

**JOINT COMMITTEE ON
GOVERNMENT AND FINANCE**

Materials Distributed

June 11, 2002

Vertical text or markings along the left edge of the page.



Tuesday, May 21, 2002

11:00 - 12:00 Noon

Joint Committee on Government and Finance

Senate

Tomblin, Chair
Chafin
Craig
Sharpe
Wooton
Deem
Sprouse (absent)

House

Kiss, Chair
Amores (absent)
Mezzatesta
Michael
Staton
Hall
Trump

President Tomblin, Cochair, presided.

1. Approval of Minutes.

Upon motion by President Tomblin, properly seconded and adopted, the minutes of the April 16, 2002, meeting were approved.

2. Parks and Recreation Subcommittee.

On behalf of the Subcommittee, Mr. John Homburg requested authorization and expense reimbursement for members of the Subcommittee to attend the dedication ceremonies at Stonewall Jackson Lake State Park on Thursday, May 30, 2002.

Upon motion by President Tomblin, properly seconded and adopted, this request was approved.

3. Haden Ruling.

A copy of the Executive Summary to the report entitled "Coal Production Forecasts and Economic Impact Simulations in Southern West Virginia: A Special Report to the West Virginia Senate Finance Committee," prepared by the Center for Business and Economic Research, Marshall University, dated June 2000, was distributed to the Committee.

Mr. Bill Raney, WV Coal Association, spoke briefly regarding the recent ruling by Judge Haden. He recommended that the Committee look at the Marshall report again, request that the EPA and other parties involved update the Committee on the status of the Economic Impact Statement (EIS), and create an oversight committee to look at this matter on a continuing basis.

President Tomblin directed Mr. Allred to invite representatives from the EPA and WVU to the Committee's next meeting for an update on the status of the EIS report.

4. **Department of Health and Human Resources Monthly Reports.**

Distributed to members of the Committee were the following: Medicaid Report for month of March 2002; Welfare Reform Report for month of April 2002; and Colin Anderson Center Report for month of May 2002.

Mr. Paul Nusbaum, Secretary, Department of Health and Human Resources (DHHR) updated the Committee on several areas in his department and responded to questions.

Delegate Mezzatesta said that he was still getting inquiries regarding the cut of the truancy diversion program. He requested that DHHR put out a press release saying the program was funded by TANF and not the Legislature and that the program was cut because of the lack of funding. He suggested that the department apply for a grant from the Justice Department for this program.

5. **Lottery, Unemployment Compensation and Workers' Compensation Status Reports.**

Distributed to members of the Committee were the following: Lottery Operations report for month ended March 2002; Unemployment Compensation Trust Fund report for month ended March 2002; and Workers' Compensation Trust Fund report for month ended February 2002. Attached with each of these reports was an analysis prepared by legislative staff.

6. General Revenue Report.

Distributed to members was a report on the status of the state's general revenue as of April 30, 2002.

7. Public Employees Insurance Agency.

Mr. Tom Susman, Executive Director of the Public Employees Insurance Agency, distributed the following information: (1) PEIA Prescription Drug Claim Report; (2) PEIA Monthly Management Report, Total Claims, March 2002; (3) PEIA Monthly Management Report, Per Capita Utilization, March 2002; (4) Balance Sheets March 31, 2002 and 2001, Accrual Basis, Statement of Revenues, Expenses and Changes in Retained Earnings, March 31, 2002 and 2001, Accrual Basis, Statement of Revenues, Expenses and Net Loss, Month of March 2002 and 2001, Accrual Basis, Financial Comments, Month of March 2002 and 2001, Accrual Basis; (5) PEIA Monthly Management Report, Per Capita Claims, March 2002; (6) Summary of Fiscal Year 2002 Projections; (7) Cumulative Migration Report; (8) Quarterly Report, December 31, 2001, Fiscal Years 2002 - 2006 (9) Article from the NY Times, April 18, 2002, entitled "Hard Decisions for Employers as Costs Soar in Health Care"; and (10) Brochure entitled "Your Costlier Healthcare Option".

Mr. Susman responded to questions from members of the Committee.

8. General Revenue Report.

Pursuant to a question by Senator Wooton regarding the Corporate Net Income Tax collections, Speaker Kiss requested that someone from the Tax and Revenue Department be invited to the next meeting to respond to this question and any others from members of the Committee.

9. Interim Meeting Dates.

Upon motion by President Tomblin, properly seconded and adopted, the remainder of the

interim dates for 2002 were approved as follows:

June 9-11
July 14-16
August 18 -20
September 15-17
October 20-22
November 17-19
December 15-17
January 5-7, 2003

Upon motion by President Tomblin, properly seconded and adopted, the August 18-20 interim meetings will be held in Wheeling, WV.

10. Workers' Compensation Study.

Senator Chafin moved that the Joint Commission on Economic Development be directed to do a comprehensive study of workers' compensation and report any needed changes to the Legislature.

Delegate Mezzatesta requested that the study focus on proposed legislation that the Legislature needs to enact in order to fix any problems.

President Tomblin requested that this study be done in conjunction with the study on workers' compensation being done currently by the WV Development Office and that the study should be confined to specific areas.

Senator Sharpe moved that Senator Chafin's motion be amended by including any abuses in the unemployment compensation system.

Delegate Wills briefly addressed the Committee. He said there was concern in border counties regarding businesses moving out of state.

Upon motion by Senator Chafin, amended by Senator Sharpe, properly seconded and adopted, the Joint Commission on Economic Development was directed to do a study of the

workers' compensation system in conjunction with the WV Development Office, to include any specific areas of study identified by the President and Speaker, and do a study of any abuses in the unemployment compensation system.

The meeting was adjourned.

Legislative Intern Committee

Proposed Budget

FY 2003

Line Title	Recommended Funding Level	Line Explanation
<u>Administrative:</u>		
<i>Directors Salaries & Staff Recruitment:</i> Brown, Cupps - \$6,500 each Tewksbury - \$7,100 (Includes Sue's Workers Comp. & SS Matching)	\$32,100	All Director Pay Lines Directors' Travel & Expenses Staff Travel for Recruitment
<i>Intern Stipend:</i> Rollins (2) - \$11,200 Burk (4) - \$20,800 Herndon (10) - \$32,000 Legislative Info. (4) - \$20,800 Frasure (50) - N/A	\$84,800	All Intern Program Stipends
<u>Operational:</u>		
Intern Travel:	\$14,200	Intern Travel Frasure Food, Lodging, Bus Fare
Publications:	\$1,400	Brochures, Applications & Advertising
Misc. Expenses:	\$1,100	Frasure Postal & Phone Misc. Program Expenditures
Total:	\$133,600	

Before the Joint Committee on Government & Finance - June 11, 2002

WEST VIRGINIA LEGISLATURE

Office of the Legislative Auditor

*Budget Division
Building 1, Room 332 West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*

304-347-4870

MEMORANDUM

To: Joint Committee on Government and Finance
Honorable Senator Tomblin, Senate President
Honorable Delegate Robert Kiss, Speaker of the House

From: Ellen Clark, CPA *EC*
Director Budget Division
Legislative Auditor's Office

Date: June 9, 2002

Re: Review of West Virginia Lottery Financial Information
As of April 30, 2002. (FY 2002)

We performed an analysis of the Statement of Revenues, Expenses and Retained Earnings for the period ended April 30, 2002 from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. The results are as follows:

Lottery Revenues:

Gross lottery revenues are receipts from on-line games, instant games and video lottery. These gross receipts were 41.66% ABOVE the preceding July - April of fiscal year 2000-2001. This number does not include commission and prize deductions. Gross profit for July-April 2002 was \$252,888,000.00; for the previous fiscal year, July - April 2001 it was \$167,358,000.00. Expressed as a percentage, gross profit is **51.11% higher** in 2001-2002 than in fiscal year 2000-2001.

Joint Committee on Government and Finance

Net Income:

Net income for months of July - April 2002 was \$242,513,000.00; the previous fiscal year it was \$151,916,000.00 This is an increase of 59,64%.

Operating Transfers to the State of West Virginia:

A total of \$ 242,513,000.00 has been accrued to the state of West Virginia for fiscal year 2001-2002. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. (Amounts owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the lottery.)

A schedule of cash transfers follows:

Bureau of Senior Services	\$ 38,361,000.00
Department of Education	\$ 34,737,000.00
Educational Broadcasting Authority	\$ 2,600,000.00
Library Commission	\$ 9,752,000.00
Higher Education-Central Office	\$ 39,679,000.00
Tourism	\$ 12,870,000.00
Department of Natural Resources	\$ 6,503,000.00
Division of Culture and History	\$ 7,531,000.00
Department of Education and Arts	\$ 7,652,000.00
State Building Commission	\$ 9,848,000.00
School Building Authority	\$ 18,000,000.00
SUBTOTAL BUDGETARY TRANSFERS	\$187,533,000.00

Excess Lottery Fund General Revenue

13,114,000.00

Veterans Instant Ticket Fund

874,000.00

VIDEO LOTTERY TRANSFERS:	
Tourism Promotion Fund	\$13,885,000.00
Veterans Memorial Archives	\$100,000.00
John F. "Jack" Bennett Fund	\$20,000.00
Department of Administration	\$4,788,000.00
SUBTOTAL VIDEO LOTTERY TRANSFERS:	\$18,793,000.00
TOTAL TRANSFERS OF CASH	*\$220,314,000.00

* CASH BASIS

Actual accrual based accounting FY 2002: \$242,513,000.00.....

P.O. BOX 2067
CHARLESTON, WV 25327



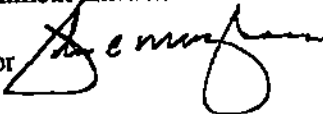
PHONE: 304-558-0500
FAX: 304-558-3321

Bob Wise
Governor

John C. Musgrave
Director

MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: John C. Musgrave, Director 

RE: Monthly Report on Lottery Operations
Month Ending April 30, 2002

DATE: May 20, 2002



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

Financial statements of the Lottery for the month ending April 30, 2002 are attached. Lottery revenue, which includes on-line, instant and video lottery sales, was \$78,419,269 for the month of April.

Transfers of lottery revenue totaling \$8,325,156 were made for the month of April to the designated state agencies per House Bill 101 and the Racetrack Video Lottery Act (§29-22A-10). The amount transferred to each agency is shown in Note 9 on page 13 of the attached financial statements.

The number of active lottery retailers as of April 30, 2002, was 1634.

A listing of the names and amounts of prize winners has been provided to the Clerk of the Senate, the Clerk of the House and Legislative Services.

If any member of the Committee has questions concerning the Lottery, please call me. Also if any members of the Legislature wish to visit the Lottery offices, I would be pleased to show them our facilities and discuss the Lottery with them.

JCM/jt
Attachment

pc: Honorable Bob Wise
Brian Kastick, Cabinet Secretary - Tax & Revenue
John Perdue, Treasurer
Glen B. Gainer III, Auditor
Members of the West Virginia Lottery Commission



WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

FINANCIAL STATEMENTS

APRIL 30, 2002



WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

FINANCIAL STATEMENTS

APRIL 30, 2002



P.O. BOX 2067
CHARLESTON, WV 25327

PHONE: 304-558-0500
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Bob Wise
Governor

John C. Musgrave
Director

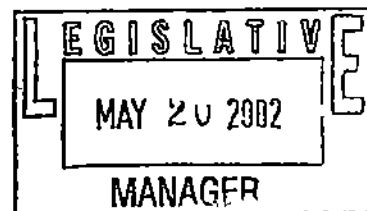
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WEST VIRGINIA LOTTERY

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WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE TEN MONTH PERIOD ENDED APRIL 30, 2002
(Expressed in Thousands)

	CURRENT MONTH		YEAR TO DATE	
	2002	2001	2002	2001
Lottery revenues				
On-line games	\$ 6,686	\$ 7,548	\$ 98,675	\$ 71,245
Instant games	8,989	6,560	77,253	61,491
Racetrack video lottery	53,456	38,881	485,251	351,626
Limited video lottery	9,289	-	24,986	-
	<u>78,420</u>	<u>52,989</u>	<u>686,165</u>	<u>484,362</u>
Direct Costs				
Commissions				
On-line games	418	472	6,169	4,455
Instant games	562	410	4,830	3,843
Racetrack video lottery	28,574	25,426	302,160	229,817
Limited video lottery	6,371	-	17,141	-
	<u>35,925</u>	<u>26,308</u>	<u>330,300</u>	<u>238,115</u>
Prizes				
On-line prizes	3,513	3,944	48,997	35,646
Instant prizes	6,048	4,476	52,372	41,938
	<u>9,561</u>	<u>8,420</u>	<u>101,369</u>	<u>77,584</u>
Ticket Costs	<u>189</u>	<u>136</u>	<u>1,608</u>	<u>1,305</u>
Total Direct Costs	<u>45,675</u>	<u>34,864</u>	<u>433,277</u>	<u>317,004</u>
Gross profit	32,745	18,125	252,888	167,358
Operating expenses				
Vendor fees and costs	613	562	6,943	5,312
Advertising and promotions	600	1,105	6,690	6,015
Wages and related benefits	332	217	2,761	1,990
Telecommunications	351	291	2,974	2,536
Contractual and professional	73	49	1,656	1,241
Rental	49	32	475	310
Depreciation and amortization	63	46	573	406
Other general expenses	87	41	737	452
	<u>2,168</u>	<u>2,343</u>	<u>22,809</u>	<u>18,262</u>
Other Operating Income	<u>2,044</u>	<u>75</u>	<u>11,204</u>	<u>599</u>
Operating Income	<u>32,621</u>	<u>15,857</u>	<u>241,283</u>	<u>149,695</u>
Nonoperating income(expense)				
Investment income	254	250	1,614	2,662
Interest expense	(35)	(41)	(384)	(441)
	<u>219</u>	<u>209</u>	<u>1,230</u>	<u>2,221</u>
Income before nonoperating distributions	32,840	16,066	242,513	151,916
Nonoperating distributions to the State of West Virginia	<u>32,840</u>	<u>16,066</u>	<u>242,513</u>	<u>151,916</u>
Net income	-	-	-	-
Retained earnings, beginning of period	250	250	250	250
Retained earnings, end of period	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 250</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE TEN MONTH PERIOD ENDED APRIL 30, 2002
(Expressed in Thousands)

	2002	2001
Cash received from customers	\$ 695,432	\$ 428,648
Cash paid to employees	(2,770)	(1,777)
Cash paid to suppliers	(22,574)	(7,777)
Other operating cash payments	<u>(433,188)</u>	<u>(282,129)</u>
Net cash provided by (used for) operating activities	<u>236,900</u>	<u>136,965</u>
Cash flows from noncapital financing activities		
Transfers to the State of West Virginia	(220,314)	(142,033)
Deferred jackpot prize obligations and related interest paid	<u>(1,221)</u>	<u>(1,041)</u>
Cash used in noncapital financing activities	<u>(221,535)</u>	<u>(143,074)</u>
Cash flows from capital and related financing activities		
Purchase of fixed assets	<u>(699)</u>	<u>(2,133)</u>
Cash flows from investing activities		
Maturities of investments held in trust	1,251	1,251
Investment earnings received	<u>1,687</u>	<u>1,830</u>
Cash provided by investing activities	<u>2,938</u>	<u>3,081</u>
Increase (Decrease) in cash and cash equivalents	17,604	(5,161)
Cash and Cash Equivalents - beginning of period	<u>101,966</u>	<u>62,630</u>
Cash and Cash Equivalents - end of period	<u>\$ 119,570</u>	<u>\$ 57,469</u>

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

WEST VIRGINIA LOTTERY
BALANCE SHEETS
(Expressed in Thousands)

	April 30, 2002	June 30, 2001
ASSETS		
Current assets		
Cash and cash equivalents	\$ 119,570	\$ 101,966
Accounts receivable	10,055	8,118
Ticket Inventory	523	692
Other assets	826	1,169
Total current assets	<u>130,974</u>	<u>111,945</u>
Leasehold improvements and equipment	4,912	4,213
Less accumulated depreciation and amortization	(2,880)	(2,308)
	<u>2,032</u>	<u>1,905</u>
Investments held in trust	5,673	6,568
Total assets	<u>\$ 138,679</u>	<u>\$ 120,418</u>
 LIABILITIES AND FUND EQUITY		
Current liabilities		
Accrued nonoperating distributions to the State of West Virginia	\$ 95,964	\$ 86,972
Estimated prize claims	12,137	9,907
Accounts payable	2,318	1,532
Other accrued liabilities	22,826	15,737
Total current liabilities	<u>133,245</u>	<u>114,148</u>
Deferred jackpot prize obligations	5,184	6,020
Fund equity		
Retained earnings	250	250
Total liabilities and fund equity	<u>\$ 138,679</u>	<u>\$ 120,418</u>

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

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. LEGISLATIVE ENACTMENT

The West Virginia Lottery (Lottery) was established by the State Lottery Act (Act) passed April 13, 1985, which created a special fund in the State Treasury designated as the "State Lottery Fund," a component unit of the State of West Virginia. The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (Commission) and a director. The Commission, consisting of seven members, and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games and to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45 percent of the gross amount received from each lottery shall be allocated for prizes and provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be transferred to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are discretely presented in the comprehensive annual financial report of the State.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Lottery is presented below. These policies were applied on a basis consistent with that of the preceding year.

BASIS OF PRESENTATION – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary type enterprise fund. In accordance with generally accepted accounting principles, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

USE OF ESTIMATES – The preparation of the financial statements requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from management's estimates.

LOTTERY GAME OPERATIONS – The West Virginia Lottery derives its revenues from three basic types of lottery games: instant, on-line, and video type games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. Retailers and bonded agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL, a multi-state "jackpot" game, HOT LOTTO, a multi-state "lotto" game, Cash25 "lotto" game, Daily 3 and 4 "numbers" games, and Travel, a daily "keno" game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of six and one quarter percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent's on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery's sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Racetrack video lottery is a self-activated video version of lottery games. The keyboard operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games' prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions.

Racetrack video lottery legislation has established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia, subject to local county elections permitting the same. The legislation further stipulates the distribution of revenues from video lottery games, and requires any licensed racetrack to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

The Lottery has contracted with a private vendor to manufacture, distribute and provide data processing support for instant and on-line lottery games. Under the terms of the agreement the Lottery pays a percentage of gross revenues for the processing and maintenance of the games.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS – Cash and cash equivalents consist of interest-earning deposits with the West Virginia Investment Management Board (IMB) and are recorded at fair value.

INVENTORY – Inventory consists of instant game tickets available for sale to approved Lottery retailers and are carried at cost.

OTHER ASSETS – Other assets consist primarily of deposits restricted for payment of certain Multi-State Lottery Association activities, and promotional items for which re-sale is not intended.

LEASEHOLD IMPROVEMENTS AND EQUIPMENT – The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. A portion of these facilities are subleased to the Lottery's game vendors. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the ten months ended April 30, 2002 and April 30, 2001 approximated \$475,002 and \$309,586, respectively. Sublease rental income for the ten months ended April 30, 2002 and April 30, 2001 approximated \$86,440 and \$86,275, respectively.

Leasehold improvements and purchased equipment, comprised principally of office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

COMPENSATED ABSENCES – The Lottery has accrued \$404,000 and \$351,000 for fiscal years 2001 and 2000, respectively, for estimated obligations that may arise in connection with compensated absences for vacation and sick leave at the current rate of employee pay. Employees fully vest in all earned but unused vacation. In accordance with State personnel policies, employees vest in unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits.

NOTE 3. ACCOUNTING PRONOUNCEMENT

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This statement establishes financial reporting standards for state and local governments by revising the basic financial statement requirements and also requiring a management's discussion and analysis to introduce the basic financial statements and to provide an analytical overview of the entity's financial activities. The Lottery intends to adopt the provisions of this statement for the fiscal year ending June 30, 2002, which is consistent with the State of West Virginia's planned adoption period. Because the Lottery is an enterprise fund, the adoption of GASB Statement No. 34 is not expected to have a material effect on the financial statements.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. LEGISLATIVE ENACTMENT

During the fiscal year ended June 30, 2001 the West Virginia Legislature approved House Bill 102, which included the Limited Video Lottery Act. Under this bill, up to 9,000 video lottery terminals will be placed in limited licensed retailer areas restricted for adult amusement. These licensed retailers must hold a qualifying permit for the sale on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The addition of these responsibilities in future years is expected to generate a substantial increase in video lottery revenues and related expenses, including commission, personnel and administrative.

House Bill 102 also contains language that changes, for fiscal years beginning on or after July 1, 2001, the State's share of racetrack video lottery revenue as well as the distribution percentage paid to racetracks and one other private entity associated with the racing industry (See Note 7) after the net terminal income benchmark amount for fiscal year ending June 30, 2001 has been met.

NOTE 5. CASH AND CASH EQUIVALENTS

A summary of the amount on deposit with the West Virginia Investment Management Board (IMB) follows (in thousands):

	<u>April 30, 2002</u>	<u>June 30, 2001</u>
Amount on deposit with the IMB	<u>\$119,570</u>	<u>\$101,966</u>

The deposits with the IMB are part of the State of West Virginia's consolidated investment cash liquidity pool and are not separately identifiable as to specific types of securities. Investment income is pro-rated to the Lottery at rates specified by the IMB based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

NOTE 6. PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL jackpot lotto game and HOT LOTTO game, on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL, and HOT LOTTO is 50% of each drawing period's sales, with minimum jackpot levels.

Revenues derived from the Lottery's participation in the MUSL POWERBALL jackpot game for the month and year-to-date periods ended April 30, 2002 were \$3,454,645 and \$68,403,864 while related prize costs for the same periods were \$1,612,234 and \$34,049,964.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6. PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)

Revenues derived from the Lottery's participation in the HOT LOTTO game for the month and year-to-date periods ended April 30, 2002 were \$224,744 and \$224,744 while related prize costs for the same periods were \$102,082 and \$102,082.

MUSL places 2% of each POWERBALL drawing period's sales in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. Currently, the MUSL Board of Directors has placed a \$52,000,000 limit on the POWERBALL prize reserve fund. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. At April 30, 2002 the POWERBALL prize reserve funds had a balance of \$77,000,000 of which the Lottery's share was \$2,979,140. The Lottery has charged amounts placed into the prize reserve funds to prize costs as the related sales have occurred.

NOTE 7. RACETRACK VIDEO LOTTERY

The Racetrack Video Lottery legislation stipulates that sixty-six percent (66%) of racetrack video lottery revenues, net of prizes (gross terminal income) and lottery administrative costs (such costs limited to 4% of revenues), shall be allocated, in lieu of commissions, to: the racetracks (47%); other private entities associated with the racing industry (17%); and the local county governments (2%). The remaining income (34% of gross terminal revenues less administrative costs) from racetrack video lottery shall be made available for transfers to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 8 titled "Nonoperating Distributions to the State of West Virginia."

The Racetrack Video Lottery Act was amended in 1999 and requires for fiscal years beginning July 1, 1999 the local county government share (2%) be split 50-50 with incorporated municipalities for certain tracks after the effected tracks have met their fiscal year 1999 net terminal revenue benchmark.

The Racetrack Video Lottery Act was further also amended in 2001 and requires for fiscal years beginning on or after July 1, 2001 that each tracks share be reduced to 42% and the regular purse fund to 8% after each tracks net terminal revenue has reached the fiscal year 2001 net terminal revenue benchmark. In addition, after the fiscal year 2001 benchmark is met, the 4% for administrative costs is to be transferred to the excess lottery revenue fund; a 10% surcharge is deducted (58% will be transferred to the state excess lottery revenue fund and 42% will be held by the Lottery in a separate capital reinvestment fund) from gross terminal revenue. Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund. A summary of racetrack video lottery revenues for the month ended April 30, 2002 and year-to-date follows (in thousands):

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. RACETRACK VIDEO LOTTERY (continued)

	<u>Current</u> <u>2002</u>	<u>Month</u> <u>2001</u>	<u>Year- to -Date</u> <u>2002</u>	<u>2001</u>
Total credits played	\$625,244	\$457,225	\$5,667,526	\$4,125,418
Credits (prizes) won	(571,788)	(418,344)	(5,182,275)	(3,773,792)
Gross terminal income	\$53,456	\$38,881	\$485,251	\$351,626
Administrative costs	-	(354)	(17,524)	(3,416)
Excess Administrative costs	(2,138)	-	(1,886)	-
Net Terminal Income	\$51,318	\$38,527	\$465,841	\$348,210
Less distribution to agents	(28,575)	(25,426)	(302,160)	(229,817)
Racetrack video lottery revenues	<u>\$22,743</u>	<u>\$13,101</u>	<u>\$163,681</u>	<u>\$118,393</u>

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

	<u>April 30, 2002</u>	<u>Year-to Date</u>
Lottery Fund	\$5,769	\$130,125
Excess Lottery Fund	15,050	15,050
Tourism Promotion Fund	1,443	13,879
Veterans Memorial Archives	-	100
John F. "Jack" Bennett Fund	-	20
Department of Administration	481	4,507
Total transfers	<u>\$22,743</u>	<u>\$163,681</u>

NOTE 8. LIMITED VIDEO LOTTERY

The Limited Video Lottery legislation stipulates that two percent (2%) of gross terminal income be deposited into the state lottery fund for administrative costs. Then, thirty percent (30%) of gross profits are to be transferred to the excess lottery fund. The remaining 70% of gross profit is paid to retailers and/or operators as prescribed in the Act, these amounts are recorded as limited video lottery commissions in the financial statements. A summary of limited video lottery revenues for the month ended April 30, 2002 and year-to-date follows (in thousands):

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8. LIMITED VIDEO LOTTERY (continued)

	<u>Current Month</u>	<u>Year-to-Date</u>
Total credits played	103,792	\$267,038
Credits (prizes) won	(94,503)	(242,052)
Gross terminal income	<u>\$9,289</u>	<u>\$24,986</u>
Administrative costs	(186)	(500)
Gross Profit	<u>\$9,103</u>	<u>\$24,486</u>
Commissions	(6,371)	(17,141)
Limited video lottery revenues	<u>\$2,732</u>	<u>\$7,345</u>

NOTE 9. NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

As required under its enabling legislation, retained earnings of the Lottery may not exceed \$250,000. Therefore, the Lottery periodically transfers surplus funds, exclusive of amounts derived from racetrack video lottery, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2002 the State Legislature budgeted \$186,562,158 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. The enabling legislation specifies that required payments to the West Virginia State Building Commission and School Building Authority for debt service have priority for payment in instances when estimated profits are not sufficient to provide for payment of all budgeted distributions. During the month ended April 30, 2002 the Lottery made such distributions and accrued additional distributions of \$30,915,816. The Lottery does not have a legally adopted annual budget.

Since the enactment of the Racetrack Video Lottery Act, the Lottery is also statutorily required to distribute income from racetrack video lottery operations as described in Note 7. As of April 30, 2002 the Lottery accrued additional distributions relating to racetrack video lottery operations of \$618,635.

The Racetrack Video Lottery Act stipulates that video lottery revenue will be distributed as follows: Lottery Fund distributions as specified in the State budget (30%); Tourism Promotion Fund (3%); and the Veterans Memorial Fund, the Veterans Memorial Archives, the John F. "Jack" Bennett Fund, or the Department of Administration (1%). A summary of the cash distributions made to certain state agencies to conform with the legislation follows (in thousands):

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9. NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA
(continued)**

<u>BUDGETARY DISTRIBUTIONS</u>	<u>April 30, 2002</u>	<u>Year-to-Date</u>
<u>Lottery Fund:</u>		
Bureau of Senior Services	\$ -	\$38,361
Department of Education	-	34,737
Educational Broadcasting Authority	-	2,600
Library Commission	-	9,752
Higher Education-Central Office	-	39,679
Tourism	-	12,870
Natural Resources	-	6,503
Division of Culture & History	-	7,531
Department of Education & Arts	-	7,652
Building Commission	848	9,848
School Building Authority	1,800	18,000
Total Lottery Fund	<u>\$2,648</u>	<u>\$187,533</u>
 <u>Excess Lottery Fund:</u>		
General Revenue Fund	3,784	13,114
Total Excess Lottery Fund	<u>\$3,784</u>	<u>\$13,114</u>
 Total Budgetary distributions:	 <u>\$6,432</u>	 <u>\$200,647</u>
 Veterans Instant Ticket Fund	 \$62	 \$874
 <u>Racetrack Video Lottery distributions:</u>		
Tourism Promotion Fund	1,374	13,885
Veterans Memorial Archives	-	100
John F. "Jack" Bennett Fund	-	20
Department of Administration	458	4,788
Total	<u>1,832</u>	<u>18,793</u>
Total nonoperating distributions to the State of West Virginia (cash basis)	 8,326	 220,314
Accrued nonoperating distributions, beginning	(84,656)	(86,971)
Accrued nonoperating distributions, end	<u>109,170</u>	<u>109,170</u>
Total nonoperating distributions to the State of West Virginia	 <u>\$32,840</u>	 <u>\$242,513</u>

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10. DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST

Prior to becoming a member of the Multi-State Lottery in 1988, the prize structure of certain games operated solely by the Lottery included jackpot prizes. The Lottery, at its discretion, could choose to award such prizes in the form of either a lump sum payment or in equal installments over a period of 10 or 20 years, through April 30, 2002, the Lottery has awarded twenty-one deferred jackpot prizes totaling approximately \$28,868,786. Deferred prize awards were recognized as prize liabilities equivalent to the present value of future prize payments discounted at interest rates for government securities in effect on the date prizes were won. The imputed interest portion of the deferred prize awards is calculated using the effective interest method at rates ranging from 7.11% to 9.13%. A summary of the present value of the remaining obligations for deferred jackpot prize awards follows (in thousands):

	<u>April 30, 2002</u>	<u>June 30, 2001</u>
Present value of deferred prize award obligations:		
Discounted obligations outstanding	\$4,983	\$5,784
Imputed interest accrued	<u>201</u>	<u>236</u>
Total Deferred Jackpot Prize Award Obligations	<u>\$5,184</u>	<u>\$6,020</u>

The Lottery has purchased long-term investments consisting principally of zero coupon government securities to fund deferred jackpot prize award obligations. Such investments are maintained in a separate trust fund administered by the West Virginia Investment Management Board on behalf of the Lottery and the jackpot prize winners, with investment maturities approximating deferred prize obligation installment dates. Investments are carried at fair value determined by quoted market prices for the specific obligation or for similar obligations. Changes in fair value are included as part of investment income. In accordance with Statement No. 3 of the Government Accounting Standards Board, these investments are classified as to level of risk in Category 1, which includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name.

NOTE 11. RETIREMENT BENEFITS

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, Building 5, Room 1000, State Capitol Complex, Charleston, West Virginia 25305-0720.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT BENEFITS (continued)

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service are eligible for retirement benefits as established by state statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees are required to contribute 4.5% of their salary to the PERS. The Lottery is required to contribute 9.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are actuarially determined; however actuarial valuations are performed to assist the Legislature in determining appropriate values. The Lottery and employees contributions, for the period ending April 30, 2002 are as follows (in thousands) :

	<u>April 30, 2002</u>	<u>Year-to Date</u>
Lottery contributions (9.5%)	\$23	\$194
Employee contributions (4.5%)	11	93
Total contributions	\$34	\$287

NOTE 12. RISK MANAGEMENT

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

WORKERS' COMPENSATION FUND (WCF)

West Virginia operates an exclusive state-managed Workers' Compensation Insurance Fund (WCF), which means that private insurance companies cannot offer coverage to employers. In accordance with Chapter 23 of the Workers' Compensation Law (the Law), generally, every employer who has a payroll must have coverage except for employers in the agricultural industry with five or fewer employees, volunteer organizations, domestic workers and employers qualifying for territorial coverage. WCF's general objective is to provide a prompt and equitable system for compensation for injury sustained in the course of and growing out of employment. West Virginia Code §21A-3 established the Compensation Programs Performance Council (the Performance Council) to oversee the unemployment compensation system and the workers' compensation system. The Performance Council is responsible for recommending legislation and establishing regulations designed to ensure the effective administration and financial viability of WCF; approval of base premium rates and analyzing

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 12. RISK MANAGEMENT (continued)

opportunities for internal operational improvements. The WCF risk pool retains all risk related to the compensation of injured employees under the program.

PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)

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

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

BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)

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

NOTE 13. SUBSEQUENT EVENT

The Lottery was named, among other parties, in a civil action filed on July 19, 2001, whereby a request for a preliminary injunction was made by a group of plaintiffs which requested the Lottery discontinue all video lottery operations as a result of the passage of House Bill 102, which included the Limited Video Lottery Act (see Note 4), which was enacted and became effective April 21, 2001. The United States District Court of Southern West Virginia, by order dated August 31, 2001, dismissed the case for

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 13. SUBSEQUENT EVENT (continued)

lack of jurisdiction. On September 24, 2001, the plaintiffs appealed this order in the United States Court of Appeals for the Fourth Circuit. The financial statements of the Lottery have not been adjusted for the effect of this matter, if any, as the likelihood of an unfavorable outcome is not determinable.

WEST VIRGINIA LEGISLATURE

Office of the Legislative Auditor

Budget Division

Building 1, Room 332-West Wing

1900 Kanawha Blvd. East

Charleston, WV 25305-0590

304-347-4870

To: Honorable Earl Ray Tomblin, Senate President
Honorable Robert Kiss, Speaker of the House
Honorable Members of the Joint Committee on Government
and Finance

From: Ellen Clark, C.P.A. *EC*
~~Director Budget Division~~
Legislative Auditor's Office

Date: June 9, 2002

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the monthly reports of the Unemployment Compensation Trust Fund we received from the Bureau of Employment Programs.

For the tenth month(April 2002) of year 2001-2002, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2001	\$237,250,143.78
Receipts July 1, 2001 thro April 30, 2002	\$148,541,798.41
Disbursements July 1 thro April 30, 2002	\$129,060,778.68
Balance April 30, 2002	\$256,731,163.51

(This balance is \$ 52,289,189.64 higher than at same time period in the last fiscal year.)

Joint Committee on Government and Finance

ITEMS OF NOTE:

Regular benefits paid for July - April 2002 are \$15,949,312.04 HIGHER than the preceding July - April 2001.

Receipts are \$ 46,224,731.38 HIGHER than the previous July- April 2001. Overall disbursements are \$20,355,649.58 HIGHER than July - April 2001.

UNEMPLOYMENT RATES:

West Virginia's unemployment rate for the month of April 2002 was 6.1 percent. Seasonally adjusted unemployment rates were 6.0 percent for West Virginia and 6.0 percent nationally.

During the past year (since April 2001) West Virginia's economy has declined by 3,700 jobs. The gains were 1,600 jobs in services, 900 in mining, and 100 in construction. Losses include 4,500 in manufacturing, 800 in trade, 600 in government, 300 in transportation and public utilities and 100 in finance, insurance and real estate.

**FINANCIAL CONDITION OF THE UNEMPLOYMENT COMPENSATION TRUST FUND
MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE
FOR THREE MONTHS STARTING APRIL 2001 AND APRIL 2002**

	<u>FEBRUARY 01</u>	<u>MARCH 01</u>	<u>APRIL 01</u>	<u>FEBRUARY 02</u>	<u>MARCH 02</u>	<u>APRIL 02</u>	<u>THREE MONTH TOTAL VARIANCE *</u>
Balance Forward	<u>\$209,780,790.82</u>	<u>\$207,682,610.68</u>	<u>\$196,848,768.08</u>	<u>\$227,384,287.67</u>	<u>\$224,493,131.14</u>	<u>\$249,381,014.81</u>	<u>\$86,949,264.08</u>
Add Receipts:							
Bond Assessment	\$1,304.51	\$383.43	\$547.81	\$249.86	\$834.71	\$255.52	(\$875.88)
Regular Contributions	\$10,684,052.32	\$596,609.53	\$18,570,908.81	\$11,381,417.83	\$637,435.05	\$22,818,788.71	\$5,088,070.93
Extended Benefit Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Emergency Unemployment Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TEUC Unemployment Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$1,075,000.00	\$2,875,000.00	\$3,950,000.00
UCFE (Federal Agencies)	\$125,000.00	\$100,000.00	\$100,000.00	\$75,000.00	\$100,000.00	\$25,000.00	(\$125,000.00)
Reduced Tax Credits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$38,210,068.00	\$0.00	\$38,210,068.00
Treasury Interest Credits	\$0.00	\$3,489,959.84	\$0.00	\$0.00	\$3,707,983.50	\$0.00	\$238,003.88
UCX (Military Agencies)	\$150,000.00	\$100,000.00	\$200,000.00	\$150,000.00	\$200,000.00	\$100,000.00	\$0.00
Total Monthly Receipts	<u>\$10,980,356.83</u>	<u>\$4,266,932.80</u>	<u>\$18,871,456.62</u>	<u>\$11,606,667.69</u>	<u>\$41,931,301.26</u>	<u>\$25,919,044.23</u>	<u>\$45,358,266.93</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	NA
Regular Benefits	\$12,788,394.16	\$14,824,474.69	\$10,996,264.16	\$14,234,666.57	\$15,947,390.62	\$14,803,792.29	\$6,378,716.47
Extended Benefits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Emergency Benefits	(\$410.00)	(\$605.00)	(\$480.00)	(\$404.00)	\$867,748.00	\$3,538,814.00	\$4,405,651.00
UCFE (Federal Workers)Benefits	\$129,439.53	\$118,255.03	\$100,799.68	\$94,557.63	\$70,070.79	\$62,015.52	(\$121,850.30)
UCX (Military Workers)Benefits	\$143,113.30	\$161,650.68	\$178,886.97	\$169,004.02	\$158,210.18	\$166,273.72	\$10,056.97
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Disbursements	<u>\$13,058,536.99</u>	<u>\$15,103,775.40</u>	<u>\$11,275,250.81</u>	<u>\$14,497,824.22</u>	<u>\$17,043,417.59</u>	<u>\$18,568,895.53</u>	<u>\$10,672,574.14</u>
Trust Fund Balance	<u>\$207,682,610.68</u>	<u>\$196,848,768.08</u>	<u>\$204,441,973.87</u>	<u>\$224,493,131.14</u>	<u>\$249,381,014.81</u>	<u>\$258,731,163.51</u>	<u>\$121,634,955.87</u>

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

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

Budget Division
Building 1, Room 332-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590

304-347-4870

MEMORANDUM

To: Honorable Senator Earl Ray Tomblin, Senate President
Honorable Delegate Robert Kiss, Speaker of the House
Honorable Members of the Joint Committee on Government and Finance

From: Ellen Clark, CPA *EC*
Director Budget Division
Legislative Auditor's Office

Date: June 9, 2002

Re: Workers' Compensation Trust Fund

We have reviewed the monthly report of receipts and disbursements for the Workers' Compensation Fund for the month ended March 31, 2002. (FY 2001-2002)

Total receipts for the fiscal year are \$408,221,458.85 . This amount is \$ 84,222,118.11 LESS than the receipts reported for fiscal year 2000-2001 during the July to March time period.

Disbursements paid out for the fiscal year are \$ 558,984,609.60. This amount is \$ 68,209,961.23 HIGHER than the same time period last fiscal year.

Total administrative expenses for this nine month period are \$ 37,523,470.37; which is \$1,501,315.90 HIGHER than the same nine months of the previous fiscal year.

The ending cash balance as of March 31, 2002 was \$ 951,822,120.91. At the same date the previous fiscal year the cash balance was \$ 1,138,736,556.72. The difference is a \$ 186,914,435.81 DECREASE in ending cash balance.

These calculations are based upon cash received and cash disbursed, (i.e. similar to a checkbook register). Accrual based calculations would change the financial data significantly.

The attached Charleston Gazette article of May 29, 2002 discusses some of the issues with the Worker's Compensation fund. Governor Wise has placed a freeze upon the worker's

Joint Committee on Government and Finance

compensation rates until a plan to deal with the 1.87 billion dollar deficit can be developed. The plan has been running a deficit since the 1980s rate cuts that occurred when ex-governor Moore cut the premiums by 30 percent.

**WORKERS' COMPENSATION FUND
UNAUDITED STATEMENT OF RECEIPTS AND DISBURSEMENTS (CASH BASIS)
FOR THE THREE MONTHS STARTING JANUARY 2000 AND JANUARY 2001**

RECEIPTS AND DISBURSEMENTS			
MONTH	RECEIPTS	DISBURSEMENTS	ENDING BALANCE
BALANCE FORWARD *			\$1,141,345,628.00
JAN 2001	104,124,931.83	62,537,835.51	1,182,932,724.32
FEB 2001	103,673,740.81	50,400,602.11	1,236,205,863.02
MAR 2001	(33,704,067.71)	63,765,238.59	1,138,736,556.72
TOTALS	\$174,094,604.93	\$176,703,676.21	N/A

BENEFITS			ADMINISTRATIVE EXPENSE
WCF	SELF-INSURERS	TOTAL	
58,680,953.76	9,005,396.64	\$67,686,350.40	3,856,881.75
46,201,262.57	8,240,725.43	54,441,988.00	4,199,339.54
59,019,743.80	9,633,944.90	68,653,688.70	4,745,494.79
\$163,901,960.13	\$26,880,066.97	\$190,782,027.10	\$12,801,716.08

MONTH	RECEIPTS	DISBURSEMENTS	ENDING BALANCE
BALANCE FORWARD *			\$984,801,496.04
JAN 2002	86,991,274.81	69,903,550.71	1,001,889,220.14
FEB 2002	69,715,782.36	60,033,679.56	1,011,571,322.94
MAR 2002	3,826,952.74	63,576,154.77	951,822,120.91
TOTALS	\$160,534,009.91	\$193,513,385.04	N/A

WCF	SELF-INSURERS	TOTAL	ADMINISTRATIVE EXPENSE
65,037,164.10	11,765,203.87	\$76,802,367.97	4,866,386.61
55,802,908.49	9,269,126.92	65,072,035.41	4,230,771.07
59,370,808.83	11,069,107.97	70,439,916.80	4,205,345.94
\$180,210,881.42	\$32,103,438.76	\$212,314,320.18	\$13,302,503.62

* Balance forward amount includes \$210,000,000 transferred from the Coal-Workers' Pneumoconiosis Fund in December 1990

Notes: Accrual basis financial information could significantly change the data provided.
This report includes the Workers' Compensation Fund and the Disabled Workers' Relief Fund. It does not include the Employers' Excess Liability Fund or the Coal-Workers' Pneumoconiosis Fund.

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State freezes workers' compensation rates

Wise seeks another way to clear deficit

Wednesday May 29, 2002

By Scott Finn
STAFF WRITER

Workers' compensation rates in West Virginia will not be raised, a move that could cost the program \$40 million in expected revenues.

The state Bureau of Employment Programs Performance Council, which oversees workers' compensation, decided Tuesday to freeze the rates, at least for now.

BEP Commissioner Robert Smith said Gov. Bob Wise wants to find a way other than raising employer premiums to pay for the \$1.87 billion deficit in the workers' compensation program. A plan to do that should be on the governor's desk in two weeks, Smith said.

"The governor has asked that we not raise rates until we come up with a plan to deal with the deficit," Smith said. The Legislature might have to approve any such plan.

Smith didn't say where the money to reduce the deficit would come from, but said that employers shouldn't have to shoulder the whole burden, as they have in the past.

"Our goal is to get rid of a substantial portion of the debt" through some other means, he said.

After the plan to reduce the deficit is revealed, the Performance Council could still adjust workers' compensation rates.

With the rate freeze, the Division of Workers Compensation could take in \$40 million less than it would have if rates had been adjusted, said Melinda Ashworth-Kiss, BEP's chief financial officer. That could happen if employee salaries in West Virginia remain stagnant.

On the other hand, if employee salaries grow by 2.5 percent, the system might lose just \$2 million.

Smith said that workers' compensation rates in West Virginia would be similar to surrounding states, if employers didn't have to pay for the deficit.

“Our pure-premium rates are competitive, higher than some, and lower than others,” he said. “But when you add in the deficit, it makes West Virginia uncompetitive.”

Jim Bowen, president of the West Virginia AFL-CIO and a former Performance Council member, reminded board members why the system racked up such deficits in the first place.

In the 1980s, former Gov. Arch Moore pushed through a 30 percent reduction in premiums that sent the system into deficit, Bowen said.

Former Gov. Cecil Underwood won his own 8.5 percent reduction about two years ago, on a 5-4 vote.

“I get concerned when governors get involved in the workers’ compensation system,” Bowen said.

He urged council members to look at comprehensive reform of the entire system, such as better enforcement against companies that cheat the system.

“We’ve been Band-Aiding this system forever,” he said.

To contact staff writer Scott Finn, use e-mail or call 357-4323.

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WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

Budget Division
Building 1, Room 332 West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590

304-347-4870

Memorandum

To: Honorable Senator Earl Ray Tomblin, Senate President
Honorable Delegate Robert Kiss, Speaker of the House
Honorable Members of the Joint Committee on Government and
Finance

From: Ellen Clark, C.P.A. *EC*
Director Budget Division
Legislative Auditor's Office

Date: June 9, 2002

Re: Status of General Revenue Fund May 31, 2002

We have reviewed the cash revenue flows of the West Virginia general revenue fund for the month of May 2002. The status of the fund collections are as follows:

The net year-to-date collections are **101.47%** of the estimate for the fiscal year as of May 30, 2002. **The amount over estimate is \$ 37,136,927.00 for the year.**

Consumer sales tax collections are \$ 13,469,066.00 ABOVE the estimate for the year. Collections of consumer sales tax were 101.70% of the yearly estimate.

Corporate net income tax collections are at 72.61% of the estimate. Corporate net income tax refunds for the first five months of the calendar year have totaled \$ 40,426,905.50. This accounts for 30% of the total general revenue tax refunds in all categories. The reasons for these refunds are the new federal tax cuts affecting corporate taxes and an increase in corporate net income losses.

Joint Committee on Government and Finance

Personal income tax collections for July -May are at 101.88% of the estimate.

Smokeless tobacco tax collections which began January 1, 2002 are \$ 949,810.00 over the year to date estimate of \$ 800,000.00.

The Special Income Tax Reserve Fund had a cash balance of \$23,625,219.96 as of May 31, 2002.

Balance July 1, 2001	23,625,035.96
Revenues July 2001-May 2002	00,000,000.00
Disbursements July 2001 - May 2002	9,999,816.00
Other adjustments	00,000,000.00
Balance May 31, 2002	13,625,219.96

The Rainy Day Fund (Revenue Shortfall Reserve Fund) had a cash balance of \$63,178,308.63 as of May 31, 2002.

Balance July 1, 2001	79,085,243.86
Revenues July 1-June 30, 2002 Surplus from 2001 (transferred 8-1-2001)	+ 15,755,064.77
Disbursements July 1-June 30, 2002 Loan to General Revenue (transferred 7-6-2001) Loan repaid on September 27, 2001	- 40,000,000.00 + 40,000,000.00
Legislative Appropriation for flood relief (House Bill 402) Passed August 8, 2001.	- 30,162,000.00
Legislative Appropriation for flood relief (House Bill 512) to Governors Civil Contingent Fund October 1, 2001 (signed by Governor 9-25-01)	- 1,500,000.00
Balance May 31, 2002	63,178,308.63

State Road Fund

The collections in the state road fund are at 106.66% of the yearly estimate as of May 31, 2002. This translates to a \$31,837,577.00 excess over the estimate.

GENERAL REVENUE FUND FY 2001-2002
Monthly Revenue Estimates, Revised: March 2002
as of May 31, 2002 WVFIMS

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER/	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY
			UNDER ESTIMATES VS ACTUAL COLLECTIONS			OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Business & Occupation Tax	16,000,000	11,944,182	-4,055,818	152,800,000	148,705,705	-4,094,295
Consumer Sales Tax	69,500,000	70,484,656	984,656	793,400,000	806,869,066	13,469,066
Personal Income Tax	113,000,000	88,473,478	-24,526,522	945,780,000	963,575,227	17,795,227
Liquor Profit Transfers	1,000,000	1,000,000	0	6,700,000	6,737,593	37,593
Racing Fees	0	0	0	1,875,000	1,500,000	-375,000
Beer Tax and Licenses	950,000	1,005,190	55,190	6,800,000	7,279,712	479,712
Cigarette Tax	2,910,000	3,051,676	141,676	28,820,000	30,195,181	1,375,181
Estate and Inheritance Tax	1,580,000	1,253,339	-326,661	16,330,000	12,561,445	-3,768,555
Business Franchise Fees	330,000	293,029	-36,971	800,000	1,052,513	252,513
Charter Tax	630,000	659,913	29,913	3,100,000	3,672,449	572,449
Use Tax	4,800,000	6,565,109	1,765,109	72,900,000	73,215,560	315,560
Property Transfer Tax	460,000	625,819	165,819	6,120,000	6,677,476	557,476
Property Tax	180,000	192,717	12,717	3,740,000	3,571,217	-168,783
Cash Flow Transfer	0	0	0	0	0	0
Insurance Tax	2,000,000	8,896,010	6,896,010	74,400,000	80,990,764	6,590,764
Departmental Collections	760,000	532,975	-227,025	11,380,000	9,066,601	-2,313,399
Corporate net Income Tax	1,300,000	-2,160,078	-3,460,078	94,000,000	68,256,290	-25,743,710
Carrier Income Tax	0	0	0	0	0	0
Miscellaneous Receipts	120,000	94,873	-25,127	2,700,000	2,429,842	-270,158
Miscellaneous Transfers	0	2,000	2,000	500,000	554,796	54,796
Interest Income	1,920,000	1,747,771	-172,229	21,080,000	19,929,093	-1,150,907
Video Lottery Transfers	0	401,464	401,464	0	1,091,865	1,091,865
Severance Tax	15,600,000	27,024,445	11,424,445	135,900,000	156,673,451	20,773,451
Business Franchise Tax	900,000	718,177	-181,823	81,800,000	105,335,364	23,535,364
Telecommunications Tax	950,000	1,224,340	274,340	9,800,000	12,851,874	3,051,874
Special Revenue Transfer	0	0	0	0	495	495
Smokeless Tobacco Tax	200,000	381,640	181,640	800,000	1,749,810	949,810
HB 102 - Lottery Transfers	3,400,000	20,004,191	16,604,191	49,000,000	33,118,538	-15,881,462
TOTALS	238,490,000	244,416,917	5,926,917	2,520,525,000	2,557,661,927	37,136,927
Minus Cash Flow Transfer		0	0		0	0
TOTALS	238,490,000	244,416,917	5,926,917	2,520,525,000	2,557,661,927	37,136,927
Percent of Estimates		102.49%			101.47%	
Collections this day		10,239,591				

STATE ROAD FUND FY 2001- 2002
Monthly REVENUE ESTIMATES, July 2001
as of May 31 , 2002 WVFIMS

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Licenses & Registration	7,300,000	8,780,811	1,480,811	68,927,456	72,076,225	5,148,769
Privilege Tax	14,600,000	14,910,199	310,199	152,345,699	157,227,509	4,881,810
Gasoline & Motor Carrier Rd T	17,500,000	20,458,290	2,958,290	194,761,767	211,583,403	16,821,636
Wholesale Fuel & Use Tax	5,400,000	5,996,600	596,600	62,858,033	67,763,177	4,905,143
Highway Litter Control Fund	146,000	166,521	20,521	1,486,676	1,566,894	80,218
TOTALS	44,946,000	50,312,422	5,366,422	478,379,631	510,217,208	31,837,577
Percent of Estimates		111.94%			106.66%	
Collections this day		5,000,534				

REVENUE SHORTFALL RESERVE FUND as of May 23, 2002: \$63,178,308.

SPECIAL INCOME TAX REFUND RESERVE FUND as of May 23, 2002: \$13,625,219.

GENERAL REVENUE FUND FY 2001-2002
 Monthly Revenue Estimates, Revised March 2002
 as of May 31, 2002

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY PERCENT OF ESTIMATE COLLECTED	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY PERCENT OF ESTIMATE COLLECTED
Business and Occupation Tax	16,000,000	11,944,182	74.65%	182,800,000	148,705,705	97.32%
Consumer's Sales Tax	69,500,000	70,484,656	101.42%	793,400,000	808,869,066	101.70%
Personal Income Tax	113,000,000	88,473,476	78.30%	946,760,000	663,875,227	101.88%
Liquor Profit Transfers	1,000,000	1,000,000	100.00%	6,700,000	6,737,593	100.86%
Racing Fees	0	0		1,876,000	1,500,000	60.00%
Beer Tax and Licenses	950,000	1,005,190	105.81%	6,800,000	7,279,712	107.05%
Cigarette Tax	2,910,000	3,051,676	104.87%	28,820,000	30,195,181	104.77%
Estate and Inheritance Tax	1,560,000	1,253,339	79.33%	16,330,000	12,561,445	76.92%
Business Franchise Registration	330,000	293,029	88.80%	800,000	1,052,513	131.56%
Charter Tax	830,000	659,813	104.75%	3,100,000	3,672,449	118.47%
Use Tax	4,800,000	6,565,109	136.77%	72,900,000	73,215,580	100.43%
Property Transfer Tax	460,000	628,819	136.05%	6,120,000	6,677,476	109.11%
Property Tax	180,000	192,717	107.07%	3,740,000	3,571,217	95.49%
Cash Flow Transfer	0	0		0	0	
Insurance Tax	2,000,000	8,898,010	444.80%	74,400,000	80,990,764	108.66%
Departmental Collections	760,000	532,975	70.13%	11,380,000	9,066,601	79.67%
Corporate Net Income Tax	1,300,000	(2,160,078)	-166.16%	94,000,000	68,256,290	72.61%
Carrier Income Tax	0	0		0	0	
Miscellaneous Receipts	120,000	94,873	78.06%	2,700,000	2,429,842	89.99%
Miscellaneous Transfers	0	2,000		500,000	554,798	110.96%
Interest Income	1,920,000	1,747,771	91.03%	21,080,000	19,929,093	94.54%
Video Lottery Transfers	0	401,484		0	1,091,866	
Severance Tax	15,600,000	27,024,445	173.23%	136,900,000	156,673,451	115.29%
Business Franchise Tax	900,000	716,177	79.80%	61,800,000	106,336,364	128.77%
Telecommunications Tax	950,000	1,224,340	128.88%	9,800,000	12,851,874	131.14%
Special Revenue	0	0			485	
Smokeless Tobacco Tax	200,000	381,640	190.82%	800,000	1,749,610	218.73%
H.B. 102- Lottery Transfers	3,400,000	20,004,191	588.36%	49,000,000	33,118,538	67.59%
TOTALS	238,490,000	244,416,916	102.49%	2,520,525,000	2,557,661,927	101.47%
Minus Cash Flow Transfers		0				
TOTALS	238,490,000	244,416,916	102.49%	2,520,525,000	2,557,661,927	101.47%
Percent of Estimates		102.49%			101.47%	

STATE ROAD FUND FY 2001-2002
 REVENUE ESTIMATES AS OF JULY 2001
 as of May 31, 2002

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	PERCENT OF MONTH ESTIMATE COLLECTED	YTD ESTIMATES	NET YTD COLLECTIONS	PERCENT OF YEAR ESTIMATE COLLECTED
Licenses and Registration	7,300,000	8,780,811	120.29%	66,927,456	72,076,225	107.69%
Privilege Tax	14,600,000	14,910,199	102.12%	152,345,699	157,227,509	103.20%
Gasoline and Motor Carrier Road Tax	17,500,000	20,458,290	116.90%	194,761,767	211,583,403	108.64%
Wholesale Fuel and Use Tax	5,400,000	5,996,600	111.05%	62,858,033	67,763,177	107.80%
Highway Litter Control Fund	146,000	166,521	114.08%	1,486,676	1,566,894	105.40%
TOTALS	44,946,000	50,312,421	111.94%	478,378,631	510,217,208	106.68%

PEIA
MONTHLY MANAGEMENT REPORT
PER CAPITA CLAIMS
APRIL 2002

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS

APRIL 2002

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Reporting Category	Type of Service	Current		12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments		
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	.9902	.9909	1.2422	.9108	9.3750	9.1185
	MATERNITY	.7571	.7654	.7539	.6917	7.2104	6.8543
	MEDICAL AND SURGICAL	37.4134	36.9051	41.8214	27.5511	347.3035	280.1754
	NEONATAL COMPLICATIONS	.2529	.3456	.1961	.3804	2.9737	2.7022
*****		-----		-----		-----	
um		39.4136	39.0070	44.0135	29.5340	366.8627	298.8504
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0566	.0931	.0825	.1015	.8832	1.0094
	DIALYSIS	.9833	1.1420	1.2349	.9009	11.2462	9.2126
	EMERGENCY ROOM	1.2118	.9631	.9570	.6191	9.8995	6.7908
	MATERNITY	.1806	.1158	.1241	.0838	1.1930	.9388
	MEDICAL AND SURGICAL	20.0313	18.0348	19.3144	15.8094	177.6100	154.0050
*****		-----		-----		-----	
um		22.4636	20.3487	21.7129	17.5147	200.8320	171.9567
PHARMACY	PRESCRIPTION DRUGS	53.9271	50.5014	47.3797	40.8489	516.8991	411.2996
*****		-----		-----		-----	
um		53.9271	50.5014	47.3797	40.8489	516.8991	411.2996
PROFESSIONAL SERVICES	ADVANCED IMAGING	3.8406	3.8193	4.4305	3.3733	36.2135	34.8093
	AMBULANCE	1.0445	1.2612	1.3916	1.1161	11.4229	12.0268
	ANESTHESIA	2.8868	3.1098	3.4291	2.6002	30.6643	26.7238
	CARDIOVASCULAR MEDICINE	1.0700	1.1188	1.2936	1.0197	10.4344	10.7351
	CERVICAL CANCER SCREENING	.2732	.2271	.2075	.1284	2.3781	1.4130
	DME	2.7058	1.9604	2.0932	1.6691	18.6611	17.1384
	EVALUATION AND MANAGEMENT	18.6347	18.4726	19.8421	16.9876	180.3705	174.1568
	IMMUNIZATION	.4380	.4770	.4611	.4310	4.6714	4.6301
	INJECTION	2.7139	3.0644	2.7581	2.5008	28.8220	24.8375

SOURCE: MOUNTAIN STATE, ACORDIA NATIONAL, PCS HEALTH, AND MERCK-MEDCO PAID CLAIMS TAPES

NOTE: CLAIMS LISTED ARE ON A PAID BASIS

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS
 APRIL 2002

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Reporting Category	Type of Service	Current Period	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	PEIA Payments
PROFESSIONAL SERVICES	LAB AND PATHOLOGY	5.1361	4.3945	5.0863	3.5184	41.8241	35.9170
	MAMMOGRAPHY	.8798	.9085	.8955	.7819	9.0696	8.4544
	OTHER	1.5997	1.3386	.5264	.9792	14.3427	9.2182
	OTHER IMAGING	6.5771	5.7364	6.8649	5.0949	54.3768	53.9134
	OTHER MEDICINE	7.0948	6.7794	7.6687	6.0230	64.6186	60.7368
	PHYSICAL MEDICINE	2.0145	1.9198	2.2568	1.5173	18.4998	15.9153
	PROSTATE CANCER SCREENING	.1139	.0966	.1223	.0824	.8828	.8366
	SURGICAL	10.3584	10.7969	11.4165	9.9854	103.0965	102.8067
um		67.3818	65.4814	70.7443	57.8088	630.3491	594.2692
um		183.1861	175.3385	183.8504	145.7064	1,714.9428	1,476.3759

SOURCE: MOUNTAIN STATE, ACORDIA NATIONAL, PCS HEALTH, AND MERCK-MEDCO PAID CLAIMS TAPES
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

PEIA

MONTHLY MANAGEMENT REPORT

PER CAPITA UTILIZATION

APRIL 2002

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION
 APRIL 2002

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Reporting Category	Type of Service	Current Period 12 Months Prior Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0007	.0064	.0063
	MATERNITY	.0006	.0058	.0048
	MEDICAL AND SURGICAL	.0192	.1636	.1532
	NEONATAL COMPLICATIONS	.0001	.0012	.0013
TOTAL	.0206	.1771	.1656	
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0007	.0077	.0072
	DIALYSIS	.0038	.0351	.0160
	EMERGENCY ROOM	.0248	.2176	.1998
	MATERNITY	.0007	.0055	.0046
TOTAL	.0800	.7171	.7014	
TOTAL	.1101	.9830	.9290	
PHARMACY	PRESSCRIPTION DRUGS	.8891	9.3465	8.4504
TOTAL		.8891	9.3465	8.4504
PROFESSIONAL SERVICES	ADVANCED IMAGING	.0270	.2552	.2286
	AMBULANCE	.0088	.0798	.0779
	ANESTHESIA	.0124	.1256	.1135
	CARDIOVASCULAR MEDICINE	.0077	.0796	.0807
	CERVICAL CANCER SCREENING	.0167	.1713	.1684
	DME	.0428	.2738	.2761
	EVALUATION AND MANAGEMENT	.5299	5.0371	5.0493
	IMMUNIZATION	.0174	.1702	.1529
	INJECTION	.0248	.2383	.2400
	LAB AND PATHOLOGY	.1891	1.7366	1.6002
	TOTAL			

SOURCE: MOUNTAIN STATE, ACORDIA NATIONAL, PCS HEALTH, AND MERCK-MEDCO PAID CLAIMS TAPES
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

WEST VIRGINIA PUBLIC EMPLOYERS INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION
 APRIL 2002

Page: 2

Reporting Category	Type of Service	Current Period 12 Months Encounters	Prior 12 Months Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
PROFESSIONAL SERVICES	MAMMOGRAPHY	.0265	.0287	.2841	.2854
	OTHER	.0325	.0306	.3025	.3282
	OTHER IMAGING	.1475	.1533	1.3776	1.3641
	OTHER MEDICINE	.1941	.2046	1.8839	1.8252
	PHYSICAL MEDICINE	.0779	.0842	.7496	.6712
	PROSTATE CANCER SCREENING	.0067	.0069	.0608	.0592
	SURGICAL	.0891	.0860	.8411	.8523

sum		1.4510	1.4701	13.6671	13.3733
sum		2.4707	2.4834	24.1736	22.9182

SOURCE: MOUNTAIN STATE, ACORDIA NATIONAL, PCS HEALTH, AND MERCER-MEDCO PAID CLAIMS TAPRS
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

PEIA

MONTHLY MANAGEMENT REPORT

TOTAL CLAIMS

APRIL 2002

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS
APRIL 2002

Page: 1

Reporting Category	Type of Service	Current Period	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	PEIA Payments
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	180,817.71	175,394.88	207,074.47	150,152.22	1,701,662.48	1,509,524.01
	MATERNITY	138,262.67	135,466.25	125,670.79	114,017.39	1,308,758.11	1,134,696.27
	MEDICAL AND SURGICAL	6,832,285.95	6,529,038.89	6,971,802.11	4,539,944.18	63,039,065.59	46,381,488.99
	NEONATAL COMPLICATIONS	46,190.79	60,971.28	32,682.61	62,402.96	539,764.13	447,333.14

sum		7,197,557.12	6,900,871.29	7,337,229.98	4,866,516.75	66,589,250.31	49,473,042.41
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	10,332.19	16,543.53	13,756.65	16,750.60	160,310.85	167,102.73
	DIALYSIS	179,569.44	202,928.12	205,860.45	148,562.39	2,041,305.07	1,525,093.28
	EMERGENCY ROOM	221,293.87	171,137.60	159,541.21	102,216.81	1,796,857.53	1,124,187.80
	MATERNITY	32,978.37	20,554.71	20,682.75	13,836.36	216,542.30	155,411.05
	MEDICAL AND SURGICAL	3,658,041.30	3,198,243.53	3,219,780.52	2,604,159.43	32,237,995.52	25,494,685.05

sum		4,102,215.17	3,609,407.49	3,619,621.58	2,885,525.59	36,453,011.27	28,466,479.91
PHARMACY	PRESCRIPTION DRUGS	9,847,951.03	8,982,441.79	7,898,385.07	6,737,629.01	93,822,351.91	68,088,380.32

sum		9,847,951.03	8,982,441.79	7,898,385.07	6,737,629.01	93,822,351.91	68,088,380.32
PROFESSIONAL SERVICES	ADVANCED IMAGING	701,346.62	676,161.68	738,584.52	556,417.57	6,573,108.49	5,762,492.81
	AMBULANCE	190,734.49	222,877.71	231,978.64	184,305.77	2,073,370.40	1,990,973.80
	ANESTHESIA	527,171.95	552,246.89	571,644.98	428,866.66	5,565,883.29	4,423,979.91
	CARDIOVASCULAR MEDICINE	195,393.93	197,900.33	215,655.38	168,269.12	1,893,944.87	1,777,131.79
	CERVICAL CANCER SCREENING	49,884.03	40,439.82	34,598.24	21,189.00	431,649.00	233,915.73
	DME	494,121.34	346,231.96	348,948.76	275,318.70	3,387,182.24	2,837,162.08
	EVALUATION AND MANAGEMENT	3,403,003.21	3,276,736.07	3,307,762.48	2,802,191.47	32,739,053.55	28,830,697.90
	IMMUNIZATION	79,994.48	84,652.02	76,867.17	71,180.35	847,903.34	766,493.86
	INJECTION	495,606.13	542,688.80	459,787.99	412,414.04	5,231,473.47	4,111,716.44

SOURCE: MOUNTAIN STATE, ACORDIA NATIONAL, PCS HEALTH, AND MERCK-MEDCO PAID CLAIMS TAPES
NOTE: CLAIMS LISTED ARE ON A PAID BASIS

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS

APRIL 2002

Page: 2

Reporting Category	Type of Service	Current		12 Months Prior		Rolling Avg		Current Fiscal Yr		Previous Fiscal Yr	
		PEIA Payments	Rolling Avg	PEIA Payments	Rolling Avg	PEIA Payments	Rolling Avg	PEIA Payments	Rolling Avg	PEIA Payments	Rolling Avg
PROFESSIONAL SERVICES	LAB AND PATHOLOGY	937,929.98	777,538.83	847,898.93	580,167.82	7,591,496.50	580,167.82	7,591,496.50	580,167.82	5,945,868.36	5,945,868.36
	MAMMOGRAPHY	160,671.01	161,413.73	149,286.22	129,111.78	1,645,221.72	129,111.78	1,645,221.72	129,111.78	1,399,578.77	1,399,578.77
	OTHER	292,127.93	238,641.18	87,745.35	161,440.17	2,603,349.81	161,440.17	2,603,349.81	161,440.17	1,526,020.90	1,526,020.90
	OTHER IMAGING	1,201,082.78	1,014,635.03	1,144,399.36	840,910.92	9,869,930.60	840,910.92	9,869,930.60	840,910.92	8,925,067.09	8,925,067.09
	OTHER MEDICINE	1,295,630.89	1,200,513.40	1,278,408.12	993,024.78	11,728,915.66	993,024.78	11,728,915.66	993,024.78	10,054,640.44	10,054,640.44
	PHYSICAL MEDICINE	367,878.50	340,169.53	376,219.68	250,312.29	3,357,900.29	250,312.29	3,357,900.29	250,312.29	2,634,683.29	2,634,683.29
	PROSTATE CANCER SCREENING	20,791.89	17,042.94	20,388.19	13,586.38	160,232.26	13,586.38	160,232.26	13,586.38	138,498.04	138,498.04
	SURGICAL	1,891,616.66	1,912,901.89	1,903,182.50	1,647,043.34	18,713,042.67	1,647,043.34	18,713,042.67	1,647,043.34	17,019,080.32	17,019,080.32

SUM		12,304,985.82	11,602,791.78	11,793,356.51	9,535,750.16	114,414,658.16	9,535,750.16	114,414,658.16	9,535,750.16	98,378,001.53	98,378,001.53

33,452,709.14 31,095,512.36 30,648,593.14 24,025,421.52 311,279,271.65 244,405,904.17

SOURCE: MOUNTAIN STATE, ACORDIA NATIONAL, PCS HEALTH, AND MERCK-MEDCO PAID CLAIMS TAXES
NOTE: CLAIMS LISTED ARE ON A PAID BASIS

"WORKING DRAFT"

State of West Virginia
Public Employees Insurance Agency
Balance Sheets

April 30, 2002 and 2001
Accrual Basis
(Unaudited-For Internal Use Only)

	April 2002	April 2001	Increase <Decrease>
Assets			
Cash and cash equivalents	\$ 92,612,909	\$ 117,172,819	\$ (24,559,910)
Deposits with third-party administrators	1,522,744	1,115,900	406,844
Premium accounts receivable-net of allowance for doubtful accounts	13,586,214	12,090,254	1,495,960
Other accounts receivable	2,720,972	2,491,902	229,070
Total current assets	<u>110,442,839</u>	<u>132,870,875</u>	<u>(22,428,036)</u>
Furniture and equipment, net of accumulated depreciation	138,561	201,963	(63,402)
Restricted cash-premium stabilization life insurance	3,607,620	3,607,536	84
Restricted cash-new computer system	3,000,000		3,000,000
Total assets	<u>\$ 117,188,020</u>	<u>\$ 136,680,374</u>	<u>\$ (19,491,354)</u>
Liabilities and Retained Earnings			
Claims payable	\$ 47,470,000	\$ 56,685,811	\$ (9,215,811)
Premium deficiency reserve	7,242,000	7,242,000	7,242,000
Unearned revenue	1,543,000	2,272,000	(729,000)
Current claims payable	4,828,986	9,643,752	(4,814,766)
Accounts payable	9,450,781	5,432,033	4,018,748
Other accrued liabilities	961,157	629,531	331,626
Total liabilities	<u>71,495,924</u>	<u>74,663,127</u>	<u>(3,167,203)</u>
Retained earnings	45,693,096	62,017,247	(16,324,151)
Total liabilities and retained earnings	<u>\$ 117,188,020</u>	<u>\$ 136,680,374</u>	<u>\$ (19,491,354)</u>

For internal use only. See financial comments.
Prepared May 15, 2002

"WORKING DRAFT"

State of West Virginia
Public Employees Insurance Agency
Statement of Revenues, Expenses and
Changes in Retained Earnings
April 30, 2002 and 2001
Accrual Basis
(Unaudited-For Internal Use Only)

	Budgeted		Actual		Budget Variance Percent	Actual Ten Months Ended April 30, 2001	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
	Ten Months Ended April 30, 2002	Ten Months Ended April 30, 2002	Ten Months Ended April 30, 2002	Ten Months Ended April 30, 2001				
Operating Revenue								
Premiums								
Employer	\$ 288,000,682	\$ 287,850,587	\$ -0.05%	\$ 277,160,843	\$ 10,689,744	3.86%		
Employee	60,880,778	60,346,690	-0.88%	53,887,884	6,458,806	11.99%		
Total Premiums	348,881,460	348,197,277	-0.20%	331,048,727	17,148,550	5.18%		
Less:								
Payments to managed care organizations	(40,000,000)	(39,012,952)	-2.47%	(59,481,632)	20,468,680	-34.41%		
Life insurance premiums-basic	(4,416,420)	(4,280,542)	-3.08%	(4,201,599)	(78,943)	1.88%		
Net premium revenue	304,465,040	304,903,783	0.14%	267,365,496	37,538,287	14.04%		
Administrative fees, net of refunds	2,916,670	2,881,975	-1.19%	2,857,409	24,566	0.86%		
Net operating revenue	307,381,710	307,785,758	0.13%	270,222,905	37,562,853	13.90%		
Operating Expenses								
Claims expense-physical	222,577,617	226,441,766	1.74%	190,763,091	35,678,695	18.70%		
Claims expense-drugs	80,043,357	86,903,780	8.57%	67,363,435	19,540,345	29.01%		
Administrative service fees	10,228,310	9,331,733	-8.77%	9,578,469	(246,736)	-2.58%		
Other operating expenses	4,232,870	4,760,713	12.47%	4,077,777	682,936	16.75%		
Total operating expense	317,082,154	327,438,012	3.27%	271,783,772	55,654,240	20.48%		
Operating (deficit) surplus	(9,700,444)	(19,652,254)	102.33%	(1,560,867)	(18,093,387)	1159.87%		
Nonoperating Revenues								
Interest income/banks, net of fees	166,667	132,963	-20.21%	140,335	(7,352)	-5.24%		
Interest income IMB	3,166,684	2,608,273	-17.63%	5,408,358	(2,800,085)	-51.77%		
Operating transfers in	4,166,660	4,833,000	15.99%	8,300,000	(3,467,000)	-41.77%		
Total nonoperating revenues	7,499,991	7,574,236	0.99%	13,848,693	(6,278,702)	-45.31%		
Net Surplus (Deficiency)	(2,200,453)	(12,078,018)	448.59%	(12,288,323)	(34,236,824)	-198.28%		
Retained Earnings, (deficiency) beginning of period	5,079,934	5,079,934		8,042,673	8,042,673			
Retained Earnings, end of period	\$ 2,879,481	\$ 2,991,916		\$ 62,017,247	\$ (18,324,151)			

For internal use only. See financial comments
Prepared May 15, 2002

**State of West Virginia
Public Employees Insurance Agency
Statement of Revenues, Expenses and
Net Income (Loss)
Month of April 2002 and 2001
Accrual Basis
(Unaudited-For Internal Use Only)**

"WORKING DRAFT"

	Actual Month of April 2002	Actual Month of April 2001	Increase (Decrease)
Operating Revenue			
Premiums			
Employer	\$ 29,114,439	\$ 28,021,838	\$ 1,092,601
Employee	6,042,163	5,489,427	552,736
Total Premium	35,156,602	33,511,265	1,645,337
Less:			
Payments to managed care organizations	(3,934,221)	(5,952,658)	2,018,437
Life insurance premiums-basic	(432,571)	(422,693)	(9,878)
Net premium revenue	30,789,810	27,135,914	3,653,896
Administrative fees, net of refunds	303,280	299,429	3,851
Net operating revenue	31,093,090	27,435,343	3,657,747
Operating Expenses			
Claims expense-medical	25,329,040	16,492,428	8,836,612
Claims expense-drugs	9,609,270	7,734,551	1,874,719
Administrative service fees	689,698	707,980	(18,282)
Other operating expenses	470,919	295,687	175,232
Total operating expense	36,098,927	25,230,646	10,868,281
Operating Income (loss)	(5,005,837)	(7,795,303)	(2,789,466)
Nonoperating Revenues			
Interest income, from banks, net of fees	16,193	8,491	7,702
Interest income from IMB	160,000	575,881	(415,881)
Operating transfers in	483,000	800,000	(317,000)
Total nonoperating revenues	659,193	1,384,372	(725,179)
Net Income (Loss)	\$ (4,346,644)	\$ (6,410,931)	\$ (2,064,287)
For internal use only. See financial comments Prepared May 15, 2002	-----	-----	-----

**Month of April 2002 and 2001
Accrual Basis
(Unaudited-For Internal Use Only)**

"WORKING DRAFT"

- 1) Effective July 1, 2000, the PEIA changed third party administrators. The process of medical claims adjudication and payment was taken over by Acordia National from Mountain State Blue Cross Blue Shield. Merck-Medco through its subsidiary, Paid Prescriptions Plus, took over the adjudication and payment of prescription drug claims. Because of the many complexities involved in the adjudication and payment of medical and drug claims, it took the new third party administrators quite some time to begin paying these claims on a timely basis.
- 2) The new third party administrators also had difficulty adjusting their systems of reporting to the PEIA's actuary. Consequently the actuary was unable to develop credible estimates of claims which had been incurred but not yet paid, claims payable, until late in the spring of year 2001.
- 3) Because of the difficulties discussed above, the amounts reported in these financial statements may not accurately reflect the PEIA's financial position and the results of its operations for the periods indicated.
- 4) Because these financial statements were prepared very shortly after the end of the month, there may be some unknown expenses attributable to these periods.
- 5) At the plan year end June 30, 2001 approximately 6,800 health policyholders transferred from managed care coverage to the preferred provider benefit plan. This resulted in total enrollment increase of approximately 10% from the prior year and is expected to produce a similar increase in claims expense in the year ending in 2002.
- 6) The claims payable amount reported on these financial statements and the related year to date claims expense as of April 30, 2001 have been restated from amounts originally indicated by the actuary due to data errors. The effect of this restatement was to increase the claims payable liability by \$19,115,811 and also increase the related ten months claims expense by the same amount. Furthermore, the month of April 2001 medical claims expense has been revised and increased by \$3,149,639 and the drug claims expense increased by \$1,081,132 based on the new data.

Bob Wise
Governor



Tom Susman
Director

WV Toll-free: 1-888-680-PEIA • Phone: 1-304-558-7850 • Fax: 1-304-558-2516 • Internet: www.peia.state.wv.us

To: Tom Susman, Director
From: Barbara Beane, Eligibility Supervisor
RE: Migration Report
Date: May 21, 2002

OPEN ENROLLMENT 2003 AS OF 5/21/2002

TRANSFER FROM:

PPB	BASIC LIFE	CARE-LINK B	HEALTH PLAN A	HEALTH PLAN B	TOTAL
1679	533	2661	710	290	5873

TRANSFER TO:

PPB	BASIC LIFE	CARE-LINK ENHANCED	CARE-LINK BASIC	HEALTH PLAN A	HEALTH PLAN B	TOTAL
1536	267	3312	420	198	140	5873

Previous transfer total of May 15, 2002 was 3799. Grand total as of May 21, 2002 is 5,873.

Break down consists of the following groups:

Medicare Retiree Tobacco-Free Affidavits: 20,773

Active & Non-Medicare Retiree Health Transfer Forms Processed: 37,168 (Includes Tobacco Affidavits and Plan Changes)

Combination of Tobacco-Free Affidavits and Plan Changes total 57,941

cc: Phil Shimer
Gloria Long
Larry Stover
Jan Long
Dave Bond
Jason Haught

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Senate Staff

Joint Committee on Government and Finance

June 11, 2002

Department of Health and Human Resources

**REFOCUSING FOR
TANF REAUTHORIZATION**

JOINT COMMITTEE ON GOVERNMENT AND FINANCE
Refocusing Efforts for TANF Reauthorization
June 11, 2002

Case Management

In order to provide more effective services that will promote self-sufficiency to WV WORKS participants, the committee recognizes that case management (evaluating a family's service needs and seeing that those needs are provided) has to become a more formalized and integral part of the program. Cases should be realigned to allow WV WORKS case managers to spend more time performing case management functions.

Case managers will become more involved in providing and coordinating case management services to the entire family not just the adults in the household.

Application and Assessments

Change the application process for WV WORKS in order to:

- Make benefits available dating back to the initial date of inquiry.
- Expand the client orientation to WV WORKS to provide more information to applicants including information on the 60-month limit.
- Complete home visit assessments, testing and evaluations in order to develop more effective self-sufficiency plans.
- Immediately place participants into a structured program that will provide money management instruction, job readiness information, training and educational programs. The program will also make participants aware of community resources that will assist them in becoming self-sufficient.

JOINT COMMITTEE ON GOVERNMENT AND FINANCE

Refocusing Efforts for TANF Reauthorization

June 11, 2002

Page 2

Retention Services

Providing ongoing case management services once participants become employed is essential to helping them retain jobs. Case managers will address issues such as child care and transportation, Earned Income Tax Credits, budgeting concerns, family issues (e.g. children in school) and other pertinent issues. Follow up assessments would be done at 30 days, 60 days, and 90 days. Prior to the last month of support services, a final assessment will be completed and appropriate referrals will be made to community agencies. Participants will be evaluated for continued Food Stamp and Medicaid eligibility.

Case Reviews

In order to better serve participants, have formal case reviews at designated times to evaluate case management plans, improve accountability and increase the number of participants who become self-sufficient within 48 months.

60-Month Extensions

At 55 months, a formal review will be completed by the worker, supervisor, participant, his/her advocate, and the intensive case management agency. The group will decide how much longer the participant might need beyond 60 months.

While retaining the current hardship categories for granting extensions, there may need to be some additions and modifications such as redefining "high unemployment county," allowing for an extension if the client is participating in post-secondary or certified training regardless if program will be completed within 6 months; and recommending an extension while cases are being evaluated by Social Security even if the case will not be resolved within 6 months.

WV WORKS Committee

Mission Statement:

Identify and recommend an effective WV WORKS Program that operates within its budget and results in self-sufficiency for WV WORKS recipients.

Final Report

Presented to Fred Boothe, Commissioner
Bureau for Children and Families

May 1, 2002

WV WORKS COMMITTEE

The WV WORKS Committee started meeting on March 6, 2002. The members of the committee are as follows:

William Wince Jr.	CSM - Ritchie/Pleasants District, Chairman
Leslie Ventura	Office of Family Support - WV WORKS Unit
Darcia Collis	Family Support Supervisor - Berkeley County
Judy Thompson	Family Support Supervisor - Lincoln County
Kathy Shafer	Office of Family Support - Medical Review Team
Valerie Wells	Family Support Specialist - Brooke/Hancock Counties
David Hollinsworth	WV Department of Education
Elizabeth Lovas	Welfare Reform Coalition
Patricia Nelson	Finance Director
Mary Ann Dean	CSM - Nicholas District
Marsha Ibos	YMCA - Domestic Violence Coalition
Skip Jennings	Family Support Supervisor - Raleigh County
Jeff McCroskey	Community Access
Lisa Hartley	Legal Aid of West Virginia
Sherri Sargent	Office of Family Support - Policy Unit
Deborah Lively	WV Department of Rehabilitation Services
Brenda Crawford	Office of Family Support - Policy Unit
Tom Strawderman	Office of Social Services

Resource Members:

Jim Hensley	Office of Family Support - WV WORKS Unit
Debbie Mullins	RAPIDS
Brenda Loving	RAPIDS
Jonalee Young	Office of Family Support - 60 Month Extension Committee
Evelyn Dortch	Direct Action Welfare Group
Carol Warren	Director for the Office of Justice and Life - Diocese of Wheeling/Charleston

During the first meeting, ground rules were established along with the creation of a mission statement and recipient profile. The goal of the group was to work within the requirements of the Federal TANF Guidelines.

MISSION STATEMENT

Identify and recommend an effective WV WORKS program that operates within its budget and results in self-sufficiency for WV WORKS recipients.

RECIPIENT PROFILE

Female/Head of Household
31 Years of Age
11th Grade Education
Average Time on Assistance - 19 Months

REQUIREMENTS

1. Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives.
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.
3. Prevent and reduce the incidence of out of wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these.
4. Encourage the formation and maintenance of two-parent families.

The first two meetings were used primarily to provide information regarding the current WV WORKS Program. Presentations were given on a variety of topics including an overview of the WV WORKS Program, best practices from WV WORKS Units from around the state, and information from the 60 Month Extension Committee. Evelyn Dortch presented information on how the current WV WORKS Program has affected the lives of former TANF Recipients. It should be noted that this presentation was very informative to the committee members. We also received information from Carol Warren from the Diocese of Wheeling/Charleston on how the faith based community can partner with WV WORKS to provide services to our participants.

The group was broken up into three sub committees for the purpose of coming up with recommendations for changing the current WV WORKS Program. The groups were organized to reflect the flow in which services are currently provided.

WV WORKS Committees

DELIVERY OF SERVICE(S)

Skip Jennings - Leader
Jeff McCroskey
Sherri Sergent
Leslie Ventura
Darcia Collis

Task(s):

Develop effective delivery system to provide services to participants.

- More effective contract services that directly benefit TANF participants
- Manageable
- Meet needs of individual offices
- That will allow participants to benefit from case management
- Career path for staff
- Work with the whole family
- Follow-up/retention services
- Review job descriptions
- Training for case management
- More education for participants as to their responsibilities, services available, and soft skills

SERVICES AND ACTIVITIES

Kathy Shafer - Leader
Valerie Wells
Brenda Crawford
Marsha Ibos
Lisa Hartley
David Hollingsworth

1. Prioritize, emphasis, limit, eliminate
2. Eligibility
 - Make user friendly screening tool
 - Identify with children employment history
 - Children, income, assets, PRC, orientation
 - Intake and eligibility
3. Core Services and Activities
 - Within 6 months of WV WORKS Cash Assistance
 - Cash assistance, marriage incentive, diversionary cash assistance, job fairs
 - Economic development/OJT, i.e., community service, job search, assessment
4. Support Services
 - Child care, providers, training
 - Transportation
 - Clothing
 - Carriers, licenses
 - BEP
 - Vo-techs w/GED; education, relationship with colleges
 - ADA
 - BEP
5. Ideal
 - Application by WV WORKS one-on-one
 - Orientation by group or individual
 - PRC one-on-one

TIME LIMITS/EXTENSIONS/SANCTIONS

Mary Ann Dean - Leader
Patricia Nelson
Judy Thompson
Elizabeth Lovas
Deborah Lovely

Task:

1. To identify and recommend modifications to the WV WORKS Program's extensions, sanctions, and time limits that result in self-sufficiency for customers and their families.

RECOMMENDATIONS OF THE WV WORKS COMMITTEE

Each of the three sub-groups presented their recommendations to the full committee. Each member of the committee was given the opportunity to provide written comments on the draft recommendations. The sub committees met again to revise the recommendations based on the comments received. At the final full committee meeting held on April 19, action was taken to complete a final plan.

The recommendations were approved by:

1. Total Consensus (All committee members can live with the recommendation.)
2. General Consensus (The majority of the committee can live with the recommendations and expectations to the recommendation will be noted.)
3. Lack of Consensus (The majority of the committee cannot live with the recommendations, therefore, the recommendation will not be submitted to the Commissioner.)

A Change of Philosophy for WV Works

In order to provide effective services that will promote self-sufficiency to WV WORKS participants, our committee recognizes that Case Management has to become a more integral part of the WV WORKS Program. Case Management is a method of planning, coordinating, monitoring, and evaluating a mix of services to meet the needs of participants. WV WORKS case managers need to use this approach to arrange multiple services for participants based on individual assessments and to monitor participants' activities in the context of program requirements. The direct relationship between the case manager and the participant creates an opportunity to provide those services that promote employment and self-sufficiency.

In order to foster this type of case management, WV WORKS Case Managers need more time to administer Case Management duties. Currently, WV WORKS determines eligibility for benefits (Cash Assistance, Food Stamps, Medicaid, NEMT, Emergency Assistance, LIEAP, etc.) for all cases receiving a WV WORKS check. In many cases, WV WORKS Case Managers are carrying caseloads of 80 or above. In order to perform the necessary case management duties needed to assist participants, caseloads need to be reduced. Less time needs to be performed doing eligibility determination and case maintenance; more time needs to be spent doing case management. Our recommendation is that Case Managers in the WV WORKS Program only determine eligibility and perform case maintenance activities with cases that require a Personal Responsibility Contract (PRC). This would allow them to concentrate on case management activities once benefit eligibility has been determined. The committee suggests that new caseload standards be developed for WV WORKS and Income Maintenance keeping in mind this new philosophy of case management.

The committee also recognizes that Case Management Services need to be provided for the entire family. As Case Workers are doing assessments, home visits, and developing plans, issues such as children remaining in school, medical needs, and parenting skills need to be addressed, as well.

The Application Process

Request For Benefits

At the initial request for benefits, the applicant would sign a Request For Benefits Form (RFB). This would protect the date of application for applicants. The Request For Benefits Form would include general information about the family and its circumstances. This form would be standardized and could be used as a screening form for other programs. The committee would like the benefits to be backdated to the date of the RFB which would be more in line with current Food Stamp Policy.

Orientation and Application

The applicant would next attend an orientation to the WV WORKS Program and complete a face to face application to determine eligibility for WV WORKS. Depending on the resources of the local office, either the orientation or the application could be scheduled at the same time or at different times. Both must be completed within 10 working days from the date of the RFB. During the orientation, Case Managers would review program requirements of WV WORKS, time limits, services available, support payments, and other issues listed on an orientation Checklist. During the application interview, the first page of the PRC is to be reviewed and signed. This completes the initial application process.

Recognizing that the WV WORKS Program is a **work first** program, at the completion of the application interview, all adult members of the household in the AG (Assistance Group) will be enrolled automatically in Self-directed Job Search and Pre-Employment Services unless otherwise exempt.

The committee is requesting an automatic enrollment into a component in the Works Program and placed into the appropriate component. This may assist us in meeting the new participation rate requirements.

Hardship Payment

It is recommended that in order to assist clients with the costs incurred during the assessment and pre-employment activities, Case Managers be able to issue a demand payment of \$50 to any household that has less than \$100 in income of any kind.

Assessments and Self-Sufficiency Plan

In order to develop effective Self-Sufficiency Plans, the committee feels that workers need more time to complete assessments before actually developing long term goals for participants. This assessment would include the completion of the WV WORKS Family Assessment Form; it also can include CASAS or TABE test results, a Home Visit, and/or further discussion with participants regarding household situations. The idea is to allow the worker and the participant to gather some pertinent information that will assist both in negotiating an effective Self-

Sufficiency Plan. The Assessment and the Self-Sufficiency Plan must be completed within 45 days of the RFB.

By taking the extra time and effort to assess families and develop self-sufficiency plans, there is a more realistic opportunity to place people into appropriate activities that will allow participants to become more successful. Also, by taking time to develop better plans, there is a better chance that we will be able to meet participation rates.

Attachments:

- RFB**
- Family Assessment**
- Orientation Checklist**
- Self-Sufficiency Plan**
- PRC**

**WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN SERVICES
REQUEST FOR BENEFITS FORM**

Please check the programs
that you are **currently** receiving:

_____ West Virginia WORKS (Check)
_____ Food Stamps
_____ Medical Assistance

You must complete all the information below.

1. Name: _____
2. Social Security #: _____
3. Birth date: _____
4. Telephone #: _____
5. Address: _____
6. City: _____
7. State: _____
8. Zip Code: _____
9. Give the total number of people in your household: _____
10. Is your spouse or the parent of your children living in your home? _____
11. Number of Adults in the Home? _____ Number of Children (under 18) _____
12. Is any member of your household employed? _____ Where? _____
Gross monthly income: _____
13. Is any member of your household receiving unearned income such as: SSI, Social Security Disability, Child Support, Workman Comp, Unemployment, VA Benefits, Pension, etc. (Circle type received)
Who receives this income: _____
Total monthly amount(s): _____
14. Has the income in your household recently stopped? _____ Date stopped: _____
Why did this income stop? _____
15. Does anyone in the household have a checking or savings account? _____
Name: _____ Type of account _____
Amount in the account _____
16. Do you pay rent? _____ Monthly Amount: _____
17. Do you pay utility bills? _____ Monthly Amount: _____
18. Do you pay for your heating or cooling cost? _____

_____ I understand that it is a criminal violation of federal and state law to provide false or misleading information for the purpose of receiving benefits.

_____ I understand my responsibility to provide complete and truthful information.

_____ I understand that this is the first step in completing a WV WORKS application and I must follow through with the complete application process.

_____ I understand by signing this form I give my permission for any government or private agency, department, or person to release information to DHHR concerning my application /receiving of benefits.

Client's Signature: _____

Date: _____

WV WORKS Family Assessment

Case Name _____ Case # _____

Family Composition: (Who is living in the home? Are there any unusual relationships or living arrangements? Are there any other adults who spend a significant amount of time in the home but do not live there?) _____

If adults are married, how long? _____ If divorced or separated, how long? _____

Describe the current or past relationship of parents. _____

List current or past problems with substance abuse. _____

List current or past problems with Domestic Violence. _____

List any current or past health problems, mental illnesses, types of medications being used, etc. _____

What is the current relationship between parents of the children, whether living together or not? _____

What type of support systems does the family have (family, friends, church, etc.)? _____

Does anyone have a criminal record? _____

Housing: (What are the living conditions? Are there any safety issues?) _____

Are there any special concerns regarding Child Care? _____

What type of transportation is available to the family? Are there any issues regarding transportation that need to be addressed? _____

Education: (What is the highest level of education? Any special training or certification? Are there any obstacles or learning disabilities? What are the testing results?) _____

Financial Concerns: (Is the family income able to meet general expenses? Are there any bank accounts, if not would consideration be given to opening one? Are there any budgeting concerns?)

Children: (Are the children attending school regularly? How are their grades? What are their future plans regarding education? Are there any health concerns? Drug or alcohol problems? Are there any safety issues? Who takes care of the children after school? When is the last time they had a medical checkup?)

Notes:

Case Worker _____ Date _____

ORIENTATION CHECKLIST

- *Goals of WV WORKS
- *Work Requirements
- *Personal Responsibility Contract
- *Time Limits
- *Sanctions
- *Information about on all support services
- *Information about Domestic Violence
- *Day Care resources
- *Information on employment seeking resources
- *Information on vocational training or college and applying for financial assistance
- *Information on WIC Program
- *Identifying Mental Health issues and how and where to find resources.
- *Information on direct deposit of cash assistance checks
- *Family Planning
- *Information on subsidized housing
- *Information on GED/ABE Classes
- *Information on changing health care provider on medical card
- *Fair Hearing Information

Retention Services

There is a need for WV WORKS Case Managers to continue to provide case management services to participants who become employed and their WV WORKS check closes. By providing ongoing case management, this will assist people in retaining employment thus lessening the need for people to reapply for WV WORKS. The recommendation of the committee is to complete a 30-day, 60-day, and 90-day follow-up assessment. During the initial 30-day follow-up assessment, the worker will address issues such as childcare, transportation, Earned Income Tax Credit, family issues (children in school, etc.), budgeting and other pertinent issues. The WV WORKS Case Manager will also make contact with the employer with permission of the participant if indicated and appropriate, once a release is signed, in order to establish a relationship. By developing this relationship with an employer the Case Manager can intervene if problems arise that might cause the participant to lose their employment. The 60 day and 90 day follow-ups will follow the same format.

During the fifth month of employment, and prior to the last month of support services, an End of Support Interview will be completed by the WV WORKS Case Manager in order to inform participants of any additional services that might be needed.

If the participant chooses not to accept these services there will be no sanctions or negative action taken against the benefits. Although this service will be completed voluntarily, the case manager needs to review the benefits of these services.

**Attachments: Job Retention Follow Up Form
Job Retention Exit Interview Form**

CHALLENGES	SUPPORT SERVICES NEEDED TO OVERCOME CHALLENGES

SPECIFIC ASSIGNMENT/ACTIVITY	Expected Date	P/C's		FSS	
		Initials	Date	Initials	Date

1. As a representative of the West Virginia Department of Health and Human Resources, I have worked with the undersigned parent/caretaker to develop this Plan.

2.

_____ (Family Support Specialist's Signature) _____ (Date)

3. This Plan was developed by my worker and me, based on my own life situations.

4. I understand that situations in my life may change and that my Plan may be changed with the help and approval of my worker.

5. I understand that if I do not sign this Self-Sufficiency Plan that my family will not be eligible to receive cash assistance.

6. I understand and agree to cooperate and participate with all assignments and activities listed above.

7. I understand that if I do not cooperate and participate with all the assignments and activities listed above that I will be penalized.

8. I understand that I may request a Fair Hearing on the issues and requirements listed on my Plan.

_____ (Parent/Caretaker's Signature) _____ (Date)

Job Retention 30-60-90-Day Follow-Up Check List

Participant Name: _____

PIN Number: _____

Case Name: _____

RFA Number : _____

30 60 90 Day Follow-Up
(circle one)

Current Placement Site: _____

Follow-up completed by: Face-to-Face Interview Home Visit Work Visit
(circle one)

Current Services being received from DHER:

Remaining Barriers:

Services to Remove Barriers:

1. _____
2. _____
3. _____
4. _____
5. _____

1. _____
2. _____
3. _____
4. _____
5. _____

Employer or Supervisors Concerns:

Name of Contact Person: _____

Date of Contact: _____

Employer/Supervisor Contact completed by:

(circle one)

Face-to-Face Interview

Home Visit

Work Visit

Needs or Current Services Provided for Children:

1. _____
2. _____
3. _____
4. _____
5. _____

Other Needs or Concerns:

1. _____
2. _____
3. _____
4. _____
5. _____

Participant Signature/Date

Family Support Specialist Signature/Date

Program Exit Interview

During the 59th month of TANF or the month prior to the end of TANF benefits, if an extension has been granted, a WV WORKS Case Manager is to complete an exit interview with the adult household members. During the exit interview, information should be given about community resources and a final assessment completed to determine if any referrals need to be made for additional services.

Attachments: Exit Interview Form

WV WORKS 59 Month Exit Interview

Participant Name: _____ **Case Name:** _____

PIN Number: _____ **RFA Number:** _____

Current Address: _____

Contact Phone Number: _____

What is the current housing status: (circle one)

Rent Own Living with Others Shelter

Number of Individuals Currently In Household: _____

Number of Individuals Included In TANF Grant: _____

Number of Children in the Household: _____

Names, Ages and School Attending:

1. _____
2. _____
3. _____
4. _____

Is anyone in the household pregnant at the time of the exit interview: yes no

Expected Due Date: _____

Marital Status: Married Never Married Divorced Separated Co-habltating

If married, does spouse live in the home? Yes No

**Activities in which participant has been enrolled and participated:
(circle all that apply)**

Job Search	GED/ABE Classes	CWEP	JOIN
Community Service	Full-time Employment	Part-time Employment	Welfare to Work Programs
Job Development Job Retention	In-Service	Vocational Training	WVEP

Total Number of Sanctions: _____

**Activities participant was referred to but did not participate:
(circle all that apply)**

Job Search	GED/ABE Classes	CWEP	JOIN
Community Service	Full-time Employment	Part-time Employment	Welfare to Work Programs
Job Development Job Retention	In-Service	Vocational Training	WVEP

Past barriers identified and the services provided to eliminate each barriers:

1. _____
2. _____
3. _____
4. _____

Current barriers remaining:

1. _____
2. _____
3. _____
4. _____

Any past or current reports of domestic violence:	yes	no
Has or is currently participating in a domestic violence plan:	yes	no

Participant Signature

Date

Caseworker Signature

Date

Education - WV State Education Plan

Higher education for household members has been recognized as one factor that will assist families in becoming self-sufficient. There has been some attention and study as to what it will take to help break the cycle of poverty and welfare in which families find themselves trapped. One area identified that will help break the cycle of poverty is education. If a person has specialized vocational training or at least a few years of college, their chances of becoming employed in a field that offers a living wage increases. For some of the families we are serving, the availability of post secondary education may only be realized by the children of those families.

Our proposal is to open up the West Virginia Education State Program to families of children who have been in a TANF benefit group, but would no longer be eligible for a TANF check. Once a child turns 18 and has graduated from high school, that child is removed from the assistance group, and the family loses that part of the WV WORKS check. The purpose of the proposal is to provide an incentive for the parents to encourage their children to complete high school and pursue some post secondary education. The benefit amount lost would be between \$52 and \$59 depending on the number of people in the WV WORKS check. This may not seem like very much money when considering total education costs. However, the extra money is not there to provide money for education. Most of our families would be eligible for a variety of educational assistance. However, the few extra dollars might cause parents to encourage their children to pursue their training and/or education.

This benefit would be available to the family if the student is enrolled and attending high school, a full-time accredited college, or a certified vocational training program. This benefit would only be available for 24 months once the child becomes ineligible for TANF or until the child turns 21. For families who have younger children that remain eligible for WV WORKS, the student past the age of 18 would be the only one eligible for the benefit.

If this is the only child that made the family eligible for WV WORKS and the check closes, then the whole amount of the WV WORKS check at the time of closure would be continued under the West Virginia Education State Plan during the time frame proposed.

The committee feels that this may be one way to provide a service that may have a positive impact on families in the future.

Once a family reaches their 60-month limit, this program would no longer be available.

Case Management Training

The agency needs to develop and provide a more systematic training program for WV WORKS Case Managers beyond initial policy and RAPIDS training. This training should include but not be limited to:

- Developing effective case plans
- How to assess needs of participants and decide what services are needed based on assessments
- How to motivate clients
- Job Development for individual clients/how to interact with employers
- Utilizing community resources
- Home visits
- Documentation
- Interview

Continuing Education Programs should be developed and required to provide continuing development of case management skills.

Contracted Services

Contracted services should only be for services that directly benefit WV WORKS participants. The purpose of the contract should be to assist local districts in eliminating major barriers that prevent participants from becoming self-sufficient or one that addresses one of the four purposes of TANF.

- Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- Encourage the formation and maintenance of two-parent families.

The contracts should only be for services the agency is unable to provide.

Local districts and communities should be involved in determining the appropriateness of contracts awarded in their area.

Contracts should be reviewed and monitored closely and should involve local district staff.

Existing contracts for direct services should be given priority before any new contracts are awarded.

Career Path for Field Staff

Due to the change of philosophy from determining eligibility to a case management function, it is recommended that we look at the classifications for WV WORKS workers and develop new classifications that will be more in line the new job duties. Changes would be made to develop career paths for these positions.

Time Limits

We believe that participants may be better served in their quest for self-sufficiency by more frequent "benchmark" evaluations and case review during their potential 60-month eligibility for TANF assistance.

We believe that two years (24 months), is the most appropriate and reasonable time in the case review process to more formally review previous casework activity and participant progress toward self-sufficiency.

We propose modifications to existing policy to achieve five goals:

- Provide enhanced, consistent case management and evaluation.
- To improve accountability throughout the system, at the both the participant level and the worker/supervisor levels.
- To increase the number of participants who become self-sufficient within 48 months. (We agreed this is too turbulent a time to consider reducing time limits on TANF eligibility in West Virginia. For financial purposes, the state may need to consider a 48-month time limit in the future.)
- To allow as many participants as possible who "work hard and play by the rules" to receive assistance for a maximum of 60 months with up to a six-month extension.
- To create a local extension consideration process that allows for more flexibility and individualization (see section "Extension Committee Composition Criteria for Granting Extensions").

We propose to achieve these goals by the following:

1. **At 24 months**, provide mandatory case staffing including, but not limited to, the participant, worker and supervisor. Others to be included should be dictated by the client's 24-month track record, i.e., counselors, doctors, educators, etc. The participant should be encouraged to invite whomever he or she deems critical to the success of the case review. At this meeting, the PRC should be reviewed and updated.

If the participant says he or she is unable to work due to disability, the Medical Review Team (MRT) should evaluate the participant's condition and the participant should be referred for vocational assessment as well. The evaluation of the MRT should take precedence over the evaluation of a community physician if the two assessments are in contradiction.

At this point, we recommend that the participant apply for SSI if appropriate. This in no way precludes application for SSI prior to 24 months.

2. **At 36 months**, provide the same review process but add the CSM to the review team. Update the PRC. The participant should be offered a referral to an intensive case management agency if there is an available slot.

3. **At 48 months**, experience suggests the participant needs a significant change if any progress is to be made by 60 months. At this point, we recommend a mandatory referral to an intensive case management agency.

We recommend that intensive case management be available statewide.

We recommend that WORKS workers provide intensive case management services to participants at 48 months who may not have an immediately available slot in an intensive case management agency.

The WV WORKS worker who has managed the case up until referral to an intensive case management agency will continue to be the primary case manager.

Sanctions

We recommend that sanctions follow the individual not the household or family.

We believe in a compliance-oriented model for sanctions to improve the long-term outcome for WV WORKS participants.

Currently, workers have the option to sanction a participant without imposing the existing corresponding reduction in check amount. Though this impulse is intended to be generous, it may work against the participant's ability to connect first and second sanctions to the potential complete loss of the cash assistance with the third sanction.

Anecdotal evidence suggests that a consistent imposition of the first two sanctions may lead to avoidance of a third sanction. When there are no immediate consequences to sanctions, the participant may suffer from the illusion that sanctions are truly inconsequential, but then the case is "abruptly" closed for six months as the result of a third sanction. Participants return to the system wracked with a half-year's debt and the accompanying woes. Workers complain that participants repeatedly experience level three sanctions resulting in the case opening and closing over and over again with no progress toward self-sufficiency.

We propose the following modifications to the existing sanction policy to achieve three goals:

- Improve compliance and avoid the participant's progression to level three sanctions.
- Reduce the time off assistance during a level three sanction so that the case can pick up again as quickly and efficiently as possible.
- Prevent abuse of the system by capping the number of sanctions available prior to permanent case closure.

We propose achieving these goals with the following:

- Implement mandatory check reductions at sanction levels one and two. We recommend maintenance of the current policy of a check reduction of 1/3 for three months at level one, and 2/3 for three months at level two.
- After sanction two, but **BEFORE SANCTION THREE**, we recommend that a home visit be required. Such a visit should:
 - Be designed to discuss the pending reality of three months off assistance entirely and to make plans for its avoidance;
 - Provide the worker with the opportunity to evaluate the safety and well being of children in the home and, if appropriate, to discuss the plan for caring for the children should the case progress to a level three sanction.

Some members of our subcommittee voiced repeated concern about the impact of these early case closures on so many West Virginia children. While there was no consensus on the solution, we agreed that this issue is one that deserves more consideration and will require close consideration by those policy makers ultimately adopting the recommendations. The WV DHHR may need to consider some type of social work intervention directed toward the health and welfare of the children of these families.

We recommend that level three sanctions be shortened from six months off assistance to three months off assistance. After the level three sanction, we recommend that the participant be permitted one final sanction (again, three months without a check - this would be a fourth sanction). After the fourth sanction, we recommend permanent case closure if there is another failure to comply with the PRC without good cause. This would be the fifth failure to comply with the PRC without good cause. After appropriate notice, the participant would become permanently ineligible for TANF.

We recommend that sanctions continue to run concurrently. Under this proposal, it is essential that the existing "good cause" hearing system be maintained, and that vigilance be exercised in protecting the participant against unwarranted sanction. We recognize that concurrent sanctions may result in a participant losing TANF eligibility for life in less than 12 months if case management and participant cooperation are not at the highest possible level.

(Exception: Some committee members felt that permanent case closure was too extreme. In addition, the committee had much discussion over whether the sanctions should run consecutively or concurrently. Some participants receive all three sanctions within one month. A suggestion was made that if a person is currently under sanction, they cannot be sanctioned again until the time period for the first sanction is completed.)

To summarize:

Current Sanctions

1. Possible check reduction of 1/3 for three months.
2. Possible check reduction of 2/3 for three months.
3. Case closure for 6 months.
When further sanctions occur beyond 3, the case is reopened and closed for 6 month intervals until the 60 month-time limit is reached.

Recommended Sanctions:

1. **Mandatory check reduction of 1/3 for three months.**
2. **Mandatory check reduction of 2/3 for three months.**
3. **Case closure for three months.**
4. **Case closure for three months.**
5. **Case is closed permanently, regardless of participant's point on the clock. No sanctions occur beyond 5, because the case is closed.**

Under current policy, participants under sanction on TANF are not eligible for emergency assistance. In addition, the TANF benefit they would have been receiving is counted toward their income in determining the food stamp benefit.

We recommend that participants whose cases close permanently due to sanction remain eligible for emergency assistance and that the TANF benefit amount not be counted toward income when determining the food stamp benefit.

**60-Month Extension Committee
Composition Criteria for Granting Extensions**

We recommend maintaining the statewide extension committee, but adding:

- **An intensive case management agency representative as a standing committee member;**
- **The participant and his/her advocates as chosen by the participant (if desired) should be invited to attend the committee meeting, but not as voting committee members.**

At 55 months, there should be a formal case review between the WORKS worker, WORKS supervisor, the participant, his/her advocate, and the intensive case management agency. At this review, the group should discuss how much longer the individual participant might need beyond 60 months. (Note: Participants should apply for extensions prior to receiving their 60th month check - extensions should not be given after a case closes.)

There is clearly a need for a face-to-face conversation at this point. The mailed notice letters are not sufficient.

At this meeting, the group should go over the extension categories and their definitions with the participant to make sure they are understood and to avoid applications for extensions in categories for which the participant does not qualify.

At this meeting, all paperwork should be completed for the "Extension of 60-month TANF Limit."

Hardship categories/reasons for extensions:

We recommend retaining existing hardship categories, with the following modifications:

We strongly recommend that the state re-evaluate the criteria used to define a county as a "high unemployment" county. Consideration should be given to defining "hardship" counties by TANF caseloads in those counties. If a participant is enrolled in a vocational education program or other post-secondary education program at 55 months, an extension of up to six months should be provided, regardless of whether or not the program will be completed in six months. Currently, if the participant has been determined MRT disabled, is in the SSI application process, but will not have his/her case resolved within a six-month extension period, the extension is denied. **We recommend an extension be granted to see if the case is resolved in six months.**

ACTIVITIES/SERVICES

RECOMMENDATION	DISCUSSION
1. Emphasize training for recipients to provide child care for other recipients who participate in activities.	1. Child care is a major barrier to participation in an activity. Especially helpful in remote areas where centers are less likely. Provide fire extinguishers, smoke detectors, child-proofing supplies, and early childhood development instruction for those being trained. Work with Day Care (Kay Tilton or Judy Curry) on funds for in-home day care providers to supply equipment needed to meet safety standards. Training and care of children would count toward participation.
2. Train recipients with adequate transportation to provide transportation to other recipients who participate in activities. (Exception noted: high cost of insurance liability and liability of the agency is a concern)	2. Transportation is another major barrier. Especially helpful in remote areas. Promotes dependability in that someone else is unable to participate if those providing the transportation fail. Could include transportation to/from employment. Training and time spent transporting counts as participation.
3. Vocational screening be completed by DOE and should be done as part of the client's initial educational and learning assessment.	3. Something similar to the ASVAB which is administered to high school students to locate the areas of career interest. Far superior to asking the recipient what he wants to do. Also boosts self-esteem to discover there is something that suits their abilities and interest. After initial testing, then participants can be re-tested according to need and skill while in the "SPOKES" program. SEE ATTACHED CHART.
4. Menu of participation activities/ locations and types of available jobs should be required as part of the orientation process.	4. Gather information from vocational schools, colleges, universities, community colleges, etc. on a regional or local level to show the types of educational opportunities and employment available in the area. Community Service Managers should be responsible for making this happen; by either taking this responsibility themselves or delegating the task to appropriate staff.
5. The Commissioner, on the State level, should work with the college and university system and community colleges to provide non-traditional courses in non-traditional locations.	5. This would have to start on the State level and then be adjusted locally. Some college classes duplicate vocational education and could be offered to small groups in the area in which the recipients live. The kinds of classes would vary according to the region of the State, but the initial acceptance would be required on the State level. This might involve a determination of what kinds of skills are needed where, and this would benefit everybody so that training that will not lead to employment in the chosen area could be avoided.

<p>6. Establish a State-funded program to "stop the clock" for victims of domestic violence.</p>	<p>6. By stopping the 60-month clock when domestic violence and recovery is occurring, the victim is not required to use any months toward the 60-month limit. This provides security that assistance can still be provided for a stabilization period. Must be cooperating with a domestic violence plan. No additional requirements, such as, but not limited to: time living in WV, duration of receipt of benefits. Would not replace extension due to domestic violence. Both may be needed.</p>		
<p>7. Eliminate In-Service To WV program.</p>	<p>7. All available information indicates the program is ineffective.</p>		
<p>8. Eliminate Job Development/Job Retention program.</p>	<p>8. All available information indicates the program is ineffective.</p>		
<p>9. Eliminate the eligibility requirement of having to be a WV resident 12 consecutive months prior to entry in WVEP.</p>	<p>9. No justification available for imposing this requirement</p>		
<p>10. Implement <i>SPOKES</i>** Program as initial activity for every approval</p> <p>**Suggested titles only. Acronym for either.</p> <table border="0" data-bbox="180 823 670 1008"> <tr> <td><i>Self-sufficiency Program Offering Knowledge for Everyone's Success</i></td> <td><i>Survival Plan for Opportunities Knowledge, and Employment Skills</i></td> </tr> </table> <p><i>Serving People in Occupational Knowledge and Essential Skills</i></p> <p><i>Survival Programs in Occupational Knowledge, Education and Skills</i></p>	<i>Self-sufficiency Program Offering Knowledge for Everyone's Success</i>	<i>Survival Plan for Opportunities Knowledge, and Employment Skills</i>	<p>10. See the attachment, which likens the program to a turning wheel. Each "spoke" represents a stand-alone component. The wheel continues to turn so that all components are presented every 4-6 weeks. The recipient jumps onto the wheel as the next available component comes around and continues from one spoke to another until all components are covered. There is no correct order for completion. <i>Note: the attachment is a recommendation only; other groupings are possible to make a 1-week component. We recommend the specific curriculum be developed by the DOE.</i></p> <p>Program would have the following characteristics:</p> <ul style="list-style-type: none"> ✓ Lasts for 4-6 consecutive weeks and counts toward participation ✓ Consists of 4-6 stand-alone components, with a new component starting every Monday. Regardless of the application date, the recipient would start the following Monday. ✓ No particular order for completion of the components. ✓ Regardless of how the parts are grouped together, the following are suggestions for inclusion: academic, learning disabilities, life skills and vocational testing and assessment; job readiness; family planning; assertiveness; budgeting; banking; saving; motivation; home economics; consumer economics; personal management skills; community awareness; how to manage a household while working; survival skills. ✓ Results in ABE classes becoming academic only ✓ When necessary, recipients may have to cross county lines to continue the six consecutive weeks. Transportation to be paid. ✓ May only be interrupted if the case manager exempts based on employment, vo-tech, college, or other good reason. ✓ Participation is mandatory for those participants who are not exempt based on disability, employment, attending college or vo-tech training. Exemptions should also be available on a case-by-case basis determined by the case manager.
<i>Self-sufficiency Program Offering Knowledge for Everyone's Success</i>	<i>Survival Plan for Opportunities Knowledge, and Employment Skills</i>		

<p>11. Mandatory participation in an Intensive case management program.</p>	<p>11. Currently only in Region II. Placement rate of 70%. Recommend that this be expanded statewide. Participation should be mandatory if participant has had no success in obtaining or retaining employment by the 48th month. However, after assessment testing is completed (SEE ATTACHED CHART) those needing the Intensive case management should be identified and referred as soon as possible.</p>
<p>12. Place more emphasis on WVEP.</p>	<p>12. Not seen as contrary to the "work first" principle because self-sufficiency is more likely with more education.</p>
<p>13. Establish new Support Service payment for distance job search.</p> <p>(Exception: A few committee members felt that clients would abuse this support service to go on vacation)</p>	<p>13. Characteristics:</p> <ul style="list-style-type: none"> ✓ Limit of 2 trips/lifetime ✓ Overnight lodging when travel time is more than 2 hours. Amount will vary by location but cannot exceed \$100/night. Maximum of 3 days. ✓ Day care, if necessary ✓ Food, \$25 per diem ✓ Must work out a travel/job search plan with Worker. Worker expected to help with routing and reservations using Internet. Can use Internet to search for employment possibilities. Also, Worker can contact Workers in other locations to find possible jobs. ✓ Job search travel limited to other parts of WV, contiguous states, NC, DC ✓ Expenses for travel to states other than those above is made only when there is a definite job prospect and this can be verified. ✓ Travel time and job search count for participation ✓ When out-of-state travel and job search is appropriate, the Worker must tell the recipient the TANF time limit in the other state and advise him of the number of months he has already used in order for the client to make a responsible, informed decision. ✓ There was discussion that some would think this is an easy vacation, or a good way to get a trip to visit the family paid for. However, there is nothing wrong with visiting family and friends in the evening after job search is finished. Accepting employment near family/friends would provide a support system that might make the difference between success and failure. Many people find jobs this way whether they receive WV WORKS or not.
<p>14. Relocation Money for domestic violence victims.</p>	<p>14. Expand current policy that provides \$1500/lifetime for relocation expenses to be available to victims of domestic violence.</p>

ELIGIBILITY

RECOMMENDATION	DISCUSSION
<p>1. Eliminate marriage incentive and replace with voluntary one-time parenting (Exception: Payment amount of \$500 seemed too high to a few committee members.)</p>	<p>1. It is believed that the marriage incentive could promote domestic violence by encouraging couples to stay in abusive relationships for a monetary benefit. To receive the one-time parenting incentive payment of \$500 the parent must attend and complete an approved 16 hour parenting class. The 16 hours should count toward participation. In addition, the parenting incentive could be paid to the custodial parent whether the other parent lives with them or not.</p>
<p>2. Simplify the policy for determining AG composition.</p>	<p>2. Page after page of policy defines who must be included, who can choose to be included and who must not be included. This is one of the eligibility requirements that takes away from time for case management.</p>
<p>3. Implement Individual Development Accounts (IDA), or something similar.</p>	<p>3. Amount placed into the account and any interest would not count as income or asset. Money must be for a stated purpose, such as car, house, etc. If used for anything else, it would count unless used for an emergency. If State can match, even at \$1 to \$1, that would be great. If not, encourage saving by exclusion of these accounts. Set cap on amount at \$2,000.00</p>
<p>4. Exclude all educational income, regardless of the source.</p>	<p>4. Counting some smaller educational grants and scholarships could mean that the recipient would not have access to the educational activities that are guaranteed under State law.</p>
<p>5. Evaluate, according to the fair market rate, the amount of the child care and adult dependent care deduction and update appropriately.</p>	<p>5. The same amounts have been used since before WV WORKS started and for years in AFDC without any changes. Especially important in light of day care reductions. Keep child care support payments for people making up to 185% FPL.</p>
<p>6. Support service payment for Vehicle Insurance (\$1,000/lifetime limit)</p>	<p>6. Because this is such a critical element in obtaining employment in a rural state, the recommendation is to double the amount scheduled to be effective 6/02.</p>
<p>7. Payment of Bonus for completion of 28-day inpatient substance abuse treatment</p>	<p>7. This is a potentially life-changing experience which should be rewarded. Not limited to the first 28-day program because many more succeed after more than one attempt. (Concern over the bonus amount)</p>
<p>8. Earned Income Disregard</p>	<p>8. Keep the earned income disregard at 40% for the first 6 months and then decrease the allowed disregard to 20% thereafter.</p>
<p>9. Continue Support Service Payments for Participants making less than 185% FPL (Exception: 8 committee members voted for the recommendation and 5 voted against. The votes against voiced concern that there are too many repeats and would like limits due to blatant abuse by participants)</p>	<p>9. No lifetime limit on the number of months for continued support services.</p>

EDUCATIONAL, LIFE SKILLS,
LEARNING DISABILITIES

**ASSESSMENT
TESTING**

MOTIVATORS, SUCCESS
STORIES, SELF-ESTEEM,
SELF-DISCOVERY

**MOTIVATION &
ASSERTIVENESS**

VOCATIONAL TESTING, RESUME,
INTERVIEW, DRESSING, JOB APPLIC.

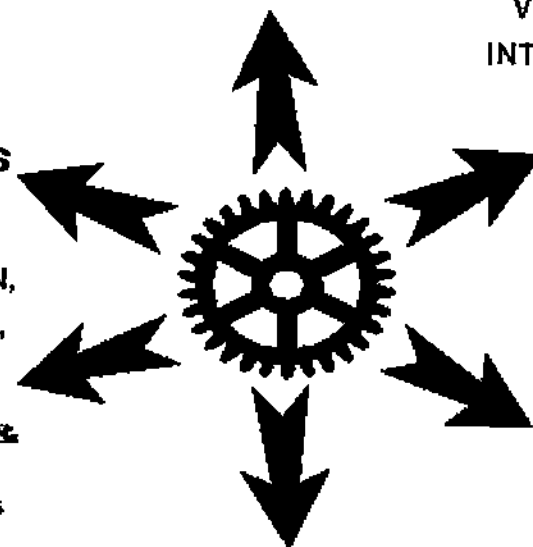
JOB READINESS

MEAL PLANNING & PREPARATION,
BARGAIN SHOPPING, HOME ORG.,
GETTING IT ALL DONE

**CONSUMER &
HOME
ECONOMICS**

FRN'S, DV SHELTERS, FOOD
PANTRIES, OTHER HELPERS

**COMMUNITY
AWARENESS**



**PERSONAL
MANAGEMENT**

BUDGETING, SAVING, BANKING, FAMILY
PLANNING, HYGIENE, CHILD CARE

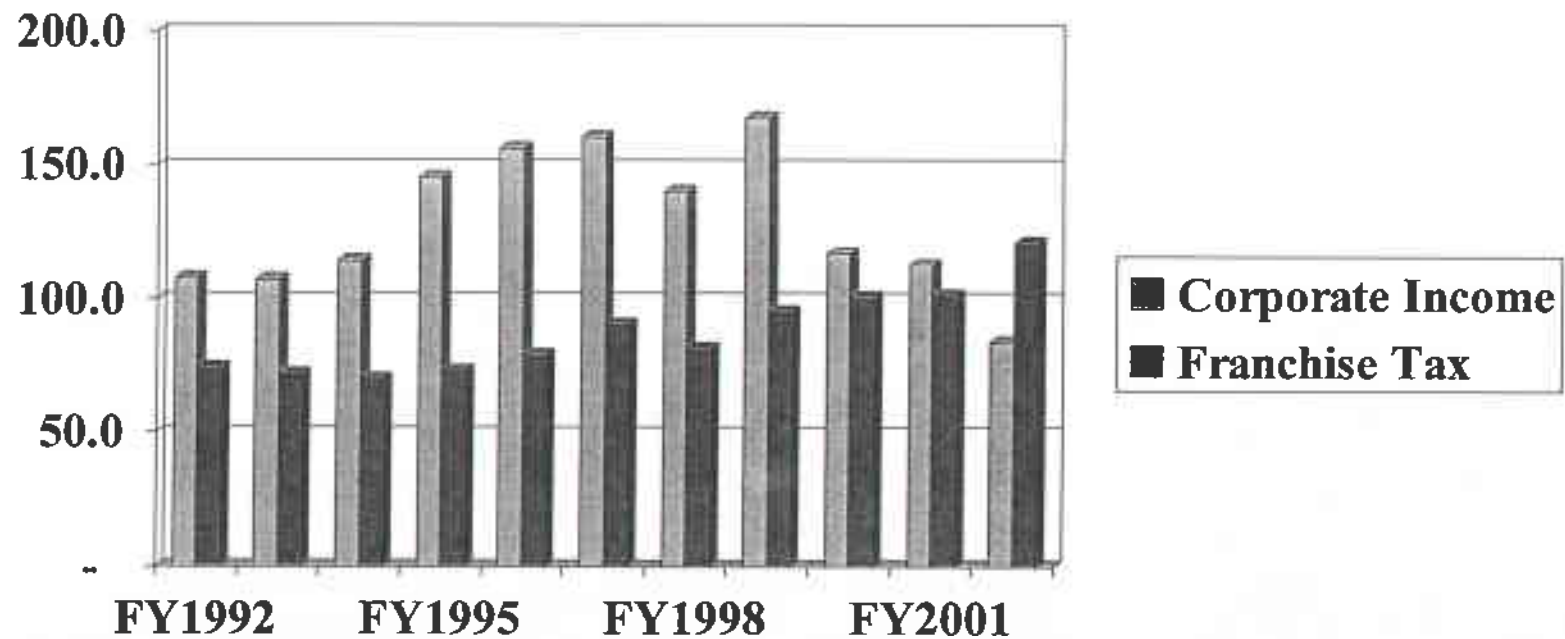
Corporate Tax Trends

Joint Committee on Government and
Finance

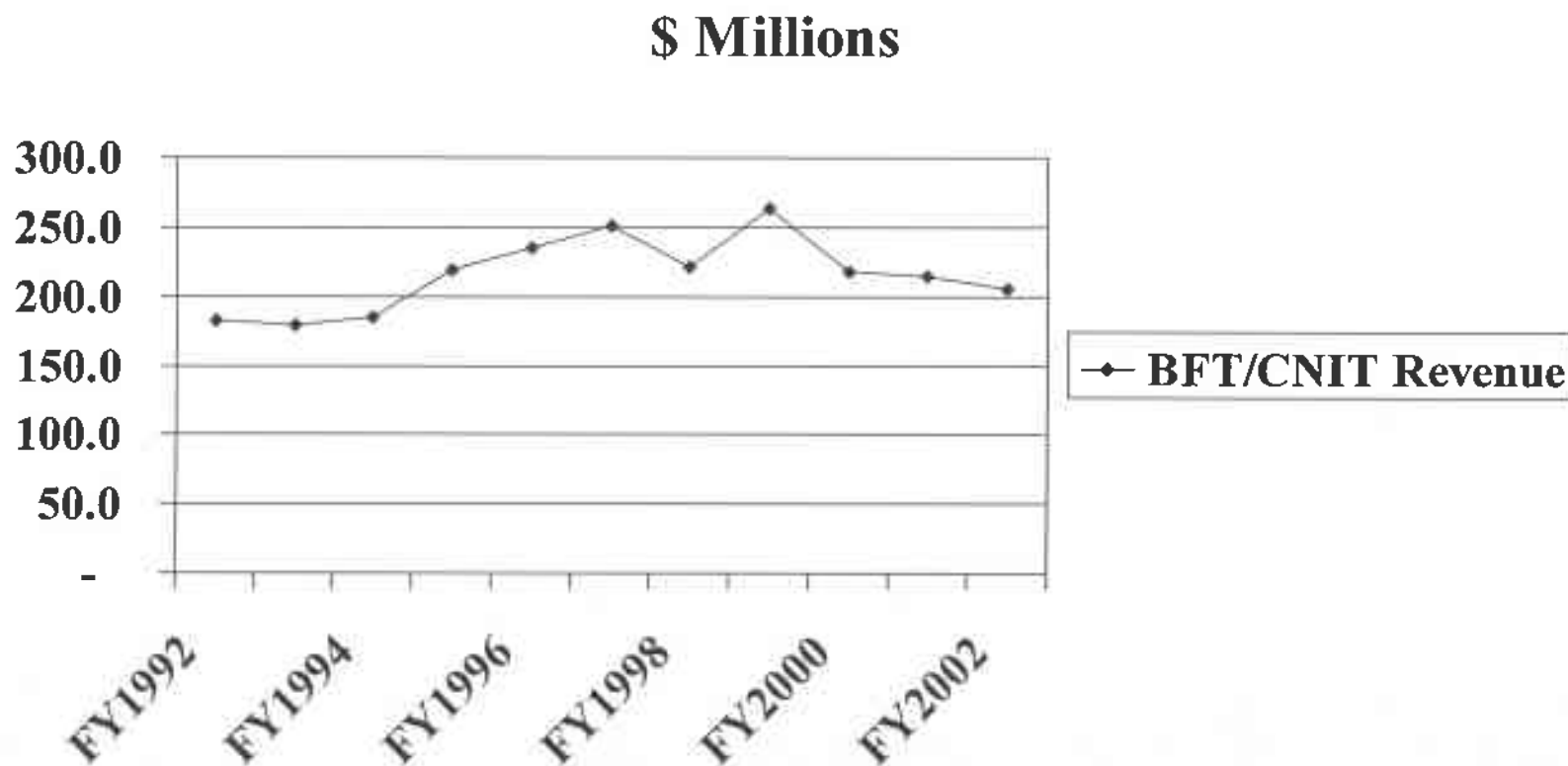
June 11, 2002

Net Collection Trends

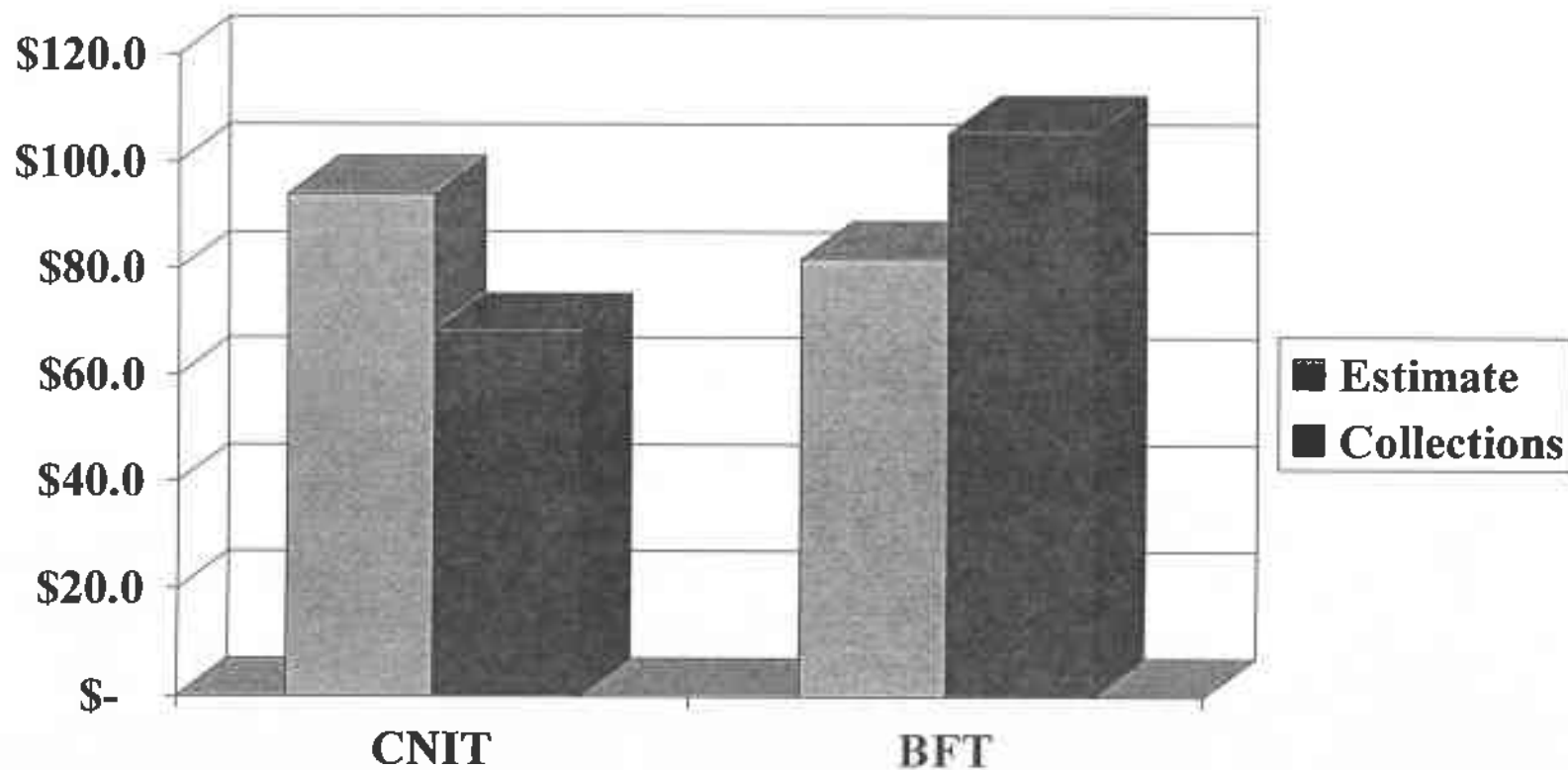
\$ Millions



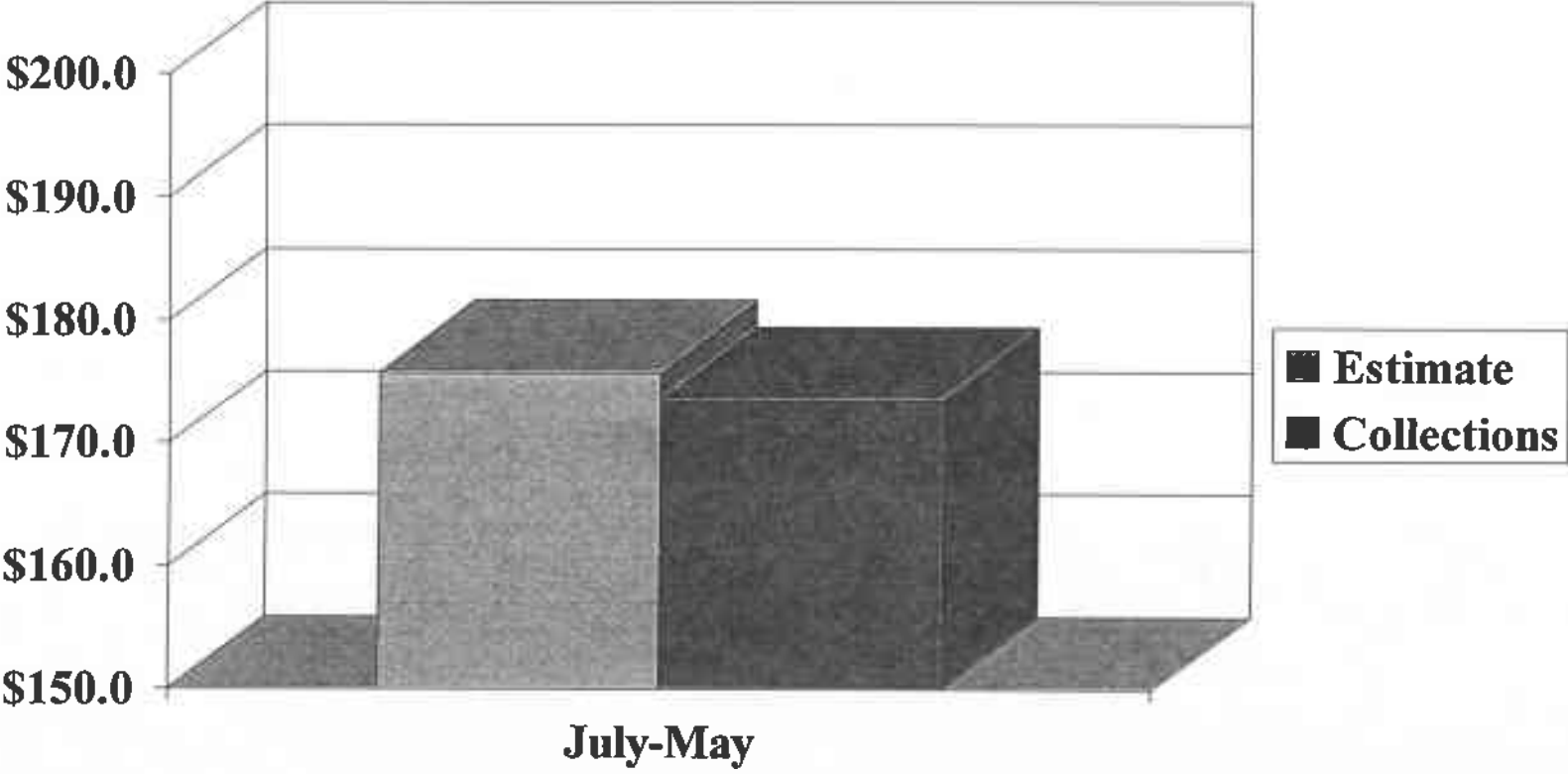
Combined Collection Trends



Net Collections Through May

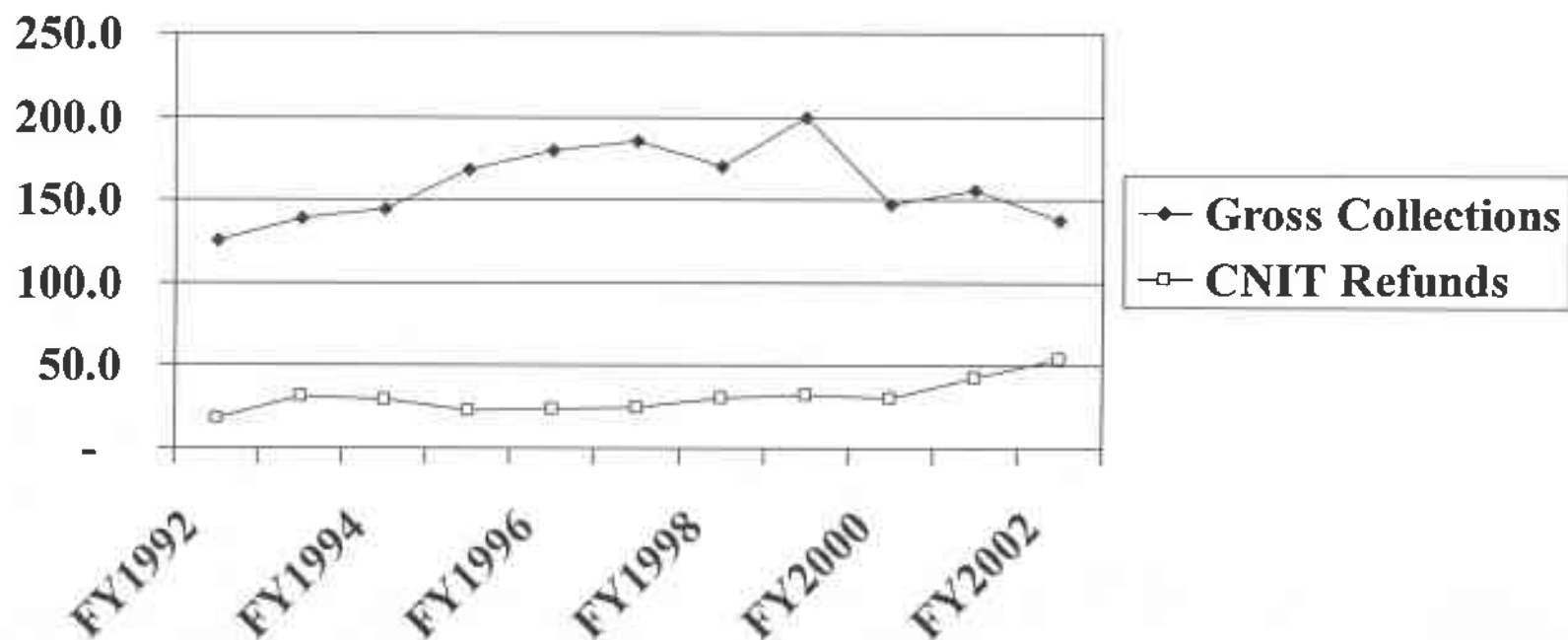


BFT/CNIT Versus Estimate



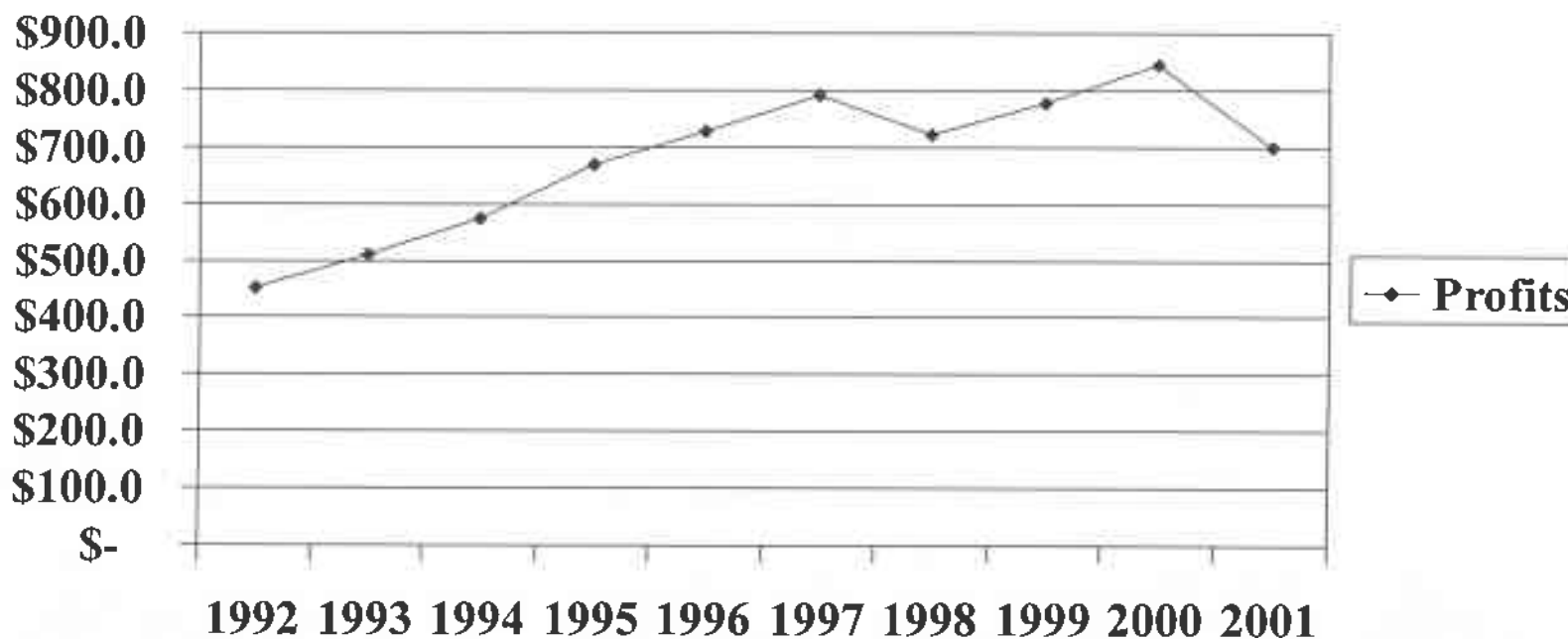
Gross Collections vs Refunds

\$ Millions



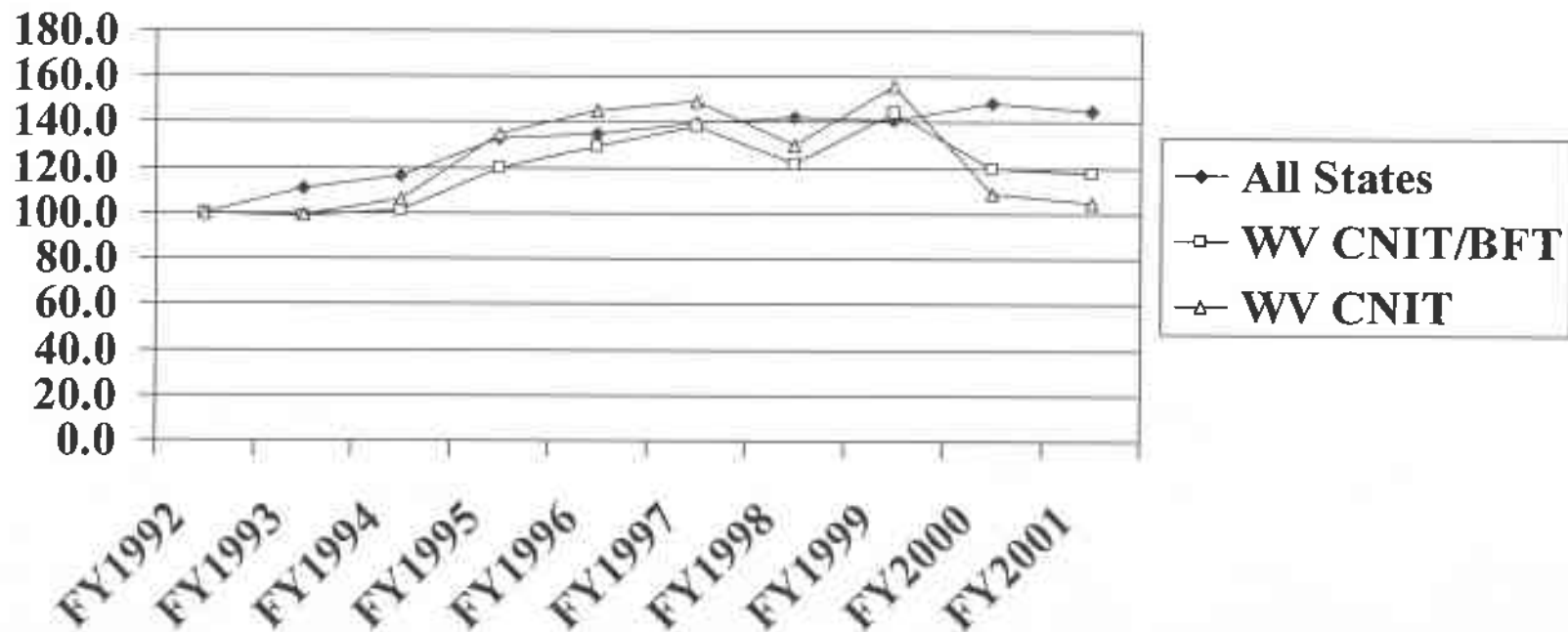
Corporate Profits Before Tax

\$ Billions



Comparative Collection Patterns

Indexed 1992=100.0



Corporate Income Tax Trends

Analysis by **Dan Bucks, Executive Director of MTC**

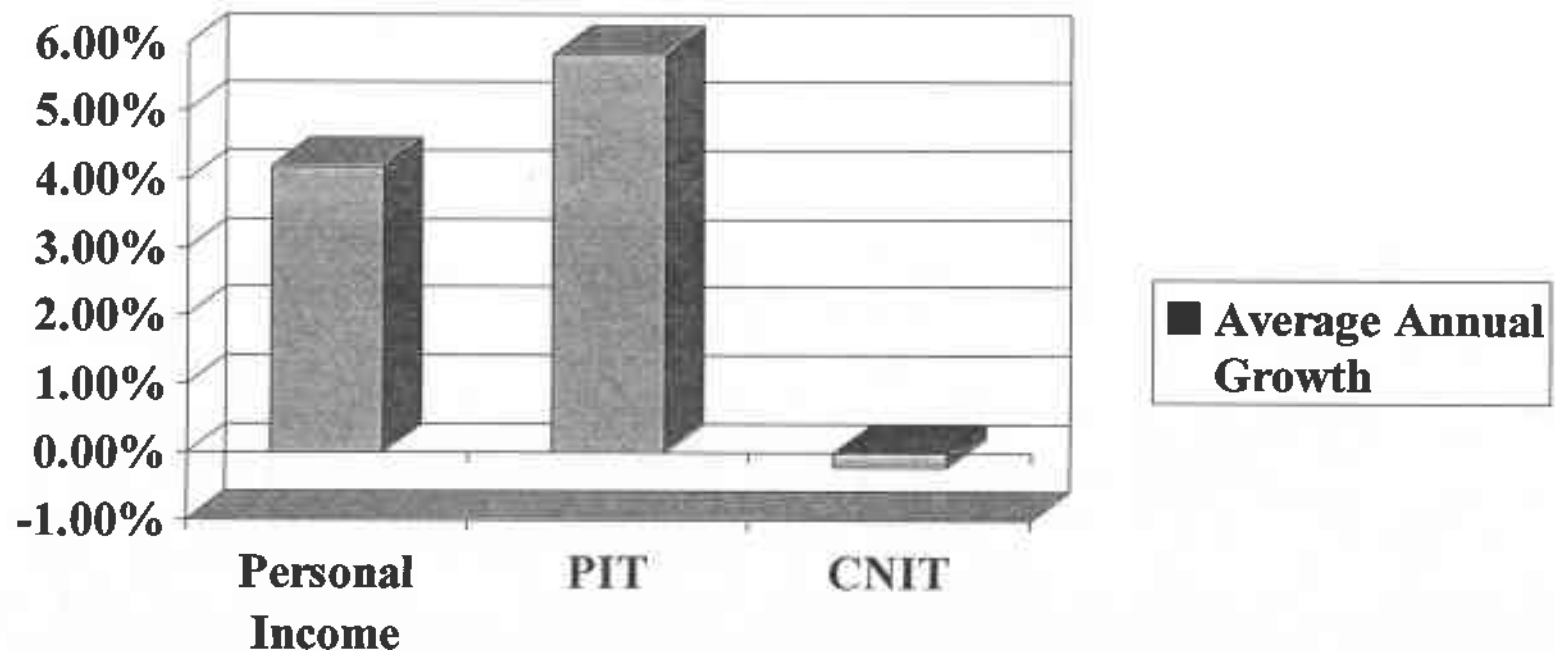
MTC Strategic Planning Session, Denver, CO. May 3-4, 2000

Lower Corporate Income Tax Revenues are due to:

- Growth of Pass-Through Entities
- Rising Importance of Intangible Assets
- Tax Incentives for Mobile Businesses
- Weakened Apportionment Policies
- Aggressive Tax Planning

Growth of Pass-Through Entities

FY1991-FY2001



Share of Tax Collections

Corporate Income Share

