	0
General Revenue - (Surplus used/available from expirations)	0	74,087	0	0	0	0	0
Lottery	177,308	136,982	140,976	140,976	140,976	140,976	140,976
Lottery - (Surplus used/available from previous FYs)	(32,124)	63,122	0	0	0	0	0
Excess Lottery	202,988	163,922	168,176	174,185	174,185	174,039	174,039
Excess Lottery - (Surplus used/available from previous FYs)	(5,023)	96,564	0	0	0	0	0
Total Available	\$4,656,023	\$4,652,811	\$4,580,403	\$4,727,087	\$4,976,956	\$5,133,770	\$5,267,390
Estimated Expenditures							
Previous Year's Base Budget			\$4,640,091	\$4,726,666	\$4,840,911	\$5,016,165	\$5,118,003
(Base Budget FY14) and (Base Budget Growth for out-years): *							
Legislature		24,452	0	780	1,300	850	700
Supreme Court		98,864	12,683	3,550	6,000	3,875	3,250
Public Defender		31,619	0	2,000	0	0	0
PERS Employer Contribution		59,688	(1,382)	0	0	0	0
PEIA Premiums		334,777	(1,338)	28,000	24,000	16,000	16,000
Teachers' Retirement Savings Realized		30,855	1,145	2,000	2,000	2,000	2,000
Teachers' Retirement System		456,744	(16,608)	0	0	0	0
State Aid to Schools (PEIA and Retirement included above)		1,201,913	(29,525)	(1,124)	(1,088)	(936)	(1,000)
Public Education - All Other		186,334	2,596	1,636	1,661	1,688	1,700
DHHR- Medicaid **		575,758	87,006	36,058	49,686	56,862	47,262
DHHR- All Other		508,962	40,272	10,945	13,195	13,999	14,000
Correctional Facilities		163,456	4,519	4,000	2,000	2,000	2,000
State Police		69,760	425	500	500	500	500
Public Safety Retirement Plan A / State Police Plan B		29,886	(2,228)	0	0	0	0
Higher Education		460,163	0	500	(3,000)	0	0
All Other Items (net)		406,860	17,296	20,400	22,000	0	(9,000)
Salary Enhancements ***			41,684	0	52,000	0	52,500
Unanticipated Expenditures			0	5,000	5,000	5,000	5,000
Budget Cuts			(69,970)				
Total Ongoing Base Budget	\$4,520,291	\$4,640,091	\$4,726,666	\$4,840,911	\$5,016,165	\$5,118,003	\$5,252,915
Onetime Expenditures	189,688	120,770	2,464	12,471	5,000	5,000	5,000
Onetime Reductions and FY 2013 Expirations	(59,923)	(75,078)	(148,727)				
Surplus Transferred to Rainy Day Fund	5,751						
Onetime mid-year FY 2014 cut		(33,000)					
Estimated Balance (Gaps)	\$216	\$28	\$0	(\$126,295)	(\$44,209)	\$10,767	\$9,475

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

* FY 2015-FY 2019 Expenditure Growth is the additional amount required annually to fund existing programs.

** Assumes replacement supplementals done in FY 2014 for Medicaid.

*** Includes base building pay raises of 2% for School Aid Formula professional educators and school service personnel and \$504 for State employees in FY 2015, and 2% for all employees in FY 2017 and FY 2019.

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Expenditures

The FY 2015 budget development is the first that has been submitted using the State's new accounting system *WV*OASIS. This new system is web-based and paperless. The implementation of this system has required many training hours for agency employees over this past summer, and all agencies did successfully submit their budgets. Budgets now will only require information that is already preloaded to be revised, requiring much less data entry.

Because the State faced an estimated budget gap of over \$264 million for FY 2015, state agencies were asked to submit their FY 2015 general revenue appropriation requests under two scenarios: one at 100% of the FY 2014 base funding level and one at 92.5% of the FY 2014 base funding level. The FY 2015 general and lottery revenue base budget of \$4.727 billion as recommended by the Governor is \$87 million higher than the FY 2014 base budget funding level of \$4.640 billion, with the biggest base funding increase again attributable to the Medicaid program. Medicaid's general and lottery revenue base funding increases by \$87 million while all other base funding items in the FY 2015 budget decrease by a net \$42 million. Various onetime appropriations and adjustments are also being recommended by the Governor to be funded using previous years' cash surpluses and available special revenue balances.

Beginning with FY 2016, projected expenditures again outpace projected revenues. The main cost driver in the "Six Year Financial Plan's" out-years continues to be providing health care through the Medicaid program. It is a goal of Governor Tomblin to work to contain the growth of this key budget driver 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 with a healthy general revenue surplus of over \$338 million, and West Virginia ended FY 2012 with a \$102 million general revenue surplus, of which \$28 million was transferred to the Rainy Day Fund and \$65 million appropriated for Medicaid. The FY 2013 budget year required midyear adjustments of \$45 million, but finished the year with over \$11 million in surplus, of which \$5.8 million was transferred to the Rainy Day Fund. Lottery funds ended FY 2013 with cash balances totaling \$160 million, of which \$22 million was used to balance FY 2014 budgets, and the remaining \$138 million is recommended by the Governor to be appropriated to Medicaid. Our current FY 2014 general revenue collections are expected to be about \$60 million short of estimates by year end. Lottery revenue collections for FY 2014 are on pace to exceed their revenue estimates. The Governor recommends that up to \$2.3 million of any surpluses from the General Revenue Fund at the end of FY 2014 be appropriated for the State Tax Department's GenTax Processing System.

While continuing to use our conservative budgeting approach, the budget for FY 2015 does include major increases for the State's share of Medicaid funding, social services, a two percent pay raise for professional educators and school service personnel, and a \$504 pay raise for state employees. Funding is also included to fully fund Public Education's School Aid Formula (including a proposed change to the calculation of Local Share) and all retirement system obligations. Although, there will be challenges in future budgets, upcoming budget gaps, which are much smaller than previous years' gaps, will be addressed and balanced. Careful budgetary planning and responsible government initiatives will continue to serve West Virginia well during these challenging economic times.

Each line in the "Six Year Financial Plan" is described below.

Estimated Revenue in the "Six Year Financial Plan"

General Revenue

Actual General Revenue collections for FY 2013 totaled \$4.104 billion. FY 2014 estimated collections total \$4.136 billion; however, they are expected to be about \$60 million short of estimate by year end. The general revenue collection amounts are projected to increase by \$135 million for FY 2015 (over the FY 2014 initial estimate), then increase by 3.3% for FY 2016, and increase by an average of 3.9% per year for FY 2017 through FY 2019.

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General Revenue—estimated FY 2014 shortfall

General Revenue collections at the end of December 2013 were \$81.5 million below estimate. The year end shortfall is anticipated to be about \$60 million.

General Revenue—expirations to FY 2014 General Revenue

The Governor proposes to expire \$27 million of available reappropriated funds into the FY 2014 General Revenue Fund to help address the anticipated FY 2014 collection shortfall.

General Revenue—(Surplus used/available from previous FYs)

\$208.736 million of General Revenue surplus was appropriated during FY 2013. The Governor recommends that \$15.133 million of currently unappropriated surplus General Revenue be used to fund various onetime needs in FY 2014.

General Revenue—(Surplus available from expirations)

To help balance the FY 2014 budget and provide for FY 2014 supplemental appropriations, \$74.087 million of excess cash in various general revenue reappropriated and special revenue accounts is recommended to be expired to the FY 2014 general revenue surplus balance. These dollars are proposed to be used to fund the Governor's recommended supplementals, which include additional funds for the FY 2014 funding shortfalls in the Public Defender Services and social service programs. Other proposed supplementals include funding for the behavioral health program, the Medicaid Program, Higher Education matching dollars for a federal renovation grant, and various correctional system programs.

Lottery

The regular Lottery funds are dedicated by statute to be used for senior citizen, education, and tourism programs. 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 for the above mentioned programs. Lottery revenues are projected to fall about 23% from FY 2013 to FY 2014, then remain relatively flat through FY 2019.

Lottery—(Surplus used/available from previous FYs)

Lottery Surplus available from previous fiscal years of \$14.591 million was used to balance FY 2014. An additional \$48.522 million of surplus funds is recommended to be used to balance FY 2014 appropriations (regular and supplemental) 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 continue to affect collections in FY 2015 and the out-years. Revenues are projected to decrease by about \$39 million from FY 2013 to FY 2014 and remain relatively flat through FY 2019.

Excess Lottery—(Surplus used/available from previous FYs)

\$29.111 million of FY 2013 surplus cash was used to prefund FY 2014 Medicaid needs. The Governor also recommends that the \$67.433 million surplus that currently remains in the Excess Lottery Fund be used to prefund some of Medicaid's FY 2014 additional base funding requirements.

Total Available

This line shows the total revenues available for each respective fiscal year.

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

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required to maintain the current level of service and any additional increases of funding required to continue an ongoing level of services.

(Base Budget FY 2014) 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. The amounts listed for Base Budget FY 2014 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth for out-years (FY 2015–FY 2019) 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 amounts in FY 2014 to determine that particular fiscal year’s Total Ongoing Base Budget. For FY 2015, nine items shown on the Six Year Financial Plan have been recommended to be increased while six lines show decreases.

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

Legislature. The Constitution requires that the Governor recommend funding for the Legislature as they requested. The Legislature requested their FY 2015 base appropriation be the same as their FY 2014 base appropriation; therefore no change is shown in the FY 2015 column.

Supreme Court. The Constitution requires that the Governor recommend funding for the Supreme Court as they requested. The Supreme Court requested \$12.683 million more, net of retirement and Public Employees Insurance Agency (PEIA) decreased requests shown in other lines, than their appropriations for FY 2014.

Public Defender. The Public Defender Services Office continues to require increased funding each year. In addition to the FY 2014 appropriation of over \$31.6 million, the Governor recommends a supplemental surplus appropriation of \$12 million (included in the FY 2014 “Onetime Expenditures” line of the Six Year Financial Plan), bringing the total FY 2014 appropriations to over \$43.6 million.

PERS Employer Contribution. Because investments earned more (over ten percent) than the actuarial required 7.5% earnings during FY 2013, the employer match contribution fell from 14.5% to 14.0% of salary costs in FY 2015. However, no funding adjustment was made in the FY 2015 budget recommendation for this slight change. The FY 2016–FY 2019 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 2015.

PEIA Premiums. Funding is decreased as required by the School Aid Formula by \$3.729 million to cover PEIA employers’ premium match for FY 2015, of which \$3.391 million consisted of a onetime adjustment due to a balance on deposit with PEIA for local school boards. The Supreme Court also requested \$1 million less for FY 2015 than the amount budgeted in FY 2014’s budget for PEIA. Significant 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 averaging 5.5% are shown 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 calculated 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 an additional \$1.145 million of funding in FY 2015, bringing the total funding for FY 2015 to \$32 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 (payments above the required amounts) made recently, result in total additional deposits of \$1.680 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 57% funded at the end of FY 2013.

Due to investment gains of over ten percent occurring in FY 2013, the current amortization schedule for the Teachers' Retirement System requires funding in FY 2015 of \$16.608 million less than the FY 2014 funding level bringing FY 2015's appropriation to \$440 million. 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 2016–FY 2019 assumes future investment earnings of 7.5%.

State Aid to Schools (PEIA and Retirement included above). The State Aid to Schools Formula for public education (excluding PEIA and retirement costs shown in other lines on the six year plan) calls for a net decrease of \$29.525 million for FY 2015. Notable changes, called for by the School Aid Formula, from the prior year's base budget include increased funding in Local Share of \$17.5 million, decreased funding in the Professional Educators line (mostly due to changes in years of experience and decreased enrollment of 1,296). The Governor also proposes lowering the percentage from five percent to four percent for the Allowance for Uncollectibles calculation within the "Local Share" step of the School Aid Formula, which increases "Local Share" by \$5.27 million. 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, the Governor proposes an increase of \$2.8 million for Math and English Teachers in Career and Technical Centers. Adjustments for Increased Enrollment and other statutory requirements are also accounted for here.

DHHR - 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. Medicaid costs will continue to put a heavy burden on State revenues, and program changes are inevitable in order to avoid future funding crises.

Developing changes in this program are 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. 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 is 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 recent years, West Virginia per capita income has been rising faster than national per capita income. Over time, this trend results in a lower federal match rate for Medicaid. The base match rate has decreased from 74.04% in FY 2010 to 71.00% in FY 2014 and is expected to decrease even further to 70.5% in FY 2015. The difference in federal match level falling each one percent for a program that costs more than \$3.5 billion is roughly \$35 million in extra State funds.

In FY 2014, Medicaid total expenditures (federal and state) are estimated to be approximately \$3.5 billion. Of this total, \$2.6 billion is the federal share, while \$912 million is the state share. Appropriations in FY 2014 from General Revenue, Lottery, Medical Services Trust Fund, the Provider Tax, and other State Certified Match make up the state share. In recent years, the State has relied upon one-time federal funds and other one-time trust funds to pay a significant portion of the state share of Medicaid. These one-time revenue sources will be completely exhausted during FY 2014.

The Governor recommends increased base funding in the general and lottery funds for Medicaid of \$87 million, raising the total of general and lottery funds base funding to \$662 million. This increase, with minimal adjustments, keeps base funding at current program offering levels.

DHHR – All Other. The Governor recommends an increase of \$40.272 million in the FY 2015 base budget for all other DHHR related items. These changes include \$7.7 million in additional funding for behavioral health programs, \$19 million increase in Social Services, and a \$11 million increase for Medicaid Administration. The out-years reflect additional funding for various DHHR needs.

Correctional Facilities. To tackle the issue of prison overcrowding, a data-driven policy framework was presented to a bipartisan panel of state cabinet members, lawmakers, judges, prosecutors, and other state and local leaders, along with results of a comprehensive analysis of West Virginia's criminal justice system. A plan was created to make West Virginia's communities safer and its criminal justice system run more effectively. This proposed policy framework is estimated to save taxpayers millions of dollars and reinvest millions in substance use and addiction treatment for people on community supervision. A public safety package has been developed that provides a set of solutions designed to change offender behavior and reduce recidivism. The framework maximizes correction dollars and improves public safety. The Legislature passed SB 371 in last year's 2013 Regular Session that provides for many solutions to the prison overcrowding problem.

Analysis found that, over the past ten years, the number of people in West Virginia's prisons rose three times faster than the national average. The growth has been a significant factor in forcing approximately one-quarter of people sentenced to state prison to spend those terms in regional jails, which are now operating above capacity. If the state did not take action, over the next five years the prison population would have increased 24%, costing taxpayers at least \$200 million in construction costs and \$150 million in projected operating costs. The policy framework adopts risk assessment to identify a person's likelihood of recommitting crime, provides community supervision agencies with tools and resources to hold offenders accountable in meaningful ways through using swift and certain responses to violations, and ensures that no one will be released from prison to the community unsupervised.

State Police. Funding is added for statutory longevity and career progression increases of \$425,406.

Public Safety Retirement Plan A /State Police Plan B. The current amortization schedule for the Public Safety Retirement Plan A requires \$2,083,000 less funding in FY 2015. The employer contribution for the State Police Retirement Plan B will decrease from 14.5% to 14.0% of employees' salaries which will reduce funding needs by \$145,302 in FY 2015. FY 2016–FY 2019 assumes investment earnings of 7.5%.

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Higher Education. Higher Education's FY 2015 base budget remains at \$460.163 million (net of recommended budget cuts and pay raises).

All Other Items (Net). These include all other changes to base expenditures not already included in other lines of the "Six Year Financial Plan." For FY 2015, additional funding is included for Court of Claims, State Park Operations, ERP billings, \$6 million for major capital projects, and \$3 million for a community-based substance abuse treatment program related to SB 371. Various other minor program adjustments are also included here.

Salary Enhancements. FY 2015 includes funding for a two percent pay raise for Professional Educators and School Service Personnel at a cost of \$32 million and a \$504 across the board pay raise for state employees at a cost of \$9 million. The out-years include monies for possible pay raises of two percent in FY 2017 and FY 2019.

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

Budget Cuts. Balancing the FY 2015 Budget will again be a challenge that requires fiscal discipline. Projections in last year's Six Year Financial Plan showed a significant funding gap of \$265 million for FY 2015 that needed to be closed. Due to the recent sluggish national economy and a slowdown in the mining of coal, anticipated revenues are not expected to keep pace with costs for current programs. Moreover, as we have long expected, competition by bordering states is continuing to soften lottery revenues.

In the face of these revenue challenges, appropriations for expenditures at current program base levels for FY 2015 must be adjusted. Our current Medicaid program alone requires additional funding of \$87 million above its FY 2014 base appropriation. Importantly, these costs are not related to any Medicaid expansion. Increased funding is also called for to fund a pay raise in FY 2015.

Our philosophy of conservative fiscal management has us well positioned to handle the challenges presented with the FY 2015 budget. Consistent with our commitment to provide a balanced budget and long-term fiscal stability, we as a State must take measures to reduce the overall FY 2015 expenditure growth and position the State to balance budgets in the years that follow. Therefore, targeted budgeted reductions are required at this time.

Budget reductions are never easy. But, as good financial planners, there are times when we must do more with less. We must continue to be good stewards of taxpayer dollars.

Generally speaking, General Revenue and Regular Lottery Revenue FY 2015 agency budget requests are recommended at 92.5% (7.5% reduction) of the FY 2014 base budget (FY 2014 appropriation less any onetime appropriations). Targeting these reductions as a one-size fits all approach is not appropriate at this time. Therefore, many programs were exempted from these budget cuts, and most Higher Education programs were only cut by 3.75%. Major programs exempted include: Debt Service; Public Defender Services; various Public Education programs (including the School Aid Formula); Rehabilitation Services; Miners' Health, Safety, and Training; various other health programs; Medicaid; Social Services; various other Human Services programs; Corrections; Higher Education Financial Aid Programs (including PROMISE); and the Veterans Nursing Home. Total targeted base budget cuts amounted to \$69.970 million.

We must be committed to fiscal discipline over the long term. Therefore, agencies must be diligent in controlling spending and maintaining programs that are sustainable and not rely on additional state funding in the near future.

Total Ongoing Base Budget

The total ongoing base budget consists of the previous year's base budget plus all changes in funding required to continue on-going level of services. This amount is carried forward to the next fiscal year and becomes its beginning base budget.

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Onetime Expenditures. 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 2014 total \$120.770 million, of which \$74 million is Medicaid related. FY 2015 appropriations contain only \$2.464 million of onetime expenditures.

Onetime Reduction and FY 2013 Expirations. Included in the FY 2013 number is a onetime adjustment of \$2.5 million in the Volunteer Fire Departments' workers' compensation subsidy (there was sufficient balance available for FY 2013), a \$28 million onetime adjustment for a mid-year budget cut, a onetime \$17.7 million budget reduction to Medicaid, which helped to balance FY 2013 at year end, and general revenue expirations of \$11.7 million.

The FY 2014 amount include \$2.5 million for the Volunteer Fire Departments' workers' compensation subsidy (there was funding available for FY 2014 from other sources), \$15.7 million for PEIA that was backed out in the School Aid Formula because excess balances were on deposit for local school boards, \$20 million for Teachers' Retirement due to partial funding from a special revenue source, and \$36 million of FY 2014 Medicaid base funding that was prefunded with FY 2013 funds.

FY 2015 amounts include \$2.5 million for the Volunteer Fire Departments' workers' compensation subsidy (there was funding available for FY 2015 from other sources), \$50.4 million for Medicaid (FY 2015 base funded with FY 2014 supplementals), \$5.1 million for teachers' retirement (partially funded in FY 2015 from special revenue), \$3.5 million of Health Institution Facility (partially funded in FY 2015 from special revenue), \$3.39 million for PEIA backed out in the School Aid Formula because excess balances were on deposit for local school boards, and \$83.83 million for Medicaid (partially funded in FY 2015 from the Rainy Day Fund).

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. The General Revenue Fund ended FY 2013 with a surplus of \$11.8 million, of which \$5.75 million was transferred to the Rainy Day Fund A (which brought the Rainy Day Fund A to 13% of the total appropriations of FY 2013).

Onetime mid-year FY 2014 Cut. The Governor issued Executive Order 1-14 on January 3, 2014, that requires targeted, onetime budget cuts of a minimum of \$33 million to help offset an expected FY 2014 year-end budget shortfall of \$60 million.

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" again in FY 2016 and FY 2017, substantial budget gaps are predicted. These future budget gaps must be and will be addressed and balanced. However, due to the use of long term conservative budget planning and base budget reductions over the last few years, FY 2018 and FY 2019 now show estimated positive bottom-line balances.

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 2015, is still 18 months into the future from the date the projections were completed. The General Revenue Fund

Executive Summary *Six Year Financial Plan*

estimate is over \$4.2 billion for FY 2015. Just a one percent deviation from the estimate will result in a \$42 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$84 plus million (\$42 million under estimate to \$42 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 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 \$35 million.

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

Budget Summary

FY 2013

West Virginia, after midyear budget cuts totaling \$45 million, again ended the fiscal year with surpluses in General Revenue of \$11.8 million and Lottery Revenues of \$92 million. The General Revenue Fund maintained a strong cash flow throughout the year, and we paid our bills on time. We held our bond rating upgrades received in the previous fiscal year. We funded 100% of our required retirement contributions in FY 2013. West Virginia's rainy day funds totaled \$914 million at the end of FY 2013 and were among the best funded in the country.

FY 2014

FY 2014's General Revenue collections are officially estimated to be \$4.136 billion or 0.78% more than the FY 2013 actual revenue collections. Through the first six months of FY 2014, collections were \$81.5 million below official estimate. Year-end collections in General Revenue are expected to be \$60 million short of estimates. To rectify this shortfall, the Governor issued an Executive Order requiring midyear budget cuts of up to \$33 million, and he will also propose that \$27 million be expired from General Revenue reappropriated accounts.

Regular Lottery and Excess Lottery revenues estimates available for appropriation in FY 2014 decreased significantly from FY 2013 actual collections. However, lottery collections through the first five months of FY 2014 were 7.64% above estimate.

On the expenditure side, FY 2014's major budget expenditure driver continues to be Medicaid. Additional major funding increases are also in place for Social Services, Correctional facilities, and ERP.

FY 2014 expenditures from General and Lottery Funds, after all pending adjustments, are expected to total \$4.65 billion.

FY 2015

The FY 2015 general revenue official estimate of \$4.271 billion is \$135 million above the FY 2014 official general revenue estimate of \$4.136 billion. Lottery and Excess Lottery revenues available for appropriations are expected to drop in FY 2015 by \$8 million below the FY 2014 collection estimates.

Targeted budget cuts of 7.5% for many agencies are included in the Governor's FY 2015 budget proposal. These cuts total to \$69.97 million.

Major budget expenditures recommended for FY 2015 include an additional \$87 million in state Medicaid funding. Additional funding of almost \$19 million for Social Services is also included in the Governor's recommendations, as is \$10.3 million of new base-building dollars for the Supreme Court, as requested. Medicaid Administration receives

*Executive Summary
Six Year Financial Plan*

increased base funding of \$11 million and, due to good investment earnings, the Teachers' Retirement required funding will decrease by over \$16 million. FY 2015 total expenditures from General and Lottery Funds are expected to total \$4.58 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.

FINANCIAL STATEMENTS



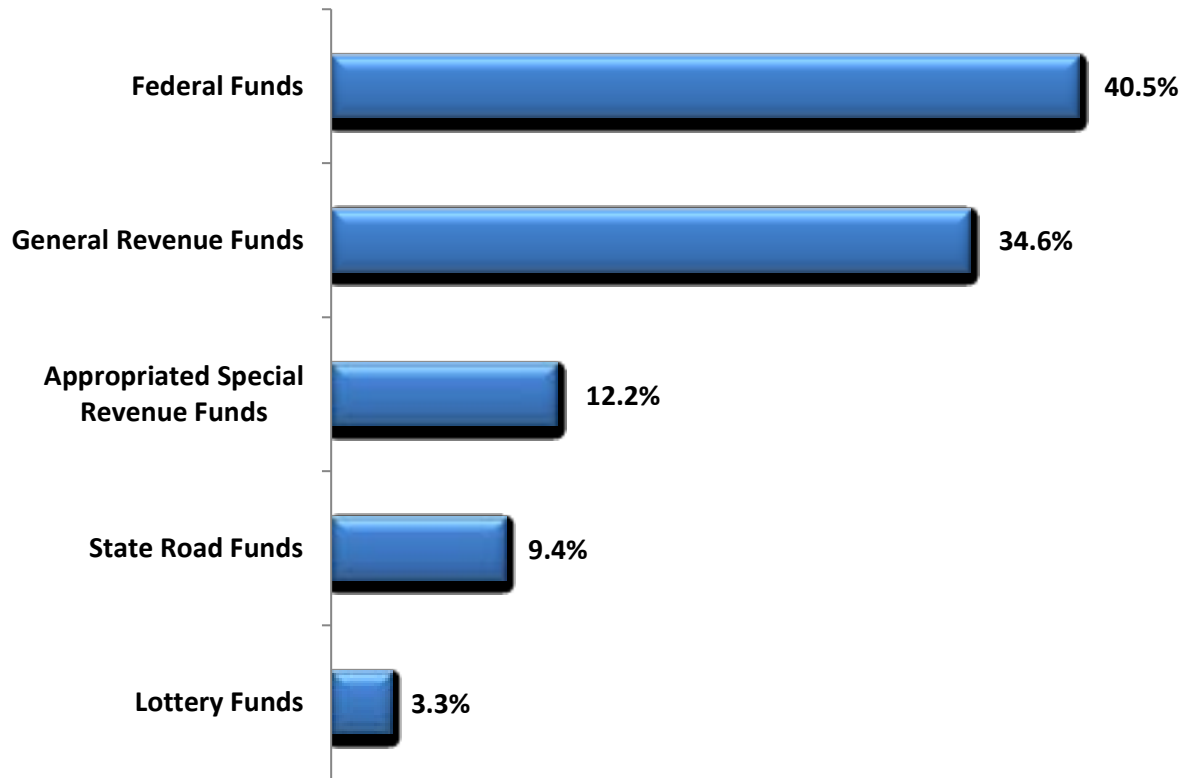
Financial Statements

The following pages contain financial information and statements related to all funds of the State. Included are:

- Graphics of the Total Appropriated FY 2015 Budget — (Where the State Dollar Comes From and Where the State Dollar Goes)
- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for All Funds (narrative and statement)
- Cash and Investment Balances of All Funds Fiscal Year Ending June 30, 2013
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2013
- General Revenue Fund — Statement of Revenues by Source FY 2011 through FY 2019
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund — Overview by Functional Category FY 2013 through FY 2015
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2014
- General Revenue Fund — Recommended Supplemental Appropriations FY 2014
- General Revenue Fund Major Constitutional and Statutory Requirements FY 2015
- Lottery Fund — Overview by Functional Category FY 2013 through FY 2015
- 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 2013 through FY 2015
- State Road Fund — Statement of Revenues by Source FY 2011 through FY 2017
- State Road Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2013
- Major Reserve/Stabilization Accounts

Where The State Dollar Comes From

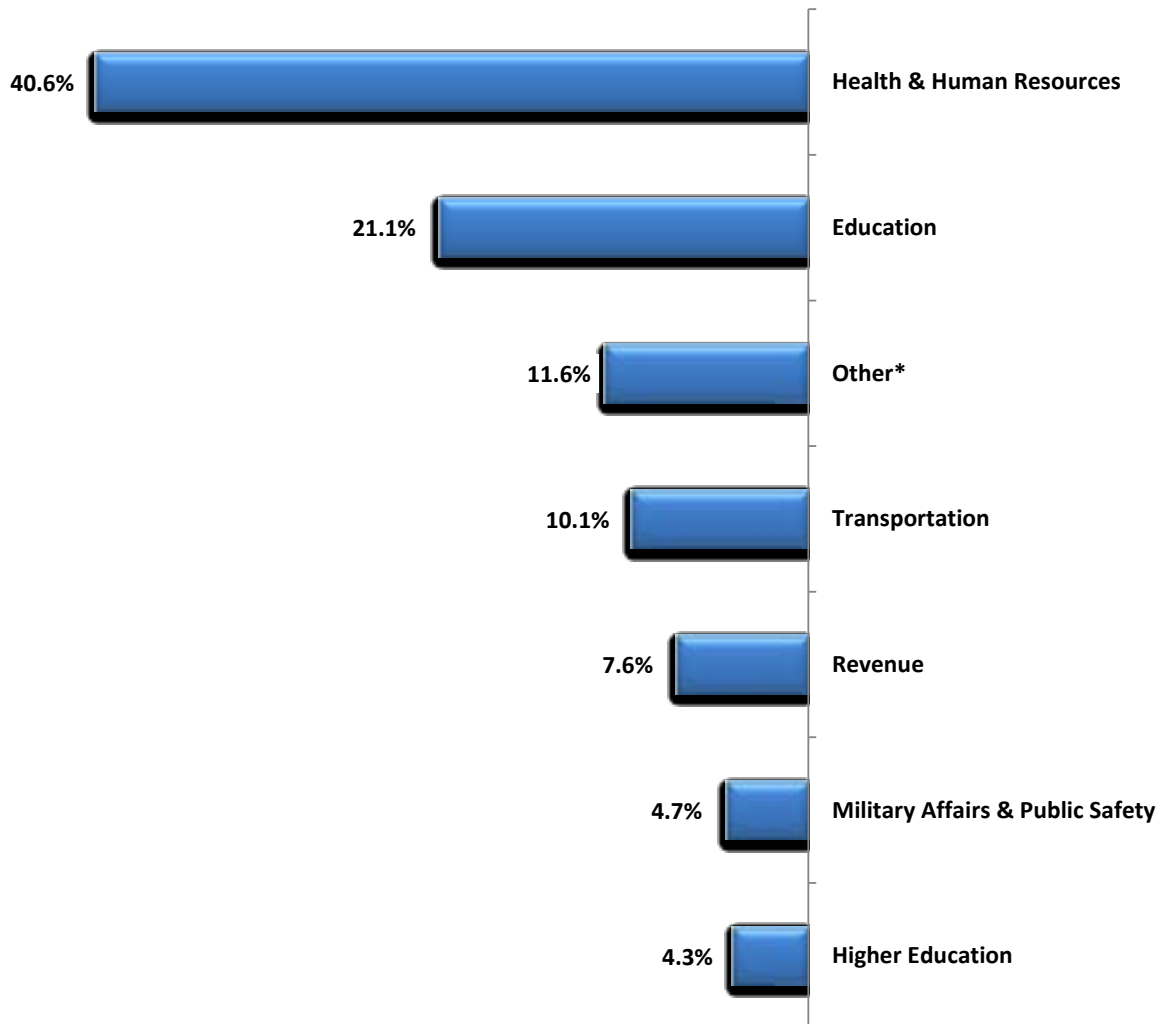
(FY 2015 Estimate)



TOTAL REVENUE
\$12.3 Billion
(Appropriated Funding Sources)

Where The State Dollar Goes

(Governor's Recommended FY 2015 Budget)



*Other		11.6%
Legislature		0.3%
Judicial		1.1%
Executive		0.7%
Administration		1.9%
Commerce		2.0%
Education & the Arts		1.3%
Environment		2.3%
Senior Services		0.7%
Veterans Assistance		0.2%
Misc. Boards & Commissions		1.1%

TOTAL EXPENDITURES
\$12.1 Billion
(Appropriated Funding Sources)

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

The following Combined Statement of Revenues, Expenditures, and Changes in Fund Balances reflects actual, budgeted, and recommended revenues and expenditures for FY 2013, FY 2014, and FY 2015, respectively, for all funds. The revenues 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 balances 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 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.

The Lottery and Excess Lottery funds are Special Revenue Funds. Revenue is collected by the Lottery Commission and appropriated by the Legislature to individual self-balancing agency funds. The Beginning Balance for the Lottery and Excess Lottery funds do not include the balances available in the agency funds.

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 2013 Actuals are the total actual revenues and expenditures for all funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

The FY 2014 Budgeted revenue estimate for the General Revenue Fund and State Road Fund reflects the Governor’s revised official revenue estimate as submitted to the Legislature on April 29, 2013. The Governor provides the official revenue estimates for the budget and those estimates do not require legislative approval.

FY 2014 Budgeted expenditures reflect the amounts budgeted for FY 2014 prior to the beginning of the 2014 Legislative session and includes a separate line for reappropriations from previous fiscal years.

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

Why Actual Expenditures Appear Significantly Different from Budgeted and Recommended Expenditures

While the Actual FY 2013 amounts include reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended FY 2015 expenditures do not reflect any anticipated reappropriations being available during FY 2015. Although the FY 2014 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. The available reappropriated balance is included as a separate line.

For General Revenue and Special Revenue funds, the prior year reappropriated amounts are significant. The General Revenue Fund budgeted FY 2014 expenditures include \$456.2 million, the Appropriated Special Revenue funds include \$50.1 million, Lottery Fund includes \$37.3 million, and the Excess Lottery Fund includes \$60.3 million in reappropriated amounts. Details about the amounts available to each agency can be found in the “Overview by Functional Category.” Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2014 will be less than the total authorized budgeted amounts.

FY 2015 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 All Funds (Expressed in Thousands)

	General Fund			State Road Fund		
	Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015	Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015
Beginning Fund Balance	\$578,831	\$467,990	\$57	\$46,375	\$87,452	\$84,943
Transfer to Rainy Day Fund	(28,178)	(5,750)	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	95,942	-	-	-	-	-
Prior Year Refunds/Redeposits	269	9,106	-	-	-	-
Cash Flow/Contingencies	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	27,000	-	-	-	-
Recom. Expirations to General Revenue Surplus	-	74,087	-	-	-	-
Revenues						
Revenue Collections/Estimate	4,104,138	4,136,001	4,271,251	1,154,948	1,221,460	1,165,518
Estimated Shortfall	-	(60,000)	-	-	-	-
Legislature	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Executive	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Commerce	-	-	-	-	-	-
Education	-	-	-	-	-	-
Education and the Arts	-	-	-	-	-	-
Environment	-	-	-	-	-	-
Health and Human Resources	-	-	-	-	-	-
Military Affairs & Public Safety	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Veterans Assistance	-	-	-	-	-	-
Senior Services	-	-	-	-	-	-
Higher Education	-	-	-	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
Total Revenues	4,104,138	4,076,001	4,271,251	1,154,948	1,221,460	1,165,518
Expenditures						
Legislature	30,347	24,743	27,952	-	-	-
Judicial	129,820	121,512	131,813	-	-	-
Executive	54,519	41,214	40,501	-	-	-
Administration	107,681	71,580	74,187	-	-	-
Commerce	70,878	62,394	64,263	-	-	-
Education	2,005,858	1,993,036	1,977,861	-	-	-
Education and the Arts	34,502	32,922	32,016	-	-	-
Environment	7,818	7,740	7,231	-	-	-
Health and Human Resources	951,759	932,566	1,073,021	-	-	-
Military Affairs & Public Safety	353,360	365,876	368,077	-	-	-
Revenue	30,350	27,797	26,022	-	-	-
Transportation	6,588	6,718	6,222	1,113,871	1,199,969	1,159,392
Veterans Assistance	11,845	11,322	11,532	-	-	-
Senior Services	23,483	10,131	14,457	-	-	-
Higher Education	464,204	426,450	416,096	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
Total Expenditures	4,283,012	4,136,001	4,271,251	1,113,871	1,199,969	1,159,392
Reappropriations Available	-	456,156	-	-	-	-
Recommended Supplemental	-	-	-	-	24,000	-
Recommended Surplus Supplemental	-	89,220	-	-	-	-
Mid-Year Budget Reduction	-	(33,000)	-	-	-	-
Adjustments*	-	-	-	-	-	-
Ending Fund Balance	\$467,990	\$57	\$57	\$87,452	\$84,943	\$91,069

* Includes cash not needed for appropriation and differences in appropriations available and expended.

** Some revenue and expenditures may be double counted.

Appropriated Special Revenue Funds			Appropriated Lottery Fund			Appropriated Excess Lottery Fund		
Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015	Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015	Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015
\$2,560,348	\$2,596,883	\$2,299,501	\$70,982	\$63,272	\$167	\$126,803	\$96,544	\$20
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(40,000)	-	-	(35,300)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	177,308	136,982	140,976	295,588	256,522	260,776
-	-	-	-	-	-	-	-	-
1,574	1,536	1,528	-	-	-	-	-	-
1,025	1,000	1,200	-	-	-	-	-	-
26,585	30,157	36,934	-	-	-	-	-	-
86,228	86,421	87,566	-	-	-	-	-	-
23,742	24,667	25,576	-	-	-	-	-	-
3,421	4,534	3,734	-	-	-	-	-	-
1,217	3,301	3,277	-	-	-	-	-	-
46,571	50,915	63,719	-	-	-	-	-	-
409,070	369,960	447,485	-	-	-	-	-	-
23,446	28,855	29,314	-	-	-	-	-	-
501,056	697,993	687,050	-	-	-	-	-	-
10,069	5,260	8,483	-	-	-	-	-	-
435	3,050	3,052	-	-	-	-	-	-
10,500	10,500	10,500	-	-	-	-	-	-
59,547	67,851	48,763	-	-	-	-	-	-
56,132	78,944	50,874	-	-	-	-	-	-
1,260,618	1,464,944	1,509,055	177,308	136,982	140,976	295,588	256,522	260,776
3,420	4,097	4,297	-	-	-	-	-	-
1,000	1,000	1,200	-	-	-	-	-	-
23,517	35,467	39,529	-	-	-	24	-	-
81,521	87,381	92,058	10,000	10,000	10,000	-	-	-
21,511	34,736	34,854	10,786	12,114	10,756	4,132	5,000	5,000
3,417	4,534	3,734	48,311	45,452	44,000	47,054	36,522	60,776
1,792	4,108	4,108	19,929	18,508	16,972	-	-	-
47,957	69,580	69,990	-	-	-	-	-	-
554,315	452,092	481,899	-	-	-	-	29,111	-
25,396	31,465	35,019	-	-	-	2,346	-	-
319,629	702,969	767,804	-	-	-	104,600	104,600	104,600
10,963	15,491	21,491	-	-	-	-	-	-
3,122	3,500	3,130	-	-	-	-	-	-
10,041	10,500	10,500	42,286	52,918	46,920	-	-	-
60,091	48,763	48,766	12,164	12,582	12,328	51,366	44,000	44,000
56,391	82,840	85,488	-	-	-	64,990	66,400	46,400
1,224,083	1,588,523	1,703,867	143,476	151,574	140,976	274,512	285,633	260,776
-	50,177	-	-	37,303	-	-	60,338	-
-	123,626	-	-	48,522	-	-	-	-
-	-	-	-	-	-	-	67,433	-
-	-	-	-	-	-	-	-	-
-	-	-	1,542	(37,312)	-	16,035	(60,358)	-
\$2,596,883	\$2,299,501	\$2,104,689	\$63,272	\$167	\$167	\$96,544	\$20	\$20

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

	Appropriated Federal Funds			Total Appropriated Funds		
	Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015	Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015
Beginning Fund Balance	\$74,589	\$79,759	\$46,388	\$3,457,928	\$3,391,900	\$2,431,076
Transfer to Rainy Day Fund	-	-	-	(28,178)	(5,750)	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	95,942	-	-
Prior Year Refunds/Redeposits	-	-	-	269	9,106	-
Cash Flow/Contingencies	-	-	-	(75,300)	-	-
Recom. Expirations to General Revenue	-	-	-	-	27,000	-
Recom. Expirations to General Revenue	-	-	-	-	74,087	-
Revenues						
Revenue Collections/Estimate	-	-	-	5,731,982	5,750,965	5,838,521
Estimated Shortfall	-	-	-	-	-	-
Legislature	984	3,000	3,000	2,558	4,536	4,528
Judicial	491	1,632	2,000	1,516	2,632	3,200
Executive	53,832	46,314	8,944	80,417	76,471	45,878
Administration	48,370	47,957	47,957	134,598	134,378	135,523
Commerce	78,985	122,103	123,468	102,727	146,770	149,044
Education	347,468	459,575	459,627	350,889	464,109	463,361
Education and the Arts	73,274	104,157	103,730	74,491	107,458	107,007
Environment	98,138	195,710	203,650	144,709	246,625	267,369
Health and Human Resources	2,671,738	2,865,106	3,811,602	3,080,808	3,235,066	4,259,087
Military Affairs & Public Safety	93,021	160,471	161,452	116,467	189,326	190,766
Revenue	2,330	14,211	14,211	503,386	712,204	701,261
Transportation	27,520	36,772	33,622	37,589	42,032	42,105
Veterans Assistance	9,725	7,400	7,400	10,160	10,450	10,452
Senior Services	11,805	14,536	14,536	22,305	25,036	25,036
Higher Education	-	-	-	59,547	67,851	48,763
Misc. Boards & Commissions	2,782	3,416	3,416	58,914	82,360	54,290
Total Revenues	3,520,463	4,082,360	4,998,615	10,513,063	11,298,269	12,346,191
Expenditures						
Legislature	984	3,000	3,000	34,751	31,840	35,249
Judicial	491	1,632	2,000	131,311	124,144	135,013
Executive	54,257	49,756	9,706	132,317	126,437	89,736
Administration	48,326	47,957	47,957	247,528	216,918	224,202
Commerce	74,756	128,542	130,057	182,063	242,786	244,930
Education	346,819	459,575	459,627	2,451,459	2,539,119	2,545,998
Education and the Arts	73,864	104,104	103,712	130,087	159,642	156,808
Environment	100,063	201,906	195,073	155,838	279,226	272,294
Health and Human Resources	2,670,290	2,872,228	3,359,580	4,176,364	4,285,997	4,914,500
Military Affairs & Public Safety	97,535	160,500	161,448	478,637	557,841	564,544
Revenue	2,330	14,211	14,211	456,909	849,577	912,637
Transportation	27,495	36,772	33,622	1,158,917	1,258,950	1,220,727
Veterans Assistance	4,539	7,511	7,511	19,506	22,333	22,173
Senior Services	11,808	14,536	14,536	87,618	88,085	86,413
Higher Education	-	-	-	587,825	531,795	521,190
Misc. Boards & Commissions	1,736	3,650	3,683	123,117	152,890	135,571
Total Expenditures	3,515,293	4,105,880	4,545,723	10,554,247	11,467,580	12,081,985
Reappropriations Available	-	-	-	-	603,974	-
Recommended Supplemental	-	9,851	-	-	205,999	-
Recommended Surplus Supplemental	-	-	-	-	156,653	-
Mid-Year Budget Reduction	-	-	-	-	(33,000)	-
Adjustments*	-	-	-	17,577	(97,670)	-
Ending Fund Balance	\$79,759	\$46,388	\$499,280	\$3,391,900	\$2,431,076	\$2,695,282

* Includes cash not needed for appropriation and differences in appropriations available and expended.

** Some revenue and expenditures may be double counted.

Nonappropriated Federal Funds			Nonappropriated Special Revenue Funds			Total All Funds**		
Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015	Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015	Actuals FY 2013	Budgeted FY 2014	Recommended FY 2015
\$45,373	\$43,560	\$38,111	\$13,347,321	\$15,257,708	\$19,186,379	\$16,850,622	\$18,693,168	\$21,655,566
-	-	-	-	-	-	(28,178)	(5,750)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	95,942	-	-
-	-	-	-	-	-	269	9,106	-
-	-	-	-	-	-	(75,300)	-	-
-	-	-	-	-	-	-	27,000	-
-	-	-	-	-	-	-	74,087	-
-	-	-	-	-	-	5,731,982	5,750,965	5,838,521
-	-	-	-	-	-	-	(60,000)	-
-	-	-	-	-	-	2,558	4,536	4,528
-	-	-	1,480	1,915	2,010	2,996	4,547	5,210
-	-	-	457,903	318,554	318,087	538,320	395,025	363,965
-	-	-	5,858,407	10,321,946	10,124,849	5,993,005	10,456,324	10,260,372
27,192	30,275	31,878	62,161	69,224	81,737	192,080	246,269	262,659
-	-	-	59,046	93,050	113,419	409,935	557,159	576,780
-	-	-	7,242	12,838	12,222	81,733	120,296	119,229
56	1,100	80	129,236	167,526	143,084	274,001	415,251	410,533
-	-	-	28,433	70,059	138,832	3,109,241	3,305,125	4,397,919
23,983	62,250	40,175	206,347	143,348	145,057	346,797	394,924	375,998
-	-	-	1,495,629	1,172,521	1,114,846	1,999,015	1,884,725	1,816,107
1,419	3,425	2,000	23,924	28,838	27,661	62,932	74,295	71,766
-	-	-	1,025	877	877	11,185	11,327	11,329
-	-	-	1,878	1,901	1,900	24,183	26,937	26,936
30,570	51,600	42,296	1,356,592	1,656,659	1,640,390	1,446,709	1,776,110	1,731,449
-	-	-	211,505	261,058	259,802	270,419	343,418	314,092
83,220	148,650	116,429	9,900,808	14,320,314	14,124,773	20,497,091	25,707,233	26,587,393
-	-	-	1	24	24	34,752	31,864	35,273
-	-	-	1,350	2,386	2,010	132,661	126,530	137,023
-	-	-	527,390	357,658	343,601	659,707	484,095	433,337
-	-	-	4,028,721	5,938,437	5,895,916	4,276,249	6,155,355	6,120,118
27,294	30,275	31,878	57,948	103,525	92,984	267,305	376,586	369,792
-	-	-	54,043	94,013	114,433	2,505,502	2,633,132	2,660,431
-	-	-	6,247	17,017	17,317	136,334	176,659	174,125
1,100	6,619	6,619	118,382	205,652	188,996	275,320	491,497	467,909
-	-	-	41,096	79,852	138,089	4,217,460	4,365,849	5,052,589
23,983	62,250	40,175	202,216	157,817	150,374	704,836	777,908	755,093
-	-	-	1,365,920	1,403,614	1,318,640	1,822,829	2,253,191	2,231,277
1,419	3,425	1,000	28,998	29,633	32,756	1,189,334	1,292,008	1,254,483
-	-	-	1,039	880	880	20,545	23,213	23,053
-	-	-	1,496	1,900	1,900	89,114	89,985	88,313
31,237	51,530	41,089	1,355,500	1,721,956	1,621,472	1,974,562	2,305,281	2,183,751
-	-	-	200,074	277,279	271,213	323,191	430,169	406,784
85,033	154,099	120,761	7,990,421	10,391,643	10,190,605	18,629,701	22,013,322	22,393,351
-	-	-	-	-	-	-	603,974	-
-	-	-	-	-	-	-	205,999	-
-	-	-	-	-	-	-	156,653	-
-	-	-	-	-	-	-	(33,000)	-
-	-	-	-	-	-	17,577	(97,670)	-
\$43,560	\$38,111	\$33,779	\$15,257,708	\$19,186,379	\$23,120,547	\$18,693,168	\$21,595,566	\$25,849,608

Cash and Investment Balances of All Funds
Fiscal Year Ending June 30, 2013
(Nearest Dollar)

	<u>Fund No.</u>	<u>Cash Balance</u>	<u>Investments</u>	<u>Total Balance</u>
General Revenue Fund	01	\$512,138,083	\$0	\$512,138,083
State Road Fund	02	2,106,645	87,127,284	89,233,929
Natural Resources Fund	03	10,102,944	75,449,527	85,552,471
Consolidated Pool and Investments	09	(1,567,385,151)	1,746,597,155	179,212,004
Consolidated Federal Funds (Special Revenue)	12	47,683,899	7,070,581	54,754,480
Special Revenue Funds ¹ (Departments and Institutions)	13	1,286,549,453	5,570,550,160	6,857,099,613
Special Revenue Funds (Higher Education)	14	31,918,655	393,744,454	425,663,109
Human Services Fund	16	45,514,621	50,543,145	96,057,766
Public Employees' Retirement System	17	524,099	4,946,577,148	4,947,101,247
Teachers' Retirement System	18	13,288,589	5,830,847,794	5,844,136,383
West Virginia University - Medical School Fund	20	730,628	181,948	912,576
Total		<u>\$383,172,465</u>	<u>\$18,708,689,196</u>	<u>\$19,091,861,661</u>

¹ See next page for detail of investments.

Detailed Investments Fund 13
Fiscal Year Ending June 30, 2013
(Nearest Dollar)

Attorney General	\$691,882
Auditor's Office	4,521,970
Board of Risk and Insurance Management	164,062,402
Building Commission	6,200,149
Court of Claims	3,488,809
Consolidated Public Retirement Board	910,882,102
Division of Justice and Community Services	1,906,066
Culture & History	1,906,674
Secretary of State	3,920,386
Department of Administration	651,364,007
Department of Education	2,170,747
Division of Financial Institutions	100,049
Higher Education Policy Commission	1,313,583
Department of Education and the Arts	790,323
Secretary of Revenue	914,465,671
Department of Transportation	4,830,707
WV Economic Development Authority	52,957,670
Department of Health and Human Resources	4,723,326
Division of Labor	5,647,592
Division of Natural Resources	1,492,073
Department of Environmental Protection	315,926,688
Division of Forestry	2,717,727
Insurance Commission	1,360,163,551
Lottery Commission	219,909,618
Municipal Bond Commission	381,384,707
Municipal Pension Oversight Board	28,736,709
Public Employees Insurance Agency	293,069,633
Regional Jail Authority	53,825,821
State Police	2,247,084
State Rail Authority	5,511,045
Tax Department	75,809
Treasurer's Office	146,297,586
Water Development Authority	23,247,994
Total Detail Fund 13	<u><u>\$5,570,550,160</u></u>

General Revenue Fund

Statement of Revenues by Source

FY 2011 Through FY 2019

(Expressed in Thousands)

Source of Revenue	FY 2011 Actual Collections	FY 2012 Actual Collections	FY 2013 Actual Collections ⁶	Revised FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
Business and Occupation Tax	\$127,591	\$121,031	\$127,112	\$106,600	\$107,000	\$100,000	\$100,300	\$99,300	\$98,400
Consumers Sales and Use Tax ^{1,2}	1,148,244	1,215,973	1,193,290	1,204,000	1,266,500	1,290,500	1,325,300	1,379,500	1,431,900
Personal Income Tax ¹	1,593,169	1,688,963	1,700,547	1,766,750	1,809,600	1,908,000	2,061,000	2,165,000	2,263,000
Liquor Profit Transfers	15,200	15,358	16,321	15,400	16,000	16,050	16,100	16,150	16,200
Racing Fees	21	0	0	0	0	0	0	0	0
Beer Tax and Licenses	8,479	8,416	8,415	8,400	8,350	8,320	8,290	8,250	8,220
Tobacco Products Tax (Cigarette & Other)	110,760	109,609	107,022	108,100	105,000	104,100	103,200	102,300	101,500
Estate Tax	0	16	2	0	0	0	0	0	0
Business Franchise Fees	2,239	1,193	692	600	650	650	650	650	650
Charter Tax	151	74	62	0	0	0	0	0	0
Property Transfer Tax	8,108	8,128	8,776	10,300	12,500	14,200	14,400	13,000	12,700
Property Tax	6,016	6,051	6,149	6,300	6,700	6,830	7,000	7,100	7,250
Insurance Tax	107,202	109,665	112,747	116,000	117,600	119,400	121,800	124,700	127,800
Departmental Collections	15,840	16,541	16,374	16,500	17,600	18,200	18,800	19,400	20,000
Corporate Income/Business Franchise Tax ^{3,4}	302,978	188,085	238,130	229,800	205,800	176,900	175,500	186,100	192,000
Miscellaneous Transfers	332	528	1,272	2,500	1,000	1,000	1,000	1,000	1,000
Interest Income	12,043	2,705	3,467	6,000	1,500	16,500	59,000	59,000	59,000
Severance Tax	440,875	467,902	409,673	431,300	474,600	531,000	549,200	537,000	512,400
Telecommunication Tax	23	96	61	0	0	0	0	0	0
Miscellaneous Receipts ⁵	11,924	3,483	5,038	4,400	17,800	6,850	6,900	6,950	7,000
HB102 - Lottery Transfers	127,900	127,900	92,600	92,600	92,600	83,355	83,355	83,355	83,355
Video Lottery Transfers	528	1,133	920	0	0	0	0	0	0
Liquor License Renewal	14,611	451	451	451	451	71	0	0	0
Senior Citizen Tax Credit Reimbursement	9,553	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total	\$4,063,787	\$4,103,301	\$4,059,121	\$4,136,001	\$4,271,251	\$4,411,926	\$4,661,795	\$4,818,755	\$4,952,375

1. Includes \$30 million in onetime revenues in FY 2015 associated with a proposed statutory change to accelerate the due date from July to June for half of the monthly tax normally due in July for taxpayers whose average monthly Sales and Use Tax is in excess of \$100,000 or monthly average payment of Withholding Tax is in excess of \$100,000 beginning in June 2015.

2. Includes an additional \$13 million in Consumer Sales and Use Tax in both FY 2015 and FY 2016 attributable to a proposed statutory change to temporarily suspend the annual Consumer Sales and Use Tax revenue transfer provided under W.Va. Code 11-15-9(b)(6) for both FY 2015 and FY 2016.

3. Includes an additional \$4.3 million in Corporation Net Income Tax in both FY 2015 and FY 2016 attributable to a proposed statutory change continuing the temporary suspension of General Revenue Fund transfers to the Public Port Authority for two additional years.

4. Includes an additional \$1.0 million in tax receipts due to proposed legislation to terminate the Strategic Research and Development Tax Credit effective on January 1, 2014. The additional revenue gradually rises to more than \$4 million per year by FY 2018.

5. Includes \$12 million in Miscellaneous Revenues attributable to a onetime additional transfer of \$12 million from the Abandoned and Unclaimed Property Account to the General Revenue Fund in FY 2015.

6. Does not include the \$45 million transferred from the Income Tax Refund Reserve Account.

General Revenue Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

Actual Beginning Cash Balance July 1, 2013	\$512,138,083	
Less: 31 Day Disbursements (July 1, 2013 - July 31, 2013)	(44,147,212)	
Plus: Prior Year Reimbursements (July 1, 2013 - July 31, 2013)	2,130	
Less: Prior Year Appropriations Forwarded	<u>(456,155,684)</u>	
Accumulated Surplus from FY 2013 @ July 31, 2013	\$11,837,317	
Less: Transfer to Revenue Shortfall Reserve Fund (Statutory)	(5,750,640)	
Plus: Prior Year Reimbursements (August 1, 2013 - December 31, 2013)	9,103,760	
Plus: Special Revenue Expirations to General Revenue	0	
Plus: Recommended Expirations to General Revenue Surplus (2014 Regular Session)	74,087,066	
Less: Recommended FY 2014 Surplus Supplemental Appropriations (2014 Regular Session)	<u>(89,219,827)</u>	
Estimated Unappropriated Surplus Balance @ June 30, 2014		\$57,676
Plus: FY 2014 Revenue Estimate (Revised April 29, 2013)	\$4,136,001,000	
Less: FY 2014 Regular Appropriations	(4,136,001,000)	
Less: FY 2014 Anticipated Revenue Shortfall (Estimated)	(60,000,000)	
Plus: FY 2014 Mid-Year Budget Reduction - Governor's Executive Order (Estimated)	33,000,000	
Plus: Recommended Expirations to General Revenue (2014 Regular Session)	27,000,000	
Less: Recommended FY 2014 Supplemental Appropriation (2014 Regular Session)	<u>0</u>	
Estimated Unappropriated Balance from FY 2014 Activity @ June 30, 2014		\$0
Plus: FY 2015 Revenue Estimate	\$4,271,251,000	
Less: Recommended FY 2015 Regular Appropriations (2014 Regular Session)	<u>(4,271,251,000)</u>	
Estimated Unappropriated Balance from FY 2015 Activity @ June 30, 2015		\$0
Total Estimated Unappropriated Balance @ June 30, 2015		<u>\$57,676</u>

**General Revenue Fund
Overview by Functional Category
FY 2013 through FY 2015
(Nearest Dollar)**

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2013	Total Appropriations FY 2014
LEGISLATURE			
Senate	0165	\$5,923,312	\$6,452,206
House of Delegates	0170	8,989,097	9,404,031
Joint Expenses/Claims against State	0175	15,434,469	8,886,635
Subtotal		30,346,878	24,742,872
JUDICIAL			
Supreme Court	0180	129,819,881	121,511,992
EXECUTIVE			
Office of the Governor	0101	5,000,703	4,969,316
Custodial Fund	0102	556,093	608,018
Civil Contingent Fund	0105	8,052,493	0
State Auditor's Office	0116	5,704,653	3,486,565
State Treasurer's Office	0126	3,981,671	3,644,918
Department of Agriculture	0131	11,966,176	11,407,927
WV Conservation Agency	0132	11,145,514	9,475,342
Meat Inspection	0135	719,134	721,312
Agricultural Awards	0136	58,650	54,250
WV Agricultural Land Protection Auth	0607	114,116	103,101
Attorney General's Office	0150	5,880,840	5,514,137
Secretary of State	0155	1,338,697	1,220,022
State Election Commission	0160	0	9,028
Subtotal		54,518,740	41,213,936
ADMINISTRATION			
Office of the Secretary	0186	15,499,869	15,912,260
Division of Finance	0203	30,723,226	852,955
General Services Division	0230	3,514,921	3,695,167
Purchasing Division	0210	1,024,098	1,093,584
Travel Management	0615	1,356,698	1,588,585
Comm on Uniform State Laws	0214	39,135	46,550
Public Employees Grievance Board	0220	1,125,972	1,086,597
Ethics Commission	0223	736,798	718,013
Public Defender Services	0226	41,617,143	31,858,377
Comm Purchase for Handicapped	0233	2,020	5,055
Public Employees Insurance Agency	0200	0	3,500,000
WV Prosecuting Attorneys Institute	0557	254,987	240,237
Children's Health Insurance Agency	0588	10,925,578	9,987,748
Real Estate Division	0610	860,558	994,990
Subtotal		107,681,003	71,580,118

Plus: Reappropriated FY 2014	Total Available FY 2014	Total Request FY 2015 *	Governor's Recommendations FY 2015	Percentage of Total
\$28,633,514	\$35,085,720	\$6,452,206	\$6,452,206	0.15%
7,516,211	16,920,242	9,404,031	9,404,031	0.22%
55,774,687	64,661,322	12,095,457	12,095,457	0.28%
91,924,412	116,667,284	27,951,694	27,951,694	0.65%
15,249,837	136,761,829	131,812,993	131,812,993	3.09%
2,990,503	7,959,819	4,969,316	4,623,786	0.11%
28,933	636,951	608,018	588,536	0.01%
22,327,344	22,327,344	0	0	0.00%
995,672	4,482,237	3,486,565	4,516,671	0.11%
351,568	3,996,486	3,644,918	3,405,091	0.08%
4,116,003	15,523,930	11,407,927	10,623,213	0.25%
5,896,957	15,372,299	9,475,342	8,825,572	0.21%
0	721,312	721,312	729,494	0.02%
0	54,250	54,250	54,250	0.00%
0	103,101	103,101	103,919	0.00%
3,019,306	8,533,443	6,275,744	5,892,494	0.14%
1,091,313	2,311,335	1,220,025	1,129,538	0.03%
0	9,028	9,028	8,342	0.00%
40,817,599	82,031,535	41,975,546	40,500,906	0.95%
209,207	16,121,467	15,912,259	15,917,752	0.37%
141,869	994,824	852,955	854,778	0.02%
0	3,695,167	3,710,167	9,749,620	0.23%
0	1,093,584	1,093,584	1,108,024	0.03%
0	1,588,585	1,588,585	1,596,348	0.04%
0	46,550	46,550	46,550	0.00%
6,682	1,093,279	1,086,597	1,096,415	0.03%
0	718,013	703,013	708,736	0.02%
4,920,238	36,778,615	47,535,262	31,870,231	0.75%
0	5,055	5,055	5,055	0.00%
0	3,500,000	3,500,000	0	0.00%
41,568	281,805	240,237	241,751	0.01%
0	9,987,748	9,987,748	9,989,262	0.23%
0	994,990	994,991	1,002,220	0.02%
5,319,564	76,899,682	87,257,003	74,186,742	1.74%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2013	Total Appropriations FY 2014
COMMERCE			
Office of the Secretary	0606	336,464	364,104
Tourism	0246	0	0
Forestry	0250	4,876,093	6,257,127
Geological & Economic Survey	0253	3,660,979	3,286,373
Development Office	0256	24,095,769	17,348,794
Division of Labor	0260	3,118,145	3,179,163
Division of Natural Resources	0265	19,415,533	16,256,299
Miners' Health, Safety & Training	0277	12,828,597	13,067,125
Board of Coal Mine Health & Safety	0280	335,525	461,900
Mine Safety & Technical Review	0285	42,081	0
WorkForce West Virginia	0572	144,555	87,877
Division of Energy	0612	1,863,590	1,782,864
Occupational Safety and Health	0616	34,837	185,275
Office of Economic Opportunity	0617	126,284	117,263
Subtotal		70,878,452	62,394,164
EDUCATION			
School Lunch Program	0303	2,492,873	2,502,687
FFA-FHA Camp & Conference Center	0306	1,085,399	1,055,406
State Department of Education	0313	51,312,411	66,787,938
Aid for Exceptional Children	0314	27,994,240	28,837,488
State Aid to Schools	0317	1,881,550,710	1,851,786,578
State Board of Ed-Vocational Division	0390	27,747,664	28,267,315
Education Performance Audits	0573	701,187	938,959
WV Schools for the Deaf & the Blind	0320	12,973,424	12,860,163
Subtotal		2,005,857,908	1,993,036,534
EDUCATION AND THE ARTS			
Office of the Secretary	0294	6,837,814	6,185,256
Culture and History	0293	6,265,001	5,355,308
Library Commission	0296	1,679,960	1,831,927
Educational Broadcasting Authority	0300	5,443,457	5,237,378
Division of Rehabilitation Services	0310	14,275,682	14,311,968
Subtotal		34,501,914	32,921,837
ENVIRONMENTAL PROTECTION			
Environmental Quality Board	0270	143,320	134,454
Environmental Protection	0273	7,584,231	7,510,922
Air Quality Board	0550	90,515	94,465
Subtotal		7,818,066	7,739,841

Plus: Reappropriated FY 2014	Total Available FY 2014	Total Request FY 2015 *	Governor's Recommendations FY 2015	Percentage of Total
0	364,104	364,104	365,941	0.01%
409,168	409,168	0	0	0.00%
0	6,257,127	6,800,127	6,428,811	0.15%
702,609	3,988,982	3,286,373	3,072,067	0.07%
32,569,146	49,917,940	22,098,794	16,407,052	0.38%
0	3,179,163	3,179,163	2,980,315	0.07%
196,265	16,452,564	22,123,651	19,386,785	0.45%
0	13,067,125	13,067,125	13,177,212	0.31%
0	461,900	461,900	429,711	0.01%
0	0	0	0	0.00%
0	87,877	87,877	81,286	0.00%
0	1,782,864	1,782,864	1,651,604	0.04%
0	185,275	185,275	173,097	0.00%
0	117,263	117,263	109,695	0.00%
33,877,188	96,271,352	73,554,516	64,263,576	1.50%
0	2,502,687	2,504,981	2,509,511	0.06%
0	1,055,406	1,064,746	750,000	0.02%
8,466,838	75,254,776	52,793,140	43,962,292	1.03%
2,002,049	30,839,537	28,942,017	29,044,820	0.68%
0	1,851,786,578	1,841,624,345	1,855,116,378	43.43%
670,050	28,937,365	32,075,116	31,779,410	0.74%
0	938,959	1,875,750	1,505,689	0.04%
175,000	13,035,163	13,183,937	13,193,036	0.31%
11,313,937	2,004,350,471	1,974,064,032	1,977,861,136	46.31%
2,803,552	8,988,808	6,185,256	5,893,925	0.14%
1,451,327	6,806,635	5,904,308	5,149,795	0.12%
0	1,831,927	1,947,927	1,738,817	0.04%
41,855	5,279,233	5,237,378	4,902,437	0.11%
0	14,311,968	14,171,778	14,330,639	0.34%
4,296,734	37,218,571	33,446,647	32,015,613	0.75%
0	134,454	134,454	125,188	0.00%
0	7,510,922	7,510,922	7,017,380	0.16%
0	94,465	94,465	88,258	0.00%
0	7,739,841	7,739,841	7,230,826	0.17%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2013	Total Appropriations FY 2014
HEALTH AND HUMAN RESOURCES			
Office of the Secretary	0400	445,465	613,094
Division of Health-Central Office	0407	80,939,545	77,620,616
Consolidated Medical Service Fund	0525	163,528,705	183,154,192
WV Drinking Water Treatment	0561	700,000	647,500
Human Rights Commission	0416	1,236,376	1,299,925
Human Services	0403	704,909,014	669,230,660
Subtotal		951,759,105	932,565,987
MILITARY AFFAIRS & PUBLIC SAFETY			
Office of the Secretary	0430	1,615,791	2,022,704
Adjutant General - State Militia	0433	14,317,566	16,710,103
Adjutant General - Military Fund	0605	50,129	185,000
Parole Board	0440	1,111,287	1,129,274
Homeland Security Emergency Mgmt	0443	3,952,743	3,352,288
Corrections Central Office	0446	614,585	657,447
Correctional Units	0450	183,613,160	187,755,165
WV State Police	0453	92,710,024	108,508,032
Fire Commission	0436	81,156	75,069
Justice and Community Services	0546	7,489,064	7,321,225
Juvenile Services	0570	45,648,723	35,859,133
Protective Services Division	0585	2,156,170	2,300,782
Subtotal		353,360,398	365,876,222
REVENUE			
Office of the Secretary	0465	727,094	733,223
Tax Division	0470	28,238,709	25,587,056
State Budget Office	0595	710,103	804,706
Athletic Commission	0523	7,154	51,847
Office of Tax Appeals	0593	666,806	620,107
Subtotal		30,349,866	27,796,939
TRANSPORTATION			
State Rail Authority	0506	1,974,822	2,389,003
Public Transit	0510	3,046,608	2,677,058
Public Port Authority	0581	365,724	379,304
Aeronautics Commission	0582	1,200,634	1,272,456
Subtotal		6,587,788	6,717,821
VETERANS ASSISTANCE			
Veterans Affairs	0456	10,769,667	10,154,386
Veterans Home	0460	1,075,439	1,167,308
Subtotal		11,845,106	11,321,694

Plus: Reappropriated FY 2014	Total Available FY 2014	Total Request FY 2015 *	Governor's Recommendations FY 2015	Percentage of Total
73,932	687,026	613,094	588,058	0.01%
20,438,194	98,058,810	78,918,882	75,031,921	1.76%
97,790,750	280,944,942	216,143,579	187,818,776	4.40%
0	647,500	647,500	647,500	0.02%
0	1,299,925	1,299,925	1,218,744	0.03%
3,285	669,233,945	931,953,189	807,715,991	18.91%
118,306,161	1,050,872,148	1,229,576,169	1,073,020,990	25.12%
5,395,646	7,418,350	2,042,704	2,063,240	0.05%
16,210,994	32,921,097	16,710,104	15,524,044	0.36%
0	185,000	185,000	171,125	0.00%
0	1,129,274	1,256,564	1,158,391	0.03%
466,692	3,818,980	3,410,288	3,121,501	0.07%
0	657,447	657,447	614,263	0.01%
52,206,556	239,961,721	258,792,385	193,969,378	4.54%
4,314,112	112,822,144	117,293,418	105,533,492	2.47%
0	75,069	75,069	69,439	0.00%
2,104,441	9,425,666	7,610,886	10,006,330	0.23%
3,128,666	38,987,799	36,367,036	33,514,011	0.78%
3,709,442	6,010,224	2,513,812	2,331,654	0.05%
87,536,549	453,412,771	446,914,713	368,076,868	8.62%
339,186	1,072,409	854,604	685,176	0.02%
14,235,296	39,822,352	29,082,056	23,957,109	0.56%
1,348,020	2,152,726	804,706	752,116	0.02%
0	51,847	51,847	47,958	0.00%
0	620,107	620,107	579,726	0.01%
15,922,502	43,719,441	31,413,320	26,022,085	0.61%
1,790,715	4,179,718	2,389,003	2,212,473	0.05%
3,565,600	6,242,658	2,677,058	2,476,279	0.06%
1,465,056	1,844,360	379,304	353,470	0.01%
2,369,299	3,641,755	1,272,456	1,179,475	0.03%
9,190,670	15,908,491	6,717,821	6,221,697	0.15%
2,477,253	12,631,639	10,154,386	10,339,443	0.24%
0	1,167,308	1,167,308	1,192,404	0.03%
2,477,253	13,798,947	11,321,694	11,531,847	0.27%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Actual Expenditures FY 2013	Total Appropriations FY 2014
SENIOR SERVICES			
Bureau of Senior Services	0420	23,482,933	10,131,368
HIGHER EDUCATION			
HEPC-Administration	0589	70,400,489	68,875,041
WVNET	0551	1,948,443	1,774,201
WVU-School of Medicine	0343	26,383,010	23,905,147
West Virginia University	0344	130,871,216	119,683,309
Marshall University-School of Medicine	0347	15,026,136	14,900,420
Marshall University	0348	57,592,240	52,051,564
WV School of Osteopathic Medicine	0336	8,844,269	8,045,495
Bluefield State College	0354	6,593,442	6,003,814
Concord University	0357	10,206,804	9,294,046
Fairmont State University	0360	17,880,671	16,281,666
Glenville State College	0363	11,206,804	6,489,479
Shepherd University	0366	11,228,474	10,224,351
West Liberty University	0370	9,569,758	8,488,844
West Virginia State University	0373	13,862,389	12,565,707
Council for C&T College Education	0596	7,485,022	7,492,683
Mountwest C&T College	0599	6,352,577	5,876,134
New River C&T College	0600	6,386,280	5,832,608
Pierpont C&T College	0597	8,443,703	7,810,425
Blue Ridge C&T College	0601	5,678,682	4,753,034
Kanawha Valley C&T College **	0598	4,125,664	3,816,239
Bridgemont C&T College **	0602	3,973,597	4,175,577
WVU at Parkersburg	0351	10,921,203	10,328,724
Southern WV C&T College	0380	9,228,731	8,536,576
WV Northern C&T College	0383	7,893,643	7,301,620
Eastern WV C&T College	0587	2,100,509	1,942,971
BridgeValley C&T College **	0618	0	0
Subtotal		464,203,756	426,449,675
TOTAL GENERAL REVENUE		\$4,283,011,794	\$4,136,001,000

* Total Request FY 2015 is Current-Level Request plus General Revenue Improvement Requests.

** Kanawha Valley and Bridgemont are merging into BridgeValley C&T College for FY 2015.

Plus: Reappropriated FY 2014	Total Available FY 2014	Total Request FY 2015 *	Governor's Recommendations FY 2015	Percentage of Total
0	10,131,368	10,131,368	14,457,690	0.34%
9,256,991	78,132,032	68,875,041	68,656,464	1.61%
0	1,774,201	1,774,201	1,720,914	0.04%
983,740	24,888,887	23,905,147	23,602,138	0.55%
418,522	120,101,831	119,483,309	116,040,483	2.72%
79,374	14,979,794	14,900,420	14,483,505	0.34%
361,748	52,413,312	52,051,564	50,640,193	1.19%
203,363	8,248,858	8,045,495	7,813,679	0.18%
0	6,003,814	6,003,814	5,856,558	0.14%
0	9,294,046	9,294,046	9,040,548	0.21%
0	16,281,666	16,281,666	15,842,394	0.37%
0	6,489,479	6,489,479	6,318,177	0.15%
0	10,224,351	10,224,351	9,941,104	0.23%
0	8,488,844	8,488,844	8,255,151	0.19%
0	12,565,707	12,395,081	12,053,981	0.28%
8,619,540	16,112,223	7,492,683	7,217,192	0.17%
0	5,876,134	5,876,134	5,731,087	0.13%
0	5,832,608	5,832,608	5,681,907	0.13%
0	7,810,425	7,810,425	7,584,426	0.18%
0	4,753,034	4,753,034	4,640,378	0.11%
0	3,816,239	0	0	0.00%
0	4,175,577	0	0	0.00%
0	10,328,724	10,097,474	9,858,752	0.23%
0	8,536,576	8,536,576	8,321,687	0.19%
0	7,301,620	7,301,620	7,125,451	0.17%
0	1,942,971	1,942,971	1,895,244	0.04%
0	0	7,991,816	7,774,924	0.18%
19,923,278	446,372,953	425,847,799	416,096,337	9.74%
\$456,155,684	\$4,592,156,684	\$4,539,725,156	\$4,271,251,000	100.00%

**General Revenue Fund
Recommended Surplus Supplemental Appropriations
FY 2014
(Nearest Dollar)**

Public Defender - Appointed Counsel billings - Funding Shortfall	\$12,000,000
DHHR - Chief Medical Examiner - Operations Shortfall	595,063
DHHR - Chief Medical Examiner - Salary Enhancement	104,431
DHHR - Hartley Court Order - Behavioral Health	4,718,630
DHHR - Medicaid - Eligibility and Information Technology Architecture	3,016,766
DHHR - Medicaid - Prefund FY 2015 Base Funding	50,400,000
DHHR - Social Services - Funding Shortfall	6,793,446
Parole Board - Operations Shortfall	38,000
Parole Board - Two additional staff	68,286
Corrections - Current Expenses Shortfall	3,000,000
Corrections - Salem Correctional Facility - Operations Shortfall	2,937,846
Corrections - Lakin - Nine additional staff (1/2 year of funding)	176,732
Corrections - St. Mary's - Seven additional staff (1/2 year of funding)	120,627
Higher Education - State Match for USED Grant - Building 770 Renovations	<u>5,250,000</u>
Recommended General Revenue Surplus Supplementals - FY 2014	<u><u>\$89,219,827</u></u>

**General Revenue Fund
Recommended Supplemental Appropriations
FY 2014
(Nearest Dollar)**

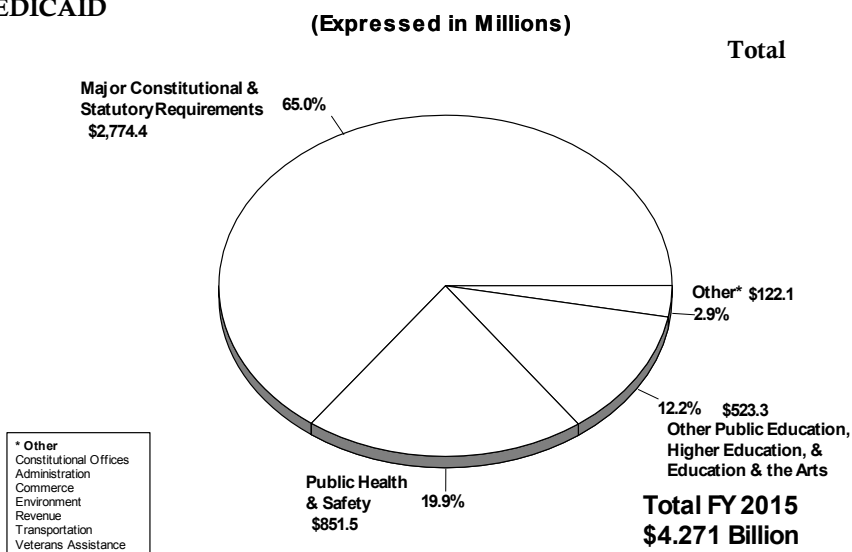
Juvenile Services - Move funding to Corrections for two K-9 Officers	(\$157,098)
Corrections - funding for two K-9 Officers	<u>157,098</u>
Recommended General Revenue Supplementals - FY 2014	<u><u>\$0</u></u>

General Revenue Major Constitutional and Statutory Requirements Fiscal Year 2015

Each year there are several major constitutional or statutory requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2015 Executive Budget recommendations include expenditures of \$2.77 billion of these major requirements and make up 65% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 35% 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.

		Appropriations (in millions)
LEGISLATIVE BRANCH		\$28.0
JUDICIAL BRANCH		102.1
DEPARTMENT OF EDUCATION		
State Aid to Schools	1,177.8	
Public Employees Insurance Agency (School Aid Formula)	225.2	1,403.0
DEBT SERVICE		
School Building Authority	23.3	
Lease Rental Payments for debt service on correctional facilities	15.0	38.3
SOCIAL SECURITY MATCHING		47.8
PUBLIC EMPLOYEES INSURANCE AGENCY		103.4
RETIREMENT		
Judges' Retirement	2.5	
Public Employees Retirement	58.3	
Teachers' Retirement	428.8	
Trooper Retirement	27.7	517.3
PUBLIC DEFENDER SERVICES		31.6
MEDICAID		502.9
Total		\$2,774.4



Lottery Fund Overview by Functional Category FY 2013 through FY 2015 (Nearest Dollar)

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2013	Total Appropriations FY 2014
ADMINISTRATION			
Education, Arts, Sciences, & Tourism Debt Service Fund	2252	\$9,999,812	\$10,000,000
COMMERCE			
Division of Tourism	3067	6,653,207	8,921,634
Division of Natural Resources	3267	4,132,634	3,192,666
Subtotal		10,785,841	12,114,300
EDUCATION			
State Department of Education	3951	30,313,949	27,451,348
School Building Authority	3963	17,996,910	18,000,000
Subtotal		48,310,859	45,451,348
EDUCATION AND THE ARTS			
Office of the Secretary	3508	1,934,320	1,812,453
Culture and History	3534	6,139,693	5,227,761
Library Commission	3559	11,855,632	11,467,423
Subtotal		19,929,645	18,507,637
SENIOR SERVICES			
Bureau of Senior Services	5405	42,285,981	52,918,128
HIGHER EDUCATION			
Community & Technical College Capital Improvement Fund	4908	4,911,442	5,000,000
Higher Education Policy Commission	4925	3,232,015	3,303,313
West Virginia University	4185	3,365,245	3,649,156
Marshall University	4267	23,309	22,764
Marshall-School of Medicine	4896	631,718	606,937
Subtotal		12,163,729	12,582,170
TOTAL LOTTERY		\$143,475,867	\$151,573,583

* Total Request FY 2015 is Current-Level Request plus Improvement Requests.

Lottery Fund Overview by Functional Category FY 2013 through FY 2015 (Nearest Dollar)

Plus: Reappropriated FY 2014	Total Available FY 2014	Total Request FY 2015 *	Governor's Recommendation FY 2015	Percentage of Total
\$0	\$10,000,000	\$10,000,000	\$10,000,000	7.09%
2,577,701	11,499,335	6,821,634	7,559,842	5.36%
4,072,269	7,264,935	3,151,511	3,196,491	2.27%
6,649,970	18,764,270	9,973,145	10,756,333	7.63%
15,542,200	42,993,548	27,353,703	25,999,963	18.44%
0	18,000,000	18,000,000	18,000,000	12.77%
15,542,200	60,993,548	45,353,703	43,999,963	31.21%
365,468	2,177,921	1,702,609	1,672,985	1.19%
2,096,717	7,324,478	5,227,761	4,701,556	3.34%
1,005,651	12,473,074	12,348,875	10,596,807	7.52%
3,467,836	21,975,473	19,279,245	16,971,348	12.04%
3,426,277	56,344,405	52,918,128	46,920,012	33.28%
3,601,941	8,601,941	5,000,000	5,000,000	3.55%
1,169,342	4,472,655	3,303,313	3,180,114	2.26%
2,079,111	5,728,267	3,649,156	3,538,214	2.51%
1,154,018	1,176,782	22,764	21,911	0.02%
212,116	819,053	606,937	588,105	0.42%
8,216,528	20,798,698	12,582,170	12,328,344	8.74%
\$37,302,811	\$188,876,394	\$150,106,391	\$140,976,000	100.00%

Lottery Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance @ July 1, 2012	\$70,981,896
Less:	Cash Flow / Contingencies	(40,000,000)
Plus:	FY 2013 Actual Revenue	177,664,719
Less:	Veterans Fund - Actual Transfers	<u>(357,033)</u>
	Available for FY 2013 Appropriations	\$208,289,582
Less:	FY 2013 Appropriations	(145,025,203)
Plus:	Cash not needed for FY 2013 Appropriations	<u>7,890</u>
	Unappropriated Balance @ June 30, 2013	\$63,272,269
Plus:	FY 2014 Revenue Estimate	\$137,582,000
Less:	Veterans Fund	(600,000)
Less:	FY 2014 Appropriations	(151,573,583)
Plus:	Cash not needed for FY 2014 Appropriations	8,340
Less:	Recommended FY 2014 Supplemental Appropriations (2014 Regular Session):	
	DHHR - Medicaid - Make-up Shortfall in FY 2014 Base	(20,888,536)
	DHHR - Medicaid - To fully fund FY 2014 Base	(21,030,131)
	DNR - State Parks - Operations FY 2014 Shortfall	(2,867,282)
	DNR - State Parks - Canaan Valley - Management Contract FY 2014 Shortfall	<u>(3,735,796)</u>
	Estimated Unappropriated Balance @ June 30, 2014	\$167,281
Plus:	FY 2015 Revenue Estimate	\$141,376,000
Less:	Veterans Fund	<u>(400,000)</u>
	Revenue Available for FY 2015 Appropriations	\$141,143,281
Less:	Recommended FY 2015 Regular Appropriations (2014 Regular Session)	<u>(140,976,000)</u>
	Estimated Unappropriated Balance @ June 30, 2015	<u><u>\$167,281</u></u>

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

	Balance @ July 1, 2012	\$126,802,497
Less:	Cash Flow / Contingencies	(5,300,000)
Less:	Catastrophic Event Contingency	(30,000,000)
Plus:	FY 2013 Actual Revenue	<u>295,588,465</u>
	Available for FY 2013 Appropriations	\$387,090,962
Less:	FY 2013 Appropriations (net of vetos)	(290,564,890)
Plus:	Cash not needed for FY 2013 Appropriations	17,899
Less:	FY 2013 Supplemental Appropriation	<u>(67,432,506)</u>
	Unappropriated Balance @ July 1, 2013	\$29,111,465
Plus:	FY 2014 Revenue Estimate	\$256,522,000
Less:	FY 2014 Regular Appropriations	(256,522,000)
Less:	FY 2014 Appropriations from available surplus	(29,111,465)
Plus:	Cash not needed for FY 2014 Appropriations	20,217
Plus:	FY 2013 Supplemental Appropriation (flawed effective date)	67,432,506
Less:	Recommended FY 2014 Supplemental Appropriations (2014 Regular Session):	
	DHHR - Medicaid - Basebuilding funding (replaces flawed FY 2013 Supplemental)	<u>(67,432,506)</u>
	Estimated Unappropriated Balance @ June 30, 2014	\$20,217
Plus:	FY 2015 Revenue Estimate	\$260,776,000
Less:	Recommended FY 2015 Regular Appropriations (2014 Regular Session)	<u>(260,776,000)</u>
	Estimated Unappropriated Balance @ June 30, 2015	<u><u>\$20,217</u></u>

**Excess Lottery Fund
Overview by Functional Category
FY 2013 through FY 2015
(Nearest Dollar)**

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2013	Total Appropriations FY 2014*
STATUTORY APPROPRIATIONS:			
DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)			
Economic Development Authority	9065	\$18,989,524	\$19,000,000
Higher Education Improvement Fund	4297	15,000,000	15,000,000
School Building Authority	3514	18,992,577	19,000,000
Division of Natural Resources	3277	3,719,648	5,000,000
Cacapon & Beech Fork Debt Service Fund	9067	0	1,400,000
Infrastructure Council	3390	46,000,000	46,000,000
Subtotal		102,701,749	105,400,000
TRANSFERS			
Refundable Credit	7207	10,000,000	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
Subtotal		106,000,000	106,000,000
TOTAL STATUTORY APPROPRIATIONS:		208,701,749	211,400,000
APPROPRIATIONS ABOVE EXCESS LOTTERY STATUTORY REQUIREMENTS:			
Joint Expenses (TRAFFIC)	1736	0	0
Office of the Governor	1046	24,426	0
Transfer to General Revenue	7208	27,600,000	27,600,000
Teachers' Retirement Fund-Unfunded Liability	3517	0	0
Transfer to Teachers' Retirement Savings Realized	7208/3517	28,061,000	17,522,000
WV Development Office	3170	412,613	0
Division of Health	5219	0	0
Secretary of Military Affairs and Public Safety- Interoperable Communications	6005	722,390	0
Division of Corrections-Capital	6283	1,623,663	0
Human Services-Medical Services	5365	0	29,111,465
Higher Education-Advanced Technology Centers	4932	7,365,859	0
TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:		65,809,951	74,233,465
TOTAL EXCESS LOTTERY		\$274,511,700	\$285,633,465

* Total Appropriations FY 2014 include surplus appropriations of \$29,111,465.

** Total Request FY 2015 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2014	Total Available FY 2014	Total Request FY 2015**	Governor's Recommendation FY 2015	Percentage of Total
0	\$19,000,000	\$19,000,000	\$19,000,000	7.29%
0	15,000,000	15,000,000	15,000,000	5.75%
0	19,000,000	19,000,000	19,000,000	7.29%
10,816,920	15,816,920	5,000,000	5,000,000	1.92%
0	1,400,000	1,400,000	1,400,000	0.54%
0	46,000,000	46,000,000	26,000,000	9.97%
10,816,920	116,216,920	105,400,000	85,400,000	32.75%
0	10,000,000	10,000,000	10,000,000	3.83%
0	65,000,000	65,000,000	65,000,000	24.93%
0	29,000,000	29,000,000	29,000,000	11.12%
0	2,000,000	2,000,000	2,000,000	0.77%
0	106,000,000	106,000,000	106,000,000	40.65%
10,816,920	222,216,920	211,400,000	191,400,000	73.40%
20,000,000	20,000,000	0	0	0.00%
125,685	125,685	0	0	0.00%
0	27,600,000	27,600,000	27,600,000	10.58%
0	0	0	9,776,000	3.75%
0	17,522,000	2,651,000	32,000,000	12.27%
6,048,052	6,048,052	0	0	0.00%
464,664	464,664	0	0	0.00%
0	0	0	0	0.00%
2,635,093	2,635,093	0	0	0.00%
0	29,111,465	0	0	0.00%
20,247,926	20,247,926	0	0	0.00%
49,521,420	123,754,885	30,251,000	69,376,000	26.60%
\$60,338,340	\$345,971,805	\$241,651,000	\$260,776,000	100.00%

State Road Fund
Statement of Revenues by Source
FY 2011 Through FY 2017
(Expressed in Thousands)

Source of Revenue	FY 2011 Actual Collections	FY 2012 Actual Collections	FY 2013 Actual Collections	Revised FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
Gasoline and Motor Carrier Road Tax	\$397,749	\$387,041	\$408,915	\$430,000	\$431,500	\$438,000	\$444,000
Registration Fees	91,194	90,683	90,252	92,741	91,674	92,286	92,068
Registration Fee: Highway Litter Control	1,912	1,586	1,724	1,740	1,734	1,742	1,727
Sales (Privilege) Tax	172,453	186,293	187,436	175,464	176,680	176,868	177,803
Less Transfer to Industrial Access Road Fund	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income	27,185	45,784	36,127	37,515	34,930	35,595	36,310
Federal Reimbursement:							
Interstate Construction	99,997	103,792	88,574	130,500	108,000	99,000	108,000
Other Federal Aid Programs	256,287	264,254	275,937	295,000	260,000	263,000	254,000
Appalachian Program	61,137	65,319	67,562	60,000	64,000	40,000	40,000
Federal Economic Stimulus	86,397	15,727	1,420	1,500	0	0	0
Total	\$1,191,311	\$1,157,479	\$1,154,947	\$1,221,460	\$1,165,518	\$1,143,491	\$1,150,908

State Road Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance

(Nearest Dollar)

	Balance July 1, 2013	\$87,452,137
Plus:	Revenue Estimate FY 2014 (Revised 1/8/2014)	<u>1,221,460,000</u>
	Available for FY 2014 Appropriations	\$1,308,912,137
Less:	Regular Appropriations FY 2014 - Division of Highways	(1,155,890,000)
	Regular Appropriations FY 2014 - Division of Motor Vehicles	(41,378,725)
	Regular Appropriations FY 2014 - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund	(748,444)
	Recommended FY 2014 Supplemental Appropriation (2014 Regular Session)	<u>(24,000,000)</u>
	Estimated Unappropriated Balance @ June 30, 2014	\$84,942,989
Plus:	Revenue Estimate FY 2015	1,165,518,000
Less:	Recommended Regular Appropriations FY 2015 - Division of Highways	(1,115,061,000)
	Recommended Regular Appropriations FY 2015 - Division of Motor Vehicles	(41,378,729)
	Recommended Regular Appropriations FY 2015 - Office of Administrative Hearings	(1,951,979)
	Claims Against the State Road Fund	<u>(1,000,000)</u>
	Estimated Unappropriated Balance @ June 30, 2015	<u><u>\$91,069,281</u></u>

Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2013 (Expressed in Thousands)

	Actual 6/30/11*	Actual 6/30/12*	Actual 6/30/13*	Estimated 6/30/14*	Estimated 6/30/15*
General Obligation Debt					
Road Bonds	\$305,460	\$270,595	\$245,365	\$220,525	\$194,435
Infrastructure Bonds	250,517	239,361	228,442	213,059	197,653
SUBTOTAL	555,977	509,956	473,807	433,584	392,088
Revenue Bonds					
School Building Authority	187,380	173,090	158,160	142,535	126,190
School Building Authority (Lottery)	57,130	67,365	75,615	58,670	50,000
School Building Authority (Excess Lottery)	120,940	116,590	112,420	108,060	103,520
School Building Authority, QSCBs (Excess Lottery)	150,480	150,480	150,480	150,480	150,480
Tobacco Settlement Finance Authority	887,962	887,358	859,596	837,201	812,766
Highways, Commissioner of	122,795	100,370	77,000	52,525	26,875
2010 EAST Fund (Lottery)	153,705	151,020	148,250	145,370	142,360
Economic Development Authority (Lottery)	190,415	181,920	173,070	163,830	154,170
WV Infrastructure and Jobs Development Council	118,175	115,710	113,915	111,205	108,585
SUBTOTAL	1,988,982	1,943,903	1,868,506	1,769,876	1,674,946
Capital Leases & Notes Payable					
Governmental Funds	295,334	277,223	265,633	251,953	238,453
Internal Service	3,384	3,287	3,186	3,078	2,965
Notes Payable	32,004	29,045	21,439	10,191	3,952
SUBTOTAL	330,722	309,555	290,258	265,222	245,370
TOTAL	\$2,875,681	\$2,763,414	\$2,632,571	\$2,468,682	\$2,312,404

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

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, and amended August 5, 2011.) 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 are invested by the West Virginia Investment Management Board. As of December 31, 2013, the fund contained \$556 million, 13.4% of FY 2014 appropriations.

Since the fund was created in 1994, \$726 million has been deposited into the fund, which includes transfers in and interest; \$170 million has been used for flood and drought victim assistance, infrastructure, snow removal, and other projects.

The Governor, by executive order, is allowed to borrow funds (prior to October 31st each year) 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 on July 1st 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.

The Governor recommends in his FY 2015 Budget to transfer \$83,835,248 to the Medical Services Trust Fund to be used to help fund West Virginia's State Share of the Medicaid Program.

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 August 5, 2011). 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 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, 2013, the balance in the Rainy Day Fund—Part B was \$362 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 balance in the Income Tax Refund Reserve Fund at the beginning of FY 2013 was \$45,019,319. However, these funds were utilized in FY 2013 due to a General Revenue collections shortfall and today the fund's balance is \$0.

The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds.

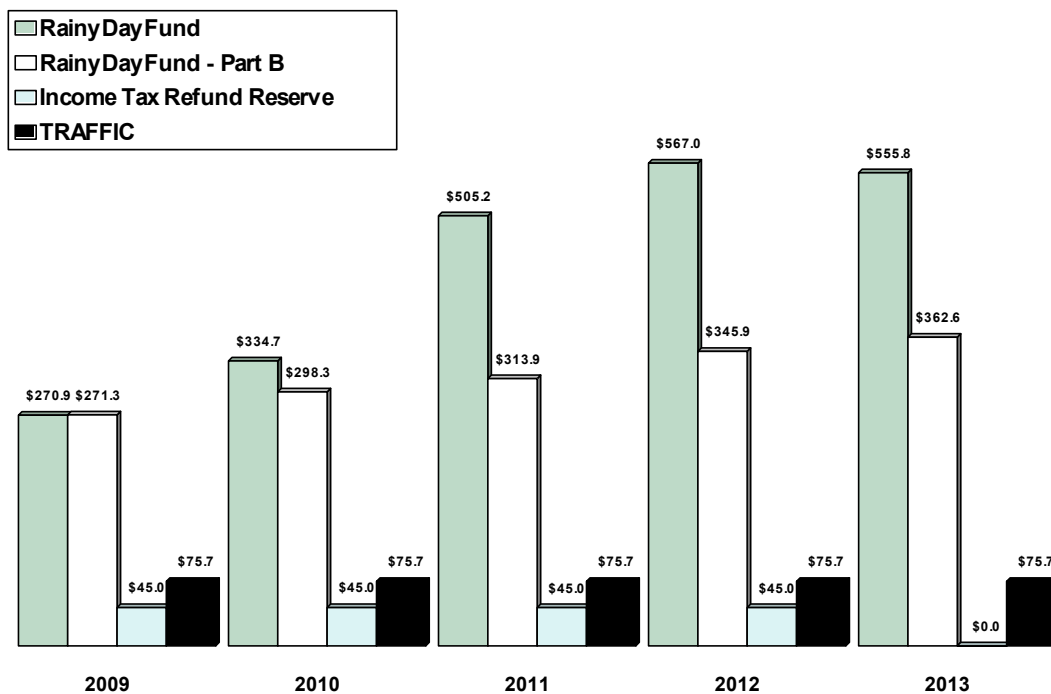
Tax Reduction and Federal Funding Increased Compliance (TRAFFIC)

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, 2013, \$75.7 million remains available for use as the Legislature and Governor may determine.

The Governor recommends transferring \$28 million of TRAFFIC to the FY 2014 General Revenue Surplus Balance and transferring \$27 million of TRAFFIC to the FY 2014 General Revenue Unappropriated Balance to help offset an anticipated FY 2014 General Revenue Collection Shortfall.

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, health care 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 slightly between FY 2012 and FY 2013, increasing \$22.7 million (3.41%). Motor Fuel Excise Tax collections and Vehicle Sales (Privilege) Tax collections both increased in FY 2013—\$21.8 million (5.65%) and \$1.1 million (0.61%), respectively. Registration Fee collections and Highway Litter Fee collections both declined in FY 2013—\$431 thousand (0.48%) and \$31 thousand (1.78%), respectively. Neither the Department of Revenue nor the Division of Motor Vehicles (DMV) projects any substantial growth in revenues through FY 2019. 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 tens of millions of dollars have been identified. The division's current goal of resurfacing roadways on a twelve-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.

Despite the recent passage of Moving Ahead for Progress in the 21st Century (MAP-21), the federal-aid highway program and, in turn, the federal Highway Trust Fund remains a concern. Congress recently enacted a new multiyear highway authorization, which covers FFY 2013 and FFY 2014. MAP-21 is the first new multiyear highway authorization to be put in place since Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFTEA-LU) expired on September 30, 2009. While the new authorization will allow the agency to plan and implement infrastructure initiatives in the short term, it falls well short of the certainty and stability that would have been provided if the authorizing legislation would have covered a six-year period, which has been the historical length of time covered by federal highway legislation.

In addition, while MAP-21 provides states with more flexibility in how their funds are used. However, it failed to either significantly increase the amount of federal funding available for highway and bridge projects or to dedicate funding for longstanding national initiatives, such as the completion of the Appalachian Development Highway System. MAP-21 also failed to address sustainability issues surrounding the Highway Trust Fund. Revenues into the Highway Trust Fund have been insufficient for carrying out the federal-aid highway program at its current size and scope and have relied upon transfers from the General Fund to forestall insolvency.

Wilbur Smith Associates has updated 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 annually to address needs on the existing

Long-Range Issues

highway and bridge system (exclusive of routine maintenance), which is approximately \$500 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, 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:

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. Over seven million rides were taken on West Virginia public transit in FY 2013. This form of transportation is becoming increasingly important to its riders, offering a reliable and safe alternative transportation option.

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. 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.

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. The federal transit program was reauthorized and is known as MAP-21. The effective date of the legislation is October 1, 2012, and expires on September 30, 2014, making it a two-year reauthorization. Significant changes have occurred in the federal transit programs as a result of MAP-21 with programs repealed, consolidated, and streamlined. Federal funding levels will depend upon available resources, and some reductions or flat funding of federal transit funding remains a possibility.

Under the new Appalachian Development Public Transportation Assistance Formula Program, set aside from the rural formula transit program under MAP-21, there is a 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 make reductions rather than expansions of public transit service a continuing possibility.

West Virginia Regional Jail and Correctional 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 U.S. 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 of lease revenue bonds by the West Virginia Building Commission. The sale met approximately 50% of the adult correctional

Long-Range Issues

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 were 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 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.

Public Education

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, the 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 to 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 \$1.75 billion in state dollars and \$1.29 billion in local dollars have been dedicated to West Virginia school facilities. This equates to 33 new high schools, 35 new middle schools, 72 new elementary schools, 98 major school addition/renovation projects, and over 1,236 minor renovation projects.

Long-Range Issues

Vocational/Career Centers

In 1963, the passage of the federal Vocational Education Act heralded an age of construction and expansion for career and technical education (vocational education at that time). The enrollment in vocational education programs increased from 35,773 in 1965 to 99,171 in 1975. That rise in enrollment can be attributed to the construction of seven multicounty vocational centers that were constructed with a blend of Appalachian Regional Commission (ARC) and federal vocational education funds. During the 1970s, 23 county career centers were constructed/under construction, with construction completed by the early part of the 1980s.

Since then, there has not been a comprehensive construction initiative for vocation/career centers in the state. While career/technical centers are eligible to apply for School Building Authority 3% funds, the majority of projects funded are for infrastructure maintenance (e.g., roofs, HVAC, windows). Approximately \$900,000 is provided annually for program improvement and modernization, but that funding does not adequately address the needs of over 1,300 career/technical programs across the state.

While there is a call for more career/technical program opportunities for students and adults, career/technical education programs have reached enrollment capacity in many instances. An in depth analysis of career/technical capacity is in progress to gather statewide data. A preliminary analysis of 26 centers shows for the 2013-2014 school year that 1,303 students are being turned away from enrolling due to full capacity, impacting education clusters such as architecture and construction; health sciences; manufacturing; and transportation, distribution and logistics programs.

As the long range issue of career/technical education capacity is analyzed, other components of the issue must also be considered. Those range from the efficiency and effectiveness of multicounty centers as compared to county centers as compared to comprehensive high schools or specialized/magnet high schools. A statewide system of career exploration and delivery models for career/technical education in middle grades should also be researched. Companion issues include the funding for career/technical educators, licensure, and credentialing for students who complete career/technical programs, as well as ongoing resources to retool or renovate career/technical programs to adjust to the changing demands and needs of workforce education.

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 (2010), 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 for most of these diseases.

According to the Centers for Disease Control and Prevention and the West Virginia Health Statistics Center, data from the 2012 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 highest prevalence of cardiovascular disease in the nation at 14.8%, while the U.S. prevalence was 8.6%. West Virginia also ranked highest in the nation for the prevalence of arthritis (36.4% versus 25.6% in the U.S.) and disability (28.6% versus 20.4% in the U.S.). The prevalence of chronic obstructive pulmonary disease in West Virginia of 10.5% was second highest in the nation (U.S. was 6.4%). West Virginia was also second in current smoking at 28.2% compared to 18.8% nationally and highest in smokeless tobacco use at 8.6% compared to 3.5% nationally. The state was fourth in obesity at 33.8%

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compared to 27.7% nationally and third highest in no exercise at 31.0% compared to 23.5% nationally. West Virginia had the second highest prevalence of diabetes in 2012 at 13.0% compared to a national prevalence of 10.2%. The West Virginia prevalence of fair or poor general health was 25.2% and ranked West Virginia second highest in the nation as compared to the U.S. prevalence of 18.1%. On a positive note, the state's binge drinking prevalence was 10.2% compared to 16.8% nationally which ranked West Virginia as the lowest in the nation.

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 411,000 West Virginia citizens. Children comprise 50% of the Medicaid population, while 28% are categorized as blind and disabled, 14% are adults, and the remaining 8% defined as the elderly.

Five categories of services accounted for approximately 68% of total Medicaid expenditures during FY 2013. These services are nursing home, inpatient hospital (includes outpatient services and supplemental payments; excludes Disproportionate Share Hospital 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 2013 occurred in inpatient hospital and capitated service payments.

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 that with approximately three federal dollars.

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 \$808 million in 2014.

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. 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 (FPL). At September 30, 2013, 24,542 children were enrolled, about a two percent decrease in the enrollment level from the previous year. The WVCHIP Premium group that includes children in households with

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incomes between 200% and 300% FPL has shown the highest increases in enrollment, although it is less than ten percent of the total enrolled population. 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.

Starting January 1, 2014, WVCHIP members will be reassessed under the new household income guidelines based on modified adjusted gross income (MAGI) at the completion of 12 months of continuous eligibility. New applicants will also be determined using these new guidelines. Under the new rules, current WVCHIP members in households with MAGI less than 133% FPL will be covered by Medicaid, but will continue to be financed with federal funds at the enhanced CHIP match. The new rules will make some current Medicaid children eligible for WVCHIP. By the end of 2014, it is currently estimated that 9,000 WVCHIP members will be enrolled in Medicaid, and a lesser but unknown number of Medicaid members will be enrolled in WVCHIP. WVCHIP also expects some unknown additional enrollment of new children through the Federally Facilitated Marketplace.

There is currently no federal funding for CHIP allocated after 2015; however, the Affordable Care Act (ACA) specifies a 23% increase in the enhanced federal match rate for CHIP beginning in 2016 through 2019. Additional federal funding will be allocated to CHIP for years after 2015, since under the ACA the state's Maintenance of Effort requirement for CHIP remains through 2019, and since there will be an additional unknown number of children enrolled in CHIP through the FFM.

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 Finance Board must submit a prospective financial plan encompassing five fiscal years. 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. However, FY 2013 finished with extremely favorable trend results. These positive results produced reduced future trend assumptions. The current financial plan assumes health care costs to increase annually by the following rates:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Medical	5.0%	5.5%	6.0%	7.0%	8.0%
Drug	8.0%	8.5%	9.0%	10.0%	11.0%

These trend increase assumptions, in conjunction with benefit changes, will result in the following increases in expenses:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Medical	\$14 million	\$22 million	\$23 million	\$28 million	\$34 million
Drug	\$8 million	\$10 million	\$12 million	\$14 million	\$17 million

Long-Range Issues

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 and benefit changes to offset these increases resulting in the following reserve levels that do meet the required levels:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Reserve	\$203 million	\$158 million	\$146 million	\$145 million	\$157 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, provider reimbursement, and 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 health care 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 Statements 43 and 45.

Rising drug costs, increasing costs of health care, 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 65%. Determining a long-range solution to the West Virginia OPEB Plan's unfunded liability is of utmost importance. The PEIA Finance Board took steps December 2011 to control the state's share contributed to retiree premium subsidies, allowing increases in subsidies of no more than three percent per year. Additionally, the 2012 regular session of the West Virginia Legislature passed Senate Bill 469 to provide supplemental funding to the OPEB liability. These changes resulted in a reduction in the unfunded liability by approximately \$4 billion.

Not including the annual required contribution to fully fund OPEB, the current financial plan projects positive net assets through FY 2018. The trust completed FY 2013 with total net assets of \$590 million, total claims expense of \$88 million, and capitations of \$110 million. Current claim expense trend assumptions for FY 2014 through FY 2018 go from five percent for medical and eight percent for drugs to eight percent for medical and 11% for drugs. These trend assumptions result in increases of \$124 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 \$929 million by fiscal year end 2018. This represents a 19% funded status of the OPEB Accrued Actuarial Liability (AAL).

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 nonstate 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'

Long-Range Issues

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; \$498,763 for FY 2011; \$263,177 for FY 2012; and \$283,210 for FY 2013. The total claims payments for FY 2014 as of November 15, 2013 was \$2,906,182. The PICF balance as of November 14, 2013, was \$589,757.44.

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. At a meeting on August 27, 2013, the BRIM Board approved the Premium-to-Net Asset Reserve Ratio (NAR) as the methodology for analyzing the agency’s net assets.

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; June 30, 2011; June 30, 2012; and June 30, 2013, BRIM’s audited financials show total retained earnings of \$192,207,000; \$219,828,000; \$221,515,000, and \$213,366,000, respectively.

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.

Long-Range Issues

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, 2013, the fund deficit in the Old Fund was estimated to be \$628.6 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.

Pensions

State Retirement Systems

The Consolidated Public Retirement Board (CPRB) was created by legislation passed in 1990 and 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 following chart. 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;

Long-Range Issues

- 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. The plan remains "fully funded;"
- 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:

	July 1, 2012, Actuarial Valuation		July 1, 2013, Actuarial Valuation	
	Unfunded Actuarial Liability		Projected Unfunded Actuarial Liability	
PERS	\$1,283,380,000	(77.6% funded) ¹	\$1,245,844,000	(79.6% funded)
TRS	\$4,568,185,000	(53.0% funded) ¹	\$4,333,100,000	(56.9% funded)
JRS	(\$28,150,000)	(128.7% funded) ¹	(\$36,907,000)	(135.4% funded)
Public Safety—Plan A	\$185,996,000	(72.0% funded) ¹	\$160,030,000	(76.4% funded)
State Police—Plan B	\$10,823,000	(87.9% funded) ¹	\$5,934,000	(94.2% funded)

¹ 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.

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 (W.Va. Code §2-2-4).

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 (W.Va. Code §11B-2-3) on September 1. These guidelines establish a "current level" or base budget for each department/bureau/commission/division. The FY 2015 budget requests are the first submitted electronically using the State's new accounting system *WV*OASIS.

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 2014) less any one time appropriations. For the FY 2015 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. Consistent with our commitment to provide a balanced budget and long-term fiscal stability, we as a State must take measures to reduce the overall FY 2015 expenditure growth and position the State to balance budgets in the years that follow. For FY 2015, agencies were asked to submit two budget scenarios, one at 100% of FY 2014 base funding and the second at 92.5% of FY 2014 base funding levels. For the FY 2015 budget the Governor has, generally speaking, recommended most agencies be funded at the 92.5% of FY 2014 base funding level.

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. For FY 2015, agencies were asked that any requests for improvements, or requests for FY 2014 supplemental appropriations, be submitted only after careful review. Only in rare cases were these requests considered.

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.

Budget Overview

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.

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. 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 Bill. 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.

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 “current expenses,” “repairs and alterations,” “buildings,” “land,” “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 make payments to Federal, County, and/or Regional Jails or for 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.

Budget Overview

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 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 auditors in conducting the engagement.

Budget Overview

The Legislative Auditor compiles fiscal information for the Legislature; makes a continuous audit and analysis of the state budget, revenues, and expenditures; makes periodic postaudits of the revenues and expenditures of the 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 postaudit 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 W.Va. Code §11B-2-4, 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.

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-

Budget Overview

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 provide 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 may direct the State Budget Office to reduce all general revenue appropriations in a degree as necessary to prevent a deficit, or he may convene the Legislature to request a supplementary appropriation from the Revenue Shortfall Reserve Fund. 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.

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 job-related 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

Budget Overview

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 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.

The focus for the FY 2015 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2011 to FY 2013) and the performance-level objectives the program is trying to achieve in FY 2014 and FY 2015 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), school or academic year, 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.

Budget Overview

During the appropriation request process, the intent of performance measurement is to encourage cabinet secretaries/ agency heads to internally review their programs and make their recommendations to the State Budget Office and the Governor regarding the best use of limited funds. The performance measurement process is not intended to provide information to a central organization (i.e., the State Budget Office or the Governor's Office) for the purpose of making recommendations on behalf of the agency.

Many grants, federal revenue and other sources, currently require the use of performance measures as a condition to receive the grant funds.

Legislative Performance Review

The Legislature's Performance Evaluation and Research Division (PERD), within the Office of the Legislative Auditor, operates under the authority of the West Virginia Performance Review Act, W.Va. Code §4-10-1. PERD also conducts performance reviews under the authority of W.Va. Code §4-2-5, which gives the Legislative Auditor discretionary authority to examine the performance of every spending unit of the State. In addition to performance evaluations of state agencies, PERD also conducts legislative research at the request of the Legislative Auditor or legislative leadership. PERD follows Generally Accepted Government Auditing Standards in its evaluation of state agencies. PERD's reports are generally reported to the Joint Committee on Government Operations, the Joint Committee on Government Organization, and other appropriate legislative committees 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 (§ 4-10-8; and §4-10-10). 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 or divisions within specific departments. PERD uses discretion and prioritization to determine which agencies will be reviewed. Agency reviews of departments are required by law to be conducted at least once every six years. PERD may address several areas of performance such as:

- Does the agency effectively and efficiently carry out its statutory duties?
- Do the agency's performance measures reflect good performance?
- Does the agency have adequate internal control?
- Do activities of the agency duplicate or overlap those of other agencies?
- Is there a continued need for the agency?

Regulatory board reviews are conducted on regulatory boards established under W.Va. Code §30 that regulates certain professions. A regulatory board must be reviewed at least once every 12 years. PERD's review makes several determinations including:

- Does the board comply with general provisions of Chapter 30 of the West Virginia Code and other applicable laws, such as being financially self-sufficient, having proper disciplinary procedures, and requiring continuing education?
- Does the board comply with state purchasing requirements?
- Is there a continued need for the regulatory board?

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. By statute (W.Va. Code §4-10-11), compliance reviews must be requested in writing by the Joint Standing Committee on Government Operations explaining the reasons for the compliance review and its expected completion date.

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

Departments subject to performance reviews in upcoming years are listed below.

- * 2014, the Department of Administration;
- * 2015, the Department of Education, including the Higher Education Policy Commission and the West Virginia Council for Community and Technical College Education;
- * 2016, the Department of Veterans Assistance, and the Department of Education and the Arts;
- * 2017, the Department of Revenue, and the Department of Commerce.

Regulatory boards subject to review in upcoming years are listed below.

- * 2014, Board of Examiners for Licensed Practical Nurses, Board of Examiners for Registered Professional Nurses, and Massage Therapy Licensure Board;
- * 2015, Board of Architects, Board of Embalmers and Funeral Directors, and Board of Landscape Architects;
- * 2016, Board of Registration for Sanitarians, Real Estate Appraiser Licensure and Certification Board, and Real Estate Commission;
- * 2017, Board of Accountancy, Board of Respiratory Care Practitioners, and Board of Social Work Examiners.

Human Resources

The Division of Personnel was created in 1989 by the Legislature in West Virginia Code §29-6-1 et seq. to provide leadership in personnel management for state government. The division's services touch all aspects of employment from application and hiring through separation or retirement.

A comprehensive system of personnel management is achieved through the integration of five functional areas. The major responsibilities of each section in the Division of Personnel are summarized below. In addition to these functional responsibilities, the division serves as liaison and coordinator to the State Personnel Board, and directs regular and emergency rule-making processes.

The **Classification and Compensation** section is responsible for the development, maintenance, and revision of the classification and compensation plans for all positions in the classified and classified-exempt services. The classification and compensation plan organizes job classifications into related and meaningful groups for legally required hiring standards and pay relationships.

The **Employee Information and Transaction Processing** section establishes and maintains employee information systems and historical records for all state employees and many county health departments. Staff of the section certify personnel transactions and assure that all transactions are in compliance with applicable state statutes, regulations, policies, procedures, and compensation plans.

The **Employee Relations** section's purpose is to ensure that merit system principles of personnel administration are upheld through the fair and equitable application of rules, policies, and procedures across the executive branch agencies of state government.

The **Organization and Human Resource Development** section provides training programs, development strategies, and consulting services to increase the effectiveness and efficiency of state government.

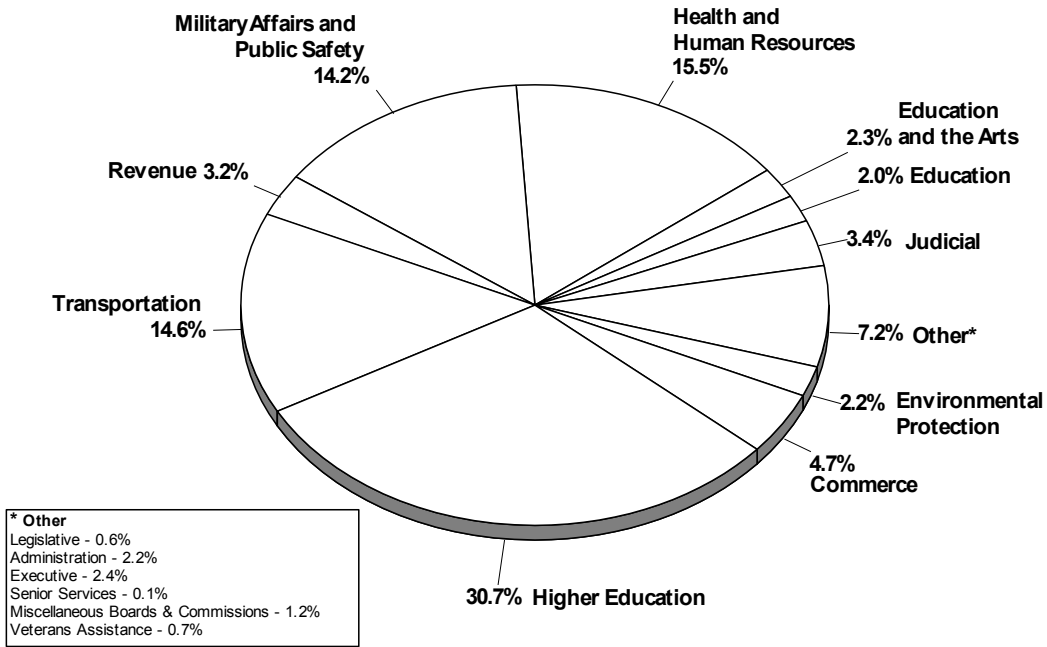
The **Staffing Services** section administers the hiring system for the classified service by establishing valid and reliable selection procedures for recruiting, assessing, and evaluating applicants; creating lists of qualified applicants; providing the best-qualified applicants to state agencies for interviews; and evaluating the qualifications and credentials of applicants applying for internal job vacancy postings. In addition, this section is responsible for research and development of job-related employment examination procedures.

As of November 30, 2013, the State had approximately 37,977 filled, permanent, full-time equivalent employees, including approximately 11,044 employed by the Higher Education Policy Commission and approximately 1,285 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.

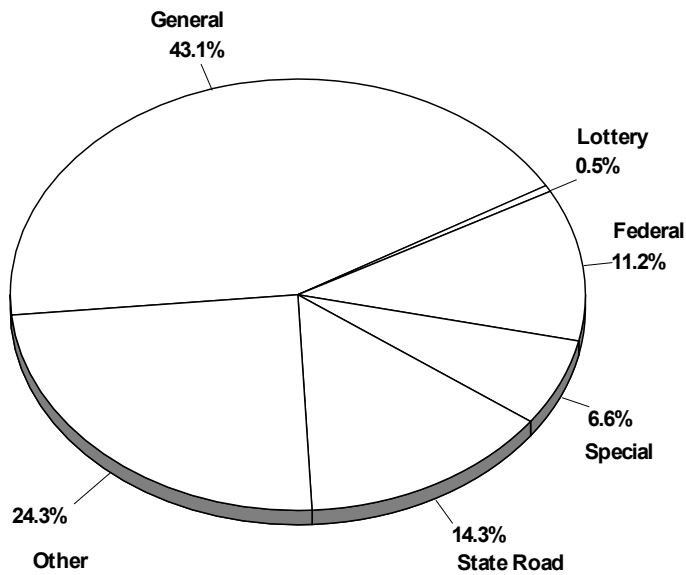
Note: In implementing the new budget development software as part of *WV*OASIS, some changes of the funding sources for the requested FTEs occurred. On the following pages, the recommended FTEs funding source may change (versus the budgeted funding source as of November 30, 2013) without a footnote. Most of these differences occurred due to the learning curve of the new system and will be corrected with more familiarity and training on the budget development software and the integration of the new financial and human resources/payroll systems. The overall recommended total of FTEs by department/agency is accurate.

Schedule of Recommended Budgeted Full-Time Equivalents (FTE) Permanent Positions FY 2015 41,442.40 FTEs

By Department



By Fund



Schedule of Budgeted Full-Time Equivalents All Funds

Permanent Positions FY 2013 through FY 2015

Department/Agency	FY 2013 11-30-2012	FY 2014 11-30-2013	FY 2015 Recommended
TOTAL BUDGETED FTE PERMANENT POSITIONS	40,895.12	41,560.69	41,442.40
LEGISLATURE			
Senate	45.00	51.00	49.00
House of Delegates	59.00	59.00	60.00
Joint Expenses	134.50	134.50	133.50
TOTAL - LEGISLATURE	238.50	244.50	242.50
TOTAL - JUDICIAL	1,370.45	1,393.55	1,393.55
EXECUTIVE			
Governor's Office	61.00	61.00	61.00
State Auditor's Office	196.75	199.75	197.75
Treasurer's Office	136.80	136.40	136.20
Agriculture, Department of	360.75	354.75	354.48
Attorney General's Office ¹	200.55	212.02	210.08
Secretary of State	58.00	58.50	57.50
TOTAL - EXECUTIVE	1,013.85	1,022.42	1,017.01
¹ FY 2014 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.			
DEPARTMENT OF ADMINISTRATION			
Office of the Secretary	6.90	6.75	6.54
Consolidated Public Retirement Board	83.50	86.00	83.84
Finance, Division of	13.70	12.35	13.10
Information Services & Communications, Division of	389.70	390.95	389.90
General Services, Division of	126.80	126.60	127.56
Purchasing, Division of	40.30	40.55	39.55
Surplus Property	15.20	14.70	14.70
Travel Management	17.00	17.00	17.00
Board of Risk and Insurance Management	25.60	26.00	25.60
Education & State Employees' Grievance Board	12.00	12.00	12.00
Ethics Commission	7.35	7.75	7.35
Public Defender Services	16.00	16.00	16.00
Personnel, Division of	67.05	67.30	67.36
Public Employees Insurance Agency	40.60	40.60	40.70
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	20.40	20.40	20.40
Real Estate Division	10.60	10.80	9.72
TOTAL - ADMINISTRATION	912.70	915.75	911.32

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2013 11-30-2012	FY 2014 11-30-2013	FY 2015 Recommended
DEPARTMENT OF COMMERCE			
Office of the Secretary	25.80	25.80	25.80
Tourism, Division of	66.80	66.80	66.30
Forestry, Division of	120.50	120.50	120.50
Geological and Economic Survey	53.10	52.10	52.10
Development Office	110.00	105.00	104.00
Labor, Division of	115.00	115.00	115.00
Natural Resources, Division of	824.49	825.00	823.40
Miners' Health, Safety and Training, Division of	160.00	160.00	160.00
Board of Coal Mine Health and Safety	3.00	3.00	3.00
WorkForce West Virginia	464.38	465.50	465.30
Energy, Division of	11.00	9.00	9.00
TOTAL - COMMERCE	1,954.07	1,947.70	1,944.40
DEPARTMENT OF EDUCATION			
Education, State Department of ¹	606.60	582.80	582.32
WV Schools for the Deaf & the Blind ²	217.70	208.90	208.90
State FFA-FHA Camp & Conference Center	34.20	31.80	31.80
School Building Authority	11.00	11.00	11.00
TOTAL - EDUCATION	869.50	834.50	834.02
¹ FY 2014 deleted 23.80 FTE vacancies.			
² FY 2014 deleted 8.80 FTE vacancies.			
DEPARTMENT OF EDUCATION AND THE ARTS			
Office of the Secretary	45.60	45.60	45.60
Culture and History, Division of	121.00	120.50	120.50
Library Commission	52.00	51.00	51.00
Educational Broadcasting Authority ¹	96.70	90.50	90.50
Rehabilitation Services, Division of	655.10	655.10	655.10
TOTAL - EDUCATION AND THE ARTS	970.40	962.70	962.70
¹ FY 2014 deleted 5.20 FTE vacancies.			
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Air Quality Board	1.30	1.30	1.30
Environmental Protection, Division of	907.28	909.15	907.65
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
TOTAL - ENVIRONMENTAL PROTECTION	924.78	926.65	925.15
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Office of the Secretary	7.52	7.52	7.47
Health, Division of	2,709.05	2,709.79	2,709.29
Health Care Authority	54.00	54.00	51.00
Human Rights Commission	31.00	31.00	31.00
Human Services, Division of	3,532.42	3,531.03	3,534.17
TOTAL - HEALTH AND HUMAN RESOURCES	6,333.99	6,333.34	6,332.93

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2013 11-30-2012	FY 2014 11-30-2013	FY 2015 Recommended
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
Office of the Secretary	26.00	27.00	27.50
Adjutant General	448.45	452.40	452.50
WV Board of Parole ¹	16.00	16.00	18.00
Homeland Security and Emergency Management	53.00	53.00	53.00
Corrections, Division of ²	2,063.75	2,324.75	2,342.75
WV State Police ³	1,096.50	1,096.50	1,096.50
Regional Jail and Correctional Facility Authority ⁴	1,034.50	1,077.50	1,077.50
Fire Commission ⁵	60.00	55.00	55.00
Justice and Community Services, Division of ⁶	37.75	36.75	34.49
Juvenile Services, Division of ⁷	935.60	701.60	675.60
Division of Protective Services	40.00	40.00	40.00
TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY	5,811.55	5,880.50	5,872.84
¹ FY 2015 added 2 FTEs to process increased on-site hearings related to the Justice Reinvestment Initiative.			
² FY 2014 260 FTEs transferred from Juvenile Services to Corrections for the Salem Correctional Center. FY 2015 added 15 FTEs at St. Mary's and Lakin Correctional Centers related to expanded inmate population.			
³ FY 2015 added 3 FTEs for Internet Against Crimes Children data system support and maintenance.			
⁴ FY 2014 added 43 FTEs to reduce overtime of existing staff and reduce turnover.			
⁵ FY 2013 reflects a temporary increase in FTEs to facilitate the transfer of Inspector titles to Assistant Fire Marshals.			
⁶ FY 2015 reduced 2 FTEs that were moved to Corrections for the Justice Reinvestment Initiative.			
⁷ FY 2014 260 FTEs transferred from Juvenile Services to Corrections for the Salem Correctional Center.			
DEPARTMENT OF REVENUE			
Office of the Secretary	8.50	10.00	8.00
Tax Division ¹	478.00	478.00	493.00
State Budget Office	11.00	11.00	11.00
Insurance Commissioner	400.50	400.80	400.90
Lottery Commission	231.00	231.00	231.00
Racing Commission	55.63	52.90	52.90
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
Financial Institutions, Division of	32.00	32.00	32.00
TOTAL - REVENUE	1,341.75	1,340.82	1,353.92
¹ FY 2015 added 13 FTEs for the Local Sales Tax and Excise Tax Administration.			
DEPARTMENT OF TRANSPORTATION			
Motor Vehicles, Division of	622.00	627.00	626.00
Highways, Division of ¹	4,865.00	5,341.65	5,341.65
State Rail Authority	24.00	24.00	24.00
Public Transit, Division of	10.00	10.00	10.00
Public Port Authority	4.00	3.80	4.00
Aeronautics Commission	3.00	3.00	3.00
Office of Administrative Hearings	30.00	30.00	30.00
TOTAL - TRANSPORTATION	5,558.00	6,039.45	6,038.65
¹ Approved quota slots for FY 2013 totaled 5,418; October 1, 2013 the Division of Highways began reporting all FTEs allowable by quota.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2013 11-30-2012	FY 2014 11-30-2013	FY 2015 Recommended
DEPARTMENT OF VETERANS ASSISTANCE			
Veterans Affairs	244.44	244.94	245.39
Veterans Home	47.70	47.29	47.78
TOTAL - VETERANS ASSISTANCE	292.14	292.23	293.17
TOTAL - BUREAU OF SENIOR SERVICES	36.30	36.60	35.90
HIGHER EDUCATION POLICY COMMISSION			
HEPC - Administration	81.10	79.10	74.75
West Virginia University	6,818.21	6,804.18	6,837.74
Marshall University	1,816.24	1,859.16	1,824.02
Osteopathic School of Medicine	283.88	289.81	285.90
Bluefield State College	216.07	212.52	202.24
Concord University	300.11	304.12	299.21
Fairmont State University	488.98	476.05	462.19
Glenville State College	221.27	215.60	208.59
Shepherd University	469.00	482.60	473.24
West Liberty University	330.27	329.89	329.80
West Virginia State University	363.55	368.03	368.10
WVNET	48.93	58.00	54.40
TOTAL - HIGHER EDUCATION POLICY COMMISSION ¹	11,437.61	11,479.06	11,420.18
¹ Changes in FTEs for institutions related to faculty and staffing levels due to changes in enrollment.			
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
Council - Administration	14.00	13.00	12.00
Mountwest Community and Technical College	129.00	130.46	131.00
New River Community and Technical College	161.78	174.78	167.78
Pierpont Community and Technical College	107.20	112.73	106.30
Blue Ridge Community and Technical College	126.95	131.35	131.55
Kanawha Valley Community and Technical College ¹	121.28	119.81	0.00
Bridgemont Community and Technical College ¹	76.77	75.85	0.00
West Virginia University at Parkersburg	210.69	222.63	202.63
Southern West Virginia Community and Technical College	208.84	208.84	208.84
West Virginia Northern Community and Technical College	156.00	157.50	156.00
West Virginia Eastern Community and Technical College	42.28	45.03	41.48
BridgeValley Community and Technical College ¹	0.00	0.00	195.66
TOTAL - COUNCIL FOR C&T COLLEGE EDUCATION ²	1,354.79	1,391.98	1,353.24
¹ Kanawha Valley and Bridgemont Community and Technical Colleges are merging in FY 2015 to become BridgeValley Community and Technical College on July 1, 2014.			
² Changes in FTEs for institutions related to faculty and staffing levels due to enrollment changes.			

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2013 11-30-2012	FY 2014 11-30-2013	FY 2015 Recommended
MISCELLANEOUS BOARDS AND COMMISSIONS			
Barbers and Cosmetologists, Board of	10.00	9.50	10.00
Board of Medicine	14.00	14.00	14.00
Courthouse Facilities Improvement Authority	2.00	1.60	1.60
Hospital Finance Authority	1.00	1.00	1.00
Licensed Practical Nurses	4.00	4.00	4.00
Public Service Commission	334.32	335.32	335.32
Real Estate Commission	12.00	12.00	13.00
Registered Nurses	11.00	13.00	13.00
Water Development Authority	20.06	20.06	20.06
West Virginia Economic Development Authority	9.88	9.88	9.88
Enterprise Resource Planning Board ¹	0.00	41.00	41.00
Other Boards	56.48	57.58	48.06
TOTAL - MISC. BOARDS AND COMMISSIONS	474.74	518.94	510.92

¹ First positions were established during FY 2013.

Schedule of Budgeted Full-Time Equivalents By Source of Funds

Permanent Positions FY 2013 through FY 2015

By Department/Funding Source	FY 2013 11-30-2012	FY 2014 11-30-2013	FY 2015 Recommended
ALL DEPARTMENTS/AGENCIES			
General	18,479.20	17,405.00	17,830.08
Federal	4,612.84	4,585.66	4,657.54
Lottery	246.54	241.82	231.40
Special	2,703.44	2,711.96	2,720.04
State Road Fund	5,449.00	5,930.65	5,928.65
Nonappropriated Special	9,404.10	10,685.60	10,074.69
TOTAL	40,895.12	41,560.69	41,442.40
LEGISLATURE			
General	231.50	237.50	235.50
Federal	0.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	7.00	7.00	7.00
Nonappropriated Special	0.00	0.00	0.00
TOTAL	238.50	244.50	242.50
JUDICIAL			
General	1,370.45	1,393.55	1,393.55
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
TOTAL	1,370.45	1,393.55	1,393.55
EXECUTIVE			
General	596.98	563.29	553.97
Federal	30.62	30.83	34.11
Lottery	0.00	0.00	0.00
Special	234.15	252.34	253.75
Nonappropriated Special	152.10	175.96	175.18
TOTAL	1,013.85	1,022.42	1,017.01
DEPARTMENT OF ADMINISTRATION			
General	141.78	142.03	140.51
Federal	7.00	7.15	7.00
Lottery	0.00	0.00	0.00
Special	480.39	483.14	481.38
Nonappropriated Special	283.53	283.43	282.43
TOTAL	912.70	915.75	911.32
DEPARTMENT OF COMMERCE			
General ¹	738.45	733.32	800.72
Federal	613.31	610.21	609.61
Lottery	128.80	124.80	123.30
Special	257.96	233.97	233.42
Nonappropriated Special ¹	215.55	245.40	177.35
TOTAL	1,954.07	1,947.70	1,944.40
¹ Division of Natural Resources moved 70 FTEs from the State Parks Operating Fund to General Revenue.			

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2013 11-30-2012	FY 2014 11-30-2013	FY 2015 Recommended
DEPARTMENT OF EDUCATION			
General	610.36	597.56	598.26
Federal	141.82	124.75	125.75
Lottery	53.87	49.52	48.54
Special	30.95	28.85	28.85
Nonappropriated Special	32.50	33.82	32.62
TOTAL	869.50	834.50	834.02
DEPARTMENT OF EDUCATION AND THE ARTS			
General	447.97	436.26	434.28
Federal	462.99	463.50	465.42
Lottery	24.51	23.51	22.00
Special	4.08	4.08	5.00
Nonappropriated Special	30.85	35.35	36.00
TOTAL	970.40	962.70	962.70
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
General	97.93	92.80	92.80
Federal	339.99	343.15	341.40
Lottery	0.00	0.00	0.00
Special	270.74	248.05	249.05
Nonappropriated Special	216.12	242.65	241.90
TOTAL	924.78	926.65	925.15
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
General	3,656.91	3,675.16	3,663.86
Federal	2,363.47	2,327.16	2,351.68
Lottery	0.00	0.00	0.00
Special	114.85	120.95	115.75
Nonappropriated Special	198.76	210.07	201.64
TOTAL	6,333.99	6,333.34	6,332.93
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
General ¹	4,195.70	4,238.00	4,212.19
Federal ¹	392.20	389.52	406.19
Lottery	0.00	0.00	0.00
Special	125.86	127.23	128.71
Nonappropriated Special	1,097.79	1,125.75	1,125.75
TOTAL	5,811.55	5,880.50	5,872.84
¹ The Adjutant General adjusted Mountaineer Challenge Academy to reflect 75% Federal and 25% General resulting in a transfer of 16 FTEs between funding sources.			
DEPARTMENT OF REVENUE			
General	443.50	443.00	443.00
Federal	3.00	2.00	3.00
Lottery	0.00	0.00	0.00
Special ¹	620.25	613.82	632.92
Nonappropriated Special	275.00	282.00	275.00
TOTAL	1,341.75	1,340.82	1,353.92
¹ Tax Division added 16 FTEs for Local Sales Tax and Excise Tax Administration.			

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2013 11-30-2012	FY 2014 11-30-2013	FY 2015 Recommended
DEPARTMENT OF TRANSPORTATION			
General	12.50	12.30	13.00
Federal	17.00	17.00	18.00
Lottery	0.00	0.00	0.00
Special	60.00	60.00	60.00
State Road Fund ¹	5,449.00	5,930.65	5,928.65
Nonappropriated Special	19.50	19.50	19.00
TOTAL	5,558.00	6,039.45	6,038.65
¹ Approved quota slots for FY 2013 totaled 5,418; October 1, 2013 the Division of Highways began reporting all FTEs allowable by quota.			
DEPARTMENT OF VETERANS ASSISTANCE			
General	259.99	258.81	260.90
Federal	31.70	32.50	32.27
Lottery	0.00	0.00	0.00
Special	0.45	0.81	0.00
Nonappropriated Special	0.00	0.11	0.00
TOTAL	292.14	292.23	293.17
BUREAU OF SENIOR SERVICES			
General	0.00	0.00	0.00
Federal	10.96	11.82	10.90
Lottery	3.32	2.70	2.45
Special	1.91	2.20	1.95
Nonappropriated Special	20.11	19.88	20.60
TOTAL	36.30	36.60	35.90
HIGHER EDUCATION POLICY COMMISSION			
General	4,692.12	3,615.15	4,067.37
Federal	157.38	170.94	205.60
Lottery	36.04	41.29	35.11
Special	134.62	126.59	122.75
Nonappropriated Special	6,417.45	7,525.09	6,989.35
TOTAL	11,437.61	11,479.06	11,420.18
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
General	983.06	966.27	920.17
Federal	13.59	26.82	23.00
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	358.14	398.89	410.07
TOTAL	1,354.79	1,391.98	1,353.24
MISCELLANEOUS BOARDS AND COMMISSIONS			
Federal	27.81	28.31	23.61
Lottery	0.00	0.00	0.00
Special	360.23	402.93	399.51
Nonappropriated Special	86.70	87.70	87.80
TOTAL	474.74	518.94	510.92

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 was passed which allows for table games at West Virginia racetracks (if approved by local option election).

Revenue Sources

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, but not limited to, 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 Funds are specifically appropriated by the Legislature and included in the Budget Act. Other Special Revenue Funds, generally referred to as “nonappropriated,” are not specifically appropriated and are not included in the Budget Act. These nonappropriated Special Revenue Funds derive their authority to expend funds from general law and language contained in the Budget Act for that particular fiscal year.

Special Revenue Funds 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 Funds may also be reappropriated into the next fiscal year in the same manner as General Revenue accounts. Nonappropriated Special Revenue Funds do not expire but continue forward with the next fiscal year, provided the requirements of general law are met.

Revenue Sources

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, FY 2013, and FY 2014. Based upon results over the past two decades, the probability of a revenue shortfall issue in any given year is less than 30%.

Economic Development Tax Expenditure Budget - FY 2015

In addition to expenditures authorized by the State Legislature through annual budgetary appropriations, additional expenditures are authorized pursuant to various tax preferences within the State Tax Code. These additional expenditures are commonly called “tax expenditures.” This section includes budgetary information on specific business related economic development tax expenditures and similarly structured individual tax preferences for FY 2015.

Overview of Tax Expenditures

Tax expenditures are similar to regular budgetary appropriations. Instead of a direct government grant to an individual or group, a government benefit may be provided by means of a reduction in tax liability for that individual or group. The reduction in tax liability represents the tax expenditure. By definition, tax expenditures also represent deviations from a normal, non-preferential tax structure.

Although there are gray lines, it is important to distinguish between a normal feature of the Tax Code and tax expenditures. For example, there are various broad based exemptions from the Consumer Sales and Service Tax for purchases of tangible personal property and services “directly used in specified businesses” and for purchases for resale. There is general agreement that such exemptions are part of a normal retail sales tax structure, intended to impose the tax on the final consumer. Such utilitarian exemptions are not considered special tax expenditures. However, sales tax exemptions for items such as food, clothing, and public utility services provided to end consumers would be tax expenditures.

With the exception of tax credit programs, all consumer sales tax and personal income tax expenditures are excluded from the economic development tax expenditure budget section because such expenditures may be better classified as individual tax preferences.

Notwithstanding the similarity of their ultimate effect on the State’s financial position, there is a profound difference between an appropriation of funds and the equivalent tax expenditure to consider. The biggest difference is the loss of control over the timing and use of a tax expenditure as compared to a direct appropriation. The timing of the tax expenditure largely lies with the individual behavior of the taxpayer and not with the government entity providing such benefit.

The use of the tax expenditure is heavily dependent on the taxpayer’s tax attributes. For example, if the tax expenditure applies against income taxes, its use depends heavily upon the taxable income of the taxpayer, unless the tax expenditure is in the form of a refundable grant.

Revenue Sources

Some tax expenditures offer carryover provisions in the event that a taxpayer is not able to fully receive the benefit within a single year. A couple tax expenditures include a policy of “transferrable tax credits,” where a taxpayer can “sell” its excess tax credit for some discounted amount, e.g., 90 cents on the dollar. The taxpayer receives a benefit of 90 cents, but the State incurs a tax expenditure of one full dollar when the credit is ultimately taken by the credit purchaser. The timing lag for transferable programs is even longer than the normal lag associated with many tax expenditures.

Tax expenditure timing is also affected by differences in tax year versus budget year. In most cases, a taxpayer’s tax year corresponds with a calendar year as opposed to the State’s fiscal year running from July 1st to June 30th.

Finally, the filing of tax returns documenting the actual use of tax expenditures generally occurs long after the expiration of both the fiscal year of the tax expenditure grant and the calendar year of claim for the taxpayer. Both the uncertainty of taxpayer behavior and the timing of tax return filings related to tax expenditure claims pose significant forecasting challenges.

In many cases, the full cost of a tax expenditure program may stretch out over several fiscal years. Therefore, prospective policy changes to eliminate such a program may only gradually decrease the expenditure or gradually increase revenue freed up for other expenditure programs. For example, legislation terminated the Business Investment and Jobs Expansion Tax Credit Program at the end of 2002. However, due to a credit proration period of up to twelve years and additional credit carryover provisions, the FY 2015 budget still contains a small allowance of \$0.5 million for this program more than 12 years after its expiration.

For purposes of the FY 2015 Budget, economic development tax expenditure programs were grouped in the following four categories:

- Tax Credits (Programs offering a direct deduction from tax liability)
- Tax Increment Financing (Programs allocating revenue increases)
- Miscellaneous Tax Preferences (Tax Exclusions or Tax Rate Preferences)
- Previously Terminated Programs with Carryover Costs

There is no bright line separation of business economic development programs from other programs with similar characteristics. Therefore, other similar tax expenditures are listed below to provide the analyst with some perspective of the relative size of various individual tax preferences in relationship with the highlighted business tax preferences. Readers need to be cognizant of the fact that the economic incidence of all taxes rests with individuals. Economic development programs are in bold.

Tax Credits

For purposes of the tax expenditure budget, there are 24 active tax credit programs in the State Tax Code with a total FY 2015 value of \$133.5 million. Programs classified as economic development related account for \$90.8 million in value, an amount equal to roughly 68% of the total value of all tax credits. Some of the remaining tax credits may be classified as low-income relief programs with a combined value of \$37.7 million.

The largest single tax credit in terms of cost (39% of the total) is the Industrial Expansion and Revitalization Tax Credit for electric power producers. This tax credit is largely tied to pollution abatement investment at coal-fired generating plants in the State. West Virginia uniquely taxes electric power generation rather than final sales to consumers. Public utilities pass on their costs to final consumers in a rate regulated environment. Therefore, final consumers are the principal beneficiaries of the Industrial Expansion and Revitalization Tax Credit.

The following is a list of active tax credits in Chapter 11 of the West Virginia State Code (programs in bold are tax credits that likely fit the definition of an economic development program. Several other listed programs may also be viewed by some as economic development related):

Revenue Sources

Article	Tax Credit	Description	FY 2015 Estimate (in millions)
6D	Alternative-Fuel Motor Vehicles	35% vehicles & 20% to 62.5% infrastructure	\$14.5
13D	Industrial Expansion/Revitalization	10% Investment Credit – Electric Power Producers	\$52.0
13E	Coal-Loading Facilities	10% Investment Credit – Coal Loading Facilities	\$1.5
13F	Low-Income Electric, Gas & Water	Reimburses Utility for Low-Income Resident Discount	\$5.0
13G	Low-Income Telephone	Reimburses Utility for Low-Income Resident Discount	Minimal
13J	Neighborhood Investment Program	50% Credit for Charitable Contributions	\$3.0
13K	Agricultural Equipment	25% up to \$2,500 – Environmental Equipment	\$0.1
13L	Natural Gas Jobs Retention	\$1,000/Job – Natural Gas Storage Tax	\$1.2
13Q	Economic Opportunity	Investment Credit-New Jobs & Select Industries	\$4.0
13R	Strategic Research & Development	3% or 10% of Excess R&D Credit	\$4.0
13S	Manufacturing Investment	5% Investment Credit – Manufacturing	\$3.0
13W	Apprenticeship Training	\$2/hour or \$2,000/year-Training Tax Credit	\$1.0
13X	West Virginia Film	27% to 31% of Costs for making WV Film	\$5.0
13Y	Manufacturing Property Adjustment	Manufacturing Inventory Tax Credit	\$5.0
13AA	Commercial Patents	20%-30% of Royalties & 20%-30% of Net Profit	\$0.0
13BB	Mine Safety Technology	50% Investment Credit – Mine Safety Equipment	\$1.0
13CC	Energy Intensive Industrial Consumer	Up to \$20 million – Coal Severance Tax	\$0.0
21-8a	Rehabilitated Buildings	10% of Qualified Costs	\$0.5
21-8g	Residential Rehabilitated Buildings	5% of Qualified Costs	\$0.1
21-10a	Nonfamily Adoption	\$2,000 per qualified adoption	\$0.8
21-21	Senior Citizen Homestead Credit	Local Tax paid on First \$20,000 of Taxable Valuation	\$12.7
21-22	Low-Income Family Tax Credit	Up to 100% of Pre-Credit Income Tax	\$17.5
21-23	Excess Property Tax Credit	Excess Over 4% of Gross Income Up to \$1,000	\$2.5
21-42 & 24-12	Military Incentive	30% of first \$5,000 of Wages Paid	\$0.1
<i>Subtotal:</i>			\$134.5

Tax Increment Financing

There are two active tax increment financing programs in West Virginia. They are Property Tax Increment Financing (TIF) and Sales Tax Increment Financing (STIF). Under these programs, increases in tax revenue above a baseline is rededicated to a specific development project.

Nearly all states utilize TIF for economic development. Property taxes are generally imposed by counties, school boards and municipalities in the State. The total value of TIF is roughly \$18 million in FY 2015 with half of the cost absorbed by local governments and half absorbed by the State mainly through the State School Aid to Local Education Formula. The cost to local governments would be larger if not for the exclusion of school excess levies from the calculated TIF under State Law.

The STIF Program is larger in relative cost to the TIF Program with a shift of an estimated \$22.5 million of State sales tax from the State General Revenue Fund to local retail development projects.

The following is a list of active tax increment financing programs (State property tax costs include calculated impact of State School Aid Formula):

Revenue Sources

Chapter	Tax Credit	Description	FY 2015 Estimate (in millions)
7-11B	Property Tax Increment Financing	Property Increment-State portion of \$18 mil total	\$9.0
7-22	Economic Development District STIF	6% State sales tax re-designated as local tax	\$22.5
<i>Subtotal:</i>			\$31.5

Miscellaneous Tax Preferences

Most of the major miscellaneous tax preference programs involve exclusions, special valuation provisions, or tax rate preferences involving the local property tax. These property tax preferences account for far more than two-thirds of the value of tax expenditures in this section.

In terms of value, the largest tax expenditures in West Virginia relate to residential property taxes. The combined value of the Homestead Exemption and 50% tax rate preferences for owner-occupied residential and farm real property is \$478 million and the State share of this combined value, mainly reflected in the State School Aid Formula, is \$142.6 million.

Several other types of mostly tangible personal property qualify for reduced “salvage” valuation at a combined value of \$81.2 million in property tax reductions with \$24.4 million of that value allocated to the State Budget.

No accurate estimate is available for county imposed payment in lieu of tax (PILOT) arrangements. However, based on available PILOT payment data, the net PILOT tax expenditure is likely similar in magnitude to the value associated with certified capital additions.

The largest non-property tax rate preference program offered in West Virginia is the Thin-Seam Coal Rates Program. Lower regular severance tax rates apply to most underground coal mines with average seam thickness of no more than 45 inches. This \$77 million tax preference is largely tied to metallurgical coal production in southern West Virginia. Thin-seam mines tend to employ more workers per unit of output than other mining operations.

The following is a brief list of some major miscellaneous tax preferences in Chapter 11 possibly tied to an economic development objective (Programs not bolded are provisions that may not necessarily fit the definition of an economic development program. State property tax costs include calculated impact of State School Aid Formula.):

Article	Tax Credit	Description	FY 2015 Estimate (in millions)
3-9	PILOT-County	Payment in lieu of tax – New Facilities	Unknown
6A	Pollution Control Salvage Value	State portion of \$65 mil	\$19.5
6B	Homestead Exemption & Tax Rate	Over 65/Disabled – State portion of \$98 mil	\$29.2
6E	Manufacturing Production Property	Salvage Value—State portion of \$1.2 mil	\$0.4
6F	Certified Capital Additions	Salvage Value-Existing Mfg – State portion of \$13 mil	\$3.9
6H	Special Aircraft Property	Salvage value – State portion of \$2 mil	\$0.6
6J	High-Technology Business Property	Salvage value – State portion of minimal	Minimal
8-6b	Residential/Farm Preference	50% Tax Rate Preference – State portion of \$380 mil	\$113.4
13A-3(f)	Thin-Seam Coal Rates	Reduced tax rates on thin-seam coal [60%-80%]	\$77.0
13A-3a(a)	Natural Gas/Oil Exclusions	Low-Volume/Shut-In Well Gross Receipt Exclusions	\$5.0
<i>Subtotal:</i>			\$249.0

Revenue Sources

Previously Terminated Programs with Carryover Costs

Expired tax expenditure provisions with at least some cost in FY 2015 include costs associated with the Business Investment and Jobs Expansion Tax Credit, the Residential Solar Energy Credit, the Tourism Sales Tax Retention Credit and Non-Incentive Tax Credits. Even though it is not listed among the expired tax expenditure provisions, a large portion of the Alternative Fuel Motor Vehicles Tax Credit expenditure for FY 2015 is also attributable to various provisions that were either repealed as of April 14, 2013, or as of January 1, 2014.

The following is a list of inactive tax credits in either Chapter 11, Chapter 5E, or Chapter 12 of the West Virginia Code that were generally repealed, are now inactive or are set to sunset prior to the beginning of FY 2015 with grandfathering provisions for credit claims attributable to periods prior to termination.

Article	Tax Credit	Description	FY 2015 Estimate (in millions)
11-13C	Business Investment & Jobs Expansion	50% or more investment tax credit tied to job creation	\$0.5
11-13Z	Residential Solar Energy	30% to \$2,000 – Solar Energy System Installation	\$0.03
5B-2E	Tourism Sales Tax Retention	25% of approved costs over 10 years	\$1.5
12-7-8a	Non-incentive Tax Credits	100% of venture capital – New Millennium Fund	\$6.0
<i>Subtotal:</i>			\$8.03

The sum total value of all tax expenditures listed above is \$422.03 million, including \$217.23 million in bolded Economic Development Tax Expenditures and \$204.8 million in various other tax expenditures.

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, but, since it is a substantial revenue source, a separate page providing actual/estimated revenues is 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.

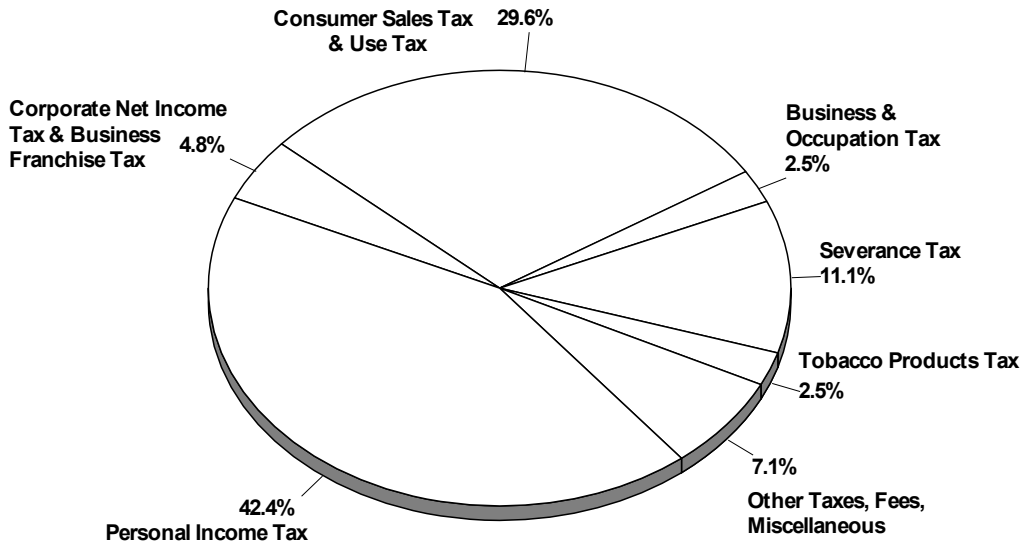
General Revenue Fund

Sources of Revenue

Fiscal Year 2015

\$4.271 Billion

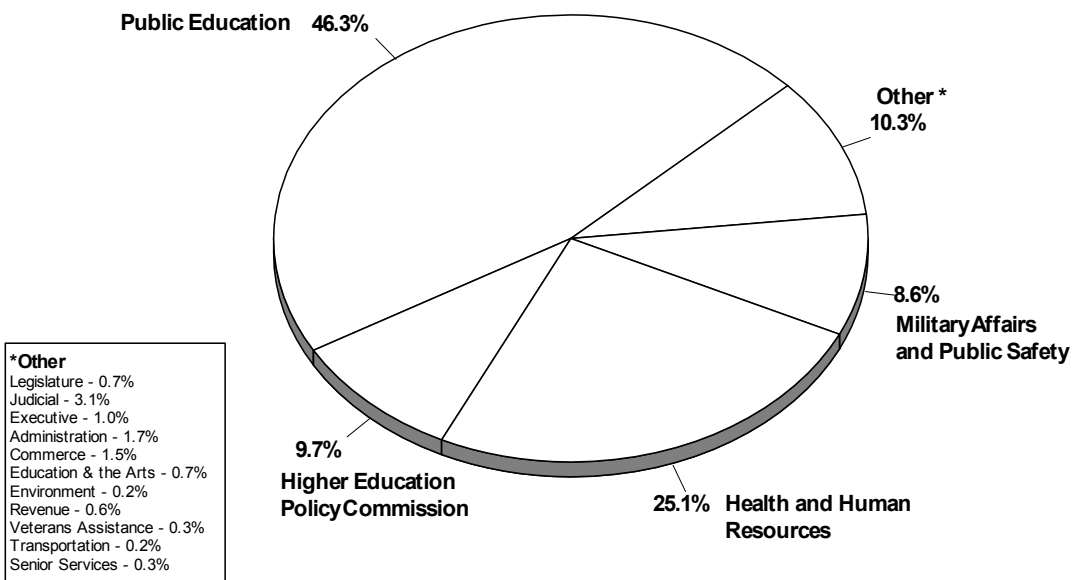
(Estimated)



Recommended Expenditures

Fiscal Year 2015

\$4.271 Billion



General Revenue Fund
Personal Income Tax

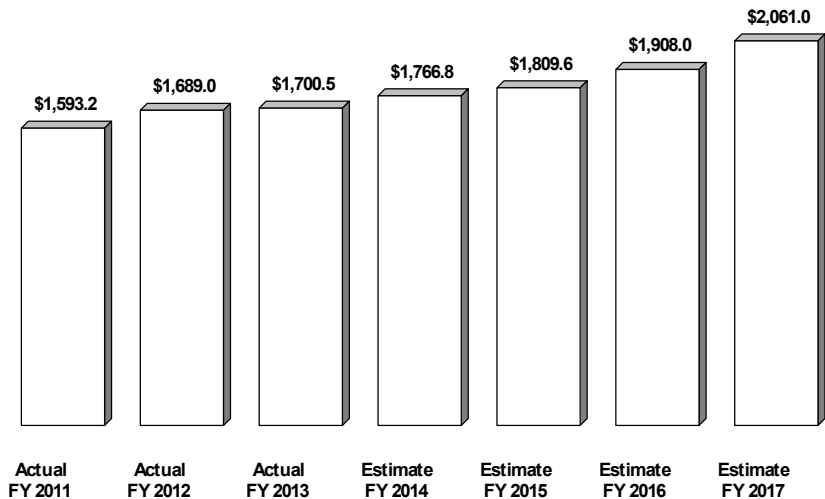
Personal Income Tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 71% of all Personal Income Tax receipts. After increasing at an average annual rate of 0.9% between 2003 and 2008, the West Virginia economy shed payroll employment jobs at a rate of more than 1% per year between 2008 and 2010. Payroll employment jobs increased by roughly 1.3% in both 2011 and 2012. According to the most recent forecasts from IHS Global Insight, payroll employment is expected to increase by 0.6% in 2013 and then rebound with growth averaging roughly 1.1% per year between 2013 and 2019. IHS Global Insight projects personal income to increase by 1.9% in 2013 and by 4.3% in 2014 and then to rise by roughly 4.3% annually between 2014 and 2019.

The State annually dedicates a portion of Personal Income Tax collections toward the payment of the old workers' compensation debt (\$95.4 million per year through FY 2016). Based upon current law, the State will begin dedicating \$35 million per year to Other Post Employment Benefit programs beginning as early as FY 2017 under the assumption that the Old Workers' Compensation Debt Fund will be declared solvent by the end of CY 2016. Remaining collections are deposited in the State General Revenue Fund.

After increasing by less than 0.7% in FY 2013, income tax collections are projected to rise by an average annual rate of roughly 3.2% between FY 2013 and FY 2015 and increase at an average annual rate of nearly 5.8% during the FY 2015–FY 2019 forecast period (growth rate adjusted for anticipated change in old workers' compensation debt dedications). Slower collection growth between FY 2012 and FY 2015 is reflective of both sluggish income growth and Alternative-Fuel Motor Vehicle Tax Credit expenditures.

- 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 42.4% 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 (46.5%) and taxable services (27.9%) activities. The tax base includes most retail sales except for automobiles, gasoline, prescription drugs, and food for home consumption (the tax rate on food for home consumption was reduced to 0% effective July 1, 2013). Food for home consumption does not include sales, purchases, and uses by consumers of prepared food; food sold through vending machines; and soft drinks. These items are taxed at the full six percent rate.

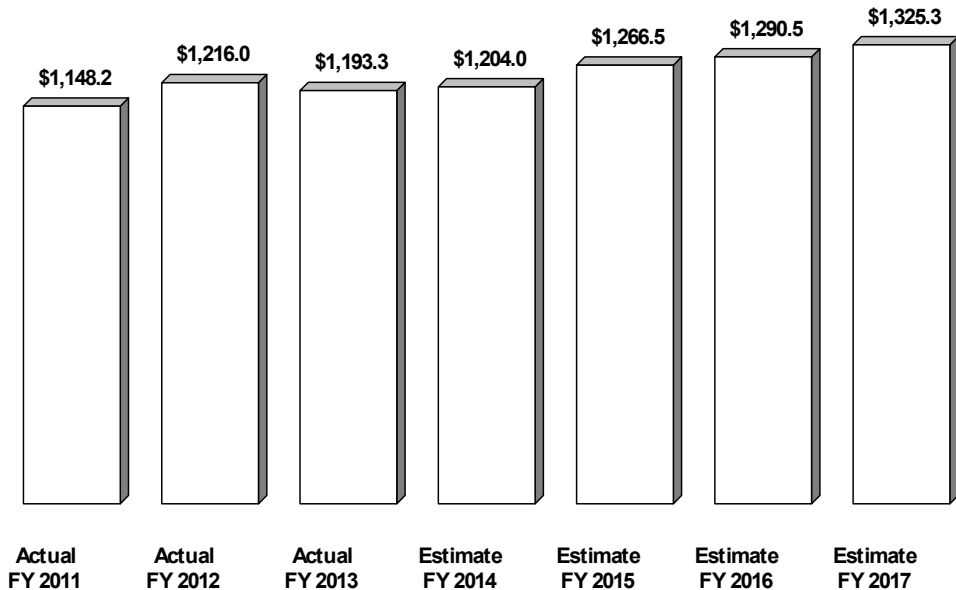
Retail sales growth depends upon changes in population, disposable personal income, inflation rates, interest rates, consumer debt, and consumer confidence. Disposable income growth is forecast to fall from 3.6% in 2012 to 1.3% in 2013. Thereafter, disposable personal income is forecast to rise by an average annual rate of 4.3% between 2013 and 2019.

After rising by an estimated 5.5% in FY 2012, Consumer Sales and Use Tax collections fell by 1.7% in FY 2013. Collections are forecast to remain relatively flat in FY 2014 before rebounding to an average annual growth rate of 3.1% during the remainder of the forecast period.

In addition to the General Revenue Fund, some Consumer Sales Tax collections go into special revenue accounts for the benefit of Sales Tax Increment Financing Districts, school construction, highway maintenance, and E-911 funded programs (i.e., \$61.4 million in FY 2012 and \$62.1 million in FY 2013).

- 6% Sales and Use Tax on most goods and services.
- Total Sales and use Tax accounts for 29.6% of total General Revenue Fund.

Consumer Sales Tax and Use Tax (Expressed in Millions)



General Revenue Fund

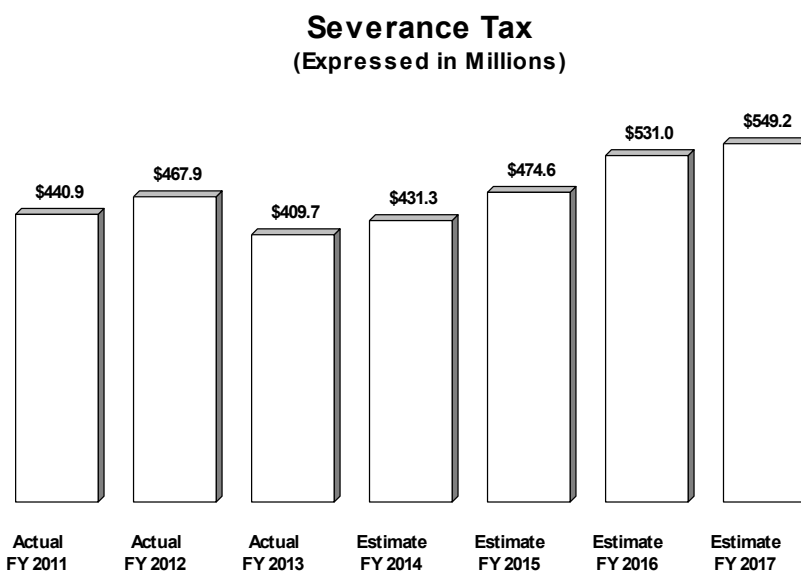
Severance Tax

Severance Tax collections are attributable to coal production (80.9%), natural gas production (15.7%), and the production of various other natural resource products (3.4%). Other natural resources products include timber, oil, coalbed methane, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2013, Severance Tax receipts were deposited in the State General Revenue Fund (85.7%), the State Infrastructure Fund (5.0%), local government funds (9.3%), and the State Division of Forestry (a negligible amount due to a temporary tax moratorium). Under current law, the first \$23 million of annual receipts is dedicated to the Infrastructure Fund.

Severance Tax collection growth depends upon changes in coal and natural gas production and their respective prices. Coal prices rose dramatically over the past decade 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 2012. Severance Tax receipts grew by more than 250% between FY 2004 and FY 2012 in response to these higher prices. However, both a decline in coal sales and a decline in energy prices in the second half of 2012 and early 2013 contributed to a 12.4% reduction in FY 2013 Severance Tax receipts. A slow growing economy, a weakening European economy, the planned closure of a number of regional coal-fired power plants, and increased competition from natural gas will lead to an expected eight percent additional decrease in coal production over the next five years along with some decrease in price, especially over the next year. After rising by 37% in 2012 and by roughly 50% in 2013, natural gas production is forecast to continue rising, but at a slower pace over the forecast period. Natural gas well-head prices dropped to less than \$3 per thousand cubic feet in 2012, but are anticipated to rebound to nearly \$4 per thousand cubic feet by CY 2014. Increased natural gas Severance Tax collections are forecast to more than offset declining coal Severance Tax receipts over the next five years. Since coal and natural gas represent roughly 97% 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.**



Corporation Net Income Tax and Business Franchise Tax

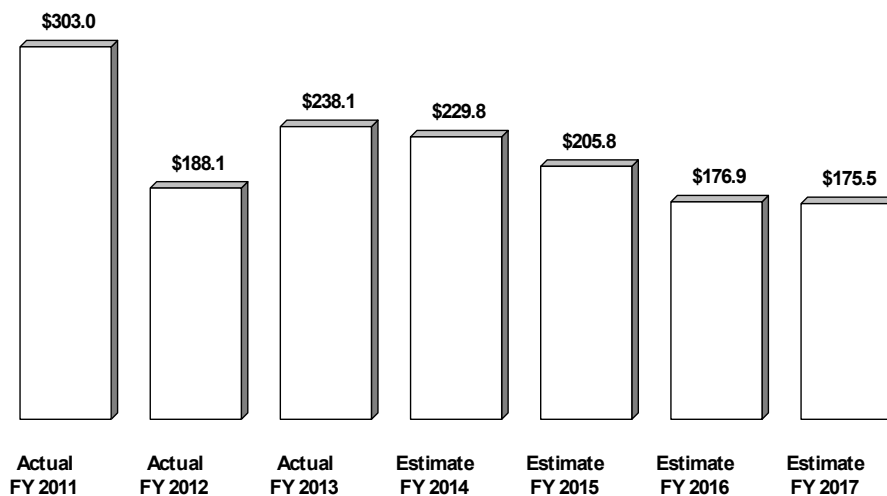
The Corporation Net Income Tax is a tax on net profits of incorporated entities doing business in West Virginia. The Business Franchise Tax is a tax on the net equity component (defined as the value of capital stock, preferred stock, paid-in capital, and retained earnings) of business balance sheets 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 increase by roughly three percent in 2014 and then to increase at an average annual rate of roughly 3.8% through the remainder of the forecast period. In addition, retained earnings, a component of balance sheet net equity, are at high levels following growth of over 100% in 2009 and 42% in 2010 as corporations sought to improve their balance sheets. Although retained earnings are predicted to decline at an average annual rate of roughly 3.6% over the 2014 to 2019 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 early years of the forecast period due to a steep rise in retained earnings, and continued modest increases in corporate profits. However, collections are expected to decrease over the forecast period 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 the modified federal taxable income apportioned to West Virginia with a current tax rate of 6.5% effective January 1, 2014.**
- **Business Franchise Tax applies to most corporations, partnerships, and limited liability companies. The tax base is the net equity apportioned to West Virginia with a current tax rate of 0.10% effective January 1, 2014.**
- **The Business Franchise Tax rate will decrease to 0.0% (complete elimination) for tax years beginning on or after January 1, 2015.**
- **Accounts for 4.8% of total General Revenue Fund.**

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



General Revenue Fund
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.

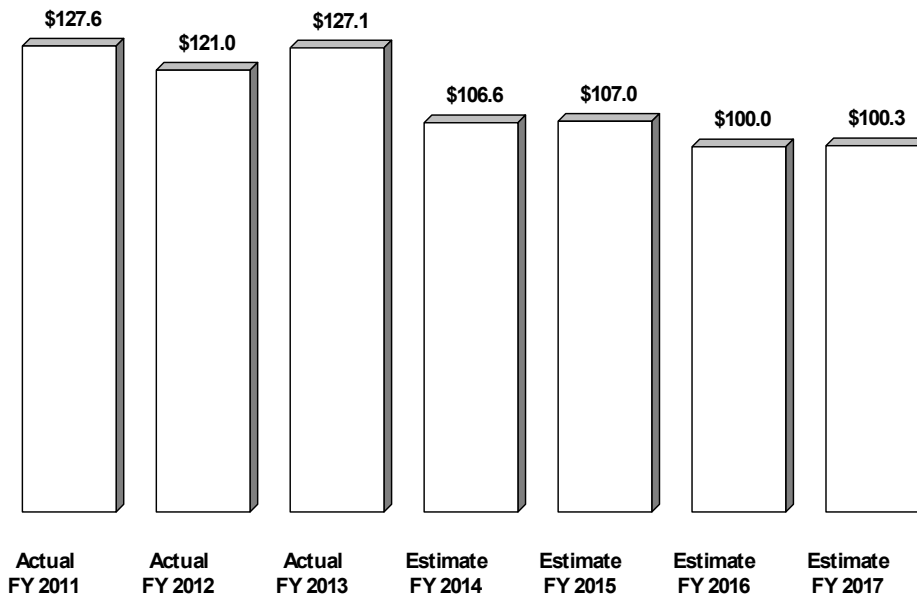
For electric power producers, the general tax rate is \$22.78 per kilowatt of taxable capacity. Plants with flue gas desulfurization systems are subject to a lower tax rate of \$20.70 per kilowatt. The installation of fuel gas desulfurization systems at existing power plants that was generally completed 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 will 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 46% 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 only minimal increases in natural gas prices through the forecast period.

While some natural gas utilities and water utilities have recently petitioned the Public Service Commission for service rate increases, the increase in Business and Occupation Tax attributable to an increased service rate will be more than offset by declines attributable to tax collections from electric power generation activity. During the forecast period, B&O Tax collections will generally decline by an average annual rate of nearly 1.6%.

- **Privilege tax on units of activity or gross receipts.**
- **Applies to public utilities, electric power generators, and natural gas storage.**
- **Tax rates and base vary.**
- **Accounts for 2.5% of total General Revenue Fund.**

Business and Occupation Tax
 (Expressed in Millions)

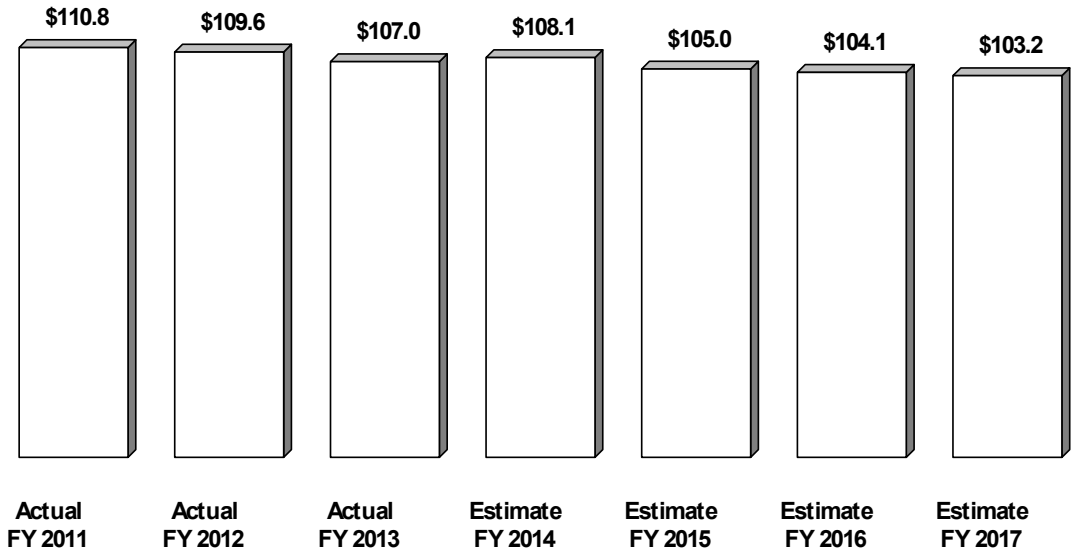


General Revenue Fund
Tobacco Products Tax

The Tobacco Products Tax consists of a per pack tax on cigarettes and a percentage tax on the wholesale price of other tobacco products. Both demographic trends toward an aging population and continuing efforts to discourage consumption of tobacco products 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 1.3% per year during the FY 2014–FY 2019 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 2.5% of total General Revenue Fund.

Tobacco Products Tax
 (Expressed in Millions)



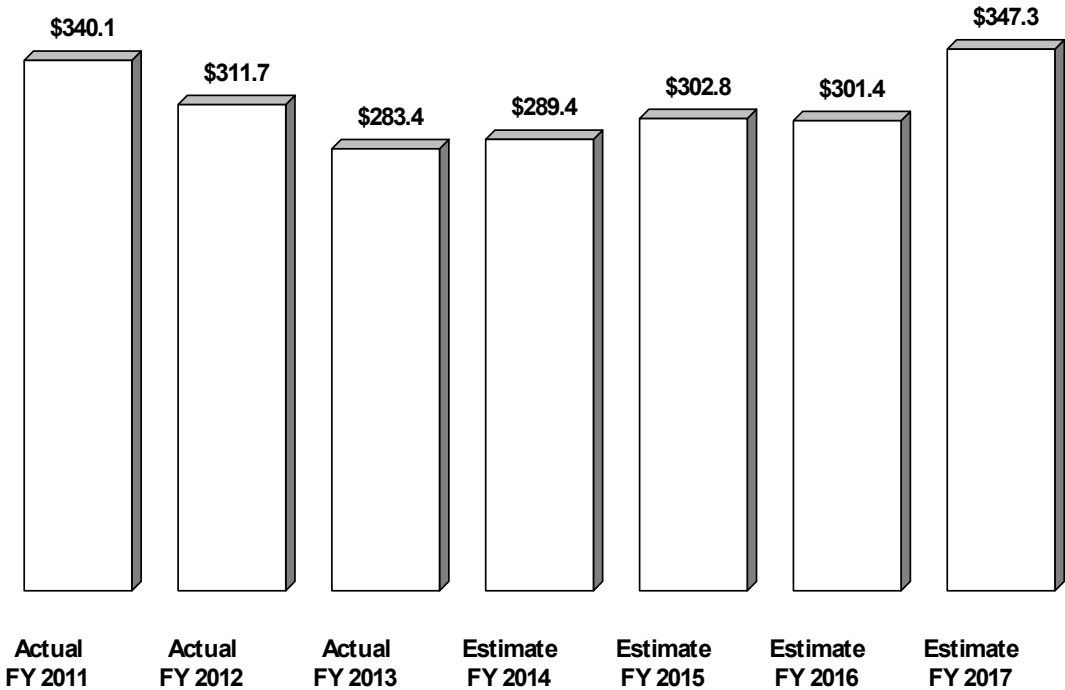
General Revenue Fund
Other Taxes and Fees

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 Excess Lottery Revenue). Most of these other taxes and fees are dependent upon population growth, other demographic trends, and changes in consumer behavior.

The annual appropriated Excess Lottery Transfer to the State General Revenue Fund is expected to be \$92.6 million in FY 2015 and \$83.355 million per year for the remainder of the forecast period, a 10% decline from annual appropriated transfers for the FY 2013 to FY 2015 period. Most of the forecasted revenue from the ten-year retail liquor establishment license renewal program was collected during FY 2010 and FY 2011 with minor additional annual collections through FY 2016.

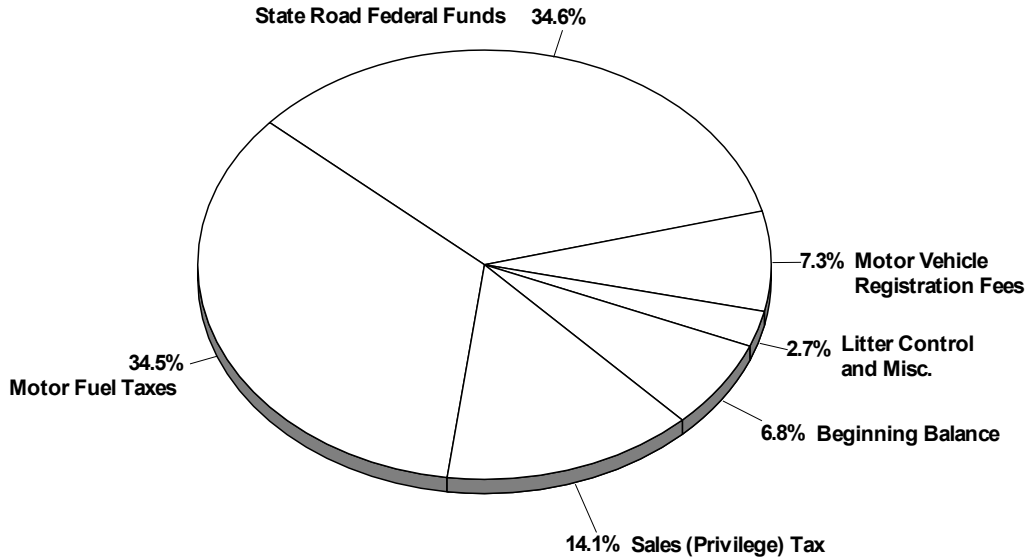
• **Accounts for 7.1% of total General Revenue Fund.**

Other Taxes and Fees
 (Expressed in Millions)



State Road Fund

Sources of Revenue Fiscal Year 2015 \$1.250 Billion* (Estimated)



*Includes Beginning Cash Balance plus FY 2015 Revenue.

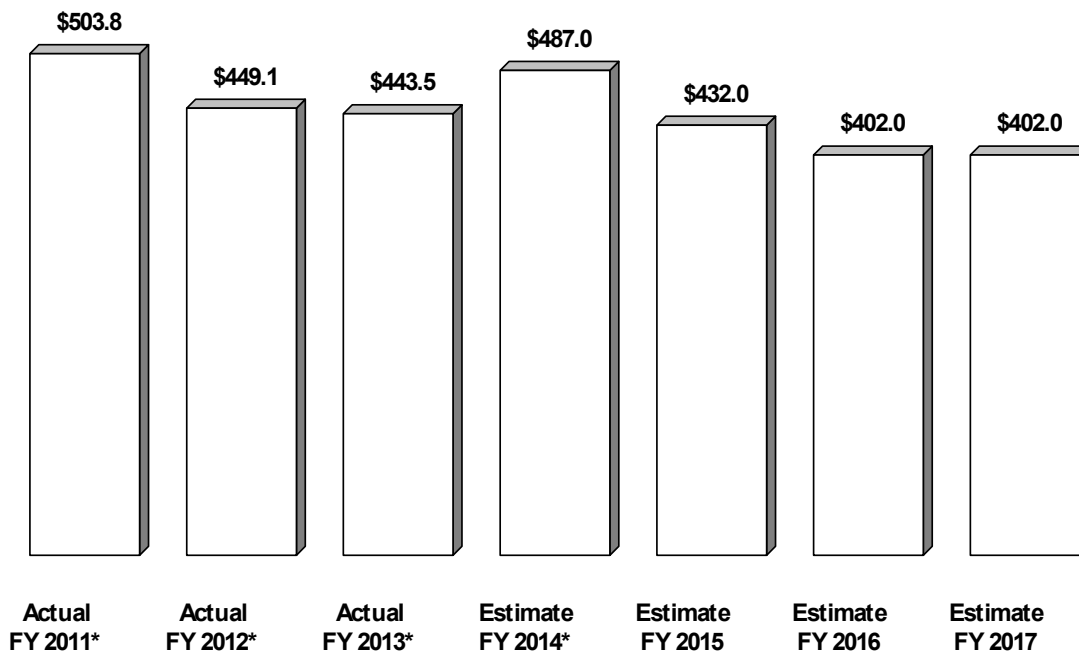
Recommended Expenditures Fiscal Year 2015 \$1.159 Billion



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 34.6% of the total State Road Fund.

State Road Federal Funds (Expressed in Millions)



* Includes Federal Economic Stimulus of \$86.4 million in FY 2011, \$15.7 million in FY 2012, \$1.4 million in FY 2013, and \$1.5 million in FY 2014.

State Road Fund

Motor Fuel Taxes

Motor Fuel Excise Tax

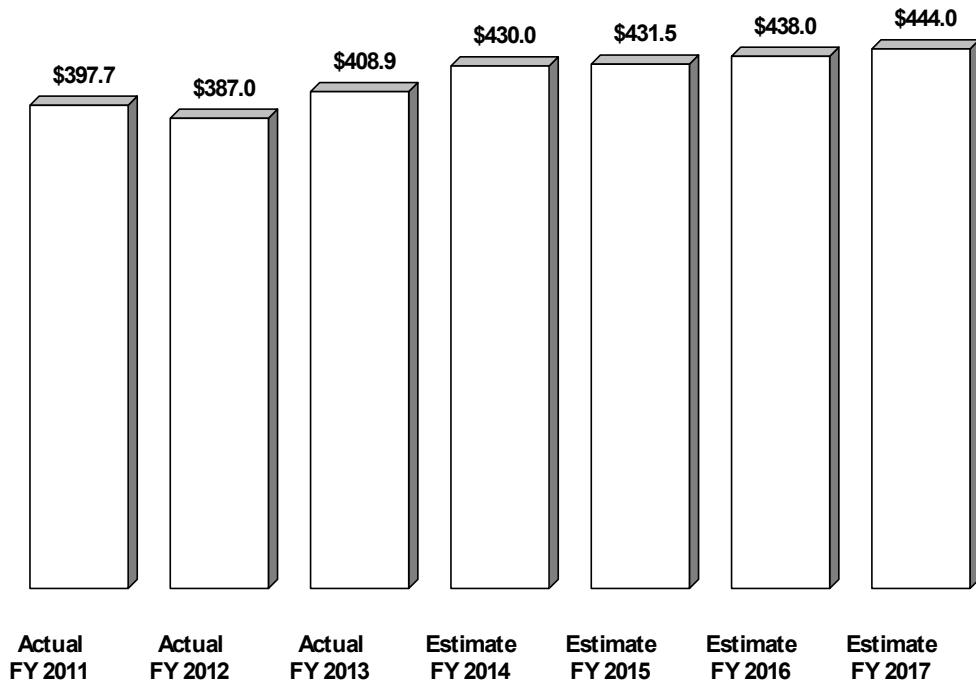
- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to five percent of the average wholesale price of motor fuel.
- Imposed and payable on all motor fuel upon import into this state, removal from a terminal within this state, or removal from 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 \$0.142 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 34.5% of the total State Road Fund.

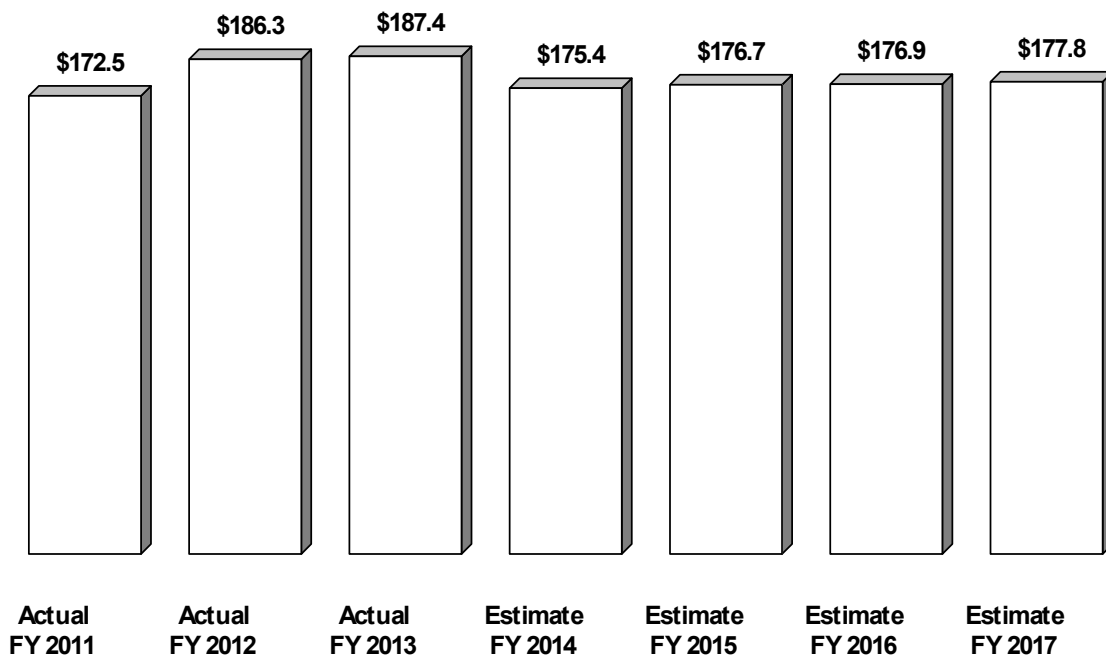
Motor Fuel Taxes (Expressed in Millions)



State Road Fund
Sales (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 14.1% of the total State Road Fund.

Sales (Privilege) Tax
(Expressed in Millions)

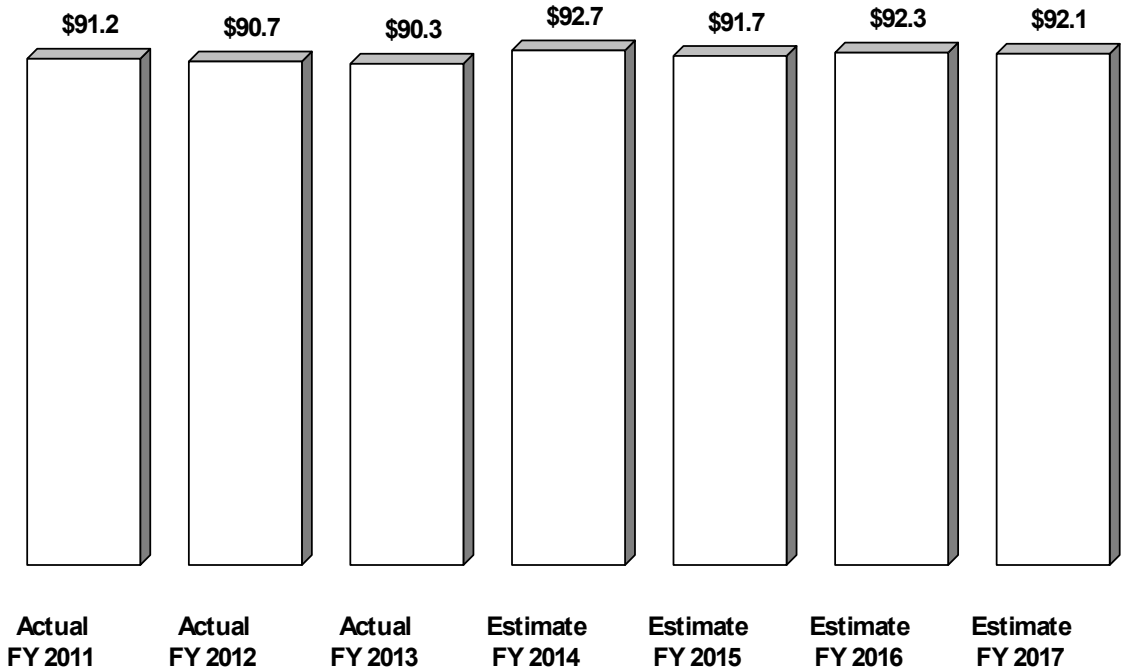


Motor Vehicle Registration Fees

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 7.3% of the total State Road Fund.

Motor Vehicle Registration Fees (Expressed in Millions)



West Virginia Lottery

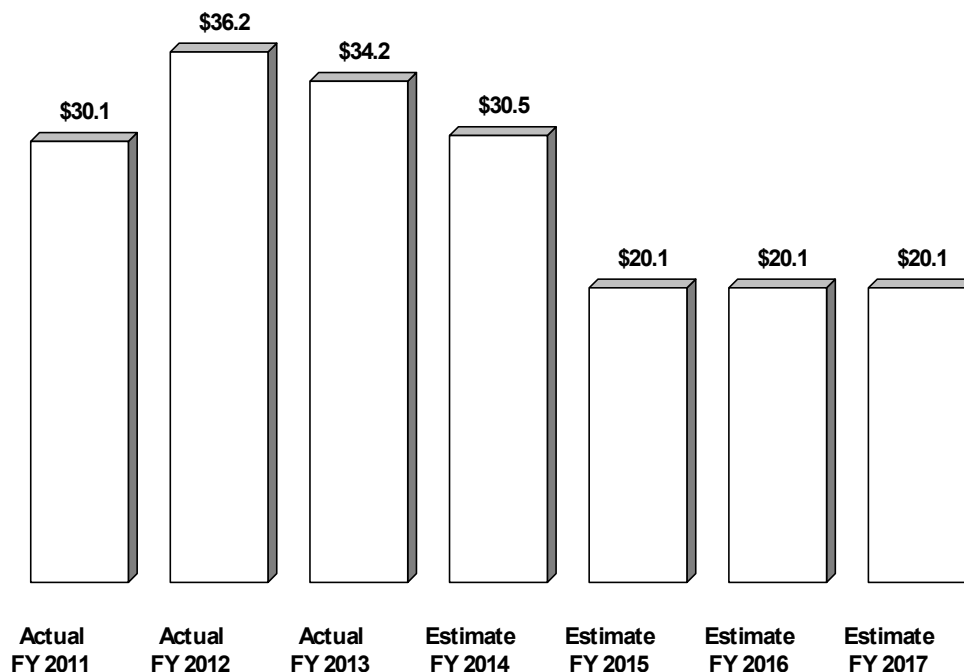
West Virginia Lottery gross revenue increased 4.7% in FY 2012 and decreased 8.9% in FY 2013. The decrease is primarily the result of increasing competition from casinos in surrounding states. Gross revenues include ticket sales of on-line and instant games, Racetrack Video Lottery, Limited Video Lottery revenue, table games, and Historic Resort Hotel revenues. Correspondingly, net revenues to the state increased by 17.3% and decreased by 17.8% for FY 2012 and FY 2013, respectively. Racetrack Video Lottery increased by 5.2% during FY 2012 and decreased by 14.3% during FY 2013. Limited Video Lottery increased by 2.2% in FY 2012 and decreased by 1.7% in FY 2013.

For FY 2014, the official estimate reflects a decrease in gross revenue of 13.5% from FY 2013. Racetrack Video Lottery is projected to decrease 20.8%, and Limited Video Lottery is projected to decrease 3.7% due to increased competition in bordering states. On-line sales are projected to decrease by 18.8%, and instant ticket sales are projected to decrease by 3.3%. Table games revenue is 100% statutorily distributed and should provide \$30 million in net revenue to the State's Debt Reduction Fund. Historic Resort Hotel revenue is 100% statutorily distributed and should provide \$512,000 in net revenue to the State's Debt Reduction Fund and \$1.7 million to the State's General Revenue Fund.

In FY 2015, the gross revenue estimate is expected to have a 4.7% decrease. On-line game sales are projected to increase by 6.7%. Instant game sales are projected to remain level. Racetrack Video Lottery revenue is projected to decrease 8.2%. Limited Video Lottery revenue is expected to increase by 1.4%. Table games should provide \$19.6 million in net revenue to the State's Debt Reduction Fund. Historic Resort Hotel revenues games should provide \$533,000 to the State's Debt Reduction Fund and provide \$1.8 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 and Historic Resort Hotel Revenue Dedicated to State Debt Reduction (Expressed in Millions)



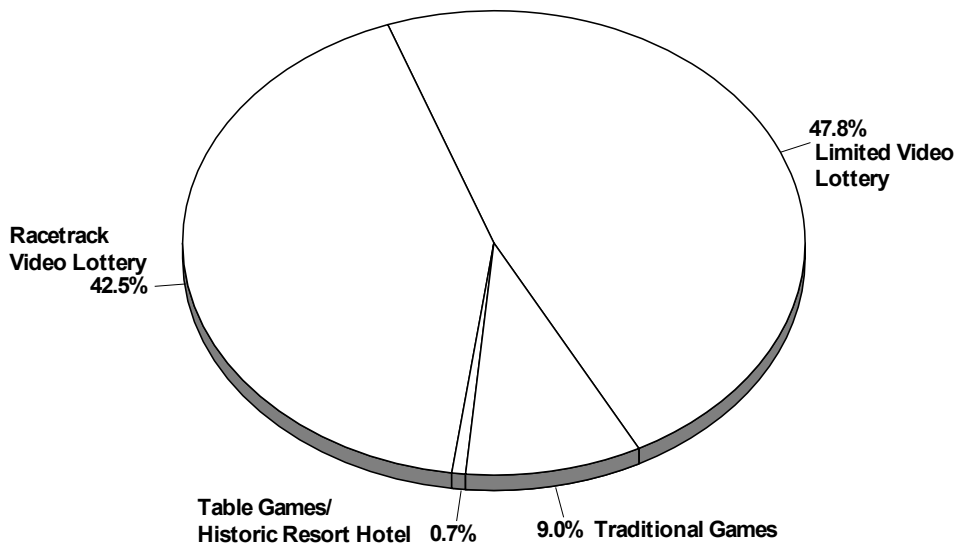
West Virginia Lottery

Sources of Revenue

Fiscal Year 2015

\$402.2 Million *

(Estimated)



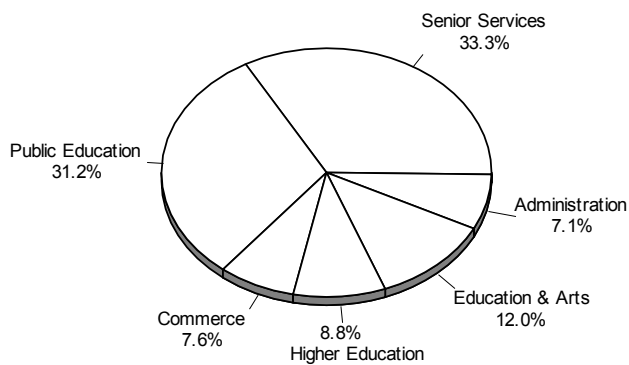
* Does not include beginning cash balance.

Recommended Expenditures

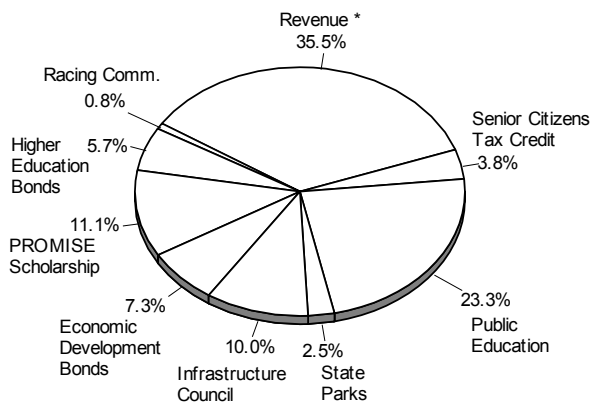
Fiscal Year 2015

\$401.8 Million

Lottery Fund
\$141.0 Million

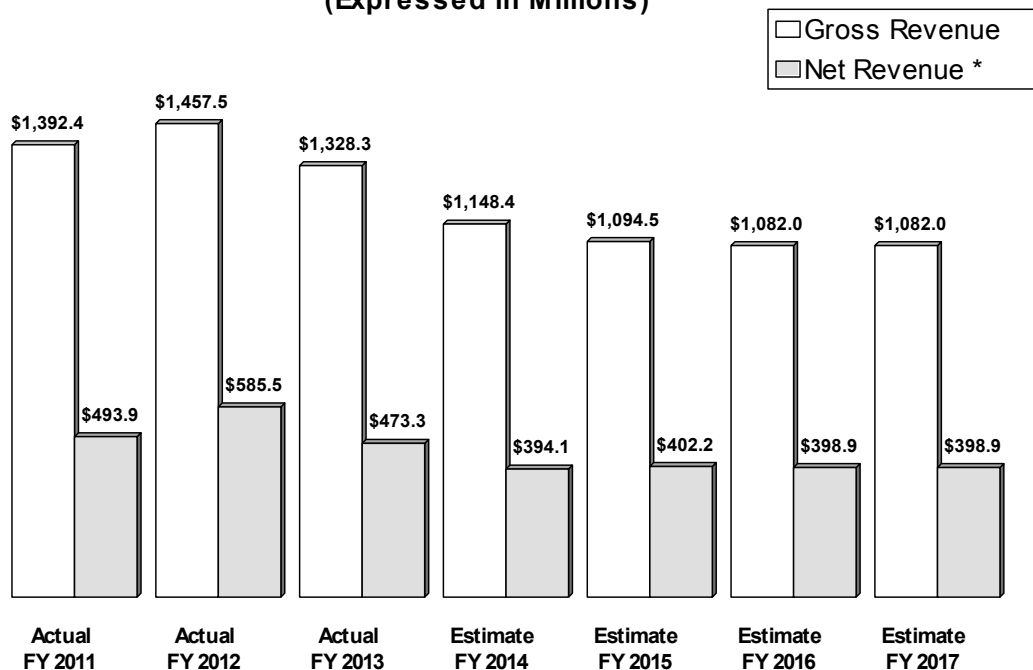


Excess Lottery Fund
\$260.8 Million



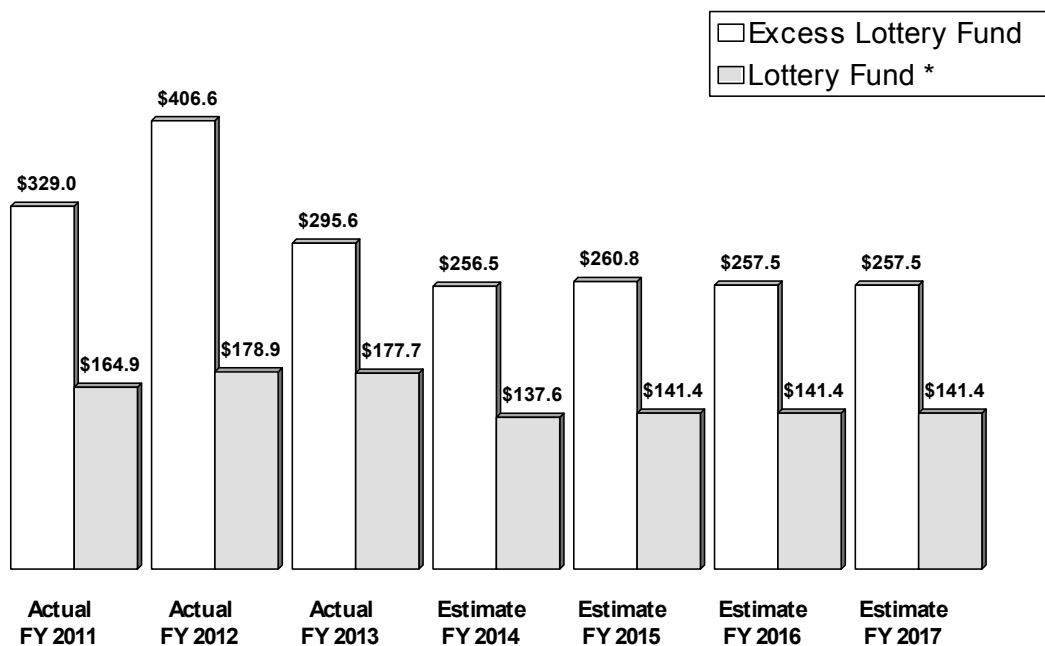
* Transfer to General Revenue Fund.

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



* Excludes Table Games and Historic Resort/Hotel revenues and includes Veterans Lottery Fund.

West Virginia Lottery Net Revenue Distribution (Expressed in Millions)

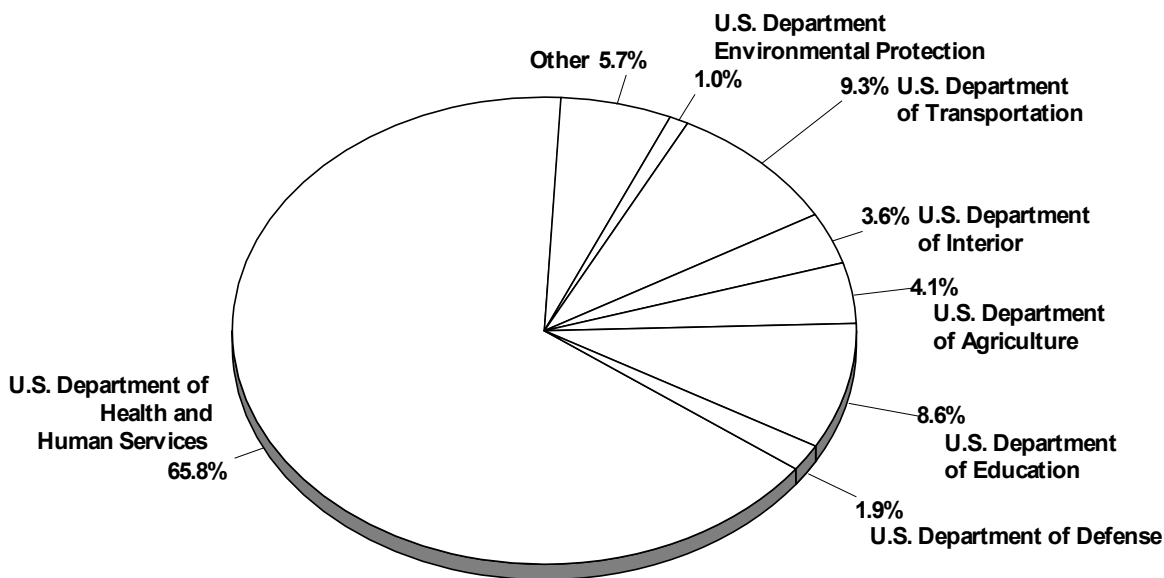


* Includes Veterans Lottery Fund.

Federal Funds

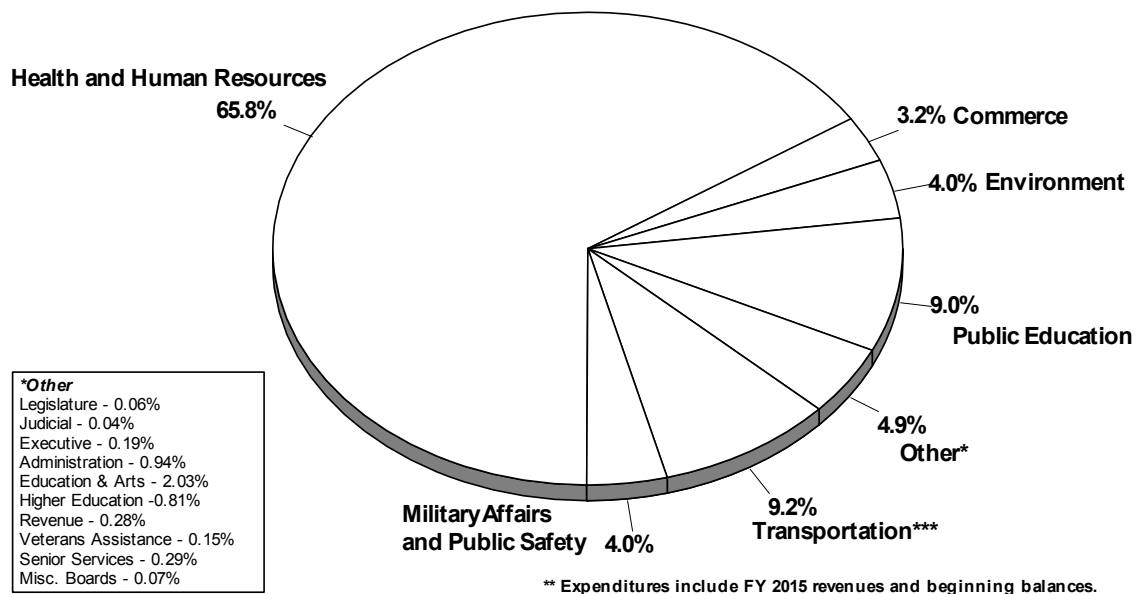
Sources of Revenues

Fiscal Year 2015
\$5.048 Billion
(Estimated)



Recommended Expenditures**

Fiscal Year 2015
\$5.098 Billion



*Other	
Legislature	- 0.06%
Judicial	- 0.04%
Executive	- 0.19%
Administration	- 0.94%
Education & Arts	- 2.03%
Higher Education	- 0.81%
Revenue	- 0.28%
Veterans Assistance	- 0.15%
Senior Services	- 0.29%
Misc. Boards	- 0.07%

** Expenditures include FY 2015 revenues and beginning balances.
***Includes Federal Funds that are appropriated as part of the State Road Fund.

Special Revenue Funds

Includes:

- 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.

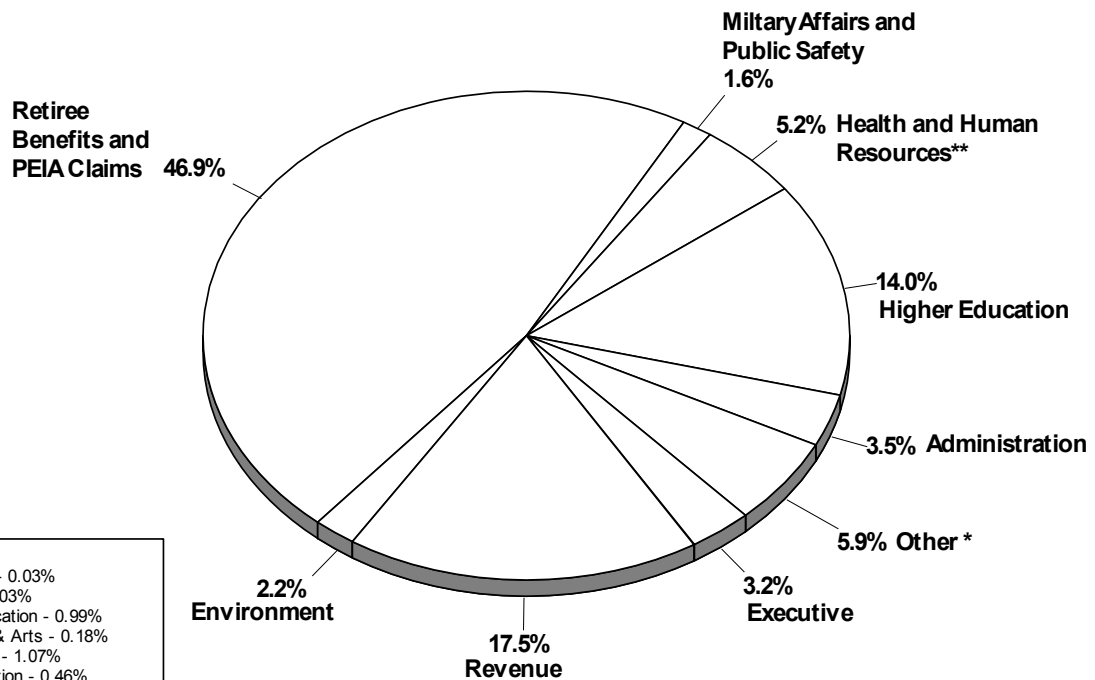
Does not include:

- Appropriated Lottery Funds and State Road Fund which are depicted separately.

Recommended Expenditures

Fiscal Year 2015

\$11.894 Billion



*** Other**
 Legislative - 0.03%
 Judicial - 0.03%
 Public Education - 0.99%
 Education & Arts - 0.18%
 Commerce - 1.07%
 Transportation - 0.46%
 Senior Svcs. - 0.10%
 Veterans Assistance - 0.03%
 Misc. Bds. - 3.00%

** Includes Medicaid State Share Fund (Health Care Provider Tax)

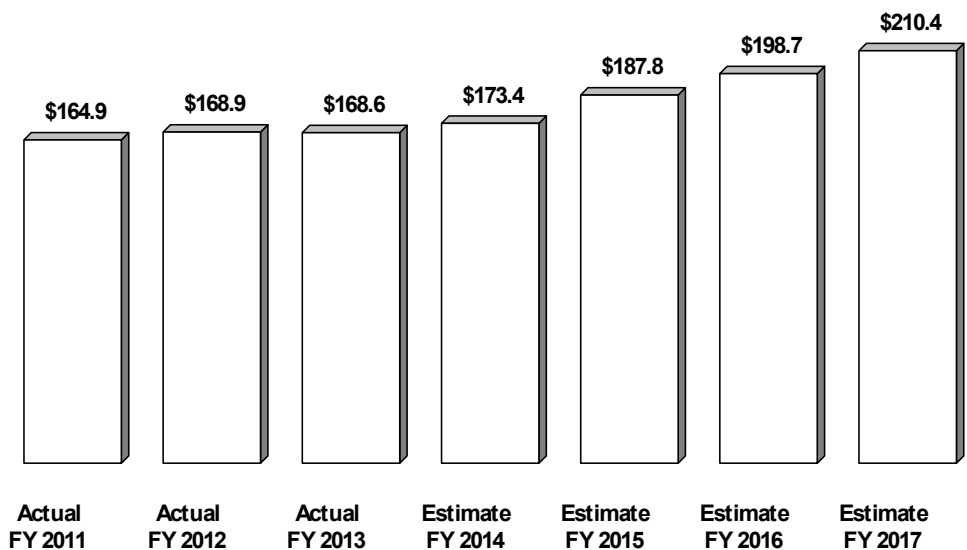
Special Revenue Funds
Medicaid State Share Fund

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 more than \$3 billion in FY 2013 (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 71% of the base Medicaid Program in West Virginia through a match of nearly \$3 per every \$1 of State funds appropriated for the program. In addition, the Federal Affordable Care Act's expanded Medicaid Program will be 100% funded by the federal government in 2014 through 2016 with a gradual phasedown of federal share support to 90% by 2020. In FY 2013, the Medicaid State Share Fund generated nearly \$169 million or roughly 19% of the State matching funds for the Medicaid Program. Based upon long-term trends, Medicaid Program costs are rising by approximately ten percent per year while General Revenue Fund collections are increasing by an average of roughly three percent per year.

Current provider taxes apply to services of ambulatory surgical centers, independent laboratory and x-ray facilities, inpatient and outpatient hospitals, intermediate care facilities for mentally handicapped, and nursing homes. The State also imposes an additional temporary tax on acute care hospitals that provide inpatient or outpatient services with proceeds dedicated to the implementation of a hospital Medicaid upper payment limit program (this additional tax is scheduled to expire June 30, 2014).

- **1.75% to 5.50% tax on gross receipts from various medical service providers in West Virginia.**
- **0.45% tax on gross receipts of acute care hospitals (expires June 30, 2014).**
- **Accounts for 19% of State match for Medicaid Program.**

**Medicaid State Share Fund
 Health Care Provider Tax
 (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 created the Division of Debt Management in 1991 within the State Treasurer's Office. The division acts as the central repository of information on debt issued by the state and its spending units. Among its duties, the division is authorized to evaluate debt service requirements and cash flow projections for existing debt and proposed issues, act as a liaison with the Legislature, assist in the issuance of debt, monitor continuing disclosure requirements and post-issuance compliance, and issue debt position and capacity reports.¹

State Indebtedness

In 1997, the Division of Debt Management began issuing the annual debt capacity report to provide necessary information 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 debt capacity report annually reviews the size and condition of the state's tax-supported debt, estimates the maximum amount of new tax-supported debt that prudently may be authorized for the next fiscal year, and explains 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 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, 2013, West Virginia's general obligation bond rating was Aa1/AA/AA+ by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively.

On May 29, 2013, Moody's released its "2013 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 of the states demonstrates that West Virginia is within a moderate range of these key indicators.

¹ For additional information, see the debt position reports and the annual debt capacity reports on the Treasurer's website at <http://www.wvsto.com/dept/DebtMgt/Pages/DebtReports.aspx>.

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, 2013 State Debt Medians, May 2013)

% of Personal Income		Per Capita	
North Dakota	0.7%	North Dakota	\$292
Montana	0.9%	Montana	\$311
Arkansas	1.2%	Arkansas	\$404
Colorado	1.2%	Idaho	\$515
Idaho	1.6%	Colorado	\$525
New Hampshire	1.9%	New Hampshire	\$862
Alabama	2.5%	Alabama	\$867
Kansas	2.8%	Ohio	\$1,047
Ohio	2.8%	Florida	\$1,087
Florida	2.8%	Kansas	\$1,112
Minnesota	3.0%	West Virginia	\$1,118
West Virginia	3.3%	Minnesota	\$1,315
Oregon	5.2%	Oregon	\$1,945
Washington	6.4%	Washington	\$2,817
Massachusetts	9.3%	Massachusetts	\$4,968

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.

Debt Policy

West Virginia has various debt policies that are set forth in the West Virginia Code. However, there is currently no centralized debt management policy for all state entities; instead, each bonding authority has its own policy.

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, mortgages and other debt obligations, 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.

Debt Summary

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

Issuing Authority	Debt Limit (Cap)
Governor	Per constitutional 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 available revenues
Rail Authority	Per available 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

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, 2013, \$473,807,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

General Obligation Bonds Outstanding June 30, 2013

Amendment	Principal Outstanding June 30, 2013 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$228,442	First \$23 million of Severance Tax
Safe Roads Amendment of 1996	(net) \$245,365	Road Fund

General Obligation Debt Various Ratios as of June 30:

Ratio	2011	2012	2013	Notes for June 30, 2013, Ending (figures listed in thousands)
GO Debt Service as a percent of the General Revenue Fund (GRF)	1.7%	1.8%	1.5%	*GO Debt Service of \$61,158 GRF of \$4,059,119
GO Debt as a percent of Personal Income (PI)	0.9%	0.9%	0.7%	GO Debt of \$473,807 PI of \$65,090,872
GO Debt per Capita	\$300	\$275	\$255	GO Debt of \$473,807 Population of 1,855

**Does not include \$19,682 in debt service paid due to a refunding.*

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.

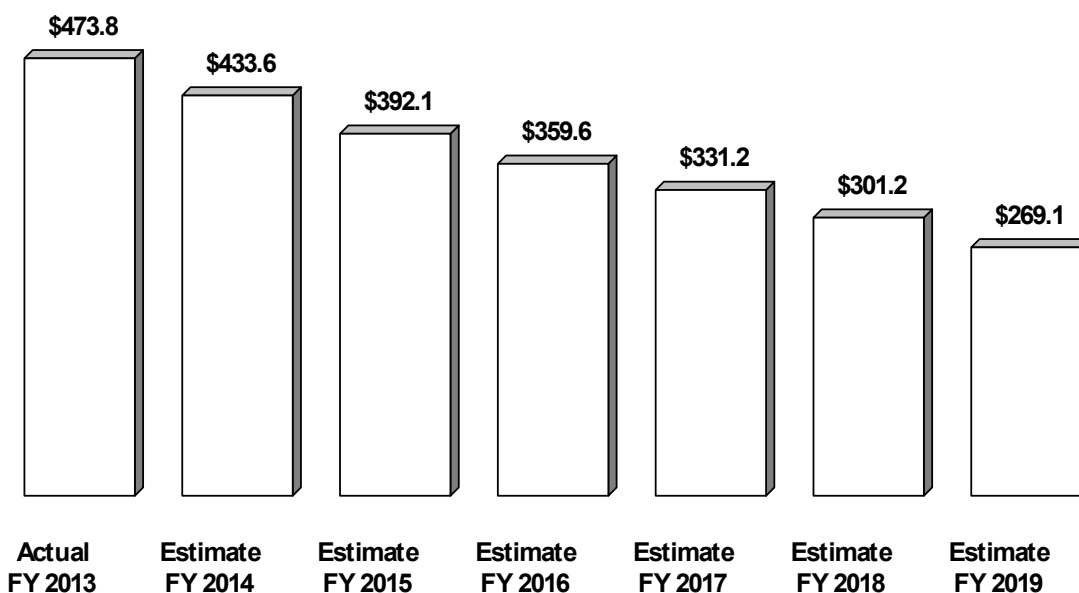
1973 Better Highways Amendment

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,

General Obligation Debt Outstanding
Fiscal Years 2013 - 2019
As of June 30, 2013
(Expressed in Millions)



Debt Summary

General Obligation Bonds

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 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. The council once again took advantage of favorable interest rates during FY 2012 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, 2013, was \$228,442,000 (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 four million dollars. At June 30, 2013, \$245,365,000 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, 2013 (Expressed in Thousands)

	Final Maturity Date	Interest Rate(s) %	06/30/13 Balance*
Road Bonds			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment	2025	4.00 - 5.50	245,365
Infrastructure Bonds			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	0.30 - 7.625	228,442
TOTAL			\$473,807

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2013, were as follows (expressed in thousands):

	Principal	Interest	Amount to be accrued	Total
Year Ending June 30				
2014	40,222	19,181	123	59,526
2015	41,496	17,563	479	59,538
2016	42,895	15,830	810	59,535
2017	30,950	13,958	1,150	46,058
2018	31,954	12,641	1,471	46,066
2018-2022	173,232	42,845	13,723	229,800
2023-2027	113,058	8,306	17,732	139,096
TOTAL	\$473,807	\$130,324	\$35,488	\$639,619

* Balances do not include unamortized discounts/premiums/issuance costs.

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 \$1.8 billion in revenue bonds were outstanding at June 30, 2013. 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, 2013, the principal outstanding on the bonds totaled approximately \$860 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, 2013, the principal outstanding on the three series of notes totaled \$77 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 that the infrastructure project is not otherwise an appropriate or prudent investment of state funds, and then 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, 2013, \$114 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, 2013, \$173 million were outstanding.

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

Debt Summary *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, 2013, approximately \$148 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 \$158 million as of June 30, 2013. 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. Additional lottery revenue bonds were issued in May 2012 and April 2013. These bonds were issued at historically low true interest costs of 2.78% and 2.70% respectively. The proceeds of both issues were used to fund capital improvement projects at various primary and secondary schools throughout West Virginia. The principal outstanding on all Lottery Bonds of the School Building Authority was \$76 million at June 30, 2013.

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 \$112 million as of June 30, 2013.

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 \$120 million (net of debt service sinking funds).

Debt Summary

Revenue Bonds Outstanding at June 30, 2013 (Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2002 & 2007	2022	3.82 - 4.37	158,160
School Building Authority (Lottery)	2004, 2012 & 2013	2028	3.00 - 5.25	75,615
School Building Authority (Excess Lottery)	2008 & 2010	2030	2.00 - 5.25	112,420
School Building Authority QSCBs (Excess Lottery)	2009 & 2010	2027	0	150,480
Tobacco Settlement Finance Authority*	2007	2047	7.467 - 8.5	859,596
Highways, Commissioner of	2006, 2007 & 2009	2015	3.50 - 5.00	77,000
WV Infrastructure and Jobs Development Council	2003, 2006, 2007 & 2012	2045	2.00 - 5.00	113,915
Education, Arts, Sciences, and Tourism Fund (Lottery)	2010	2040	2.00 - 5.00	148,250
Economic Development Authority (Excess Lottery)	2004	2026	4.40 - 6.07	<u>173,070</u>
Subtotal				1,868,506
Less:				
School Building Authority Debt Service Reserve Fund				(23,021)
Debt Service Reserve Fund (Lottery)				(14,180)
Debt Service Sinking Fund - QSCBs (Excess Lottery)				(30,878)
Economic Development Authority Debt Service Reserve Fund (Lottery)				<u>(24,078)</u>
Net revenue bonds outstanding				<u><u>\$1,776,349</u></u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2013, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Amount to be accrued	Total
2014	98,630	95,782	9,344	203,756
2015	94,930	90,761	10,155	195,846
2016	94,160	85,679	11,037	190,876
2017	72,305	81,004	11,995	165,304
2018	66,280	77,050	13,036	156,366
2019-2023	370,510	320,456	84,248	775,214
2024-2028	554,660	197,311	127,735	879,706
2029-2033	418,246	200,352	178,060	796,658
2034-2038	62,830	419,999	105,251	588,080
2039-2043	32,040	60,575	4,550	97,165
2044-2048	3,915	243	0	4,158
	<u>\$1,868,506</u>	<u>\$1,629,212</u>	<u>\$555,411</u>	<u>\$4,053,129</u>

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

Capital Leases

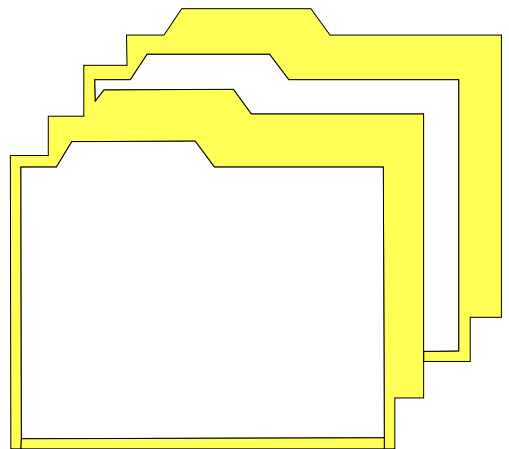
A capital lease is a lease in which the lessee (entity leasing from another) assumes substantially all the risks and benefits associated with the asset, which must meet one or more of the following criteria:

- * 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 \$269 million at June 30, 2013.

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, Employee 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. (Also see “Activity.”)

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.

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.

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.

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 2015, the “current level” is defined as 100% of the FY 2014 base budget for the General Revenue Fund and Regular Lottery fund appropriations.

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.

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 Budget Report*.

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 Budget Report*.

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.

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.

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.

Appendix A/Glossary

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
AC	Appointed counsel
ACH	Automated Clearing House
ACA	Affordable Care Act
	American Correctional Association
ACP	Address Confidentiality Program
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
AgEP	Agricultural Enhancement Program
AIDS	Acquired immunodeficiency syndrome
ALJ	Administrative law judge
AML&R	Abandoned Mine Lands and Reclamation
AP	Advanced Placement
APHIS	Animal and Plant Health Inspection Service
APSI	Advanced Placement Summer Institute
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
BLS	Bureau of Labor Statistics
BMI	Body mass index
BMPs	Best management practices
BMRC	Biomedical Research Center
BMS	Bureau for Medical Services
BRFS	Behavior Risk Factor Survey
BRFSS	Behavior Risk Factor Surveillance System
BRIM	Board of Risk and Insurance Management
BRMC	Blanchette Rockefeller Medical Center

BRNI	Blanchette Rockefeller Neurosciences Institute
BTI	West Virginia Board of Treasury Investments
BTOP	Broadband Technology Opportunities Program

C

CAC	Creative Arts Center
CAFR	Comprehensive Annual Financial Report
CAFO	Concentrated animal feeding operations
CAPS	Cooperative Agricultural Pest Survey
CAT	Computerized axial tomography
CBF	Community-based facilities
CBSA	Core-based statistical area
CCC	Civilian Conservation Corps
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
CFWV	College Foundation of West Virginia
CJSAC	Criminal Justice Statistical Analysis Center
CLE	Continuing Legal Education
CLRC	Criminal Law Research Center
CMS	Center for Medicare-Medicaid Services
COG	Continuity of government
COMPASS	Consolidated Multi-Plan Administration Solution System
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

Appendix B/Glossary of Acronyms

CPTED..... Crime prevention through environmental design
 CPU..... Central processing unit
 CRTS..... Coal Resource Transportation System
 CSBG..... Community Services Block Grant
 CSR..... Code of State Regulations
 C&T..... Community and Technical
 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

D

DARE..... Drug Abuse Resistance Education
 DASD..... Direct access storage device
 DCJS..... Division of Criminal Justice Services
 DCKMSVC..... Donel C. Kinnard Memorial State Veterans Cemetery
 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
 DOR..... Department of Revenue
 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 record
 EIA..... (U.S.) Energy Information Administration
 EMS..... Emergency medical services systems
 EMSRS..... Emergency Medical Services Retirement System
 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
 ESCO..... Energy Savings Contract
 ESEA..... Elementary and Secondary Education Act
 ESG..... Emergency shelter grants
 ESL..... English as a Second Language
 EWP..... Emergency Watershed Protection

F

FAA..... Federal Aviation Administration
 FAIR..... Family Alzheimer's In-Home Respite
 FARS..... Fatality Analysis Reporting System
 Financial Accounting and Reporting Section
 FBI..... Federal Bureau of Investigation
 FCC..... Federal Communications Commission
 FDA..... U.S. Food and Drug Administration
 FEMA..... Federal Emergency Management Agency
 FFA..... Future Farmers of America
 FFY..... Federal fiscal year
 FHA..... Future Homemakers of America
 FHWA..... Federal Highway Administration

Appendix B/Glossary of Acronyms

FLEP	Stewardship and Forest Land Enhancement Program
FLOW	Future Leaders of Watershed
FMAP	Federal Medical Assistance Percentage
FMCSA	Federal Motor Carrier Safety Administration
FMRS	Fayette, Monroe, Raleigh, Summers counties
FOIA	Freedom of Information Act
FPL	Federal Poverty Level
FPY	Federal program year
FRN	Family Resource Network
FRPP	Federal Farm and Ranchland Protection Program
FSIS	Food Safety and Inspection Service
FTA	Federal Transit Administration
FTE	Full-time equivalent
FTP	File transfer protocol
FTZ	Foreign Trade Zone
FY	Fiscal year

G

GAAP	Generally accepted accounting principles
GARVEE	Grant Anticipation Revenue Vehicle
GASB	Governmental Accounting Standards Board
GB	Gigabyte
GDP	Gross domestic product
GEAR UP	Gaining Early Awareness and Readiness for Undergraduate Programs
GED	General Equivalency Diploma
GFOA	Government Finance Officers Association of the United States and Canada
GHSP	Governor's Highway Safety Program
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
IMD	Institutions for mental disease
IMPACT	Infrastructure for Maintaining Primary Care Transformation
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

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IS&C	Information Services and Communications
IS&T	Information Services and Technology
ISO	International Organization for Standardization
ISTEA	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
LCAP	Landfill Closure Assistance program
LEA	Local educational agency
LEAP	Leveraging Education Assistance Partnerships
LGA	Local governmental agency
LHD	Local health department
LIFE	Legislative Initiatives for the Elderly
LiHEAP	Low Income Home Energy Assistance Program
LIMS	Laboratory Information Management System
LLC	Limited liability company
LONIE	Logging Operation Notification Inspection and Enforcement
LPN	Licensed Practical Nurse
LSCA	Logging Sediment Control Act
LUST	Leaking underground storage tank
LVL	Limited video lottery

M

MAGI	Modified adjusted gross income
MAP-21	Moving Ahead for Progress in the 21st Century
MAPD	Medicare Advantage Prescription Drug
MAPP	Matching Advertising Partnership Program
MAPS	Department of Military Affairs and Public Safety
MARC	Maryland Rail Commuter
MATRIC	Mid-Atlantic Technology, Research, and Innovation Center
MCO	Managed care organization
MHC	Mountain Health Choices
MHT	Mountain Health Trust
MIP	Major improvements program
MITA	Medicaid Information Technology Architecture
MLMP	Mineral Lands Mapping Project
MMIS	Medicaid Management Information system
MPFRS	Municipal Police Officers and Firefighters Retirement 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
NAEP	National Assessment of Education Progress
NAIC	National Association of Insurance Commissioners
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

Appendix B/Glossary of Acronyms

NPS Nonpoint pollution source
NRAO National Radio Astronomy Observatory
NRCS Natural Resources Conservation Service

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
OEL Office of Early Learning
OEMS Office of Emergency Medical Services
OEO Office of Economic Opportunity
OEPA Office of Education Performance Audit
OGCC Oil and Gas Conservation Commission
OIC Offices of Insurance Commissioner
OM&R Operation, Maintenance, and Repairs
OMB U.S. Office of Management and Budget
OMHS&T Office of Miners' Health Safety and Training
OOEP Office of Optional Education Pathways
OPEB Other postemployment benefits
OSHA Occupational Safety and Health Administration
OT Office of Technology

P

PAAS Physician Assured Access System
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
PCT Pew Charitable Trust
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
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
PPB Preferred Provider Benefit Trust
PPOD Pollution Prevention and Open Dump Cleanup
PROMISE Providing Real Opportunities for Maximizing In-State Student Excellence
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
RJA Regional Jail Authority
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

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SBA..... School Building Authority
 Small Business Administration
 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
 SCC..... State Conservation Committee
 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
 SHPO..... State Historic Preservation Office
 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
 SPRP..... Stream Protection and Restoration
 Program
 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 Academics
 Reinforcing Basic Aviation and Space
 Exploration
 STD..... Sexually transmitted disease
 STEM..... Science, technology, engineering
 and math
 STS..... Slow the Spread
 STSR..... Slow the Spread Regulatory Program
 STTR..... Small Business Technology Transfer
 SWA..... Solid waste authority
 SWMB..... Solid Waste Management Board
 SY..... School year

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
 TIC..... True interest cost
 TMDL..... Total maximum daily load
 TOC..... Total operating costs
 TRS..... Teachers' Retirement System
 TRAFFIC..... Tax Reduction and Federal Funding
 Increased Compliance
 TSA..... Transportation Security Administration
 TTY/TDD..... Telecommunications device for the deaf

U

U&CF..... Urban and Community Forestry
 UAAL..... Unfunded Actuarial Accrued Liability
 UCC..... Uniform Commercial Code
 UPC..... Universal Product 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
 USDOT..... U.S. Department of Transportation
 USFDA..... United States Food and Drug
 Administration

V

VA..... U.S. Department of Veterans Affairs
 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

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WDA.....	Water Development Authority	WVPBS.....	West Virginia Public Broadcasting Service
WEAPON.....	West Virginia Automated Police Network	WVPDS.....	West Virginia Public Defender Services
WESTEST 2.....	West Virginia Educational Standards Test, version from 2009	WVPMIC.....	West Virginia Physician’s Mutual Insurance Company
WIA.....	Workforce Investment Act	WVPPA.....	West Virginia Public Port Authority
WIC.....	Women, Infants, and Children	WVRC.....	West Virginia Rehabilitation Center
WIP.....	Watershed Implementation Plan	WVRDC.....	West Virginia Rural Development Council
WISER.....	World Institute for Strategic Economic Research	WVREDI.....	West Virginia Responder Emergency Deployment Information System
WMA.....	Wildlife management area	WVSAO.....	West Virginia State Auditor’s Office
W.Va.....	West Virginia	WVSP.....	West Virginia State Police
WV.....	West Virginia	WVSU.....	West Virginia State University
WV WORKS.....	West Virginia’s welfare reform initiative	WVU.....	West Virginia University
WVABCA.....	West Virginia Alcohol Beverage Control Administration	WVUIT.....	West Virginia University Institute of Technology
WVaPR.....	West Virginia Public Radio		
WVBE.....	West Virginia Board of Education		
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		
WVDVA.....	West Virginia Department of Veterans Assistance		
WVEDA.....	West Virginia Economic Development Authority		
WVEIS.....	West Virginia Educational Information System		
WVFAIR.....	West Virginia Financial Aid Information and Resources		
WVFIMS.....	West Virginia Financial Information Management System		
WVHIN.....	West Virginia Health Information Network		
WVHRA.....	West Virginia Human Rights Act		
WVICU.....	West Virginia Independent Colleges and Universities		
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		
wvOASIS.....	West Virginia—Our Advanced Solution with Integrated Systems		
WVPASS.....	West Virginia Partnership to Assure Student Success		

Y

YTD..... Year to Date