

State of
West Virginia

**Executive Budget
Fiscal Year 2017**

**Volume I
Budget Report**



**Earl Ray Tomblin
Governor**



STATE OF WEST VIRGINIA OFFICE OF THE GOVERNOR

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EARL RAY TOMBLIN
GOVERNOR

January 13, 2016

To the Members of the 82nd 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, 2017. 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 2017.

The budget presented is a balanced budget with a maximum spending level for the General Revenue Fund of \$4,327,794,000; for the Lottery Fund of \$135,561,119; for the State Excess Lottery Revenue Fund of \$284,459,230; for the State Road Fund of \$1,255,506,708; for Appropriated Special Revenue funds of \$1,759,248,347; for Appropriated Federal funds of \$4,803,870,735; for Nonappropriated Federal funds of \$161,355,628; and for Nonappropriated Special Revenue funds of \$14,887,779,142 for a grand total of \$27,615,574,909.

I look forward to working with the 82nd 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, 2015

A handwritten signature in black ink, appearing to read "Jeffrey P. Evans".

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, 2015.

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

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

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Reader's Guide to the Executive Budget

The Executive Budget

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

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

The budget is presented in 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

“Economic Forecast”—a forecast and analysis of the economy as it relates to West Virginia and to the nation

“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:

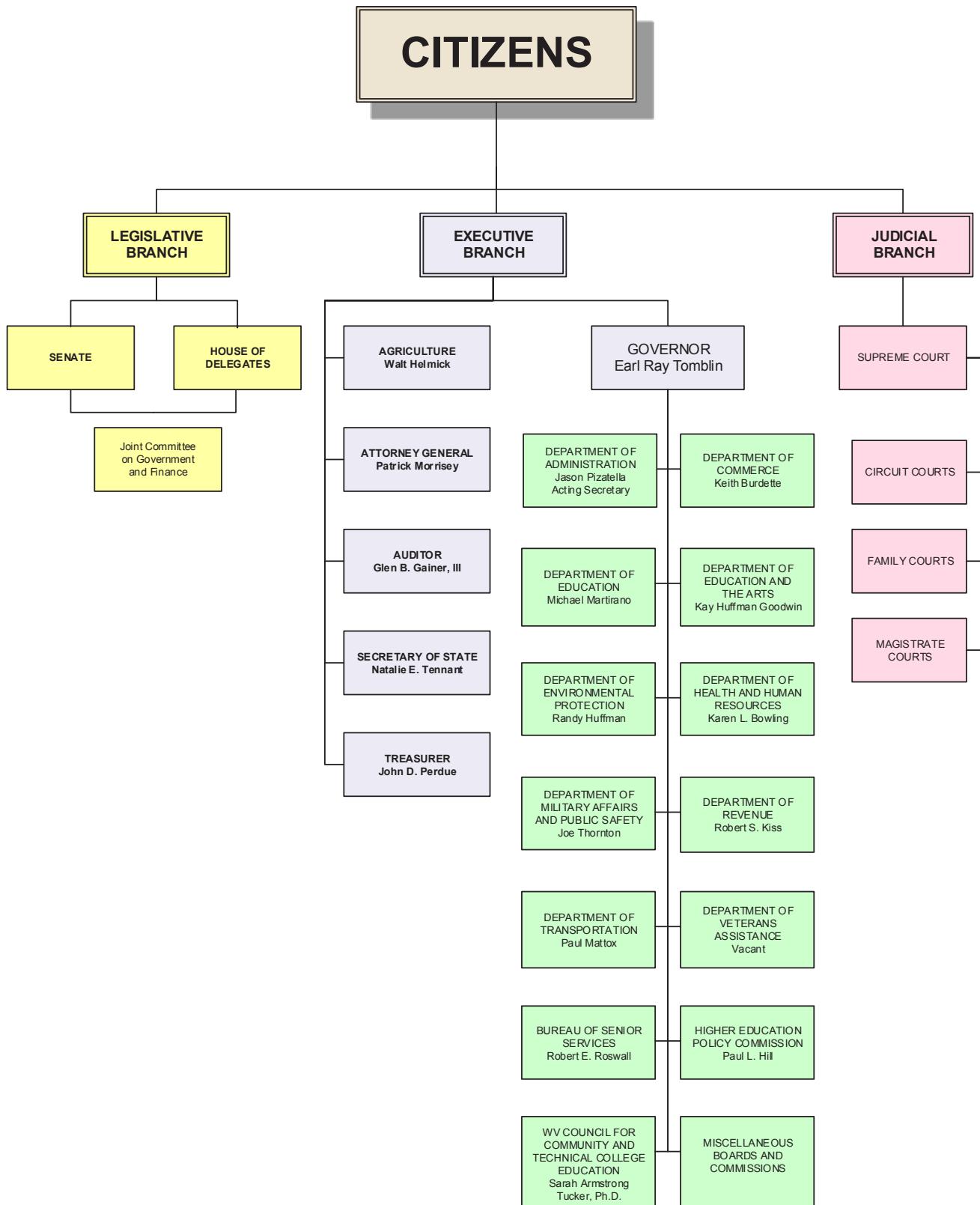
“State Profile”—presents relevant historical, statistical, geographical, demographical, and interesting information about West Virginia

“Capital Projects”—projects/programs currently budgeted in FY 2016, recommended for FY 2017, and projected for FY 2018 through FY 2021

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

The **Volume III Account Detail** provides the detailed budgetary information for FY 2015 Actual expenditures, FY 2016 Budgeted expenditures, FY 2017 Current-Level Request, and the Governor’s FY 2017 Recommendation for all funds.

State of West Virginia Organizational Chart



EXECUTIVE SUMMARY

Governor's Executive Message



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

Five years ago, I called on our state's Legislature to get to work and put West Virginia first. Although many things have changed, including the makeup of the Legislature, our commitment to the people who call our beautiful state home has remained steadfast. Since 2011, we have created a number of new opportunities for future generations, and we have faced our fair share of challenging times. Our state is at a crossroads. I present a plan that preserves the best of our past while charting a bold new plan for our future.

ECONOMIC DEVELOPMENT

Since 2011, we have welcomed more than 250 companies and \$10 billion in major investments, providing hardworking West Virginians with more than 11,000 good-paying jobs. We've worked hard to create a business climate that makes West Virginia a strong competitor for major economic development projects. And we're not just competing, we're seeing huge success.

Nationally and internationally recognized companies like Macy's, Amazon, Quad Graphics, and Toyota already know that West Virginia is a great place to do business. I'm proud to announce polymer additive company Addivant has reaffirmed its commitment to our state and plans to expand.

After receiving FDA approval for a groundbreaking polymer to be used in food packaging, the company was on the hunt for a new location to expand its production facility. Major players from the Gulf Coast actively pursued Addivant, but our state's Development Office stepped up and showed company executives that West Virginia is the right place to invest.

This new expansion project not only saves nearly 100 jobs, but it brings at least \$12 million in new investments and additional opportunities for employment. Plastics manufacturing is just one of the downstream industries we are working to attract, and this expansion project is just the beginning of that growth. Addivant chose to stay in West

Governor's Executive Message

Virginia because of our strong business climate and a highly trained experienced workforce that's ready to get to work.

These types of investments don't happen overnight. They are a result of the hard work and positive changes we've made over the years. We overhauled workers' compensation, and companies operating here have saved more than \$323 million since the program was privatized in 2006. We've reformed medical malpractice and improved our legal climate. We've enacted gradual reductions in our business and consumer taxes, and since I took office, we've saved employers and West Virginians more than \$225 million.

We rank higher than each of our neighboring states in this year's Business Tax Climate Index. Companies are noticing these changes, and they are paying off in big ways in regions across the state.

PROCTER & GAMBLE

This past September, we joined officials from Procter & Gamble to celebrate the groundbreaking of the company's newest manufacturing plant—the first of its kind built in the United States since the 1970s. Projects of this size and scope strengthen our economy, create new jobs, and serve as an investment in both our state and our people. This factory, located in the Eastern Panhandle, will create 1,000 jobs during the initial construction phase. Once fully operational, it is projected to employ the company's fifth largest workforce in the country. We've worked hard to bring these jobs to West Virginia for West Virginians, and now, they need filled.

That's why more than a year before production begins, Proctor & Gamble has partnered with Blue Ridge Community and Technical College to create specialized training programs to meet workforce needs. These certificate and degree programs are preparing students for careers in engineering, computer science, and electronics and training students to become skilled chemical operator technicians.

WORKFORCE TRAINING

In 2012, we launched a new workforce training program called Learn and Earn. This program helps students receive classroom instruction and hands-on experience while earning a competitive salary, and gives employers a cost-effective way to recruit and train new employees. We know this program is incredibly successful, and companies like Gestamp, which manufactures auto parts for some of the world's best known brands, are taking advantage of these training opportunities. Since Gestamp first opened in 2013, the South Charleston plant has tripled production and more than doubled its total workforce. Today, Gestamp employs more than 700 West Virginians. These are real jobs, and the company is already seeing a real return-on-investment.

Through a partnership with BridgeValley Community and Technical College, students can get hands-on training and earn a one-year certificate, an associate's degree and a journeyman's card. These partnerships are essential to helping those investing here train the workforce they need to grow. I'm introducing legislation to expand the Learn and Earn program statewide by redirecting nearly \$300,000 of the current budget to create new, valuable learning experiences for our students.

We know we must do more to improve our state's workforce participation rate. I'm proud that today there are more job training programs in place than ever before. With the help of more than \$40 million in federal grant funding, WorkForce West Virginia is helping coal miners, their families, and those who have exhausted their unemployment benefits find careers in growing industries. These programs help employers train workers their way at their worksites and provide up to \$5,000 in tuition assistance for classroom instruction and on-the-job training.

Governor's Executive Message

As we recognize these efforts to train our workforce, I ask you to remember those who call our state's southern coalfields home. As a son of these coalfields, I have dedicated my life and my years of public service to supporting our miners and their families. Despite the difficult times we find ourselves in, West Virginia remains the fourth largest producer of electricity in the country, and I believe our coal industry will continue to support our families well into the future. However, we cannot ignore the unprecedented shift that has taken place in our state and our nation. Forces beyond our control have severely damaged our coal industry, and even the most optimistic among us realize it is unlikely coal will ever reach production levels of the past. For generations, our miners unearthed the coal used to produce the low-cost energy that fueled this country's Industrial Revolution, one that remains unmatched anywhere in the world. This nation owes these West Virginians a debt of gratitude and we are ready to cash in on that substantial IOU.

This past fall, we submitted an application to the National Disaster Resilience Competition seeking more than \$140 million in funding from the U.S. Department of Housing and Urban Development. This competition has the potential to help six counties in our southern coalfields adjust, adapt, and advance their communities. If we're successful, these federal funds will help us rebuild aging infrastructure, promote land use planning and hazard reduction efforts, and stimulate housing and economic development in areas outside of the region's floodplains.

We are also proposing to develop the largest industrial site in West Virginia history at the former Hobet surface mine in Boone and Lincoln counties. With 12,000 acres located just off Corridor G, this site is large enough to fit virtually every major economic development project in recent history—including Toyota, Procter & Gamble, Gestamp, Macy's, Amazon and more—with thousands of acres left over. We know this is a major undertaking, and with the help of local landowners, Marshall University, West Virginia University, and the Virginia Conservation Legacy Fund, we are working together to find new uses for this site while mining activity continues.

The Virginia Conservation Legacy Fund is also helping us develop new and innovative ideas to include in the state's Clean Power Plan submission. While the Department of Environmental Protection continues to work on a feasibility study, we anticipate our final plan may include ideas such as reforestation and the replacement of boilers to increase power plant efficiency.

This is just the beginning of what we can do to help diversify the economy of not only this region, but our entire state. When pursuing large-scale projects, our talented team at the Development Office consistently runs into one major obstacle—a lack of flat land. Redeveloped surface mine lands offer endless opportunities for residential, commercial, and industrial development and in many cases all three.

As part of our federal grant application, we have identified at least five sites in each of Boone, Lincoln, Logan, Mingo, McDowell, and Wyoming counties, which are all strong candidates for similar redevelopment efforts. Much like the country owes West Virginia for our contributions over the years, we, as West Virginians, owe the people who call this region home the opportunity to do better for themselves and their families.

For years, taxes on the coal mined from our southern coalfields and the timber taken from our mountainsides have paid for our children's schools, the roads our residents drive on, and the services on which so many West Virginians rely.

It's time we reinvest in these communities and give these families every opportunity to make a good living in the places they have called home for generations. I hope you will join me in making that commitment for the betterment of our state and our people.

NATURAL GAS DEVELOPMENTS

As hardworking West Virginians continue to mine the coal that powers our nation and drill for the natural gas that offers new opportunities for growth, we must guarantee these natural resources meet our needs here at home. As the ninth largest producer of natural gas in the country, we must work with those operating here to create the processing and pipeline infrastructure necessary to ensure this industry's continued growth. The ongoing development of the Marcellus and Utica shale, and the Rogersville formation just being explored, is already bringing new revenues and new jobs for West Virginians.

That's one reason I sent a letter to the Federal Energy Regulatory Commission in support of the Columbia Gas Mountaineer Xpress pipeline project. This \$2 billion investment will transport a significant amount of natural gas to new markets. Much like similar pipeline projects by EQT, Dominion, and Momentum Mid-Stream, this investment has the potential to create thousands of good paying construction jobs, while generating significant tax revenues for counties to fund local schools, roads, and other worthy endeavors.

SELF-EMPLOYMENT ASSISTANCE ACT

While these announcements grab headlines, we can't forget our state's small business owners who work day in and day out to support that same growth in our local communities. Ninety-six percent of West Virginia's employers are small business owners, and they are the backbone of our economy. While we work to help tens of thousands of West Virginians on unemployment find new opportunities to succeed, we can't overlook the training and skills they already have.

That's why I'm introducing the Self-Employment Assistance Act, a new program to strengthen our local economies, and makes it easier for West Virginians receiving unemployment benefits to get the help they need to open a business. Starting a new business can be hard. No matter how great the idea may be or how hard the owner works to make it a success. With this exemption, new business owners will be able to reinvest in their company and their employees, while continuing to receive unemployment benefits to support their families.

SUBSTANCE ABUSE

Helping our residents develop the skills to find a new career is important, but keeping them off drugs is critical to our state's continued growth. Substance abuse has become one of the greatest struggles our state has ever faced, and it is destroying the lives of far too many of our family members, friends and neighbors. We must continue to make the fight against substance abuse a top priority.

In 2011, I established my Advisory Council on Substance Abuse to help us find more localized ways to combat this epidemic. Since then, we have updated our prescription drug monitoring program, cracked down on the sale of drugs used to make meth and put an end to doctor shopping. We have shut down pill mills for irresponsible prescription practices, and my administration is committed to continuing the fight against drug companies that oversupply pain medication without proper orders.

Last year, we invested significant state funding to expand critical substance abuse treatment and recovery services. A brochure that details 150 service providers in every region of the state is available online and at local courthouses, hospitals, schools, churches, DHHR offices and libraries in all 55 counties. This past September, we launched 844-HELP-4-W-V, the state's first 24-hour substance abuse help line. This call line gives people the opportunity to speak with certified professionals and receive referral support in their local communities. So far, the call line has connected more than 700 West Virginians with treatment and recovery services across the state.

Governor's Executive Message

In October, I welcomed President Obama and DHHS Secretary Sylvia Mathews Burwell for an honest discussion about the devastating toll this epidemic is causing West Virginia families and communities. A few weeks later, I traveled to Martinsburg—what some consider ground zero of our state’s heroin epidemic—to host my own Substance Abuse Summit. We brought together a panel of West Virginians to share their experiences in the fight against substance abuse, recognize the progress we’ve made and identify ways we can work together to create a brighter, drug-free future for our residents. We want people to find help and hope in West Virginia. And that starts with making sure treatment facilities are providing comprehensive care.

I’m introducing legislation to establish licensing requirements for medication-assisted treatment facilities. Research shows us that the use of Suboxone and Methadone alone does not support long-term recovery. These medications don’t treat the root cause of an addiction, and only continue the addiction cycle. This legislation requires counseling and behavioral therapies be used in conjunction with these medications to make sure those seeking treatment have the support they need to begin the recovery process.

Last year, I urged the Legislature to expand access to Narcan to help our state’s first responders, friends, and families of those struggling with addiction reverse the effects of a heroin overdose. Since May, we’ve coordinated training sessions in regions across the state to teach first responders and others how to administer this drug safely. Today, more than 100 people are certified to host these sessions in their local communities. In 2015, first responders administered more than 3,000 doses of Narcan—giving those struggling with an opioid addiction the opportunity to get help. When an overdose happens, every second counts. And in many cases, fire and EMS crews aren’t always first on the scene.

I once again urge this Legislature to expand access to Narcan by supporting my proposal to make it available to any West Virginian—without a prescription. This new legislation requires pharmacists to become certified to train those who receive this drug to make sure they can safely administer it if a crisis occurs. It will also help us keep track of who is receiving Narcan to better focus state resources in areas hardest hit by opioid overdoses and be sure it isn’t being used as a crutch to enable a heroin addiction.

JUVENILE JUSTICE

We know our state’s substance abuse epidemic is heartbreakingly devastating for so many of our families and communities, but in many cases, our children suffer most. That’s why last year, following recommendations from my Commission on Juvenile Justice and with the help of this Legislature, we launched comprehensive juvenile justice reform. This legislative package provided \$600,000 in new funding to establish truancy diversion programs in each county to offer early intervention to those students who need it.

Since launching its own program in 2010, Putnam County has seen significant improvements in overall student attendance and achievement. Truancy referrals have dropped in half and four-year graduation rates have increased from 78% to 90% during that same period.

These reforms have also expanded youth reporting centers to get kids help in their local communities, instead of sending them to group facilities away from their families. By connecting children and families with substance abuse recovery services, mental health programs and functional family therapies, we are giving the whole family the opportunity to thrive.

Thanks to the changes approved by the Legislature, and the work of our local partners across the state, we’ve reduced the number of kids being sent to out-of-home placements by more than one-third and reduced the number of

Governor's Executive Message

detention beds by more than 40%. So far, we've saved \$6 million and the Division of Juvenile Services is confident we can double that savings in the coming years. By providing our kids with the help they need at home, we're giving them the opportunity to take advantage of the bright future we are creating here in West Virginia.

EDUCATION

In 2010, we started down a path to improve our state's public education system. Instead of allowing paperwork to drive education, we refocused our efforts to provide our children with the skills they need to compete in today's global economy. Since then, we've expanded early childhood education to help our youngest students build a foundation for a lifetime of learning. We're engaging middle school and high school students with hands-on training programs. We're breaking down bureaucratic silos between state agencies, providing a more seamless transition for students transferring between community and technical colleges and four-year institutions.

These reforms, and the standards that come with them, are giving our kids the knowledge and skills they need to succeed, and that starts by making sure our students are in the classroom for 180 days of instructional time. Over the past year, the delivery of public education in West Virginia has been used as a political football by members of both parties. It's disappointing. It's unacceptable. And it's a disservice to our kids. At a time when comprehensive reform has led to real improvements, and our students are more competitive with their peers in other states, we need to build on these successes, not introduce legislation that prioritizes summer vacations over a good education. We cannot allow politics or red tape to get in the way of providing our kids with a thorough and efficient education.

While there are a number of reasons why traditional charter schools are not the best option for our students, we can find common ground by rewarding schools for innovation and creativity while raising student achievement.

That's why I'm introducing legislation to restructure the current innovation zone system to establish a new program called Innovation in Education. This legislation reallocates nearly \$2.5 million in existing education funding to help schools develop new methods to increase our students' interest in science, technology, engineering, math, and entrepreneurship. By giving schools the flexibility to focus on these subjects, we can teach our students how to think critically—a skill they need to be successful long after they've graduated high school.

BUDGET AND FINANCES

All of us know we are experiencing budget challenges unseen in more than a generation. Nearly every agency and every branch of state government has shared in the burden of these reductions.

In spite of those challenges, we are paying not only our current bills, but keeping every financial commitment of the past, paying down our debts in workers' compensation, teachers' retirement, and public employees' retirement. And we've done that without a single tax increase, while reducing tax burdens on West Virginia families and those doing business here by hundreds of millions of dollars.

I will introduce legislation to pay off our old workers' compensation debt more than a decade ahead of schedule. By accelerating this final payment, we can remove additional severance taxes on our coal and natural gas industries, providing much-needed relief to help them invest in our state and employ West Virginia workers. While historically low energy prices are good news when we fill up at the pump and pay our utility bills, they make it hard on our state budget.

As we work to find new ways to ensure our tax base is both stable and more diverse, we must also seriously consider new revenue opportunities.

Governor's Executive Message

I am introducing legislation to increase our state's tobacco tax by 45 cents a pack to a total of one dollar. This increase will be considered too high by some people and too low by others. But it strikes a balance that protects retailers in our border counties and discourages our young people from smoking, while generating nearly \$71.5 million annually in new revenue. Combined with savings from a new prescription drug contract, \$43 million of this new revenue will fund PEIA, meaning public employees will not see the dramatic benefit reductions initially proposed for the coming year.

I also am proposing legislation to eliminate a sales tax exemption and bring our state's telecommunications tax in line with 41 other states across the country. Once adopted, this legislation will place the same six percent sales tax on cell phone and phone line usage—putting us in step with what is done in the vast majority of other states. By eliminating this exemption, we can collect an extra \$60 million each year.

With these proposed changes—and despite low severance tax projections—the FY 2017 budget I present uses no money from our Rainy Day Fund and does not include any across-the-board budget cuts beyond those already in place.

In spite of the tight budget years of the past, our new six-year budget forecast shows surpluses of nearly \$7 million in FY 2019, \$89 million in FY 2020, and \$118 million in FY 2021. While I won't be in office to see these surpluses, I'm proud to have been part of more than 30 years of responsible fiscal policies that have put us on the path to a brighter financial future.

CLOSING

As we look ahead at the challenges we must overcome this year, we are reminded that West Virginians have never had it easy. But we have proved time and again, for generations, what has been true all along, the people who call our state home are among the best and brightest in the world.

Whether a marathon runner, an unemployed miner, a NASA scientist, a single mother going back to school, a budding entrepreneur, the CEO of an international company, or a recent graduate overcoming challenges to help her local community, West Virginians have always been willing to work twice as hard and be twice as tough to get the job done.

Over the next 60 days and throughout the coming year, we know there is work to do and difficult choices to make. I challenge each of you to find the courage to make these decisions for the sake of the next generation, not the next election.

It's time to get to work.

Thank you. God bless you, and God bless the great state of West Virginia.

Executive Summary

Six Year Financial Plan

Over the past two decades, West Virginia has tackled our large-scale financial challenges. Significant improvements continue to be made in the underfunded pension, workers' compensation, and other postemployment benefits (OPEB) liabilities of the state. Budgets have been timely. West Virginia fully intends to continue the fiscally responsible process of disciplined financial management as evidenced in this year's Six Year Financial Plan.

The General Revenue Fund has maintained a strong cash flow over the past few years and we continue our ongoing trend of fiscal conservatism and well-managed financial operations. During 2015, we retained our strong bond ratings and our outlook is "stable," based upon strong financial management, sound reserve position, and the substantial progress made in reducing liabilities. West Virginia's rainy day funds provide a solid financial cushion and are among the best in the country. We again funded 100% of our required retirement contributions. West Virginia continues to stay on track with the funding of its financial obligations.

While our current FY 2016 General Revenue collections are projected to be substantially short of estimate by approximately \$354 million (-8.2%), we are closely monitoring and making the necessary adjustments to finish the fiscal year with positive balances. This current revenue shortfall has necessitated a midyear budget adjustment to help keep expenditures in line with anticipated revenues. Additional budget remedies, such as continuing the state's hiring freeze, expiring excess special revenue cash to the General Fund, supplemental appropriations that move funding from the General Fund to other available funds, and revenue reallocations and enhancements recommended by the Governor totally alleviate the anticipated FY 2016 revenue shortfall. The Lottery Funds' revenue collections for FY 2016 are again on pace to exceed their revenue estimates.

Our state's economy is undergoing a transition period due to changes in the global energy sector, but West Virginia remains in a strong position to address the anticipated budget challenges that lie ahead—major challenges that include continued increases to state appropriations for the Medicaid Program and the state's Public Employees' Health Insurance Program. The expanding federal deficits also continue to stress the state's budget. Keeping an eye toward out-year budgets, which are affected by budget decisions made today, the Governor's FY 2017 budget recommendations continues to address the largest budget drivers on the expenditure side of the ledger—Medicaid and Public Employees' Insurance coverage. Despite the current economic weakness, we still maintain our solid trend of sound financial results.

The state's relatively strong financial position that is in place to deal with these challenges has not occurred by accident. Many tough fiscal decisions have been made over the last two decades, including maintaining a strong level of budgetary reserves, limiting the growth rate of the major retirement systems, and a commitment to addressing long-term liabilities. The use of long-term budget planning, through the state's Six Year Financial Plan, highlights the need for continued conservative budget planning. Our budgets generally have used onetime surpluses to fund onetime needs and to assist in short-term revenue shortfalls. The Governor's FY 2017 budget recommendations, continues this fiscally responsible budgeting practice.

A decade 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 future budget gaps shown must be balanced. This year's "Six Year Financial Plan" includes information on anticipated revenues and expenditures through FY 2021. 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 2017 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 outpace projected revenues (only in FY 2018), 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 possible future shortfalls.

Revenue

As shown in the "General Revenue Fund—Statement of Revenues by Source" (see the "Financial Statements"

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chapter), revenue collections are projected to rise in the short term by an annual average of 1.6% between FY 2015 and FY 2017. Longer term revenue growth is projected to average 3.1% per year between FY 2015 and FY 2021. Absent the projected adoption of \$235.1 million in revenue enhancements, the projected revenue growth rate between FY 2015 and FY 2017 would be -0.4% as opposed to 1.6%. The revenue enhancement proposals include (1) elimination of a \$65.4 million annual diversion of general fund Personal Income Tax collections to the Old Workers' Compensation Debt Fund, (2) elimination of the diversion of general fund Sales and Use Tax collections to the State Road Fund for a period of one year, (3) elimination of the general fund Corporation Net Income Tax revenue diversion to the Public Port Authority, (4) a \$4 million reduction in the diversion of general revenue fund Sales and Use Tax collections to the State School Building Authority for one year, (5) an adjustment in the amount of general revenue fund Severance Tax diverted to the Infrastructure Bond Fund to

Six Year Financial Plan Through FY 2021 General and Lottery Revenues

(In Thousands)

	Actual FY 2015	Budgeted FY 2016	Recommended FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021
Estimated Revenue							
General Revenue	\$4,203,810	\$4,305,776	\$4,327,794	\$4,499,592	\$4,667,666	\$4,881,300	\$5,044,611
General Revenue - estimated FY 2016 shortfall	0	(354,130)	0	0	0	0	0
General Revenue - reallocations and enhancements to FY 2016	0	123,050	0	0	0	0	0
General Revenue - (Surplus used/available from previous FYs)	5,801	39,744	7,810	0	0	0	0
General Revenue - (Surplus used/available from expirations)	48,057	73,740	0	0	0	0	0
Lottery	160,790	136,326	135,561	135,561	135,561	135,561	135,561
Lottery - (Surplus used/available from previous FYs)	6,990	19,810	14,000	0	0	0	0
Excess Lottery	254,413	217,026	219,459	219,459	219,459	219,459	219,459
Excess Lottery - (Surplus used/available from previous FYs)	(18,417)	28,090	20,000	0	0	0	0
Total Available	\$4,661,444	\$4,589,432	\$4,724,624	\$4,854,612	\$5,022,686	\$5,236,320	\$5,399,631
Estimated Expenditures							
Previous Year's Base Budget			\$4,721,307	\$4,698,831	\$4,850,303	\$4,983,345	\$5,128,786
(Base Budget FY16) and (Base Budget Growth for out-years): *							
Legislature	23,452	0	860	850	860	700	
Supreme Court	139,572	4,187	5,275	5,220	5,260	4,320	
Public Defender	31,712	(65)	15,300	0	0	0	
PERS Employer Contribution	57,936	0	9,237	0	0	0	
PEIA Premiums	330,488	41,961	0	30,000	32,000	35,000	
Teachers' Retirement Savings Realized	34,472	(2,072)	0	0	0	0	
Teachers' Retirement System	365,071	8,104	17,755	0	0	0	
State Aid to Schools (PEIA and Retirement included above)	1,172,551	(48,788)	(13,293)	(14,386)	(8,837)	(8,793)	
Public Education - All Other	193,676	(6,486)	1,495	1,500	1,505	1,510	
DHHR- Medicaid	691,403	27,660	40,842	33,328	37,057	31,495	
DHHR- All Other	603,479	(17,795)	12,828	13,780	14,846	16,000	
Correctional Facilities	196,080	(7,868)	2,000	2,000	2,000	2,000	
State Police	80,320	(3,793)	750	750	750	750	
Public Safety Retirement Plan A / State Police Plan B	17,459	1,045	2,741	0	0	0	
Higher Education	467,549	(14,021)	(1,898)	0	0	0	
All Other Items (net)	316,087	(4,545)	80	2,000	2,000	2,000	
Salary Enhancements **		0	52,500	53,000	53,000	53,000	
Unanticipated Expenditures		0	5,000	5,000	5,000	5,000	
Total Ongoing Base Budget	\$4,808,435	\$4,721,307	\$4,698,831	\$4,850,303	\$4,983,345	\$5,128,786	\$5,271,768
Onetime Expenditures	41,828	18,467	41,809	24,092	32,563	18,667	10,017
Recommended Supplements			26,909				
Onetime Reductions		(141,092)	(89,365)	(16,016)			
Expirations		(8,887)					
Surplus Transferred to Rainy Day Fund		0	6,417				
Mid-year cut		(38,907)	(94,318)				
Estimated Balance (Gaps)	\$67	\$15	\$0	(\$19,783)	\$6,778	\$88,867	\$117,846

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

* FY 2017-FY 2021 Expenditure Growth is the additional amount required annually to fund existing programs.

** Includes base building pay raises of 2% for School Aid Formula professional educators and school service personnel, and state employees in FY 2018 - FY 2021.

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Six Year Financial Plan

match only the amount necessary for annual debt service, (6) an extension of the Sales and Use Tax base to durable medical equipment for non-home use, (7) an extension of the Sales and Use Tax base to telecommunications services and (8) an increase in Tobacco Products Tax rates on cigarettes, electronic cigarettes, and other tobacco products.

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 2015 is less than 1.0%. In addition, actual year-to-date FY 2016 General Revenue Fund collections through December 31, 2015, are 6.1% lower than collections for the same period in the prior year. The decrease in revenue is partially attributable to a near 43% decrease in Severance Tax collections due to significantly lower energy prices for oil, natural gas, and coal and to significantly lower coal sales. According to preliminary information from the U.S. Energy Information Administration, West Virginia coal sales fell by roughly 12% in CY 2015 to roughly 98 million tons. In addition, average coal prices fell by roughly 10% in the past year. West Virginia severance tax collections from coal fell by 26% during the first half of FY 2016. Natural gas and oil prices fell by more than 50%. Despite an increase in production of nearly 30% over the prior year, natural gas severance tax collections fell by more than 40% during the first half of FY 2016. Oil severance tax collections fell by roughly 64% during the first half of FY 2016. The sharp decline in energy prices also resulted in lower royalty income, lower profits from energy producers, stagnant personal income growth, and a decline in employment for the state.

West Virginia's annualized wage growth averaged just 0.4% between the second quarter of CY 2012 and the first quarter of CY 2014. Wage growth then improved to an average annualized rate of 2.4% between the first quarter of CY 2014 and the first quarter of CY 2015. However, signs of economic slump resurfaced beginning in the second quarter of CY 2015 when annualized wage income growth slowed to just 0.8%. The wage growth rate further slowed to just 0.3% in the third quarter and is anticipated to remain relatively flat through at least the first half of CY 2016. Wage income growth should resume in CY 2017 under the assumption of higher employment, some energy price stability, some rebound in construction activity, and continued growth in health care services.

Payroll employment fell by more than one percent in CY 2015, after decreasing by 0.3% in both CY 2013 and CY 2014. During the past year, employment losses were especially steep in the mining and construction sectors with losses averaging close to 15%. IHS Economics projects payroll employment growth to begin resuming by the second half of CY 2016 to levels that might approach one percent in the short-term. Higher employment would translate to improved growth in both personal income tax collections and sales tax collections in FY 2017 in comparison with the current year. Through the first six months of FY 2016, personal income withholding tax revenues are less than 0.2% above prior year collections after adjustment for revenue timing alterations. Revenues actually declined by 0.8% during the second quarter of this fiscal year. After adjustment for revenue timing alterations, year-to-date sales and use tax receipts are largely unchanged from prior year receipts. Little improvement is anticipated during the second half of this year due to anticipated continued weakness in both employment and income for the balance of this fiscal year.

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 three to four years. Meanwhile, the natural gas industry boom continues with production growth of roughly 30% over the past 12 months despite collapsing prices. The decrease in natural gas prices helps destabilize demand for domestic steam coal as utilities switch to gas use in a competitive pricing environment. Due to falling natural gas prices, U.S. electric power generation from natural gas has exceeded the level of electric power generation from coal in every month since July of this year. During October 2015, the share of electric power from natural gas rose to 35% of the total and the share of electric power production from coal shrank to just 31%. The share of electric power generation from coal decreased from nearly 50% in 2005 to 45% in 2010 to just 34% in 2015. By contrast, the share of electric power generation from natural gas increased from less than 19% in 2005 to 24% in 2010 to more than 32% in 2015.

In the first few years following the end of the Great Recession, West Virginia experienced a mini-energy boom associated with increased foreign demand for metallurgical coal. Non-manufacturing exports of coal and other commodities increased in value from less than \$2.2 billion in CY 2009 to a peak of nearly \$7.5 billion in CY 2012. However, foreign markets are also more volatile than domestic markets. Since peaking in CY 2012, non-manufacturing good exports plummeted by nearly 75% to roughly \$2.0 billion in CY 2015. Manufacturing goods exports also experienced significant growth between 2009 and early 2015 with the value of West Virginia exports rising from less than \$2.5 billion in CY 2009 to an annualized rate

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of more than \$4.1 billion by February 2015. However, a slowdown in global economic growth and rising value of the dollar relative to other currencies combined to hinder manufacturing export activity in recent months. The 12-month trailing trends for manufacturing good exports fell by 8.7% between February and October. Despite headwinds from foreign trade, the West Virginia manufacturing sector should experience some stability as it benefits from lower domestic energy costs.

Following a multi-year period of little or no increase, General Revenue Fund growth for the FY 2017 to FY 2021 period is forecast to average a much better 3.1% in comparison with the long-term average General Fund growth rate of nearly 4.0%.

Expenditures

The FY 2017 budget development is the third budget that has been submitted using the state's new accounting system *wvOASIS*. This new system is web-based and paperless. The implementation of this system has required many training hours for agency employees, and again this year all agencies successfully submitted their budgets in a timely manner. Budgets generally require information that is preloaded to be revised, which is much more efficient than the procedure used in the past, and requires much less data entry.

In preparing the Governor's FY 2017 budget during the last few months, the state faced an estimated budget gap of \$466 million for upcoming FY 2017. After consecutive years of state agencies submitting their budget requests at reduced levels, they were asked to submit their FY 2017 General Revenue appropriation requests at 100% of the FY 2016 current base funding level. To help close the anticipated FY 2017 budget gap and to structurally balance ongoing base budget expenditures in the out-years, the Governor has chosen to carry-over many of the budget reductions made in the FY 2016 midyear budget reduction. He also has made various targeted base budget reductions to selected areas of the budget. In addition, the Governor recommends substantial increases in appropriations for the Public Employees' Insurance Agency (PEIA) employers' match and for the Medicaid Program's State Share. Additional increases to the Retirement Systems' employer share of contributions are also required and have been funded.

The FY 2017 General and Lottery revenue base budget of \$4.699 billion as recommended by the Governor is \$22.476 million lower than the FY 2016 base budget funding level of \$4.721 billion (which was \$87.128 million lower than the FY 2015 base budget funding level). Over the last two fiscal years, the state will have reduced its expenditure base budget funding levels, as proposed by the Governor, by \$109.604 million, or -2.8%. The biggest base funding increases are health care related—PEIA and the Medicaid program. PEIA's employer share from the General and Lottery Funds increases the base by \$41.961 million. Medicaid's General and Lottery Revenue base funding increases by \$27.660 million. The Supreme Court requested an additional \$4.187 million and the Retirement Systems require an additional \$7.077 million. All other base funding items in the FY 2017 budget decrease by a net \$103.361 million. Various onetime appropriations and adjustments are also being recommended by the Governor to be funded using previous years' cash surpluses and available excess cash in various Special Revenue accounts.

Only for FY 2018 is a future budget gap projected in the Six Year Financial Plan. The key to structurally balancing our out-years' budgets lies in the total base budget reductions. These reductions play a crucial role in aligning our base expenditures with base revenues in the upcoming out-years budgets.

The main cost driver in the "Six Year Financial Plan's" out-years continues to be providing health care through the Medicaid program and the state's PEIA Program. The Governor, in order to contain the growth of Medicaid, is proposing budget adjustments to the state's Medicaid Program in FY 2017, which will help in structurally aligning base revenues with base expenditures in the state's future budgets.

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 to General Revenue 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 \$123 million was used to help balance FY 2014 budgets. The FY 2014 budget year also required midyear

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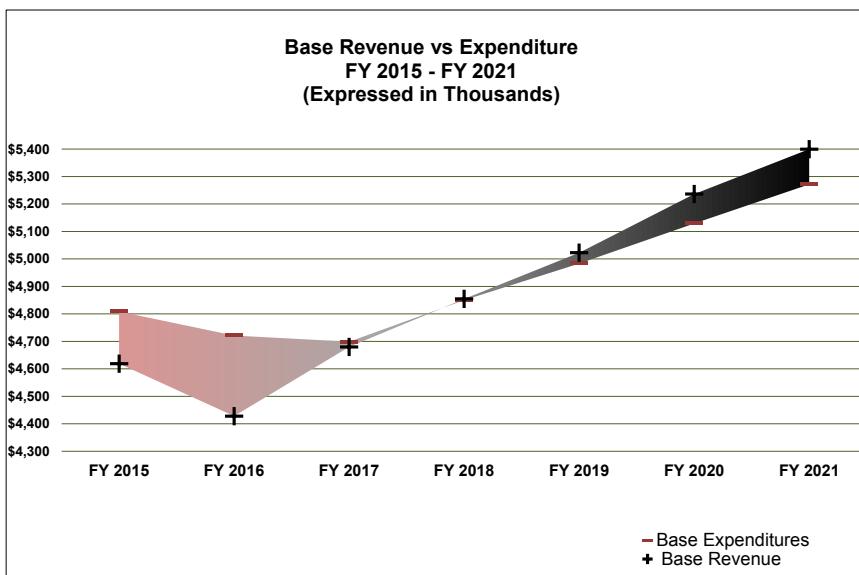
adjustments to General Revenue of \$33 million, but finished the year with a General Revenue Fund surplus of \$18.3 million. Lottery funds ended FY 2014 with cash balances totaling \$36.5 million which was used to fund FY 2015. FY 2015 also required a midyear adjustment to General Revenue of \$38.9 million, but ended the year with a surplus of \$12.8 million, \$6.4 million of which was transferred to the Rainy Day fund. Lottery funds ended FY 2015 with cash balances totaling \$47.9 million which will be used to help fill in the anticipated FY 2016 shortfalls.

Our current FY 2016 General Revenue collections are expected to be about \$354 million short of estimates by year end, and additional recommended supplementals totaling \$26.9 million cause the FY 2016 budget gap to be \$381 million. The Governor recommends closing this budget gap with remedies that include continuing the state's hiring freeze, implementing a midyear budget reduction, expiring excess special revenue cash to the General Fund, supplemental appropriations that move funding from the General Fund to Lottery funds, and revenue reallocations and enhancements.

Lottery Revenue collections for FY 2016 are on pace to exceed their revenue estimates. The Governor recommends that up to \$34 million of any surpluses from the Lottery Funds at the end of FY 2016 be appropriated to help fund the state's portion of base Medicaid costs.

While continuing to use our conservative budgeting approach of reducing overall base budget expenditures, the budget for FY 2017 does include increases for the state's share of Medicaid funding, PEIA, Supreme Court, required contributions to Retirement Systems, and various social programs. Although there will be challenges in closing FY 2017's budget gap, the out-years beyond FY 2018 show budget surpluses. Careful budgetary planning and responsible government initiatives will continue to serve West Virginia well in maintaining balanced budgets.

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 2015 totaled \$4.204 billion. FY 2016 estimated collections total \$4.306 billion; however, they are expected to be about \$354 million short of estimate by year end. The General Revenue collection amounts are projected to increase only slightly by \$22 million for FY 2017 (over the FY 2016 initial estimate), then increase by 4.0% for FY 2018, and increase by an average of 4.0% per year for FY 2019 through FY 2021.

General Revenue—estimated shortfall

General Revenue collections at the end of December 2015 were \$158 million below estimate. The year-end shortfall is anticipated to be about \$354 million.

General Revenue—reallocations and enhancements

In helping to balance FY 2016's budget gap, the Governor recommends repatriating Personal Income Taxes and Severance Taxes to the General Revenue Fund. These funds are currently sent to the Workers' Compensation Old Fund, but due to the Old Fund's funding status, it would be prudent to leave the funds in the General Revenue Fund. Transfers of Corporate Net

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Income Taxes are also recommended to remain in the General Fund and not be transferred to the Port Authority. Cigarette and Other Tobacco Products taxes are recommended to be enhanced and the collection base expanded. The expansion of the Consumer Sales Tax's collection base is also recommended. These revenue measures total \$123 million in FY 2016.

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

Included in the FY 2015 total is the net total of all surplus dollars appropriated in FY 2014. Included in the FY 2016 total are surplus funds of \$6.417 million at the end of the year that were appropriated in the FY 2016 Budget Bill, \$6.417 million of surplus transferred to the Rainy Day Fund, and \$26.910 million of unappropriated surplus funds is recommended during the 2016 Regular Legislative Session to be used to fund various surplus supplemental appropriations in FY 2016. Included in the FY 2017 total of \$7.81 million is the amount of surplus appropriations recommended in the FY 2017 Budget Bill.

General Revenue—(Surplus used/available from expirations)

During the 2015 Regular Legislative Session, two surplus supplemental bills expired \$48.057 million to the General Revenue Surplus Balance. The Governor proposes during the 2016 Regular Legislative Session to expire \$21.940 million of available Special Revenue funds into the FY 2016 balance of the General Revenue Fund to help address the anticipated FY 2016 collection shortfall. The Governor also recommends that \$51.8 million of Rainy Day funds be used to help balance the FY 2016 collection shortfall.

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. Actual Lottery collections totaled \$160.790 million in FY 2015. Lottery revenues are projected to fall about 15% from FY 2015 to FY 2016, and then remain flat through FY 2021.

Lottery—(Surplus used/available from previous FYs)

Lottery Surplus available from previous fiscal years of \$26.8 million was used for FY 2015 supplementals. An estimated \$10 million in surplus that may be available at the end of FY 2016 was appropriated in the FY 2016 Budget Bill for the Medicaid Program. Also, the Governor is recommending, during the 2016 Regular Legislative Session, that an additional \$9.81 million be appropriated in FY 2016 (from current unappropriated balance) for the state's Medicaid Program. For FY 2017, the Governor recommends that \$14 million be appropriated for Medicaid from any surplus balance accruing at the end of FY 2016.

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 2016. Revenues are projected to decrease by about \$37.387 million from FY 2015 to FY 2016 and then remain relatively flat through FY 2021.

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

Excess Lottery Surplus available from previous fiscal years of \$9.673 million was used for FY 2015 supplementals. An estimated \$20 million in surplus that may be available at the end of FY 2016 was appropriated in the FY 2016 Budget Bill for the Medicaid Program. Also, the Governor is recommending, during the 2016 Regular Legislative Session, that an additional \$8.09 million be appropriated in FY 2016 (from current unappropriated balance) for the state's Medicaid Program. For FY 2017, the Governor recommends that \$20 million be appropriated for Medicaid from any surplus balance accruing at the end of FY 2016.

Total Available

This line shows the total revenues available from the General, Regular Lottery, and the Excess Lottery Funds for each respective fiscal year.

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Estimated Expenditures in the “Six Year Financial Plan”

Previous Years’ Base Budget

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

(Base Budget FY 2016) 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 2016 are the total base appropriations in each of the listed categories. The amounts listed under Base Budget Growth for out-years (FY 2017–FY 2021) 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 2016 to determine that particular fiscal year’s Total Ongoing Base Budget. For FY 2017, five items shown on the “Six Year Financial Plan” have been recommended to be increased while nine 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 2017 base appropriation be the same as their FY 2016 base appropriation; therefore no change is shown in the FY 2017 column. The out-years reflect estimated increases to base budgets at the same rate of increase as the rates of increases in base revenues available.

Supreme Court. The Constitution requires that the Governor recommend funding for the Supreme Court as they requested. The Supreme Court requested \$4.187 million more than their appropriations for FY 2016. The out-years reflect estimated increases to base budgets at the same rate of increase as the rates of increases in base revenues available.

Public Defender. The Public Defender Services continues to require increased funding each year. In addition to the FY 2016 appropriation of \$31.712 million, the Governor recommends a supplemental surplus appropriation of \$15.3 million (included in the FY 2016 “Recommended Supplements” line of the “Six Year Financial Plan”), bringing the total FY 2016 appropriations to over \$47.012 million. The FY 2017 appropriation is reduced slightly to account for a small reduction to the administrative costs of the program. FY 2018 includes increased base funding to show actual ongoing cost of the Public Defender Program.

PERS Employer Contribution. Because investments earned less (about 3.5%) than the actuarial required 7.5% earnings during FY 2015, the employer match contribution will increase to an estimated 14.5% of salary costs in FY 2017. Agencies are required to budget for this change but additional funding was not provided. The FY 2018 increase is based on IMB average earnings as of November 30, 2015, which are substantially below the actuarially required 7.5%. The FY 2019–FY 2021 estimates assume investment earnings return to the annual 7.5% gains required in the long-term funding plan.

PEIA Premiums. The Governor recommends additional base building funding for the employers’ share of PEIA in the General and Lottery Funds of \$43.487 million. This additional funding should serve the plan well, allowing for the removal of the most significant benefit reductions that were scheduled to be implemented in July 2016. Also, due to a reduction in the number of employees funded in the School Aid Formula (because of a decrease in student enrollment), the base funding to public school systems is decreased by \$1.526 million to cover PEIA employers’ premium match for FY 2017, of which \$6.016 million consisted of a onetime adjustment due to a balance on deposit with PEIA for local school boards. Significant increases are projected over the course of future 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 employers’ premiums. Thus, PEIA’s outlook 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

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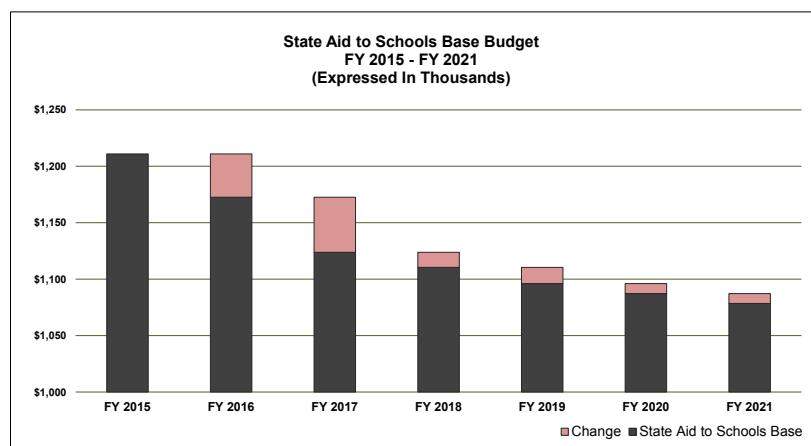
assume trend results will continue to be lower than anticipated. “The Six Year Financial Plan” shows the additional funding increases that would be needed (eight percent for FY 2019-FY 2021) if current health care cost trends continue.

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 a decrease of \$2.072 million of funding in FY 2017, bringing the total funding for FY 2017 to \$32.4 million.

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 \$1.745 billion being placed into the pension system.

The efforts to pay down the state’s massive retirement debt has resulted in the Teachers’ Retirement System’s percentage funded increasing from 22% funded at the end of FY 2004 to an estimated 65.8% funded at the end of FY 2015.

Due to investment gains estimated at 3.5% occurring in FY 2015, the current amortization schedule for the Teachers’ Retirement System requires funding in FY 2017 of \$8.104 million more than the FY 2016 funding level bringing FY 2017’s appropriation to \$373.175 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. The FY 2018 increase is based on IMB average earnings as of November 30, 2015, which are substantially below the actuarially required 7.5%. FY 2019–FY 2021 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) and various adjustments that the Governor recommends calls for a net decrease of \$48.788 million for FY 2017. Notable changes, required by the School Aid Formula, from the prior year’s base budget include increased funding in Local Share of \$11.5 million, decreased funding in the Professional Educators line (mostly due to changes in years of experience and decreased enrollment of 2,761 students). The Governor also proposes that the FY 2016

midyear budget reduction amount be carried over to FY 2017, service personnel equity funding remain at current levels, extending the bus replacement cycle called for in the School Aid Formula from 12 years to 15 years, and to make minor adjustments to the local share calculation. Budget projections for the out-years assume that student enrollment continues to fall statewide.

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. The Governor proposes that the FY 2016 midyear budget reduction amount of \$4.963 million be carried over to FY 2017. Adjustments for Increased Enrollment and other statutory requirements of a net decrease of \$1.523 are also accounted for here. The out-years assume an increase of one percent to base costs.

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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 and is recommending \$10 million of adjustments to state funding in the Medicaid Program for FY 2017. Medicaid costs continue to put a 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.

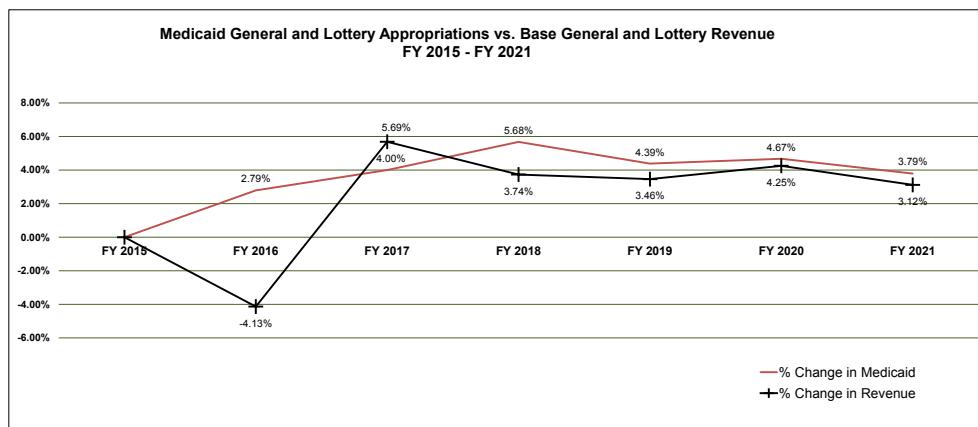
Several other factors also influence the increase in the Medicaid program, including medical inflation and the economy. If the Medicaid Provider Tax, Medical Services Trust Fund, and Lottery sources of the state match remain relatively constant and costs continue to climb, the General Revenue Fund will 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 71.42% in FY 2016. The difference in federal match level falling each one percent for a program that costs more than \$3.8 billion is roughly \$38 million in extra state funds.

In FY 2016, Medicaid total expenditures (federal and state) are estimated to be approximately \$4.0 billion. Of this total, \$3.1 billion is the federal share, while \$957 million is the state share. Appropriations in FY 2016 from General Revenue, Lottery, Medical Services Trust Fund, the Provider Tax, and other State Certified Match make up the state share

The Governor recommends increased base funding in the General and Lottery funds for Medicaid of \$27.66 million, raising the total of General and Lottery funds base funding to \$719 million. The out-years amounts assume that the FMAP rate decreases 0.5% each year and that total program costs increase about 5.9% per year.

DHHR – All Other. The Governor recommends a net decrease of \$17.795 million in the FY 2017 base budget for all other DHHR related items. These changes include, among others, moving \$9.411 million from CHIP to the Medicaid Program funding (due to CHIP being 100% federally funded), increases in various social programs of \$8.165 million, and various reductions of \$16.549 million to help in balancing FY 2017's bottom line. The out-years reflect additional funding for the growing costs associated with social service programs.



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Correctional Facilities. The governor recommends that the FY 2016 midyear budget reduction amount of \$7.868 million be carried over to FY 2017 to help in balancing the FY 2017 budget.

State Police. The governor recommends that the FY 2016 midyear budget reductions of \$3.793 million be carried over to FY 2017 to help in balancing the FY 2017 budget.

Public Safety Retirement Plan A /State Police Plan B. The current amortization schedule for the Public Safety Retirement Plan A requires \$1.26 million more funding in FY 2017 due to losses in investment value during FY 2015. The employer contribution for the State Police Retirement Plan B requires less funding of \$0.215 million in FY 2017. The FY 2018 increase is based on IMB average earnings as of November 30, 2015, which are substantially below the actuarially required 7.5%. FY 2019–FY 2021 assumes investment earnings of 7.5%.

Higher Education. Higher Education's FY 2017 base budget is reduced by \$14.021 million, or -3%, to \$453.528 million.

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 2017, major items include \$6.3 million in additional funding for Juvenile Services, \$0.867 million for five new Youth Reporting Centers, as well as various targeted base funding reductions to help structurally bring our budget back into balance.

Salary Enhancements. FY 2017 includes no funding for across-the-board pay raises. The out-years include funding for possible pay raises of two percent each year.

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

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 ongoing level of services. This amount is carried forward to the next fiscal year and becomes its beginning base budget. Note that the Ongoing Base Budget shown in FY 2017 is \$22.476 million less than FY 2016's Base Budget. Also note that FY 2016's Ongoing Base Budget was smaller than FY 2015's by \$87.128 million. Therefore, over the last two fiscal years, West Virginia will have reduced its base expenditures by \$109.604 million in our commitment to bring our budget back into structural balance.

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 2015 total \$41.828 million. FY 2016 appropriations contain only \$18.467 million of onetime expenditures, while FY 2017 includes \$34 million of Medicaid funding, and \$7.809 million of General Revenue Surplus appropriations which helps to offset the FY 2016 budget gap. The out-years include mostly funding for planned major building projects and renovations.

Recommended Supplementals. Included in the Governor's proposal are FY 2016 onetime supplementals (to be funded from surplus funds) for Public Defender appointed counsel payments of \$15.3 million, \$4.392 million for various DHHR programs, \$50,000 for the Parole Board's operating costs, and \$7.167 million for Juvenile Services.

Onetime Reductions. Major items in the FY 2015 amount include \$2.5 million for the Volunteer Fire Departments' workers' compensation subsidy (there was funding available for FY 2015 from other sources), a \$20 million onetime adjustment to the School Aid Formula's Retirement Systems—Unfunded Liability line due to partial payment made from a Special Revenue source, moved \$3.501 million of funding from the Institutional Facilities line in Corrections and paid from a Special Revenue account, \$3.391 million for PEIA that was backed out in the School Aid Formula because excess balances were on deposit for local school boards, \$11.7 million of Medicaid funding moved to Excess Lottery funding (from FY 2015 surplus funds), and

Executive Summary ***Six Year Financial Plan***

\$100 million of FY 2015 Medicaid state share base funding was funded from the Rainy Day Fund.

FY 2016 amounts include \$2.5 million for the Volunteer Fire Departments' workers' compensation subsidy (there is funding available for FY 2016 from other sources), \$57.003 million for Medicaid which was funded from other sources, onetime reduction of \$10 million to the Infrastructure Council's funding, \$5.07 million for PEIA that was backed out in the School Aid Formula because excess balances were on deposit for local school boards, and \$14.792 million for Medicaid (recommended to be partially funded in FY 2016 from the Rainy Day Fund).

FY 2017 amounts include \$6.016 million for PEIA that was backed out in the School Aid Formula because excess balances are on deposit for local school boards and a onetime reduction of \$10 million to the Infrastructure Council's funding.

Expirations. General Revenue expirations from FY 2015 totaled \$8.857 million. These funds were originally appropriated during FY 2015 but were not spent by the year end and reverted back to the General Fund's surplus balance. Nine thousand, two hundred seventy-five dollars of cash was not needed for appropriations made in the FY 2015 Regular Lottery Fund. Also, \$20,259 was not required for appropriations made in the FY 2015 Excess Lottery Fund.

Surplus Transferred 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 2014 with a surplus of \$18.338 million, of which half, or \$9.169 million would have normally been transferred to the Rainy Day Fund A. However, since at the end of FY 2014 Rainy Day Fund A was funded at 13.78% of FY 2014 total appropriations, no transfer was required. The General Revenue Fund ended FY 2015 with a surplus of \$12.834 million, and since the Rainy Day Fund A was funded at 11.15% of FY 2015 total appropriations, \$6.417 million, one half of the surplus, was transferred to the Rainy Day Fund.

Mid-year Cut. The Governor issued Executive Order 3-15 on June 9, 2015, that required targeted, onetime budget cuts of a minimum of \$38.9 million to help offset the FY 2015 year-end budget shortfall. The Governor issued Executive Order 7-15 on October 22, 2015, that required most agencies to reduce spending in FY 2016 by four percent (School Aid Formula by one percent), up to a minimum of \$93.4 million to help offset the estimated FY 2016 year-end revenue shortfall. The Legislature voluntarily participated in this FY 2016 spending reduction by four percent, or \$938,067.

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," FY 2018 is the only year where a small budget gap is predicted. This future budget gap must be, and will be, addressed and balanced. Note that due to the use of long-term conservative budget planning and implementation of base budget reductions over the last few years, our base budgets after FY 2018 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 2017, is 18 months away from the date the projections were completed. The General Revenue Fund estimate is over \$4.3 billion for FY 2017. Just a one percent deviation from the estimate will result in a \$43 million difference in revenues. Depending on this deviation being either higher or lower, the range of actual difference in revenue could be \$86 plus million (\$43 million under estimate to \$43 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

Executive Summary *Six Year Financial Plan*

market continue its current pace? 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 example, in our Medicaid Program, just a one percent change in the federal match rate can result in a difference in required state funding of approximately \$38 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 2015

West Virginia's General Revenue Fund's actual revenue collections totaled \$4.204 billion and, after midyear budget cuts totaling \$38.9 million, again ended the fiscal year with surpluses of \$12.8 million.

Lottery Funds ended the year with unappropriated balances of \$17.9 million.

The General Revenue Fund maintained a strong cash flow throughout the year, and we paid our bills on time. We continue to maintain our strong bond ratings. We retained \$8 million in our Personal Income Tax Refund Reserve Fund and made 100% of our required retirement contributions in FY 2015. West Virginia's rainy day funds totaled \$869 million at the end of FY 2015 and were still among the best funded in the country (over 20% of General Revenue). The Workers' Compensation unfunded liability continues to be reduced and our OPEB Trust Fund balance has grown.

FY 2016

FY 2016's General Revenue collections are officially estimated to be \$4.306 billion or 2.4% more than the FY 2015 actual revenue collections. Through the first six months of FY 2016, collections were \$157.97 million below official estimate (-7.8%). Year-end collections in General Revenue are estimated to be about \$354 million short of estimates. To rectify this shortfall, the Governor has implemented a midyear budget reduction and recommends during the 2016 Regular Legislative Session that various cash balances from Special Revenue accounts (including \$51.8 million from the Rainy Day Fund) be expired to the General Revenue Fund's balance, along with other revenue reallocations and enhancements.

Regular Lottery and Excess Lottery revenues estimates available for appropriation in FY 2016 decreased from FY 2015 actual collections by almost 15% due to the conservative nature of budgeting for the Lottery Funds. Lottery collections through the first six months of FY 2016 are running 7.89% above estimate.

On the expenditure side, FY 2016's major budget expenditure driver continues to be Medicaid. Additional major funding increases are also in place for Social Services. The retirement systems required substantially less funding than the previous fiscal year due to investment value earnings of almost 18%. Targeted base budget cuts for many agencies were made to help in balancing FY 2016 and for the first time in recent history, the total ongoing base expenditure budget was less than the previous year's.

FY 2016 expenditures from General and Lottery Funds, after all pending adjustments, are expected to total \$4.589 billion.

FY 2017

Balancing the FY 2017 Budget is again a challenge that requires fiscal discipline. Projections during the budgeting process showed a significant funding gap of about \$466 million for FY 2017 that needed to be closed. Due to the recent slowdown in the mining of coal and low energy prices, anticipated revenues are not expected to keep pace with costs for current programs. Moreover, as we have long expected, competition by bordering states continues to soften Lottery revenues. In the face of these revenue challenges, appropriations for expenditures at current program base levels for FY 2017 must be adjusted.

The FY 2017 General Revenue official estimate, which includes many enhancements, of \$4.328 billion is only \$22 million above the FY 2016 official General Revenue estimate of \$4.306 billion. Lottery and Excess Lottery revenues available for appropriations are expected to rise only slightly in FY 2017 by \$1.668 million above the FY 2016 collection estimates.

Executive Summary Six Year Financial Plan

Our philosophy of conservative fiscal management continues to position us well to handle the challenges presented with the FY 2017 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 2017 expenditure growth and position the state to balance budgets in the years that follow. Therefore, targeted budgeted reductions for FY 2017 are required to align our base expenditures with our ongoing revenues.

Major budget expenditures changes recommended for FY 2017 include an additional \$27.66 million in state Medicaid funding as well as an additional \$41.961 million of funding for PEIA, both health care coverage programs for West Virginians. Additional funding of \$4.187 million of new base-building dollars is included for the Supreme Court, as requested. Five million dollars in additional funding is recommended for major capital projects, and various targeted base funding reductions are required to help to structurally bring our budget back into balance.

Due to increased investment value of only 3.5% (actuarial target is 7.5%) during FY 2015, the Teachers' Retirement System will require more funding of \$8.104 million and the State Police Retirement Plans call for \$1.045 million more. FY 2017 total expenditures from General and Lottery Funds, after all pending adjustments, are expected to total \$4.725 billion.

The positive effects of our efforts to align the base budget expenditures with ongoing revenues, which will bring our budget into structural balance, show up with FY 2017's ongoing base budget expenditures being proposed at over \$109 million lower than FY 2015's ongoing base budget expenditures.

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. While many programs were exempted from these budget reductions, we have made substantial budget reductions to many agencies. 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 do not rely on increased state funding in the near future.

SUMMARY FINANCIAL STATEMENTS

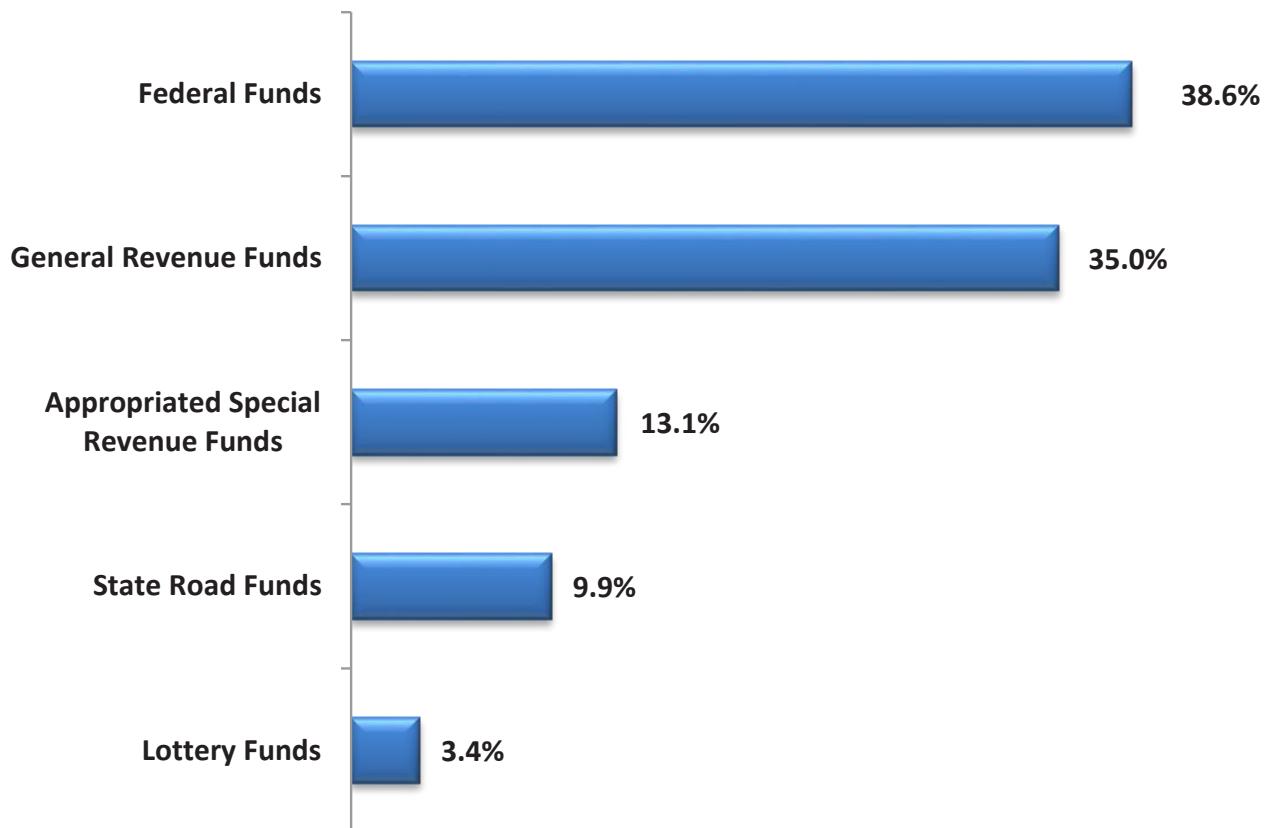
Financial Statements

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

- Graphics of the Total FY 2017 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, 2015
- Detailed Investments Fund 13 Fiscal Year Ending June 30, 2015
- General Revenue Fund — Statement of Revenues by Source FY 2013 through FY 2021
- General Revenue Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- General Revenue Fund — Overview by Functional Category FY 2015 through FY 2017
- General Revenue Fund — Recommended Surplus Supplemental Appropriations FY 2016
- General Revenue Fund — General Revenue Major Statutory and Nondiscretionary Requirements FY 2017
- Lottery Fund — Overview by Functional Category FY 2015 through FY 2017
- 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 2015 through FY 2017
- State Road Fund — Statement of Revenues by Source FY 2013 through FY 2019
- State Road Fund — Statement of Revenues, Expenditures, and Changes in Cash Balance
- Summary of Primary Government Long Term Debt Outstanding as of June 30, 2015
- Major Reserve/Stabilization Accounts

Where The State Dollar Comes From

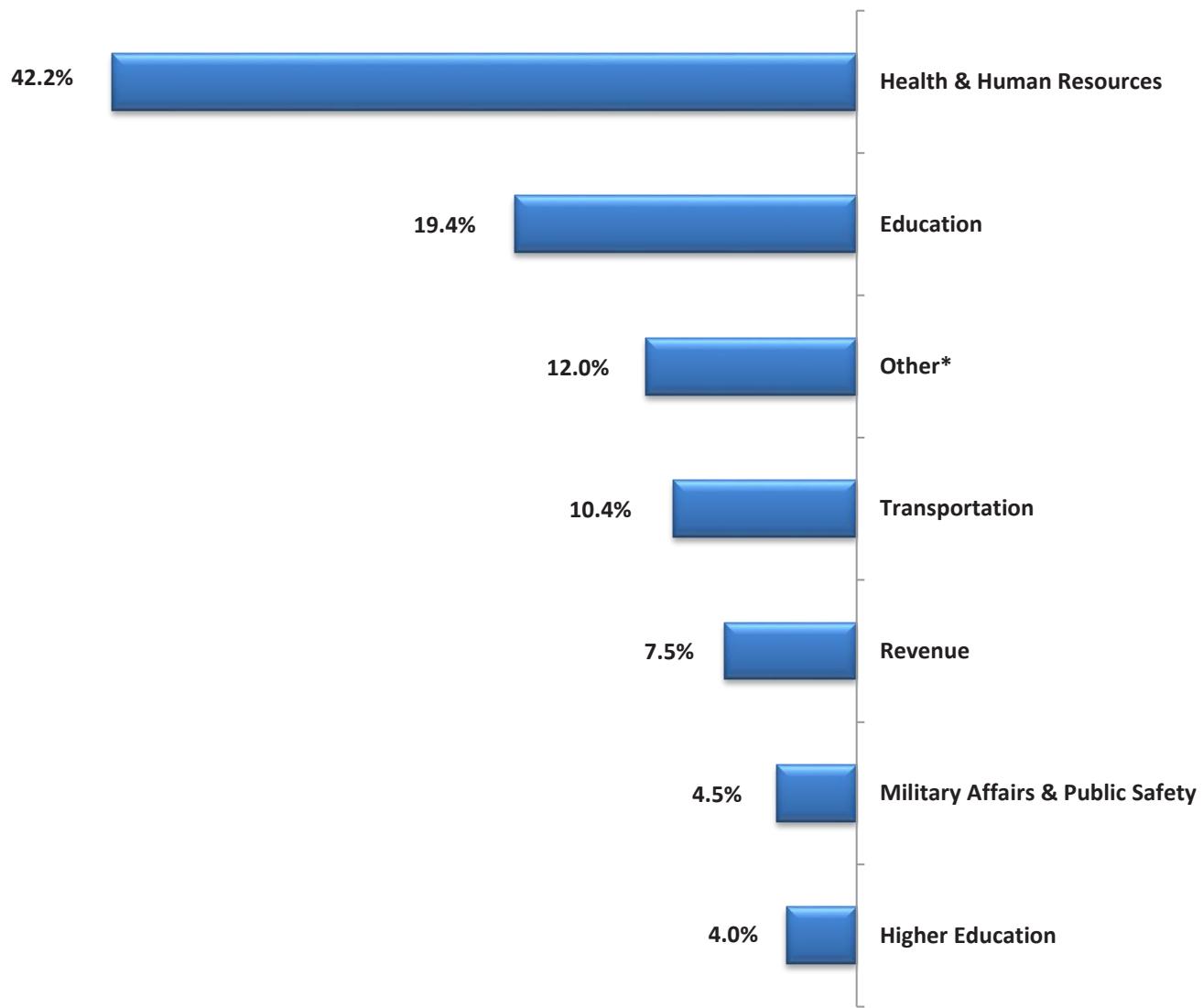
(FY 2017 Estimate)



**TOTAL REVENUE
\$12.4 Billion**
(Appropriated Funding Sources)

Where The State Dollar Goes

(Governor's Recommended FY 2017 Budget)



*Other	12.0%
Legislature	0.2%
Judicial	1.2%
Executive	0.8%
Administration	2.3%
Commerce	1.9%
Education & the Arts	1.3%
Environment	2.2%
Senior Services	0.7%
Veterans Assistance	0.2%
Misc. Boards & Commissions	1.2%

TOTAL EXPENDITURES
\$12.6 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 for All Funds reflects actual, budgeted, and recommended revenues and expenditures for FY 2015, FY 2016, and FY 2017, 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 amounts remaining in nonexpiring appropriations are carried forward to the next fiscal year as of July 1.

Each fund on the Statement is made up of multiple accounts 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 Funds and the Special Revenue Funds 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 2015 Actuals are the total actual revenues and expenditures for all funds including expenditures from regular, supplemental, surplus appropriations, and reappropriated amounts.

The FY 2016 Budgeted revenue estimate for the General Revenue Fund reflects the Governor’s revised official revenue estimate dated March 17, 2015 and the State Road Fund reflects the Governor’s revised official revenue estimate as submitted to the Legislature on January 13, 2016. The Governor provides the official revenue estimates for the budget, and those estimates do not require legislative approval.

FY 2016 Budgeted expenditures reflect the amounts budgeted for FY 2016 prior to the beginning of the 2016 Legislative session and includes a separate line for reappropriations available for expenditure from previous fiscal years.

FY 2017 Recommendations are the amounts that the Governor is proposing to the Legislature for appropriation. 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*

Why Budgeted Expenditures Appear Significantly Different from Actual and Recommended Expenditures

While the Actual FY 2015 amounts include reappropriated expenditures along with current year appropriations spent during the fiscal year, the Recommended FY 2017 expenditures do not reflect any anticipated reappropriations being available during FY 2017. Although the FY 2016 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 2016 expenditures include \$368.158 million and the Appropriated Special Revenue funds include \$14.428 million, Lottery Fund includes \$32.908 million, and the Excess Lottery Fund includes \$23.655 million in reappropriated amounts. Details about the amounts available to each agency can be found in the “Overview by Functional Category” spreadsheets. Although the unexpended/reappropriated amounts cannot be determined in advance of the close of the fiscal year, the actual expenditures for FY 2016 will be less than the total authorized budgeted amounts.

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

(Expressed in Thousands)

	General Fund			State Road Fund		
	Actuals FY 2015*	Budgeted FY 2016	Recommended FY 2017	Actuals FY 2015	Budgeted FY 2016	Recommended FY 2017
Beginning Fund Balance	\$396,302	\$381,159	\$44	\$81,255	\$145,378	\$43,710
Transfer to Rainy Day Fund	-	(6,417)	-	-	-	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	44,106	-	-	-	-	-
Prior Year Refunds/Redeposits	495	279	-	-	-	-
Cash Flow/Contingencies	-	-	-	-	-	-
Recom. Expirations to General Revenue	-	73,741	-	-	-	-
Recom. Expirations to General Revenue Surplus	-	26,660	-	-	-	-
Revenues						
Revenue Collections/Estimate	4,196,310	4,305,776	4,327,794	1,114,053	1,176,754	1,226,880
Estimated Shortfall	-	(354,130)	-	-	-	-
Recom. Revenue Reallocations/Enhancements	-	123,050	-	-	-	-
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	4,196,310	4,074,696	4,327,794	1,114,053	1,176,754	1,226,880
Expenditures						
Legislature	26,372	23,655	24,022	-	-	-
Judicial	133,306	139,573	143,760	-	-	-
Executive	40,412	37,729	36,570	-	-	-
Administration	83,463	68,151	104,779	-	-	-
Commerce	61,060	59,774	55,352	-	-	-
Education	2,005,572	1,925,408	1,873,685	-	-	-
Education and the Arts	32,287	32,719	32,158	-	-	-
Environment	6,761	6,909	6,633	-	-	-
Health and Human Resources	1,029,473	1,181,312	1,244,216	-	-	-
Military Affairs & Public Safety	353,968	361,978	356,579	-	-	-
Revenue	27,250	25,322	24,309	-	-	-
Transportation	5,086	6,130	5,885	1,049,936	1,185,922	1,255,507
Veterans Assistance	10,935	11,041	10,499	-	-	-
Senior Services	15,958	14,063	13,931	-	-	-
Higher Education	424,335	409,293	395,416	-	-	-
Misc. Boards & Commissions	-	-	-	-	-	-
Total Expenditures	4,256,238	4,303,057	4,327,794	1,049,936	1,185,922	1,255,507
Reappropriations Available	-	368,158	-	-	-	-
Recommended Supplemental	-	(53,900)	-	-	92,500	-
Recommended Surplus Supplemental	-	26,910	-	-	-	-
Mid-Year Budget Adjustments	-	(94,318)	-	-	-	-
Adjustments**	(184)	167	-	(6)	-	-
Ending Fund Balance	\$381,159	\$44	\$44	\$145,378	\$43,710	\$15,083

* Revenue Collections do not include \$7.5m transferred from reappropriated accounts to FY 2015 balance.

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

*** Some revenue and expenditures are double counted.

Appropriated Special Revenue Funds			Appropriated Lottery Fund			Appropriated Excess Lottery Fund		
Actuals FY 2015	Budgeted FY 2016	Recommended FY 2017	Actuals FY 2015	Budgeted FY 2016	Recommended FY 2017	Actuals FY 2015	Budgeted FY 2016	Recommended FY 2017
\$2,702,435	\$2,750,837	\$2,652,787	\$66,800	\$19,824	\$20	\$45,573	\$28,115	\$45
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(40,000)	-	-	(35,900)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	160,791	136,326	135,561	347,014	300,381	284,459
-	-	-	-	-	-	-	-	-
1,486	1,448	1,483	-	-	-	-	-	-
960	1,200	1,600	-	-	-	-	-	-
32,016	42,919	36,809	-	-	-	-	-	-
149,389	170,864	170,505	-	-	-	-	-	-
21,680	24,965	23,229	-	-	-	-	-	-
29,693	29,351	30,951	-	-	-	-	-	-
1,272	4,649	4,649	-	-	-	-	-	-
55,151	52,761	68,845	-	-	-	-	-	-
473,316	402,915	373,358	-	-	-	-	-	-
23,586	33,133	32,226	-	-	-	-	-	-
502,554	792,564	784,878	-	-	-	-	-	-
13,667	8,188	5,801	-	-	-	-	-	-
436	3,760	3,760	-	-	-	-	-	-
10,500	10,500	10,500	-	-	-	-	-	-
48,732	56,703	42,495	-	-	-	-	-	-
47,530	84,739	33,828	-	-	-	-	-	-
1,411,968	1,720,659	1,624,917	160,791	136,326	135,561	347,014	300,381	284,459
1,566	4,097	4,107	-	-	-	-	-	-
1,199	1,200	1,600	-	-	-	-	-	-
30,254	45,508	45,368	-	-	-	10	-	-
155,758	173,424	170,096	9,995	10,000	10,000	-	-	-
21,688	32,929	34,066	11,899	11,189	10,821	6,087	5,000	5,000
40,409	40,951	30,952	34,739	35,953	35,960	23,045	19,000	19,000
1,129	4,108	4,108	18,045	17,753	17,352	-	-	-
33,725	72,364	70,859	-	-	-	-	-	-
453,576	427,957	427,317	-	-	-	36,769	34,422	17,278
21,516	37,139	36,964	-	-	-	296	-	-
465,691	780,073	767,440	-	-	-	174,571	160,959	144,181
19,711	17,750	13,751	-	-	-	-	-	-
2,017	3,130	3,130	-	-	-	-	-	-
10,304	10,500	10,500	78,790	59,217	49,349	-	-	-
46,027	63,759	49,609	13,103	12,214	12,079	50,438	44,000	44,000
58,996	89,392	89,381	-	-	-	44,986	55,000	55,000
1,363,566	1,804,281	1,759,248	166,571	146,326	135,561	336,202	318,381	284,459
-	14,428	-	-	32,908	-	-	23,655	-
-	-	-	-	9,810	-	-	10,090	-
-	-	-	-	-	-	-	-	-
-	-	-	-	1,196	(32,914)	-	(7,630)	(23,675)
\$2,750,837	\$2,652,787	\$2,518,456	\$19,824	\$20	\$20	\$28,115	\$45	\$45

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

	Appropriated Federal Funds			Total Appropriated Funds		
	Actuals FY 2015	Budgeted FY 2016	Recommended FY 2017	Actuals FY 2015	Budgeted FY 2016	Recommended FY 2017
Beginning Fund Balance	\$78,340	\$49,472	\$64,691	\$3,370,705	\$3,374,785	\$2,761,297
Transfer to Rainy Day Fund	-	-	-	-	(6,417)	-
Transfer from Rainy Day Fund	-	-	-	-	-	-
Transfer from Special Revenue	-	-	-	44,106	-	-
Prior Year Refunds/Redeposits	-	-	-	495	279	-
Cash Flow/Contingencies	-	-	-	(75,900)	-	-
Recom. Expirations to General Revenue	-	-	-	-	73,741	-
Recom. Expirations to General Revenue	-	-	-	-	26,660	-
Revenues						
Revenue Collections/Estimate	-	-	-	5,818,168	5,919,237	5,974,694
Estimated Shortfall	-	-	-	-	(354,130)	-
Recom. Revenue Reallocations/Enhancements	-	-	-	-	123,050	-
Legislature	757	3,000	3,000	2,243	4,448	4,483
Judicial	2,223	2,000	4,550	3,183	3,200	6,150
Executive	4,303	19,975	20,084	36,319	62,894	56,893
Administration	49,957	-	-	199,346	170,864	170,505
Commerce	52,175	135,936	111,415	73,855	160,901	134,644
Education	336,137	464,662	479,663	365,830	494,013	510,614
Education and the Arts	63,944	104,356	103,856	65,216	109,005	108,505
Environment	91,739	189,514	195,353	146,890	242,275	264,198
Health and Human Resources	3,276,879	3,547,991	3,616,475	3,750,195	3,950,906	3,989,833
Military Affairs & Public Safety	61,144	203,256	172,251	84,730	236,389	204,477
Revenue	5,061	14,211	3,000	507,615	806,775	787,878
Transportation	21,990	33,722	31,822	35,657	41,910	37,623
Veterans Assistance	6,769	10,500	10,227	7,205	14,260	13,987
Senior Services	12,321	14,536	8,385	22,821	25,036	18,885
Higher Education	-	-	-	48,732	56,703	42,495
Misc. Boards & Commissions	1,592	3,120	3,200	49,122	87,859	37,028
Total Revenues	3,986,991	4,746,779	4,763,281	11,217,127	12,155,595	12,362,892
Expenditures						
Legislature	757	3,000	3,000	28,695	30,752	31,129
Judicial	2,224	2,000	4,550	136,729	142,773	149,910
Executive	4,717	21,600	23,600	75,393	104,837	105,538
Administration	49,957	-	-	299,173	251,575	284,875
Commerce	55,177	136,713	132,641	155,911	245,605	237,880
Education	357,873	464,662	480,162	2,461,638	2,485,974	2,439,759
Education and the Arts	61,662	103,963	103,962	113,123	158,543	157,580
Environment	93,034	196,298	196,298	133,520	275,571	273,790
Health and Human Resources	3,279,754	3,555,108	3,619,403	4,799,572	5,198,799	5,308,214
Military Affairs & Public Safety	62,585	172,330	174,570	438,365	571,447	568,113
Revenue	5,179	14,211	3,000	672,691	980,565	938,930
Transportation	21,887	33,722	32,394	1,096,620	1,243,524	1,307,537
Veterans Assistance	6,693	10,193	10,193	19,645	24,364	23,822
Senior Services	13,078	14,536	14,536	118,130	98,316	88,316
Higher Education	-	-	-	533,903	529,266	501,104
Misc. Boards & Commissions	1,282	3,224	5,562	105,264	147,616	149,943
Total Expenditures	4,015,859	4,731,560	4,803,871	11,188,372	12,489,527	12,566,440
Reappropriations Available	-	-	-	-	439,149	-
Recommended Supplemental	-	-	-	-	58,500	-
Recommended Surplus Supplemental	-	-	-	-	26,910	-
Mid-Year Budget Reduction	-	-	-	-	(94,318)	-
Adjustments**	-	-	-	(6,624)	(56,422)	-
Ending Fund Balance	\$49,472	\$64,691	\$24,101	\$3,374,785	\$2,761,297	\$2,557,749

* Revenue Collections do not include \$7.5m transferred from reappropriated accounts to FY 2015 balance.

** Includes OASIS accruals, 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 2015	Budgeted FY 2016	Recommended FY 2017	Actuals FY 2015	Budgeted FY 2016	Recommended FY 2017	Actuals FY 2015	Budgeted FY 2016	Recommended FY 2017
\$44,014	\$57,164	\$30,898	\$16,049,068	\$16,415,662	\$4,567,181	\$19,463,787	\$19,847,611	\$7,359,376
-	-	-	-	-	-	-	(6,417)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	44,106	-	-
-	-	-	-	-	-	495	279	-
-	-	-	-	-	-	(75,900)	-	-
-	-	-	-	-	-	-	73,741	-
-	-	-	-	-	-	-	26,660	-
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-	-	-	-	-	-	5,818,168	5,919,237	5,974,694
-	-	-	-	-	-	-	(354,130)	-
-	-	-	-	-	-	-	123,050	-
-	-	-	-	-	-	2,243	4,448	4,483
-	-	-	1,320	2,070	2,570	4,503	5,270	8,720
-	-	-	526,978	319,370	296,873	563,297	382,264	353,766
-	-	-	4,353,308	10,838,204	15,336,832	4,552,654	11,009,068	15,507,337
25,180	31,886	31,887	71,401	67,535	77,597	170,436	260,322	244,128
-	-	-	18,449	49,256	48,191	384,279	543,269	558,805
-	-	-	6,280	22,010	18,430	71,496	131,015	126,935
11,790	3,500	14,000	201,834	176,990	186,041	360,514	422,765	464,239
-	-	-	15,179	87,005	89,452	3,765,374	4,037,911	4,079,285
16,788	82,981	67,576	100,581	169,408	116,283	202,099	488,778	388,336
-	-	-	900,814	788,428	770,536	1,408,429	1,595,203	1,558,414
-	600	22,930	21,007	27,264	28,444	56,664	69,774	88,997
-	-	-	1,369	2,986	2,186	8,574	17,246	16,173
-	-	-	2,070	1,900	1,900	24,891	26,936	20,785
43,795	71,644	52,274	1,410,278	1,946,317	1,935,213	1,502,805	2,074,664	2,029,982
-	-	-	67,749	282,179	155,169	116,871	370,038	192,197
97,553	190,611	188,667	7,698,617	14,780,922	19,065,717	19,013,297	27,127,128	31,617,276
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-	-	-	10	16	16	28,705	30,768	31,145
-	-	-	1,001	2,326	2,570	137,730	145,099	152,480
-	-	-	551,249	359,190	317,543	626,642	464,027	423,081
-	-	-	3,770,459	21,855,801	10,738,974	4,069,632	22,107,376	11,023,849
24,318	31,887	31,887	47,412	116,383	91,102	227,641	393,875	360,869
-	-	-	20,901	50,074	48,956	2,482,539	2,536,048	2,488,715
-	-	-	7,250	18,083	17,284	120,373	176,626	174,864
479	6,619	6,619	116,587	287,472	237,474	250,586	569,662	517,883
-	-	-	32,911	81,707	85,240	4,832,483	5,280,506	5,393,454
16,788	82,981	42,541	111,281	167,055	163,580	566,434	821,483	774,234
-	-	-	1,042,445	895,535	875,330	1,715,136	1,876,100	1,814,260
-	-	-	24,078	93,384	78,006	1,120,698	1,336,908	1,385,543
-	-	-	1,342	1,658	1,658	20,987	26,022	25,480
-	-	-	2,010	1,900	1,900	120,140	100,216	90,216
42,818	95,390	80,309	1,479,313	2,434,902	1,957,235	2,056,034	3,059,558	2,538,648
-	-	-	123,774	263,917	270,911	229,038	411,533	420,854
84,403	216,877	161,356	7,332,023	26,629,403	14,887,779	18,604,798	39,335,807	27,615,575
<hr/>								
-	-	-	-	-	-	-	439,149	-
-	-	-	-	-	-	-	58,500	-
-	-	-	-	-	-	-	26,910	-
-	-	-	-	-	-	-	(94,318)	-
-	-	-	-	-	-	-	(6,624)	-
-	-	-	-	-	-	-	(56,422)	-
\$57,164	\$30,898	\$58,209	\$16,415,662	\$4,567,181	\$8,745,119	\$19,847,611	\$7,359,376	\$11,361,077

Cash and Investment Balances of All Funds
Fiscal Year Ending June 30, 2015
(Nearest Dollar)

	Fund No.	Cash Balance	Investments	Total Balance
General Revenue Fund	01	\$419,557,720	\$0	\$419,557,720
State Road Fund	02	30,491,110	122,678,961	153,170,071
Natural Resources Fund	03	4,273,316	105,720,313	109,993,629
Consolidated Pool and Investments	09	(1,408,971,571)	1,564,378,961	155,407,390
Quasi Government	10	5,783,986	0	5,783,986
Consolidated Federal Funds (Special Revenue)	12	63,762,234	1,666,159	65,428,393
Special Revenue Funds ¹ (Departments and Institutions)	13	1,346,667,043	5,788,075,895	7,134,742,938
Special Revenue Funds (Higher Education)	14	5,939,088	319,588,955	325,528,043
Department of Welfare	16	48,906,025	1,176	48,907,201
Public Employees' Retirement System	17	685,233	5,792,494,048	5,793,179,281
Teachers' Retirement System	18	6,293,335	6,811,181,403	6,817,474,738
West Virginia University - Medical School Fund	20	902,722	1,169,445	2,072,167
Total		\$524,290,241	\$20,506,955,316	\$21,031,245,557

¹ See next page for detail of investments.

Detailed Investments Fund 13
Fiscal Year Ending June 30, 2015
(Nearest Dollar)

Attorney General	\$702,865
Auditor's Office	6,956,653
Board of Risk and Insurance Management	156,736,812
Building Commission	1,954,136
Court of Claims	2,045,975
Consolidated Public Retirement Board	1,148,309,406
Division of Justice and Community Services	535,244
Culture & History	1,332,148
Secretary of State	3,929,964
Department of Administration	725,794,547
Department of Education	1,628,440
Division of Financial Institutions	108,309
Council for C&T College Education	134,472
Department of Education and the Arts	7,546,160
Secretary of Revenue	869,099,930
Department of Transportation	1,183,622
WV Economic Development Authority	63,442,440
Division of Health & Human Services	6,843,467
Division of Labor	4,572,821
Division of Natural Resources	8,816,843
Department of Environmental Protection	341,102,805
Division of Forestry	3,674,820
Insurance Commission	1,615,210,249
Lottery Commission	142,815,612
Municipal Bond Commission	179,873,406
Municipal Pension Oversight Board	28,191,477
Public Employees Insurance Agency	256,509,603
Regional Jail Authority	37,331,486
State Police	2,056,229
State Rail Authority	6,882,984
Treasurer's Office	137,826,561
Water Development Authority	24,926,409
Total Detail Fund 13	\$5,788,075,895

General Revenue Fund

Statement of Revenues by Source

FY 2013 Through FY 2021

(Expressed in Thousands)

Source of Revenue	FY 2013 Actual Collections ⁷	FY 2014 Actual Collections	FY 2015 Actual Collections	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
Business and Occupation Tax	\$127,112	\$120,143	\$120,522	\$117,000	\$115,500	\$120,200	\$122,000	\$128,000	\$128,000
Consumers Sales and Use Tax ¹	1,193,290	1,173,097	1,228,221	1,269,800	1,378,800	1,417,800	1,466,100	1,521,500	1,578,100
Personal Income Tax ²	1,700,547	1,664,066	1,840,056	1,860,500	1,934,700	2,033,300	2,136,400	2,240,500	2,343,000
Liquor Profit Transfers	16,321	15,155	18,361	16,050	18,000	18,000	18,000	18,000	18,000
Beer Tax and Licenses	8,415	8,302	7,773	8,200	8,300	8,250	8,220	8,200	8,100
Tobacco Products Tax (Cigarette & Other) ³	107,022	101,780	102,163	100,400	175,800	172,000	168,300	164,700	161,100
Estate Tax	2	0	7	0	0	0	0	0	0
Business Franchise Fees	692	698	747	650	650	650	650	650	650
Charter Tax	62	228	43	0	0	0	0	0	0
Property Transfer Tax	8,776	10,392	11,042	13,400	10,500	10,500	10,900	11,300	11,800
Property Tax	6,149	6,652	6,679	6,850	7,200	7,100	7,200	7,500	7,800
Insurance Tax	112,747	115,763	116,163	120,200	119,400	121,600	120,500	125,100	123,900
Departmental Collections	16,374	17,511	18,223	18,100	19,100	19,500	19,900	20,300	20,800
Corporate Income/Business Franchise Tax ⁴	238,130	203,508	186,101	173,200	166,000	178,600	180,300	182,100	183,900
Miscellaneous Transfers	1,272	767	11,056	1,300	1,000	1,000	1,000	1,000	1,000
Interest Income	3,467	1,219	2,343	15,000	8,000	14,500	20,000	21,000	21,000
Severance Tax ⁵	409,673	488,686	414,172	471,700	280,144	291,892	303,496	322,750	336,761
Telecommunication Tax	61	(261)	0	0	0	0	0	0	0
Miscellaneous Receipts ⁶	5,038	30,013	16,458	20,000	9,700	9,700	9,700	9,700	9,700
HB102 - Lottery Transfers	92,600	92,600	92,600	83,355	65,000	65,000	65,000	65,000	65,000
Video Lottery Transfers	920	629	628	0	0	0	0	0	0
Liquor License Renewal	451	451	451	71	0	0	0	24,000	16,000
Senior Citizen Tax Credit Reimbursement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Special Revenue Transfer	0	44,707	0	0	0	0	0	0	0
Total	\$4,059,121	\$4,106,106	\$4,203,810	\$4,305,776	\$4,327,794	\$4,499,592	\$4,667,666	\$4,881,300	\$5,044,611

1. FY 2017 estimate includes \$4 million reduction in transfers to School Building Authority; \$9 million otherwise transferred to Division of Highways; \$60 million due to extension of sales tax base to telecommunications services; and \$14 million due to restriction of durable medical equipment sales tax exemption to home use. The telecommunications tax base change would become effective April 1, 2016. The change in tax status for non-home use durable medical equipment would become effective July 1, 2016 and would offset revenue losses associated with the elimination of the Behavioral Health Privilege Tax effective July 1, 2016.

2. FY 2017-FY 2021 revenues contain an extra \$65.4 million per year due to the reallocation of \$95.4 million in annual personal income tax revenue previously diverted to the Old Workers' Compensation Debt Fund between OPEB (\$30 million/year) and General Revenue (\$65.4 million/year). The statutory \$5 million annual allocation to a future yet to be defined benefit program would be eliminated.

3. FY 2017 revenues include \$71.5 million attributable to a 45 cent per pack increase in cigarette tax; \$4.7 million attributable to an increase in other tobacco products tax rate from 7% to 12%; and \$1.8 million from a 7.5 cent per milliliter tax on electronic cigarettes. These tax changes would first become effective on April 1, 2016.

4. FY 2017-FY 2021 revenues include an additional \$4.3 million per year associated with the elimination of revenue transfers to the West Virginia Public Port Authority.

5 FY 2017 revenues include more than \$0.44 million in additional revenue associated with a proposed statutory change limiting severance tax transfers to the Infrastructure Bond Fund to the annual amount necessary for debt service. Additional revenue in future years would vary based on variable debt service needs.

6. Includes \$15 million in transfers from the Abandoned and Unclaimed Property Fund in FY 2016 and \$7 million each year thereafter.

7. FY 2013 revenue collections do not reflect the \$45 million transfer 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, 2015	\$419,557,720
Less:	31 Day Disbursements (July 1, 2015 - July 31, 2015)	(38,399,072)
Plus:	Prior Year Reimbursements (July 1, 2015 - July 31, 2015)	681
Less:	Prior Year Appropriations Forwarded	(368,157,561)
Less:	Cash Balance - Adjustments and Accruals	<u>(167,136)</u>
	Accumulated Surplus from FY 2015 @ July 31, 2015	\$12,834,632
Less:	Transfer to Revenue Shortfall Reserve Fund (Statutory)	(6,417,316)
Less:	FY 2016 Surplus Appropriation (FY 2016 Budget Bill)	(6,417,316)
Plus:	Prior Year Reimbursements (August 1, 2015 - December 31, 2015)	278,512
Plus:	Recommended Expirations to General Revenue Surplus (2016 Regular Session)	26,659,500
Less:	Recommended FY 2016 Surplus Supplemental Appropriations (2016 Regular Session)	<u>(26,909,500)</u>
	Estimated Unappropriated Surplus Balance @ June 30, 2016	\$28,512
Plus:	FY 2016 Revenue Estimate	\$4,305,776,000
Less:	FY 2016 Appropriations (FY 2016 Budget Bill)	(4,305,776,000)
Plus:	FY 2016 Appropriations (FY 2016 Budget Bill) vetos	9,136,597
Less:	FY 2016 Anticipated Revenue Shortfall (Estimated)	(354,130,000)
Plus:	FY 2016 Recommended Revenue Reallocations and Enhancements (2016 Regular Session)	123,050,000
Plus:	FY 2016 Recommended Expirations to General Revenue (2016 Regular Session)	73,740,500
Plus:	FY 2016 Recommended Supplemental Appropriations (2016 Regular Session)	53,900,000
Plus:	FY 2016 Mid-Year Expenditure Reduction - Governor's Executive Order 7-15	<u>94,318,376</u>
	Estimated Unappropriated Balance from FY 2016 Activity @ June 30, 2016	\$15,473
Plus:	FY 2017 Revenue Estimate	\$4,327,794,000
Less:	Recommended FY 2017 Appropriations (FY 2017 Budget Bill) (2016 Regular Session)	<u>(4,327,794,000)</u>
	Estimated Unappropriated Balance from FY 2017 Activity @ June 30, 2017	\$0
	Total Estimated Unappropriated Balance @ June 30, 2017	<u>\$43,985</u>

Note: The Governor also recommends General Revenue FY 2017 Surplus Appropriations of up to \$7,809,780 from any unappropriated balance remaining at the end of FY 2016.

General Revenue Fund
Overview by Functional Category
FY 2015 through FY 2017
(Nearest Dollar)

DEPARTMENT/Agency	Fund #	Acutal Expenditures FY 2015	Total Appropriations FY 2016*
LEGISLATURE			
Senate	0165	\$5,927,114	\$5,952,206
House of Delegates	0170	8,737,288	8,904,031
Joint Expenses/Claims against State	0175	11,707,676	8,798,788
Subtotal		26,372,078	23,655,025
JUDICIAL			
Supreme Court	0180	133,306,154	139,572,495
EXECUTIVE			
Office of the Governor	0101	4,395,140	4,810,265
Custodial Fund	0102	526,925	571,382
Civil Contingent Fund	0105	344,114	0
State Auditor's Office	0116	4,505,989	3,181,694
State Treasurer's Office	0126	3,404,507	3,225,815
Department of Agriculture	0131	11,207,133	10,429,061
WV Conservation Agency	0132	9,713,441	8,334,904
Meat Inspection	0135	729,494	722,188
Agricultural Awards	0136	54,250	54,250
WV Agricultural Land Protection Auth	0607	92,718	98,979
Attorney General's Office	0150	4,865,716	5,164,237
Secretary of State	0155	569,643	1,127,636
State Election Commission	0160	3,281	8,342
Subtotal		40,412,351	37,728,753
ADMINISTRATION			
Office of the Secretary	0186	15,641,839	15,815,535
Public Employees Insurance Agency	0200	0	0
Division of Finance	0203	773,748	781,417
General Services Division	0230	7,135,638	14,417,764
Purchasing Division	0210	1,056,835	1,039,989
Travel Management	0615	1,218,028	1,393,312
Comm on Uniform State Laws	0214	40,927	45,550
Public Employees Grievance Board	0220	1,152,374	1,093,027
Ethics Commission	0223	720,725	706,575
Public Defender Services	0226	45,519,783	31,711,595
Comm Purchase for Handicapped	0233	2,249	4,055
WV Prosecuting Attorneys Institute	0557	318,742	241,287
Children's Health Insurance Agency	0588	9,064,262	0
Real Estate Division	0610	818,065	901,206
Subtotal		83,463,215	68,151,312

Plus: Reappropriated FY 2016	Less: Mid-year Reduction FY 2016	Total Available FY 2016	Total Request FY 2017 **	Governor's Recommendations FY 2017	Percentage of Total
\$29,298,147	(\$238,088)	\$35,012,265	\$5,952,206	\$5,952,206	0.14%
8,698,734	(356,161)	17,246,604	8,904,031	8,904,031	0.21%
17,260,507	(343,818)	25,715,477	8,798,788	9,165,457	0.21%
55,257,388	(938,067)	77,974,346	23,655,025	24,021,694	0.56%
333,514	0	139,906,009	143,759,670	143,759,670	3.32%
2,385,441	(215,266)	6,980,440	4,810,265	4,594,999	0.11%
55,106	0	626,488	571,382	571,382	0.01%
22,513,059	0	22,513,059	0	0	0.00%
61,447	(127,268)	3,115,873	3,181,694	3,054,426	0.07%
447,849	(129,033)	3,544,631	3,225,815	3,446,782	0.08%
2,209,135	(452,179)	12,186,017	17,004,061	9,976,882	0.23%
3,920,598	(333,396)	11,922,106	8,334,904	8,001,508	0.18%
0	0	722,188	722,188	722,188	0.02%
0	0	54,250	54,250	54,250	0.00%
0	0	98,979	98,979	98,979	0.00%
3,451,551	(206,569)	8,409,219	5,616,915	4,957,668	0.11%
2,178,351	(45,439)	3,260,548	2,127,636	1,082,197	0.03%
0	0	8,342	8,342	8,342	0.00%
37,222,537	(1,509,150)	73,442,140	45,756,431	36,569,603	0.84%
250,629	(10,000)	16,056,164	15,815,535	15,805,535	0.37%
0	0	0	0	43,487,151	1.00%
224,818	0	1,006,235	781,417	781,417	0.02%
738,248	(552,068)	14,603,944	13,240,668	7,763,600	0.18%
0	0	1,039,989	1,039,989	1,039,989	0.02%
200	(55,000)	1,338,512	1,393,312	1,328,312	0.03%
0	0	45,550	45,550	45,550	0.00%
0	0	1,093,027	1,093,027	1,093,027	0.03%
0	0	706,575	706,575	706,575	0.02%
280	(65,000)	31,646,875	49,011,595	31,646,595	0.73%
0	0	4,055	4,055	4,055	0.00%
19,237	0	260,524	241,287	241,287	0.01%
0	0	0	0	0	0.00%
1,500	0	902,706	901,206	836,206	0.02%
1,234,912	(682,068)	68,704,156	84,274,216	104,779,299	2.42%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Acutal Expenditures FY 2015	Total Appropriations FY 2016*
COMMERCE			
Office of the Secretary	0606	340,868	380,467
Forestry	0250	5,351,627	5,463,542
Geological & Economic Survey	0253	3,075,176	2,999,967
Development Office	0256	15,797,646	12,760,566
Division of Labor	0260	2,664,215	2,857,815
Division of Natural Resources	0265	19,599,078	19,824,780
Miners' Health, Safety & Training	0277	12,065,330	13,114,908
Board of Coal Mine Health & Safety	0280	383,831	422,299
WorkForce West Virginia	0572	122,353	65,408
Division of Energy	0612	1,490,378	1,626,031
Occupational Safety and Health	0616	59,278	156,092
Office of Economic Opportunity	0617	109,562	102,417
Subtotal		61,059,342	59,774,292
EDUCATION			
School Lunch Program	0303	2,424,080	2,480,155
FFA-FHA Camp & Conference Center	0306	747,201	750,000
State Department of Education	0313	77,301,551	93,984,914
Aid for Exceptional Children	0314	29,231,520	28,903,583
State Aid to Schools	0317	1,849,569,004	1,752,212,115
State Board of Ed-Vocational Division	0390	31,528,619	31,581,189
Education Performance Audits	0573	1,586,176	1,855,590
WV Schools for the Deaf & the Blind	0320	13,183,770	13,639,961
Subtotal		2,005,571,921	1,925,407,507
EDUCATION AND THE ARTS			
Office of the Secretary	0294	6,688,752	6,752,918
Culture and History	0293	4,776,335	5,006,297
Library Commission	0296	1,529,749	1,664,164
Educational Broadcasting Authority	0300	4,821,602	4,824,333
Division of Rehabilitation Services	0310	14,470,829	14,470,829
Subtotal		32,287,267	32,718,541
ENVIRONMENTAL PROTECTION			
Environmental Quality Board	0270	119,164	104,842
Environmental Protection	0273	6,558,095	6,726,671
Air Quality Board	0550	84,031	77,731
Subtotal		6,761,290	6,909,244

Plus: Reappropriated FY 2016	Less: Mid-year Reduction FY 2016	Total Available FY 2016	Total Request FY 2017 **	Governor's Recommendations FY 2017	Percentage of Total
0	0	380,467	380,467	380,467	0.01%
390,867	(218,542)	5,635,867	5,902,497	2,533,925	0.06%
340,487	(119,999)	3,220,455	2,999,967	2,879,968	0.07%
22,066,082	(510,423)	34,316,225	13,294,760	13,082,215	0.30%
0	(121,331)	2,736,484	2,857,815	2,790,484	0.06%
763,809	(792,992)	19,795,597	21,445,707	19,031,788	0.44%
0	(525,396)	12,589,512	12,946,919	12,421,523	0.29%
0	(31,311)	390,988	376,299	362,488	0.01%
0	(2,622)	62,786	165,408	62,786	0.00%
0	(65,041)	1,560,990	1,616,871	1,551,830	0.04%
0	0	156,092	156,092	156,092	0.00%
0	(4,097)	98,320	102,417	98,320	0.00%
23,561,245	(2,391,754)	80,943,783	62,245,219	55,351,886	1.28%
0	(45,000)	2,435,155	2,480,155	2,435,155	0.06%
0	(30,000)	720,000	750,000	0	0.00%
8,650,503	(3,871,757)	98,763,660	95,879,815	87,424,206	2.02%
2,201,814	(216,319)	30,889,078	29,108,928	28,927,627	0.67%
0	(11,491,278)	1,740,720,837	1,729,209,873	1,709,055,652	39.49%
1,160,891	(589,626)	32,152,454	32,225,269	31,082,477	0.72%
0	(73,824)	1,781,766	1,697,000	1,143,176	0.03%
96,766	(136,400)	13,600,327	14,253,408	13,617,008	0.31%
12,109,974	(16,454,204)	1,921,063,277	1,905,604,448	1,873,685,301	43.29%
1,209,085	(471,500)	7,490,503	6,066,198	6,441,198	0.15%
1,341,382	(128,252)	6,219,427	5,006,297	4,878,045	0.11%
0	0	1,664,164	1,664,164	1,664,164	0.04%
32,649	(120,548)	4,736,434	4,824,333	4,703,785	0.11%
0	0	14,470,829	14,470,829	14,470,829	0.33%
2,583,116	(720,300)	34,581,357	32,031,821	32,158,021	0.74%
0	0	104,842	104,842	104,842	0.00%
0	(276,370)	6,450,301	6,726,671	6,450,301	0.15%
0	0	77,731	77,731	77,731	0.00%
0	(276,370)	6,632,874	6,909,244	6,632,874	0.15%

General Revenue Fund
Overview by Functional Category
(Continued)

DEPARTMENT/Agency	Fund #	Acutal Expenditures FY 2015	Total Appropriations FY 2016*
HEALTH AND HUMAN RESOURCES			
Office of the Secretary	0400	478,200	907,492
Division of Health-Central Office	0407	74,068,101	72,535,918
Consolidated Medical Service Fund	0525	177,567,690	189,175,164
WV Drinking Water Treatment	0561	647,500	647,500
Human Rights Commission	0416	1,047,247	1,115,322
Human Services	0403	775,664,113	916,930,422
Subtotal		1,029,472,851	1,181,311,818
MILITARY AFFAIRS & PUBLIC SAFETY			
Office of the Secretary	0430	2,287,280	2,364,275
Adjutant General - State Militia	0433	14,989,564	14,993,758
Adjutant General - Military Fund	0605	51,147	171,125
Parole Board	0440	1,111,434	1,152,235
Homeland Security Emergency Mgmt	0443	2,895,818	3,171,977
Corrections Central Office	0446	526,989	611,990
Correctional Units	0450	189,023,588	196,080,184
WV State Police	0453	98,802,740	97,778,577
Fire Commission	0436	68,440	69,439
Justice and Community Services	0546	7,960,940	10,564,916
Juvenile Services	0570	34,213,347	32,695,019
Protective Services Division	0585	2,037,034	2,324,904
Subtotal		353,968,321	361,978,399
REVENUE			
Office of the Secretary	0465	662,614	637,638
Tax Division	0470	25,353,336	23,393,625
State Budget Office	0595	717,590	713,001
Athletic Commission	0523	24,958	39,106
Office of Tax Appeals	0593	491,079	538,088
Subtotal		27,249,577	25,321,458
TRANSPORTATION			
State Rail Authority	0506	1,575,542	2,179,801
Public Transit	0510	2,074,835	2,476,279
Public Port Authority	0581	266,443	295,031
Aeronautics Commission	0582	1,168,908	1,178,742
Subtotal		5,085,728	6,129,853
VETERANS ASSISTANCE			
Veterans Affairs	0456	9,917,167	9,733,889
Veterans Home	0460	1,017,548	1,307,530
Subtotal		10,934,715	11,041,419
SENIOR SERVICES			
Bureau of Senior Services	0420	15,957,690	14,063,432

Plus: Reappropriated FY 2016	Less: Mid-year Reduction FY 2016	Total Available FY 2016	Total Request FY 2017 **	Governor's Recommendations FY 2017	Percentage of Total
75,346	0	982,838	807,492	807,492	0.02%
17,420,005	0	89,955,923	75,751,238	69,186,263	1.60%
109,741,755	(10,000,000)	288,916,919	189,851,613	179,175,164	4.14%
0	0	647,500	647,500	647,500	0.01%
0	0	1,115,322	1,150,322	1,115,322	0.03%
83,547	(31,490,440)	885,523,529	1,028,721,539	993,284,457	22.95%
127,320,653	(41,490,440)	1,267,142,031	1,296,929,704	1,244,216,198	28.75%
4,399,214	(214,245)	6,549,244	2,364,275	2,214,275	0.05%
13,077,973	(599,750)	27,471,981	14,993,758	14,394,008	0.33%
0	(6,845)	164,280	171,125	164,280	0.00%
0	0	1,152,235	1,610,585	1,202,235	0.03%
858,523	(150,000)	3,880,500	3,171,977	3,045,097	0.07%
0	0	611,990	611,990	611,990	0.01%
44,469,761	(8,500,000)	232,049,945	239,755,559	188,212,497	4.35%
3,695,254	(3,802,134)	97,671,697	103,233,364	95,031,126	2.20%
0	0	69,439	69,439	66,661	0.00%
3,945,804	(450,000)	14,060,720	11,564,916	10,142,319	0.23%
1,069,340	0	33,764,359	41,022,519	39,253,070	0.91%
3,495,053	(57,810)	5,762,147	2,624,904	2,241,250	0.05%
75,010,922	(13,780,784)	423,208,537	421,194,411	356,578,808	8.24%
275,297	(25,506)	887,429	637,638	612,132	0.01%
11,427,360	(935,745)	33,885,240	29,793,625	22,457,880	0.52%
1,102,282	(50,044)	1,765,239	713,001	662,957	0.02%
0	(1,564)	37,542	233,360	37,542	0.00%
7,569	0	545,657	538,088	538,088	0.01%
12,812,508	(1,012,859)	37,121,107	31,915,712	24,308,599	0.56%
1,648,972	(25,000)	3,803,773	2,179,801	2,154,801	0.05%
3,456,192	(128,710)	5,803,761	2,476,279	2,347,569	0.05%
1,180,461	(18,315)	1,457,177	295,031	276,716	0.01%
2,509,603	(73,169)	3,615,176	1,178,742	1,105,573	0.03%
8,795,228	(245,194)	14,679,887	6,129,853	5,884,659	0.14%
2,682,923	(391,657)	12,025,155	9,833,889	9,342,232	0.22%
0	(50,000)	1,257,530	1,307,530	1,157,530	0.03%
2,682,923	(441,657)	13,282,685	11,141,419	10,499,762	0.24%
0	(562,537)	13,500,895	14,063,432	13,931,598	0.32%

General Revenue Fund Overview by Functional Category (Continued)

DEPARTMENT/Agency	Fund #	Acutal Expenditures FY 2015	Total Appropriations FY 2016*
HIGHER EDUCATION			
HEPC-Administration	0589	74,739,272	68,572,438
WVNET	0551	1,720,914	1,696,561
WVU-School of Medicine	0343	23,822,144	22,227,072
West Virginia University	0344	116,170,715	113,268,962
Marshall University-School of Medicine	0347	14,480,073	14,008,822
Marshall University	0348	50,651,681	49,842,942
WV School of Osteopathic Medicine	0336	7,779,000	7,753,046
Bluefield State College	0354	5,856,558	5,815,119
Concord University	0357	9,040,548	8,933,744
Fairmont State University	0360	15,842,394	15,668,202
Glenville State College	0363	6,318,177	6,034,427
Shepherd University	0366	9,941,104	9,831,330
West Liberty University	0370	8,255,151	8,196,740
West Virginia State University	0373	12,053,981	11,956,850
Council for C&T College Education	0596	8,926,502	7,349,728
Mountwest C&T College	0599	5,855,049	5,687,484
New River C&T College	0600	5,681,907	5,641,703
Pierpont C&T College	0597	7,584,426	7,530,761
Blue Ridge C&T College	0601	4,640,378	4,607,544
WVU at Parkersburg	0351	9,858,752	9,788,994
Southern WV C&T College	0380	8,321,687	8,203,924
WV Northern C&T College	0383	7,125,451	7,075,033
Eastern WV C&T College	0587	1,895,244	1,881,834
BridgeValley C&T College	0618	7,774,924	7,719,911
Subtotal		424,336,032	409,293,171

TOTAL GENERAL REVENUE

\$4,256,238,532 \$4,303,056,719

* Total Appropriations FY 2016 include surplus appropriations of \$6,417,316.

**** Total Request FY 2017 is Current-Level Request plus General Revenue Improvement Requests.**

Plus: Reappropriated FY 2016	Less: Mid-year Reduction FY 2016	Total Available FY 2016	Total Request FY 2017 **	Governor's Recommendations FY 2017	Percentage of Total
6,121,161	(184,163)	74,509,436	72,072,438	68,524,124	1.58%
0	(67,862)	1,628,699	1,696,561	1,628,699	0.04%
344,233	(889,083)	21,682,222	22,227,072	21,137,989	0.49%
171,671	(4,530,759)	108,909,874	113,268,962	108,738,203	2.51%
53,950	(560,352)	13,502,420	14,008,822	13,448,470	0.31%
1,205,703	(1,993,717)	49,054,928	49,842,942	47,849,225	1.11%
271,590	(310,122)	7,714,514	7,753,046	7,442,924	0.17%
0	(232,605)	5,582,514	5,815,119	5,582,514	0.13%
0	(357,350)	8,576,394	8,933,744	8,576,394	0.20%
0	(626,728)	15,041,474	15,668,202	15,041,474	0.35%
0	(241,377)	5,793,050	6,034,427	5,793,050	0.13%
0	(393,253)	9,438,077	9,831,330	9,438,077	0.22%
0	(327,870)	7,868,870	8,196,740	7,868,870	0.18%
0	(478,274)	11,478,576	11,956,850	11,478,576	0.27%
1,064,333	(293,991)	8,120,070	19,349,728	7,055,737	0.16%
0	(227,499)	5,459,985	5,687,484	5,459,985	0.13%
0	(225,668)	5,416,035	5,641,703	5,416,035	0.13%
0	(301,230)	7,229,531	7,530,761	7,229,531	0.17%
0	(184,302)	4,423,242	4,607,544	4,423,242	0.10%
0	(391,560)	9,397,434	9,788,994	9,397,434	0.22%
0	(328,157)	7,875,767	8,203,924	7,875,767	0.18%
0	(283,001)	6,792,032	7,075,033	6,792,032	0.16%
0	(75,273)	1,806,561	1,881,834	1,806,561	0.04%
0	(308,796)	7,411,115	7,719,911	7,411,115	0.17%
9,232,641	(13,812,992)	404,712,820	424,793,171	395,416,028	9.14%
\$368,157,561	(\$94,318,376)	\$4,576,895,904	\$4,510,403,776	\$4,327,794,000	100.00%

General Revenue Fund
Recommended Surplus Supplemental Appropriations
FY 2016
(Nearest Dollar)

Public Defender - Appointed Counsel billings are exceeding FY 2016 appropriations	\$15,300,000
DHHR - IV-E Demonstration Waiver Project - Evaluator contract	292,000
DHHR - RAPIDS - Increased costs related to shift in TANF cases	900,000
DHHR - Birth-to-Three Program - Increase in number of children being referred	3,200,000
Parole Board - Additional funding needed for attorney services	50,000
Juvenile Services - Resident Medical Payments - FY 2016 base funding is insufficient	5,000,000
Juvenile Services - Northern Regional Juvenile Center - FY 2016 base funding is insufficient	1,300,000
Juvenile Services - Youth Reporting Centers - Creating 5 additional centers	<u>867,500</u>
Recommended General Revenue Surplus Supplementals - FY 2016	<u>\$26,909,500</u>

General Revenue Fund
Recommended Supplemental Appropriations
FY 2016
(Nearest Dollar)

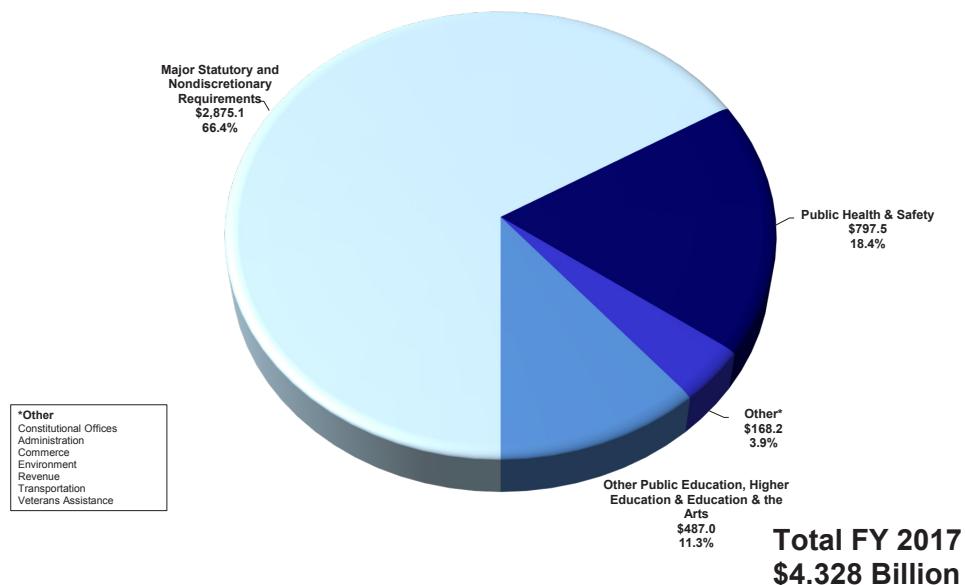
DHHR - Medicaid - Move General Revenue Funding to Regular Lottery	(9,810,000)
DHHR - Medicaid - Move General Revenue Funding to Excess Lottery	(\$10,090,000)
DHHR - Medicaid - Move General Revenue Funding to Senior Services Regular Lottery (FY 2016 Surplus)	(\$6,405,746)
Senior Services - Medicaid - Move General Revenue Funding to Regular Lottery (FY 2016 Surplus)	(7,594,254)
DHHR - Medicaid - Move General Revenue Funding to Excess Lottery (FY 2016 Surplus)	<u>(\$20,000,000)</u>
Recommended General Revenue Supplementals - FY 2016	<u>(\$53,900,000)</u>

General Revenue Major Statutory and Nondiscretionary Requirements Fiscal Year 2017

Each year there are several major statutory and nondiscretionary requirements that limit the flexibility of any discretionary recommendations by the Governor. The FY 2017 Executive Budget recommendations include expenditures of \$2.9 billion of these major requirements and make up 66% of the total General Revenue funds available.

Items that fall in the discretionary spending category, which make up 34% of the total General Revenue funds available, are considered necessary for public health, safety, and education of West Virginia citizens and may include but are not limited to: Division of Corrections, West Virginia State Police, Behavioral Health, Rehabilitation Services, 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	\$24.0
JUDICIAL BRANCH	115.1
DEPARTMENT OF EDUCATION	
State Aid to Schools	1,100.3
Public Employees Insurance Agency (School Aid Formula)	<u>212.1</u>
	1,312.4
DEBT SERVICE	
School Building Authority	23.4
Lease Rental Payments for debt service on correctional facilities	<u>15.0</u>
	38.4
SOCIAL SECURITY MATCHING	52.2
PUBLIC EMPLOYEES INSURANCE AGENCY	157.2
RETIREMENT	
Judges' Retirement	2.9
Public Employees Retirement	57.9
Teachers' Retirement	376.0
Trooper Retirement	18.5
Higher Education Retirement	<u>15.9</u>
	471.2
PUBLIC DEFENDER SERVICES	31.5
MEDICAID	673.1
	<u>\$2,875.1</u>
(Expressed in Millions)	Total



**Lottery Fund
Overview by Functional Category
FY 2015 through FY 2017
(Nearest Dollar)**

DEPARTMENT/Agency Description	Fund #	Actual Expenditures FY 2015	Total Appropriations FY 2016
ADMINISTRATION			
Education, Arts, Sciences, & Tourism Debt Service Fund	2252	\$9,995,296	\$10,000,000
COMMERCE			
Division of Tourism	3067	7,694,220	8,000,306
Division of Natural Resources	3267	4,204,593	3,188,852
Subtotal		11,898,813	11,189,158
EDUCATION			
State Department of Education	3951	16,739,161	17,952,526
School Building Authority	3963	17,999,999	18,000,000
Subtotal		34,739,160	35,952,526
EDUCATION AND THE ARTS			
Office of the Secretary	3508	1,585,304	1,586,412
Culture and History	3534	4,883,104	4,745,102
Library Commission	3559	11,576,964	11,420,993
Subtotal		18,045,372	17,752,507
SENIOR SERVICES			
Bureau of Senior Services	5405	78,789,665	59,217,320
HIGHER EDUCATION			
CTC - Capital Improvement Fund	4908	5,682,527	5,000,000
Higher Education Policy Commission	4925	3,017,751	3,146,564
West Virginia University	4185	3,740,988	3,488,143
Marshall University	4267	26,143	0
Marshall-School of Medicine	4896	635,497	579,782
Subtotal		13,102,906	12,214,489
TOTAL LOTTERY		\$166,571,212	\$146,326,000

*Total Request FY 2017 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2016	Total Available FY 2016	Total Request FY 2017 *	Governor's Recommendation FY 2017	Percentage of Total
\$0	\$10,000,000	\$10,000,000	\$10,000,000	7.38%
2,921,548	10,921,854	8,000,306	7,759,294	5.72%
2,359,531	5,548,383	3,188,852	3,061,298	2.26%
5,281,079	16,470,237	11,189,158	10,820,592	7.98%
16,762,330	34,714,856	19,554,226	17,960,226	13.25%
0	18,000,000	18,000,000	18,000,000	13.28%
16,762,330	52,714,856	37,554,226	35,960,226	26.53%
625,366	2,211,778	2,032,912	1,186,412	0.88%
1,501,927	6,247,029	4,745,102	4,745,102	3.50%
774,233	12,195,226	11,420,993	11,420,993	8.42%
2,901,526	20,654,033	18,199,007	17,352,507	12.80%
2,715,711	61,933,031	49,217,320	49,349,154	36.40%
1,475,146	6,475,146	5,000,000	5,000,000	3.69%
1,519,992	4,666,556	3,146,564	3,010,715	2.22%
2,099,604	5,587,747	3,488,143	3,488,143	2.57%
17,188	17,188	0	0	0.00%
135,769	715,551	579,782	579,782	0.43%
5,247,699	17,462,188	12,214,489	12,078,640	8.91%
\$32,908,345	\$179,234,345	\$138,374,200	\$135,561,119	100.00%

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

Balance @ July 1, 2014	\$66,800,087
Less: Reserve for Cash Flow / Contingencies	(40,000,000)
Plus: FY 2015 Actual Revenue	161,301,029
Less: Veterans Fund - Actual Transfers	(510,503)
Less: FY 2015 Appropriations (FY 2015 Budget Bill)	(140,976,000)
Plus: FY 2015 Appropriations (FY 2015 Budget Bill) vetos	4,555,375
Less: FY 2015 Supplemental Appropriation (HB 2760)	(31,355,462)
Plus: Cash not needed for FY 2015 Appropriations	<u>9,275</u>
Unappropriated Balance @ June 30, 2015	\$19,823,801
Plus: FY 2016 Revenue Estimate	\$136,726,000
Less: Veterans Fund	(400,000)
Less: FY 2016 Appropriations (FY 2016 Budget Bill)	(136,326,000)
Plus: FY 2016 Appropriations (FY 2016 Budget Bill) vetos	0
Plus: Cash not needed for FY 2016 Appropriations	6,425
Less: FY 2016 Supplemental Appropriation from Surplus (2015 Regular Session)	(10,000,000)
Less: Recommended additional FY 2016 Supplemental Appropriation (2016 Regular Session)	<u>(9,810,000)</u>
Estimated Unappropriated Balance @ June 30, 2016	\$20,226
Plus: FY 2017 Revenue Estimate	\$135,961,119
Less: Veterans Fund	<u>(400,000)</u>
Revenue Available for FY 2017 Appropriations	\$135,581,345
Less: Recommended FY 2017 Appropriations (FY 2017 Budget Bill)	<u>(135,561,119)</u>
Estimated Unappropriated Balance @ June 30, 2017	<u>\$20,226</u>

Note: The Governor also recommends Lottery FY 2017 Surplus Appropriations of up to \$14,000,000 for Medicaid from any unappropriated balance remaining at the end of FY 2016.

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

Balance @ July 1, 2014	\$74,684,129
Less: Reserve for Cash Flow / Contingencies	(5,900,000)
Less: Catastrophic Event Contingency	(30,000,000)
Plus: FY 2015 Actual Revenue	347,013,506
Less: FY 2015 Appropriations (FY 2015 Budget Bill)	(241,651,000)
Less: FY 2015 Appropriation from surplus available at end of FY 2014	(29,111,465)
Less: FY 2015 Supplemental Appropriation (SB 2003)	(77,267,433)
Less: FY 2015 Supplemental Appropriation (HB 2770)	(9,672,664)
Plus: Cash not needed for FY 2015 Appropriations	20,259
Unappropriated Balance @ June 30, 2015	\$28,115,332
Plus: FY 2016 Revenue Estimate	300,381,000
Less: FY 2016 Appropriations (FY 2016 Budget Bill)	(300,381,000)
Less: FY 2016 Appropriations (FY 2016 Budget Bill) vetos	2,000,000
Less: FY 2016 Supplemental Appropriation from Surplus (2015 Regular Session)	(20,000,000)
Less: Recommended additional FY 2016 Supplemental Appropriation (2016 Regular Session)	(10,090,000)
Plus: Cash not needed for FY 2016 Appropriations	19,897
Estimated Unappropriated Balance @ June 30, 2016	\$45,229
Plus: FY 2017 Revenue Estimate	284,459,230
Less: Recommended FY 2017 Appropriations (2017 Budget Bill)	(284,459,230)
Estimated Unappropriated Balance @ June 30, 2017	\$45,229

Note: The Governor also recommends Excess Lottery FY 2017 Surplus Appropriations of up to \$20,000,000 for Medicaid from any unappropriated balance remaining at the end of FY 2016.

**Excess Lottery Fund
Overview by Functional Category
FY 2015 through FY 2017
(Nearest Dollar)**

DEPARTMENT/Agency Description	Fund #	Actual	Total	
		Expenditures FY 2015	Appropriations FY 2016	
STATUTORY APPROPRIATIONS:				
DEBT SERVICE AND CAPITAL PROJECTS (State Parks Improvements, Public Education Facilities, and Infrastructure Projects)				
Economic Development Authority	9065	\$18,985,964	\$19,000,000	
Higher Education Improvement Fund	4297	15,000,000	15,000,000	
School Building Authority	3514	18,993,777	19,000,000	
Division of Natural Resources	3277	6,006,828	5,000,000	
Infrastructure Council	3390	26,000,000	36,000,000	
Subtotal		84,986,569	94,000,000	
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:		190,986,569	200,000,000	
APPROPRIATIONS ABOVE EXCESS LOTTERY STATUTORY REQUIREMENTS:				
Office of the Governor	1046	10,000	0	
Transfer to General Revenue	7208	27,600,000	18,355,000	
Distributions to Statutory Funds and Purposes	7213	69,970,651	65,603,860	
Teachers' Retirement Fund-Unfunded Liability	3517	4,051,000	0	
WV Development Office	3170	80,000	0	
Division of Health	5219	0	0	
Child Advocacy Centers	6809	200,000	0	
Division of Corrections-Capital	6283	96,479	0	
Human Services-Medical Services	5365	36,769,446	34,422,140	
Higher Education-Advanced Technology Centers	4932	6,437,731	0	
TOTAL APPROPRIATIONS ABOVE STATUTORY REQUIREMENTS:		145,215,307	118,381,000	
TOTAL EXCESS LOTTERY		\$336,201,876	\$318,381,000	

*Total Request FY 2017 is Current-Level Request plus Improvement Requests.

Plus: Reappropriated FY 2016	Total Available FY 2016	Total Request FY 2017*	Governor's Recommendation FY 2017	Percentage of Total
\$0	\$19,000,000	\$19,000,000	\$19,000,000	6.68%
0	15,000,000	15,000,000	15,000,000	5.27%
0	19,000,000	19,000,000	19,000,000	6.68%
11,663,440	16,663,440	5,000,000	5,000,000	1.76%
0	36,000,000	46,000,000	36,000,000	12.66%
11,663,440	105,663,440	104,000,000	94,000,000	33.05%
0	10,000,000	10,000,000	10,000,000	3.52%
0	65,000,000	65,000,000	65,000,000	22.85%
0	29,000,000	29,000,000	29,000,000	10.19%
0	2,000,000	2,000,000	2,000,000	0.70%
0	106,000,000	106,000,000	106,000,000	37.26%
11,663,440	211,663,440	210,000,000	200,000,000	70.31%
110,685	110,685	0	0	0.00%
0	18,355,000	7,277,985	0	0.00%
0	65,603,860	67,181,245	67,181,245	23.62%
0	0	0	0	0.00%
3,867,548	3,867,548	0	0	0.00%
464,664	464,664	0	0	0.00%
0	0	0	0	0.00%
1,545,408	1,545,408	0	0	0.00%
0	34,422,140	0	17,277,985	6.07%
6,002,858	6,002,858	0	0	0.00%
11,991,163	130,372,163	74,459,230	84,459,230	29.69%
\$23,654,603	\$342,035,603	\$284,459,230	\$284,459,230	100.00%

State Road Fund
Statement of Revenues by Source
FY 2013 Through FY 2019
(Expressed in Thousands)

Source of Revenue	FY 2013 Actual Collections	FY 2014 Actual Collections	FY 2015 Actual Collections	Revised FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
Gasoline and Motor Carrier Road Tax	\$408,914	\$441,096	\$434,854	\$419,800	\$388,200	\$365,700	\$380,700
Registration Fees	90,252	97,329	100,600	92,286	92,068	90,852	90,852
Registration Fee: Highway Litter Control	1,724	1,830	1,518	1,742	1,727	1,719	1,719
Sales (Privilege) Tax	187,437	194,463	206,027	189,031	189,575	190,288	190,288
Less Transfer to Industrial Access Road Fund	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Miscellaneous Income	36,127	17,515	21,391	33,895	36,310	36,985	36,985
Federal Reimbursement:							
Interstate Construction	88,574	97,877	58,865	73,100	74,500	76,200	78,000
Other Federal Aid Programs	275,937	248,307	243,540	277,800	353,500	289,700	296,600
Appalachian Program	67,562	57,571	47,256	92,100	94,000	96,100	98,400
Federal Economic Stimulus	1,420	1,207	0	0	0	0	0
Total	\$1,154,947	\$1,154,195	\$1,111,051	\$1,176,754	\$1,226,880	\$1,144,544	\$1,170,544

State Road Fund
Statement of Revenues, Expenditures,
and Changes in Cash Balance
(Nearest Dollar)

Cash and Investment Balance - July 1, 2015	\$145,378,221
Plus: Revenue Estimate - FY 2016 (revised 1/13/2016)	<u>1,176,754,000</u>
Total Estimated Receipts and Balance	<u>\$1,322,132,221</u>
Less: FY 2016 Appropriations (FY 2016 Budget Bill) - Division of Highways	(\$1,139,861,000)
FY 2016 Appropriations (FY 2016 Budget Bill) - Division of Motor Vehicles	(43,378,729)
FY 2016 Appropriations (FY 2016 Budget Bill) - Office of Administrative Hearings	(1,951,979)
Claims Against the State Road Fund (FY 2016 Budget Bill)	(730,433)
Recommended FY 2016 Supplemental Appropriation (2016 Regular Session)	<u>(92,500,000)</u>
Estimated Balance - June 30, 2016	<u>\$43,710,080</u>
Plus: Revenue Estimate - FY 2017	\$1,226,880,000
Less: Recommended FY 2017 Appropriations (FY 2017 Budget Bill) - Division of Highways	(\$1,209,076,000)
Recommended FY 2017 Appropriations (FY 2017 Budget Bill) - Division of Motor Vehicles	(43,378,729)
Recommended FY 2017 Appropriations (FY 2017 Budget Bill) - Office of Administrative Hearings	(1,951,979)
Claims Against the State Road Fund (FY 2017 Budget Bill)	(1,100,000)
Estimated Unappropriated Balance @ June 30, 2017	<u>\$15,083,372</u>

Summary of Primary Government Long-Term Debt Outstanding as of June 30, 2015 (Expressed in Thousands)

	Actual 6/30/13*	Actual 6/30/14*	Actual 6/30/15*	Estimated 6/30/16*	Estimated 6/30/17*
General Obligation Debt					
Road Bonds	\$245,365	\$220,525	\$168,845	\$166,385	\$151,160
Infrastructure Bonds	228,442	217,044	200,961	188,347	175,130
SUBTOTAL	473,807	437,569	369,806	354,732	326,290
Revenue Bonds					
School Building Authority	158,160	142,535	126,190	109,075	91,040
School Building Authority (Lottery)	75,615	84,725	74,840	70,685	66,395
School Building Authority (Excess Lottery)	112,420	108,060	103,520	98,780	93,830
School Building Authority, QSCBs (Excess Lottery)	150,480	150,480	150,480	150,480	150,480
Tobacco Settlement Finance Authority	859,596	857,125	855,075	855,075	855,075
Highways, Commissioner of	77,000	52,525	26,875	0	0
2010 EAST Fund (Lottery)	148,250	145,370	142,360	139,230	135,940
Economic Development Authority (Lottery)	173,070	163,830	154,170	144,065	133,415
WV Infrastructure and Jobs Development Council	113,915	111,205	184,375	178,340	173,135
SUBTOTAL	1,868,506	1,815,855	1,817,885	1,745,730	1,699,310
Capital Leases & Notes Payable					
Governmental Funds	265,633	252,031	238,073	224,166	209,524
Internal Service**	3,186	3,078	33,815	33,595	32,925
Notes Payable**	21,440	16,086	8,313	3,718	1,207
SUBTOTAL	290,259	271,195	280,201	261,479	243,656
TOTAL	\$2,632,572	\$2,524,619	\$2,467,892	\$2,361,941	\$2,269,256

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

**6/30/15 figures are estimated for those items.

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, 2015, the fund contained \$482 million, 11.2% of FY 2016 appropriations. This amount includes \$60 million currently on loan, for cash flow purposes, to the General Fund and is to be repaid in January 2016.

Since the fund was created in 1994, \$752 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. For the first time, in FY 2015, the fund was accessed to help balance the budget, transferring \$100 million to the Medical Services Trust Fund to be used as state matching funds for West Virginia's Medicaid Program. In the FY 2016 Budget Bill, \$14.8 million was appropriated for transfer to the Medical Services Trust Fund. To help close the anticipated FY 2016 shortfall, the Governor recommends that an additional \$51.8 million be transferred to the General Fund. The Governor recommends no transfer in his FY 2017 Budget from the Rainy Day Fund.

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. As of December 31, 2015, there is \$60 million on loan, for cash flow purposes, to the General Revenue Fund which is to be repaid in January 2016.

Because of an expected cash flow shortfall experienced each year in the first quarter of the fiscal year, the Governor has borrowed from the fund at the beginning of each fiscal 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.

In FY 2016, the usual loan was made for cash flow purposes at the beginning of the fiscal year; however, due to current extraordinary cash flow challenges, additional loans of \$60 million each were made on October 1, 2015 (repaid October 28, 2015) and on October 29, 2015 (to be repaid in January 2016).

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 money in the Rainy Day Fund have been first expended. After June 30, 2025, interest and other return earned on money 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, 2015, the balance in the Rainy Day Fund—Part B was \$380 million.

Major Reserve/Stabilization Accounts

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.

The balance in the Income Tax Refund Reserve Fund at the beginning of FY 2016 was \$8 million. This \$8 million remains available for payment of Personal Income Tax refunds. Possible use of these funds during FY 2016 could be a part of the overall solution to closing any possible revenue shortfall at the end of FY 2016.

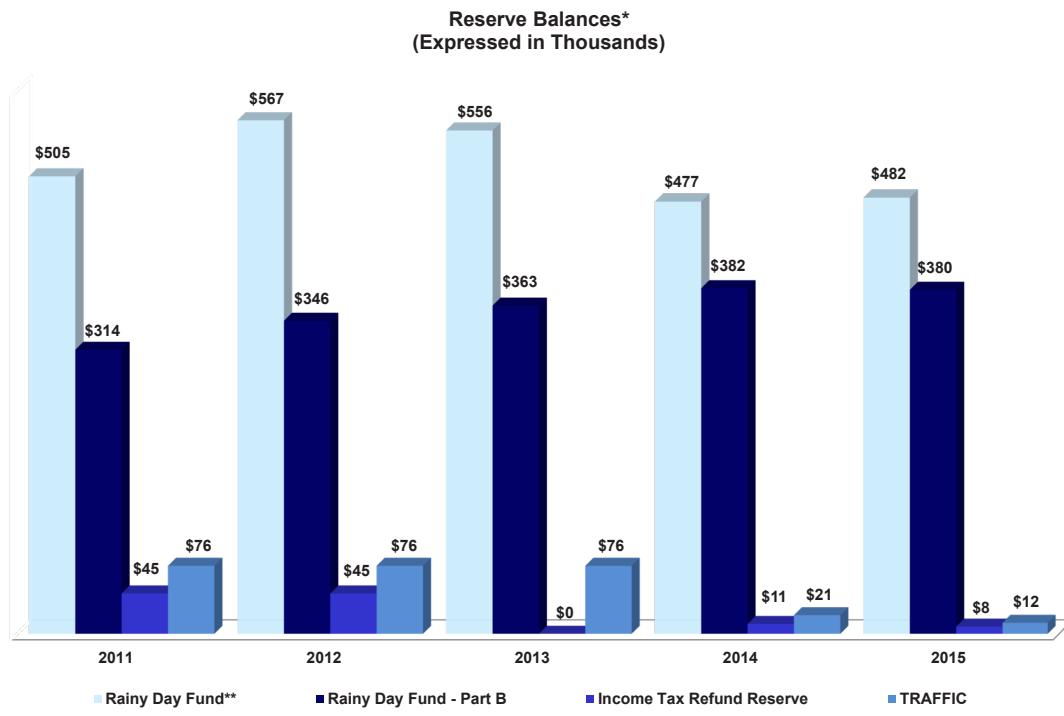
The state tax commissioner is responsible for determining the balance needed in the fund to ensure timely income tax refunds.

Tax Reduction and Federal Funding Increased Compliance (TRAFFIC)

During the 1995 session of the West Virginia Legislature, the initial appropriation was made to the 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, \$156.707 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). In FY 2014, an additional \$55.057 million was expired to the General Revenue Unappropriated and Surplus balances to help fund supplemental appropriations. And in FY 2015, \$7.5 million was expired to the General Revenue Unappropriated balance to help in balancing FY 2015's budget.

As of December 31, 2015, \$12.15 million remains available for use as the Legislature and Governor may determine.



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 2014 and FY 2015, increasing \$8.3 million (1.13%). Motor Fuel Excise Tax collections fell during FY 2015 by \$6.2 million (1.42%). However, Vehicle Sales Tax and Registration Fee collections both increased in FY 2015—\$11.6 million (5.95%) and \$3.3 million (3.36%), respectively. Finally, the Highway Litter Fee collections also showed a decrease in FY 2015—\$312,000 (17.07%). Neither the Department of Revenue nor the Department of Transportation projects any substantial growth in revenues through FY 2020. 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 continuing to deteriorate. 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 12-year average cycle requires approximately 1,880 miles to be paved annually. Based on an average cost of \$220,000 per mile, nearly \$414 million will need to be committed annually to achieve this 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 passage of Moving Ahead for Progress in the 21st Century (MAP-21) in June 2012, which provided federal-aid funding for surface transportation for FFY 2013 and FFY 2014, a long-term funding solution for the Highway Trust Fund continues to be a major concern. 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 this legislation allowed the agency to plan and implement infrastructure initiatives over the past two years, 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. To allow more time for development and consideration of a long-term reauthorization, Congress has authorized short term extensions to MAP-21.

MAP-21 created a streamlined and performance-based program through consolidation which provided more flexibility to states in how they use their funds. However, it failed to either significantly increase the amount of federal funding available for highway and bridge projects or to dedicate funding for long-standing 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.

CDM Smith 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 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

Long-Range Issues (Continued)

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

Public transportation systems that serve all individuals are critical to the state's citizens who are elderly, ill, economically disadvantaged, or for other reasons cannot or choose not to drive a vehicle. Over six million rides, equivalent to three times the state's population, were provided on West Virginia public transit in FY 2015, making public transit an often used, 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 maintenance/addition of service areas in West Virginia will be heavily dependent upon the investments made by the state and federal government. Public transit funding is provided under the same federal legislation that funds highways. During the MAP-21 federal transportation legislation implementation, significant changes have occurred in the federal transit programs with programs repealed, consolidated, and streamlined. Flat, or reduced, federal transit funding remains a possibility.

These federal transit 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. Therefore, preserving the state's contribution to this essential service must be a priority.

West Virginia Regional Jail and Correctional Facility Authority

The West Virginia Regional Jail and Correctional Facility Authority has two fundamental missions: (1) operating the regional jails and (2) 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 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 FY 1995 and another \$10 million in FY 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 the continued construction of correctional and detention facilities. The Legislature created a special revenue fund (for up to \$20 million per year of current insurance taxes) to repay PERS for the capital invested and investment earnings.

Long-Range Issues (Continued)

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, Denmar Correctional Center, and Pruntytown Correctional Center, including the warden's residence located at the facility. The second series funded the \$6 million dormitory and Prison Industries construction at the Lakin Correctional Center for Women and the \$6 million James "Tiger" Morton Juvenile Center.

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

In January 2004, the final series of these lease revenue bonds was 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 \$3.8 billion in projects have been funded to date by leveraging council funds with federal and other sources. Projects approved by the council 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 \$2.3 billion from other sources of funding.

There are approximately \$600 million in wastewater and water projects that have been deemed technically feasible that are awaiting financing.

The Infrastructure and Jobs Development Council currently has \$108,585,000 in bonds outstanding. A selected, defined portion of repayments from loans has been dedicated to pay debt service for the bond issues.

In October 2014, the Infrastructure Excess Lottery Revenue Bonds closed in the amount of \$75,790,000. This provides grants to fund a portion of the cost for 12 Chesapeake Bay/Greenbrier Watershed projects which total in excess of \$257 million. Excess lottery funds are dedicated to pay the annual debt service for this bond issue.

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 to over \$3 billion due to the continued rise in construction costs and the deterioration of building and building systems.

To meet the immediate facility needs of county boards of education, the West Virginia Legislature authorized the School Building Authority (SBA) to issue four series of bonds. These four bond series produced approximately \$304 million for school

Long-Range Issues (Continued)

construction, renovation, and repair. The annual debt service requirement for these bonds is approximately \$23.5 million funded from the General Revenue Fund through the fiscal year ending June 30, 2021. When these bonds are retired, the West Virginia Code mandates that \$24 million will be dedicated annually to the SBA pay-as-you-go program.

In the fiscal year ended June 30, 1995, the West Virginia Legislature authorized the SBA to issue additional bonds secured by the net profits of the regular lottery fund. This allocation of \$18 million per year has allowed the SBA to issue five series of bonds that have provided \$365 million for school construction, renovation, and repair through June 30, 2015.

Beginning in fiscal year 1996, the West Virginia Legislature initiated a “pay-as-you-go” program to continue funding school construction without continued issuance of debt. The SBA has received annual funding for both new school construction and major improvements to existing facilities. This funding, statutorily dedicated from Consumer Sales Tax revenues, currently provides the SBA with \$32 million per year.

During the 2001 Legislative Session, additional annual funding was dedicated from the net profits of the Excess Lottery for the SBA’s Debt Service Fund, but stipulated that this money was to be used for the “pay-as-you-go” program until the sale of bonds was authorized by the West Virginia Legislature. During the course of the 2008 legislative session, the SBA was authorized to utilize these funds to sell additional bonds. This allocation of \$19 million per year has allowed the SBA to issue five series of bonds that have provided \$259 million for school construction, renovation, and repair through June 30, 2015.

During the 2007 Legislative Session, 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 West Virginia Legislature allocated \$10 million per year for fiscal years 2008, 2009, and 2010 and allocated \$5 million in the fiscal year ended June 30, 2011. Thirty-one and a half million of the \$35 million was allocated to each county based on their net enrollment. Three and a half million of the \$35 million was dedicated to tactical surveys of West Virginia schools.

The SBA has adopted a 15-year funding plan that provides for level funding cycles in future years. Due to the declining net profits of the Excess Lottery, this funding scenario will utilize that allocation in the pay-as-you-go program when the bonds secured by this revenue stream are retired.

Since the inception of the SBA, over \$1.8 billion in state dollars and \$1.5 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.

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. An aging population, new and more costly medical technologies, and 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 reported by the National Center for Health Statistics by the West Virginia Health Statistics Center, in 2013 West Virginia had the highest mortality crude rate per 100,000 population of all states including the District of Columbia. West Virginia also had the highest mortality rates in cancer, chronic lower respiratory disease, all accidental deaths, diabetes, and drug overdose deaths (regardless of intent). West Virginia also ranked third in stroke mortality and 4th in heart disease. And finally, West Virginia ranked sixth in motor vehicle accidental deaths.

According to the Centers for Disease Control and Prevention and the West Virginia Health Statistics Center, data from the 2014 Behavioral Risk Factor Surveillance System (BRFSS) indicate that West Virginia ranks high in the nation in the prevalence of several chronic diseases and risk factors for disease. West Virginia had the highest prevalence in the nation of current smoking (26.7%), disability (29.1%), heart attack (7.4%), heart disease (7.8%), cardiovascular disease (14.1%), diabetes (14.1%), chronic obstructive pulmonary disease (13.5%), and arthritis (40.0%). West Virginia had the second highest prevalence in the nation of fair or poor health (25.8%), smokeless tobacco use (8.5%), and obesity (35.7%). The prevalence of stroke was 4.6% which ranked West Virginia

Long-Range Issues (Continued)

third highest in the nation. West Virginia had the fourth highest prevalence of depression (23.6%), kidney disease (3.6%), and no leisure time physical activity (28.7%). West Virginia had the fifth highest prevalence of cancer in the nation (13.7%). The prevalence of current asthma was 11.0%, making it the sixth highest in the nation. On a positive note, the state's binge drinking prevalence was 9.6% which was the lowest in the nation, and the prevalence of heavy drinking was 3.6% or second lowest in the nation. Questions on hypertension and high cholesterol were not asked in 2014, but data from the 2013 BRFSS indicates that West Virginia had the second highest prevalence of hypertension (41.0%) and the third highest prevalence of high cholesterol (42.9%).

Focusing on two particularly problematic areas in West Virginia's poor population health statistics, smoking rates and obesity significantly impair our citizens' quality of life and cost West Virginian's billions of dollars each year. The West Virginia Department of Health and Human Resources, through the leadership of the Bureau for Public Health (BPH) in partnership with a broad array of stakeholders, has set forth goals to mitigate these problems, which if successful, could save West Virginians millions of dollars annually.

In 2013, approximately 400,000 West Virginians smoked cigarettes. It is estimated by the West Virginia Bureau for Public Health that our extraordinarily high smoking rates costs West Virginia over \$1.8 billion each year. BPH conservatively estimates that if West Virginia's current smoking prevalence among adults is reduced just one percent, West Virginia could save \$26 million a year in preventable health care costs. This estimate does not factor in lost work productivity due to poor health stemming from cigarettes.

West Virginia had the highest (second highest BRFSS, 2014) obesity rate in the nation with 35.1% of the adult population being clinically obese (BRFSS, 2013). Extrapolating from the American Journal of Public Health Research on Obesity in West Virginia, the prevalence of obesity in the Mountain State is estimated to have cost \$668 million in 2008, \$1.1 billion in 2013, and is expected to grow to \$2.4 billion by 2018.

Based on nationally acclaimed methodology out of the George Washington University School of Public Health and Health Services Department of Health Policy (Dor, Cost Per Person, 2010), it may be estimated that if obesity in West Virginia was reduced by just 1%, then \$52,613,430 (2009 dollars) direct and indirect expenses could be saved in West Virginia annually. The Bureau for Public Health has set a more aggressive obesity reduction target for 2020 of 33%. It may be estimated that if West Virginia's 2020 target level of obesity is reduced to 33% from the 2013 proportion of 35.1%, then \$110,488,203 of costs attributable to obesity will be saved annually. These savings would be shared by public and private payers, employers, and individuals.

Medicaid

The West Virginia Medicaid Program provides insurance coverage to approximately 620,000 West Virginians over the course of a year and approximately 525,000 at any point in time. Children comprise 35% of the Medicaid population, while 16% are categorized as blind and disabled, 41% are adults, and the remaining 8% defined as the elderly. Effective January 1, 2014, the West Virginia Medicaid Program expanded coverage under the Affordable Care Act. In FY 2015, there were approximately 165,000 additional members due to expansion (which are included in the total above). Despite the higher than expected total enrollment in Medicaid expansion, in large part a consequence of the West Virginia economy, the Medicaid program has been able to reduce annual per capita costs by several hundred dollars below what independent actuaries originally projected. The expansion population consists of individuals aged 19 to 64 who earn up to 138% of the Federal Poverty Level (FPL). The expansion population represents the working poor, with over 60% of the expansion households having income. The Federal Medical Assistance Percentages (FMAP) for the expansion population will gradually decrease from 100% to 90% during calendar years 2017 thru 2020.

To the state's poorest and most disabled citizens, Medicaid offers a 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.

Five categories of services accounted for approximately 74% of total Medicaid expenditures during FY 2015. These services are long-term care (including nursing home), inpatient hospital (includes mental health hospital, outpatient services, and supplemental payments; excludes Disproportionate Share Hospital payments), home and community-based services (those provided under waiver authority as well as personal care and case management), capitated service agreements, and prescription drugs (net of rebate collections). The largest increases in FY 2015 occurred in hospital and prescribed drugs (net of rebate collections).

Long-Range Issues (Continued)

Financial support for this program comes from federal and state revenue. The majority of the Medicaid program is financed at an approximate 28% state and 72% federal match, meaning that for every dollar the state invests, we are able to match that with approximately three federal dollars. The non-expansion FMAP readjusts annually based on economic indicators in the state relative to other states.

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 \$909 million in 2016.

The cost of the Medicaid 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. Program costs have been aggressively controlled over the past two fiscal years through benefit curtailment, program elimination, and managed care contracting strategies. The Medicaid program has been able to operate below national health care inflationary trends and has been able to control cost much more successfully than other payers in West Virginia. DHHR will continue these aggressive cost containment strategies. Each program modification must secure federal approval before being enacted.

It is currently estimated that without any program changes, the cost for the Medicaid program will increase at a rate of approximately 2.5% per year. Should any of the Department's cost containment strategies be voided, including modifications to waiver programs and privatization efforts through managed care, the Medicaid budget would be at serious risk of dramatic increases. A few noteworthy long-term budgetary risks to the Medicaid program relate to inflationary health care costs, scenarios where increased utilization of services are unavoidable (pandemic flu), increased prescription drug costs, continued deterioration of the West Virginia economy resulting in more impoverished West Virginians, additional unfunded mandates by the judicial system, and changes in federal regulations that become unfunded mandates. 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 FPL. As of September 30, 2015, 19,947 children were enrolled, an 8% decrease in the enrollment level from the previous year. The WVCHIP Premium group that includes children in households with incomes between 211% and 300% FPL has shown the highest increase in enrollment, around 41%, and is now 25% 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.

Currently, CHIP is federally funded through Federal Fiscal Year 2017. In October 2015, there was a 23% increase (to a maximum of 100%) to the enhanced federal match rate for CHIP through Federal Fiscal Year 2019. This increase means WVCHIP is currently 100% federally funded and will continue to be unless West Virginia's enhance federal match rate falls below 77%. Congress must revisit CHIP in 2017 to determine future structure and funding of the current program.

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.

Long-Range Issues (Continued)

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. FY 2015 healthcare costs exceeded budgeted projections by approximately \$15 million, depleting the agency reserve beyond the financial plan. The increased costs resulted in an increase in previous trend assumptions for medical of 1%; however, prescription drug trend assumptions remain the same. The current financial plan assumes health care costs to increase annually by the following rates:

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Medical	6.5%	7.0%	7.5%	8.0%	8.5%
Drug	8.5%	9.0%	9.5%	10.0%	10.5%

These trend assumptions, in conjunction with benefit changes, will result in the following increases/(decreases) in expenses:

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Medical	\$12 million	\$12 million	\$26 million	\$30 million	\$34 million
Drug	\$4 million	\$15 million	\$11 million	\$12 million	\$14 million

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

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Reserve	\$135 million	\$127 million	\$128 million	\$137 million	\$148 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, 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 69%. Determining a long-range solution to the West Virginia OPEB Plan's unfunded liability is of utmost importance. The PEIA Finance Board took steps in 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 2020. The trust completed FY 2015 with total net assets of \$708 million, total claims expense of \$103 million, and capitations of \$138 million. Current claim expense trend assumptions for FY 2016 through FY 2020 go from 6.5% for medical

Long-Range Issues (Continued)

and 8.5% for drugs to 8.5% for medical and 10.5% for drugs. These trend assumptions result in increases of \$67 million in expenses for the trust over the next four 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 \$1 billion by fiscal year end 2020. This represents a 24% funded status of the OPEB Accrued Actuarial Liability (AAL).

Insurance Reform

Workers' Compensation

From 1913 until January 1, 2006, West Virginia was one of five states operating an exclusive, state-managed workers' compensation insurance system. 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. 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"). The custodian of the Old Fund is the Treasurer's Office, and the Insurance Commissioner serves as the administrator. As of June 30, 2015, the fund deficit in the Old Fund was estimated to be \$90.5 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. 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 taken in 2003 prior to the 2005 privatization 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. This decision upholding the application of Senate Bill 2013 had a significant and positive impact on eradicating the deficit.

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. 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.
- Judges' Retirement System—Instituted a 25-year payment plan to be completed by June 30, 2018. 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.

The unfunded actuarial liability for each plan is as follows:

	July 1, 2014, Actuarial Valuation Unfunded Actuarial Liability		July 1, 2015, Actuarial Valuation Projected Unfunded Actuarial Liability	
PERS	\$1,062,999,000	(83.1% funded) ¹	\$1,253,634,000	(81.6% funded)
TRS	\$3,416,600,000	(66.2% funded) ¹	\$3,505,969,000	(65.8% funded)
JRS	(\$59,210,000)	(155.8% funded) ¹	(\$57,066,000)	(150.6% funded)
Public Safety—Plan A	\$97,323,000	(86.1% funded) ¹	\$108,059,000	(84.8% funded)
State Police—Plan B	(\$6,258,000)	(105.5% funded) ¹	(\$2,566,000)	(102.0% 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.

PERS Settlement with Federal Government

The State of West Virginia settled a lawsuit with the U.S. Department of Health and Human Services in 2011 to resolve a decades old employer contribution issue. The agreement calls for the state to contribute \$20 million per year for nine years (\$180 million total) to the Public Employees Retirement System. As of January 4, 2016, \$90 million has been applied to this settlement. The state's contribution is in addition to the statutorily required employer contributions that the state is otherwise required to make under state law. The state's contributions under this agreement shall be made from general revenue or special revenue and not from any federal funds. Funding of this agreement will be completed no later than July 2020.

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;
- Replaced the state's old accounting and payroll systems with a new, integrated financial system.

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 a continued 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 2017 budget requests were submitted electronically using the state's accounting system wvOASIS.

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 2016) less any one time appropriations. For the FY 2017 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 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 2017 expenditure growth, and position the state to balance budgets in the years that follow. For the FY 2017 budget, the Governor has, generally speaking, recommended most agencies be funded at the FY 2016 base funding level, less the mid-year expenditure reduction called for in the Governor's Executive Order No. 7-15. However, some accounts are recommended at additional adjusted funding levels, helping to structurally balance the budget, not only for FY 2017, but also for years beyond.

All appropriation requests that are above the FY 2016 "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 2017, agencies were asked that any requests for improvements, or requests for FY 2016 supplemental appropriations, be submitted only after careful review. Due to funding constraints, only in rare cases were any 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.

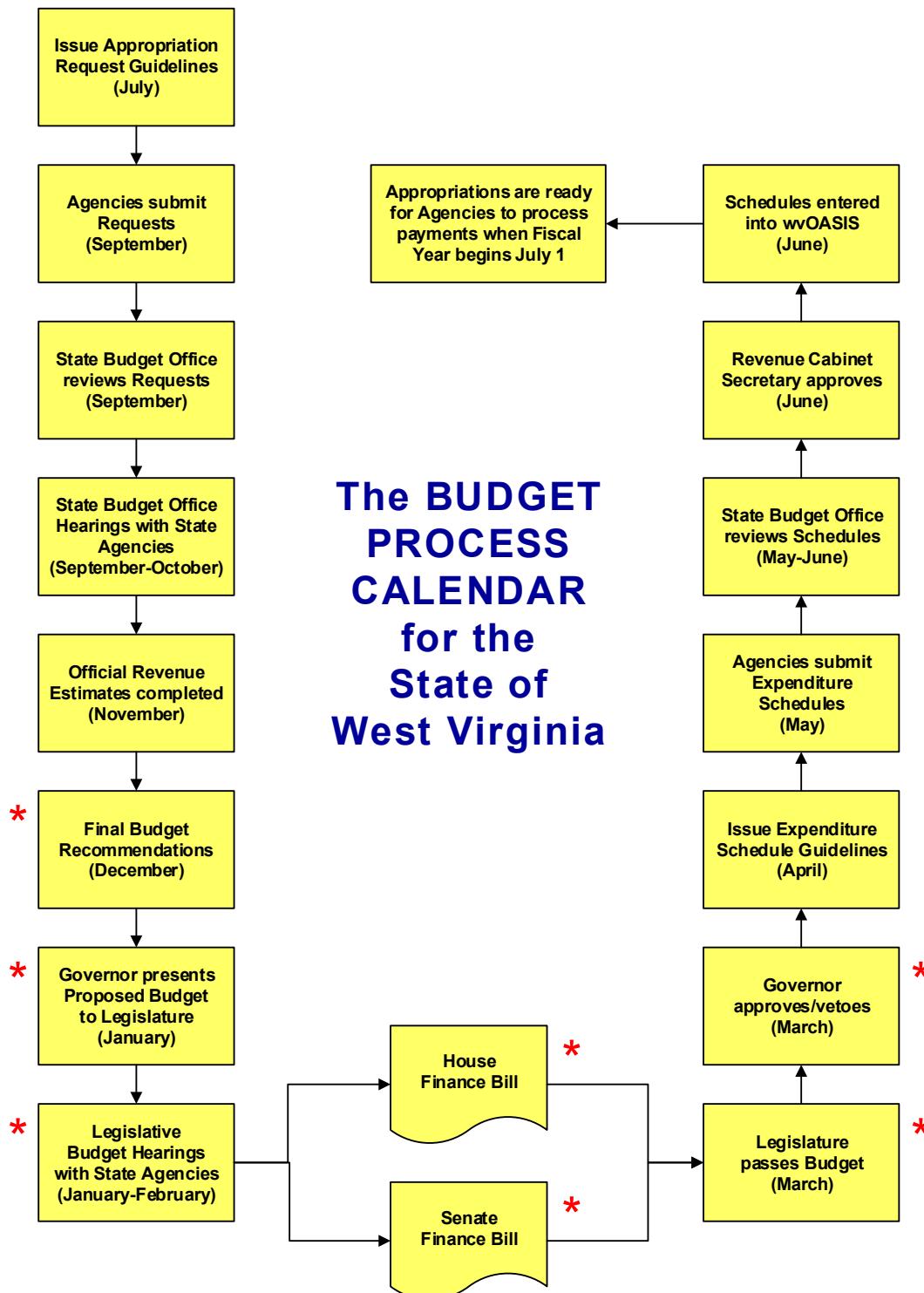
The budget hearings also provide the time to discuss, in general terms, any future capital projects and funding options. All the departments/bureaus/commissions/divisions are required to submit capital expenditure plans with their appropriation requests. These plans summarize projects budgeted for the 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 (FY 2017) 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 (Continued)

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



Budget Overview (Continued)

The budget is presented in four separate documents. 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; an economic forecast; and the budget plan. The Operating Detail contains organizational charts; descriptive narrative information for every department/bureau/commission, division, and program; summarized financial information related to actual expenditures, current budget, and requested appropriations by program and by fund; a profile of the state; and capital projects. The Budget Bill includes the language required to legally enact the budget or appropriations bill. The Account Detail provides the detailed budgetary information for FY 2015 Actual expenditures, FY 2016 Budgeted expenditures, FY 2017 Current-Level Request, and the Governor's FY 2017 Recommendation for all funds.

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 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.

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.

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.

Budget Amendment Policy

Supplemental Appropriation Bills

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

Budget Overview (Continued)

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 director of Public Defender Services has specific authority to transfer funds from the Public Defender Corporations to Appointed Counsel Fees.

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 and from the individual juvenile centers to make payments for Resident Medical Expenses.

The Adjutant General has specific authority to transfer funds between items of appropriation.

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

Legislative and Judicial Amendments

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

Governor's Increased Spending Authority Authorization

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

Special Revenue

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

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

If the Governor approves the plan of expenditure and justification statement and is satisfied the expenditure is required to defray the additional cost of the service or activity of the spending unit, the Governor may authorize the use of the additional funds. If the Governor intends to authorize the additional spending, notification of the intent is provided to the President of

Budget Overview (Continued)

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 money 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 explains why the availability of such Federal Funds and 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.

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.

Budget Overview (Continued)

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 money. These services include paper and electronic lockboxes, electronic funds transfer, 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-member board. The BTI maintains nine investment pools. Three main pools are utilized for investing excess state cash and local government money. The West Virginia Money Market Pool and the West Virginia Government Money Market Pool are both rated AAA 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.

Budget Overview (Continued)

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 Act, 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 to the degree necessary to prevent a deficit (during FY 2016, the Governor issued Executive Order No. 7-15 to help balance the budget due to an anticipated FY 2016 revenue shortfall), 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 risks 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.

Workers Compensation

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.

Public Employees Health Insurance

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

Casualty Insurance

The state participates in the West Virginia Board of Risk and Insurance Management (BRIM) to obtain casualty insurance coverage for all state agencies. This includes protection from lawsuits and other liability claims resulting from incidents due to automobile accidents, employment practices, property, flood, general liability, and medical professional liability at the respective teaching institutions. 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

Budget Overview (Continued)

is secure, entering asset information into the wvOASIS Fixed Assets Module, 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. Assets such as firearms (any cost) and computers (greater than \$500) also must be entered in the wvOASIS Fixed Assets Module.

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 2017 performance measures is to show the trend of the agency's performance for the three most current fiscal years (FY 2013 to FY 2015) and the performance-level objectives the program is trying to achieve in FY 2016 and FY 2017 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.

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

Budget Overview (Continued)

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 conducted 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 seven 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 Chapter 30 of the West Virginia Code 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 financial self-sufficiency, 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 responding to 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.

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

- * 2016, the Department of Veterans Assistance, and the Department of Education and the Arts;
- * 2017, the Department of Revenue, and the Department of Commerce;
- * 2018, the Department of Environmental Protection, and the Department of Military Affairs and Public Safety;
- * 2019, the Department of Health and Human Resources, including the Bureau of Senior Services; and
- * 2020, the Department of Transportation.

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

- * 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; and
- * 2018, Board of Examiners of Psychologists; Board of Optometry; and Board of Veterinary Medicine.

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 **Personnel Transaction Review** 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, including internal placements, 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.

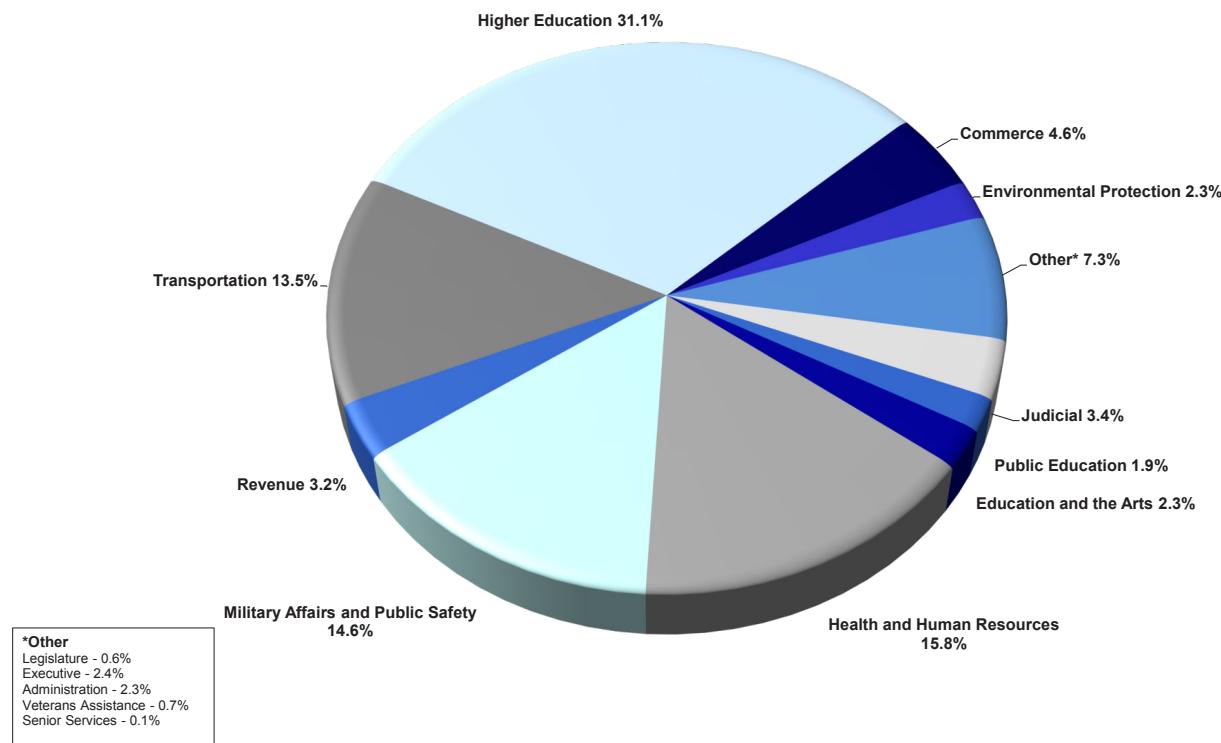
The **Organization and Human Resource Development** section provides training programs, development strategies, and consulting services to increase the effectiveness and efficiency of state government.

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; and providing the best-qualified applicants to state agencies for interviews. In addition, this section is responsible for research and development of job-related employment examination procedures.

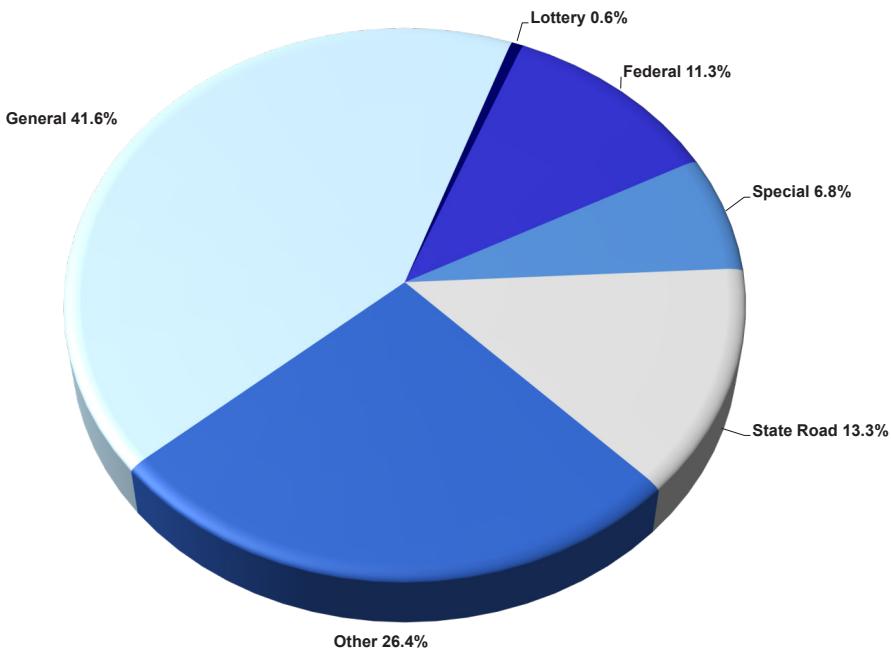
As of November 30, 2015, the state had approximately 37,817 filled, permanent, full-time equivalent employees, including approximately 11,006 employed by the Higher Education Policy Commission and approximately 1,297 employed by the Council for Community and Technical College Education. Public school teachers and school service personnel for grades K-12 are not included in these totals, as they are considered county school board employees.

Schedule of Recommended Budgeted Full-Time Equivalents (FTE) Permanent Positions FY 2017

By Department



By Fund



Schedule of Budgeted Full-Time Equivalents

All Funds

Permanent Positions FY 2015 through FY 2017

Department/Agency	FY 2015 11-30-2014	FY 2016 11-30-2015	FY 2017 Recommended
TOTAL BUDGETED FTE PERMANENT POSITIONS	41,619.37	41,883.86	41,139.37
LEGISLATURE			
Senate	49.00	45.00	45.00
House of Delegates	54.00	50.00	50.00
Joint Expenses	132.49	133.49	133.50
TOTAL - LEGISLATURE	235.49	228.49	228.50
TOTAL - JUDICIAL	1,411.55	1,451.00	1,393.55
EXECUTIVE			
Governor's Office ¹	60.00	56.50	56.50
State Auditor's Office ²	196.75	194.75	192.47
Treasurer's Office ³	133.40	131.40	129.40
Agriculture, Department of ⁴	348.75	338.00	338.00
Attorney General's Office ⁵	212.22	197.22	197.22
Secretary of State	59.50	61.50	61.50
TOTAL - EXECUTIVE	1,010.62	979.37	975.09
 ¹ FY 2016 deleted 3.50 FTEs in an effort to reduce vacant positions.			
² FY 2016 deleted 2.00 FTEs in an effort to reduce vacant positions.			
³ FY 2016 deleted 2.00 FTEs in an effort to reduce vacant positions.			
⁴ FY 2016 deleted 10.75 FTEs in an effort to reduce vacant positions.			
⁵ FY 2016 deleted 15.00 FTEs in an effort to reduce vacant positions.			
 DEPARTMENT OF ADMINISTRATION			
Office of the Secretary	6.75	7.50	7.00
Consolidated Public Retirement Board	86.00	86.00	86.00
Finance, Division of ¹	13.35	13.00	13.25
Information Services & Communications, Division of	389.95	392.50	391.30
General Services, Division of ²	126.70	126.00	128.50
Purchasing, Division of	41.80	44.00	43.00
Surplus Property	15.20	15.00	15.20
Travel Management	17.00	17.00	17.00
Board of Risk and Insurance Management	26.00	26.00	25.60
Education & State Employees' Grievance Board	12.00	12.00	12.00
Ethics Commission ³	7.75	7.35	7.75
Public Defender Services	22.00	22.00	22.00
Personnel, Division of	67.30	67.00	67.00
Public Employees Insurance Agency	40.60	58.00	57.00
Prosecuting Attorneys Institute	7.00	6.00	5.00
Children's Health Insurance Agency ⁴	9.00	0.00	0.00
Office of Technology	4.00	4.00	4.00
Retiree Health Benefits Trust Fund	20.40	3.00	4.00

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2015 11-30-2014	FY 2016 11-30-2015	FY 2017 Recommended
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DEPARTMENT OF ADMINISTRATION (continued)

Real Estate Division ⁵	10.70	10.00	10.00
TOTAL - ADMINISTRATION	923.50	916.35	915.60

¹ FY 2016 deleted 0.35 FTE in an effort to reduce vacant positions.

² FY 2016 deleted 0.70 FTE in an effort to reduce vacant positions.

³ FY 2016 deleted 0.40 FTE in an effort to reduce vacant positions.

⁴ FY 2016 the Children's Health Insurance Agency was transferred to DHHR.

⁵ FY 2016 deleted 0.70 FTE in an effort to reduce vacant positions.

DEPARTMENT OF COMMERCE

Office of the Secretary	25.80	25.00	25.80
Tourism, Division of ¹	67.50	66.00	66.00
Forestry, Division of ²	118.00	119.50	112.00
Geological and Economic Survey ³	49.10	46.60	47.60
Development Office ⁴	107.00	99.00	108.00
Labor, Division of ⁵	111.00	108.00	107.00
Natural Resources, Division of ⁶	825.00	814.95	812.00
Miners' Health, Safety and Training, Division of ⁷	160.00	160.00	157.00
Board of Coal Mine Health and Safety ⁸	3.00	3.00	2.00
WorkForce West Virginia	463.50	462.23	462.95
Energy, Division of ⁹	9.00	8.00	8.00
TOTAL - COMMERCE	1,938.90	1,912.28	1,908.35

¹ FY 2016 deleted 1.50 FTEs in an effort to reduce vacant positions.

² FY 2017 6.00 FTEs moved from Forestry to Development Office for central administrative office.

³ FY 2016 deleted 2.50 FTEs in an effort to reduce vacant positions.

⁴ FY 2016 deleted 8.00 FTEs in an effort to reduce vacant positions; FY 2017 transferred 10.00 FTEs from other agencies for central administrative office.

⁵ FY 2016 deleted 3.00 FTEs in an effort to reduce vacant positions.

⁶ FY 2016 deleted 10.05 FTEs in an effort to reduce vacant positions.

⁷ FY 2017 3.00 FTEs transferred from Miners' Health, Safety and Training to Development Office for central administrative office.

⁸ FY 2017 1.00 FTE transferred from Board of Coal Mine Health and Safety to Development Office for central administrative office.

⁹ FY 2016 deleted 1.00 FTE in an effort to reduce vacant positions.

DEPARTMENT OF EDUCATION

Education, State Department of ¹	584.20	566.20	570.02
WV Schools for the Deaf & the Blind ²	201.20	190.90	187.00
State FFA-FHA Camp & Conference Center	25.20	25.20	25.20
School Building Authority	11.00	11.00	11.00
TOTAL - EDUCATION	821.60	793.30	793.22

¹ FY 2016 deleted 16.00 FTEs in an effort to reduce vacant positions; added 1.00 FTE for the IT Academy; added 1.00 FTE for the Early Literacy Program.

² FY 2016 deleted 10.30 FTEs in an effort to reduce vacant positions.

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2015 11-30-2014	FY 2016 11-30-2015	FY 2017 Recommended
DEPARTMENT OF EDUCATION AND THE ARTS			
Office of the Secretary ¹	44.75	39.75	40.75
Culture and History, Division of	120.50	121.00	119.50
Library Commission ²	50.00	49.00	49.00
Educational Broadcasting Authority	90.50	90.50	90.50
Rehabilitation Services, Division of	655.50	655.50	655.50
TOTAL - EDUCATION AND THE ARTS	961.25	955.75	955.25
¹ FY 2016 deleted 4.00 FTEs in an effort to reduce vacant positions.			
² FY 2016 deleted 1.00 FTE in an effort to reduce vacant positions.			
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Air Quality Board ^{1,2}	1.20	1.10	0.00
Environmental Protection, Division of ³	910.65	933.08	925.70
Environmental Quality Board ²	1.80	1.90	3.00
Solid Waste Management Board	13.00	13.00	13.00
Oil and Gas Conservation Commission	1.50	1.50	1.50
TOTAL - ENVIRONMENTAL PROTECTION	928.15	950.58	943.20
¹ FY 2016 deleted 0.10 FTE in an effort to reduce vacant positions.			
² FY 2017 transferred 1.10 FTEs from Air Quality Board to Environmental Quality Board.			
³ FY 2016 added 4.00 FTEs for Environmental Resource Managers, 5.00 FTEs for Environmental Resource Specialists, 7.00 FTEs for Environmental Inspectors, 1.00 FTE Environmental Technician, and 1.00 FTE Geologist.			
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Office of the Secretary	7.52	9.00	9.00
Health, Division of ¹	2,733.59	2,738.39	2,738.59
Health Care Authority	54.00	54.00	54.00
Human Rights Commission	31.00	31.00	31.00
Human Services, Division of ²	3,562.11	3,574.78	3,669.20
TOTAL - HEALTH AND HUMAN RESOURCES	6,388.22	6,407.17	6,501.79
¹ FY 2016 added 8.00 FTEs for immunization program.			
² FY 2016 added 10.00 FTEs for transfer of Children's Health Insurance Program from Administration and 2.00 FTEs for the WV Clearance for Access: Registry and Employment Screening program; FY 2017 added 29.00 FTEs for Youth Service Workers, 25.20 FTEs for the Bureau for Children and Families Centralized Intake, and 42.00 FTEs for Economic Service Workers.			
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
Office of the Secretary	27.00	27.00	27.00
Adjutant General ¹	430.75	444.50	444.50
WV Board of Parole	18.00	18.00	18.00
Homeland Security and Emergency Management	53.00	53.00	53.00
Corrections, Division of ²	2,350.75	2,387.75	2,387.75
WV State Police	1,122.50	1,106.50	1,106.50
Regional Jail and Correctional Facility Authority	1,148.50	1,148.50	1,148.50
Fire Commission	55.00	55.00	55.00
Justice and Community Services, Division of ³	38.75	38.50	45.02
Juvenile Services, Division of ⁴	673.60	674.00	692.00

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2015 11-30-2014	FY 2016 11-30-2015	FY 2017 Recommended
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY (continued)			
Division of Protective Services	40.00	40.00	40.00
TOTAL - MILITARY AFFAIRS AND PUBLIC SAFETY	5,957.85	5,992.75	6,017.27
<p>¹ FY 2016 added 13.75 FTEs for federally funded positions.</p> <p>² FY 2016 added 37.00 FTEs for Charleston Correctional Center.</p> <p>³ FY 2017 added 4.39 FTEs for the Victims of Crime grant, 2.00 FTEs for the Sexual Assualt Kit grant, and 0.10 FTE for the Rural Violence Against Women grant.</p> <p>⁴ FY 2017 added 18.00 FTEs for Youth Reporting Centers.</p>			
DEPARTMENT OF REVENUE			
Office of the Secretary ¹	9.55	9.00	9.00
Tax Division ²	474.00	470.50	471.00
State Budget Office	11.00	11.00	11.00
Insurance Commissioner	384.10	383.10	384.00
Lottery Commission	231.00	231.00	231.00
Racing Commission	50.90	46.90	46.90
Alcohol Beverage Control Administration	109.12	109.12	109.12
Office of Tax Appeals ³	7.00	6.00	6.00
Municipal Bond Commission	4.00	4.00	4.00
Financial Institutions, Division of	32.00	32.00	32.00
TOTAL - REVENUE	1,312.67	1,302.62	1,304.02
<p>¹ FY 2016 deleted 0.55 FTE in an effort to reduce vacant positions.</p> <p>² FY 2016 deleted 3.50 FTEs in an effort to reduce vacant positions.</p> <p>³ FY 2016 deleted 1.00 FTE in an effort to reduce vacant positions.</p>			
DEPARTMENT OF TRANSPORTATION			
Motor Vehicles, Division of	632.75	635.00	633.00
Highways, Division of	5,342.30	5,434.25	4,868.00
State Rail Authority	23.00	23.00	23.00
Public Transit, Division of	10.00	10.00	10.00
Public Port Authority ¹	3.80	3.00	3.00
Aeronautics Commission	3.00	3.00	3.00
Office of Administrative Hearings	30.00	30.00	30.00
TOTAL - TRANSPORTATION	6,044.85	6,138.25	5,570.00
<p>¹ FY 2016 deleted 0.80 FTE in an effort to reduce vacant positions.</p>			
DEPARTMENT OF VETERANS ASSISTANCE			
Veterans Affairs	243.01	244.74	244.54
Veterans Home ¹	49.71	47.29	47.29
TOTAL - VETERANS ASSISTANCE	292.72	292.03	291.83
<p>¹ FY 2016 deleted 2.42 FTEs in an effort to reduce vacant positions.</p>			
TOTAL - BUREAU OF SENIOR SERVICES	36.60	36.80	36.80

FTE Schedule of All Funds (Continued)

Department/Agency	FY 2015 11-30-2014	FY 2016 11-30-2015	FY 2017 Recommended
HIGHER EDUCATION POLICY COMMISSION			
HEPC - Administration	76.63	78.85	74.52
West Virginia University	6,761.95	6,889.30	6,738.00
Marshall University	1,884.58	1,953.94	1,915.38
Osteopathic School of Medicine	291.71	292.99	291.71
Bluefield State College	211.52	212.52	211.78
Concord University	298.51	293.16	296.04
Fairmont State University	465.42	473.19	457.35
Glenville State College	215.61	211.94	211.94
Shepherd University	486.62	492.61	483.77
West Liberty University	329.24	297.90	328.27
West Virginia State University	347.21	326.71	322.21
WVNET	59.00	60.00	60.00
TOTAL - HIGHER EDUCATION POLICY COMMISSION ¹	11,428.00	11,583.11	11,390.97
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	17.00	16.00	12.80
Mountwest Community and Technical College	132.04	138.00	113.90
New River Community and Technical College	178.78	179.78	186.44
Pierpont Community and Technical College	119.73	126.90	116.22
Blue Ridge Community and Technical College	136.75	165.75	142.06
West Virginia University at Parkersburg	221.63	213.30	226.63
Southern West Virginia Community and Technical College	201.72	195.27	208.84
West Virginia Northern Community and Technical College	156.50	148.08	148.00
West Virginia Eastern Community and Technical College	47.56	44.41	38.60
BridgeValley Community and Technical College	196.44	196.39	197.44
TOTAL - COUNCIL FOR C&T COLLEGE EDUCATION ¹	1,408.15	1,423.88	1,390.93
¹ Changes in FTEs for institutions related to faculty and staffing levels due to enrollment changes.			
MISCELLANEOUS BOARDS AND COMMISSIONS			
Barbers and Cosmetologists, Board of	9.50	8.00	8.00
Board of Medicine	14.00	14.00	14.00
Courthouse Facilities Improvement Authority	1.60	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	335.72	335.22	338.66
Real Estate Commission	12.00	12.00	12.00
Registered Nurses	13.00	13.50	13.50
Water Development Authority	20.53	20.53	20.06
West Virginia Economic Development Authority	9.88	9.88	9.88
Enterprise Resource Planning Board	41.00	41.00	41.00
Other Boards	57.02	59.40	59.30
TOTAL - MISC. BOARDS AND COMMISSIONS	519.25	520.13	523.00

**Schedule of Budgeted Full-Time Equivalents
By Source of Funds
Permanent Positions
FY 2015 through FY 2017**

By Department/Funding Source	FY 2015 11-30-2014	FY 2016 11-30-2015	FY 2017 Recommended
ALL DEPARTMENTS/AGENCIES			
General	17,147.07	17,105.07	17,145.31
Federal	4,605.69	4,585.14	4,636.63
Lottery	237.10	232.66	237.14
Special	2,755.55	2,765.57	2,794.31
State Road Fund	5,932.05	6,033.25	5,459.00
Nonappropriated Special	10,941.91	11,162.17	10,866.98
TOTAL	41,619.37	41,883.86	41,139.37
LEGISLATURE			
General	228.49	221.49	221.50
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	235.49	228.49	228.50
JUDICIAL			
General	1,411.55	1,451.00	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	1,411.55	1,451.00	1,393.55
EXECUTIVE			
General	557.57	532.18	528.85
Federal	30.41	31.39	30.39
Lottery	0.00	0.00	0.00
Special	254.70	252.39	250.92
Nonappropriated Special	167.94	163.41	164.93
TOTAL	1,010.62	979.37	975.09
DEPARTMENT OF ADMINISTRATION			
General	146.40	140.10	143.00
Federal	7.15	0.00	0.00
Lottery	0.00	0.00	0.00
Special	485.80	488.55	486.90
Nonappropriated Special	284.15	287.70	285.70
TOTAL	923.50	916.35	915.60
DEPARTMENT OF COMMERCE			
General	778.13	776.41	774.25
Federal	617.98	615.79	618.50
Lottery	121.50	119.00	120.00
Special	244.12	248.40	242.61
Nonappropriated Special	177.17	152.68	152.99
TOTAL	1,938.90	1,912.28	1,908.35

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2015 11-30-2014	FY 2016 11-30-2015	FY 2017 Recommended
DEPARTMENT OF EDUCATION			
General	582.15	571.01	559.51
Federal	130.57	114.88	117.78
Lottery	51.60	51.67	50.87
Special	26.05	26.80	36.40
Nonappropriated Special	31.23	28.94	28.66
TOTAL	821.60	793.30	793.22
DEPARTMENT OF EDUCATION AND THE ARTS			
General	436.10	430.65	431.22
Federal	464.43	462.41	465.21
Lottery	22.01	19.98	19.13
Special	4.08	4.08	5.00
Nonappropriated Special	34.63	38.63	34.69
TOTAL	961.25	955.75	955.25
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
General	87.67	82.17	81.82
Federal	348.39	350.28	345.00
Lottery	0.00	0.00	0.00
Special	272.39	279.22	277.22
Nonappropriated Special	219.70	238.91	239.16
TOTAL	928.15	950.58	943.20
DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
General	3,745.01	3,768.16	3,818.77
Federal	2,307.29	2,304.19	2,349.10
Lottery	0.00	0.00	0.00
Special	121.95	120.85	120.35
Nonappropriated Special	213.97	213.97	213.57
TOTAL	6,388.22	6,407.17	6,501.79
DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY			
General	4,261.40	4,275.81	4,303.27
Federal	374.24	382.54	384.70
Lottery	0.00	0.00	0.00
Special	124.26	131.35	128.35
Nonappropriated Special	1,197.95	1,203.05	1,200.95
TOTAL	5,957.85	5,992.75	6,017.27
DEPARTMENT OF REVENUE			
General	422.55	409.50	410.00
Federal	2.00	0.00	0.00
Lottery	0.00	0.00	0.00
Special	611.12	605.12	606.02
Nonappropriated Special	277.00	288.00	288.00
TOTAL	1,312.67	1,302.62	1,304.02

FTE Schedule by Source of Funds (Continued)

By Department/Funding Source	FY 2015 11-30-2014	FY 2016 11-30-2015	FY 2017 Recommended
DEPARTMENT OF TRANSPORTATION			
General	11.80	11.00	11.00
Federal	17.00	10.00	17.00
Lottery	0.00	0.00	0.00
Special	65.00	65.00	64.00
State Road Fund	5,932.05	6,033.25	5,459.00
Nonappropriated Special	19.00	19.00	19.00
TOTAL	6,044.85	6,138.25	5,570.00
DEPARTMENT OF VETERANS ASSISTANCE			
General	241.99	236.18	238.36
Federal	49.71	54.83	52.45
Lottery	0.00	0.00	0.00
Special	0.91	0.91	0.91
Nonappropriated Special	0.11	0.11	0.11
TOTAL	292.72	292.03	291.83
BUREAU OF SENIOR SERVICES			
General	0.00	0.00	0.00
Federal	11.82	11.92	11.92
Lottery	3.35	3.40	3.40
Special	2.50	2.50	2.50
Nonappropriated Special	18.93	18.98	18.98
TOTAL	36.60	36.80	36.80
HIGHER EDUCATION POLICY COMMISSION			
General	3,288.94	3,272.09	3,291.27
Federal	155.13	129.68	149.41
Lottery	38.64	38.61	43.74
Special	130.54	128.37	162.00
Nonappropriated Special	7,814.75	8,014.36	7,744.55
TOTAL	11,428.00	11,583.11	11,390.97
COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION			
General	947.32	927.32	938.94
Federal	63.26	89.52	65.32
Lottery	0.00	0.00	0.00
Special	0.00	0.00	0.00
Nonappropriated Special	397.57	407.04	386.67
TOTAL	1,408.15	1,423.88	1,390.93
MISCELLANEOUS BOARDS AND COMMISSIONS			
Federal	26.31	27.71	29.85
Lottery	0.00	0.00	0.00
Special	405.13	405.03	404.13
Nonappropriated Special	87.81	87.39	89.02
TOTAL	519.25	520.13	523.00

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. For FY 2017, these taxes comprise approximately 93.7% of the General Revenue Fund. The remaining 6.3% 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, 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).

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.

Revenue Sources

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 by line item 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 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

Revenue Sources

to be too optimistic given tax collection trends and economic conditions, such determinations are immediately forwarded to policymakers. Projected revenue shortfalls do result in midyear budget reductions, as was the case for FY 2010, FY 2013, FY 2014, FY 2015, and FY 2016. Based upon results over the past two decades, the probability of a revenue shortfall issue in any given year is less than 40%.

Economic Development Tax Expenditure Budget - FY 2017

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 2017.

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.

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” 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.

Revenue Sources

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 12 years and additional credit carryover provisions, the FY 2017 budget still contains a minimal allowance for this program more than 14 years after its expiration.

For purposes of the FY 2017 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 reader 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 2017 value of \$109.7 million. Programs classified as economic development related account for \$61.4 million in value, an amount equal to roughly 56% 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 \$42.9 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. More than 80% of the investment associated with this tax credit occurred prior to CY 2012. Tax credit benefits for each year of investment are pro-rated for use over a ten-year period beginning with the year of investment. 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 or Chapter 5B of the West Virginia 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 2017 Estimate (in millions)
5B-2E	Tourism Development	25% of Approved Costs Over 10 Years	\$3.0
11-6D	Alternative-Fuel Motor Vehicles	35% Vehicles & 20% to 62.5% Infrastructure	\$0.5
11-13D	Industrial Expansion/Revitalization	10% Investment Credit – Electric Power Producers	\$43.0
11-13E	Coal-Loading Facilities	10% Investment Credit – Coal Loading Facilities	\$1.0
11-13F	Low-Income Electric, Gas & Water	Reimburses Utility for Low-Income Resident Discount	\$7.8
11-13G	Low-Income Telephone	Reimburses Utility for Low-Income Resident Discount	Minimal
11-13J	Neighborhood Investment Program	50% Credit for Charitable Contributions	\$3.0
11-13K	Agricultural Equipment	25% up to \$2,500 – Environmental Equipment	Minimal
11-13L	Natural Gas Jobs Retention	\$1,000/Job – Natural Gas Storage Tax	\$1.5
11-13Q	Economic Opportunity	Investment Credit-New Jobs & Select Industries	\$4.0
11-13S	Manufacturing Investment	5% Investment Credit – Manufacturing	\$2.5
11-13W	Apprenticeship Training	\$2/hour or \$2,000/year-Training Tax Credit	\$0.4
11-13X	West Virginia Film	27% to 31% of Costs for making WV Film	\$3.0
11-13Y	Manufacturing Property Adjustment	Manufacturing Inventory Tax Credit	\$2.5
11-13AA	Commercial Patents	20%-30% of Royalties & 20%-30% of Net Profit	Minimal
11-13BB	Mine Safety Technology	50% Investment Credit – Mine Safety Equipment	Minimal
11-13CC	Energy Intensive Industrial Consumer	Up to \$20 million – Coal Severance Tax	\$0.0
11-21-8a	Rehabilitated Buildings	10% of Qualified Costs	\$1.0
11-21-8g	Residential Rehabilitated Buildings	5% of Qualified Costs	\$0.2
11-21-10a	Nonfamily Adoption	\$2,000 per Qualified Adoption	\$1.2
11-21-21	Senior Citizen Homestead Credit	Local Tax paid on First \$20,000 of Taxable Valuation	\$12.5
11-21-22	Low-Income Family Tax Credit	Up to 100% of Pre-Credit Income Tax	\$20.0
11-21-23	Excess Property Tax Credit	Excess Over 4% of Gross Income Up to \$1,000	\$2.6
11-21-42 & 11-24-12	Military Incentive	30% of first \$5,000 of Wages Paid	Minimal
<i>Subtotal:</i>			\$109.7

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 are 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 \$20 million in FY 2017 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 similar in cost to the TIP Program with a shift of an estimated \$17.4 million of state sales tax from the state General Revenue Fund to local retail development projects.

Revenue Sources

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

Chapter	Tax Credit	Description	FY 2017 Estimate (in millions)
7-11B	Property Tax Increment Financing Economic Development District	Property Increment-State portion of \$20.0 mil total	\$10.0
7-22	STIF	6% State sales tax re-designated as local tax	\$17.4
		<i>Subtotal:</i>	<i>\$27.4</i>

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 roughly three-fourths 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 \$523 million, and the state share of this combined value, mainly reflected in the state School Aid Formula, is \$156.9 million.

Several other types of mostly tangible personal property qualify for reduced “salvage” valuation at a combined value of \$104.0 million in property tax reductions with \$31.2 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 \$40.5 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 2017 Estimated (in millions)
3-9	PILOT-County	Payment in Lieu of Tax – New Facilities	Unknown
6A	Pollution Control Salvage Value	State portion of \$73 million	\$21.9
6B	Homestead Exemption & Tax Rate	Over 65/Disabled – State Portion of \$105 million	\$31.5
6E	Manufacturing Production Property	Salvage Value – State Portion of \$1.3 million	\$0.4
6F	Certified Capital Additions	Salvage Value-Existing Mfg. – State Portion of \$28 million	\$8.4
6H	Special Aircraft Property	Salvage Value – State Portion of \$1.4 million	\$0.4
6J	High-Technology Business Property	Salvage Value – State Portion of minimal \$0.3	\$0.1
8-6b	Residential/Farm Preference	50% Tax Rate Preference – State Portion of \$418 million	\$125.4
13A-3(f)	Thin-Seam Coal Rates	Reduced Tax Rates on Thin-Seam Coal [60%-80%]	\$40.5
13A-3a(a)	Natural Gas/Oil Exclusions	Low-Volume/Shut-In Well Gross Receipt Exclusions	\$2.4
		<i>Subtotal:</i>	<i>\$231.0</i>

Revenue Sources

Previously Terminated Programs with Carryover Costs

Expired tax expenditure provisions with at least some cost in FY 2017 include costs associated with the Business Investment and Jobs Expansion Tax Credit and with the Strategic Research and Development Tax Credit. 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 2017 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 2017 with grandfathering provisions for credit claims attributable to periods prior to termination.

Article	Tax Credit	Description	FY 2017 Estimate (in millions)
11-13C	Business Investment & Jobs Expansion	50% or More Investment Tax Credit Tied To Job Creation	Minimal
11-13R	Strategic Research and Development	3% or 10% of Excess R & D Credit	\$1.0
<i>Subtotal:</i>			\$1.0

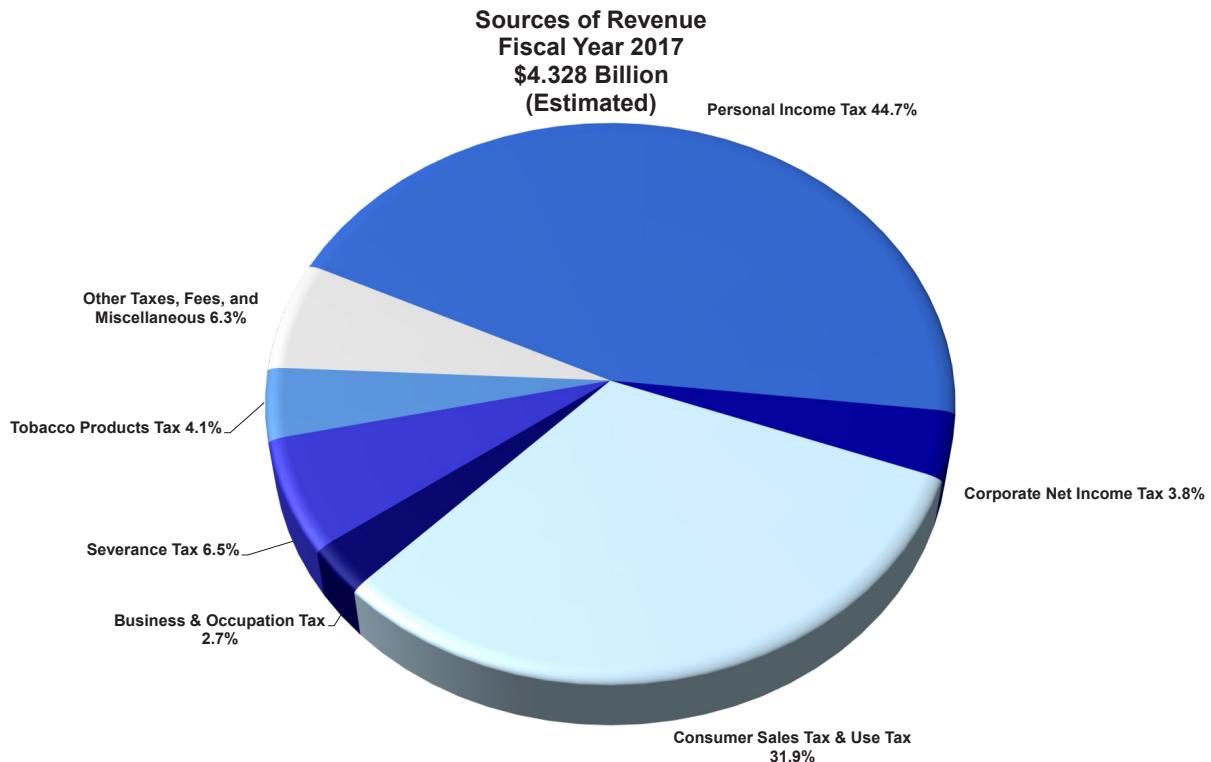
The sum total value of all tax expenditures listed above is \$369.1 million, including \$142.0 million in bolded Economic Development Tax Expenditures and \$227.1 million in various other tax expenditures.

Additional Revenue Information

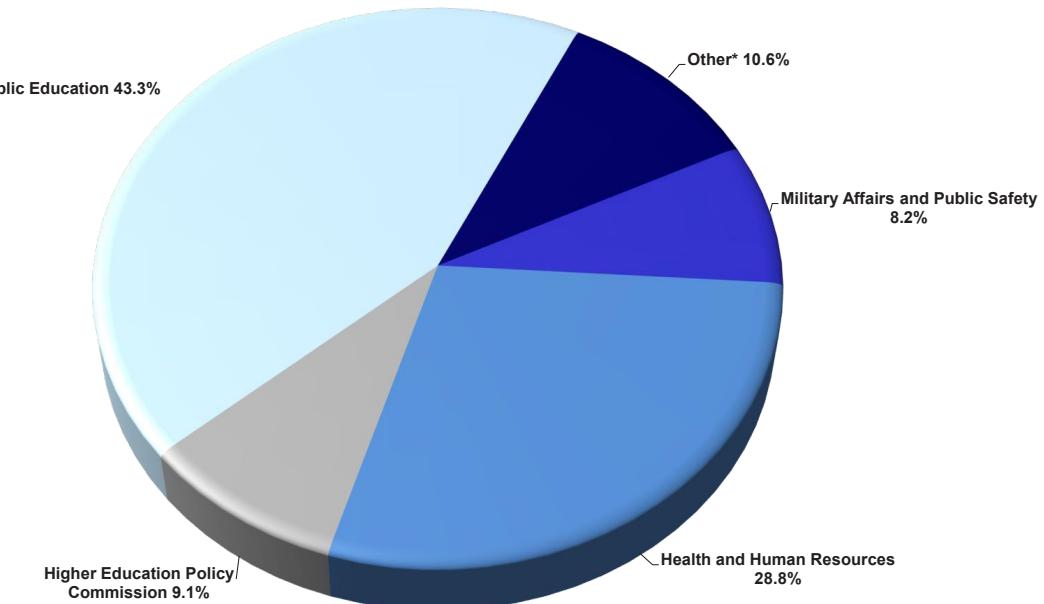
The following pages contain graphs and explanations of the sources of estimated revenues and areas of expenditure for General, State Road, Lottery, and Federal Funds. Due to the multitudinal sources of revenue, only the area of estimated expenditures is depicted for the Special Revenue Funds. The Medicaid 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



**Recommended Expenditures
Fiscal Year 2017
\$4.328 Billion**



*Other
Legislature - 0.6%
Judicial - 3.3%
Executive - 0.8%
Administration - 2.4%
Commerce - 1.3%
Education & the Arts - 0.8%
Environment - 0.2%
Revenue - 0.6%
Veterans Assistance - 0.2%
Transportation - 0.1%
Senior Services - 0.3%

General Revenue Fund
Personal Income Tax

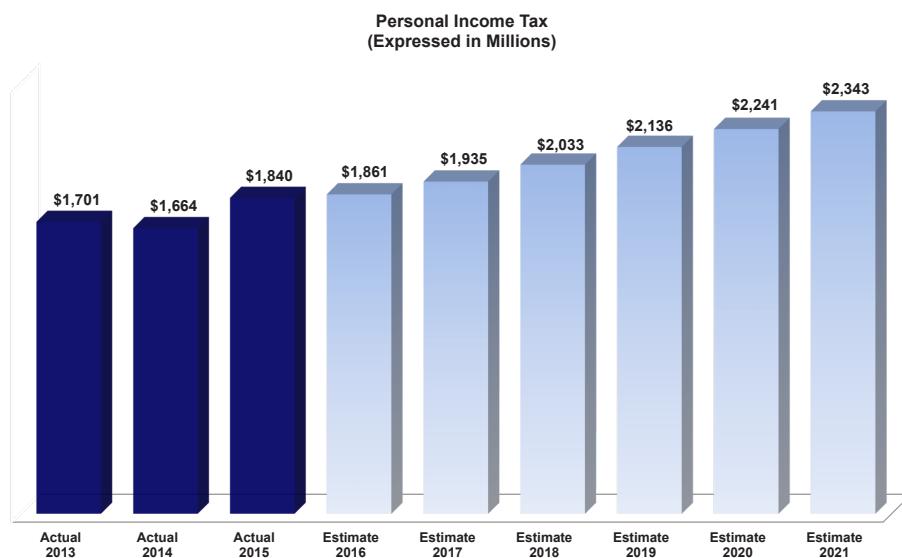
Personal Income Tax collection trends depend upon changes in population, employment, personal income, inflation rates, interest rates, and federal tax law. Employee withholding taxes account for roughly 70% of all Personal Income Tax receipts. After increasing at an average annual rate of 1.0% between 2003 and 2008, the West Virginia economy shed payroll employment jobs at a rate of 2.2% during the Great Recession in 2009. Payroll employment then rebounded with an average annual growth rate of 0.9% between 2009 and 2012. Lead by an average annual rate of decrease of nearly 6.3% in the construction, natural resources, and mining sectors, payroll employment has since decreased by an average annual rate of 0.6% between 2012 and 2015. The construction, natural resources, and mining sectors accounted for more than 90% of the total employment decrease of roughly 13,000 between 2012 and 2015. According to the most recent forecasts from IHS Economics, payroll employment is expected to edge up by a meager 0.2% in 2016 and then continue rising by an average annual rate of 0.8% per year between 2016 and 2021. Due to expectations of sluggish energy prices over the forecast period, the fiscal forecast is based on average annual employment growth of slightly more than 0.6%. IHS Economics projects West Virginia personal income to increase by 1.8% in 2015 and by 3.3% in 2016 and then to rise by roughly 4.4% annually between 2016 and 2021.

The forecast includes an assumption that Personal Income Tax collections dedicated toward the payment of the old workers' compensation debt (Old Fund) will end by means of Legislative change effective on or after February 1, 2016. In recent years, a total of \$95.4 million was annually dedicated toward the Old Fund. The FY 2016 dedication would be reduced to \$42.4 million with the residual \$53 million benefiting the State General Revenue Fund. The forecast also includes an assumption that the state will begin dedicating \$30 million per year to Other Postemployment Benefit programs beginning in FY 2017. Remaining collections are deposited in the State General Revenue Fund.

After increasing by 9.1% in FY 2015, income tax collections are projected to rise by an average annual rate of just 0.8% between FY 2015 and FY 2017 and increase at an average annual rate of roughly 4.8% during the FY 2017–FY 2021 forecast period. Tax collection growth is anticipated to gradually resume at a healthier pace due to improved wage and salary growth, and employment increase. However, projected average annual growth is forecast to be less than the average 5.1% average growth rate experience in the prior decade between FY 2005 and FY 2015.

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 roughly 45% of total General Revenue Fund.**



General Revenue Fund
Consumer Sales Tax and Use Tax

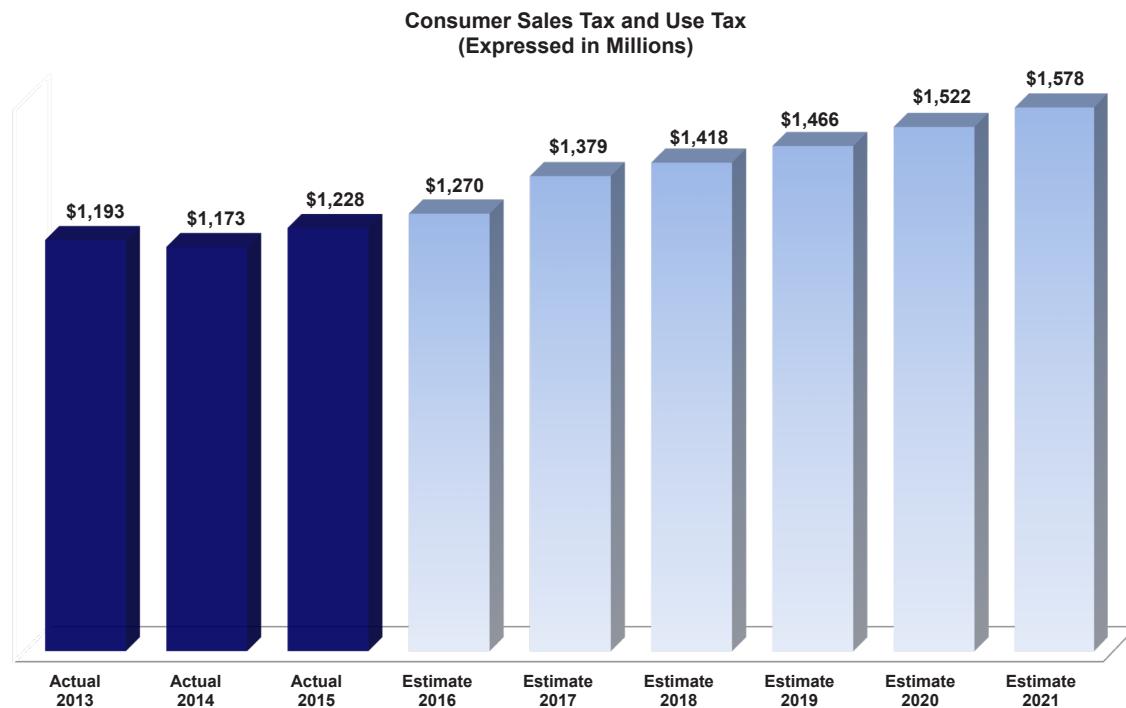
Consumer Sales and Use Tax collections depend heavily upon retail sales and taxable services activities. The tax base includes most retail sales except for automobiles, gasoline, prescription drugs, and food for home consumption. Food for home consumption does not include sales, purchases, and uses by consumers of prepared food; food sold through vending machines; and soft drinks.

Retail sales growth depends upon changes in population, disposable personal income, inflation rates, interest rates, and consumer debt and consumer confidence. Disposable personal income growth fell from 2.5% in 2014 to 1.5% in 2015. Thereafter, HIS Economics forecasts West Virginia disposable personal income to rebound by 3.3% in 2016 and then rise by an average annual rate of 4.8% between 2016 and 2021. The current five-year revenue forecast assumes slower growth in the short-term largely due to ongoing stress in the energy sector.

Consumer Sales and Use tax collections fell by 1.7% in FY 2014, and then rebounded by 4.7% in FY 2015. Due to stress in the energy sector, collection growth in FY 2016 is averaging closer to 2.0%. The current forecast is based on the assumption that the sales tax base will be broadened to add telecommunications services beginning in the fourth quarter of FY 2016. Absent any tax base broadening, collection growth is expected to average only 2.4% per year between FY 2015 and FY 2017. With proposed base broadening, average collections would be anticipated to rise by 5.2% per year between FY 2015 and FY 2017. Thereafter, collections are forecast to grow at an annual average rate of 3.6% between FY 2017 and FY 2021.

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., \$62.1 million in FY 2013, \$48.9 million in FY 2014, and \$60.5 million in FY 2015.)

- 6% Sales and Use Tax on most goods and services.
- Total Sales and Use Tax currently accounts for more than 29% of total General Revenue Fund and nearly 32% with base broadening proposals.



General Revenue Fund **Severance Tax**

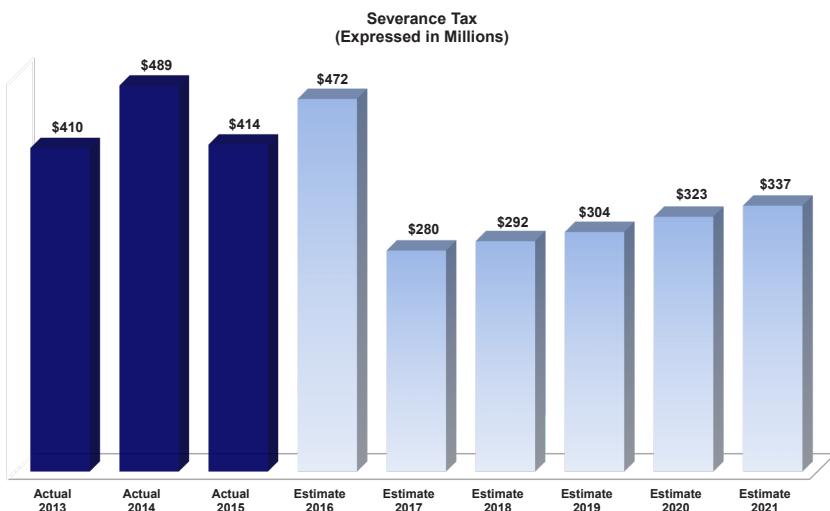
Severance Tax collections are attributable to coal production (70%), natural gas production (25%), and the production of various other natural resource products (5%). Other natural resources products include timber, oil, coal-bed methane, natural gas liquids, limestone, sandstone, gravel, sand, and gob (coal refuse). During FY 2015, Severance Tax receipts were deposited in the State General Revenue Fund (85.1%), the State Infrastructure Fund (4.7%), and local government funds (10.2%). Under current law, the first \$22.5 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 coal prices since the second half of 2012 contributed to a 32.4% reduction in coal severance tax receipts between FY 2012 and FY 2015. A slow growing U.S. economy, a weakened Global economy, the closure of a number of regional coal-fired power plants, and increased competition from natural gas will lead to an expected 15% to 20% additional decrease in coal production over the next five years along with some additional decrease in price, especially over the next year. After rising by roughly 360% between 2010 and 2015, natural gas production is forecast to generally level out over the forecast period with average growth of just 2.0% per year between 2015 and 2021. Natural gas prices plunged from nearly \$4.00 per thousand cubic feet in mid-CY 2014 to just \$1.20 in recent months. As a result, natural gas severance tax collections fell by 15.2% between FY 2014 and FY 2015 and by more than 40% during the first five months of FY 2016. The revenue decrease was even steeper for oil and natural gas liquids. Overall Severance Tax collections are now decreasing at a rate of roughly 40% from levels of last year.

Due to collapsing energy prices and weak global demand, estimated FY 2017 severance tax collections will be nearly one-third less than actual receipts in FY 2015. Energy prices are anticipated to slowly rebound and energy markets will stabilize between FY 2017 and FY 2021. However, revenue growth will generally average less than 5% per year.

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 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 roughly 6.5% of total General Revenue Fund in FY 2017.**



General Revenue Fund
Corporation Net Income Tax

The Corporation Net Income Tax is a tax on net profits of incorporated entities doing business in West Virginia.

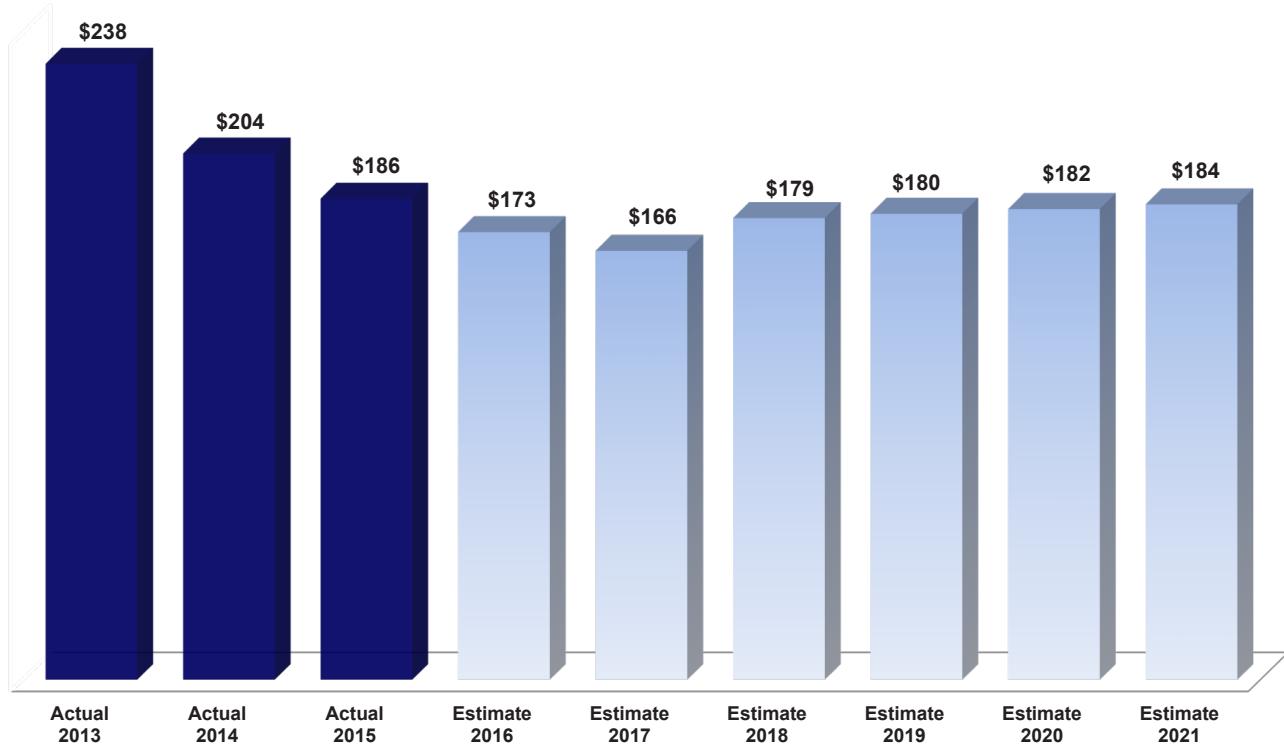
Real domestic corporate profits were generally stagnant in both 2014 and 2015. During the remainder of the forecast period corporate profits are expected to increase at an average annual rate of just 1.0%. Remittances of the Corporation Net Income Tax may lag the associated economic period by up to 18 months.

Collections are expected to decrease by nearly 10% between FY 2015 and FY 2017 primarily due to the complete phase-out of the Business Franchise Tax component as of January 1, 2015. However, some residual collections from the Business Franchise Tax will continue after phase-out for a few additional years. In addition, the impact of the reduction in Corporation Net Income Tax rates should now be fully realized, however, allowing for growth in collections throughout the forecast period. Collections are expected to rise at an average annual rate of 1.1% as tax policy stabilizes.

Collection patterns tend to be very volatile because the majority of Corporation Net Income 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 tax rate of 6.5%.**
- **Accounts for roughly 4% of total General Revenue Fund.**

**Corporation Net Income Tax and Business Franchise Tax
(Expressed in Millions)**



General Revenue Fund
Business and Occupation Tax

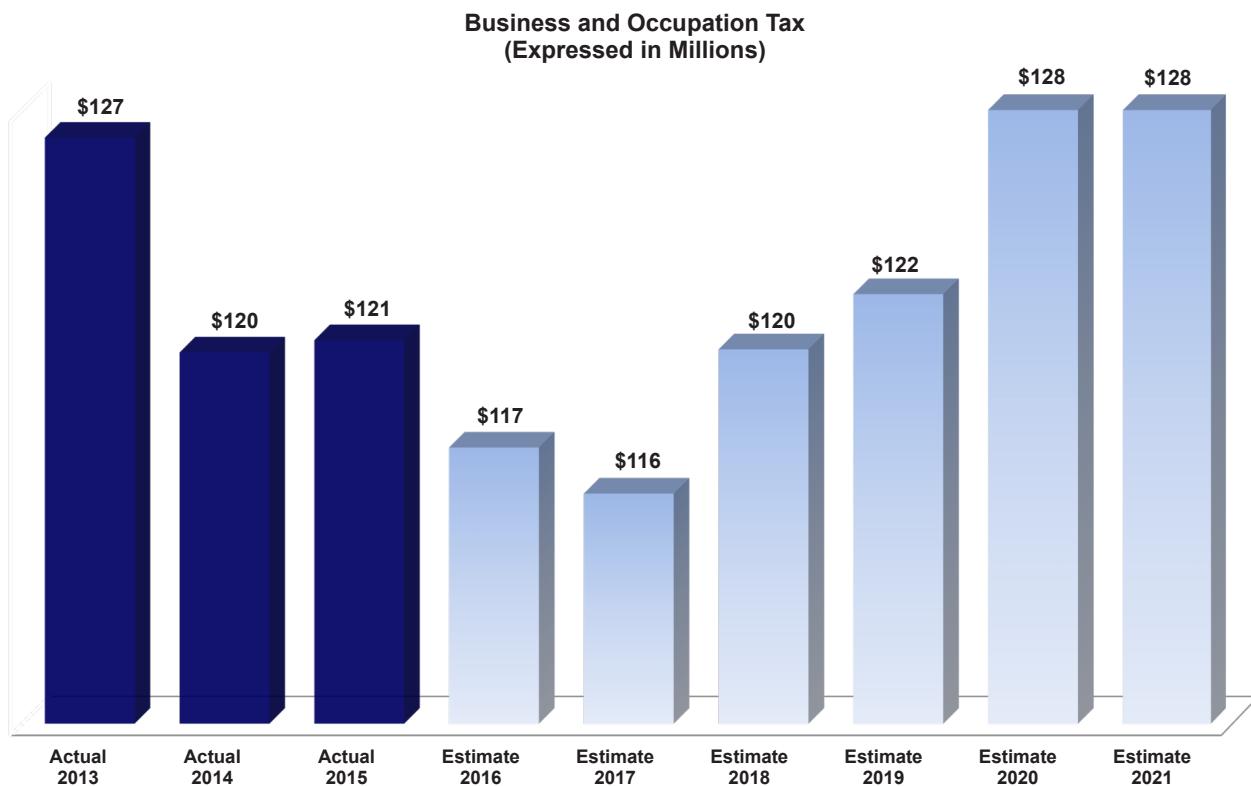
The Business and Occupation Tax (B&O Tax) consists of three distinct components: a capacity or unit-based tax on electric power generation and distribution, a gross receipts tax on nonelectric public utilities, and a per unit tax on gas storage operators.

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 flue 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 capital investments for the installation of flue gas desulfurization systems 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 have recently closed. While the retired plants will further reduce the tax base, the expiration of some investment tax credits will result in increased B&O Tax revenue through the forecast period.

The tax on natural gas receipts applies only to public utility sales. Exempt non-utility sales represent more than 40% 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.

During the forecast period from FY 2015 to FY 2021, net B&O Tax collections are forecast to increase by an average annual rate of 1.0%.

- 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 nearly 3% of total General Revenue Fund.

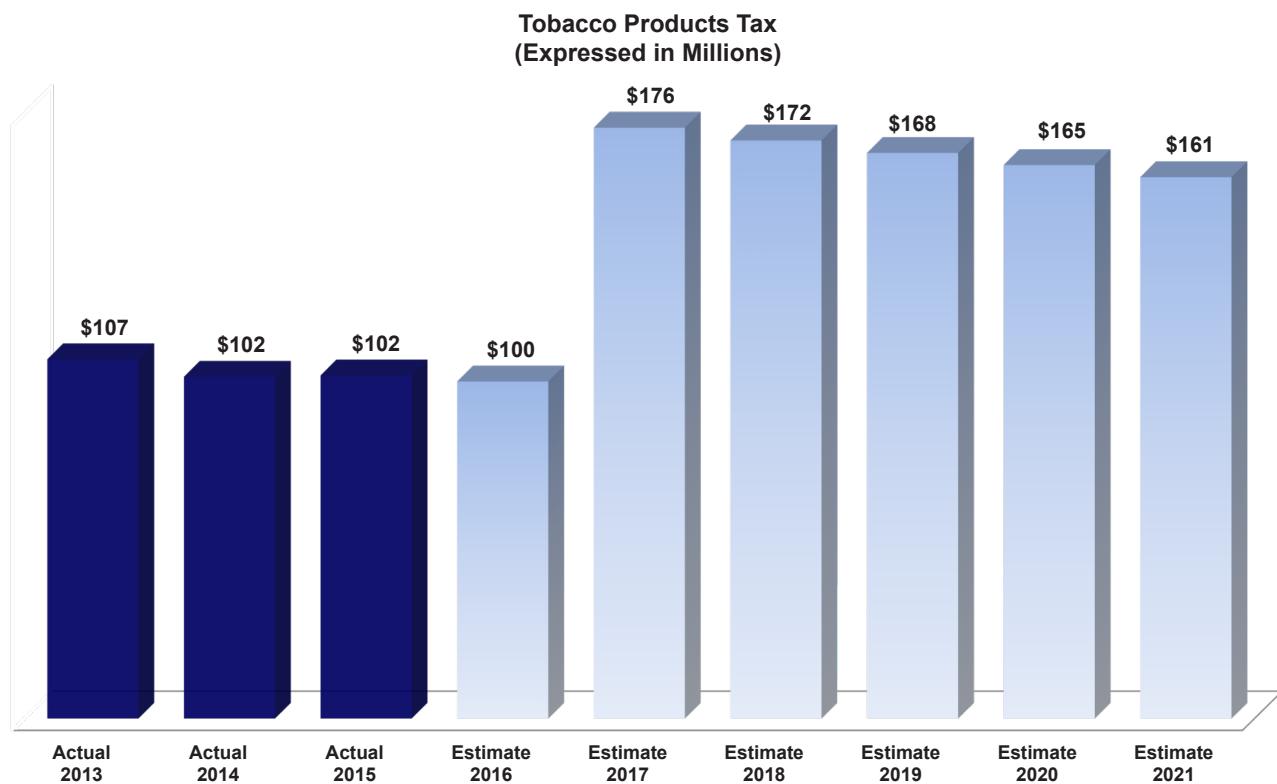


General Revenue Fund
Tobacco Products Tax

The Tobacco Products Tax consists of a unit excise tax per pack 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 periodically imposed by 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 1.4% per year during the FY 2015–FY 2020 forecast period due to reduced consumption.

The budget includes proposed increases in the tax rate on cigarettes from 55 cents per pack to \$1.00 per pack, the tax rate on other tobacco products from 7% of wholesale price to 12% of wholesale price and the implementation of a 7.5 cent per milliliter tax on electronic cigarettes. These tax changes would add \$78.0 million to total collections in FY 2017.

- Tax of \$0.55 per pack of 20 cigarettes. Proposed rate is \$1.00 per pack.
- Tax of 7% of the wholesale price on tobacco products other than cigarettes. Proposed rate is 12% of wholesale price.
- Accounts for more than 2% of total General Revenue Fund. Share would rise to 4.1% due to proposed tax increase.

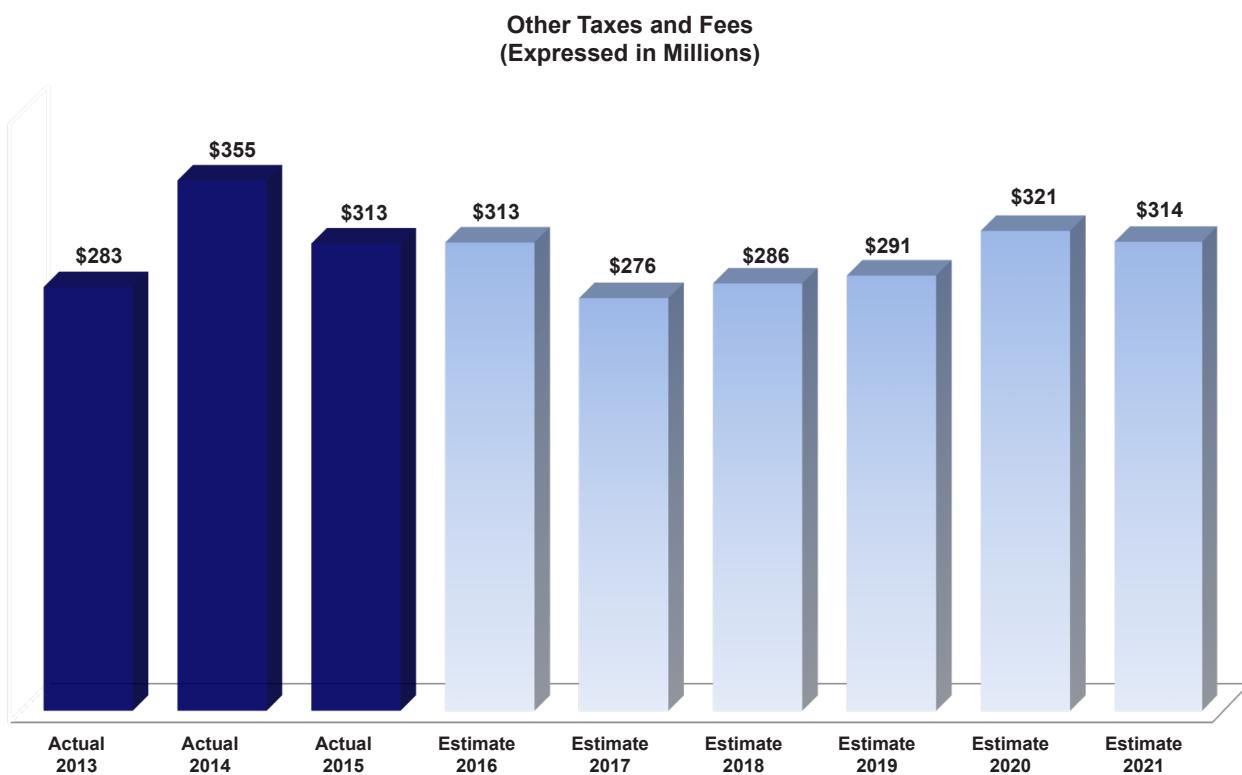


General Revenue Fund
Other Taxes and Fees

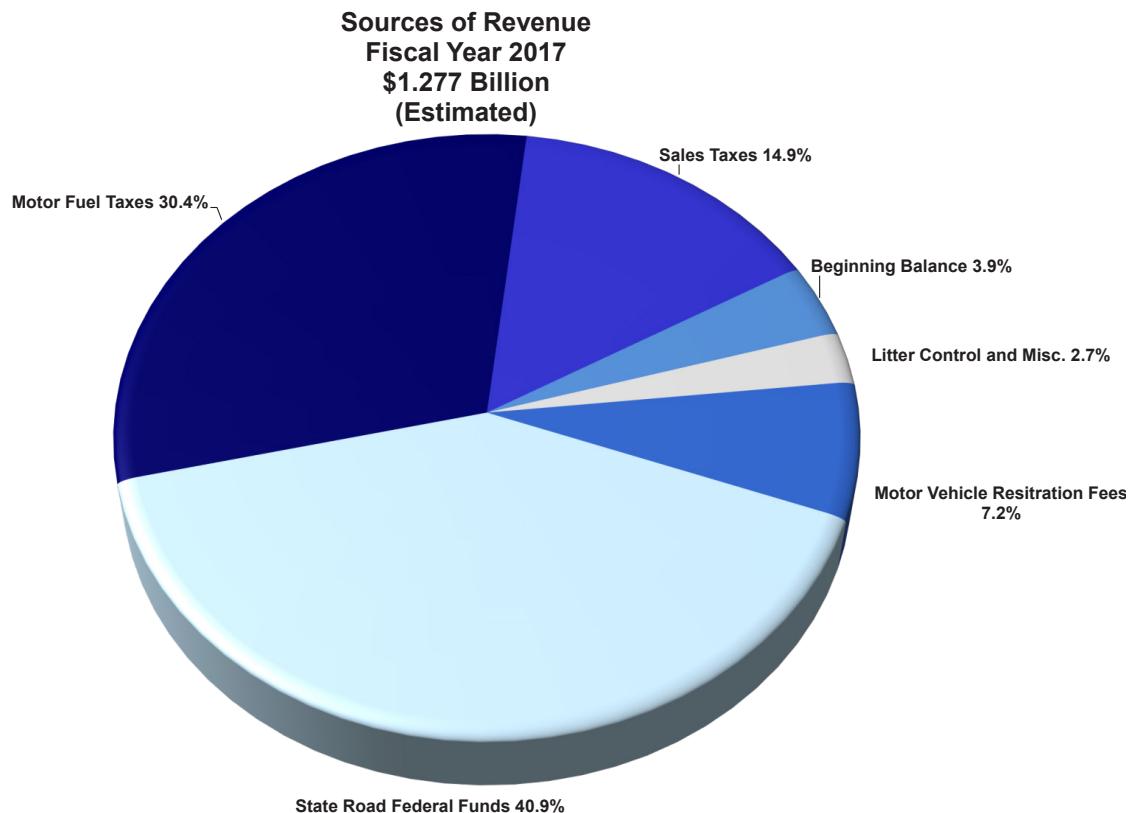
These other taxes, licenses, fees, and receipts consist of Insurance Premiums Tax, Liquor Profit Transfers, Beer Tax and Licenses, Business Franchise Registration Fees, Property Tax, Property Transfer Tax, Departmental Collections, Interest Income, Miscellaneous Receipts, Miscellaneous Transfers, Video 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 \$65.0 million per year for the FY 2017 to FY 2021 period, a 22% decline from annual appropriated transfers in FY 2016.

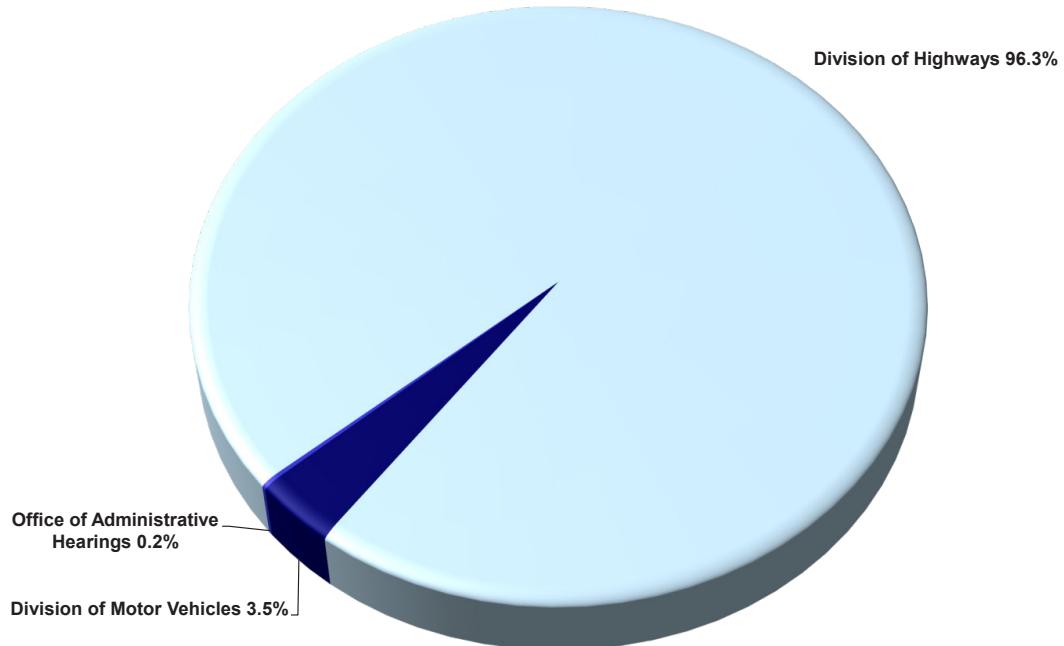
- Accounts for more than 6% of total General Revenue Fund.



State Road Fund



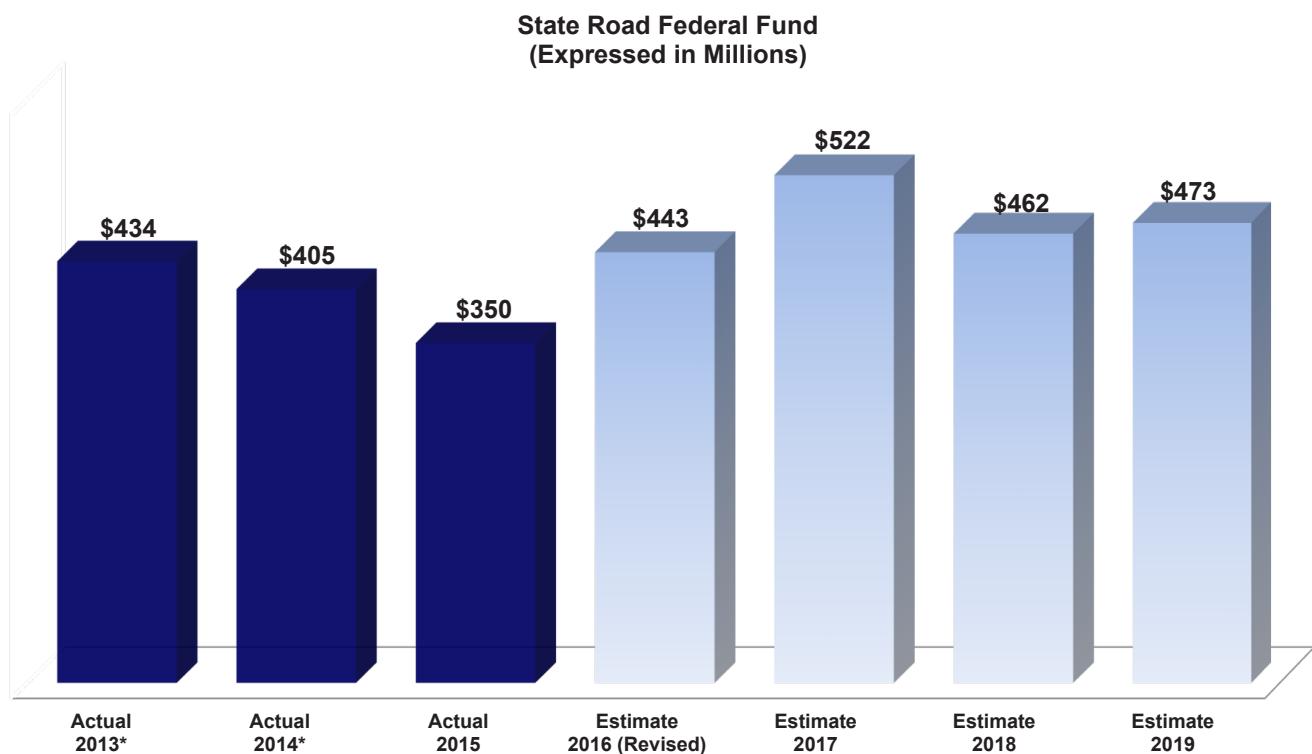
Recommended Expenditures
Fiscal Year 2017
\$1.256 Billion



State Road Fund

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 40.9% of the total State Road Fund.



State Road Fund
Motor Fuel Taxes

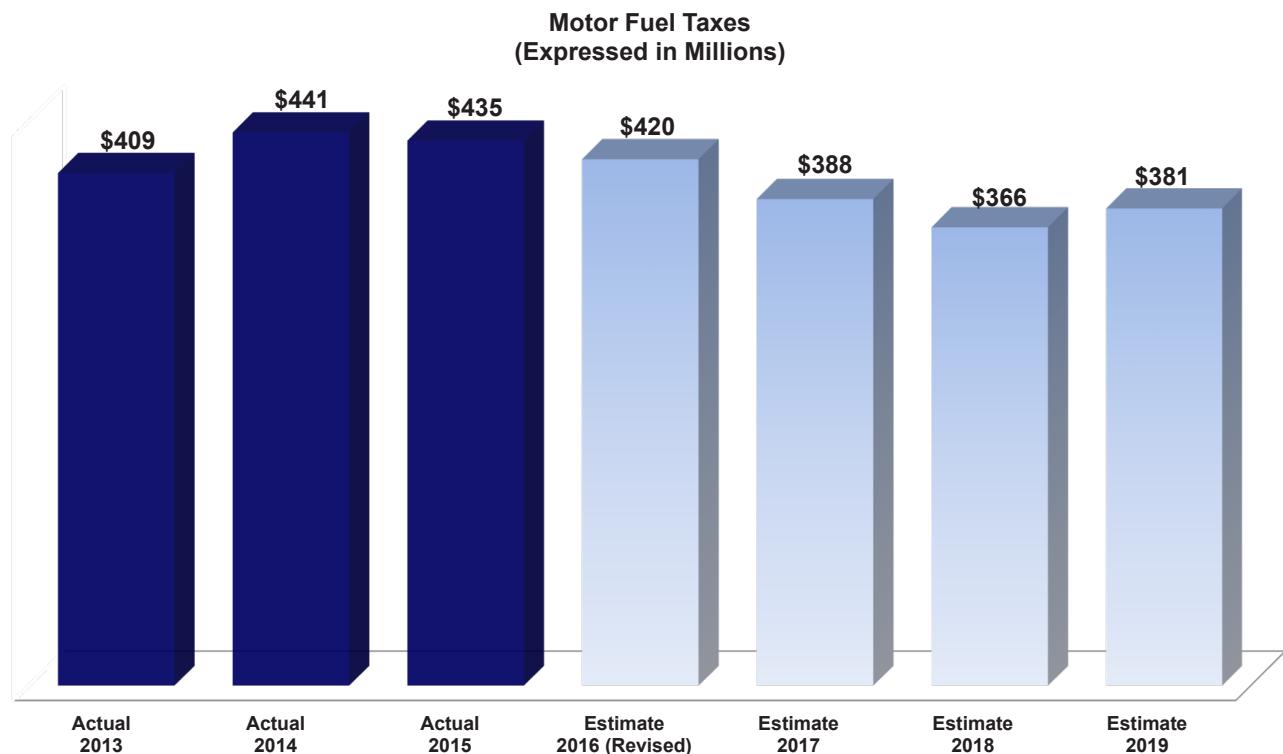
Motor Fuel Excise Tax

- Contains a flat rate and a variable rate.
- Current flat rate is \$.205 per gallon.
- Variable rate is equal to 5% 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 10% from the prior year.

Motor Carrier Road Tax

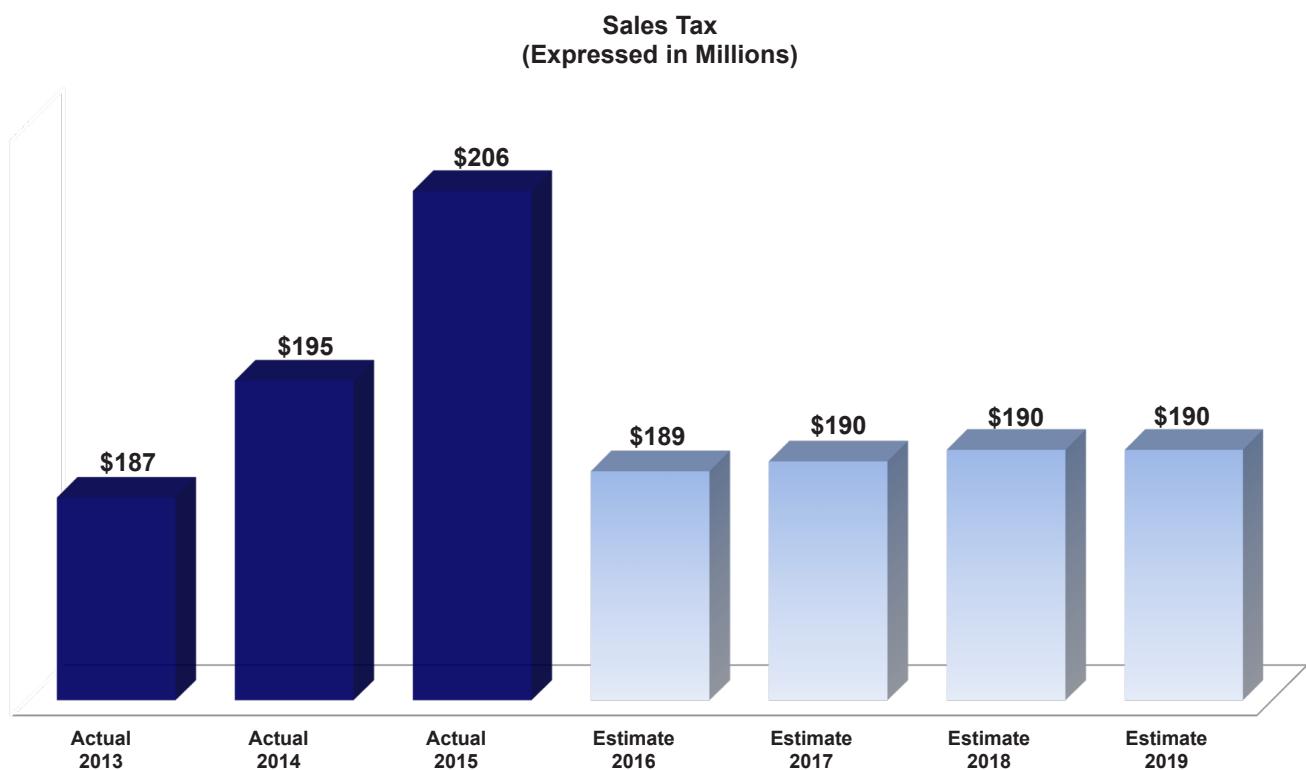
- Equivalent to the Motor Fuel Excise Tax on motor fuel.
- Imposed on every motor carrier with a vehicle that is designed to transport persons or property having two or more axles with a gross vehicle weight exceeding 26,000 pounds, including road tractors and tractor trucks.
- Based upon each gallon 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 30.4% of the total State Road Fund.



State Road Fund
Sales Tax

- The Sales Tax is imposed upon obtaining the certificate of Title on a vehicle at the time of purchase or lease.
- Tax amounts to 5% of the value of the vehicle at the time of such certification.
- Accounts for 14.9% of the total State Road Fund.



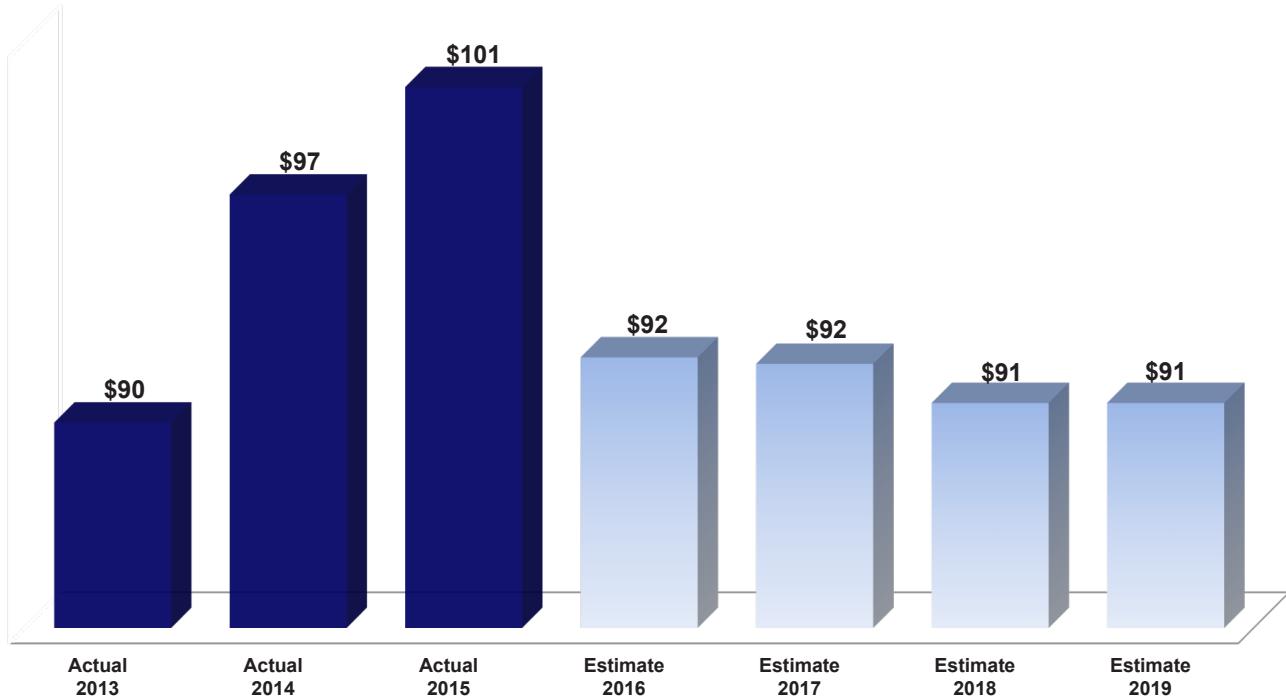
State Road Fund

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 7.2% of the total State Road Fund.

**Motor Vehicle Registration Fees
(Expressed in Millions)**



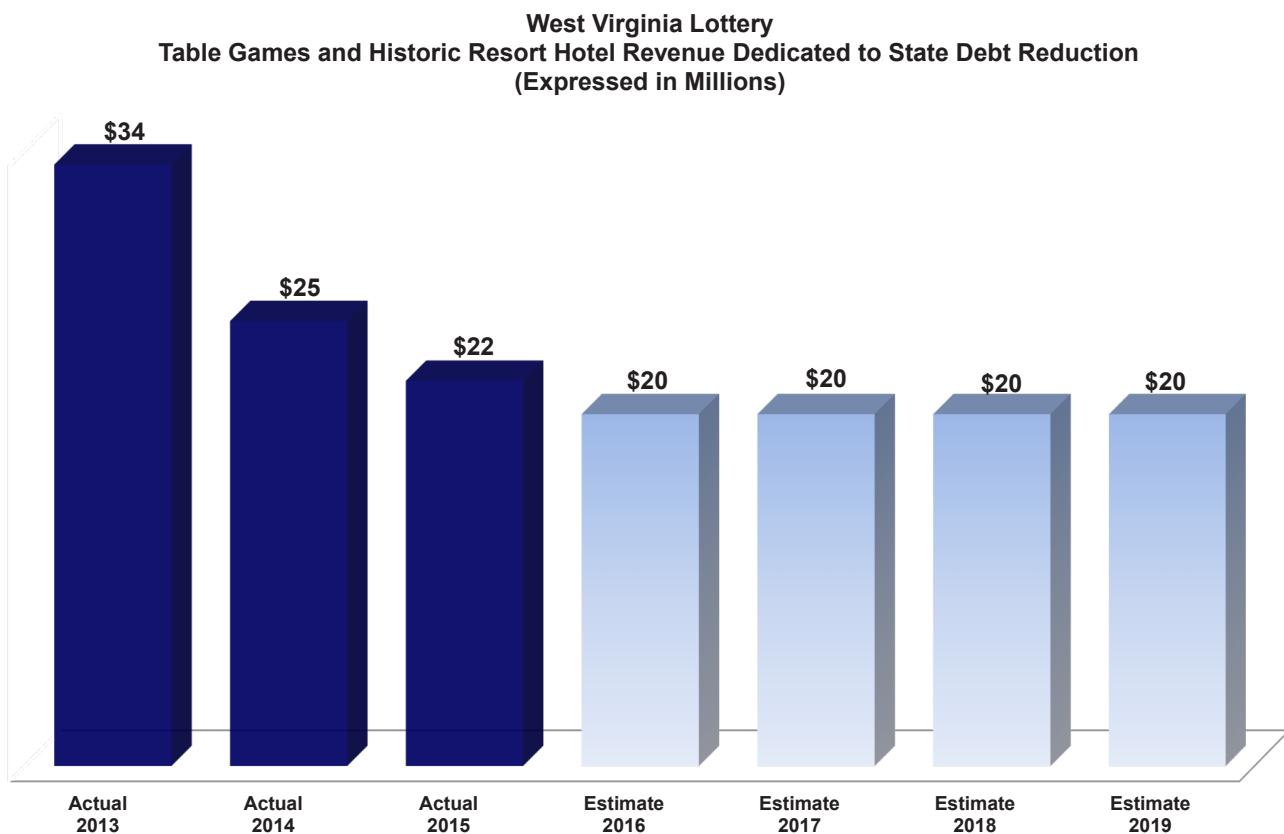
West Virginia Lottery

West Virginia Lottery gross revenue decreased 4.1% in FY 2015 and 8.6% in FY 2014. The decrease is primarily the result of increasing competition from casinos in surrounding states. Gross revenues include ticket sales of online and instant games, Racetrack Video Lottery, Limited Video Lottery revenue, table games, and Historic Resort Hotel revenues. However, due to the impact of House Bill 101 which was enacted in the first special session of 2014, and implemented in FY 2015, net revenues to the state increased by 2.0% in FY 2015 as opposed to FY 2014 which decreased by 8.6%. Racetrack Video Lottery decreased by 5.6% during FY 2015 and by 9.9% during FY 2014. Limited Video Lottery decreased by 1.1% in FY 2015 and by 5.5% in FY 2014.

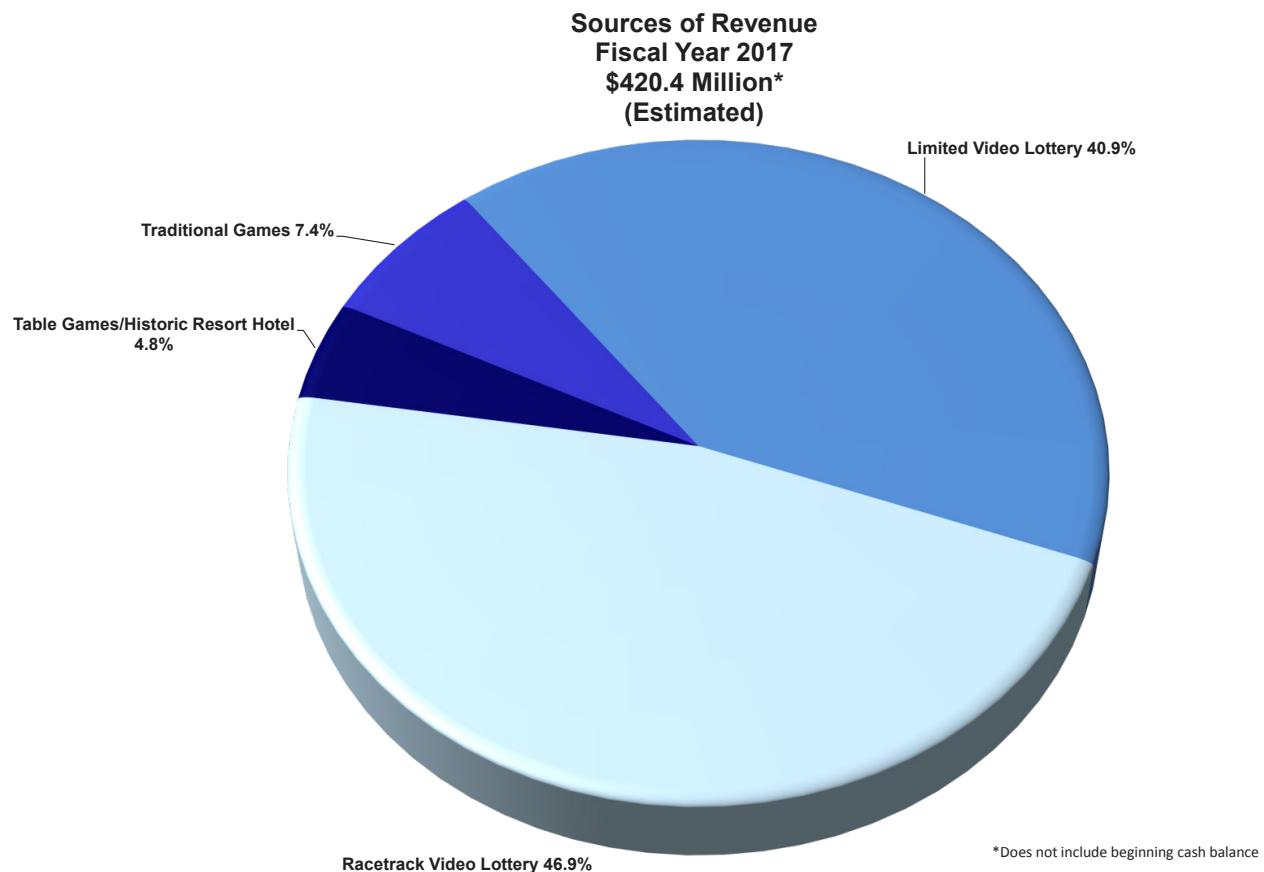
For FY 2016, the official estimate reflects a decrease in gross revenue of 10.9% from FY 2015. Racetrack Video Lottery is projected to decrease 17.2% due to increased competition in bordering states. Limited Video Lottery is projected to decrease 1.4%. Online sales are projected to decrease by 9.4%, and instant ticket sales are projected to decrease by 8.0%. Table games revenue is projected to decrease by 22.2% again due to competition in bordering states. Historic Resort Hotel revenue is projected to increase by 0.8%.

In FY 2017, the gross revenue estimate is expected to have a 3.2% decrease. Online game sales are projected to decrease by 6.5%. Instant game sales are projected to remain level. Racetrack Video Lottery revenue is projected to decrease 2.2%. Limited Video Lottery revenue is expected to decrease by 5.0%. Table games revenue is expected to increase by 1.4%. Historic Resort Hotel revenue is expected to decrease by 9.8%.

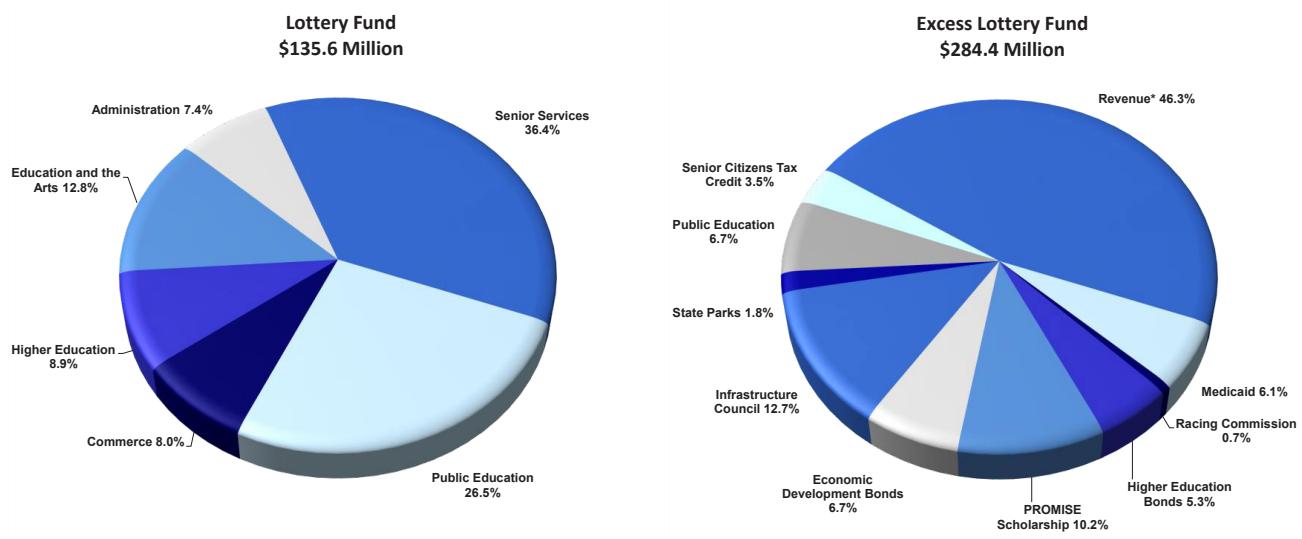
Net revenue, as indicated on the following pages, does not include the portion of lottery profits earmarked by statute for other purposes and not available for appropriation.



West Virginia Lottery

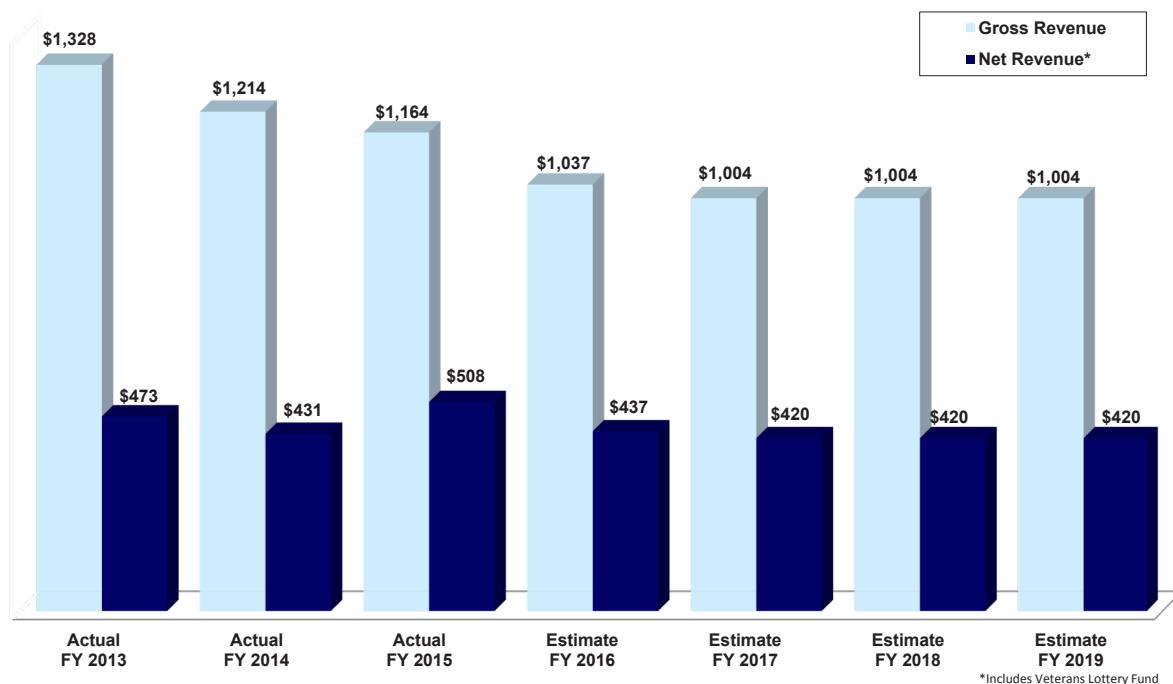


**Recommended Expenditures
Fiscal Year 2017
\$420.0 Million**

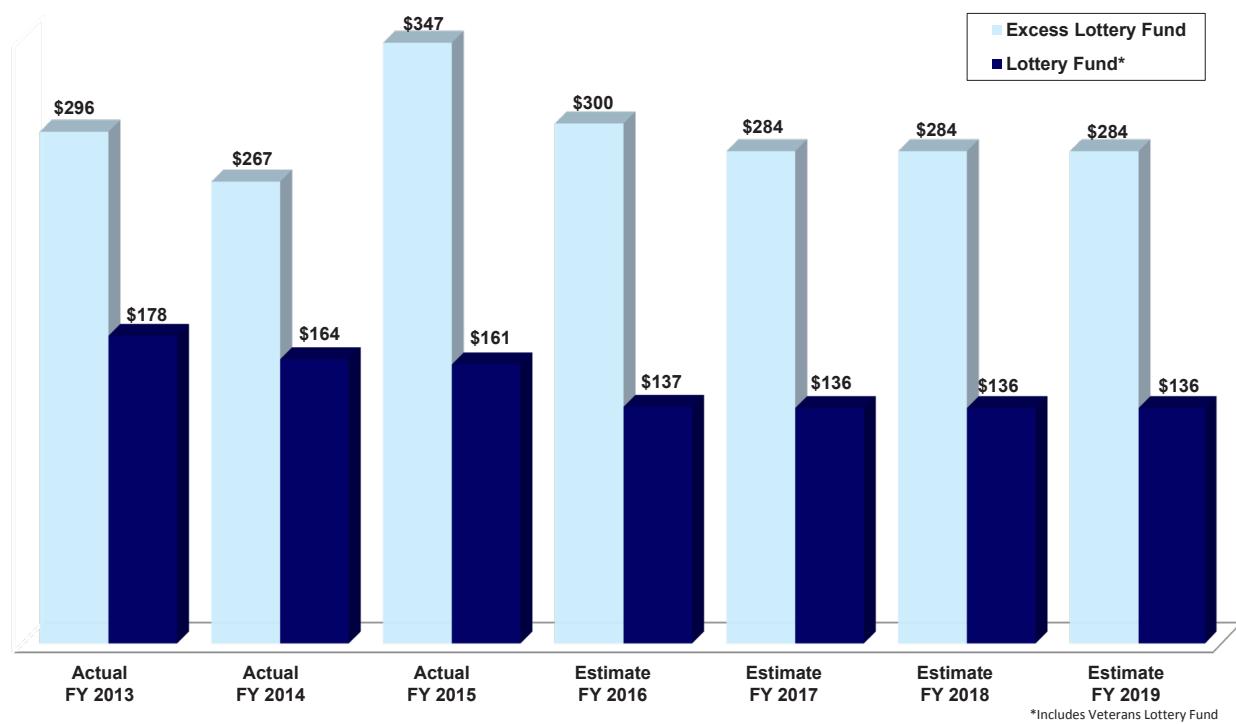


West Virginia Lottery

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

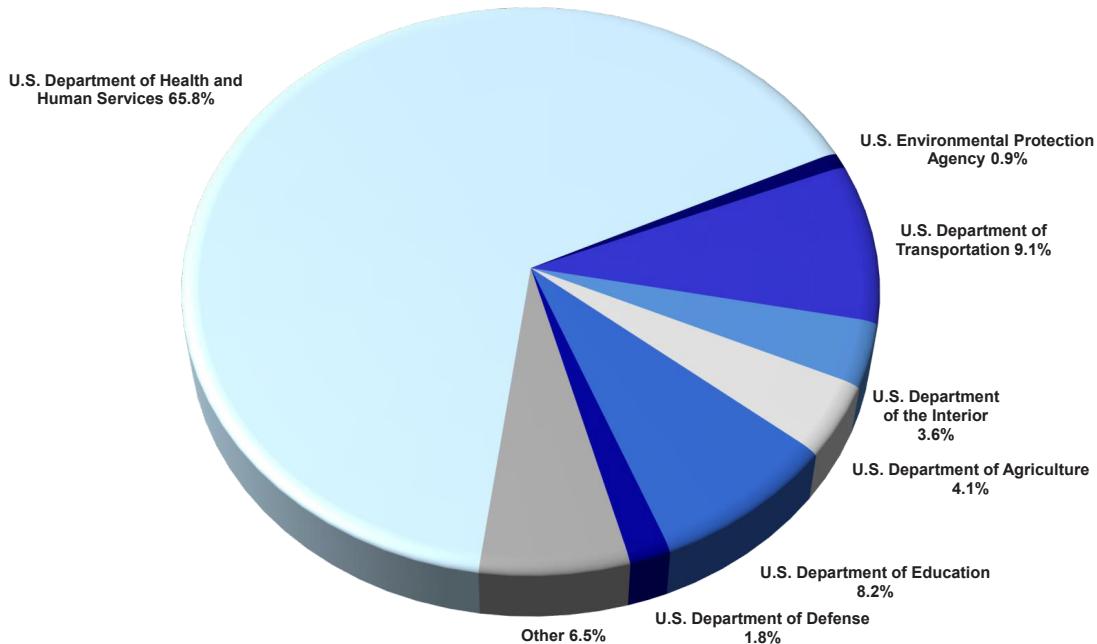


**West Virginia Lottery
Net Revenue Distribution
(Expressed in Millions)**

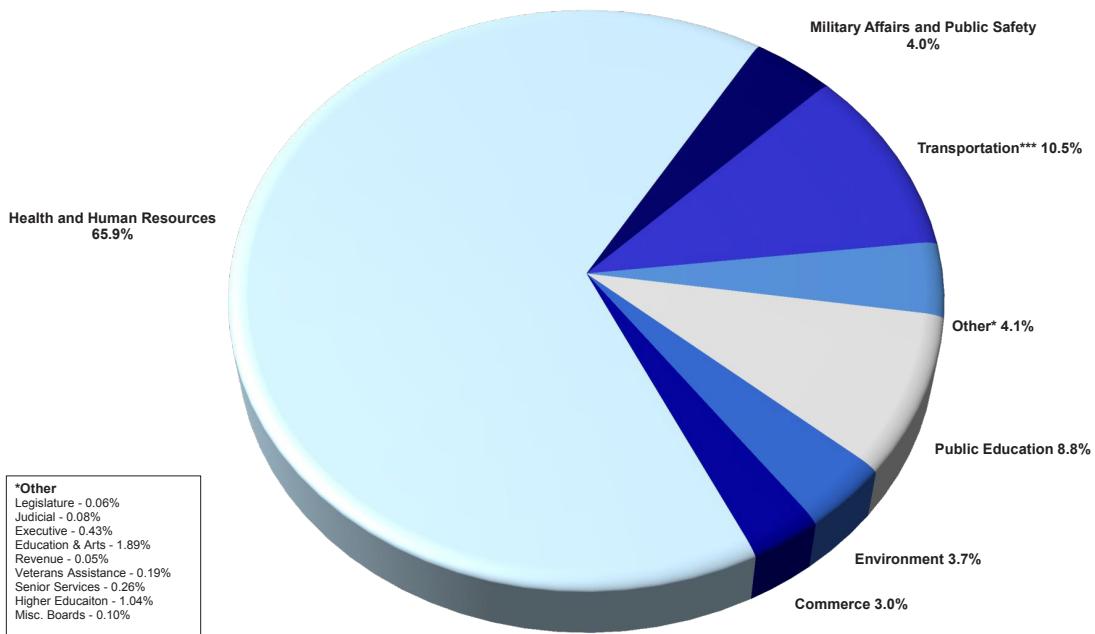


Federal Funds

**Sources of Revenue
Fiscal Year 2017
\$5.321 Billion
(Estimated)**



Recommended Expenditures
Fiscal Year 2017
\$5.487 Billion**



**Expenditures include FY 2017 revenue and beginning balances.

***Includes Federal Funds that are appropriated as part of the State Road Fund.

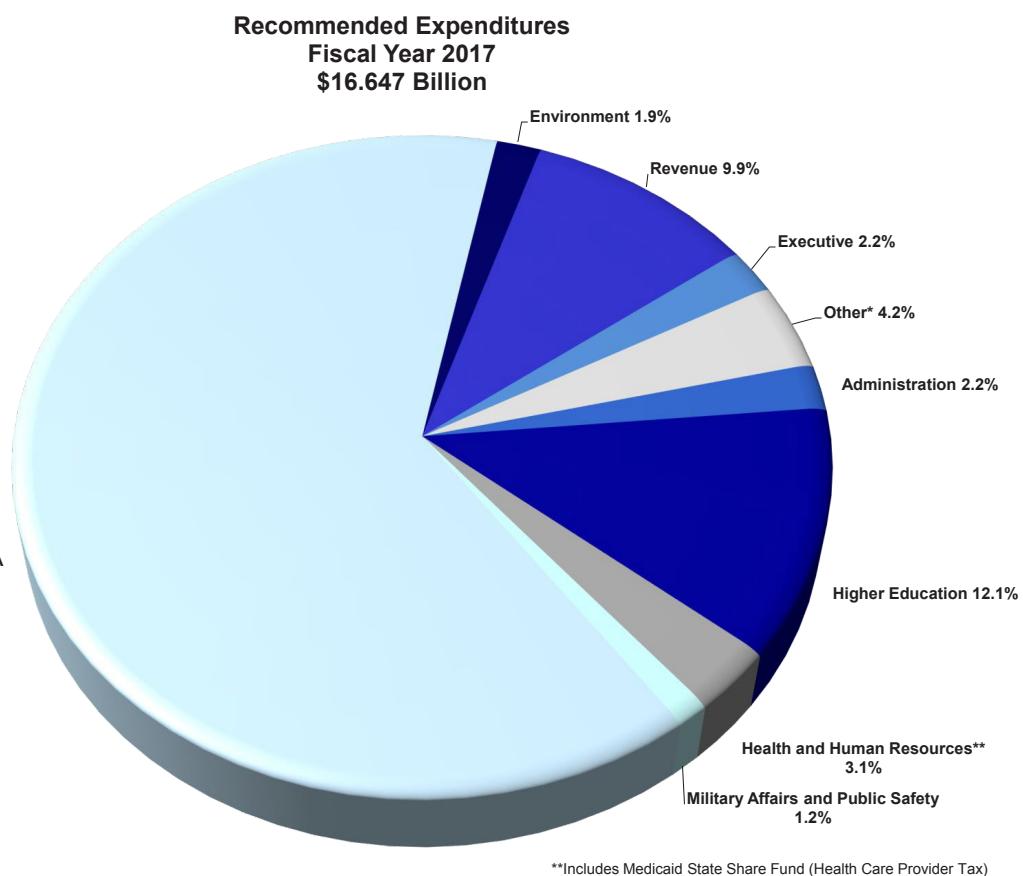
Special Revenue Funds

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.

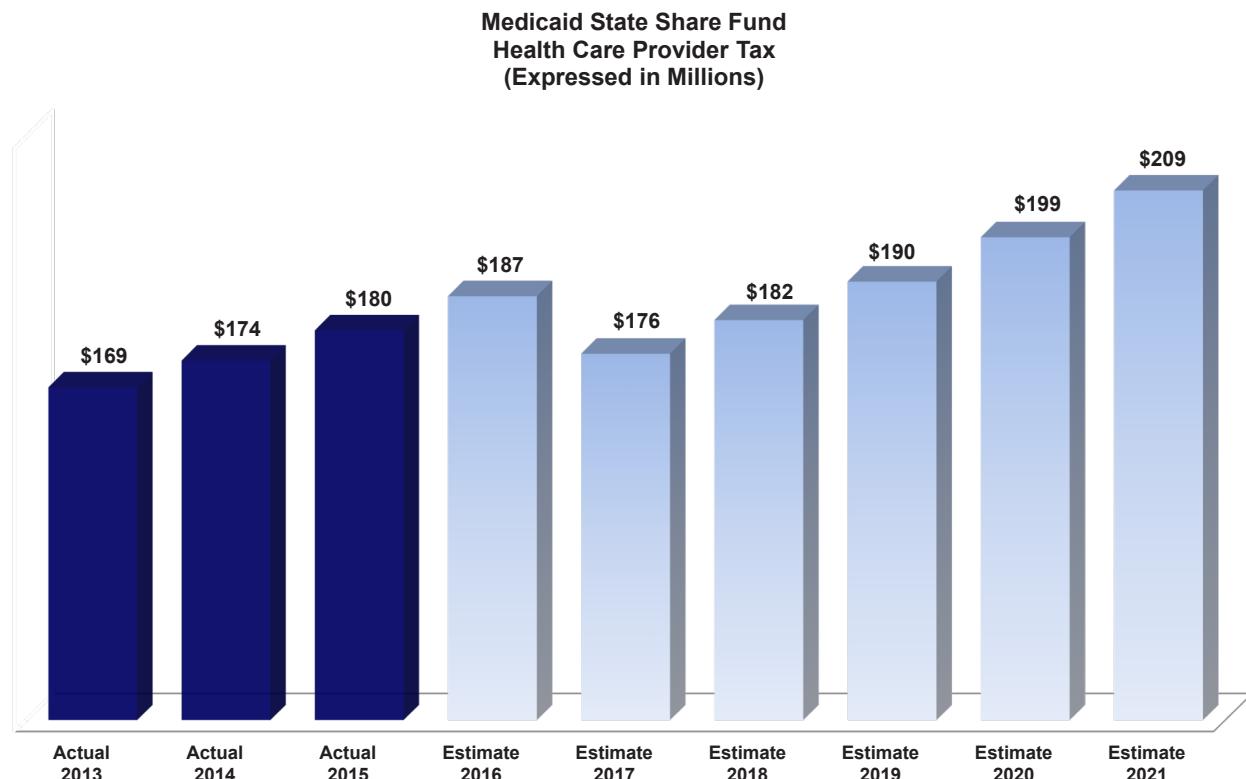


Special Revenue Funds
Medicaid State Share Fund

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 \$3.5 billion in FY 2015 (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 73% 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 2015, the Medicaid State Share Fund generated roughly \$180 million or roughly 20% of the state matching funds for the Medicaid Program.

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, 2016). The nursing home tax will decrease to 5.5% as of July 1, 2016. In addition, there is an assumption that the Behavioral Health Severance Tax will end as of June 30, 2016. Following the anticipated decrease in these taxes, the Medicaid State Share Fund is expected to increase by an average annual rate of more than 4.4%.

- 1.75% to 5.50% tax on gross receipts from various medical service providers in West Virginia.
- 0.72% tax on gross receipts of acute care hospitals (expires June 30, 2016).
- Accounts for 20% of state match for Medicaid Program.



DEBT SUMMARY

Debt Summary

More than 20 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, 2015, West Virginia's general obligation bond rating was Aa1/AA/AA+ by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively.

On June 24, 2015, Moody's released its "2015 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.wvtreasury.com/Banking-Services/Debt-Management>.

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, 2015 State Debt Medians, May 2015)**

	% of Personal Income		Per Capita
North Dakota	0.3%	North Dakota	\$193
Montana	0.7%	Montana	\$254
Colorado	1.4%	Colorado	\$478
Idaho	1.4%	Idaho	\$494
New Hampshire	1.7%	Arkansas	\$669
Arkansas	1.9%	Alabama	\$824
Alabama	2.3%	New Hampshire	\$848
Florida	2.4%	Florida	\$973
Ohio	2.7%	West Virginia	\$980
West Virginia	2.7%	Ohio	\$1,109
Minnesota	3.2%	Minnesota	\$1,538
Oregon	4.1%	Oregon	\$1,636
New York	5.7%	Washington	\$2,892
Washington	6.2%	New York	\$3,092
Massachusetts	8.7%	Massachusetts	\$4,887

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

Debt Summary

General Obligation Bonds

General obligation bonds pledging the full faith and credit of the state may be authorized only by constitutional amendment. Each amendment must be approved by two-thirds of both houses of the Legislature before submission to the voters. Enabling legislation is then required for amendments receiving voter approval. As of June 30, 2015, \$369,806,000 (net of advance refunded bonds) was outstanding in general obligation bonds.

General Obligation Bonds Outstanding June 30, 2015

Amendment	Principal Outstanding June 30, 2015 (in thousands)	Payable From
Infrastructure Improvement Amendment of 1994	(net) \$200,961	First \$22.5 million of Severance Tax
Safe Roads Amendment of 1996	(net) \$168,845	Road Fund

General Obligation Debt Various Ratios as of June 30:

Ratio	2013	2014	2015	Notes for June 30, 2015, Ending (figures listed in thousands)
GO Debt Service as a percent of the General Revenue Fund (GRF)	1.5%	1.4%	1.4%	GO Debt Service of \$59,332 GRF of \$4,187,278
GO Debt as a percent of Personal Income (PI)	0.7%	0.7%	0.6%	GO Debt of \$369,806 PI of \$65,090,872
GO Debt per Capita	\$255	\$236	\$199	GO Debt of \$369,806 Population of 1,854

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.

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.

Debt Summary General Obligation Bonds

1973 Better Highways Amendment

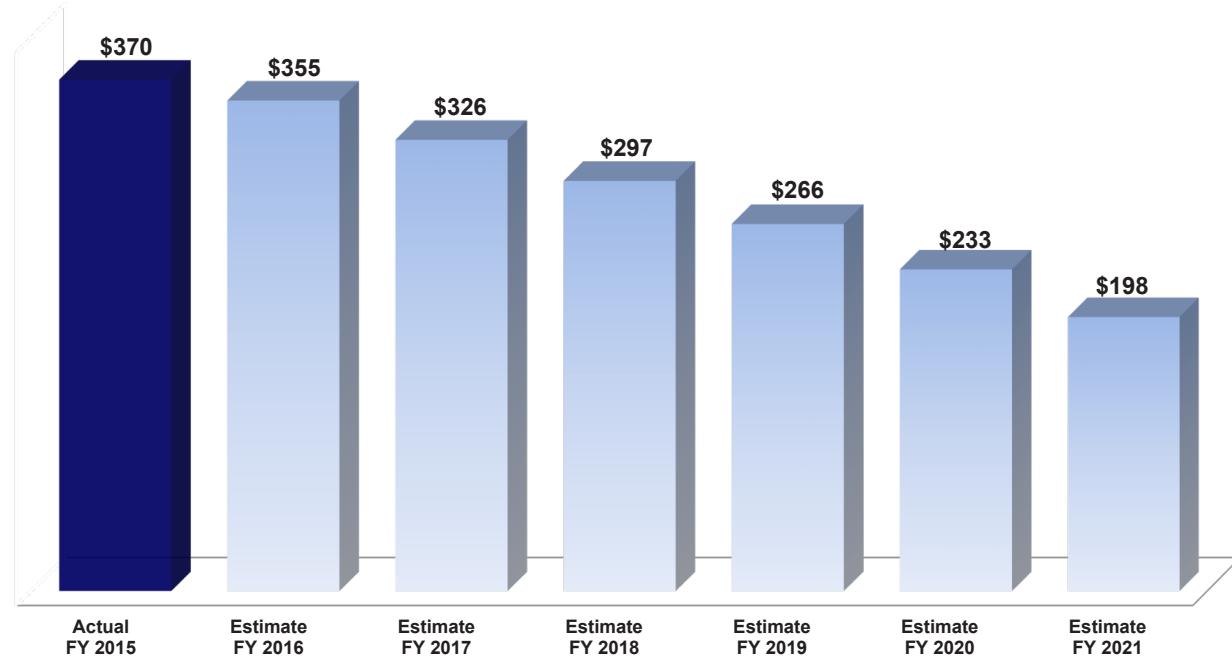
General obligation bonds were authorized to be issued in an amount not to exceed \$500 million, with \$230 million for bridge replacement and improvement, \$130 million for completion of the Appalachian Highway System, \$50 million for upgrading sections of trunkline and feeder systems, \$50 million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

1994 Infrastructure Improvement Amendment

The 1994 amendment authorized \$300 million in general obligation bonds for construction, repair, and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction, and improvement of economic development sites. Severance taxes have been dedicated to fund repayment of the bonds. Enabling legislation was enacted in 1995. Litigation challenging the passage of the amendment was decided on December 14, 1995, by the West Virginia Supreme Court of Appeals validating the amendment. The initial issue of \$60 million was sold May 22, 1996, and the second issue of \$57 million was sold December 10, 1996. An issuance of approximately \$92 million occurred in February 1998. The final issue of approximately \$91 million was issued in May 1999, bringing the aggregate amount of bonds to the authorized \$300 million amount. By structuring one of the issues with capital appreciation bonds to minimize debt service over the next seven years, an additional \$50 million was available for projects.

The West Virginia Infrastructure and Jobs Development Council has taken advantage of favorable interest rates over the past decade and refunded many of the originally issued bonds. For example, in FY 2007 and 2012 (combined) the Council refunded more than \$114 million of outstanding bonds. Most recently, in January 2015, the Council issued more than \$71.7 million of refunding bonds that refunded more than \$81.7 million. This most recent refunding generated a net present value savings (of the refunded bonds) of approximately 12.6%. The principal outstanding at June 30, 2015, was \$200,961,000 (net of advance refunded bonds). All of the bonds will be fully retired in FY 2027.

**General Obligation Debt Outstanding
Fiscal Year 2015-2021
(Expressed in Millions)**



Debt Summary
General Obligation Bonds

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. Two hundred and twenty million dollars 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. The state once again took advantage of favorable interest rates and issued more than \$133 million of refunding bonds in April 2015. The most recent refunding provided the state with a net present value savings of more than 13.9% of the refunded bonds. At June 30, 2015, \$168,845,000 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 \$4 million 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 \$8 million 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, 2015
(Expressed in Thousands)

	Final Maturity Date	Interest Rate(s) %	06/30/15 Balance*
Road Bonds			
(Payable from State Road Fund)			
Issued Under:			
1996 Amendment	2025	4.00 - 5.50	168,845
Infrastructure Bonds			
(Payable from dedicated Severance Tax revenues)			
Issued Under:			
1994 Amendment (net)	2027	0.20 - 7.625	<u>200,961</u>
	TOTAL		<u>\$369,806</u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on general obligation debt at June 30, 2015, were as follows (expressed in thousands):

Year Ending June 30	Amount to be accreted			Total
	Principal	Interest		
2016	18,741	14,367	122	33,230
2017	31,575	13,189	485	45,249
2018	32,205	11,960	835	45,000
2019	33,177	10,656	1,163	44,996
2020	33,974	9,372	1,797	45,143
2021-2025	182,015	26,352	14,717	223,084
2026-2030	38,119	1,123	8,311	47,553
TOTAL	\$369,806	\$87,019	\$27,430	\$484,255

* 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, 2015. 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 (accreted 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, 2015, the principal outstanding on the bonds totaled approximately \$855 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, 2015, the principal outstanding on the three series of notes totaled \$27 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, 2015, \$184 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, 2015, \$154 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, 2015, approximately \$142 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 \$126 million as of June 30, 2015. 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 matured in FY 2015. Additional lottery revenue bonds were issued in May 2012, April 2013, and May 2014. These bonds were issued at historically low true interest costs of 2.78%, 2.70%, and 2.81% respectively. The proceeds of all 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 \$75 million at June 30, 2015.

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 \$104 million as of June 30, 2015.

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 \$101 million (net of debt service sinking funds).

Debt Summary
Revenue Bonds
Outstanding at June 30, 2015
(Expressed in Thousands)

	Issue Date	Final Maturity Date	Interest Rate(s) %	Balance
School Building Authority	2002 & 2007	2022	3.82 - 4.37	126,190
School Building Authority (Lottery)	2004, 2012, 2013 & 2014	2028	3.00 - 5.25	74,840
School Building Authority (Excess Lottery)	2008 & 2010	2030	2.00 - 5.25	103,520
School Building Authority QSCBs (Excess Lottery)	2009 & 2010	2027	0	150,480
Tobacco Settlement Finance Authority*	2007	2047	7.467 - 8.5	855,075
Highways, Commissioner of	2006, 2007 & 2009	2016	3.75 - 5.00	26,875
WV Infrastructure and Jobs Development Council	2006, 2007, 2012 & 2014	2046	2.00 - 5.00	184,375
Education, Arts, Sciences, and Tourism Fund (Lottery)	2010	2040	2.00 - 5.00	142,360
Economic Development Authority (Excess Lottery)	2004	2026	4.40 - 6.07	<u>154,170</u>
Subtotal				1,817,885
Less:	School Building Authority Debt Service Reserve Fund			(23,021)
	Debt Service Sinking Fund - QSCBs (Excess Lottery)			(49,268)
	Economic Development Authority Debt Service Reserve Fund (Lottery)			<u>(25,160)</u>
Net revenue bonds outstanding				<u>\$1,720,436</u>

Summary of Debt Service Requirements

Future amounts required to pay principal and interest on revenue bonds at June 30, 2015, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Amount to be accreted	Total
2016	98,800	92,534	11,037	202,371
2017	76,045	88,317	11,995	176,357
2018	70,175	83,590	13,036	166,801
2019	75,010	79,498	14,167	168,675
2020	80,180	75,112	15,397	170,689
2021-2025	433,070	301,276	99,509	833,855
2026-2030	568,405	162,223	150,872	881,500
2031-2035	212,935	36,528	166,612	416,075
2036-2040	66,570	11,353	53,286	131,209
2041-2045	135,805	1,189	0	136,994
2046-2050	890	21	0	911
	\$1,817,885	\$931,641	\$535,911	\$3,285,437

*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 \$255 million at June 30, 2014.

ECONOMIC FORECAST

WEST VIRGINIA ECONOMIC FORECAST

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<http://www.be.wvu.edu/bber/index.htm>

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2016 West Virginia Economic Forecast

EXECUTIVE SUMMARY

West Virginia's economy has struggled over the past year, primarily driven by the state's energy sector, where continued losses in coal jobs have been coupled with what we believe is a temporary slowdown in natural gas. In this report, we present a detailed discussion of the current state of the West Virginia economy along with our forecast for the likely path of economic activity over the next five years. Overall, this report provides a broad and detailed foundation to help you understand the long-run economic challenges and opportunities facing West Virginia.

Highlights related to West Virginia's recent economic performance are as follows:

- After consistent and healthy job growth between 2010 and mid-2012, the state has seen employment decline for much of the last three years, with a cumulative loss of nearly 8,000 jobs. On a positive note, payrolls have increased on a year-over-year basis in the past two quarters, pointing to some stabilization.
- A significant portion of the state's job losses can be traced to the downturn in the coal industry, as well as weak levels of construction activity. Over this period, job gains have been recorded in the state's oil and gas industry, as well as a handful of service-providing industries, but these gains fail to offset the losses in coal.
- After falling steadily over the course of 2014, the state's unemployment rate has spiked in the past two quarters. West Virginia's jobless rate is at its highest level in more than two years.
- Only 53% of West Virginia's adult population is either working or looking for work. This is the lowest rate of labor force participation among all 50 states. This problem represents a significant hurdle for long-run economic prosperity.
- Per capita personal income in West Virginia grew at a stronger pace in 2014, rising 3.1% to approximately \$36,600. The state has recorded a measurably faster average annual rate of per capita income growth compared to the nation since 2008. Despite this growth, however, per capita personal income in West Virginia stands at only 79% of the national average.
- West Virginia's real GDP expanded 2.4% during 2014. Changes in total state economic output have fluctuated significantly in recent years, due primarily to diverging performances in the state's linchpin energy industries.

- Export activity from West Virginia has been quite volatile over the past decade. Promoting the state's export potential is of vital importance to economic development in West Virginia in the long run.

FIGURE ES.1: West Virginia and US Forecast Summary

	West Virginia		United States	
	2004-2014	2015-2020	2004-2014	2015-2020
Population (average annual growth, %)	0.2	-0.1	0.8	0.8
Employment (average annual growth, %)	0.2	0.5	0.5	1.2
Real GDP (average annual growth, %)	1.0	1.5	1.6	2.7
Unemployment Rate (annual average at end of time period, %)	6.5	5.8	6.2	5.0
Real Per Capita Personal Income (average annual growth, %)	1.7	1.8	1.1	2.3

Sources: US Census Bureau; Workforce WV; US Bureau of Labor Statistics; US Bureau of Economic Analysis; WVU BBER Econometric Model; IHS Economics

The energy sector is an important driver of economic activity in the state:

- Coal output has fallen by around one-third since 2008, with the losses occurring in the state's southern coalfields.
- Natural gas output has grown by at least 35% per year for each of the past four years.
- Total GDP from natural gas is expected to equal that of coal in the near future. GDP from natural gas was equivalent to around 12% of that of coal less than a decade ago.

Highlights related to West Virginia's economic outlook are as follows:

- Employment in West Virginia is estimated to increase 0.5 percent per year on average through 2020, compared to an expectation of 1.2% for the nation as a whole.
- Our baseline forecast calls for job losses in coal to subside within the next two years; however, the outlook is subject to considerable downside risk depending on the environmental regulatory climate and conditions in the global market.

2016 West Virginia Economic Forecast Executive Summary

- Low prices and regional infrastructure bottlenecks will weigh on the natural gas industry over the next year or so. We anticipate conditions will improve considerably in 2017 thanks to new pipeline capacity and expanded natural gas use in electricity generation. Overall, production and employment are expected to increase at an average annual rate of around ten percent and three percent, respectively, through 2020.
- Construction is expected to add jobs at the fastest rate going forward, but the service-providing segment will tend to pace the state's overall performance during the next five years, led by professional and business services and health care.
- The state's unemployment rate is expected to remain at or above seven percent through early-2016, but will fall over much of the outlook period, declining to the upper-five-percent range by 2019.
- Per capita personal income is expected to grow at an annual average rate of 1.8% over the next five years, below the national rate of 2.3%. Growth will be driven largely by non-wage income, such as Social Security benefits.

A key concern for The Mountain State moving forward relates to its underlying demographics. Consider the following:

- West Virginia's population has declined over the past two years, and we project the state to lose around 23,000 residents over the next 20 years.
- A positive shock to encourage in-migration is essential to lessen the severity of natural population decline.
- The state's population is significantly older than the nation as a whole, and will continue to age in coming years.
- The state's population is relatively unhealthy and ranks at or near the bottom among the 50 states along many basic health outcome measures.
- Economic development strategies should focus on ways to improve health and education outcomes in the state to make West Virginia's workforce more attractive to potential businesses.

Economic performance is expected to remain extremely variable across West Virginia's counties. Consider the following:

- While the state overall is expected to lose population in coming years, 18 counties are expected to add residents. Population gains will be heavily concentrated in North-Central West Virginia and the Eastern Panhandle.
- Six counties are expected to lose jobs in coming years and expected growth rates among the remaining counties vary widely. The highest rates of job growth tend to be in the northern half of the state.
- Policymakers should be keenly aware of significant economic differences across West Virginia and ensure that economic development strategies consider each region's specific strengths and weaknesses.

While the US economy has still not achieved its full potential after the Great Recession, numerous economic indicators have improved substantially over the past two years and several signs provide hope for a sustained US economic expansion:

- US real GDP growth is expected to improve to a rate of around 2.7% annually over the coming years, which will be more consistent with long-run patterns.
- Employment growth has improved considerably over the past year or so. Overall the US has added between 200,000 and 250,000 jobs during the typical month over the past two years, representing a significant improvement over growth observed through most of 2009 through 2013. However, total employment remains below the economy's full-employment level.
- The US unemployment rate has continued to improve steadily over the past year and stands at its lowest level in over six years. The rate is expected to continue to fall slightly over the near term and then stabilize.
- Threats to our generally positive outlook for the US economy should be considered. These include the following: weaker economic outcomes in the economies of major US trading partners — particularly China and Europe — could threaten exports and global economic stability; the question of long-run sustainability of the US federal budget; and the coming rise in interest rates.

The complete West Virginia Economic Outlook 2016 is online at <http://www.be.wvu.edu/bber/index.htm>.

APPENDICES

Glossary

A

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

Activity - (See "Appropriation.")

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 full-time equivalent service as of July 1.

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.

Appropriation - A legal authorization to incur obligations and to make expenditures for specific purposes listed in the budget bill, such as Current Expenses, Equipment, and Capital Outlay.

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

Cabinet - An organizational unit of state government that can be headed by a department cabinet secretary or individual agencies grouped for organizational reporting purposes, such as Miscellaneous Boards and Commissions.

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 and 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).

Appendix A/Glossary

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 2017, the "current level" is defined as 100% of the FY 2016 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 or organization.

E

Employee Benefits - Expenditures for social security matching, workers' compensation, unemployment compensation, pension and retirement contributions, public employees' insurance matching, 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.

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 12-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.

Appendix A/Glossary

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; all other revenue derived from motor vehicles or motor fuel; and all federal funds received for road construction, reconstruction, and maintenance. 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.

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, land, and other assets.

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

AAL	Accrued actuarial liability
ABCAs	Alcohol Beverage Control Administration
ABE	Adult Basic Education
ACA	Affordable Care Act
..... American Correctional Association	
ACH	Automated Clearing House
ACP	Address Confidentiality Program
ACT	American College Test
ADA	Americans with Disabilities Act of 1990
AgEP	Agricultural Enhancement Program
AIDS	Acquired immunodeficiency syndrome
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
ARC	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
BCF	Bureau for Children and Families
BCSE	Bureau for Child Support Enforcement
BMPs	Best management practices
BMRC	Biomedical Research Center
BMS	Bureau for Medical Services
BRFSS	Behavior Risk Factor Surveillance System
BRIM	Board of Risk and Insurance Management
BRNI	Blanchette Rockefeller Neurosciences Institute
BTI	West Virginia Board of Treasury Investments
BTOP	Broadband Technology Opportunities Program

C

CAFO	Concentrated animal feeding operations
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CAFR	Comprehensive Annual Financial Report
CBF	Community-based facilities
CCTCE	Council for Community and Technical College Education
CDL	Commercial Driver's License
CFWV	College Foundation of West Virginia
CHIP	Children's Health Insurance Program (federal)
CJSAC	Criminal Justice Statistical Analysis Center
COMPASS	Consolidated Multi-Plan Administration Solution System
CON	Certificate of Need
COOP	Continuity of operations plan
CPASS	College of Physical Activities and Sports Sciences
CPI	Consumer Price Index
CPRB	Consolidated Public Retirement Board
CPTED	Crime prevention through environmental design
CRTS	Coal Resource Transportation System
CSBG	Community Services Block Grant
CSR	Code of State Regulations
C&T	Community and Technical
CTE	Career and Technical Education
CWSRF	Clean Water State Revolving Fund
CY	Calendar year

D

DCKMSVC	Donel C. Kinnard Memorial State Veterans Cemetery
DEP	Department/Division of Environmental Protection
DHHR	Department of Health and Human Resources
DJCS	Division of Justice and Community Services
DJS	Division of Juvenile Services
DMV	Division of Motor Vehicles
DNA	Deoxyribonucleic Acid
DNR	Division of Natural Resources
DOH	Division of Highways
DOR	Department of Revenue
DOT	Department of Transportation
DSRS	Deputy Sheriff's Retirement System
DUI	Driving under the influence
DWTRF	Drinking Water Treatment Revolving Fund

Appendix B/Glossary of Acronyms

E

E & G	Education and General
E-Rate	Schools and Libraries Universal Service Program (electronic rate)
EAST.....	Education, Arts, Science, and Tourism
EBA.....	Educational Broadcasting Authority
EDGE.....	Earn A Degree-Graduate Early
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
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
EXPLORE®	A test for eighth graders

F

FAA	Federal Aviation Administration
FAIR.....	Family Alzheimer's In-Home Respite
FARS	Financial Accounting and Reporting Section
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
FMAP.....	Federal Medical Assistance Percentage
FMCSA	Federal Motor Carrier Safety Administration
FOIA	Freedom of Information Act
FPL.....	Federal Poverty Level
FPY	Federal program year
FRPP	Federal Farm and Ranchland Protection Program

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
GDP.....	Gross domestic product
GEAR UP.....	Gaining Early Awareness and Readiness for Undergraduate Programs
GFOA.....	Government Finance Officers Association of the United States and Canada
GHSP	Governor's Highway Safety Program
GO	General obligation
GOHELP	Governor's Office of Health Enhancement and Lifestyle Planning
GRF.....	General Revenue Fund
GSD.....	General Services Division
GSP	Gross state product

H

HB	House Bill
HEAPS.....	Higher Education Adult Part-time Student
HEPC	Higher Education Policy Commission
HHOMA.....	Herbert Henderson Office of Minority Affairs
HIV.....	Human immunodeficiency virus
HMVMT	Hundred million vehicle miles traveled
HOPWA.....	Housing Opportunities for Persons with AIDS
HSC.....	Health Science Center
HUD.....	U.S. Housing and Urban Development
HVAC.....	Heating, ventilation, and air-conditioning

I

ID	Identification
IDEA	Individuals with Disabilities Education Act
IMB.....	Investment Management Board
IFLOWS.....	Integrated Flood Observing and Warning System

Appendix B/Glossary of Acronyms

IMD.....	Institutions for mental disease	MCO	Managed care organization
IMPACT.....	Infrastructure for Maintaining Primary Care Transformation	MHT.....	Mountain Health Trust
IP	Internet Protocol	MIP.....	Major improvements program
IRP	International Registration Plan	MITA.....	Medicaid Information Technology Architecture
IRS	Internal Revenue Service	MMIS.....	Medicaid Management Information system
IS&C.....	Information Services and Communications	MPFRS.....	Municipal Police Officers and Firefighters Retirement System
ISO	International Organization for Standardization	MSA.....	Metropolitan statistical area
IT	Information technology		

J

JCEBP	Justice Center of Evidence-Based Practice
JRS	Judges' Retirement System

N

N/A.....	Not available
.....	Not applicable
NAEP	National Assessment of Education Progress
NAIC	National Association of Insurance Commissioners
NAICS.....	North American Industry Classification System
NCA	National Cemetery Association
NHS.....	National Highway System
NPDES	National Pollutant Discharge Elimination System
NRAO	National Radio Astronomy Observatory

K

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

L

LCAP	Landfill Closure Assistance program
LEA.....	Local educational agency
LGA.....	Local governmental agency
LHD	Local health department
LIEAP.....	Low Income Energy Assistance Program
LIFE	Legislative Initiatives for the Elderly
LIMS.....	Laboratory Information Management System
LONIE.....	Logging Operation Notification Inspection and Enforcement
LPN	Licensed Practical Nurse
LUST.....	Leaking underground storage tank
LVL	Limited video lottery

O

OAH.....	Office of Administrative Hearings
OEMS	Office of Emergency Medical Services
OEO	Office of Economic Opportunity
OM&R	Operation, Maintenance, and Repairs
OMB	U.S. Office of Management and Budget
OPEB	Other postemployment benefits
ORSP.....	Office of Research and Strategic Planning
OSHA.....	Occupational Safety and Health Administration
OT	Office of Technology

M

MAGI.....	Modified adjusted gross income
MAP-21.....	Moving Ahead for Progress in the 21st Century
MAPP	Matching Advertising Partnership Program

P

PAAS.....	Physician Assured Access System
PASS	Partnerships to Assure Student Success
PBS	Public Broadcasting Service
P-Card	State purchasing card
PDC.....	Public defender corporations

Appendix B/Glossary of Acronyms

PDS	West Virginia Public Defender Services	SRIC	Snow removal and ice control
PEIA.....	Public Employees Insurance Agency	STARBASE	Science and Technology Academics Reinforcing Basic Aviation and Space Exploration
PERD	Performance Evaluation and Research Division	STD.....	Sexually transmitted disease
PERS	Public Employees Retirement System	STEAM.....	Science, technology, engineering, art and math
PI	Personal income	STEM.....	Science, technology, engineering and math
PICF	Patient Injury Compensation Fund	STIF	Sales tax increment financing
PILOT	Payment in lieu of tax	STOP.....	Services, Training, Officers and Prosecution
PIMS	Position Information Management System	SWA	Solid waste authority
PLAN®	A test for tenth graders	SWCAP.....	Statewide Cost Allocation Plan
PM2.5.....	Particulate matter less than 2.5 microns in diameter	SWMB	Solid Waste Management Board
PPB	Preferred Provider Benefit Trust	SY	School year
PROMISE	Providing Real Opportunities for Maximizing In-State Student Excellence		
PSC	Public Service Commission		
	Potomac State College		

Q

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

R

RCRA.....	Resource Conservation Recovery Act
REAP	Rehabilitation Environmental Action Plan
REIS.....	Regional Economic Information System
RESAs.....	Regional educational service agencies
RFP.....	Request for proposals
ROMA.....	Results-oriented management and accountability

S

SAFETEA-LU	Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users
SB	Senate Bill
SBA.....	School Building Authority
	Small Business Administration
SBVR	South Branch Valley Railroad
SCC	State Conservation Committee
SHPO	State Historic Preservation Office
SME	Society of Manufacturing Engineers
SREB.....	Southern Regional Education Board

T

TANF	Temporary Assistance for Needy Families
TASC.....	Test Assessing Secondary Completion™
TDC.....	Teachers' Defined Contribution Retirement System
TEFAP.....	The Emergency Food Assistance Program
TIF	Property tax increment financing
TMDL	Total maximum daily load
TOC.....	Total operating costs
TRAFFIC	Tax Reduction and Federal Funding Increased Compliance
TRS	Teachers' Retirement System

U

U.S.	United States
USDA.....	United States Department of Agriculture
USDOT	U.S. Department of Transportation
USEDA	U.S. Economic Development Authority

V

VA	U.S. Department of Veterans Affairs
VISTA	Vendor Inquiry System to the Auditor
	Volunteers in Service to America
VoIP.....	Voice over Internet Protocol

W

WDA.....	Water Development Authority
WEAPON	West Virginia Automated Police Network
WESTEST 2.....	West Virginia Educational Standards Test, version from 2009
WIC.....	Women, Infants, and Children
WIP	Watershed Implementation Plan
W.Va.....	West Virginia
WV.....	West Virginia
WVABCA.....	West Virginia Alcohol Beverage Control Administration
WVBE.....	West Virginia Board of Education
WVCA.....	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
WVDVA.....	West Virginia Department of Veterans Assistance
WVFIMS.....	West Virginia Financial Information Management System
WVHRA.....	West Virginia Human Rights Act
WVICU	West Virginia Independent Colleges and Universities
WVIJDC	West Virginia Infrastructure and Jobs Development Council
WVNET	West Virginia Network for Educational Telecomputing
wvOASIS	West Virginia—Our Advanced Solution with Integrated Systems
WVPBS.....	West Virginia Public Broadcasting Service
WVPPA.....	West Virginia Public Port Authority
WVSAO	West Virginia State Auditor's Office
WVSP.....	West Virginia State Police
WVU.....	West Virginia University
WVUIT	West Virginia University Institute of Technology