



# JOINT COMMITTEE ON GOVERNMENT AND FINANCE

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APRIL 30, 2019

**AGENDA**  
**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
**April 30, 2019**

5:00 pm – 6:00 pm

Senate Finance Room

1. **Approval of January 8, 2019 minutes:**

**President Carmichael:** “The Committee will come to order. The first item on the agenda is the approval of the December 11, 2018 minutes. Speaker Hanshaw is recognized.”

**Speaker Hanshaw:** “I move the minutes of the December 11, 2018 meeting of the Joint Committee on Government and Finance as contained in the members packets be approved.”

**President Carmichael:** “Speaker Hanshaw moves that the minutes be approved. Discussion? All in favor say aye, opposed no. The ayes appear to have it, the ayes do have it. The minutes are approved.”

2. **Procedural Motions:**

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

**Speaker Hanshaw:** “I move that the Joint Committee on Government and Finance hereby reappoints Aaron Allred as the Legislative Manager to oversee the offices of the Committee. Subject to the general direction and control of the President of the WV Senate and the Speaker of the WV House of Delegates, the Legislative Manager: 1) shall be in complete charge of the administrative operations of the Committee and the management of the offices thereunder except for the Commission on Special Investigation; 2) serve as the chief administrative manager for all Joint Committee personnel except for the Commission on Special Investigation; and 3) have authority to enter into contracts on behalf of the Committee.

**President Carmichael:** “Speaker Hanshaw moves the motion be approved. Discussion? All in favor say aye, opposed no. The ayes appear to have it, the ayes do have it. The motion is approved.”

**Speaker Hanshaw:** “I move that the Joint Committee on Government and Finance being authorized by the West Virginia Code §4-2-3 hereby reappoints Aaron Allred as the Legislative Auditor.”

**President Carmichael:** “Speaker Hanshaw moves the motion be approved. Discussion? All in favor say aye, opposed no. The ayes appear to have it, the ayes do have it. The motion is approved.”

**President Carmichael:** “I recognized the Speaker for another motion.”

**Speaker Hanshaw:** “I move that the Joint Committee on Government and Finance being authorized by the West Virginia Code §4-2-3 hereby reappoints Aaron Allred as the Legislative Auditor.”

**President Carmichael:** “Question on the motion? Discussion? All in favor say aye, opposed.

The ayes have it.”

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

**Speaker Hanshaw:** “I so move that the President and Speaker of the House be authorized to jointly establish the interim committees and subcommittees as deemed appropriate and to appoint as many members as desired to any committee or subcommittee other than statutory and standing committees.”

**President Carmichael:** “Question on the motion? Discussion? All in favor say aye, opposed. The ayes have it.”

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

**Speaker Hanshaw:** “I also move Mr. President that the interim committees and subcommittees established by the President and the Speaker of the House and interim committees established by statute and all joint standing committees be authorized to meet during the 2019 Interim Period.”

**President Carmichael:** “Question on the motion? Discussion? All in favor say aye, opposed. The ayes have it.”

**President Carmichael:** “I recognized the Speaker for another motion.”

**Speaker Hanshaw:** “I also move Mr. President that the Legislative Rule-Making Review Committee and the Joint Legislative Committee on Flooding be authorized to meet outside of the interim periods as necessary to complete their statutorily required work with the approval of the President and the Speaker.”

**President Carmichael:** “Question on the motion? Discussion? All in favor say aye, opposed. The ayes have it.”

**President Carmichael:** “I recognized the Speaker for another motion.”

**Speaker Hanshaw:** “Mr. President, I move that the President and the Speaker be authorized to jointly assign study topics to the interim committees as they deem appropriate.”

**President Carmichael:** “Question on the motion? Discussion? All in favor say aye, opposed. The ayes have it.”

**President Carmichael:** “I recognized the Speaker for another motion.”

**Speaker Hanshaw:** “I move that all committees, subcommittee and commissions meeting during the interim period for which there are an unequal number of Delegates and Senators, that all motions considered must be adopted by a separate majority vote of the committee members from each legislative body. “

**President Carmichael:** “Question on the motion? Discussion? All in favor say aye, opposed. The ayes have it.”

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

**Speaker Hanshaw:** “I move that the following dates be approved for Interim Meetings:

May 20-21  
June 17-18  
July 22-23  
September 23-24  
November 18-19  
December 16-17

**President Carmichael:** “Question on the motion? Discussion? All in favor say aye, opposed. The ayes have it.”

**3. Committee Reports/Requests:**

**4. Monthly/Quarterly Reports Received:**

**President Carmichael:** The next order of business before the Committee are the Monthly/Quarterly Reports. Members will find in their packets the reports from each Agency.

Status Reports on Lottery, Unemployment Compensation Fund, General Revenue Fund & State Road Fund

**(William Spencer, Director – he doesn’t go over his reports – if there are any questions he will answer.)**

Status Reports on Lottery

**(John Myers, Director, West Virginia Lottery Commission)**

General Revenue Fund & State Road Fund

**(Mark Muchow, Deputy Secretary, West Virginia Department of Revenue)**

WorkForce WV Unemployment Compensation Trust Fund Distribution

**(Connie Kirk, UI Director, WorkForce West Virginia)**

Monthly/Quarterly Reports from PEIA, BRIM & Real Estate Report

**(Mary Jane Pickens, Deputy Secretary, Department of Administration)**

Department of Health & Human Resources, Medicaid Report & Medicaid Waiver Report

**(Tony Atkins, Deputy Commissioner, West Virginia Bureau for Medical Services)**

Children’s Health Insurance Program Report

**(Stacey Shamblin, CHIP Director, WVCHIP)**

Investment Management Board Distribution

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

Workers Compensation

**(James Dodrill, Insurance Commissioner, West Virginia Offices of the Insurance Commissioner)**

Board of Treasury Report Distribution



**5. Other Business:**

**President Carmichael:** “Members of the Committee will also take note of a copy of an OIG Audit of the Legislative Claims Commission in your booklet. **Janet Kawash**, Clerk of the Claims Commission, is available if there are any questions, otherwise there is no action that the Committee need take at this time.”

**President Carmichael:** “Also, as a separate handout is WV Sponsorship Program Study, required by 2018’s HB 2694. **Byrd White**, Secretary of the Department of Transportation is available if there are any questions, otherwise there is no action that the Committee need take at this time.”

**6. Adjournment:**

**President Carmichael:** “Any further business to come before the Committee? If not, I recognize Speaker Hanshaw for a motion to adjourn.”

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

**President Carmichael:** “All those in favor say aye, opposed no. The ayes appear to have it, the ayes do have it, the meeting is adjourned.”

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2. **Procedural Motions**

3. **Committee Reports/Requests**

4. **Monthly/Quarterly Reports Received**

Status Reports on Lottery, Unemployment Compensation Fund, General Revenue Fund & State Road Fund

*(William Spencer, Director)*

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Workers Compensation

*(James Dodrill, Insurance Commissioner, West Virginia Offices of the Insurance Commissioner)*

Board of Treasury Report Distribution

5. **Other Business**

OIG Audit of the West Virginia Claims Commission

*(Janet Kawash, Clerk of the Claims Commissions)*

DOH WV Sponsorship Program Study

*(Byrd White, Secretary DOT)*

6. **Adjournment**

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

January 8, 2019

3:00 p.m. – 4:00 p.m.

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

**President Carmichael:** Seeing that we have a quorum, I call the Joint Committee on Government and Finance to order and recognize the Speaker for a motion.

**Speaker Hanshaw:** Mr. Chairman I move that the minutes of the December interim meeting, I move that the minutes be approved as distributed.

**President Carmichael:** Per the motion is there discussion? If not all those in favor will say aye, those opposed no. The ayes appear to have it, the ayes do have it. I declare the minutes adopted. You'll have the committee reports before you. The first item on the agenda is the status report on Lottery, Unemployment Compensation Fund, General Revenue Fund, State Fund. William Spencer, is William here? If you would approach the podium.

**William Spencer:** Thank you Mr. President, Mr. Speaker, and members of the subcommittee. My name is William Spencer, I am the Director of the Legislative Budget Division. Here to answer any questions on the monthly status reports.

**President Carmichael:** Thank you Mr. Spencer, are there questions? If not, thank you very much. Next item on the agenda is report on Lottery by director John Myers.

**John Myers:** Thank you Mr. President, Mr. Speaker, and members of the committee. We submitted our report in your packets today, and should there be any questions I'd be glad to answer those. I did want to give a brief update. The revenues appear to be stabilizing a little bit from the competition that we have been seeing the last few years. This year we're down only .91% for the same period last year in race track video lottery, which is about \$2M. Table games are up .03%, which is about, for the same period it's about \$17.5M, up about \$53,000 statewide. Total revenues for the year are up 5.27% for the

same period 2018-19. We have taken in about \$560.4M year to date, and that's up about \$28M over last year. We're having a good year in our traditional lottery sales, we're up about \$15.5M there. In our instant and online tickets, and limited video lottery is up about \$13M. In the sports betting, which I'm sure you want an update on that. Year to date, or since inception of sports betting, we've taken in \$654,800.84 in tax. And with the implementation of the new mobile app last week, we only have one week to report. On the mobile tax receipts, we had \$25,630 for that week, and the retail taxes were \$112,734.

**President Carmichael:** Thank you John. Are there questions of committee members? Questions? I recognize Delegate Nelson.

**Delegate Nelson:** Thank you Mr. President. How many casinos are operating with the mobile app, at this time?

**John Myers:** Two.

**Delegate Nelson:** Which ones are those.

**John Myers:** That's Mardi Gras and Wheeling.

**Delegate Nelson:** Ok, thank you. Thank you.

**President Carmichael:** Thank you, are there further questions? Further questions? If not, thank you very much John.

**John Myers:** Thank you.

**President Carmichael:** Next item on our agenda is General Revenue Fund and State Road Fund by Mark Muchow.

**Mark Muchow:** Thank you, I'm Mark Muchow, West Virginia Department of Revenue. I'm going to give you a report, an update on December and year to date. December marking the halfway point of the year for fiscal year 2019. And first of all overall collections, we had an excellent performance in December, collected very close to \$423M in December. The estimate for December was \$378.2M, so we ended up \$44.8M ahead of estimate. And from my perspective, even better news is that we were 15.1% ahead of last year, through the month of December. Year to date, overall general revenue fund collections \$2.234B. The estimate was \$2048.7B. That's \$185.9M above estimate year to date, compared to last year up 13.5%. I'm going to concentrate on the four components that are really contributing to the growth for the month and the growth for the year to date. I'll start off with the consumer sales tax. I had an excellent performance ever since the beginning of the fiscal year. In December \$124.2M in collections. The estimate was \$116.5M, that was more than \$7.6M above estimate, 12.4% ahead of last year. We haven't seen a year like that in a long time. Year to date the sales tax \$672.5M, in collections the estimate was \$633.7M, \$38.8M above estimate year to date. Compared to last year from the general revenue fund up 13.3%. The personal income tax we

collected \$169.9M and the estimate was \$162.5M. That was nearly \$7.4M above estimate. Compared to last year it's actually down by 1.3%, and let me explain a little bit about that. We actually forecasted a decrease in collections for December compared to December last year and there's a reason for that. The reason for that is federal tax reform. Last year in December folks rushed to get their quarterly estimated tax payments in to take advantage of the last year of unlimited itemized deductions. This year there's a \$10,000 limit on such deductions, so basically accelerated some of the estimated tax in the end of December, away from January of last year. This year the opposite effect. And probably the quarterly estimated payments this year will be a little lower overall than last year's quarterly payments because there was also a little attempt to enhance the quarterly payment last year. And indeed the estimated income tax for December was done, they were 62% from last year. But the offsetting factor was the withholding tax collections which were up 22%. So that's why we ended up with a surplus of \$7.4M. Year to date personal income tax collections \$763.5M, the estimate was \$911.5M, and that's \$52M above estimate. Compared to last year up 9.1%. Still a very strong performance year to date on personal income tax. The best performing tax of all is the severance tax. In December \$45.3M compared to the estimate of \$34.3M. We were nearly \$11M above estimate, compared to last year we were up 73.9%. To give you a little statistic, October exports and non-manufactured goods for West Virginia foreign exports were up 41.5% compared to last October. So that gives you an indication that strong numbers on the coal exports. But not only is coal severance tax up, coal severance tax is up about 30% compared to last year at this time, year to date. Natural gas severance tax is also up over 30%. Oil and other liquid products make up the difference, they're up well over 100% in both cases and that pulls the overall collection number up. So year to date on the severance tax \$209M in collections, \$149.9M was the estimate. That's over that's almost over \$59.2M above estimate. And for general revenue 51.1% ahead of last year. And again it's because nice rise in coal, nice rise in gas, plus a tremendous rise in liquid products. In terms of the yield compared to last year at this time. Finally, the corporate income tax, thanks to a good part, not entirely, but a good part to higher payments on the estimated side from the energy sector. We ended up with \$48.7M in collections in December, the estimate was \$28.8M. That was almost 101%, basically doubled last year's December collections. Year to date it's \$97.5M, the estimate was \$72M. We're running \$25.5M above estimate. That's 42% ahead of last year. So these are all very elevated type increases in revenue. The outlook for the rest of the fiscal year is still pretty good. I think the numbers will continue to be relatively strong, might be a little bit weaker in the second half of the year, but for the remainder of this fiscal year the numbers are in relatively good shape because the energy market, the pipeline construction, and a little bit of highway construction mixed in. Good news for this year. Keep an eye on oil prices, oil prices have recently gone down a bit. If they stay down for an extended period of time that's a bad signal. Also as we move into next year we might see, and we already have seen a little bit of a dip in natural gas prices, but that's partly because the weather outside is more like April than it is normal January right now. Warm weather this time of the year is not good for natural gas prices. On the Road Fund, I'm going to break it up into two components. From the state only source revenue in the month of December we collected \$65.1M, the estimate was \$65.7M. We were \$1/2M below estimate, but compared to last year we're up 42.2%. Largely driven by the motor fuel tax, which rose from \$37.7M this

year from \$17.4M last year. So more than doubled. But the reason for the motor fuel excise tax doubling is last year the last calendar date in December ended up on a Sunday. This year it was a Monday and the tax is due on Monday, on the last calendar day of the month. So we got the money this year, last year that money carried over to January, so that's normal fluctuations on the carry overs. Year to date on the Road Fund for state only sources \$449.6M, and collections the estimate is \$427.7M, so that's \$21.9M above estimate. Compared to last year up 5%. The motor fuel excise tax year to date is running about \$5.2M above estimate, and 17.7% ahead of last year. The registration fee component is running \$7.3M above estimate, year to date 7.4% ahead of last year. Motor vehicle sales tax collections are running \$8.7M above estimate, 10.5% ahead of last year. So all good news on that front. I was talking to Secretary Smith before the meeting today and this is the first year that we've made an attempt to actually put estimates out there on federal reimbursements, and the estimate for federal reimbursements for December was \$37.5M. We collected \$22.9M, that was \$14.5M below estimate, about 33.8% below last year. Year to date collections are running \$183.2M, the estimate was \$304.5M, so that's \$121.3M below estimate. Compared to last year down 15.7%. Now a couple months ago we had a technological change, involving Oasis temporarily shut off. The flow of federal funds, but the federal funds are now flowing back in. Tom is here if anybody has any questions relating to the federal funds, to address those questions.

**President Carmichael:** Any questions of the committee members? I recognize Delegate Nelson.

**Delegate Nelson:** Thank you Mr. President. I think the last two meetings I've had questions about this, and our big negative balance, as it may relate to debt payments or anything. If maybe the secretary could come up. He's given me an answer, but I think it would be for the benefit of everyone else as well.

**President Carmichael:** Before you take the podium Tom, are there other questions of Mr. Muchow? Delegate Miley.

**Delegate Miley:** Thank you Mr. President. Mark a couple of questions on the consumer sales tax. Is there any reflection in that number of the additional collections from the internet sales, that I think the Governor starting imposing several months back?

**Mark Muchow:** Tax department by administrative notice announced that beginning January 1<sup>st</sup>, 2019, the state of West Virginia was going to implement the what was referred to as the Wayfair decision. And not all states, but a good number of states have gone onto the Wayfair cause. This is remote vendors, some may be internet, some may not be internet. But vendors that have no physical presence in West Virginia, but they have a significant amount of sales in the state. Under that provision, the first sales tax dollars will come in about the middle of February, because it's only supposed to start on January 1<sup>st</sup>.

**Delegate Miley:** So we could hope to expect to see even greater surplus, because you certainly wouldn't have anticipated that?

**Mark Muchow:** Yeah that was not part of the estimate for a full year, now Wayfair doesn't mean all remote vendors are going to collect sales tax. But it will mean that more remote vendors will collect sales tax than previous law. We have an estimate of \$21M on a full year basis for Wayfair, and the remainder of this fiscal year about \$10M.

**Delegate Miley:** Ok, thank you. In regard to the increase severance tax collections, for gas is that a function of increased production, increased price, or a combination of both?

**Mark Muchow:** Combination of both. Pricing has been much firmer this year than last year. I think the pipeline expansion has created some progress along that front. The differential between Dominion, which is sort of the benchmark locally and Henry Hub has narrowed a bit. During slow periods and priors, we have a differential of 70% or more. In recent months it's been averaging closer to 10%, 15%, sometimes 20%, so that's a little bit better pricing. November was a very cold month, and we had prices that were going above \$4. We're now down closer to \$2.50. So you've got a little bit of fluctuation with the winter pricing, but pricing this year is better than it was last year, no doubt about that. And on top of that productions likely up a bit as well.

**Delegate Miley:** I was going to ask you; do you know the percentage of increase in production?

**Mark Muchow:** The production increases have slowed down in the last couple years to like single digits as opposed to when the Marcellus Shale first started, we were getting regularly 30-40% increases. Now it's more towards the single digit type increases.

**Delegate Miley:** Thank you. Thank you Mr. President.

**President Carmichael:** Thank you. Further questions? Senator Blair.

**Senator Blair:** Thank you Mr. Chairman. Rainy Day Fund, Fund A \$269M, and Fund B is \$440M. But the earnings, we had a loss of \$1M on Fund A, but it was \$8M on Fund B. Am I to take it that the Fund B is more aggressively invested?

**Mark Muchow:** That is correct. Fund A is very conservatively invested and B is much more aggressively invested because their general feeling is that there is little chance that the state will tap into B anytime soon. So B during good times, which were a couple of quarters ago, B was earning a whole lot more rate of return than A was. And then the opposite happens when we have a stock market correction as we had last quarter.

**Senator Blair:** This struck me and I thought I knew the answer to it but I wanted to get a clarification on that.

**Mark Muchow:** And I think that's clarification. For comfort purposes it might be worthwhile to look at how B is performed over a period of a couple years at least, rather than a month or two. But I think the B performance compared to the A performance on the rate of return is a lot better, but A is more conservative because at any given time the state could tap

into A. B is more aggressively invested because the feeling was the state won't be tapping into it any time soon.

**Senator Blair:** Thank you. Thank you Mr. Chairman.

**President Carmichael:** I recognize Delegate Boggs.

**Delegate Boggs:** Thank you Mr. President. Mark, last month we talked about how the winter months, there would be a downturn with probably consumer sales tax and personal income tax. Because of the construction, the pipelines, things kind of tapering off for the winter months. Are we reflecting any of that in this, or will that come in the future? In the next quarter?

**Mark Muchow:** If it comes it will come in future months, next couple months. Because this has lagged the December collections reflect November activity and so forth. Also it depends upon the weather. If the weather is warmer than usual there might be more opportunity for outdoor construction activities, and vice versa if it's colder than normal.

**Delegate Boggs:** Since you've had, obviously this is I'm sure coming up on a regular basis in your discussions. But have you had any opportunity to put together a rough estimate of how this is going to affect the budget when these pipelines are finished, probably at the end of 19 if the weather holds up?

**Mark Muchow:** Well the end of calendar year 19 is the latest projection by industry. There's a possibility that something might stretch into calendar year 20. It's hard to predict that. But when it comes off it will be noticeable. The good news is for county governments and schools, there will be a pretty good enhancement on the property tax side, because those pipelines will produce significant amounts of property taxes. I've seen some estimates, Calhoun County for instance might go up 25%. Which is big for a small county like that. On the state side we've made an attempt to reflect that as best as possible on the five year plan the outlook when it comes off. The good news is even though that's coming off the highway construction is just starting, although it's smaller on an annualized basis. It should help maintain some stabilized construction employment, that type for some time next four or five years out, so that should help.

**Delegate Boggs:** Ok, thank you.

**President Carmichael:** Further questions? I recognize Delegate Shott.

**Delegate Shott:** Thank you Mr. President. My question deals with personal income tax and perhaps even CST tax as well. We were in session earlier today on natural gas development and they gave us some data which indicated that the construction related employment on these pipelines have grown from about 3,817 to 8,318. But we also learned that beginning around Christmas, that because of the court order that shut down one of these pipelines, around 1200-1300 of these people are unemployed now and the best case scenario won't be back to work around April or May. And I'm wondering in your



estimates whether, is that going to have any significant affect? Should we be concerned about, I mean that's just?

**Mark Muchow:** Certainly it has a negative impact and those are not predictable. When these estimates were formulated in November of last year a lot of this was unknown at that time. And we've had great success on the energy front, that has propped us up. It will show up a little in the sales tax and the income tax numbers during that period of layoff. So I am suggesting that the second half of the year is probably going to be a little slower growth than the first half of the year. But I think we're still in good shape for this fiscal year.

**Delegate Shott:** Would that affect the estimates that you've made, because we've seemed to be pretty far ahead of estimates so far? Would that level of employment have been assumed in your estimates or not?

**Mark Muchow:** It would mean that instead of running up huge huge surpluses, it might be smaller surpluses or an occasional slightly below estimate month. That's what it's going to mean. We try to take things into consideration based on knowledge now for next year 2020 and 2021 and beyond. But this year our estimates were largely formulated a year ago, and we're doing quite well compared to those estimates.

**Delegate Shott:** Thank you Mark.

**President Carmichael:** Further questions? Further questions of Mark? A couple things, one, how hard would it be to get the percentages put on here? As you refer to the percentage increases and decreases and so forth.

**Mark Muchow:** Not that hard. I think that state budget office, I don't know if you have the state budget office report or not, but the state budget office contains two sheets for general revenue and two pages for the state road fund. And they'll have percentages in there on those tables. But not hard to do that. I have my little handy dandy that I've always done which is a shortcut, I take four sheets and make it into one.

**President Carmichael:** I think it would be helpful. I'd like to see them on that report going forward if it's possible. And then secondly, I think Delegate Shott was going along these lines, you know we're approaching this legislative session. There's all these spending initiatives and or tax reductions. Those kind of things that people are advocating for and against. Is there any cautionary note here in terms of revenue projections or?

**Mark Muchow:** Certainly should be a lot of caution because the sources of tremendous growth revenue are volatile type industries. And good times are good but when good times aren't there it's not so good. And to give an example, the coal industry with the exports back about a decade ago we started this upward slope on exports. And around 2011-2012 we hit a mountaintop of around \$7.5B of coal exports. There were a few other exports in there, but mostly coal. And then we started this downhill slope that was a very aggressive slope. From the end of 2012, by October 2016, it was only \$1.1B of exports.

Now that's over \$6.5B of lost exports, that's 10% of our economy, you know rough terms. So that was a huge hit and certainly folks felt it here. And then since October of 16, two years later, we're now from \$1.1B we're now up to pretty close, not quite, but pretty close to \$4.5B. So a huge spike increase there. And the Energy Information Administration, which I look at their forecast last year in November they were predicting a decline in coal exports for 2018. We got an increase. So which is good for us. I haven't looked at any recent forecast yet, they're forecasting again a decline in coal exports in 2019. So one of these days it will turn out to be accurate. Predicting that the export size is a very difficult area to predict. West Virginia has made some good inroads into some countries that we weren't exporting so much to a decade ago, particularly India. India is a big destination source for coal right now from West Virginia.

**President Carmichael:** Well certainly it's a good report. But we just want to be cautious about our spending's.

**Mark Muchow:** Cautious is a good term because these numbers can turn very suddenly as they have turned up very suddenly. Last fiscal year the revenues underperformed the economy. The economy was growing faster than the revenues. This year revenues are growing... economies doing great, but revenues are growing faster than the economy. And over time that will level out at some point.

**President Carmichael:** Alright, other questions for Mark before I ask Tom Smith to come to the podium? If not, thank you very much Mark.

**Mark Muchow:** Thank you.

**President Carmichael:** Tom.

**Tom Smith:** Mr. President, Mr. Speaker, and other members of the committee. Thank you for the chance to make a few observations for you. I think they'll be observations that you find reassuring regarding our federal funding here in West Virginia. For part of this I'm going to ask our deputy secretary of transportation and business manager Carla Rotsch to come forward. I'd like her, as I make these observations, I'd like her to talk a little bit more about the Oasis conversion. This happened at the end of September, early October, and it created some challenges that are largely being overcome. So I want her to handle that part of it. But the other parts of it that I think you'll find reassuring, first a number of you know that I headed the federal highway office here in West Virginia for sixteen years and had retired after a career with USDOT of 37 years. So that was the office that brought the federal funds to West Virginia, and so I'm very acquainted with the flow of federal funds. The way that we understand the concern about the lagging of reimbursements, however the way that we look at this more, or the way I've always looked at it more was the way that we track on the going inside obligations, that the federal government provides every year \$425M-\$450M spending authority. West Virginia has never not obligated every bit of money that they get. So we've always obligated that. And then the bills from contractors that we go and get reimbursed for lag, and there's an ebb and flow, peaks and valleys to that, and that's part of the issue that we think occurred that

resulted in the lower reimbursements. The obligation rate has never been, other than getting 100% of the money obligated. If a state ends up obligating all of their money in August they are able to apply for extra spending authority, and last year we got the biggest, what's it called after August redistribution spending authority we've ever gotten, and we got the ability to spend \$75M more of federal funds. So all of that was obligated as well. So I think all of those things are very reassuring as far as the flow of federal funds. The one cautionary point that I'll make is a protracted federal government shutdown could have negative impacts. We're not concerned today, the longest federal shutdown has been twenty-one days, we're currently in the second longest one of those. So you know we'd like to see that resolve itself. If it resolves itself in the short term it won't be an issue, if it goes for a year it would be an issue. And we just hope that something like that doesn't happen. At this point we would end up having the cash to manage things, but there's a point where it would create cash flow. But you can always go back and recapture those federal obligations when in fact the federal government comes back and turns itself back on so to speak. One thing that I'll say about Garvee payments which I know is a concern as well, was that this is one of the most conservative investments that we make. We always promise to pay the Garvee payments as early in the fiscal year and in the past, and this happened this year. We've even been able to take care of them before the turn of the federal fiscal year, so in September we were able to take care of the 19 Garvee payments, so there's no issue with Garvee payments this year. So again I think that's all very reassuring about the flow of federal funds immediately and over the foreseeable future. Now I would like Carla to come forward and talk a little bit about the unusual series of events that happened at the end of September, early October that created a bigger valley than we would normally experience, if I could.

**President Carmichael:** Yep.

**Carla Rotsch:** Good afternoon. My name is Carla Rotsch, I am Deputy Secretary for DOT and Business Manager for the Division of Highways. We had been working very closely with our FHWA partners as we move through our Oasis conversion and in moving the Division of Highways further into utilizing that system more fully. And we planned our conversion from our existing REIMA system to coincide with the annual shutdown of the federal system. And that happens every year, it's not anything that we don't experience because there's usually always a blackout period for the first couple of weeks in October. So we did our conversion at the same time. And during the conversion, as well as the blackout period as you could well understand anytime you're changing systems there were little things that we encountered along the way that no amount of planning we could've anticipated. So as we went through that initial conversion process we worked very closely with the Oasis team, the Auditor's office, the Treasurer's office, and we think that we have gotten through those initial issues to the point now that we're at where we call the stabilization period where our bills are going through, we're routinely getting our reimbursements on a weekly basis as we have always done. And we are now looking at optimizing if you will going forward. So I don't know that there is any issues at this point that we're encountering beyond that initial conversion.

**President Carmichael:** Alright thank you Carla. Is there any questions? I recognize

Senator Plymale.

**Senator Plymale:** Yeah just to make sure in terms of when the Oasis system was switched over, you all I think had put up \$20M or something like this because you had to do a conversion for this for the federal government right?

**Carla Rotsch:** Yes.

**Senator Plymale:** Part of the reason we got into the Oasis, you had to do this, it was going to cost probably what four or five more times than that?

**Carla Rotsch:** Correct.

**Senator Plymale:** And the other question is since Mr. Smith is not up there, and this is a joke between him and I. You are having to answer all the questions related to federal highways because he doesn't want to?

**Tom Smith:** All the questions related to Oasis.

**Senator Plymale:** But so one of the reasons that is was, you had the conversion was to make it so that you fit into the federal government system a little bit better and could transfer the money easier. And that's what you're saying you're in the final stabilization of that?

**Carla Rotsch:** Yeah, you know when Oasis was implemented the Division of Highways did not fully convert if you will, just like some of the other state agencies did. And so because of the fact that we've had to make sure that our system that where we bill from, they certify that. So that took some time in order for us to get our system in line with the federal system. We worked very closely with them, I mean we have routine calls, as a matter of what we still have routine calls with them making sure that everything is aligning. And so yes to answer your question we, it basically was our billing system that we wanted to make certain everything was onboard.

**Senator Plymale:** Is it true that was going to cost four or five times what the state you know what you all actually invested in this if you would've had to do the system on your own?

**Carla Rotsch:** I personally don't know the answer to that question.

**Senator Plymale:** Ok. I mean that was told to us probably seven or eight years ago or something like that so. Ok thanks.

**Carla Rotsch:** Sorry.

**Tom Smith:** I might add on that, I never heard that statistic. I know that the federal government as a state moves to a new enterprise system has a lot of checks and

balances as you implement a new enterprise system the idea is to make sure it does all the things the federal government needs it to do in today's world. That has been some of the issues that really, it just is a debugging if you will to get it up and make sure it's all completely operational. I've just not heard the number about that cost number that you talked about.

**Senator Plymale:** Yeah. I have another question not related to this.

**President Carmichael:** Please proceed.

**Senator Plymale:** So Mr. Smith, we've known each other for a long time. I mean actually worked together a lot from when he was with federal highways. And one time he was up here and I called him Mr. Smith, and he said what happened to Tom? Let's go over one issue that I know is really going to be, we probably need to try to address in some way. Can you give us, or at least maybe come back and give us a status on personnel and some you know issues related to that, because I'm really concerned that you're not going to have the personnel that you need as we go into the next steps of construction.

**Tom Smith:** I think personnel issues are real challenges that we've been working closely with the Governor's office to try to look at what options are there. Yes, we are concerned as well, I'm not sure how much we want to get into it today. But besides to say that we are certainly concerned looking at options and closely coordinating with the Governor's office to try to see what we might do.

**Senator Plymale:** Well I'm concerned from the standpoint that we strangle you from the personnel division so much that you cannot pay people competitively with industry. And that to me we've got to give you some flexibility to be able to do that.

**Tom Smith:** We try to approach this knowing that we will never compete with private industry. The blessing of a large road program means that private industry tries to hire our people away. Our theory has been that at the point we can provide something to our folks, people like to work for highway department. It's an aspirational job where you're doing something good for our state. We think that people want to stay, and so we're hopeful looking at market analysts approach of what salaries are that there might be something we can do.

**Senator Plymale:** Well I'm not saying that you can compete with the private sector on some of those things, but you do have to be competitive to an extent to be able to, and also the fact trying to hire somebody out of college directly in, it's not as easy for you to do that.

**Tom Smith:** Yeah one of the early steps we've taken is we've boosted that entry level and that as a result have had a number of younger folks sign on with us. And again that's planning for the future. We need them, but we also need to keep and retain our mid managers too.

**Senator Plymale:** Mr. President and Mr. Speaker I really do believe that this is something that we need to look at from a legislative perspective to try to help and assist.

**President Carmichael:** I agree with you. In fact this subject was burst during the post audit committee today to so yeah. Good comments. Other questions for Mr. Smith? I recognize Senator Trump.

**Senator Trump:** Thank you Mr. President. Mr. Secretary is there still plan to have another issuance of bonds under the Roads to Prosperity Program in 2019?

**Tom Smith:** We haven't completely nailed down what the series of tranches are that as you know there could be as many as four tranches. 800, 400, 200, 200. We're looking at ways to try to make that do all it can for us. So for example, if you slowed down the issuance of general obligation too a bit, it gives you more pay as you go dollars you can apply to smaller roads. And we know that there's quite an interest in trying to have more of an investment in our secondary systems. Our goal is not to lose any bond ability not to have any issue with the total \$1.6B to do that in a smart way over a course of the four years that we have. To maximize doing all that we can with the projects that we have with the general obligation bonds, but also to maximize what we can do with pay as you go dollars. Have those available to do as much on the secondary system as we can as well. Haven't firmly decided when and if they'll be the second general obligation bond sale if it would be in 19 or not. But the idea would be to make sure that you all provided us the ability to roll all of this over and certainly not

**Senator Trump:** Anything you don't issue can get pushed forward into a subsequent year right?

**Tom Smith:** Exactly. And that's the plan. The good thing about slowing down that second sale is that it does allow us to invest more in our secondary system, which is one of the harder parts to fund.

**Senator Trump:** Thank you.

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

**Tom Smith:** Thank you.

**President Carmichael:** Alright. Our next item on the agenda is West Virginia WorkForce Unemployment Compensation Trust Fund. Connie Kirk.

**Connie Kirk:** Good afternoon Mr. President, Mr. Speaker, and members of the committee. I'm Connie Kirk with WorkForce West Virginia, I'm the UI Director for the agency. I'd like to apologize for having to send you an old report during this meeting here. I do have some new numbers for you. We were able to derive those yesterday. So hopefully this will help you out to see exactly where the Trust Fund is as of today. The actual ending balance, not a projection for the Trust Fund in December which ended 2018

was \$169,778,480M. We project that we will end January with a balance of \$172,021,619M. That being said we haven't ended the Trust Fund balance with \$169M since 2008. So we really improved, it's coming up and it's doing exactly what it's supposed to do. The Trust Fund balance which I checked for today is \$165,416,338M. And the overall average for 2018 in the unemployment rate was \$5.3M which is good as well. So as long as we can keep the revenues up, because this is a combination of more revenue and less payments of benefits. So as long as we can keep this trend going we should be able to improve this balance tremendously next year. So, anybody have any questions?

**President Carmichael:** Any questions? One question is there, and I should know this, is there some provision in code at some point that this fund reaches a certain level? Could you explain?

**Connie Kirk:** There is there is. And I don't have the code in front of me but I'm thinking it's somewhere around \$200M. That is goes back from 12,000 that they pay on the employers back down to 8. One thing I would caution and one thing you might want to think about, most federal economist are predicting another recession either toward the end of 19 or the beginning of 2020 the election year. So you might want to consider depending on what this year looks like, making that number a little bit higher. Because when we actually started in 2008 with the recession, which it actually hit West Virginia really hard about 2009, at the end of 2008 we had \$231M in the Trust Fund. And if it hadn't have been for your all's assistance and using the Rainy Day Fund, we would have had to borrow money and pay the interest and everything. So you might want to consider being really cautious on that end of it.

**President Carmichael:** Maybe the next report you could, or we would get some clarification around that provision that's in statute. I don't know if it's a trigger that automatically takes it to 8,000.

**Connie Kirk:** I think it is, I think it does. I think it has a set number in the code. I can look the code up and send it to you, send you a message, email or whatever and let you know exactly what that number is and where it is in code.

**President Carmichael:** Ok.

**Connie Kirk:** But it's something we might want to look at.

**President Carmichael:** Sure. Thank you. Other questions? So we'll anticipate having that before the next meeting. We'll get that to each individual member on the committee. I'll distribute that, Aaron could we look that up and get that to each member tomorrow? Yeah. Ok, thank you. Any other questions? If not, thank you very much.

**Connie Kirk:** Thank you all.

**President Carmichael:** Next item on the agenda is the PEIA, BRIM, and Real Estate Report. Mary Jane Pickens.

**Mary Jane Pickens:** Good afternoon Mr. President, Mr. Speaker. I'm Mary Jane Pickens Deputy Secretary of the Department. We have presented our usual reports for BRIM, PEIA, and the Real Estate division. I've got folks from those departments, or agencies rather here and we're prepared to answer any questions the committee may have.

**President Carmichael:** Are there questions of committee members? Going once. Alright, thank you very much Mary Jane.

**Mary Jane Pickens:** Thank you.

**President Carmichael:** Next is Department of Health and Human Resources. Cynthia Beane. Nope Cynthia is not here. Excuse me Jeremiah. This is Delegate Boggs presentation.

**Jeremiah Samples:** Mr. President, Mr. Speaker, I'm Jeramiah Samples, West Virginia Department of Health and Human Resources. You have our waiver reports in your packet and our financial reports as well from Medicaid. I'd be happy to address any questions. I will point out we reported recently that we increased rates for certain waiver services. Homemaker services increased from \$15 to \$17 an hour. We increased case management services from \$71 to \$80. And we have increase our IDD direct care rates 5%. And that's all within the budget that we've been allocated by the legislature.

**President Carmichael:** Very good. Questions? Delegate Boggs.

**Delegate Boggs:** Thank you Mr. President. Jeremiah very good to see you. Happy New Year. I'm really pleased to see, now does this take care of all of the, are there any other programs that are under review that haven't had increases for a while or is that pretty much take care of everything regarding the waiver programs?

**Jeremiah Samples:** In addition to the waiver programs we have recently increased rates for EMS, both ground and air transport. We selected areas that had unique needs, that had unique stresses and that had gone sometime without rate increases. And so our rationale behind the EMS increases, they hadn't seen increases I think for about 15 years. And it was beginning to destabilize the EMS structure across the state. The same could be said for those waiver rates that were referenced. We have a multitude of providers that do come to us requesting great increases. We try to be very diligent in our management of those request. Even though we have relatively a positive budget, numbers at this point in time, to structurally change the budget could only create problems in the future, so we try to be very careful about that.

**Delegate Boggs:** Now these increases that you just mentioned, that will be based on the same monies that were available last fiscal year for going forward. You don't anticipate any additional monies going into the program is that correct?

**Jeremiah Samples:** We are not requesting additional funding. We are exploring



possibilities of increasing the number of slots available in both IDD and the AD waiver. We have recently increased the number of slots in the IDD waiver by approximately 100 waiver slots, and also for the Age and Disabled waiver we increased that approximately 680 slots in the past couple of months.

**Delegate Boggs:** Well I know the waitlist is down from what it used to be historically. But a lot of people depend on these programs, it keeps people in their homes. And I appreciate everything that is being done to make this program I think more attractive and more viable, and save the state money. Thank you Mr. President.

**President Carmichael:** Thank you. Further questions? If not, thank you very much Jeremiah.

**Jeremiah Samples:** Thank you Mr. President.

**President Carmichael:** Alright. Next item on the agenda is CHIP Program Stacey Shamblin. Stacey.

**Stacey Shamblin:** Good afternoon Mr. Speaker, Mr. President, members of the committee. I'm Stacey Shamblin, I'm Acting Director for West Virginia CHIP. You have your reports; I can answer any question.

**President Carmichael:** Are there questions of Stacey? If not thank you very much. Next item on the agenda is Investment Management Board. I don't see Craig Slaughter, yeah there he is. Craig, face the music.

**Craig Slaughter:** Yeah, something like that. Craig Slaughter, Executive Director of the West Virginia Investment Management Board. Members of the committee, you have the November 30<sup>th</sup>, 2018 numbers in front of you. As you can see they're up 1.2% retirement plans. That's off of a bad, last time you heard me talk about October which was a bad month, but we got some of that back. But we're still for the fiscal year we're down. Down 1.3% through November. And December wasn't very good either. We probably lost a few more percentage points. So six months into the year we're in probably negative territory. We're well off our target rate of returns 7.5%. I think it's unlikely we will reach that. Yeah we had two great years prior to this, and when you have two good years you can almost buy, it's reasonable to expect not to have a good year near terms. Reversion to the mean is a powerful thing, it goes both ways. I think it's a word of caution I guess to plan for us not to meet the 7.5% rate of return this year. Now over ten years we're up 10.9%, so that looks good. And I guess that's most of what I have to say. I'd be happy to answer questions.

**President Carmichael:** Are there questions of the committee members? Alright, thank you very much Craig. Next item on the agenda is Workers Comp., Allan McVey, there he is.

**Allan McVey:** Thank you Mr. President, Mr. Speaker, members of the committee. You

have our monthly reports on the Workers Compensation Funds that we administer. And I'm here to answer any questions you may have.

**President Carmichael:** Thank you Allan, are there questions? If not, thank you very much.

**Allan McVey:** Thank you sir.

**President Carmichael:** Alright. Are there other, yes. Other business, Board of Treasury Report, West Virginia University's. I thought you were coming forward to the podium. Alright, yeah so, are there further reports? If not, I announce under other business West Virginia University's intent to award. Members of the committee will also take note of a copy of a proposal for West Virginia University to award an energy savings contract to Siemens Industries. This was provided by West Virginia University under provisions of W. Va. Code 5A-3B-2. And there is no action that this committee need take at this time. It's merely informational. Also I'd like to inform the committee that tomorrow morning Dr. John Deskins, Director of WVU Business and Economic Research and Hoviar Rays the Dean of the WVU College of Business and Economics will present their annual economic outlook to members of the Legislature at 9a.m. in the House Chamber. And all members are invited. So is there further business to come before the committee? If not, I recognize Delegate Cowles for a motion.

**Delegate Cowles:** I move the committee adjourned.

**President Carmichael:** Per the motion all those in favor will say aye, those opposed no. I declare the meeting adjourned.

# WEST VIRGINIA LEGISLATURE

*Office of the Legislative Auditor*



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

*304-347-4870*

April 9, 2019

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

- West Virginia Lottery as of February 28, 2019:  
Gross profit year to date was \$337.7 million. Gross profit for fiscal year 2018 was \$322 million.
- West Virginia Unemployment Compensation Fund as of February 28, 2019:  
Total disbursements were \$1 million lower than in fiscal year 2018. Overall ending trust fund balance was \$86.3 million higher on February 28, 2019 than on February 28, 2018.
- General Revenue Fund as of March 31, 2019:  
The general revenue collections ended the ninth month of fiscal year 2019 at 101% of the estimate for the year.
- State Road Fund as of March 31, 2019:  
The state road fund collections ended the ninth month of fiscal year 2019 at 105% of the estimate for the year.



WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



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

MEMORANDUM

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

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

Date: April 09, 2019

Re: Review of West Virginia Lottery Financial Information  
As of February 28, 2019

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for February 28, 2019, 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, video lottery, table games, video lottery, historic resort, and sports wagering. These gross receipts totaled \$743.1 million for July - February 2019. Table games accounted for \$23.4 million of this total. Historic Resort Hotel video lottery and table games accounted for \$5 million of total gross receipts. Gross lottery revenue has increased by 5.2% when compared with July - February of fiscal year 2017-2018. This number does not include commission and prize deductions. Gross profit (gross revenues minus commissions and prize costs) for July - February 2019 was \$337.7 million; for July - February of last fiscal year it was \$322 million. Expressed as a percentage, gross profit is 4.9% higher for fiscal year 2019 than for fiscal year 2018.

Lottery continued

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

A total of \$318,108,000.00 has been accrued to the state of West Virginia for fiscal year 2018-2019. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. Amount owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the lottery.

A schedule of cash transfers follows:

**State Lottery Fund:**

Community and Technical College	\$3,998,000.00
Bureau of Senior Services	\$45,169,000.00
Department of Education	\$18,527,000.00
Library Commission	\$11,454,000.00
Higher Education-Policy Commission	\$7,084,000.00
Tourism	\$6,550,000.00
Department of Natural Resources	\$3,196,000.00
Division of Culture and History	\$4,078,000.00
Department of Education and Arts	\$250,000.00
General Revenue Fund	\$0.00
Economic Development Authority	\$7,995,000.00
School Building Authority	\$14,400,000.00
<b><u>SUBTOTAL BUDGETARY TRANSFERS</u></b>	<b>\$122,701,000.00</b>

Lottery continued

**Excess Lottery Fund**

Economic Development Fund	\$16,816,000.00
Higher Education Improvement Fund	\$12,000,000.00
General Purpose Fund	\$39,632,000.00
Higher Education Improvement Fund	\$17,682,000.00
State Park Improvement Fund	\$3,048,000.00
School Building Authority	\$15,191,000.00
Refundable Credit	\$1,715,000.00
WV Racing Commission	\$1,219,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$8,000,000.00
WV Lottery Statutory Transfers	\$30,499,000.00
General Revenue	\$0.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$29,189,000.00
<b>Total State Excess Lottery Revenue Fund</b>	<b>\$174,991,000.00</b>

Total Budgetary Distributions:	\$297,692,000.00
Veterans Instant Ticket Fund	\$323,000.00
<b>TOTAL TRANSFERS</b>	<b>*\$298,015,000.00</b>

\* CASH BASIS

Total Accrued last FY 2018:	\$120,860,000.00
Total Cash Distributions FY 2019:	\$298,015,000.00
Applied to FY 2018:	\$120,860,000.00
Applied to FY 2019:	\$177,155,000.00
Accrued for FY 2019 as of February 28:	\$140,953,000.00







P.O. BOX 2067  
CHARLESTON, WV 25327

JOHN A. MYERS  
DIRECTOR

PHONE: 304.558.0500  
wvlottery.com

# **MEMORANDUM**

TO: Joint Committee on Government and Finance  
FROM: John A. Myers, Director

A handwritten signature in blue ink that reads "John A. Myers".

RE: Monthly Report on Lottery Operations  
Month Ending February 28, 2019

DATE: March 15, 2019

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

Financial statements of the Lottery for the month ending February 28, 2019 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$90,380,896 for the month of February.

Transfers of lottery revenue totaling \$30,904,743 made for the month of February to the designated state agencies per Senate Bill 160, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 11 on pages 19 and 20 of the attached financial statements.

The number of traditional and limited retailers active as of February 28, 2019 was 1,484 and 1,253 respectively.

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

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

JAM  
Attachment

pc: Honorable Jim Justice, Governor  
Dave Hardy, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
J. B. McCuskey, Auditor  
Members of the West Virginia Lottery Commission

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Members of the West Virginia Lottery Commission

**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**February 28, 2019**

**WEST VIRGINIA LOTTERY**

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

ASSETS	February 28, 2019	June 30, 2018
Current Assets:		
Cash and cash equivalents	\$ 168,450	\$ 146,661
Accounts receivable	27,633	32,136
Inventory	757	529
Other assets	1,342	1,175
Total Current Assets	<u>198,182</u>	<u>180,501</u>
Capital assets	61,552	61,552
Less accumulated depreciation and amortization	<u>(14,621)</u>	<u>(13,505)</u>
Net Capital Assets	<u>46,931</u>	<u>48,047</u>
Total Noncurrent Assets	<u>46,931</u>	<u>48,047</u>
Total Assets	<u>\$ 245,113</u>	<u>\$ 228,548</u>
Deferred outflows of resources	<u>\$ 1,339</u>	<u>\$ 1,339</u>
Total assets and deferred outflows	<u>\$ 246,452</u>	<u>\$ 229,887</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 140,953	\$ 120,860
Estimated prize claims	14,934	15,783
Accounts payable	1,445	1,581
Other accrued liabilities	32,547	35,090
Total Current Liabilities	<u>189,879</u>	<u>173,314</u>
Deferred inflows	<u>\$ 1,374</u>	<u>1,374</u>
Net Position:		
Net Investment in capital assets	46,931	48,047
Unrestricted	8,268	7,152
Total Net Position	<u>55,199</u>	<u>55,199</u>
Total net position, liabilities, and deferred inflows	<u>\$ 246,452</u>	<u>\$ 229,887</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE FIVE MONTH PERIOD ENDED FEBRUARY 28, 2019**

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2019	FY 2018	FY 2019	FY 2018
Lottery revenues				
On-line games	\$ 5,481	\$ 5,480	\$ 57,339	\$ 53,739
Instant games	9,241	8,182	73,746	62,451
Racetrack video lottery	40,119	38,221	328,911	327,033
Limited video lottery	32,312	31,531	253,898	235,569
Table games	2,620	3,006	23,366	23,346
Historic resort	538	430	5,012	4,320
Sports wagering	70	-	808	-
	<u>90,381</u>	<u>86,850</u>	<u>743,080</u>	<u>706,458</u>
Less commissions				
On-line games	387	384	4,018	3,755
Instant games	645	573	5,151	4,372
Racetrack video lottery	19,506	18,444	175,913	174,577
Limited video lottery	15,833	15,450	124,410	115,429
Table games	1,111	1,275	9,911	9,898
Historic resort	251	203	2,576	2,304
	<u>37,733</u>	<u>36,329</u>	<u>321,979</u>	<u>310,335</u>
Less on-line prizes	2,812	2,734	28,523	27,217
Less instant prizes	6,175	5,408	49,397	41,119
Less ticket costs	86	95	773	807
Less vendor fees and costs	152	401	4,672	4,987
	<u>9,225</u>	<u>8,638</u>	<u>83,365</u>	<u>74,130</u>
Gross profit	<u>43,423</u>	<u>41,883</u>	<u>337,736</u>	<u>321,993</u>
Administrative expenses				
Advertising and promotions	480	64	3,638	3,452
Wages and related benefits	825	792	6,866	6,441
Telecommunications	85	56	547	534
Contractual and professional	1,284	503	4,772	3,086
Rental	13	16	138	105
Depreciation and amortization	140	104	1,116	818
Other administrative expenses	102	90	985	955
	<u>2,929</u>	<u>1,625</u>	<u>18,062</u>	<u>15,391</u>
Other Operating Income	<u>129</u>	<u>130</u>	<u>2,743</u>	<u>3,834</u>
Operating Income	<u>40,623</u>	<u>40,388</u>	<u>322,417</u>	<u>310,436</u>
Nonoperating income (expense)				
Investment income	326	71	2,186	805
Distributions to municipalities and counties	(633)	(618)	(4,976)	(4,617)
Distributions -capital reinvestment	(763)	(766)	(1,519)	(1,599)
Distributions to the State of West Virginia	(39,553)	(39,075)	(318,108)	(305,025)
	<u>(40,623)</u>	<u>(40,388)</u>	<u>(322,417)</u>	<u>(310,436)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>55,199</u>	<u>53,019</u>	<u>55,199</u>	<u>53,019</u>
Net position, end of period	<u>\$ 55,199</u>	<u>\$ 53,019</u>	<u>\$ 55,199</u>	<u>\$ 53,019</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE EIGHT MONTH PERIOD ENDED FEBRUARY 28, 2019**

(In Thousands)

-Unaudited-

	2019	2018
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 750,326	\$ 708,038
Cash payments for:		
Personnel costs	(6,866)	(6,441)
Suppliers	(9,611)	(8,103)
Other operating costs	(403,985)	(379,920)
Cash provided by operating activities	<u>329,864</u>	<u>313,574</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(298,015)	(327,276)
Distributions to municipalities and counties	(4,955)	(4,546)
Distributions from racetrack cap. reinv. fund	(7,092)	(6,488)
Cash used in noncapital financing activities	<u>(310,062)</u>	<u>(338,310)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>-</u>	<u>(1,562)</u>
Cash flows from investing activities:		
Investment earnings received	<u>1,987</u>	<u>989</u>
Increase (decrease) in cash and cash equivalents	21,789	(25,309)
Cash and cash equivalents - beginning of period	146,661	156,550
Cash and cash equivalents - end of period	<u>\$ 168,450</u>	<u>\$ 131,241</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 322,417	\$ 310,436
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	1,116	818
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	4,503	(2,254)
(Increase) decrease in inventory	(228)	-
(Increase) decrease in other assets	32	6
Increase (decrease) in estimated prize claims	(849)	853
Increase (decrease) in accounts payable	(136)	(21)
Increase (decrease) in other accrued liabilities	3,009	3,736
Cash provided by operating activities	<u>\$ 329,864</u>	<u>\$ 313,574</u>

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

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

**NOTE 1 - LEGISLATIVE ENACTMENT**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies of the Lottery is presented below.

**BASIS OF PRESENTATION** – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*," the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

The Lottery is included in the State's basic financial statements as a proprietary fund and business type activity using the accrual basis of accounting. Because of the Lottery's presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

**USE OF ESTIMATES** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from management's estimates.



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

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

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

Video lottery is a self-activated video version of lottery games which is operated by an authorized licensee. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins, currency, or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games’ prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue “gross terminal income” equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions. WV Lottery statutes have established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), limited licensed retailer areas restricted for adult amusement, and licensed historic resort hotels as defined by WV Code.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The legislation further stipulates the distribution of revenues from video lottery games, and requires any video lottery licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Table games are lotteries as each game involves consideration, the possibility of a prize, and their outcome is determined predominantly by chance, which the common law of West Virginia has long held are the three essential elements of a lottery. Table games are the exclusive intangible intellectual property of the state of West Virginia. Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), and licensed historic resort hotels as defined by WV Code. Each licensee as an agent of the Lottery Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax of thirty-five percent of each licensee's adjusted gross receipts for the operation of West Virginia Lottery table games. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table games, and requires any licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

**CASH AND CASH EQUIVALENTS** – Cash and cash equivalents primarily consist of interest-earning deposits in an external investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The BTI pool is a 2a-7 like pool carried at amortized cost which approximates fair value of the underlying securities.

**INVENTORY** – Inventory consists of instant game tickets available for sale to approved Lottery retailers and is carried at cost as determined by the specific identification method.

**OTHER ASSETS** – Other assets consist of deposits restricted for payment of certain Multi-State Lottery Association activities and prepaid expenses.

**CAPITAL ASSETS** – The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements and purchased equipment, comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

**ADVERTISING AND PROMOTIONS** – The Lottery expenses the costs of advertising and promotions as they are incurred.

**COMPENSATED ABSENCES** – The Lottery has accrued \$631,080 and \$573,725 at June 30, 2018 and 2017, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan (see Note 16).

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**NET POSITION** – Net position is presented as restricted, unrestricted and net investment in capital assets which represent the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

**OPERATING REVENUES AND EXPENSES** – Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At February 28, 2019 the carrying amounts of deposits (overdraft) with financial institutions were \$470 thousand with a bank balance (overdraft) of \$570 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia's agent in the State's name.

A summary of the amount on deposit with the West Virginia Board of Treasury Investments (BTI) is as follows (in thousands):

	February 28, 2019	June 30, 2018
Deposits with financial institutions	\$ 470	\$ 489
Cash on hand at the Treasurer's Office	17,768	5,022
Investments with BTI reported as cash equivalents	150,212	141,150
	<u>\$ 168,450</u>	<u>\$ 146,661</u>

The deposits with the BTI are part of the State of West Virginia's consolidated investment cash liquidity pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

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

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the month ended February 28, 2019 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2018	Additions	Deletions	Historical Cost At February 28, 2019
Construction in Progress	\$ 629	\$ -	\$ -	\$ 629
Buildings	48,243	-	-	48,243
Land	1,681	-	-	1,681
Equipment	10,999	-	-	10,999
	<u>\$ 61,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,552</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2018	Additions	Deletions	Historical Cost At February 28, 2019
Buildings	\$ 6,466	\$ 822	\$ -	\$ 7,288
Equipment	7,039	294	-	7,333
	<u>\$ 13,505</u>	<u>\$ 1,116</u>	<u>\$ -</u>	<u>\$ 14,621</u>

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY**

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game, the LOTTO AMERICA® game, and the MEGA MILLIONS® jackpot game on behalf of participating state lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Lotto America, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit. A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, LOTTO AMERICA®, and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended February 28, 2019 and fiscal year-to-date is as follows:

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

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)**

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 2,243,839	\$ 20,865,960
Lotta America	425,409	3,364,244
Mega Millions	1,122,343	18,897,723
Total	\$ 3,791,591	\$ 43,127,927

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,126,474	\$ 10,444,242
Lotta America	212,707	1,682,403
Mega Millions	572,426	9,778,753
Total	\$ 1,911,607	\$ 21,905,398

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. The applicable sales percentage contribution as well as the reserve fund limit for the MUSL games is as follows:

	<u>PowerBall</u>	<u>Lotto America</u>	<u>Mega Millions</u>
Required Contribution (% of sales)	2%	3%	1%
Reserve Fund Cap	\$125,000,000	\$9,000,000	\$45,000,000

At February 28, 2019, the Lotteries share of the prize reserve fund balances were as follows:

<u>Game</u>	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 120,894,552	\$ 1,553,687
Lotto America	2,433,440	177,514
Mega Millions	89,227,812	1,023,108
Total	<u>\$ 212,555,804</u>	<u>\$ 2,754,309</u>

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of

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

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)**

principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$14,462,489 at February 28, 2019, of which the Lottery's share was \$1,317,752.

**NOTE 6 - RACETRACK VIDEO LOTTERY**

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (57%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 11 titled "Nonoperating Distributions to the State of West Virginia."

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack.

After deduction of the surcharge, 49% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (5%); and the local county and incorporated municipality governments (2%).

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

**NOTE 6 - RACETRACK VIDEO LOTTERY (continued)**

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 11.

Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the Ohio, Rhode Island, Maryland, and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of .74% of the amount wagered. A summary of racetrack video lottery revenues for the month ended February 28, 2019 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 427,693	\$ 414,833	\$ 3,619,970	\$ 3,664,463
Credits (prizes) won	(381,821)	(371,488)	(3,243,068)	(3,287,133)
Promotional credits played	(5,753)	(5,121)	(47,991)	(50,275)
MWAP Contributions	-	(3)	-	(22)
Gross terminal income	40,119	38,221	328,911	327,033
Administrative costs	(780)	(697)	(11,493)	(11,317)
Net Terminal Income	39,339	37,524	317,418	315,716
Less distribution to agents	(19,506)	(18,444)	(175,913)	(174,577)
Racetrack video lottery revenues	\$ 19,833	\$ 19,080	\$ 141,505	\$ 141,139

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

	February 28, 2019	Year-to-Date
State Lottery Fund	\$ 5,613	\$ 83,953
State Excess Lottery Revenue Fund	13,471	56,195
Capital Reinvestment Fund	749	1,357
Total nonoperating distributions	\$ 19,833	\$ 141,505

**NOTE 7 - LIMITED VIDEO LOTTERY**

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation

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

**NOTE 7 - LIMITED VIDEO LOTTERY (continued)**

stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses.

A summary of limited video lottery revenues for the month ended February 28, 2019 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 410,297	\$ 389,303	\$ 3,215,296	\$ 2,916,330
Credits (prizes) won	(377,985)	(357,772)	(2,961,398)	(2,680,761)
Gross terminal income	\$ 32,312	\$ 31,531	\$ 253,898	\$ 235,569
Administrative costs	(646)	(631)	(5,078)	(4,711)
Gross Profit	31,666	30,900	248,820	230,858
Commissions	(15,833)	(15,450)	(124,410)	(115,429)
Municipalities and Counties	(633)	(618)	(4,976)	(4,617)
Limited video lottery revenues	\$ 15,200	\$ 14,832	\$ 119,434	\$ 110,812

**NOTE 8 – TABLE GAMES**

Table Games legislation passed in 2007 per House Bill 2718. Table games include blackjack, roulette, craps, and various types of poker. Each racetrack licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts which will be deposited weekly into the Racetrack Table Games Fund.

From the gross amounts deposited into the Racetrack Table Games Fund, the Commission, on a monthly basis shall:

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located. Transfer three percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities. The commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:



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

**NOTE 8 – TABLE GAMES (continued)**

- 1) Transfer four percent into a special fund to be established by the Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association;
- 2) Transfer ten percent, to be divided and paid in equal shares, to each county commission in the state where table games are not located;
- 3) Transfer ten percent, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located; and
- 4) Transfer seventy-six percent to the State Excess Lottery Revenue Fund.

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 11- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended February 28, 2019 were \$7,486,055 and \$66,759,409, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Table Games Privilege Tax	\$ 2,620	\$ 3,006	\$ 23,366	\$ 23,346
Interest on Table Games Fund	6	4	44	25
Administrative costs	(225)	(258)	(2,003)	(2,001)
Total Available for Distribution	2,401	2,752	21,407	21,370
<u>Less Distributions:</u>				
Racetrack Purse Funds	168	193	1,502	1,501
Thoroughbred & Greyhound Development Funds	135	155	1,202	1,201
Racing Association Pension Plan	66	76	589	588
Municipalities/ Counties	742	851	6,618	6,608
Total Distributions	1,111	1,275	9,911	9,898
Excess Lottery Fund	\$ 1,290	\$ 1,477	\$ 11,496	\$ 11,472

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

**NOTE 9 – HISTORIC RESORT HOTEL**

In 2009, the Legislature passed Senate Bill 575 which permits video lottery and table games at a licensed historic resort hotel which is defined as “a resort hotel registered with the United States Department of the Interior as a national historic landmark in its National Registry of Historic Places having not fewer than five hundred guest rooms under common ownership and having substantial recreational guest amenities in addition to the gaming facility.”

Historic Resort Video Lottery

According to Senate Bill 575, thirty six percent (36%) of gross terminal income is allocated to Historic Resort Hotel Fund and seventeen percent (17%) of gross terminal income is allocated to the Human Resource Benefit Fund. The remaining forty-seven percent (47%) of gross terminal income is then subject to a ten percent (10%) surcharge which is allocated to separate capital reinvestment funds for each licensed historic resort hotel. The remaining forty-two and three-tenths percent (42.3%) of gross terminal income is retained by the historic resort hotel.

A summary of historic resort hotel video lottery revenues for the month ended February 28, 2019 and fiscal year-to-date follows (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Total credits played	\$ 6,383	\$ 4,868	\$ 58,727	\$ 52,410
Credits (prizes) won	(5,972)	(4,575)	(54,611)	(48,740)
Promotional credits played	(109)	(43)	(658)	(473)
Gross terminal income	<u>302</u>	<u>250</u>	<u>3,458</u>	<u>3,197</u>
Capital reinvestment	(14)	(11)	(162)	(150)
Excess Lottery Fund	(3)	(2)	(31)	(29)
Administrative costs	(16)	(14)	(187)	(173)
Hotel commissions	<u>(128)</u>	<u>(105)</u>	<u>(1,463)</u>	<u>(1,352)</u>
Net terminal income	141	118	1,615	1,493
Historic Resort Hotel Fund	90	75	1,027	950
Human Resource Benefit Fund	51	43	588	543

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

**NOTE 9 – HISTORIC RESORT HOTEL (continued)**

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended February 28, 2019 were \$673,038 and \$4,440,359, respectively.

The following table shows the month and fiscal year -to- date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Table games privilege tax	\$ 236	\$ 180	\$ 1,554	\$ 1,123
Administrative Costs	(30)	(23)	(200)	(144)
Total Available for Distribution	206	157	1,354	979
Historic Resort Hotel Fund	172	131	1,132	819
Human Resource Benefit Fund	34	26	222	160

Historic Resort Hotel Fund

Of the monies deposited into the Historic Resort Hotel Fund, fifteen percent (15%) is allocated for lottery administrative costs. The remaining Historic Resort Hotel Fund net income (gross deposits less 15%) is distributed as follows:

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

A summary of Historic Resort Hotel Fund revenues and related distributions is as follows (in thousands):

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 90	\$ 1,027
Historic Resort Table Games	172	1,132
Interest on Historic Resort Hotel Fund	1	7
Historic Resort Hotel Fund Net Income	263	2,166
Municipalities/ Counties	38	303
Excess Lottery Fund	225	1,863
Total Distributions	<u>\$ 263</u>	<u>\$ 2,166</u>

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

**NOTE 10– SPORTS WAGERING**

Sports Wagering legislation passed in 2018 per Senate Bill 415. Each racetrack and historic resort hotel licensee is subject to a privilege tax of ten percent (10%) of adjusted gross wagering receipts which will be deposited weekly into the Sports Wagering Fund.

From the privilege tax deposited into the Sports Wagering Fund, the Commission, on a monthly basis shall:

Retain 15% for administrative expenses of which any surplus in excess of \$250,000 shall be reported to the Joint Committee on Government and Finance and remitted to the State Treasurer.

After the reduction for administrative expenses, the net profit shall be deposited into the State Lottery Fund until a total of \$15 million is deposited. The remainder of net profit shall be deposited into the Public Employees Insurance Agency Financial Stability Fund.

The Sports Wagering adjusted gross wagering receipts for the month and year-to-date periods ended February 28, 2019 were \$699,074 and \$8,082,020, respectively. The following table shows the month and year-to-date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Sports Wagering Privilege Tax	\$ 70	\$ -	\$ 808	\$ -
Interest on Sports Waging Fund	-	-	-	-
Administrative Costs	(10)	-	(121)	-
Total Available for Distribution	<u>60</u>	<u>-</u>	<u>687</u>	<u>-</u>

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

**NOTE 11- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2019 the State Legislature budgeted \$129,298,650 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$5,300,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the month ended February 28, 2019 the Lottery has accrued additional distributions of \$140,952,912. The Lottery is a non-appropriated state agency and therefore does not have a legally adopted annual budget.

A summary of the cash distributions made to certain state agencies to conform to the legislation follows (in thousands):

<u>BUDGETARY DISTRIBUTIONS</u>	<u>February 28, 2019</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 3,998
Bureau of Senior Services		45,169
Department of Education		18,527
Library Commission		11,454
Higher Education-Policy Commission		7,084
Tourism		6,550
Natural Resources		3,196
Division of Culture & History		4,078
Department of Education & Arts		250
Economic Development Authority	999	7,995
School Building Authority	1,800	14,400
Total State Lottery Fund	\$ 3,299	\$ 122,701

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

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 2,102	\$ 16,816
Higher Education Improvement Fund	1,500	12,000
General Purpose Account	6,995	39,632
Higher Education Improvement Fund	3,121	17,682
State Park Improvement Fund	538	3,048
School Building Authority	1,899	15,191
Refundable Credit	906	1,715
WV Racing Commission	215	1,219
WV Department of Health and Human Resources		
Teacher's Retirement Savings		
Division of Human Services		8,000
WV Lottery Statutory Transfers	5,383	30,499
General Revenue		-
Excess Lottery Surplus		-
West Va. Infrastructure Council	4,904	29,189
Total State Excess Lottery Revenue Fund	<u>\$ 27,563</u>	<u>\$ 174,991</u>
Total Budgetary distributions:	<u>\$ 30,862</u>	<u>\$ 297,692</u>
Veterans Instant Ticket Fund	\$ 42	\$ 323
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 30,904	\$ 298,015
Accrued nonoperating distributions, beginning	(132,304)	(120,860)
Accrued nonoperating distributions, end	<u>140,953</u>	<u>140,953</u>
	<u>\$ 39,553</u>	<u>\$ 318,108</u>

**NOTE 12 – LEASES**

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal year-to-date ended February 28, 2019 and February 28, 2018 approximated \$138,318 and \$105,433 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended February 28, 2019 and February 28, 2018 approximated \$721,540 and \$684,990 respectively.

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

**NOTE 13 – COMMITMENTS**

For the years ended June 30, 2018 and 2017 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2018 and 2017, \$9,414,970 and \$9,460,433, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

**NOTE 14 - RETIREMENT BENEFITS**

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Ave. S.E., Charleston, West Virginia 25304-1636.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 13.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending February 28, 2019 and fiscal year-to-date are as follows (in thousands):

	<u>February 28, 2019</u>	<u>Year-to-Date</u>
Employee contributions	\$ 28	\$ 240
Lottery contributions	<u>60</u>	<u>524</u>
Total contributions	\$ 88	\$ 764

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

**NOTE 15 - RISK MANAGEMENT**

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

**WORKERS' COMPENSATION INSURANCE**

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

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

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

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

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

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



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

**NOTE 16– OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

Funding Policy

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

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

**SCHEDULE OF REVENUES AND NET REVENUES OF THE  
LOTTERY FUND AND EXCESS LOTTERY FUND  
FOR THE SIX MONTH PERIOD ENDED FEBRUARY 28, 2019  
(In Thousands)**

	<b>Current Month</b>		<b>FISCAL YEAR</b>	
	<b>Actual</b>	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>
Gross Revenues				
Instant games	9,241	7,500	73,745	60,000
On-line games	5,483	5,033	57,342	40,266
Racetrack video lottery	40,118	34,404	329,011	291,439
Limited video lottery	32,312	29,860	253,897	227,662
Racetrack table games	2,620	2,370	23,366	19,350
Historic resort	537	302	5,012	2,995
Sports wagering	33	-	771	-
Total gross revenues	<b>90,344</b>	<b>79,469</b>	<b>743,144</b>	<b>641,712</b>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,130	870	8,670	6,964
On-line games	1,540	1,445	16,960	11,556
Racetrack Video Lottery	5,647	4,400	84,306	76,246
Sports wagering	60	-	1,191	-
Total Lottery Fund net revenues	<b>8,377</b>	<b>6,715</b>	<b>111,127</b>	<b>94,766</b>
Excess Lottery Fund				
Racetrack Video Lottery	13,550	12,145	56,484	47,147
Limited Video Lottery	15,363	14,047	120,606	107,093
Limited Video Lottery Fees	11	-	978	-
Racetrack table games	1,290	1,162	11,496	9,491
Historic resort	228	112	1,893	1,118
Total Excess Lottery Fund Net Revenues	<b>30,442</b>	<b>27,466</b>	<b>191,457</b>	<b>164,849</b>
Total Net Revenues	<b>38,819</b>	<b>34,181</b>	<b>302,584</b>	<b>259,615</b>

WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



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

304-347-4870

Memorandum

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

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

Date: April 09, 2019

Re: Status of General Revenue Fund and State Road Fund as of  
March 31, 2019 (FY 19)

We have reviewed the cash flow of the West Virginia general revenue fund as of March 31, 2019 which is the end of the ninth month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 101% of the estimate for the fiscal year. Total collections were \$45.4 million above the estimate for the fiscal year.

Personal Income Tax collections were \$10.5 million below the estimate for the fiscal year.

Consumer sales and use tax collections were \$7 million above the estimate for the year.

Severance Tax was \$13.2 million above the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$26 million above the estimate for the fiscal year.

#### **State Road Fund**

The state road fund collections were 105% of the estimate for the fiscal year. Total collections were \$33.4 million above the estimate for the fiscal year.

#### **Rainy Day and Personal Income Tax Reserve \***

Revenue Shortfall Reserve **Fund A** (Rainy Day Fund) had a cash balance of \$291,476,749.02 as of March 31, 2019.

Balance July 1, 2018	268,964,086.07
Loan-General Revenue Fund 7-1-18	60,000,000.00
Loan Payment 8-31-18	(60,000,000.00)
Fiscal year 18 surplus	18,066,528.88
Earnings	4,446,134.07
Balance March 31, 2019	291,476,749.02

Revenue Shortfall Reserve **Fund B** (Tobacco Settlement Monies) had a cash balance of \$446,138,774.94 as of March 31, 2019.

Balance July 1, 2018	440,709,603.60
Earnings	5,429,171.34
Balance March 31, 2019	446,138,774.94

The **Personal Income Tax Reserve** Fund had a \$11 million cash balance as of March 31, 2019.

Balance July 1, 2018	11,000,000.00
Balance March 31, 2019	11,000,000.00

STATE OF WEST VIRGINIA  
REVENUE COLLECTIONS  
FISCAL YEAR 2019  
as of MARCH 31, 2019

GENERAL REVENUE FUND

FINAL

	MONTH ESTIMATES	ACTUAL MONTH COLLECTIONS	MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	ACTUAL YTD COLLECTIONS	YTD COLLECTIONS OVER ESTIMATES	YTD PERCENT COLLECTED
Personal Income Tax	\$ 136,300,000	\$ 123,232,327	\$ (13,067,673)	\$ 1,417,400,000	\$ 1,406,890,283	\$ (10,509,717)	99%
Consumer Sales Tax & Use Tax	102,300,000	99,948,717	(2,351,283)	994,500,000	1,001,549,052	7,049,052	101%
Severance Tax	32,300,000	39,794,297	7,494,297	307,600,000	320,787,931	13,187,931	104%
Corporate Net Income Tax	4,200,000	3,903,925	(296,075)	78,700,000	104,732,778	26,032,778	133%
Insurance Tax	19,400,000	22,485,336	3,085,336	92,000,000	98,366,961	6,366,961	107%
Tobacco Products Tax	14,600,000	12,772,529	(1,827,471)	134,700,000	126,946,955	(7,753,046)	94%
Business and Occupation	6,900,000	8,915,654	2,015,654	80,700,000	84,495,117	3,795,117	105%
Liquor Profit Transfers	1,500,000	1,505,500	5,500	13,800,000	15,284,994	1,484,994	111%
Departmental Collections	1,500,000	1,359,877	(140,123)	19,400,000	18,723,962	(676,038)	97%
Property Transfer Tax	1,200,000	858,880	(341,120)	10,170,000	9,739,635	(430,365)	96%
Property Tax	1,300,000	1,415,546	115,546	5,835,000	5,998,948	163,948	103%
Beer Tax and Licenses	530,000	493,630	(36,370)	5,060,000	5,069,436	9,436	100%
Miscellaneous Transfers	50,000	0	(50,000)	820,000	2,021,471	1,201,471	247%
Interest Income	2,200,000	2,545,282	345,282	15,500,000	16,781,787	1,281,787	108%
Refundable Credit Reimb Liability	3,000,000	1,440,771	(1,559,229)	6,100,000	3,155,495	(2,944,505)	52%
HB 102 - Lottery Transfers	6,300,000	7,261,838	961,838	39,900,000	46,893,527	6,993,527	118%
Miscellaneous	2,500,000	2,044,952	(455,048)	7,550,000	7,312,605	(237,395)	97%
Business Franchise Fees	64,000	73,224	9,224	499,000	566,695	67,695	114%
Estate & Inheritance Tax	0	0	-	0	0	-	0%
Liquor License Renewal	0	0	-	0	0	-	0%
Special Revenue Transfers	650,000	2,810,247	2,160,247	13,250,000	17,123,327	3,873,327	129%
Charter Tax	0	1,813	1,813	0	8,447	8,447	0%
Video Lottery Transfers	0	136,973	136,973	0	298,131	298,131	0%
July-Dec Retro Rev Adj	0	0	-	0	0	-	0%
Cash Flow Transfer	0	0	-	0	0	-	0%
<b>SUBTOTALS</b>	<b>\$ 336,794,000</b>	<b>\$ 333,001,318</b>	<b>\$ (3,792,682)</b>	<b>\$ 3,243,484,000</b>	<b>\$ 3,292,747,536</b>	<b>\$ 49,263,536</b>	
Less: Cash Flow Transfer	0	0	0	0	0	0	
Less: Special Revenue Transfer	650,000	2,810,247	2,160,247	13,250,000	17,123,327	3,873,327	
<b>TOTALS</b>	<b>\$ 336,144,000</b>	<b>\$ 330,191,071</b>	<b>\$ (5,952,929)</b>	<b>\$ 3,230,234,000</b>	<b>\$ 3,275,624,209</b>	<b>\$ 45,390,209</b>	

Percent of Estimates

98%

101%

Collections this day

\$ 34,523,119

Source: WV OASIS  
Prepared by: Legislative Auditor's Office, Budget Division  
April 01, 2019

STATE OF WEST VIRGINIA  
COMPARISON OF REVENUE  
MARCH 2018 vs MARCH 2019

GENERAL REVENUE FUND

	Actual Collections March 2018	Actual Collections March 2019	Actual Collections 9 Months July 2017-Mar 2018	Actual Collections 9 Months July 2018-Mar 2019	YTD Increase (Decrease) over prior period	YTD % Increase (Decrease) over prior period
Personal Income Tax	\$ 127,934,926	\$ 123,232,327	\$ 1,312,006,151	\$ 1,406,890,283	\$ 94,884,131	7%
Consumer Sales Tax & Use Tax	96,103,337	99,948,717	903,374,455	1,001,549,052	98,174,597	11%
Severance Tax	33,175,836	39,794,297	233,693,417	320,787,931	87,094,514	37%
Corporate Net Income Tax	1,841,540	3,903,925	61,405,887	104,732,778	43,326,891	71%
Insurance Tax	22,102,761	22,485,336	93,188,132	98,366,961	5,178,829	6%
Tobacco Products Tax	14,356,517	12,772,529	133,497,182	126,946,955	(6,550,227)	-5%
Business and Occupation	7,988,900	8,915,654	79,450,938	84,495,117	5,044,179	6%
Liquor Profit Transfers	1,508,750	1,505,500	15,189,426	15,284,994	95,568	1%
Departmental Collections	1,458,962	1,359,877	18,542,849	18,723,962	181,112	1%
Property Transfer Tax	638,046	858,880	9,020,000	9,739,635	719,636	8%
Property Tax	1,347,276	1,415,546	5,994,186	5,998,948	4,762	0%
Beer Tax and Licenses	502,400	493,630	4,910,962	5,069,436	158,474	3%
Miscellaneous Transfers	104,331	0	2,263,560	2,021,471	(242,089)	-11%
Interest Income	104,274	2,545,282	4,707,689	16,781,787	12,074,098	256%
Refundable Credit Reimb Liability	3,087,965	1,440,771	6,226,746	3,155,495	(3,071,251)	-49%
HB 102 - Lottery Transfers	6,732,752	7,261,838	41,721,608	46,893,527	5,171,919	12%
Miscellaneous	4,076,752	2,044,952	15,613,347	7,312,605	(8,300,742)	-53%
Business Franchise Fees	69,375	73,224	486,311	566,695	80,384	17%
Estate & Inheritance Tax	0	0	100	0	(100)	-100%
Liquor License Renewal	0	0	0	0	0	0%
Special Revenue Transfers	4,337,656	2,810,247	19,879,096	17,123,327	(2,755,769)	-14%
Charter Tax	(1,903)	1,813	6,485	8,447	1,961	30%
Video Lottery Transfers	151,019	136,973	330,509	298,131	(32,378)	-10%
July-Dec Retro Rev Adj	0	0	0	0	0	0%
Cash Flow Transfer	0	0	0	0	0	0%
<b>SUBTOTALS</b>	<b>\$ 327,621,471</b>	<b>\$ 333,001,318</b>	<b>\$ 2,961,509,036</b>	<b>\$ 3,292,747,536</b>	<b>\$ 331,238,500</b>	
Less: Cash Flow Transfer	0	0	0	0	0	
Less: Special Revenue Transfer	4,337,656	2,810,247	19,879,096	17,123,327	(2,755,769)	
<b>TOTALS</b>	<b>\$ 323,283,815</b>	<b>\$ 330,191,071</b>	<b>\$ 2,941,629,940</b>	<b>\$ 3,275,624,209</b>	<b>\$ 333,994,269</b>	

Increase/Decrease over Prior Period

\$ 6,907,256

\$

333,994,269

% Increase/Decrease over Prior Period

2%

11%

Source: WV OASIS  
Prepared by: Legislative Auditor's Office, Budget Division  
April 9, 2019

STATE OF WEST VIRGINIA  
REVENUE COLLECTIONS  
FISCAL YEAR 2019  
as of MARCH 31, 2019

STATE ROAD FUND

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES	YTD PERCENT COLLECTED
Motor Fuel Tax	\$ 23,000,000	\$ 32,841,338	\$ 9,841,338	\$ 334,600,000	\$ 343,201,442	\$ 8,601,442	99.6%
Sales/Privilege Tax	22,230,000	19,422,507	(2,807,493)	167,153,000	171,264,796	4,111,796	102%
Licenses & Registration	10,491,000	12,881,143	2,390,143	98,256,000	116,747,517	18,491,517	119%
Miscellaneous	779,000	1,900,834	1,121,834	13,315,000	15,490,875	2,175,875	116%
Highway Litter Control	161,000	135,854	(25,147)	1,143,000	1,170,031	27,031	102%
Federal Reimbursement	24,669,000	20,459,776	(4,209,224)	375,754,000	257,956,783	(117,797,217)	69%
SUBTOTALS	\$ 81,330,000	\$ 87,641,452	\$ 6,311,452	\$ 990,221,000	\$ 905,831,444	\$ (84,389,556)	
Less: Federal Reimbursement	24,669,000	20,459,776	(4,209,224)	375,754,000	257,956,783	(117,797,217)	
TOTALS	\$ 56,661,000	\$ 67,181,676	\$ 10,520,676	\$ 614,467,000	\$ 647,874,660	\$ 33,407,660	

Percent of Estimates 119%

105%

Collections this day \$ 2,178,283

REVENUE SHORTFALL RESERVE FUND 7005, Part A as of March 31, 2019 : \$ 291,476,749.02

\$60 million loaned to General Revenue Fund 7/1/2018 for beginning of year cash flow, paid back 8/31/2018.

REVENUE SHORTFALL RESERVE FUND 7006, Part B as of March 31, 2019: \$446,138,774.94

PERSONAL INCOME TAX REFUND RESERVE FUND as of March 31, 2019: \$11,000,000.00

Source: WV OASIS  
Prepared by: Legislative Auditor's Office, Budget Division  
April 09, 2019

STATE OF WEST VIRGINIA  
COMPARISON OF REVENUE  
MARCH 2018 vs MARCH 2019

STATE ROAD FUND

	Actual Collections March 2018	Actual Collections March 2019	Actual Collections 8 Months July 2017-Mar 2018	Actual Collections 8 Months July 2018-Mar 2019	YTD Increase (Decrease) over prior period	YTD % Increase (Decrease) over prior period
Gasoline & Motor Carrier Rd Tax	\$ 16,313,867	\$ 32,841,338	\$ 313,608,629	\$ 343,201,442	\$ 29,592,813	9%
Privilege Tax	21,723,663	19,422,507	163,347,037	171,264,796	7,917,759	5%
Licenses & Registration	10,805,458	12,881,143	101,200,669	116,747,517	15,546,848	15%
Miscellaneous	380,893	1,900,834	48,247,035	15,490,875	(32,756,160)	-68%
Highway Litter Control	156,525	135,854	1,147,566	1,170,031	22,465	2%
Federal Reimbursement	0	20,459,776	0	257,956,783	257,956,783	0%
<b>SUBTOTALS</b>	<b>\$ 49,380,405</b>	<b>\$ 87,641,452</b>	<b>\$ 627,550,935</b>	<b>\$ 905,831,444</b>	<b>\$ 278,280,508</b>	
Less: Federal Reimbursement	0	\$20,459,776	0	257,956,783	257,956,783	
<b>TOTALS</b>	<b>\$ 49,380,405</b>	<b>\$ 67,181,676</b>	<b>\$ 627,550,935</b>	<b>\$ 647,874,660</b>	<b>\$ 20,323,725</b>	

Increase/Decrease over Prior Period

\$ 20,323,725

% Increase/Decrease over Prior Period

3.2%

Source: WV OASIS

Prepared by: Legislative Auditor's Office, Budget Division

April 9, 2019



WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



*Budget Division  
Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590  
304-347-4870*

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

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

Date: April 9, 2019

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the February 28, 2019 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of February 28, 2019 of fiscal year 2018-2019, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2018	\$ 137,218,046.89
Receipts July 1, 2018 thru June 30, 2019	\$ 121,593,680.93
Disbursements July 1, 2018 thru June 30, 2019	\$ 99,166,317.07
Balance February 28, 2019	\$ 159,645,410.75

ITEMS OF NOTE:

Regular benefits paid for July - February 2019 were \$ 1 million less than July - February 2018.

Federal emergency benefits totaled -\$22 thousand for July - February 2019. For July - February 2018, federal emergency benefits totaled -\$38 thousand.

Total disbursements were \$ 1 million less in July - February 2019 than the preceding July - February 2018.

Receipts as of July - February 2019, were \$ 16.4 million more than in July - February 2018. Overall ending trust fund balance was \$86.3 million higher on February 28, 2019 than on February 28, 2018.

Seasonally adjusted unemployment rates for February 2019 were 5.2 percent for West Virginia and 3.8 percent nationally.

Since February 2018, employment has increased by 17,500. Employment gains included 1,000 in educational and health services, 16,000 in construction, 1,600 in manufacturing, 600 in professional and business services, and 1,100 in mining and logging. Employment declines included 1,300 in government, 600 in leisure and hospitality, 300 in other services, 300 in trade, transportation, and utilities, 100 in financial activities, and 200 in information.

March 6, 2019

William Spencer  
Budget Division  
Office of the Legislative Auditor  
Building 1, Room 332-West Wing  
1900 Kanawha Boulevard East  
Charleston, WV 25305-0590

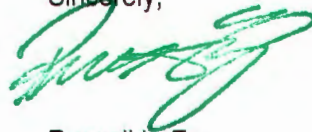
RE: Monthly Status Report

Dear Mr. Spencer:

Please find attached, the Monthly Status Report for the Joint Committee on Government and Finance, Unemployment Compensation Trust Fund for the month of February 2019.

If you have any questions or need any additional information, please feel free to contact Brett Sansom at 304-558-2631 or [Brett.E.Sansom@wv.gov](mailto:Brett.E.Sansom@wv.gov).

Sincerely,



Russell L. Fry  
Acting Executive Director

RLF/gew

Enclosure

pc: Jim Justice

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

	DECEMBER 2017	JANUARY 2018	FEBRUARY 2018	DECEMBER 2018	JANUARY 2019	FEBRUARY 2019	THREE MONTH TOTAL VARIANCE *
<b>Balance Forward</b>	<b>\$94,929,426.50</b>	<b>\$82,800,185.87</b>	<b>\$80,474,378.65</b>	<b>\$181,133,919.05</b>	<b>\$169,779,480.26</b>	<b>\$169,779,249.09</b>	<b>\$262,487,657.39</b>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$743,790.30	\$15,874,280.52	\$8,796,678.99	\$880,021.33	\$18,352,446.90	\$9,774,285.64	\$3,892,004.06
3. Federal Emergency Benefits (EUCO8)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4. Federal Share Extended I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5. Temp Federal Additional (Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	\$78,509.32	\$99,137.63	\$94,936.51	\$89,887.43	\$259,347.24	\$80,858.40	\$157,509.61
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Reed Act Funds**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Treasury Interest Credits	\$501,849.42	\$0.00	\$0.00	\$1,014,475.56	\$0.00	\$0.00	\$512,626.14
11. UCX (Military Agencies)	\$57,323.07	\$81,553.48	\$72,633.58	\$30,282.07	\$35,428.70	\$34,171.48	(\$111,627.88)
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13. CMIA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Receipts</b>	<b>\$1,381,472.11</b>	<b>\$15,854,971.63</b>	<b>\$8,964,249.08</b>	<b>\$2,114,666.39</b>	<b>\$18,647,222.84</b>	<b>\$9,889,315.52</b>	<b>\$4,450,511.93</b>
Less Disbursements:							
Debt Bond Repayment							
Regular Benefits:							
Federal Emergency Benefits (EUCO8)	\$13,355,277.57	\$18,024,210.90	\$15,895,382.86	\$13,345,391.16	\$18,366,996.68	\$19,949,275.00	\$4,386,791.51
Federal Share Extended Benefits (EB)	(\$3,604.76)	(\$3,110.00)	(\$2,920.88)	(\$1,085.00)	(\$9,825.00)	(\$1,965.00)	(\$3,239.36)
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$105.00
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UCFE (Federal Workers) Benefits	\$90,324.92	\$89,066.21	\$96,328.66	\$94,711.76	\$254,888.39	\$42,422.47	\$116,402.83
UCX (Military Workers) Benefits	\$68,730.01	\$70,611.74	\$74,359.34	\$31,087.26	\$34,293.94	\$33,421.39	(\$114,898.50)
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Disbursements</b>	<b>\$13,510,712.74</b>	<b>\$18,180,778.85</b>	<b>\$16,063,059.98</b>	<b>\$13,470,105.18</b>	<b>\$18,646,454.01</b>	<b>\$20,023,153.86</b>	<b>\$4,385,161.48</b>
<b>Trust Fund Balance</b>	<b>\$82,800,185.87</b>	<b>\$80,474,378.65</b>	<b>\$73,375,557.75</b>	<b>\$169,779,480.26</b>	<b>\$169,779,249.09</b>	<b>\$159,645,410.75</b>	<b>\$262,553,007.84</b>
<b>Trust Fund Balance</b>							

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

\*\*Note: UJ Trust Fund Balance Includes Trust Fund Loan from the Revenue Shortfall Reserve Fund per Senate Bill 558 passed March 9, 2016:

Borrowed on 3/11/2016	38,000,000.00
Repaid on 5/17/2016	(38,000,000.00)
Borrowed on 12/5/2016	50,000,000.00
Repaid on 5/4/2017	(50,000,000.00)
Outstanding Loan from Revenue Shortfall Reserve Fund	\$0.00

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

## UC TRUST FUND BALANCES &amp; PROJECTIONS - 2019

April 16, 2019

Month	Receipts	Disbursements	Trust Fund Balance
<b>2018</b>			
Balance 1/1/2018			\$ 82,800,186
January	\$ 15,854,972	\$ 18,180,779	\$ 80,474,379
February	\$ 8,964,249	\$ 16,063,060	\$ 73,375,568
March	\$ 1,556,203	\$ 12,890,572	\$ 62,041,199
April	\$ 67,692,592	\$ 14,518,039	\$ 115,215,752
May	\$ 39,734,526	\$ 10,586,743	\$ 144,363,535
June	\$ 1,857,766	\$ 9,003,254	\$ 137,218,047
July	\$ 31,386,942	\$ 11,838,195	\$ 156,766,794
August	\$ 20,196,226	\$ 9,156,337	\$ 167,806,683
September	\$ 2,019,468	\$ 7,981,721	\$ 161,844,430
October	\$ 26,381,452	\$ 8,432,038	\$ 179,793,844
November	\$ 10,958,388	\$ 9,618,313	\$ 181,133,919
December	\$ 2,114,666	\$ 13,470,105	\$ 169,778,480
<b>Totals - 2018</b>	<b>\$ 228,717,450</b>	<b>\$ 141,739,156</b>	<b>\$ 169,778,480</b>

<b>2019</b>			
January	\$ 18,647,223	\$ 18,646,454	\$ 169,779,249
February	\$ 9,889,316	\$ 20,023,154	\$ 159,645,411
March	\$ 2,774,046	\$ 19,785,639	\$ 142,633,818
April	\$ 79,362,795	\$ 18,044,471	\$ 203,952,142
May	\$ 46,584,758	\$ 13,158,263	\$ 237,378,637
June	\$ 2,178,045	\$ 11,190,144	\$ 228,366,538
July	\$ 36,798,051	\$ 14,713,693	\$ 250,450,896
August	\$ 23,678,055	\$ 11,380,411	\$ 262,748,540
September	\$ 2,367,624	\$ 9,920,481	\$ 255,195,683
October	\$ 30,929,614	\$ 10,480,180	\$ 275,645,117
November	\$ 12,847,614	\$ 11,954,601	\$ 276,538,130
December	\$ 2,479,234	\$ 16,741,994	\$ 262,275,370
<b>Totals - 2019</b>	<b>\$ 268,536,375</b>	<b>\$ 176,039,485</b>	<b>\$ 262,275,370</b>



**PEIA**

**April 2019**

**Interim Packet**

## **PEIA**

### **April Interim Talking Points**

- **PEIA and RHBT preliminary financial results for February 2019 are available for your review.**
- **PEIA year to date statements indicate PEIA is ahead of plan by \$30 million. This is primarily due to lower than forecast prescription drug claim expenses.**
- **RHBT year to date statements indicate RHBT behind plan by (\$9) million. This is attributable to lower than forecast investment income.**
- **The 2019 year-end reserve for the State Fund and non-State Fund is projected to be \$167 and \$52 million respectively.**
- **These reserve levels represent 24% and 37% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**



Jim Justice  
Governor



Ted Cheatham  
Director

WV Toll-free: 1-888-680-7342 • Phone: 1-304-558-7850 • Fax: 1-304-558-2470 • Internet: [www.wvpeia.com](http://www.wvpeia.com)

April 22, 2019

Joint Committee on Government and Finance  
Senate Finance – 451M  
State Capitol Complex  
Charleston, WV 25305

1. The December 31, 2018 Quarterly Report issued March 31, 2019, page A-1, indicates the June 30, 2019 fund balances will be as follows:

	PEIA		RHBT
	State Fund	Non-State Fund	OPEB Fund
June 30, 2019	\$167,759,582	\$52,377,111	\$1,020,010,023

2. Per §5-16-25 the statutorily required reserve for the purposes of offsetting unanticipated claims losses (current FY costs) is the actuarial recommended reserve.

The current recommendation is 14% of the fiscal year expenses for PEIA and RHBT. Per the Quarterly Report, the percentage will be as follows at year end:

June 30, 2019	State Fund Reserve	Non-State Fund Reserve	Total
Reserve Balance	\$167,759,582	\$52,377,111	\$220,136,693
Percentage	23.6%	37.4%	25.9%
	reserve/current FY costs		

3. The objective of the OPEB Reserve is to reach a fully funded status of the actuarially accrued liability (AAL). Therefore, the target is 100%. The reserve balance represents 29% of the actuarially required balance:

	RHBT
June 30, 2019	OPEB Reserve
Reserve Balance	\$1,020,010,023
Percentage	29%
	OPEB Reserve/Actuarial Accrued Liability

4. Anticipated events that may significantly reduce or increase the amount of funds:

The primary anticipated reduction events are the ongoing forecast increases in the cost of healthcare. The below chart indicates the actuarial projected increases in costs for the medical and prescription drugs of the plan. These increased costs represent a total increase of \$339 million over the next four years, requiring an average of \$85 million a year in either increased premiums or benefit reductions.

	FY 2020	FY 2021	FY 2022	FY 2023
Medical Trend	8.0%	8.5%	9.0%	9.5%
Rx Trend	12.0%	12.5%	13.0%	13.5%

5. Total amount of benefit payments paid for the month:

	PEIA	RHBT	Total
February 2019	\$47,835,000	\$14,377,000	\$62,212,000

Sincerely,



Jason A. Haught, CPA  
Chief Financial Officer

**West Virginia Public Employees Insurance Agency**  
**Statement of Changes in Plan Net Position**  
**For the Eight Months Ending Thursday, February 28, 2019**  
(Dollars in Thousands)  
(Unaudited-For Internal Use Only)

OPERATING REVENUE						
ACTUAL	BUDGET	PRIOR YR	\$	%	\$	%
Premium Revenue						

4/1/2019 3:33 PM

**West Virginia Retiree Health Benefit Trust Fund**  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**For the Eight Months Ending Thursday, February 28, 2019**  
**In Thousands**

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE		PRIOR YR VARIANCE	
			\$	%	\$	%
ADDITIONS						
Employer Premiums:						
				(1%)		(4%)
	\$1,984	\$1,994			(\$10)	
	10,154	10,574			(420)	(4%)
	100,808	102,667			(1,859)	(2%)
	20,000	20,000			-	0%
	3,334	3,334			-	0%
	136,280	138,569	(2,289)	(2%)	(4,603)	(3%)
Other Additions:						
	1,009	800	209	26%	209	26%
	14,422	38,474	(24,052)	(63%)	(53,375)	(79%)
	151,711	177,843	(26,132)	(15%)	(57,769)	(28%)
DEDUCTIONS						
				13%		6%
	87,187	100,201	13,014		5,807	(2%)
	15,835	16,257	422	3%	(351)	(0%)
	34,526	41,544	7,018	17%	(116)	(0%)
	18,570	19,627	1,057	5%	461	2%
	22	22	-	0%	(1)	(5%)
	995	948	(47)	(5%)	(64)	(7%)
	(43,239)	(46,583)	(3,344)	7%	(1,404)	3%
	(15,214)	(16,505)	(1,291)	8%	(238)	2%
	1,979	1,954	(25)	(1%)	(239)	(14%)
	100,661	117,465	16,804	14%	3,855	4%
NET POSITION INCREASE						
	51,050	60,378	(9,328)	(15%)	(53,914)	(51%)
Net Position Restricted for Post Employment Benefits						
				0%		17%
	963,115	963,115	-		139,204	
	976,058	985,386	(9,328)	(1%)	47,183	5%
	38,107	38,107	-	0%	38,107	100%
	\$1,014,165	\$1,023,493	(\$9,328)	(1%)	\$85,290	9%

**West Virginia Board of Risk and Insurance Management  
Unaudited Statement of Net Position and  
Statement of Revenues, Expenses and Changes in Net Position  
For the Eight Months Ending February 28, 2019**

**Talking Points for April 2019 Interim Joint Committee Meeting**

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1. **Premium Revenue** thru February reflects the premiums earned for the first eight months of the fiscal year. Premium revenue has increased by \$3.3 million for FY'19 based on the actuarially projected increase in loss pics for the current year.
2. **Claims Expense** reflects all claims payments made thru February plus reserve increases. Net claims payments for the current fiscal year to date are approximately \$0.8 million higher than for the same period last year. Claims reserves and IBNR have increased \$11.8 million over the prior year. The combined effect of these two items results in claims expense being \$12.6 million higher for the current year.
3. **Investment Income** for fiscal year 2019 reflects net earnings of \$7.4 million for the first eight months and is \$0.8 million higher than last year due to better fixed income returns for the current fiscal year.
4. BRIM has no un-funded liability and continues to pursue pro-active loss control initiatives.

# West Virginia Board of Risk and Insurance Management

## Statements of Net Position

For the Eight Months Ended February 28th

	2019	2018
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 31,181	\$ 27,905
Advance deposits with insurance company and trustee	212,127	199,978
Receivables	7,226	5,402
Prepaid insurance	2,083	2,233
Restricted cash and cash equivalents	16,675	12,994
Premiums due from other entities	878	643
Total current assets	270,170	249,156
Noncurrent assets:		
Equity position in internal investments pools	97,125	96,734
Restricted investments	56,090	55,864
Total noncurrent assets	153,215	152,597
Total assets	423,385	401,753
Deferred Outflows of Resources	438	458
Deferred Outflows of Resources - OPEB	44	0
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,453	47,713
Unearned premiums	16,652	15,957
Agent commissions payable	896	720
Claims Payable	16	13
Accrued expenses and other liabilities	3,311	2,830
Total current liabilities	71,328	67,234
Estimated unpaid claims and claims adjustment expense net of current portion	130,238	121,137
Compensated absences	122	107
Net pension liability	331	766
Total noncurrent liabilities	130,691	122,010
Total liabilities	202,019	189,244
Deferred Inflows of Resources	330	37
Deferred Inflows of Resources - OPEB	73	0
Net position:		
Restricted by State code for mine subsidence coverage	61,059	61,063
Unrestricted	155,552	138,265
Net Assets (Deficiency)	4,834	13,601
Net position	\$ 221,445	\$ 212,929

*Unaudited*

# West Virginia Board of Risk and Insurance Management

## Statements of Revenues, Expenses, and Changes in Net Position

For the Eight Months Ended February 28th

	<b>2019</b>	<b>2018</b>
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 56,250	\$ 52,740
Less coverage/reinsurance programs	(4,544)	(4,285)
Net operating revenues	51,706	48,455
<b>Operating expenses</b>		
Claims and claims adjustment expense	51,090	38,506
General and administrative	3,180	2,824
Total operating expenses	54,270	41,330
Operating income (loss)	(2,564)	7,125
<b>Nonoperating revenues</b>		
Investment income	7,398	6,476
Net nonoperating revenues	7,398	6,476
Changes in net position	4,834	13,601
Total net position, beginning of year	216,611	199,328
Total net position, end of period	\$ 221,445	\$ 212,929

*Unaudited*





## **Department of Administration Real Estate Division Leasing Report**

**For the period of January 1 - 31, 2019**

**There are 24 leasing changes for this period and they are as follows:**

- 1 – New Contract of Lease
- 8 – Straight Renewal – DOA Owned
- 6 – Straight Renewal
- 7 – Renewal with Increase in Rent
- 2 - Cancellation

# **Department of Administration Real Estate Division Leasing Report**

**For the period of January 1, 2019 through January 31, 2019**

## **NEW CONTRACT OF LEASE**

### **DIVISION OF NATURAL RESOURCES**

**NAT-140** New Contract of Lease for 5 years consisting of 234 square feet of office space at the annual per square foot rate of \$13.31, annual cost \$3,114.60, full service, Fountain Place Shopping Center, in the City of Logan, Logan County, West Virginia.

## **STRAIGHT RENEWAL – DOA OWNED**

### **FLEET MANAGEMENT DIVISION**

**FMD-001** Renewal for 3 years consisting of 1,944 square feet of office space at the current annual per square foot rate of \$11.00, annual cost \$21,384.00, full service, 2101 Washington Street, East, in the City of Charleston, Kanawha County, West Virginia.

### **OFFICES OF INSURANCE COMMISSIONER**

**INS-033** Renewal for 3 years consisting of 3,893 square feet of office space at the current annual per square foot rate of \$19.00, annual cost \$73,967.00, full service, 416 Adams Street, in the City of Fairmont, Marion County, West Virginia.

### **WORKFORCE WEST VIRGINIA**

**WWV-039** Renewal for 3 years consisting of 9,355 square feet of office and storage space at the current annual per square foot rate of \$19.00, annual cost \$177,745, full service, 153 West Main Street, in the City of Clarksburg, Harrison County, West Virginia.

**WWV-008** Renewal for 3 years consisting of 4,008 square feet of office space at the current annual per square foot rate of \$17.00, annual cost \$68,136.00, full service, 100 Municipal Plaza, in the City of Weirton, Hancock County, West Virginia.

**WWV-004** Renewal for 3 years consisting of 10,089 square feet of office space at the current annual per square foot rate of \$17.00, annual cost \$171,513.00, full service, 2699 Park Avenue, in the City of Huntington, Cabell County, West Virginia.

**WWV-034** Renewal for 3 years consisting of 6,842 square feet of office space at the current annual per square foot rate of \$12.00, annual cost \$82,104.00, full service, 130 Stratton Street, in the City of Logan, Logan County, West Virginia.

**WWV-036** Renewal for 3 years consisting of 6,255 square feet of office space at the current annual per square foot rate of \$19.00, annual cost \$118,845.00, full service, 416 Adams Street, in the City of Fairmont, Marion County, West Virginia.

### **DIVISION OF MOTOR VEHICLES**

**DMV-050** Renewal for 3 years consisting of 6,099 square feet of office space at the current annual per square foot rate of \$17.00, annual cost \$103,683.00, full service, 100 Municipal Plaza, in the City of Weirton, Hancock County, West Virginia.

## **STRAIGHT RENEWAL**

### **DIVISION OF FORESTRY**

**FOR-092** Renewal for 2 years consisting of 110 square feet of office at the current annual per square foot rate of \$10.91, annual cost \$1,200.00 utilities minus janitorial, 200 Confederate Road in the City of Franklin, Pendleton County, West Virginia.

**FOR-076** Renewal for 5 years consisting of tower/monitoring space at the current monthly rate of \$100.00, annual cost \$1,200.00, Tenant pays electric, on Susan Carrier property, in the City of Point Pleasant, Mason County, West Virginia.

**FOR-093** Renewal for 3 years consisting of 213 square feet of office at the current annual per square foot rate of \$14.00, annual cost \$2,982.00, full service 87 Ollie Lane in the City of Mt. Clare, Harrison County, West Virginia.

### **OFFICE OF TECHNOLOGY**

**OOT-001** Renewal for 3 years consisting of 7,440 square feet of storage space at the current annual per square foot rate of \$4.50, annual cost \$33,480.00, 908 Bullitt Street, in the City of Charleston, Kanawha County, West Virginia.

### **DIVISION OF MOTOR VEHICLES**

**DMV-025** Renewal for 5 years consisting of 6,000 square feet of office space at the current annual per square foot rate of \$13.25, annual cost \$79,500.00, with Tenant taking over utilities, 1408 Kanawha Street, in the City of Point Pleasant, Mason County, West Virginia.

### **DIVISION OF NATURAL RESOURCES**

**NAT-115** Renewal for 3 years consisting of 8,620 square feet of office space and 6,000 square feet of storage space, for a total of 14,620 square feet at the current annual per square foot rate of \$6.50, annual cost \$95,030.04, 1110 Railroad Street, in the City of Farmington, Marion County, West Virginia.

## **RENEWAL WITH INCREASE IN RENT**

### **WORKFORCE WEST VIRGINIA**

**WWV-016** Renewal for 5 years consisting of 4,794 square feet of office space with an increase in the annual per square foot rate from \$12.75 to \$13.13 for years 1-2, annual cost \$62,945.22, and from \$13.13 to \$13.40 for years 3-5, annual cost \$64,239.60, full service, 830 North Side Drive, in the City of Summersville, Nicholas County, West Virginia.

### **DIVISION OF CORRECTIONS AND REHABILITATION**

**COR-093** Renewal for 5 years consisting of 1,300 square feet of office space with an increase in the annual per square foot rate from \$12.00 to \$12.48, annual cost \$16,224.00, water and sewer, 765 South Jefferson, in the City of Lewisburg, Greenbrier County, West Virginia.

### **DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**DEP-116** Renewal for 5 years consisting of 80 square feet of air monitoring space with an increase in the annual rate from \$1,000 to \$2,000, located at Marland Heights in the City of Weirton, Brooke County, West Virginia.

## **RENEWAL WITH INCREASE IN RENT - CONTINUED**

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

**HHR-182** Renewal for 3 years consisting of 1,589 square feet of office space with an increase in the annual per square foot rate from \$9.45 to \$9.73, annual cost \$15,460.82, full service, 124 Court St, in the City of Elizabeth, Wirt County, West Virginia.

### **DIVISION OF FORESTRY**

**FOR-054** Renewal for 5 years consisting of 0.23 acres of land for tower monitoring space with an increase in the monthly rate from \$20.00 to \$200.00, annual cost \$2,400.00, Track #46, in the Rock Magisterial District, Mercer County, West Virginia.

### **COUNCIL OF THREE RIVERS**

**CTR-001** Renewal for 1 year consisting of 250 square feet of office space with an increase in the monthly rate from \$200.00 to \$225.00, annual cost \$2,700, full service, 1321 Plaza East, in the City of Charleston, Kanawha County, West Virginia.

### **DEPARTMENT OF VETERANS ASSISTANCE**

**VET-042** Renewal for 1 year consisting of 759 square feet of office space with an increase in the annual per square foot rate from \$13.25 to \$13.50 per square foot, annual cost \$10,246.44, full service, located at 216 Market Street, in the City of Spencer, Roane County, West Virginia.

## **CANCELLATION**

### **DIVISION OF NATURAL RESOURCES**

**NAT-132** Lease cancellation consisting of 60 square feet of storage space, at the monthly rate of \$101.00 annual cost \$1,212.00, full service, in the City of Charleston, Kanawha County, West Virginia.

### **DEPARTMENT OF AGRICULTURE**

**AGR-046** Lease cancellation consisting of 900 square feet of office space, at the annual per square foot rate of \$12.00 annual cost \$10,800.00, in the City of Star City, Monongalia County, West Virginia.

Real Estate Division  
Monthly Summary of Lease Activity  
January 1 - 31, 2019

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Division of Natural Resources	NAT-140	Logan	234	13.31	3,115	5	15,573
2	Fleet Management Division	FMD-001	Kanawha	1,944	11.00	21,384	3	64,152
3	Offices of the Insurance Commissioner	INS-033	Marion	3,893	19.00	73,967	3	221,901
4	Workforce West Virginia	WWV-039	Harrison	9,355	19.00	177,745	3	533,235
5	Workforce West Virginia	WWV-008	Hancock	4,008	17.00	68,136	3	204,408
6	Workforce West Virginia	WWV-004	Cabell	10,089	17.00	171,513	3	514,539
7	Workforce West Virginia	WWV-034	Logan	6,842	12.00	82,104	3	246,312
8	Workforce West Virginia	WWV-036	Marion	6,255	19.00	118,845	3	356,535
9	Division of Motor Vehicles	DMV-050	Hancock	6,099	17.00	103,683	3	311,049
10	Workforce West Virginia	WWV-016	Nicholas	4,794	13.13	62,945	2	125,890
	Workforce West Virginia	WWV-016	Nicholas	4,794	13.40	64,240	3	192,719
11	Division of Forestry	FOR-092	Pendleton	110	10.91	1,200	2	2,400
12	Division of Forestry	FOR-076	Mason	1	1.00	1,200	5	6,000
13	Division of Forestry	FOR-093	Harrison	213	14.00	2,982	3	8,946
14	Office of Technology	OOT-001	Kanawha	7,440	4.50	33,480	3	100,440
15	Division of Motor Vehicles	DMV-025	Mason	6,000	13.25	79,500	5	397,500
16	Division of Natural Resources	NAT-115	Marion	14,620	6.50	95,030	3	285,090
17	Division of Corrections and Rehabilitation	COR-093	Greenbrier	1,300	12.48	16,224	5	81,120
18	Department of Environmental Protection	DEP-116	Brooke	80	25.00	2,000	5	10,000
19	Department of Health and Human Resources	HHR-182	Wirt	1,589	9.73	15,461	3	46,383
20	Division of Forestry	FOR-054	Mercer	1	1.00	2,400	5	12,000
21	Council of the Three Rivers	CTR-001	Kanawha	250	10.80	2,700	1	2,700
22	Department of Veterans Assistance	VET-042	Roane	759	13.50	10,247	1	10,247

293.51  
**Total Rentable Square Feet** 90,670  
**Average Annual Rental Rate** 12.76  
**Total Annual Rent** 1,210,100

### CANCELLATIONS

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent
1	Division of Natural Resources	NAT-132	Kanawha	60	20.20	1,212
2	Department of Agriculture	AGR-046	Monongalia	900	12.00	10,800

**Total Rentable Square Feet** 960  
**Total Annual Rent** 12,012

## **Department of Administration Real Estate Division Leasing Report**

**For the period of February 1 - 28, 2019**

**There are 5 leasing changes for this period and they are as follows:**

- 1 – New Contract of Lease
- 1 – Straight Renewal – DOA Owned
- 1 – Straight Renewal
- 2 – Renewal with Increase in Rent

**Department of Administration Real Estate Division Leasing Report**  
For the period of February 1, 2018 through February 28, 2018

**NEW CONTRACT OF LEASE**

**DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**HHR-255** New Contract of Lease for 3 years consisting of 120 square feet of furnished office space at the monthly rate of \$200.00, annual cost \$2,400.00, full service, 109 Wabash Avenue, in the City of Philippi, Barbour County, West Virginia.

**STRAIGHT RENEWAL – DOA OWNED**

**DIVISION OF MOTOR VEHICLES**

**DMV-059** Renewal for 3 years consisting of 10,074 square feet of office & storage space at the current annual per square foot rate of \$19.00, annual cost \$191,406.00, full service, 153 West Main Street, in the City of Clarksburg, Harrison County, West Virginia.

**STRAIGHT RENEWAL**

**DEPARTMENT OF HEALTH OF HUMAN RESOURCES**

**HHR-169** Renewal for 3 years consisting of 300 square feet of storage space at the current monthly rate of \$255.00, annual cost \$3,060.00, Electricity/Snow Removal/Garbage Removal included, 2013 Wilson Street, in the City of Dunbar, Kanawha County, West Virginia.

**RENEWAL WITH INCREASE IN RENT**

**NURSING HOME ADMINISTRATORS LICENSING BOARD**

**NLB-001** Renewal for 3 years consisting of 594 square feet of office space with an increase in the monthly rate from \$550.00 to \$600.00, annual cost \$7,200.00, full service, 13049-2 Winfield Rd, in the City of Winfield, Putnam County, West Virginia.

**DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**HHR-186** Renewal for 10 years consisting of 4,300 square feet of group home space with an increase in the annual per square foot rate from \$12.95 to \$15.75 in years 1 – 5 then to \$17.00 in years 6 - 10, annual cost \$67,725.00 and \$73,100.04, 122 Hummingbird Lane, in the City of Independence, Preston County, West Virginia.

Real Estate Division  
Monthly Summary of Lease Activity  
February 1 - 28, 2019

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Department of Health and Human Resources	HHR-255	Barbour	120	20.00	2,400	3	7,200
2	Division of Motor Vehicles	DMV-059	Harrison	10,074	19.00	191,406	3	574,218
3	Department of Health and Human Resources	HHR-169	Kanawha	300	10.20	3,060	3	9,180
4	Nursing Home Administrators Licensing Board	NLB-001	Putnam	594	12.12	7,200	3	21,600
5	Department of Health and Human Resources	HHR-186	Preston	4,300	15.75	67,725	5	338,625
	Department of Health and Human Resources	HHR-186	Preston	4,300	17.00	73,100	5	365,500

	94.07
<b>Total Rentable Square Feet</b>	<u>19,688</u>
<b>Average Annual Rental Rate</b>	<u>15.68</u>
<b>Total Annual Rent</b>	<u>344,891</u>



## **Department of Administration Real Estate Division Leasing Report**

**For the period of March 1 - 31, 2019**

**There are 13 leasing changes for this period and they are as follows:**

- 1 – New Contract of Lease – DOA Owned
- 6 – Straight Renewal – DOA Owned
- 5 – Straight Renewal
- 1 – Renewal with Decrease in Square Feet – DOA Owned

**Department of Administration Real Estate Division Leasing Report**  
For the period of March 1, 2019 through March 31, 2019

**NEW CONTRACT OF LEASE – DOA OWNED**

**DEPARTMENT OF VETERANS ASSISTANCE**

**VET-048** New Contract of Lease for 3 years consisting of 5,238 square feet of office space at the annual per square foot rate of \$10.93, annual cost \$57,251.28, full-service, located in Building #5, 1900 Kanawha Boulevard, East, in the City of Charleston, Kanawha County, West Virginia

**STRAIGHT RENEWAL – DOA OWNED**

**GENERAL SERVICES DIVISION**

**GSD-009** Renewal for 3 years consisting of 3,296 square feet of office space at the current annual per square foot rate of \$9.73, annual cost \$32,070.08, full service, 1900 Kanawha Boulevard, East in the City of Charleston, Kanawha County, West Virginia.

**GSD-005** Renewal for 3 years consisting of 2,574 square feet of office at the current annual per square foot rate of \$11.00, annual cost \$28,314.00, full service, 311 Jefferson Street, in the City of Charleston, Kanawha County, West Virginia.

**GSD-007** Renewal for 3 years consisting of 459 square feet of office space at the current annual per square foot rate of \$12.00, annual cost \$5,508.00, full service, 130 Stratton Street, in the City of Logan, Logan County, West Virginia.

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

**GSD-013** Renewal for 3 years consisting of 217 square feet of office space at the current annual per square foot rate of \$19.00, annual cost \$4,123.00, full service, 153 West Main Street, in the City of Clarksburg, Harrison County, West Virginia.

**DIVISION OF PUBLIC TRANSIT**

**DPT-001** Renewal for 3 years consisting of 4,538 square feet of office space at the current annual per square foot rate of \$10.93, annual cost \$49,600.32, full service, Building #5 of the State Capitol Complex, located at 1900 Kanawha Boulevard, East, in the City of Charleston, Kanawha County, West Virginia.

## **STRAIGHT RENEWAL**

### **DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**DEP-171** Renewal for 1 year consisting of 416 square feet of storage space at the current monthly rate of \$180.00, annual cost \$2,160.00, located at 104 Van Kirk Drive, in the City of Fairmont, Marion County, West Virginia.

### **GENERAL SERVICES DIVISION**

**GSD-010** Renewal for 1 year consisting of 158 parking spaces at the current rate of \$25.00 per space, annual cost \$4,450.00, 405 Adams Street, in the City of Fairmont, Marion County, West Virginia.

### **DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**DEP-189** Renewal for 3 years consisting of 2,000 square feet of storage space at the current annual per square foot rate of \$6.00, annual cost \$12,000.00, located at 4998 South Elk River Road, in the City of Big Chimney, Kanawha County, West Virginia.

### **DIVISION OF FORESTRY**

**FOR-086** Renewal for 5 years consisting of 2,371 square feet of office and storage space at the current annual per square foot rate of \$7.59, annual cost \$18,000.00, full service less janitorial, 61 5<sup>th</sup> Street, in the City of Buckhannon, Upshur County, West Virginia.

### **WEST VIRGINIA BOARD OF EXAMINERS OF PSYCHOLOGISTS**

**PSY-001** Renewal for 3 years consisting of 600 square feet of office space at the current annual per square foot rate of \$9.32, annual cost \$5,592.00, full service, 1205 Quarrier Street, Charleston, Kanawha County, West Virginia.

## **RENEWAL WITH DECREASE IN SQUARE FEET – DOA OWNED**

### **GENERAL SERVICES DIVISION**

**GSD-003** Renewal for 3 years with a decrease of square feet from 8,536 square feet to 7,928 square feet of office space at the current annual per square foot rate of \$10.72, annual cost \$84,988.16, full service, 1900 Kanawha Boulevard, East in the City of Charleston, Kanawha County, West Virginia.

Real Estate Division  
Monthly Summary of Lease Activity  
March 1 - 31, 2019

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Department of Veterans Assistance	VET-048	Kanawha	5,238	10.93	57,251	3	171,754
2	General Services Division	GSD-009	Kanawha	3,296	9.73	32,070	3	96,210
3	General Services Division	GSD-005	Kanawha	2,574	11.00	28,314	3	84,942
4	General Services Division	GSD-007	Logan	459	12.00	5,508	3	16,524
5	General Services Division	GSD-006	Kanawha	3,399	11.00	37,389	3	112,167
6	General Services Division	GSD-013	Harrison	217	19.00	4,123	3	12,369
7	Division of Public Transit	DPT-001	Kanawha	4,538	10.93	49,600	3	148,801
8	Department of Environmental Protection	DEP-171	Marion	416	5.19	2,160	1	2,160
9	General Services Division	GSD-010	Fairmont	158	25/ea	47,400	1	47,400
10	Department of Environmental Protection	DEP-189	Kanawha	2,000	6.00	12,000	3	36,000
11	Division of Forestry	FOR-086	Upshur	2,371	7.59	17,996	5	89,979
12	WV Board of Examiners of Psychologists	PSY-001	Kanawha	600	9.32	5,592	3	16,776
13	General Services Division	GSD-003	Kanawha	7,928	10.72	84,988	3	254,964

	123.41
Total Rentable Square Feet	<u>33,194</u>
Average Annual Rental Rate	<u>10.28</u>
Total Annual Rent	<u>384,392</u>

**Joint Committee on Government and Finance**

**April 2019**

**Department of Health and Human Resources**

**MEDICAID REPORT  
February 2019 Data**

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES  
EXPENDITURES BY PROVIDER TYPE  
SFY2019

MONTH OF FEBRUARY 2019

	ACTUALS SFY2018	TOTAL SFY2019	ACTUALS Current Month Ended 2/28/2019	ESTIMATE Current Month Ended 2/28/2019	ACTUALS Year To-Date Thru 2/28/2019	PROJECTED Year to Date Thru 6/30/2019
<b>EXPENDITURES:</b>						
Inpatient Hospital - Reg. Payments	94,761,538	96,410,403	6,681,355	9,270,231	58,269,080	38,141,323
Inpatient Hospital - DSH	53,388,507	53,789,156	13,138,932	13,447,289	39,530,582	14,258,574
Inpatient Hospital - Supplemental Payments	18,315,895	-	-	-	-	-
Inpatient Hospital - GME Payments	9,637,536	11,659,921	2,914,907	2,914,980	8,352,960	3,306,961
Mental Health Facilities	42,213,663	50,384,207	3,061,061	4,844,635	25,996,138	24,388,070
Mental Health Facilities - DSH Adjustment Payments	18,875,284	18,867,767	4,720,147	4,716,942	14,160,075	4,707,692
Nursing Facility Services - Regular Payments <sup>(3)</sup>	671,659,070	689,519,663	61,400,541	57,459,972	468,345,594	221,174,069
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	68,595,148	71,463,278	6,535,978	5,955,273	48,719,851	22,743,427
Intermediate Care Facilities - Private Providers	-	-	-	-	-	-
Intermediate Care Facilities - Supplemental Payments	39,370,539	43,038,020	3,705,224	4,138,271	25,331,422	17,706,598
Physicians Services - Regular Payments	5,241,246	-	-	-	(3)	3
Physicians Services - Supplemental Payments	93	-	-	-	(1,520)	1,520
Physician and Surgical Services - Evaluation and Management	-	-	-	-	-	-
Physician and Surgical Services - Vaccine Codes	-	-	-	-	-	-
Outpatient Hospital Services - Regular Payments	41,749,006	42,856,165	3,894,626	4,120,785	30,384,352	12,471,813
Outpatient Hospital Services - Supplemental Payments	21,123,658	-	-	-	-	-
Prescribed Drugs	620,504,383	720,618,600	55,818,993	69,290,250	449,318,103	271,300,497
Drug Rebate Offset - National Agreement	(226,683,504)	(407,000,000)	(10,234,913)	(8,878,482)	(312,964,673)	(94,035,327)
Drug Rebate Offset - State Sidebar Agreement	(15,371,390)	(24,000,000)	(520,805)	(7,909)	(24,047,645)	47,645
Drug Rebate Offset - MCO National	(149,057,165)	(11,000,000)	(458,895)	(57,696)	(10,717,854)	(282,146)
Drug Rebate Offset - MCO State Sidebar Agreement	(11,602,345)	-	(11,193)	-	(54,400)	54,400
Dental Services	10,677,304	11,217,737	909,557	1,078,629	7,188,315	4,029,422
Other Practitioners Services - Regular Payments	4,145,198	4,940,938	546,260	475,090	3,563,218	1,377,720
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-
Clinic Services	1,514,622	1,638,650	158,945	157,563	1,011,346	627,304
Lab & Radiological Services	8,989,515	9,500,531	677,646	913,513	4,985,305	4,515,226
Home Health Services	25,275,940	28,416,781	2,424,490	2,732,383	16,065,960	12,350,821
Hysterectomies/Sterilizations	55,843	65,026	1,434	6,253	20,452	44,574
Pregnancy Terminations <sup>(2)</sup>	346,043	370,405	1,305	35,616	166,093	204,312
EPSTD Services	1,411,597	1,472,595	129,636	141,596	983,756	488,839
Rural Health Clinic Services	4,514,194	4,167,233	266,181	400,695	2,566,610	1,600,623
Medicare Health Insurance Payments - Part A Premiums	20,115,325	21,934,452	1,798,618	1,827,871	13,994,154	7,940,298
Medicare Health Insurance Payments - Part B Premiums	114,914,746	124,130,622	9,495,073	10,344,219	76,497,162	47,633,460
120% - 134% Of Poverty	9,100,320	9,229,482	851,436	887,450	6,565,598	2,663,884
135% - 175% Of Poverty	-	-	-	-	-	-
Coinurance And Deductibles	11,432,888	11,469,643	1,239,252	1,102,850	7,914,812	3,554,831

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES  
EXPENDITURES BY PROVIDER TYPE  
SFY2019

MONTH OF FEBRUARY 2019

	ACTUALS SFY2018	TOTAL SFY2019	ACTUALS Current Month Ended 2/28/2019	ESTIMATE Current Month Ended 2/28/2019	ACTUALS Year To-Date Thru 2/28/2019	PROJECTED Year to Date Thru 6/30/2019
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,592,796,041	1,909,119,745	113,284,251	159,093,312	1,163,686,487	745,433,258
Medicaid MCO - Evaluation and Management	-	-	-	-	-	-
Medicaid MCO - Vaccine Codes	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	-	-	-	-	-	-
Medicaid Health Insurance Payments: Group Health Plan Payments	659,533	712,510	96,396	68,511	663,555	48,955
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-
Home & Community-Based Services (MR/DD)	306,244,186	326,961,878	25,074,662	31,438,642	202,396,524	124,565,353
Home & Community-Based Services (Aged/Disabled)	99,410,189	111,621,217	9,241,710	10,732,809	72,220,332	39,400,885
Home & Community-Based Services (Traumatic Brain Injury)	1,500,251	1,962,566	131,801	188,708	1,138,824	823,742
Home & Community-Based Services (State Plan 1915(i) Only)	-	-	-	-	-	-
Home & Community-Based Services (State Plan 1915(j) Only)	-	-	-	-	-	-
Community Supported Living Services	-	-	-	-	-	-
Programs Of All-Inclusive Care Elderly	-	-	-	-	-	-
Personal Care Services - Regular Payments	69,433,451	72,630,935	5,163,823	6,983,744	45,181,661	27,449,274
Personal Care Services - SDS 1915(j)	-	-	-	-	-	-
Targeted Case Management Services - Com. Case Management	-	-	-	-	-	-
Targeted Case Management Services - State Wide	2,768,851	2,852,904	122,094	274,318	1,537,763	1,315,141
Primary Care Case Management Services	-	-	-	-	-	-
Hospice Benefits	28,742,764	27,296,696	2,492,850	2,624,682	20,204,343	7,092,353
Emergency Services Undocumented Aliens	660,126	757,363	16,713	72,823	198,069	559,294
Federally Qualified Health Center	9,878,997	10,234,965	867,508	984,131	6,425,807	3,809,158
Non-Emergency Medical Transportation	34,217,803	34,042,483	2,750,041	3,273,316	22,169,025	11,873,458
Physical Therapy	999,248	1,063,603	78,656	102,270	624,405	439,198
Occupational Therapy	632,758	603,289	41,734	58,009	290,687	312,602
Services for Speech, Hearing & Language	336,441	318,750	24,082	30,649	217,913	100,837
Prosthetic Devices, Dentures, Eyeglasses	859,918	922,875	115,654	88,738	691,729	231,146
Diagnostic Screening & Preventive Services	169,078	201,488	7,728	19,374	53,087	148,401
Nurse Mid-Wife	112,942	153,959	14,379	14,804	79,010	74,949
Emergency Hospital Services	-	(80)	-	-	-	(80)
Critical Access Hospitals	24,242,329	25,303,531	1,711,867	2,433,024	14,598,208	10,705,323
Nurse Practitioner Services	2,263,595	2,755,598	352,406	264,961	1,831,980	923,618
School Based Services	34,971,816	35,000,000	346,203	3,365,385	29,805,302	5,194,699
Rehabilitative Services (Non-School Based)	59,129,439	63,204,418	4,976,715	6,077,348	38,675,608	24,528,811
Substance Use Disorder Waiver	2,303,658	52,071,349	853,929	5,006,860	5,838,059	46,233,290
Private Duty Nursing	5,533,239	5,709,872	448,695	549,026	3,454,310	2,255,562
Freestanding Birth Centers	-	-	-	-	1,092	(1,092)
Health Home for Enrollees w Chronic Conditions	883,711	983,085	152,357	94,527	1,208,231	(225,146)
Other Care Services	15,448,541	25,766,900	2,303,029	2,477,586	12,422,435	13,344,465
Less: Recoupments	-	-	(45,728)	-	(110,492)	110,492
<b>NET EXPENDITURES:</b>	<b>3,809,413,601</b>	<b>4,297,413,175</b>	<b>339,769,346</b>	<b>423,635,825</b>	<b>2,607,648,795</b>	<b>1,689,764,379</b>

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES  
EXPENDITURES BY PROVIDER TYPE  
SFY2019

MONTH OF FEBRUARY 2019

ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
SFY2018	SFY2019	Current Month Ended 2/28/2019	Current Month Ended 2/28/2019	Year To-Date Thru 2/28/2019	Year to Date Thru 6/30/2019
(6,012,117)	-	-	-	(4,141,792)	4,141,792
(512,319)	-	-	-	(40,029)	40,029
(213,356)	-	-	-	(67,103)	67,103
(17,039,628)	-	-	-	(7,798,707)	7,798,707
3,785,636,180	4,297,413,175	339,769,346	423,635,825	2,595,601,164	1,701,812,011
43,197,126	42,983,609	3,357,090	3,581,967	27,810,496	15,173,113
628,208	250,000	2,752,565	24,038	2,879,309	(2,629,309)
2,101,617	2,100,000	114,025	201,923	1,142,527	957,473
\$ 3,831,563,132	\$ 4,342,746,783	\$ 345,993,025	\$ 427,443,754	\$ 2,627,433,496	\$ 1,715,313,287
4,491,826	-	557,876	-	3,111,501	(3,111,501)
223,954	239,990	22,089	23,076	198,629	41,361
2,074,212	3,000,000	(667,227)	288,462	340,148	2,659,852
\$ 3,838,353,124	\$ 4,345,986,773	\$ 345,905,763	\$ 427,755,292	\$ 2,631,083,775	\$ 1,714,902,998

NET EXPENDITURES and CMS-64 ADJUSTMENTS:

Plus: Medicaid Part D Expenditures  
Plus: State Only Medicaid Expenditures  
Plus: Money Follow the Person Expenditures

TOTAL MEDICAID EXPENDITURES

Plus: Reimbursables <sup>(1)</sup>  
Plus: NATCEP/PASARR/Eligibility Exams  
Plus: HIT Incentive Payments

TOTAL EXPENDITURES

- (1) This amount will revert to State Only if not reimbursed.  
(2) Pregnancy Terminations are State Only expenditures and are not currently claimed.  
(3) Of the amount in the "Nursing Facility Services - Regular Payments" line \$13,718,956.33 is the amount paid to State Facilities year to date.



WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES  
MEDICAID CASH REPORT  
SFY2019

**MONTH OF FEBRUARY 2019**

**REVENUE SOURCES**

Beg. Bal. (5084/1020 prior mth)

**MATCHING FUNDS**

General Revenue (0403/189)  
MRDD Waiver (0403/466)  
Rural Hospitals Under 150 Beds (0403/940)  
Tertiary Funding (0403/547)  
Traumatic Brain Injury (0403/835)  
Title XIX Waiver for Seniors (0403-533)  
Medical Services Surplus (0403/633)  
Waiver for Senior Citizens Surplus (0403/526)  
Lottery Waiver (Less 550,000) (5405/539)  
Lottery Waiver (0420/539)  
Lottery Transfer (5405/871)  
Excess Lottery (5365/189)  
Lottery Surplus (5405/68199)  
Lottery Surplus (5365/68100)  
Trust Fund Appropriation (5185/189)  
Provider Tax (5090/189)  
NSGO UPL (5084/6717)  
Certified Match  
Reimbursables - Amount Reimbursed  
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015  
CHIP State Share  
CMS - 64 Adjustments

**TOTAL MATCHING FUNDS**

**FEDERAL FUNDS**

**TOTAL REVENUE SOURCES**

**TOTAL EXPENDITURES:**

Provider Payments

**TOTAL**

Note: FMAP (73.24% applicable Oct. 2017 - Sep. 2018) (74.34% applicable Oct. 2018 - Jun. 2019)

8 Months Actuals      4 Months Remaining

ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
SFY2018	Current Month Ended 2/28/2019	Year-To-Date Thru 2/28/2019	3/1/2019 Thru 6/30/2019	SFY2019
86,992,634	57,285,924	\$121,710,366	-	\$121,710,366
368,772,081	55,496,447	215,054,583	198,902,780	413,957,363
88,753,483	7,396,124	52,068,711	36,684,772	88,753,483
2,596,000	216,333	1,730,666	865,334	2,596,000
6,356,000	529,667	4,237,334	2,118,666	6,356,000
800,000	66,667	469,334	330,666	800,000
13,593,620	1,132,802	7,974,924	5,618,696	13,593,620
30,021,770	-	-	-	-
-	-	-	-	-
12,382,692	1,003,876	3,011,628	1,003,875	4,015,503
21,583,766	7,487,739	22,463,217	7,487,738	29,950,955
14,502,312	3,625,578	10,876,734	3,625,578	14,502,312
34,406,170	-	-	28,202,960	28,202,960
15,500,000	-	6,000,000	-	6,000,000
26,900,000	-	-	8,000,000	8,000,000
8,914,540	-	-	73,477,905	73,477,905
213,058,153	18,500,000	158,137,029	65,525,422	223,662,451
68,035	-	-	1,241,403	1,241,403
16,157,488	716,361	12,218,391	1,786,509	14,004,900
4,371,388	-	1,996,982	-1,996,982	-
956,436	58,062	469,986	430,014	900,000
-	-	-	-	-
(80,352)	-	231,189	(231,189)	-
\$ 966,606,216	\$ 153,515,580	\$ 618,651,075	\$ 433,074,146	\$ 1,051,725,221
2,991,755,848	257,829,031	2,077,107,756	1,338,305,186	3,415,412,942
\$ 3,958,362,065	\$ 411,344,611	\$ 2,695,758,831	\$ 1,771,379,332	\$ 4,467,138,163
\$ 3,838,353,124	\$ 345,905,763	\$ 2,631,083,775	\$ 1,714,902,998	\$ 4,345,986,773
\$ 120,008,941	\$ 65,438,848	\$ 64,675,056		\$ 121,151,390



**Joint Committee on Government and Finance**

**April 2019**

**Department of Health and Human Resources**

**MEDICAID WAIVER REPORT  
February 2019 Data**

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

Aged & Disabled Waiver Reported February 28, 2019		FY 2018	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	YTD 2019
<b>Slots Approved By CMS (1)</b>		5,752	6,192	6,192	6,192	6,192	6,192	6,192	6,192	6,192					6,192
-Slots Available for Traditional (non TMH-WV) enrollees		5,662	6,102	6,102	6,102	6,102	6,102	6,102	6,102	6,102					6,102
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		90	90	90	90	90	90	90	90	90					90
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		6,419	5,871	5,954	5,950	6,002	6,122	6,136	6,189	6,337					6,337
Applicants determined eligible this month and added to MEL (3)		1,401	93	99	94	96	127	128	103	82					822
Applicants determined ineligible		96	7	3	8	4	4	11	1	4					42
<b>ACTIVE MEMBERS</b>															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		5,661	5,852	5,878	5,813	5,810	5,845	5,814	5,791	5,867					5,867
<b>Active members enrolled during the calendar month</b>		1,264	274	120	24	103	118	31	79	151					900
-Total Active Traditional members enrolled during the calendar month		1,178	272	115	22	96	110	22	75	150					862
-Total Active TMH-WV members enrolled during the calendar month		86	2	5	2	7	8	9	4	1					38
Members discharged during the calendar month		952	83	94	89	106	83	62	98	75					690
ADW Members whose case was closed by reason		533	39	54	43	57	46	35	62	39					375
Other (4)		419	44	40	46	49	37	27	36	36					315
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
# Eligible applicants closed during the calendar month (removed from MEL)		2,134	22	21	37	195	39	18	350	73					755
ADW Applicants removed from the MEL	Applicant offered a slot (Traditional + MFP)	1,963	8	13	15	161	6	0	294	54					551
	Applicant became deceased	100	9	6	22	13	7	12	13	9					91
	Other (5)	71	5	2	0	21	26	6	43	10					113
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		1	5	8	2	4	3	1	0	0					3
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		7	18	29	1	15	33	33	0	0					16
Applicants on the MEL at the end of the month		30	101	179	236	137	225	335	88	97					97
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		156	33	63	90	71	65	94	99	111					78

- (1) Of the 6,192 slots approved by CMS, 90 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. When it is identified that slots cannot be used for MFP transitions, these slots are made available for traditional (non-MFP) enrollees.
- (2) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.
- (3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.
- (4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.
- (5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.
- (6) Reported in actual number of days on the MEL.
- NOTE:** All data reported by Utilization Management Contractor is effective as of the transpire date in the web-based system. Data is point-in-time.

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

Intellectual/Developmental Disabilities Waiver Reported Feb 28, 2019		FY 2018	Jul-19	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	YTD 2019
Slots approved by CMS		4,634	4,684	4,684	4,696	4,696	4,696	4,696	4,796	4,796					4,796
Traditional Slots approved by CMS		4,634	4,684	4,684	4,684	4,684	4,684	4,684	4,784	4,784					4,784
Ben H. Slots approved for Adults by CMS		0	0	0	6	6	6	6	6	6					6
Ben H. Slots approved for Children by CMS		0	0	0	6	6	6	6	6	6					6
Total number of members served YTD (unduplicated slots used) (1)		4,634	4,629	4,629	4,628	4,656	4,668	4,671	4,743	4,752					4,752
Total number of members served YTD in Traditional Slots		4,634	4,629	4,629	4,628	4,652	4,662	4,665	4,737	4,730					4,730
Total number of members served YTD in Adult Ben H. slots (unduplicated)		0	0	0	0	4	4	4	6	6					6
Total number of members served YTD in Children Ben H. slots (unduplicated)		0	0	0	0	0	0	0	0	1					1
Applicants determined eligible (2)		218	17	22	13	20	21	6	27	16					142
Applicants determined ineligible (3)		194	10	20	24	12	21	13	16	19					135
<b>ACTIVE MEMBERS</b>															
# of active members at the end of the month (unduplicated slots active) (1)		4,536	4,621	4,612	4,603	4,621	4,625	4,617	4,680	4,678					4,678
Discharged members who were discharged by reason	Discharged members at the end of the calendar month	106	10	12	11	10	9	12	11	14					89
	Deceased	52	4	2	4	4	8	4	3	3					32
	Left program to enter a facility	22	1	3	2	1	1	2	4	2					16
	a. Hospital	0	0	0	0	0	0	0	0	0					0
	b. ICF/IID	11	0	2	1	0	0	0	0	0					3
	c. Nursing Facility	11	1	1	1	1	1	2	4	2					13
	d. Psychiatric Facility	0	0	0	0	0	0	0	0	0					0
	e. Rehabilitation Facility	0	0	0	0	0	0	0	0	0					0
	f. Other Facility	0	0	0	0	0	0	0	0	0					0
	Other (6)	31	5	7	5	5	0	6	4	9					41
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
Total number of applicants on the MEL at the end of the month		1,343	1,256	1,274	1,283	1,271	1,275	1,272	1,220	1,212					1,212
Number of applicants added to the MEL (4)		218	17	22	13	20	21	6	27	16					142
Applicants enrolled (removed from the MEL)		139	95	3	2	28	13	4	74	12					231
Applicants removed from the MEL due to Death (5)		10	1	0	0	0	0	0	0	0					1
Applicants removed from the MEL due to Other (6)		43	8	1	2	4	4	5	5	12					41
Applicants on the MEL who are in a Nursing Facility (9)		2	5	3	6	3	4	3	5	3					3
Applicants on the MEL who are in an ICF/IID Group Home (9)		112	113	113	113	114	117	117	116	116					116
Applicants on the MEL receiving Personal Care Services each month (8) (9)		87	87	83	85	88	93	93	89	90					90
Longest on the MEL to date (7)		1634	1,624	1,635	1,663	1,582	1,607	1,638	1,589	1,590					1,590

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

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

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

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

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

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

(8) This number is very different from the previous two months. We are working on getting a more accurate report.

(9) The report has been changed to more accurately reflect the correct numbers, no data reported for November due to the reprogramming of the report parameters

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

Traumatic Brain Injury Waiver Reported February 28, 2019		FY 2018	Jul-8	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	YTD 2019
Slots Approved By CMS (1)		66	82	82	82	82	82	82	82	82					82
-Slots Available for Traditional (non TMH-WV) enrollees		56	78	78	78	78	78	78	78	78					78
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		10	4	4	4	4	4	4	4	4					4
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		84	73	76	78	82	81	81	81	81					81
Applicants determined eligible this month and/or added to MEL (3)		14	0	2*	3*	1*	1	2	2	1					6
Applicants determined ineligible		4	0	0	0	1	0	0	1	0					2
<b>ACTIVE MEMBERS</b>															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		71	73	76	76	79	78	77	77	77					77
Active members enrolled during the calendar month		24	2	3	2	4	0	0	0	0					11
-Total Active Traditional members enrolled during the calendar month		20	2	3	2	4	0	0	0	0					11
-Total Active TMH-WV members enrolled during the calendar month		4	0	0	0	0	0	0	0	0					0
Members discharged during the calendar month		14	0	0	2	1	1	1	0	0					5
TBIW Members whose case was closed by reason		6	0	0	0	0	0	0	0	0					0
Other (4)		8	0	0	2	1	1	1	0	0					5
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
# Eligible applicants closed during the calendar month (removed from MEL)		21	3	0	0	0	0	0	0	0					3
TBIW Applicants removed from the MEL	Applicant offered a slot	20	3	0	0	0	0	0	0	0					3
	Applicant became deceased	0	0	0	0	0	0	0	0	0					0
	Other (5)	2	0	0	0	0	0	0	0	0					0
Applicants on the MEL who are in a nursing facility		0	0	0	0	0	0	0	0	0					0
Applicants on the MEL receiving Personal Care		0	0	0	0	0	0	0	0	0					0
Applicants on the MEL at the end of the month		3	0	0	0	0	1	2	2	1					6
Days - Longest time spent on the MEL to date (6) YTD Column reflects average # of days		226	0	0	0	0	15	46	77	105					61

(1) Of the 82 slots approved by CMS, 4 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant for SFY 2018-2019. When there are no available Traditional slots medically eligible applicants that are Traditional will be placed on the MEL.

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

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported in actual number of days on the MEL.

NOTE: All data as reported by the Utilization Management Contractor is point-in-time

**\*There was not a MEL at this time, the number reflects applicants that were eligible and received a slot.**

Joint Committee on  
Government and Finance  
Report

*APRIL 2019*

Department of Health and Human Resources

State Children's Health Insurance Program  
UPDATE



**West Virginia Children's Health Insurance Program**  
**Comparative Statement of Revenues, Expenditures, Changes in Fund Balance, and Budget-to-Actual**  
**For the Seven Months Ending January 2019 and January 2018**

	Annual Budget 2019	Budget Year-to-Date	Actual January 31, 2019	Actual January 31, 2018	Actual Variance \$	%	Budget Variance \$	%
<b>Beginning Operating Fund Balance</b>			<b>\$5,541,320</b>	<b>\$6,049,877</b>	<b>(\$508,557)</b>	<b>-8%</b>		
<b>Revenues</b>								
Federal Grants			\$28,540,228	\$27,731,448	\$808,780	3%		
State Appropriations			\$0	\$0	\$0	0%		
Premium Revenues	\$1,525,752	\$890,022	\$890,891	\$838,121	\$52,770	6%	\$869	0%
Investment Earnings (Interest)			\$71,933	\$43,199	\$28,734	67%		
<b>Total Operating Fund Revenues</b>			<b>\$29,503,052</b>	<b>\$28,612,768</b>	<b>\$890,284</b>	<b>3%</b>		
<b>Expenditures:</b>								
<b>Claims:</b>								
Physicians & Surgical			\$8,058,008	\$7,305,417	\$752,591	10%		
Prescribed Drugs			\$4,940,446	\$5,402,990	(\$462,544)	-9%		
Outpatient Services			\$4,469,425	\$4,128,189	\$341,236	8%		
Dental			\$4,391,638	\$3,662,164	\$729,474	20%		
Inpatient Hospital Services			\$2,075,554	\$1,875,452	\$200,102	11%		
Other Services			\$1,659,703	\$1,197,656	\$462,047	39%		
Therapy			\$1,136,982	\$1,187,632	(\$50,650)	-4%		
Inpatient Mental Health			\$354,853	\$428,807	(\$73,954)	-17%		
Vision			\$422,461	\$387,639	\$34,822	9%		
Durable & Disposable Med. Equip.			\$256,064	\$220,713	\$35,351	16%		
Medical Transportation			\$262,322	\$241,028	\$21,294	9%		
Outpatient Mental Health			\$216,203	\$274,834	(\$58,631)	-21%		
Less: Other Collections**			(\$116,746)	(\$15,700)	(\$101,046)	644%		
Drug Rebates	(\$1,440,966)	(\$840,564)	(\$1,299,749)	(\$1,031,828)	(\$267,921)	26%	\$575,932	-69%
<b>Total Claims</b>	<b>\$48,725,446</b>	<b>\$28,423,177</b>	<b>\$26,827,164</b>	<b>\$25,264,993</b>	<b>\$1,562,171</b>	<b>6%</b>	<b>(\$1,596,013)</b>	<b>-6%</b>
<b>General and Admin Expenses:</b>								
Salaries and Benefits			\$0	\$0	\$0	#DIV/0!		
Program Administration	\$2,822,417	\$1,646,410	\$1,066,475	\$1,910,048	(\$843,573)	-44%	(\$579,935)	-35%
Eligibility			\$1,485	\$7,564	(\$6,079)	100%		
Outreach & Health Promotion	\$100,000	\$58,333	\$320	\$10,190	(\$9,870)	-97%	(\$58,013)	-99%
Current	\$326,676	\$190,561	\$49,171	\$25,713	\$23,458	91%	(\$141,390)	-74%
<b>Total Administrative</b>	<b>\$3,249,093</b>	<b>\$1,895,304</b>	<b>\$1,117,451</b>	<b>\$1,953,515</b>	<b>(\$836,064)</b>	<b>-43%</b>	<b>(\$777,853)</b>	<b>-41%</b>
<b>Total Operating Fund Expenditures</b>	<b>\$51,974,539</b>	<b>\$30,318,481</b>	<b>\$27,944,615</b>	<b>\$27,218,508</b>	<b>\$726,107</b>	<b>3%</b>	<b>(\$2,373,866)</b>	<b>-8%</b>
<b>Adjustments</b>			<b>(\$87,955)</b>	<b>(\$28,826)</b>				
<b>Ending Operating Fund Balance</b>			<b>\$7,187,712</b>	<b>\$7,472,963</b>	<b>(\$285,251)</b>	<b>-4%</b>		
Money Market			\$1,048,279	\$1,026,399	\$21,880	2%		
Bond Pool			\$4,435,051	\$4,334,402	\$100,649	2%		
Cash on Deposit			\$1,704,382	\$2,112,162	(\$407,780)	-19%		
<b>Unrealized Gain/Loss on Investment</b>			<b>\$23,511</b>	<b>\$16,984</b>	<b>\$6,527</b>	<b>38%</b>		
<b>Ending Fund Balance (Accrued Basis)</b>			<b>\$7,211,223</b>	<b>\$7,489,947</b>	<b>(\$278,724)</b>	<b>-4%</b>		
<b>Program Expenses outside of Operating Funds:</b>								
Salaries and Benefits	\$702,625	\$409,865	\$327,175	\$330,537	(\$3,362)	-1%	(\$82,690)	-20%
Eligibility	\$326,666	\$190,555	\$3,270	\$289,082	(\$285,811)	-99%	(\$185,800)	-98%
<b>Total WVCHIP Expenditures</b>	<b>\$53,003,830</b>	<b>\$30,918,901</b>	<b>\$28,275,060</b>	<b>\$27,838,127</b>	<b>\$436,934</b>	<b>2%</b>	<b>(\$2,643,840)</b>	<b>-9%</b>

**Footnotes:**

- 1) Statement is on cash basis
- 2) Estimate of Incurred but Not Reported (IBNR) claims on January 31, 2019 is \$4,790,000. The January 31, 2018 estimate was \$4,816,937.
- 3) Administrative Accounts Payable balance on January 31, 2019 is \$493,734. The January 31, 2018 balance is \$492,319.
- 4) 2018 and 2017 adjustments to fund balance represent timing issues between the payment of expense and the draw-down of federal revenues.
- 5) Revenues are primarily federal funds. During State Fiscal Years 2019 and 2018 WVCHIP's Federal Matching Assistance Percentage (FMAP) was 100%.
- 6) Other Collections are primarily provider refunds and subrogations (amounts received from other insurers responsible for bill WVCHIP paid - primarily auto).
- 7) Physician & Surgical services include physicians, clinics, lab, Federally Qualified Health Centers (FQHC), and vaccine payments.
- 8) Other Services include home health, chiropractors, psychologists, podiatrists, and nurse practitioners.

**Unaudited - For Management Purposes Only**



# WVCHIP Enrollment Report

ATTACHMENT 1

March 2019

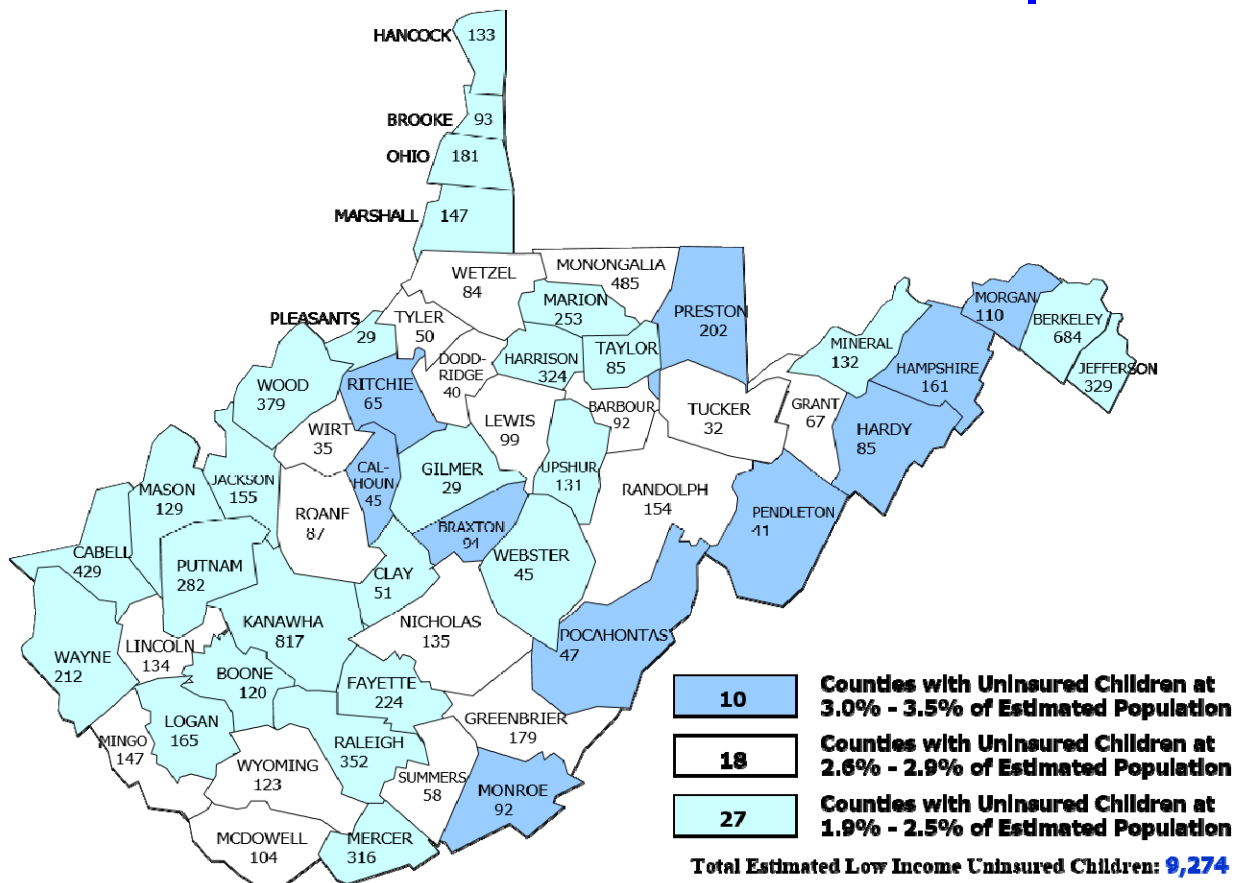
<u>County</u>	<u>County Pop.</u> <u>2016 Est.</u> <u>(0-18 Yrs)</u>	<u>Total CHIP</u> <u>Enrollment</u> <u>Mar-19</u>	<u>Total Medicaid</u> <u>Enrollment</u> <u>Mar-19</u>	<u>Total</u> <u>CHIP/Medicaid</u> <u>Enrollment</u>	<u>CHIP/Medicaid</u> <u>Enrollment</u> <u>% of Population</u>	2016 Est. Uninsured 3%	2016 # Children Uninsured Ranking*
Barbour	3,470	249	1,638	1,887	54.4%	104	33
Berkeley	27,800	1,822	11,592	13,414	48.3%	834	2
Boone	5,087	252	2,920	3,172	62.4%	153	27
Braxton	2,947	150	1,426	1,576	53.5%	88	39
Brooke	4,185	1	119	120	2.9%	126	31
Cabell	19,601	855	8,712	9,567	48.8%	588	3
Calhoun	1,427	104	703	807	56.6%	43	51
Clay	2,041	146	1,170	1,316	64.5%	61	44
Doddridge	1,479	87	680	767	51.9%	44	49
Fayette	9,297	672	4,948	5,620	60.4%	279	12
Gilmer	1,212	83	573	656	54.1%	36	54
Grant	2,343	120	1,112	1,232	52.6%	70	42
Greenbrier	7,018	588	3,495	4,083	58.2%	211	16
Hampshire	4,619	269	2,179	2,448	53.0%	139	30
Hancock	5,876	525	4,033	4,558	77.6%	176	20
Hardy	2,847	238	1,527	1,765	62.0%	85	40
Harrison	15,199	895	6,103	6,998	46.0%	456	7
Jackson	6,506	327	2,799	3,126	48.0%	195	18
Jefferson	13,304	696	3,807	4,503	33.8%	399	9
Kanawha	38,824	2,033	18,646	20,679	53.3%	1,165	1
Lewis	3,432	251	1,774	2,025	59.0%	103	35
Lincoln	4,849	271	2,880	3,151	65.0%	145	28
Logan	7,095	381	4,208	4,589	64.7%	213	15
Marion	11,654	663	5,168	5,831	50.0%	350	11
Marshall	6,478	305	2,575	2,880	44.5%	194	19
Mason	5,798	239	2,805	3,044	52.5%	174	21
McDowell	3,994	192	2,880	3,072	76.9%	120	32
Mercer	12,774	813	7,769	8,582	67.2%	383	10
Mineral	5,626	273	2,207	2,480	44.1%	169	23
Mingo	5,632	253	3,564	3,817	67.8%	169	22
Monongalia	17,905	920	5,249	6,169	34.5%	537	5
Monroe	2,781	238	1,116	1,354	48.7%	83	41
Morgan	3,367	277	1,408	1,685	50.0%	101	36
Nicholas	5,271	356	2,789	3,145	59.7%	158	25
Ohio	8,365	372	3,556	3,928	47.0%	251	14
Pendleton	1,269	96	561	657	51.8%	38	52
Pleasants	1,473	83	612	695	47.2%	44	50
Pocahontas	1,517	124	744	868	57.2%	46	48
Preston	6,658	384	2,934	3,318	49.8%	200	17
Putnam	13,446	658	4,343	5,001	37.2%	403	8
Raleigh	16,494	1,002	8,666	9,668	58.6%	495	6
Randolph	5,586	424	2,727	3,151	56.4%	168	24
Ritchie	2,034	115	1,033	1,148	56.4%	61	45
Roane	3,116	266	1,582	1,848	59.3%	93	38
Summers	2,225	168	1,382	1,550	69.7%	67	43
Taylor	3,449	193	1,536	1,729	50.1%	103	34
Tucker	1,199	100	517	617	51.5%	36	55
Tyler	1,848	84	709	793	42.9%	55	46

# WVCHIP Enrollment Report

ATTACHMENT 1

March 2019

County	County Pop. 2016 Est. (0-18 Yrs)	Total CHIP Enrollment Mar-19	Total Medicaid Enrollment Mar-19	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2016 Est. Uninsured 3%	2016 # Children Uninsured Ranking*
Upshur	5,197	334	2,816	3,150	60.6%	156	26
Wayne	8,809	424	4,673	5,097	57.9%	264	13
Webster	1,787	96	1,229	1,325	74.1%	54	47
Wetzel	3,255	167	1,764	1,931	59.3%	98	37
Wirt	1,245	74	673	747	60.0%	37	53
Wood	18,641	1,031	8,684	9,715	52.1%	559	4
Wyoming	4,707	278	2,434	2,712	57.6%	141	29
<b>Totals</b>	<b>384,058</b>	<b>22,017</b>	<b>177,749</b>		<b>0.0%</b>	<b>11,522</b>	



The above map shows the most recent 2016 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county to county depending on the availability of employer sponsored insurance and should be a more accurate way to target outreach than in previous years.

# **WEST VIRGINIA INVESTMENT MANAGEMENT BOARD**

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Participant Plan Performance Report

February 28, 2019



# Participant Plans Allocation & Performance Net of Fees

Period Ending: February 28, 2019

	6/30/2018		2/28/2019		Performance %							
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	20 Year
<b>WVIMB Fund Assets</b>	<b>19,506,228</b>	<b>100.0</b>	<b>19,285,983</b>	<b>100.0</b>								
<b>Pension Assets</b>	<b>15,795,451</b>	<b>81.0</b>	<b>15,552,332</b>	<b>80.6</b>								
Public Employees' Retirement System	6,718,698	34.5	6,663,967	34.6	1.4	2.7	1.3	2.0	11.3	7.1	11.7	6.8
Teachers' Retirement System	7,691,788	39.5	7,511,755	38.8	1.4	2.7	1.3	2.0	11.2	7.0	11.5	6.6
EMS Retirement System	78,921	0.4	80,525	0.4	1.4	2.7	1.3	2.0	11.2	7.1	11.6	
Public Safety Retirement System	682,799	3.5	660,010	3.4	1.4	2.6	1.2	2.0	11.2	7.1	11.7	6.8
Judges' Retirement System	204,484	1.0	204,359	1.1	1.4	2.7	1.3	2.0	11.3	7.1	11.7	6.7
State Police Retirement System	188,912	1.0	195,879	1.0	1.4	2.7	1.3	2.0	11.3	7.1	11.7	6.7
Deputy Sheriffs' Retirement System	219,368	1.1	222,195	1.2	1.4	2.7	1.3	2.0	11.3	7.1	11.7	6.7
Municipal Police & Firefighter Retirement System	7,843	0.0	9,703	0.1	1.4	2.9	1.4	2.1	11.0	6.9		
Municipal Model A	1,514	0.0	2,804	0.0	1.4	2.7	1.7	2.4	11.4	7.1		
Municipal Model C	1,124	0.0	1,135	0.0	1.3	2.9	1.2	0.8				
<b>Insurance Assets</b>	<b>2,785,522</b>	<b>14.3</b>	<b>2,788,340</b>	<b>14.5</b>								
Workers' Compensation Old Fund	1,185,505	6.0	1,111,005	5.7	0.9	2.8	1.2	0.4	6.7	4.0	7.3	
Workers' Comp. Self-Insured Guaranty Risk Pool	33,908	0.2	33,715	0.2	1.0	2.7	1.0	0.4	6.7	4.0	4.2	
Workers' Comp. Self-Insured Security Risk Pool	53,204	0.3	51,594	0.3	1.0	2.7	1.0	0.4	6.7	4.0		
Workers' Comp. Uninsured Employers' Fund	12,881	0.1	13,071	0.1	0.9	2.6	0.9	0.3	6.5	3.8	4.0	
Pneumoconiosis	245,797	1.3	236,714	1.2	1.0	2.7	1.0	0.4	6.6	3.9	7.4	5.6
Board of Risk & Insurance Management	151,588	0.8	153,215	0.8	1.0	2.7	1.1	0.4	6.6	3.9	7.5	
Public Employees' Insurance Agency	198,826	1.0	231,817	1.2	0.8	2.9	1.2	0.8	6.5	3.9	7.3	
WV Retiree Health Benefit Trust Fund	903,813	4.6	957,209	5.0	1.4	2.7	1.4	2.1	11.3	7.1	9.9	
<b>Endowment Assets</b>	<b>925,255</b>	<b>4.7</b>	<b>945,311</b>	<b>4.9</b>								
Berkeley County Development Authority	7,742	0.0	7,841	0.0	1.4	2.7	1.3	2.0	11.3			
Wildlife Fund	63,823	0.3	62,951	0.3	1.4	2.7	1.4	2.1	11.3	7.1	11.7	7.2
Prepaid Tuition Trust	42,256	0.2	33,224	0.2	0.1	2.7	2.7	1.6	8.7	5.6	10.8	
Revenue Shortfall Reserve Fund	167,666	0.9	188,674	1.0	0.1	2.6	1.6	2.1	2.7	2.1	6.3	
Revenue Shortfall Reserve Fund - Part B	438,711	2.3	446,139	2.4	0.6	3.1	1.7	1.1	6.5	3.9	8.2	
WV DEP Trust	9,658	0.0	8,952	0.0	1.7	3.0	0.2	(1.6)	10.2	5.7		
WV DEP Agency	195,399	1.0	197,530	1.0	1.2	3.0	1.1	(0.1)	7.9	4.6		

# Composite Asset Allocation & Performance Net of Fees

Period Ending: February 28, 2019

	Asset (\$000)	%	Performance %								
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	20 Year	
Investment Pools Composite	19,291,990	100.00									
Total Equity Composite											
+/- Total Equity Base Index (b)	9,370,654	48.57	2.22 (0.50)	3.52 0.38	(0.42) (0.48)	(3.40) (2.38)	13.54 0.21	6.91 0.32	14.43 0.89	7.12 0.98	
Domestic Equity Composite											
+/- Russell 3000 Index	4,598,505	23.83	3.75 0.23	2.53 0.59	2.00 (1.19)	3.51 (1.54)	14.83 (0.70)	9.70 (0.45)	16.71 (0.10)	7.63 1.03	
International Equity Composite											
+/- MSCI AC World ex US IMI Index (c)	4,772,149	24.74	0.78 (1.21)	4.43 (0.25)	(2.78) (0.02)	(9.68) (3.08)	12.18 1.05	4.02 0.96	11.92 1.70	7.28 1.99	
Fixed Income Composite											
+/- Bloomberg Barclays Capital Universal (d)	3,094,919	16.04	0.13 0.02	3.39 0.31	3.12 0.17	2.49 (0.70)	4.29 1.84	3.18 0.57	6.12 1.79	5.30 0.44	
Core Fixed Income Composite											
+/- Bloomberg Barclays Capital Aggregate	927,612	4.81	0.06 0.12	2.80 (0.06)	2.88 0.20	3.45 0.28	2.03 0.34	2.68 0.36	4.24 0.53		
Total Return Fixed Income Composite (k)											
+/- Bloomberg Barclays Capital Universal	2,167,307	11.23	0.16 0.05	3.65 0.57	3.22 0.27	2.08 (1.11)	5.28 2.83	3.38 0.77	6.62 2.29	5.79 0.85	
TIPS Composite											
+/- Bloomberg Barclays Capital U.S. TIPS	385,085	2.00	(0.01) 0.00	1.90 0.01	0.13 0.05	2.00 0.09	1.72 0.04	1.47 0.00			
Cash Composite											
+/- Citigroup 90 Day T-Bill (e)	125,456	0.65	0.18 (0.01)	0.57 (0.02)	1.42 (0.04)	1.99 (0.05)	1.12 0.01	0.72 0.04	0.44 (0.03)	1.97 (0.02)	
Private Equity Composite											
+/- Russell 3000 + 3% (f, g)	1,713,214	8.88	0.64	0.82	5.85	22.58	18.56	15.73 2.58	14.59 (5.82)		
Real Estate Composite											
+/- NCREIF + 1% (f)	1,849,885	9.59	0.47	1.81	3.42	9.21	9.22	9.76 (0.65)	9.18 1.05		
Hedge Fund Composite											
+/- HFRI FOF + 1% (h)	2,201,930	11.41	0.96 (0.24)	1.40 (0.83)	(0.02) 0.51	1.15 1.38	4.38 (0.50)	2.89 0.00	5.63 1.94		
Opportunistic Income Composite											
+/- CS Leveraged Loan + 2.5%	550,847	2.86	0.13 (1.64)	0.30 (1.84)	2.73 (1.58)	6.36 0.08	4.43 (4.90)				

# Participant Plans Allocation vs. Strategy

Period Ending: February 28, 2019

## Pension Assets

	Equity		Fixed Income		Private Equity		Real Estate		Hedge Funds		Opportunistic Income		Cash	
	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %
Public Employees' Retirement System	52.0	55.0	12.0	15.0	10.3	10.0	11.2	10.0	11.0	10.0	3.3	0.0	0.2	0.0
Teachers' Retirement System	52.1	55.0	11.8	15.0	10.4	10.0	11.2	10.0	11.0	10.0	3.3	0.0	0.2	0.0
EMS Retirement System	51.8	55.0	12.9	15.0	10.2	10.0	11.0	10.0	10.6	10.0	3.3	0.0	0.2	0.0
Public Safety Retirement System	52.3	55.0	11.7	15.0	10.4	10.0	11.3	10.0	10.8	10.0	3.4	0.0	0.1	0.0
Judges' Retirement System	52.0	55.0	12.3	15.0	10.3	10.0	11.1	10.0	10.9	10.0	3.3	0.0	0.1	0.0
State Police Retirement System	51.7	55.0	13.2	15.0	10.1	10.0	10.9	10.0	10.4	10.0	3.2	0.0	0.5	0.0
Deputy Sheriffs' Retirement System	51.9	55.0	12.7	15.0	10.2	10.0	11.0	10.0	10.7	10.0	3.3	0.0	0.2	0.0
Municipal Police & Firefighter Retirement System	51.4	55.0	14.0	15.0	9.4	10.0	10.1	10.0	9.4	10.0	3.0	0.0	2.7	0.0
Municipal Model A	52.7	55.0	12.5	15.0	10.1	10.0	10.9	10.0	10.1	10.0	3.3	0.0	0.4	0.0
Municipal Model C	49.1	50.0	27.0	30.0	5.0	5.0	5.4	5.0	10.0	10.0	1.6	0.0	1.9	0.0

## Insurance Assets

Workers' Compensation Old Fund	31.2	30.0	48.1	50.0	0.0	0.0	0.0	0.0	17.2	15.0	0.0	0.0	3.5	5.0
Workers' Comp. Self-Insured Guaranty Risk Pool	31.0	30.0	42.5	45.0	0.0	0.0	0.0	0.0	22.2	20.0	0.0	0.0	4.3	5.0
Workers' Comp. Self-Insured Security Risk Pool	31.2	30.0	42.1	45.0	0.0	0.0	0.0	0.0	22.8	20.0	0.0	0.0	3.9	5.0
Workers' Comp. Uninsured Employers Fund	30.7	30.0	37.8	40.0	0.0	0.0	0.0	0.0	21.6	20.0	0.0	0.0	9.9	10.0
Pneumoconiosis	31.2	30.0	41.9	45.0	0.0	0.0	0.0	0.0	22.9	20.0	0.0	0.0	4.0	5.0
Board of Risk & Insurance Mgmt.	30.9	30.0	42.6	45.0	0.0	0.0	0.0	0.0	21.7	20.0	0.0	0.0	4.8	5.0
Public Employees' Insurance Agency	24.2	25.0	50.3	55.0	0.0	0.0	0.0	0.0	18.9	20.0	0.0	0.0	6.6	0.0
WV Retiree Health Benefit Trust Fund	51.5	55.0	13.0	15.0	9.9	10.0	10.7	10.0	10.2	10.0	3.2	0.0	1.5	0.0

## Endowment Assets

Berkeley County Development Authority	52.0	55.0	12.8	15.0	10.2	10.0	11.0	10.0	10.7	10.0	3.3	0.0	0.0	0.0
Wildlife Fund	52.1	55.0	13.1	15.0	10.0	10.0	10.8	10.0	10.6	10.0	3.2	0.0	0.2	0.0
Prepaid Tuition Trust	0.0	0.0	80.2	80.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.8	20.0
Revenue Shortfall Reserve Fund	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Shortfall Reserve Fund - Part B	23.2	22.5	76.8	77.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WV DEP Trust	65.6	65.0	12.4	15.0	0.0	0.0	0.0	0.0	22.0	20.0	0.0	0.0	0.0	0.0
WV DEP Agency	40.9	40.0	37.4	40.0	0.0	0.0	0.0	0.0	21.7	20.0	0.0	0.0	0.0	0.0

- (a) As of January 2019, the PERS Base is 60% MSCI ACWI Gross and 40% Bloomberg Barclays Capital Universal. From January 2014 to December 2018, the PERS Base was 30% Russell 3000, 30% MSCI ACWI ex USA (IMI), and 40% Bloomberg Barclays Capital Universal. From April 2008 to December 2013, the PERS Base was 30% Russell 3000, 30% MSCI ACWI ex USA (Standard), and 40% Bloomberg Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACWI ex USA, and 40% Bloomberg Barclays Capital Aggregate.
- (b) As of January 2019, the Total Equity Base Index is 100% MSCI ACWI Gross. From January 2014 to December 2018, the Total Equity Base Index was 50% Russell 3000 and 50% MSCI ACWI ex USA (IMI). From April 2008 to December 2013, the Total Equity Base Index was 50% Russell 3000 and 50% MSCI ACWI ex USA (Standard). Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCI ACWI ex USA.
- (c) Prior to January 2014, the index was the MSCI ACW ex USA (Standard).
- (d) Prior to April 2008, the index was Bloomberg Barclays Capital Aggregate.
- (e) Prior to January 2014, the index was Citigroup 90 Day T-Bill plus 15 basis points.
- (f) The Private Equity Composite and Real Estate Composite are long-term programs whose benchmarks are only reported for 5 years and beyond.
- (g) Prior to January 2014, the index was S&P 500 plus 500 basis points.
- (h) Prior to January 2014, the index was Libor plus 400 basis points.
- (i) Franklin Benchmark is 50% JPM EMBI Global Diversified and 50% JPM GBI EM Diversified.
- (j) Prior to April 2008, the index was a custom index.
- (k) From October 2015 to March 2017, performance returns from the Opportunistic Income Pool were included in the Total Return Fixed Income Composite.

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



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WEST VIRGINIA OFFICES OF THE INSURANCE COMMISSIONER

**Status Report:**  
**Workers' Compensation**  
*Joint Committee on Government & Finance*

**APRIL 2019**

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## Introduction

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

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

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

## Definitions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

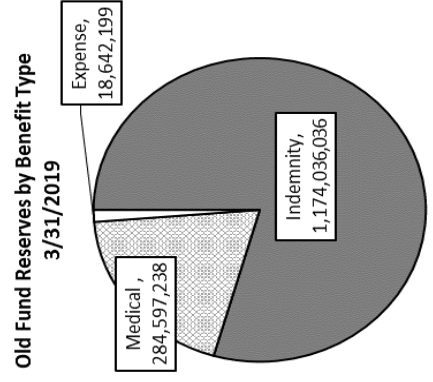
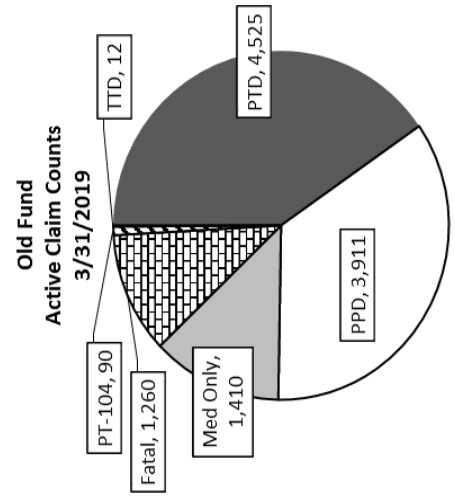
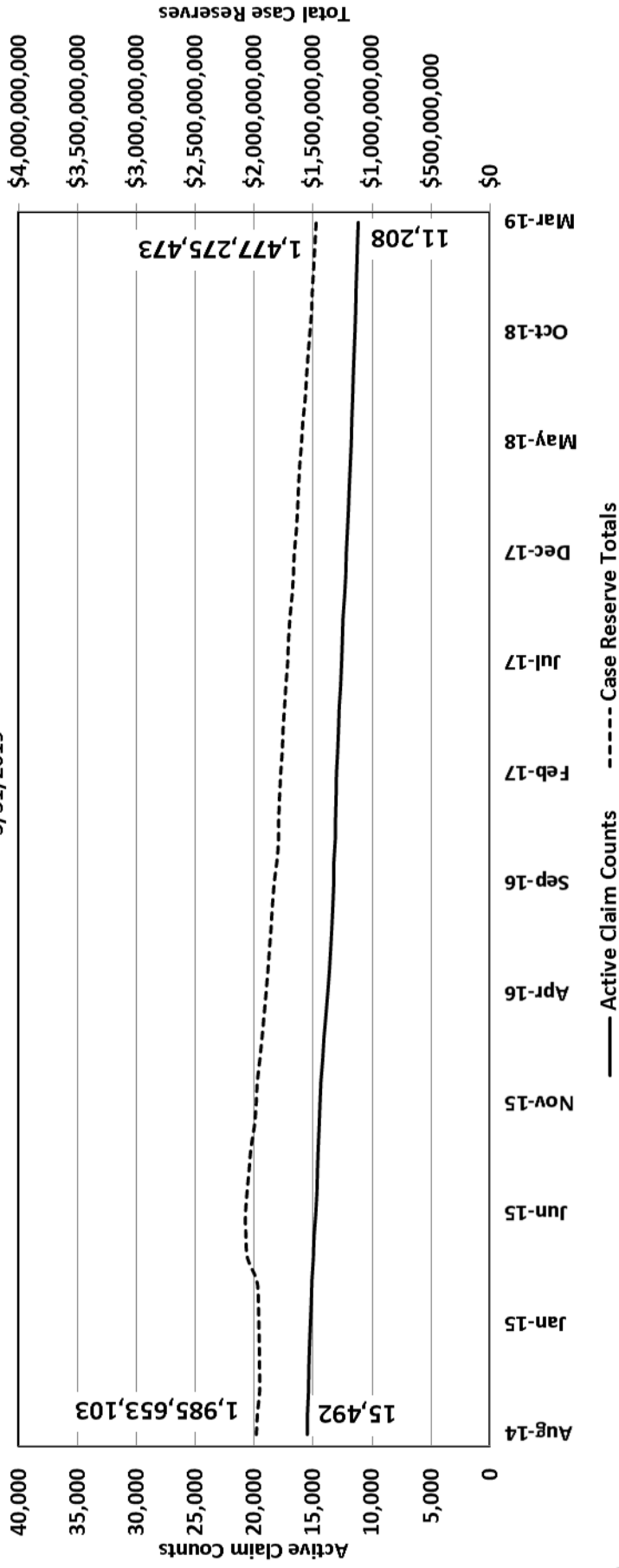
**Self-Insured Security Fund:** State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or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

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

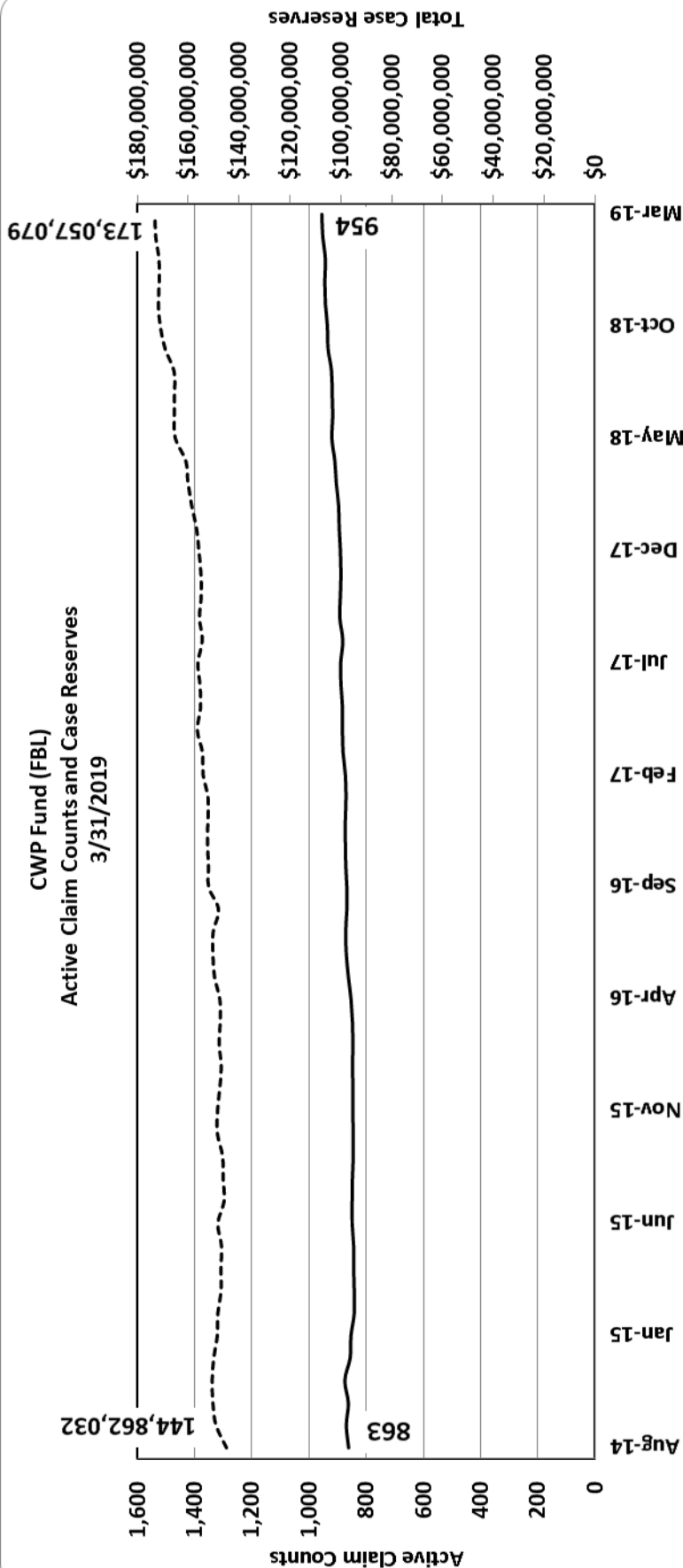
**TTD:** (Temporary Total Disability) an inability to return to substantial gainful employment requiring skills or activities comparable to those of one's previous gainful employment during the healing or recovery period after the injury. In order to receive TTD benefits, the injured worker must be certified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

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

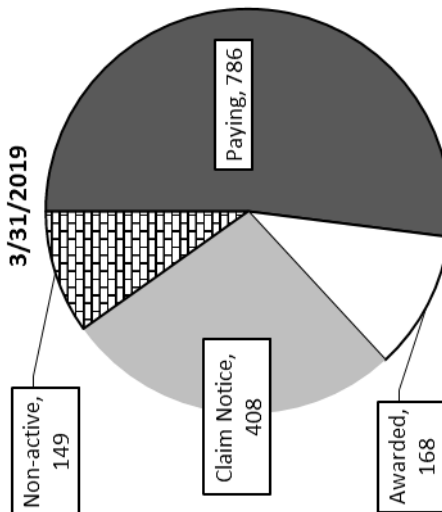
# Old Fund Active Claim Counts and Case Reserves 3/31/2019



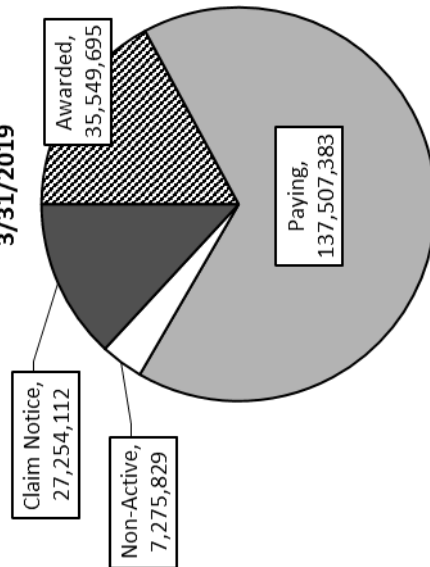
# CWP Fund (FBL) Active Claim Counts and Case Reserves 3/31/2019



## CWP Fund (FBL) Active and Inactive Claims 3/31/2019

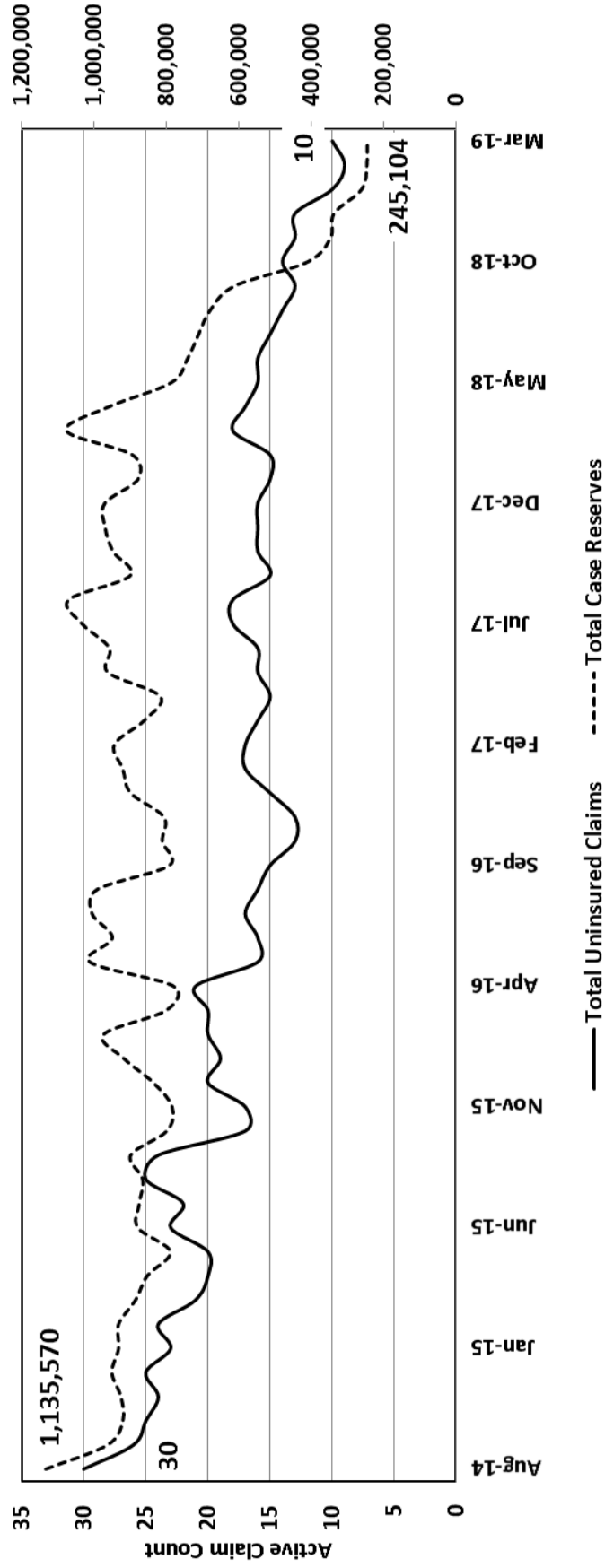


## CWP Fund Reserves by Benefit Type 3/31/2019

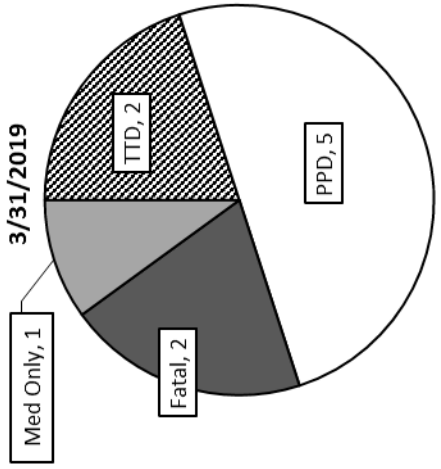




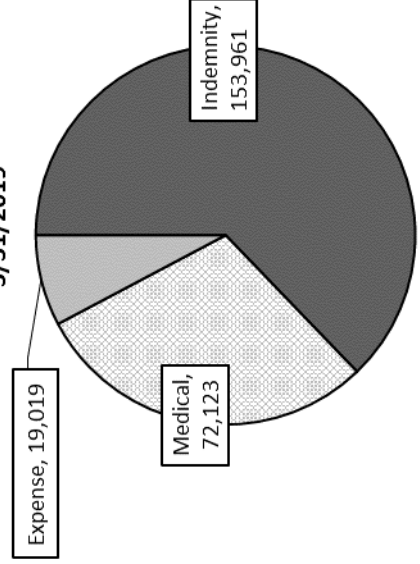
# Uninsured Fund Active Claim Counts and Case Reserves 3/31/2019



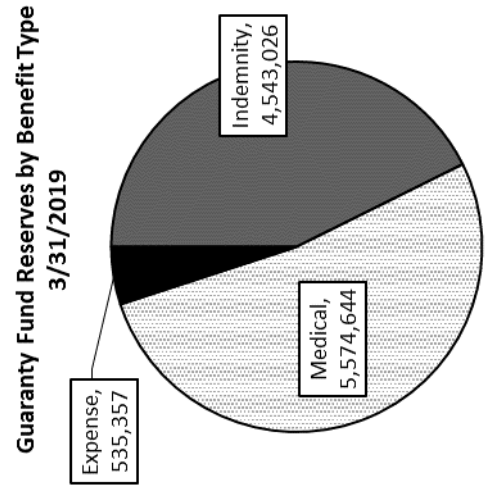
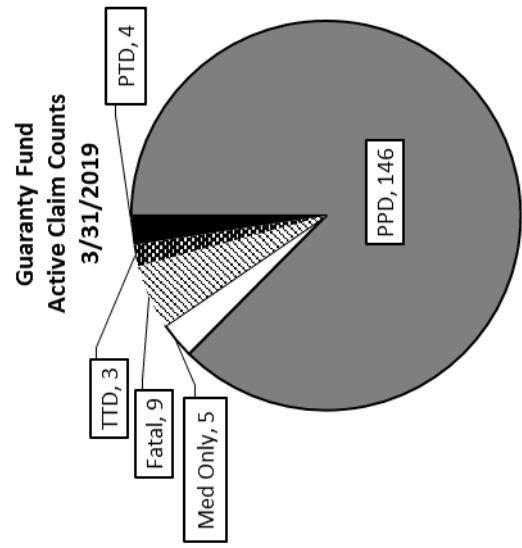
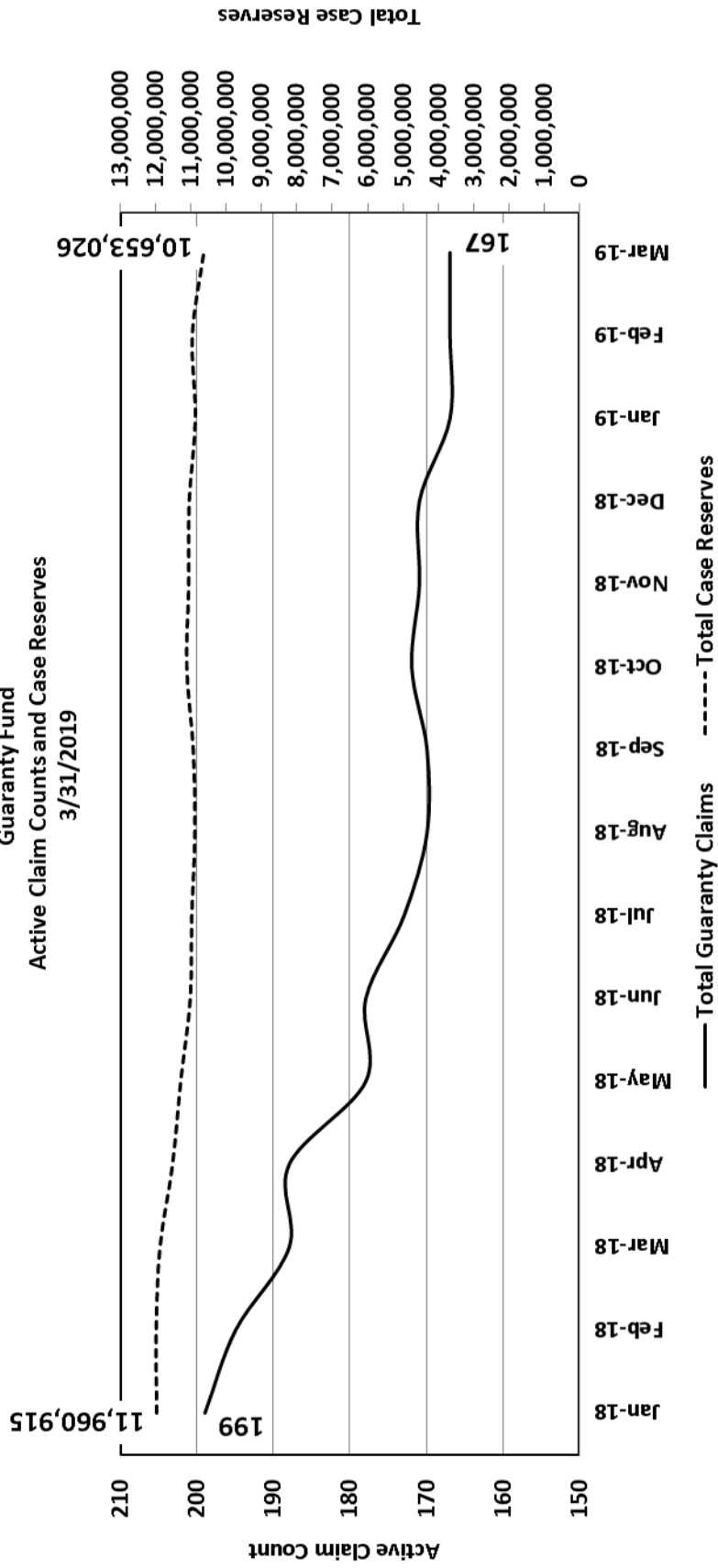
## Uninsured Fund Active Claim Counts 3/31/2019



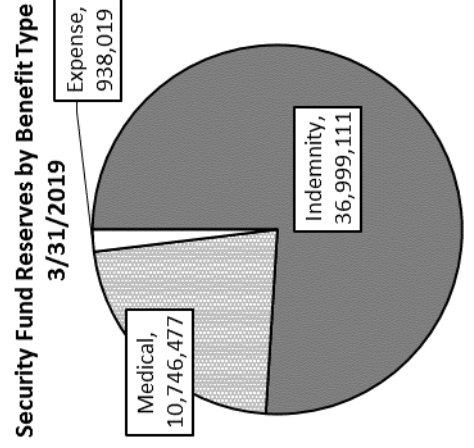
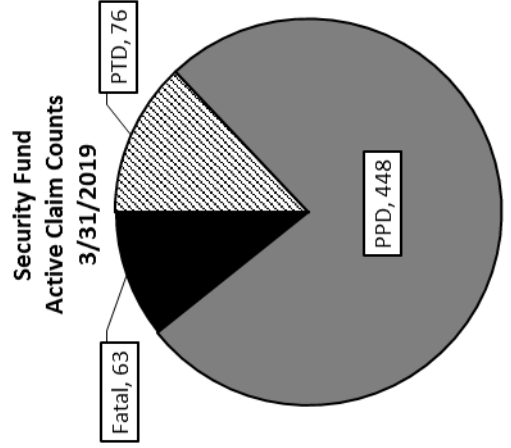
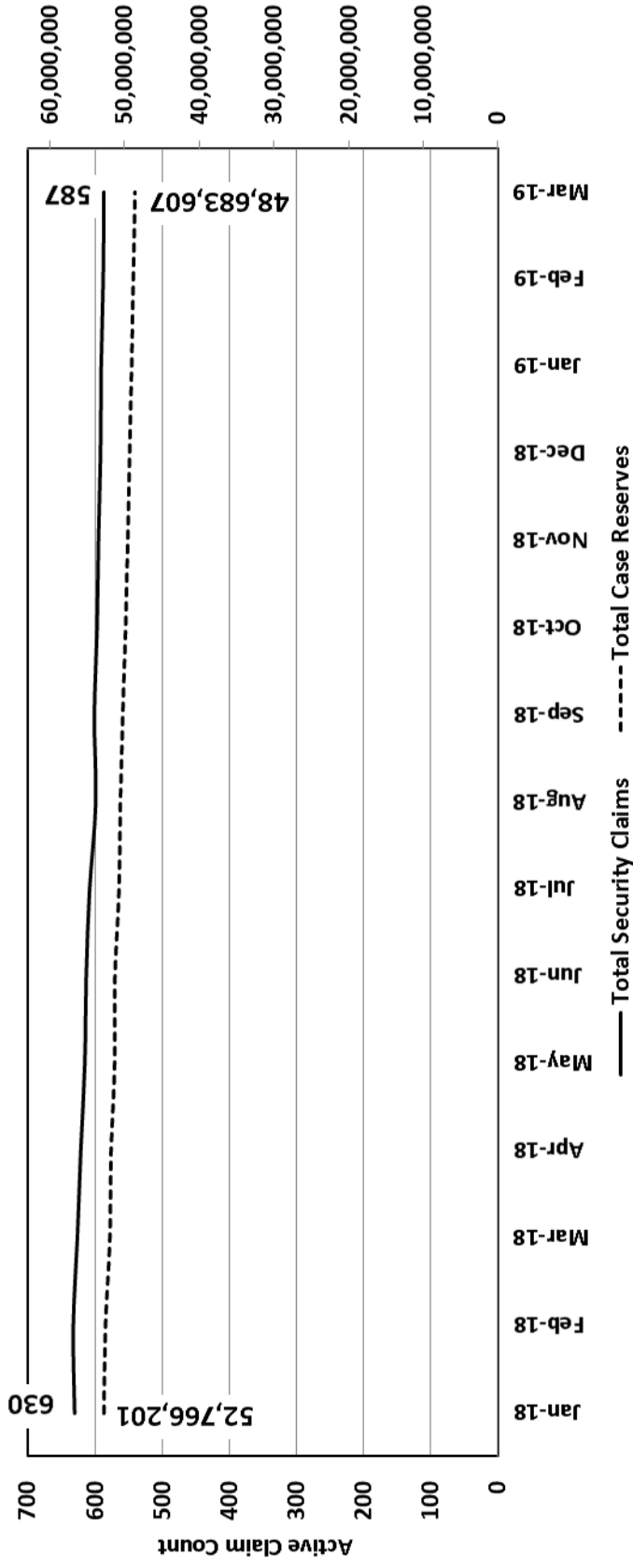
## Uninsured Fund Reserves by Benefit Type 3/31/2019



Guaranty Fund  
Active Claim Counts and Case Reserves  
3/31/2019



# Security Fund Active Claim Counts and Case Reserves 3/31/2019



# OLD FUND CASH STATEMENT

March 31, 2019

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
<b>Cash Beginning Balances</b>	<b>1,190,163,510</b>	<b>1,263,372,448</b>	<b>(73,208,938)</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>	<b>1,311,653,269</b>
<b>Revenues</b>						
Personal Income Tax	-	-	-	-	-	42,400,000
Severance Tax	812,164	-	812,164	-	13,887,551	73,068,796
Debt Reduction Surcharge	4,078,894	5,082,251	(1,003,356)	6,668,291	12,336,645	25,211,458
Self-Insured Debt Reduction Surcharge	1,628,881	1,544,113	84,769	2,130,127	4,346,111	6,209,330
Video Lottery	-	1,765,145	(1,765,145)	2,750,000	5,500,000	6,734,934
Employer Premium	60,340	192,954	(132,613)	513,387	62,806	111,955
Other Income - Return of Unclaimed Property	-	271,283	(271,283)	273,871	354,423	184,888
<b>Operating Revenues</b>	<b>6,580,280</b>	<b>8,855,745</b>	<b>(2,275,465)</b>	<b>12,335,675</b>	<b>36,487,535</b>	<b>153,921,361</b>
Investment / Interest Earnings (Losses)	7,281,702	71,472,282	(64,190,580)	67,551,779	112,116,554	(5,981,504)
<b>Total Revenues</b>	<b>13,861,982</b>	<b>80,328,027</b>	<b>(66,466,046)</b>	<b>79,887,454</b>	<b>148,604,089</b>	<b>147,939,857</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	16,282,868	19,507,831	(3,224,963)	25,531,399	27,437,375	26,890,541
Permanent Total Disability	61,413,796	65,640,122	(4,226,326)	86,779,468	92,140,733	98,784,921
Permanent Partial Disability	111,600	214,504	(102,904)	301,824	336,015	232,699
Temporary Disability	49,001	5,180	43,822	18,268	-	8,554
Fatals	15,366,866	16,362,227	(995,362)	21,608,332	22,990,499	24,098,586
104 weeks death benefit	3,344,898	3,955,327	(610,429)	5,182,930	5,825,439	6,990,581
Settlements	2,855,522	5,659,872	(2,804,350)	7,058,622	11,716,131	12,718,425
Loss Adjustment Expenses	1,042,436	1,032,266	10,170	1,324,887	1,446,808	1,970,779
Total	100,466,988	112,377,329	(11,910,341)	147,805,732	161,893,000	171,695,087
Less: Claims credits and overpayments	2,177,133	2,552,379	(375,246)	2,877,784	5,080,389	3,044,395
Total Benefits Paid	98,289,855	109,824,950	(11,535,095)	144,927,948	156,812,611	168,650,692
Administrative Expenses	4,626,425	5,553,940	(927,515)	8,168,444	9,066,663	10,294,801
<b>Total Expenditures</b>	<b>102,916,281</b>	<b>115,378,890</b>	<b>(12,462,609)</b>	<b>153,096,392</b>	<b>165,879,274</b>	<b>178,945,493</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(89,054,299)</b>	<b>(35,050,862)</b>	<b>(54,003,437)</b>	<b>(73,208,938)</b>	<b>(17,275,184)</b>	<b>(31,005,636)</b>
<b>Cash Ending Balances</b>	<b>1,101,109,210</b>	<b>1,228,321,585</b>	<b>(127,212,375)</b>	<b>1,190,163,510</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>

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



SELF-INSURED GUARANTY RISK POOL

March 31, 2019

Three Year History for years ended:				
	YTD FY2019	YTD FY2018	Change	
<b>Cash Beginning Balances</b>	<b>34,042,831</b>	<b>33,836,322</b>	<b>206,509</b>	
<b>Revenues</b>				
Guaranty Risk Pool Assessments	(354)	-	(354)	18,684
Collateral Proceeds	252,925	-	252,925	19,422,025
Investment Earnings (Losses)	215,708	1,972,334	(1,756,627)	(155,883)
<b>Total Revenues</b>	<b>468,280</b>	<b>1,972,334</b>	<b>(1,504,055)</b>	<b>19,284,826</b>
<b>Expenditures</b>				
Claims Benefits Paid:				
Medical	375,594	177,609	197,985	309,470
Permanent Total Disability	76,792	156,224	(79,433)	43,638
Permanent Partial Disability	209,696	427,416	(217,719)	612,823
Temporary Disability	10,603	56,649	(46,046)	303,724
Fatals	170,106	192,929	(22,823)	257,806
104 Weeks Death Benefit	-	-	-	-
Settlement Agreements	125,000	-	125,000	-
Non Awarded Partial Disability	-	10,904	(10,904)	9,377
Loss Adjustment Expenses	93,282	102,657	(9,375)	163,819
Total	1,061,072	1,124,388	(63,316)	1,700,657
Less: Claims Credits and Overpayments	205	11,148	(10,944)	17,176
<b>Total Benefits Paid</b>	<b>1,060,867</b>	<b>1,113,240</b>	<b>(52,372)</b>	<b>1,683,481</b>
Administrative Expenses	74,790	85,387	(10,597)	153,231
<b>Total Expenditures</b>	<b>1,135,657</b>	<b>1,198,627</b>	<b>(62,969)</b>	<b>1,836,711</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(667,378)</b>	<b>773,708</b>	<b>(1,441,085)</b>	<b>17,448,114</b>
<b>Cash Ending Balances</b>	<b>33,375,453</b>	<b>34,610,030</b>	<b>(1,234,577)</b>	<b>33,462,454</b>

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

SELF-INSURED SECURITY RISK POOL

March 31, 2019

	Three Year History for years ended:			
	YTD FY2019	YTD FY2018	Change	
<b>Cash Beginning Balances</b>				
<b>Revenues</b>				
Security Risk Pool Assessments	-	-	-	230,340
Collateral Proceeds	243,007	-	243,007	47,503,193
Investment Earnings (Losses)	312,241	3,171,362	(2,859,121)	201,775
<b>Total Revenues</b>	<b>555,248</b>	<b>3,171,362</b>	<b>(2,616,114)</b>	<b>47,935,308</b>
<b>Expenditures</b>				
Claims Benefits Paid:				
Medical	386,009	605,018	(219,009)	479,295
Permanent Total Disability	1,147,493	1,134,048	13,445	1,163,198
Permanent Partial Disability	5,229	-	5,229	7,560
Temporary Disability	-	-	-	-
Fatals	833,635	940,716	(107,081)	1,183,728
104 Weeks Death Benefit	-	37,804	(37,804)	92,595
Settlement Agreements	9,424	204,424	(195,000)	21,177
Loss Adjustment Expenses	76,666	66,877	9,788	54,047
Total	2,458,455	2,988,887	(530,432)	3,001,600
Less: Claims Credits and Overpayments	33,562	193,542	(159,980)	4,925
<b>Total Benefits Paid</b>	<b>2,424,892</b>	<b>2,795,345</b>	<b>(370,453)</b>	<b>2,996,676</b>
Administrative Expenses	199,744	209,444	(9,700)	288,097
<b>Total Expenditures</b>	<b>2,624,636</b>	<b>3,004,789</b>	<b>(380,153)</b>	<b>3,284,773</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(2,069,388)</b>	<b>166,573</b>	<b>(2,235,961)</b>	<b>44,650,535</b>
<b>Cash Ending Balances</b>	<b>51,334,871</b>	<b>54,614,776</b>	<b>(3,279,905)</b>	<b>53,859,338</b>

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

UNINSURED EMPLOYERS FUND

March 31, 2019

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
<b>Cash Beginning Balances</b>	12,989,971	12,760,544	229,426	12,760,544	11,864,792	12,125,188
<b>Revenues</b>						
Fines and Penalties	477,900	266,695	211,205	436,728	595,742	625,093
Investment Earnings (Losses)	76,460	692,912	(616,452)	660,537	962,646	(205,615)
<b>Total Revenues</b>	<b>554,360</b>	<b>959,607</b>	<b>(405,247)</b>	<b>1,097,265</b>	<b>1,558,387</b>	<b>419,478</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	129,416	57,404	72,012	164,187	30,783	47,718
Permanent Total Disability	-	-	-	-	-	-
Permanent Partial Disability	25,418	21,727	3,691	33,025	51,760	4,738
Temporary Disability	35,751	69,609	(33,857)	104,582	25,414	113,212
Fatals	37,523	37,523	-	50,030	50,030	52,164
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	96,000	334,000	(238,000)	344,000	255,715	228,577
Loss Adjustment Expenses	42,217	5,703	36,514	5,846	6,969	5,868
Total	366,325	525,966	(159,641)	701,671	420,672	452,276
Less: Claims Credits and Overpayments	45,661	3,083	42,578	47,333	33,341	1,558
Total Benefits Paid	320,664	522,883	(202,219)	654,338	387,331	450,719
Administrative Expenses	103,517	108,084	(4,567)	213,501	275,304	229,156
<b>Total Expenditures</b>	<b>424,181</b>	<b>630,967</b>	<b>(206,786)</b>	<b>867,839</b>	<b>662,635</b>	<b>679,875</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>130,179</b>	<b>328,640</b>	<b>(198,461)</b>	<b>229,426</b>	<b>895,753</b>	<b>(260,397)</b>
<b>Cash Ending Balances</b>	<b>13,120,149</b>	<b>13,089,184</b>	<b>30,965</b>	<b>12,989,971</b>	<b>12,760,544</b>	<b>11,864,792</b>

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



# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## CALENDAR NOTE

Board Meeting  
April 23, 2019

## OPERATING REPORT MARCH 2019

### Board of Treasury Investments

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

### Board of Directors

John D. Perdue,  
State Treasurer,  
Chairman

James C. Justice II,  
Governor

John B. McCuskey,  
State Auditor

Glenda Probst,  
Appointed by the  
Governor

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

### Executive Staff

Executive  
Director

Kara K. Hughes,  
CPA, MBA, CFE,  
CGIP

Chief Financial  
Officer

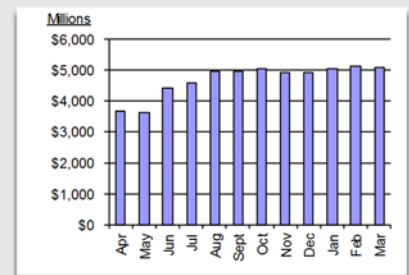
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$5,079,241,000**

Last Month  
**\$5,136,345,000**

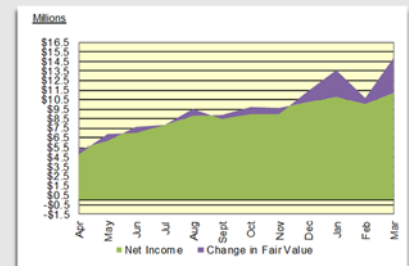
Beginning of Fiscal Year  
**\$4,429,483,000**



**Net Assets for the Past  
12 Months**

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$94,261,000**



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

### Money Market Pools As of March 31, 2019

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	2.5771%	44 Days	\$3.9 Billion
WV Gov't Money Market	2.3506%	25 Days	\$246.9 Million

\* Yields represent the simple money market yield net of fees.

\*\* W.A.M. is the weighted average maturity.

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## THE ECONOMIC STATE

### MARCH 2019

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#### **Feds Signal: No Rate Hikes 2019**

##### **Market Results**

Following the market rout at the end of 2018, equities made a strong comeback in the first quarter. Risk assets pushed higher as the Fed signaled no additional rate hikes in 2019. The US led the way, with the S&P 500 Index increasing 1.9% in March; international and emerging market equities were also in the black, with the MSCI EAFE and MSCI Emerging Markets Indexes up 0.6% and 0.8%, respectively.

The dovish pivot by the Fed also bolstered fixed-income returns, broadly causing yields to decline. In the US, a segment of the yield curve—measured by the spread between the 10-year Treasury note and 3-month Treasury bill—inverted. By the end of the month, the inversion had reversed, even as the 10-year US Treasury yield declined 30 basis points to 2.42%. Meanwhile, 10-year German and Japanese bond yields fell 0.26% and 0.07%, respectively – both ending in negative territory. Within credit, spreads continued to tighten with the Barclays US High Yield spread declining 1.35% to 3.91%, which corresponded to an index return of 0.9%. In emerging markets, local debt, as measured by the JPM GBI-EM Global Diversified Index, fell 1.3% with modest currency depreciation relative to the dollar.

In real assets, spot WTI Crude Oil maintained its rally, increasing 5.2% during the month and up 33.3% for the quarter. Additionally, midstream energy benefitted from higher oil prices, which fueled a 3.4% increase in the Alerian MLP Index in March.

##### **Market Outlook**

With the US advancing into the late stage of its expansionary economic cycle, we remind investors of the importance of diversification given the more pronounced risks and volatility historically associated with this stage. As such, after a strong first quarter for risk assets, we encourage investors to consider rebalancing recent equity gains and increasing safe-haven fixed-income exposure.

## West Virginia Board of Treasury Investments Financial Highlights as of March 31, 2019

### WV Short Term Bond Pool

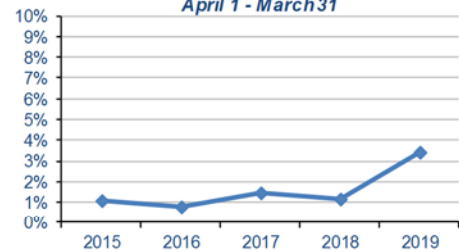
#### Rates of Return for the Past 12 Months *Net of All Fees*

<u>April 1 - March 31</u>	<u>Return</u>	<u>Net Assets At Mar 31 (In Millions)</u>
2019	3.4%	\$ 726.5
2018	1.1%	\$ 705.8
2017	1.5%	\$ 758.0
2016	0.8%	\$ 791.0
2015	1.1%	\$ 769.8

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

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

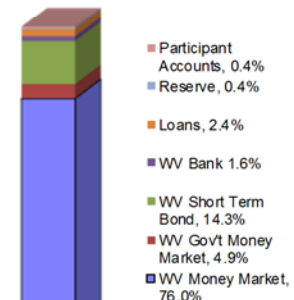
*Past 12 Months  
April 1 - March 31*



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

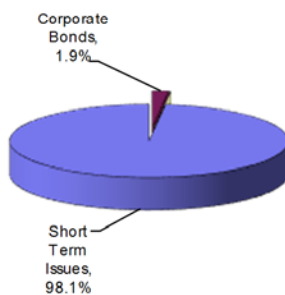
<u>Pool</u>	<u>Net Asset Value</u>	<u>Mar Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 3,858,446	\$ 8,629	\$ 66,704
WV Gov't Money Market	246,922	497	3,757
WV Short Term Bond	726,480	5,302	20,740
WV Bank	83,611	186	1,413
Loans	122,145	153	1,087
Reserve	19,465	42	339
Participant Accounts	22,172	37	221
	<u>\$ 5,079,241</u>	<u>\$ 14,846</u>	<u>\$ 94,261</u>

#### Percent of Total Net Asset Value

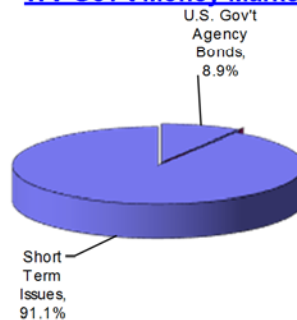


### Securities by Type for Operating Pools *(Percentage of Asset Value)*

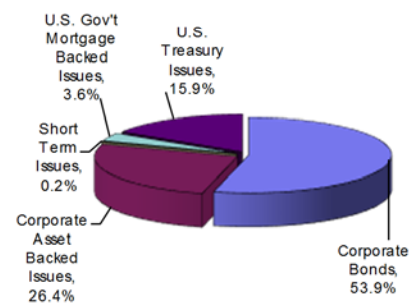
#### WV Money Market



#### WV Gov't Money Market



#### WV Short Term Bond



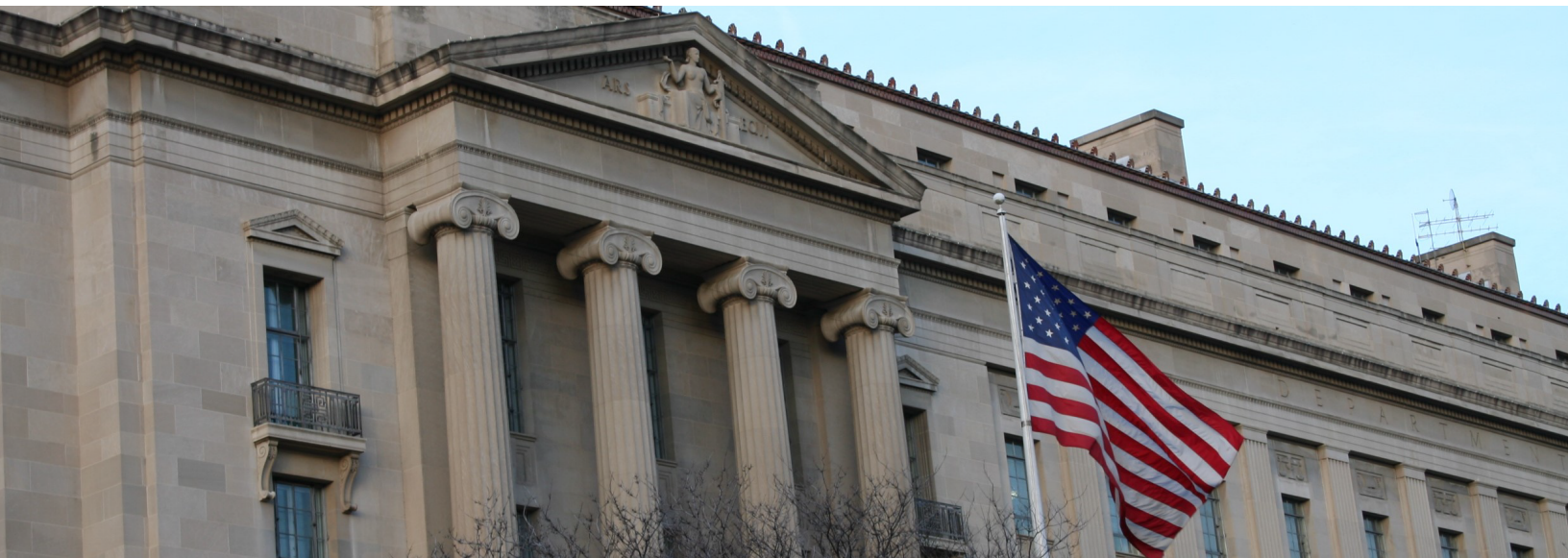
**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**MARCH 31, 2019**  
*(IN THOUSANDS)*

	<b>WV Money Market Pool</b>	<b>WV Government Money Market Pool</b>	<b>WV Short Term Bond Pool</b>	<b>WV Bank Pool</b>	<b>Other Pools</b>	<b>Participant Directed Accounts</b>	<b>Total</b>
<b>Assets</b>							
Investments:							
At amortized cost	\$ 3,855,510	\$ 246,954	\$ -	\$ 83,055	\$ 141,418	\$ -	\$ 4,326,937
At fair value	-	-	725,567	-	-	22,099	747,666
Other assets	3,870	41	10,063	564	202	74	14,814
Total assets	<u>3,859,380</u>	<u>246,995</u>	<u>735,630</u>	<u>83,619</u>	<u>141,620</u>	<u>22,173</u>	<u>5,089,417</u>
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased	934	73	9,150	8	10	1	10,176
Total liabilities	<u>934</u>	<u>73</u>	<u>9,150</u>	<u>8</u>	<u>10</u>	<u>1</u>	<u>10,176</u>
<b>Net Position</b>							
Held in trust for investment pool participants	3,858,446	246,922	726,480	83,611	141,610	-	5,057,069
Held in trust for individual investment account holders	-	-	-	-	-	22,172	22,172
Total net position	<u>\$ 3,858,446</u>	<u>\$ 246,922</u>	<u>\$ 726,480</u>	<u>\$ 83,611</u>	<u>\$ 141,610</u>	<u>\$ 22,172</u>	<u>\$ 5,079,241</u>
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 3,664	\$ 160	\$ 1,666	\$ 189	\$ 198	\$ 24	\$ 5,901
Net (amortization) accretion	5,186	354	90	-	-	(1)	5,629
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>8,850</u>	<u>514</u>	<u>1,756</u>	<u>189</u>	<u>198</u>	<u>23</u>	<u>11,530</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	221	17	63	3	3	-	307
Total investment expenses	<u>221</u>	<u>17</u>	<u>63</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>307</u>
Net investment income	8,629	497	1,693	186	195	23	11,223
Net realized gain (loss) from investments	-	-	(24)	-	-	-	(24)
Net increase (decrease) in fair value of investments	-	-	3,633	-	-	14	3,647
Net increase (decrease) in net position from operations	8,629	497	5,302	186	195	37	14,846
Participant transaction additions:							
Purchase of pool units by participants	729,619	31,133	-	164	8,038	-	768,954
Reinvestment of pool distributions	8,629	497	1,635	186	195	-	11,142
Contributions to individual investment accounts	-	-	-	-	-	104	104
Total participant transaction additions	<u>738,248</u>	<u>31,630</u>	<u>1,635</u>	<u>350</u>	<u>8,233</u>	<u>104</u>	<u>780,200</u>
Total additions	746,877	32,127	6,937	536	8,428	141	795,046
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	8,629	497	1,693	186	195	-	11,200
Net realized gain (loss) from investments	-	-	(24)	-	-	-	(24)
Total distributions to pool participants	<u>8,629</u>	<u>497</u>	<u>1,669</u>	<u>186</u>	<u>195</u>	<u>-</u>	<u>11,176</u>
Participant transaction deductions:							
Redemption of pool units by participants	821,637	18,882	116	164	176	-	840,975
Withdrawals from individual investment accounts	-	-	-	-	-	-	-
Total participant transaction deductions	<u>821,637</u>	<u>18,882</u>	<u>116</u>	<u>164</u>	<u>176</u>	<u>-</u>	<u>840,975</u>
Total deductions	<u>830,266</u>	<u>19,379</u>	<u>1,785</u>	<u>350</u>	<u>371</u>	<u>-</u>	<u>852,151</u>
Net increase (decrease) in net position from operations	(83,389)	12,748	5,152	186	8,057	141	(57,105)
Inter-pool transfers in	5,300	-	-	1,000	-	-	6,300
Inter-pool transfers out	(1,000)	-	-	(5,300)	-	-	(6,300)
Net inter-pool transfers in (out)	<u>4,300</u>	<u>-</u>	<u>-</u>	<u>(4,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(79,089)	12,748	5,152	(4,114)	8,057	141	(57,105)
Net position at beginning of period	3,937,535	234,174	721,328	87,725	133,553	22,031	5,136,346
Net position at end of period	<u>\$ 3,858,446</u>	<u>\$ 246,922</u>	<u>\$ 726,480</u>	<u>\$ 83,611</u>	<u>\$ 141,610</u>	<u>\$ 22,172</u>	<u>\$ 5,079,241</u>



## **Office of the Inspector General U.S. Department of Justice**

**OVERSIGHT ★ INTEGRITY ★ GUIDANCE**



# **Audit of Office of Justice Programs Victim Compensation Grants Awarded to the West Virginia Legislative Claims Commission, Charleston, West Virginia**





# Executive Summary

*Audit of the Office of Justice Programs Victim Compensation Grants Awarded to the West Virginia Legislative Claims Commission, Charleston, West Virginia*

## Objective

The objective of the audit was to evaluate how the West Virginia Legislative Claims Commission (Commission) designed and implemented its crime victim compensation program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) grant program planning and execution, (2) program requirements and performance reporting, and (3) grant financial management.

## Results in Brief

We found the Commission established a compensation program that adequately compensated victims and survivors of criminal violence. Tested claims were generally supported and complied with federal and state requirements. However, we identified a pervasive lack of policies and procedures governing the Commission's handling of its compensation program and weak controls over grant funds. We also identified a pattern of significant inaccuracies in the Commission's certification reports that resulted in incorrect federal award amounts to West Virginia that exceeded \$1 million. As of February 2019, the Commission had not drawn down any funds for the grants that were over-awarded; therefore, we identify the amount over-awarded as funds to be put to better use. The Commission lacked formal guidance and procedures in areas such as adjudicating claims, certifying state compensation program data, and handling any suspected instances of misuse of funds. These weaknesses increased the risk of grant mismanagement and impaired the efficiency of the program. We also found the Commission must better segregate duties and safeguard victim information within its claims tracking system.

## Recommendations

Our report contains eight recommendations to the Office of Justice Programs (OJP) to improve the Commission's administration of the crime victim compensation program, and remedy the dollar-related finding. We requested a response to our draft audit report from the Commission and OJP, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included in Appendix 5.

## Audit Results

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three Victims of Crime Act (VOCA) victim compensation formula grants awarded by OJP, Office for Victims of Crime (OVC) to the Commission in Charleston, West Virginia. The OVC awarded these formula grants, totaling \$3,226,000 from Fiscal Years (FY) 2015 to 2017, from the Crime Victims Fund (CVF) to provide financial support through the payment of compensation benefits to crime victims throughout West Virginia. As of February 2019, the Commission drew down a cumulative amount of \$1,159,000 from these three grants.

**Program Accomplishments** – The Commission enhanced the compensation program by appropriately distributing the VOCA funding it received.

**State Certification** – We determined the Commission did not correctly calculate the amounts it reported on the annual certification forms for the FY 2015 through the FY 2018 grant awards, resulting in a net total of over \$1 million in excess compensation award amounts received by the Commission.

### **Program Requirements and Performance**

**Reporting** – We were generally able to verify the totals reported to the OVC, although the Commission did not adjust its tracking process to align to federal reporting requirements or compile its performance reports in a way that precisely reflected its activity under the grant.

**Grant Financial Management** – Generally, we found that the Commission properly paid compensation claims to victims. However, the Commission needs to improve internal controls and develop formal policies and procedures. The Commission lacked written policies and controls for many areas of grant financial management, including adjudicating claims, preparing financial reports and drawdown requests, reporting suspected fraud, addressing conflicts of interest, and segregating duties across the process to approve payment of claims.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
VICTIM COMPENSATION GRANTS  
AWARDED TO THE  
WEST VIRGINIA LEGISLATIVE CLAIMS COMMISSION,  
CHARLESTON, WEST VIRGINIA**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
VICTIM COMPENSATION GRANTS  
AWARDED TO THE  
WEST VIRGINIA LEGISLATIVE CLAIMS COMMISSION,  
CHARLESTON, WEST VIRGINIA**

**INTRODUCTION**

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three victim compensation formula grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the West Virginia Legislative Claims Commission (Commission) in Charleston, West Virginia. The OVC awards victim compensation grants annually from the Crime Victims Fund (CVF) to state administering agencies. As shown in Table 1, from Fiscal Years (FY) 2015 to 2017, these OVC grants totaled \$3,226,000.

**Table 1  
Audited Grants  
Fiscal Years 2015 to 2017**

<b>Award Number</b>	<b>Award Date</b>	<b>Award Period Start Date</b>	<b>Award Period End Date</b>	<b>Award Amount</b>
2015-VC-GX-0057	9/28/2015	10/1/2014	9/30/2018	\$1,159,000
2016-VC-GX-0066	9/09/2016	10/1/2015	9/30/2019	1,043,000
2017-VC-GX-0084	9/28/2017	10/1/2016	9/30/2020	1,024,000
<b>Total</b>				<b>\$3,226,000</b>

Note: Grant funds are available for the fiscal year of the award plus 3 additional fiscal years.

Source: OJP

Established by the Victims of Crime Act of 1984 (VOCA), the CVF is used to support crime victims through DOJ programs and state and local victim services.<sup>1</sup> The CVF is supported entirely by federal criminal fees, penalties, forfeited bail bonds, gifts, donations, and special assessments. The OVC annually distributes proceeds from the CVF to states and territories. VOCA victim compensation formula grant funds are available each year to states and territories for distribution to eligible recipients.

The primary purpose of the victim compensation grant program is to compensate victims and survivors of criminal violence for: (1) medical expenses attributable to a physical injury resulting from a compensable crime, including expenses for mental health counseling and care; (2) loss of wages attributable to a physical injury resulting from a compensable crime; and (3) funeral expenses attributable to a death resulting from a compensable crime.<sup>2</sup>

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<sup>1</sup> The VOCA victim compensation formula program is funded under 34 U.S.C. § 20102.

<sup>2</sup> This program defines criminal violence to include drunk driving and domestic violence.



## **The Grantee**

As the West Virginia state administering agency, the Commission is responsible for managing the VOCA victim compensation program across West Virginia.<sup>3</sup> This bipartisan Commission consists of three commissioners appointed by the President of the West Virginia Senate and the Speaker of the West Virginia House of Delegates. The Commission hears claims against the state for monetary damages, which can range from vehicle damages due to potholes to loss of personal property in the state's prison and detention facilities.

The Commission oversees both the VOCA grants and state funding sources that collectively constitute the state's Crime Victims Compensation Fund. In this role, the Commission investigates and hears claims made by victims of crime and is responsible for claims adjudication. Within the Commission, the claims office processes crime victim claims. This office consists of the clerk, docket clerk, chief deputy clerk, claims investigators, business manager, and administrative support staff. The clerk is responsible for maintaining the docket for all claims filed as well as the record book and documents for all claims. The clerk distributes applications the Commission receives to claims investigators, who assess each claim and file a written finding of fact and recommendation for award of compensation with the clerk. The clerk then assigns the claim to one of the three commissioners, who must approve the award to the claimant. The claims office submits approved claims to the fiscal division of the state's Joint Committee on Government and Finance, and the state Treasurer ultimately pays the approved compensation amount.

## **OIG Audit Approach**

The objective of the audit was to evaluate how the Commission designed and implemented its crime victim compensation program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) grant program planning and execution, (2) program requirements and performance reporting, and (3) grant financial management.

We tested compliance with what we considered the most important conditions of the grants. Unless otherwise stated in our report, we applied the authorizing VOCA legislation, the VOCA compensation program guidelines (VOCA Guidelines), and the DOJ Grants Financial Guide as our primary criteria. We also reviewed relevant state statutes and Commission policies and procedures, such as West Virginia Code § 14-2A-1, and interviewed Commission personnel to determine how they administered the VOCA funds. In addition, we obtained and reviewed Commission records reflecting grant activity.<sup>4</sup>

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<sup>3</sup> Formerly known as the West Virginia Court of Claims, the West Virginia Legislative Claims Commission was renamed through an act of the state legislature in 2017.

<sup>4</sup> Appendix 1 contains additional information on the audit's objective, scope, and methodology, as well as further detail on the criteria we applied for our audit. Appendix 2 presents a schedule of our dollar-related findings.

## **AUDIT RESULTS**

### **Grant Program Planning and Execution**

The main purpose of the VOCA victim compensation grants is to enhance state victim compensation payments to eligible crime victims. As part of our audit, we assessed the Commission's overall process for making victim compensation payments. We assessed the Commission's policies and procedures for providing compensation payments to victims, as well as the accuracy of the state certification form.

We found the Commission established a compensation program that compensated victims and survivors of criminal violence, and the claims we tested were generally supported and in compliance with the VOCA Guidelines. However, we identified an overall lack of written policies and procedures governing how Commission employees should administer the compensation program, including how to compile and report data on annual certification forms that OJP needs to calculate future compensation awards. Our testing identified a pattern of significant inaccuracies in the certification reports, which resulted in West Virginia receiving a net total of \$1,048,000 in excess compensation awards between FYs 2015 and 2018.

#### *Program Implementation*

State administering agencies receive VOCA victim compensation grants to compensate victims directly for expenses incurred from criminal victimization. As the state administering agency for West Virginia, the Commission was responsible for the victim compensation program, including meeting all financial and programmatic requirements. When paying claims for victims, the Commission operated under the West Virginia Code, which conveyed the state-specific requirements for the victim compensation program.<sup>5</sup> In assessing the Commission's implementation of its victim compensation program, we analyzed policies and procedures governing the decision-making process for individual compensation claims, as well as what efforts the Commission had made to bring awareness to victims eligible for compensation program benefits.

We found that the Commission has an established process for accepting, recording, and reviewing applications for victim compensation, although this process was largely informal and based on institutional knowledge prior to our audit. The Commission relied upon the West Virginia Code as guidance for the eligibility of claims and limits on allowable payments. We determined that this state statute is consistent with VOCA Guidelines and contains guidance on many of the common types of claims the Commission receives. However, the statute does not address more nuanced issues that the Commission's claim investigators encounter regularly. In many instances, because the Commission lacks written policies with specific detail, the claims processors rely on institutional knowledge

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<sup>5</sup> See West Virginia Code § 14-2A-1

and informal, handwritten guidance. For example, claims investigators relied upon a handwritten flowchart as a reference in assessing and processing claims for victims with and without health insurance. To improve the accuracy and consistency of claims processing, we recommend that OJP require that the Commission develops formal written policies and procedures to guide its compensation claims process.

We also found the Commission's claims appeal process provided opportunity for victims with rejected claims to appeal the adjudication. A claimant who does not agree with the initial Commissioner's decision may file a request through the clerk for an appeal hearing with a different Commissioner.<sup>6</sup> In West Virginia, commissioners periodically travel throughout the state and host appeals hearings for claimants. However, we note that, at the time of our audit, there was a significant backlog of appealed claims, some of which had been unresolved for over 2 years. A Commission official told us that addressing this backlog is a priority.

According to Commission officials, the number of victim compensation claims in West Virginia has trended downward in recent years, and we identified a decline in applications received from FY 2015 to FY 2017. Commission officials told us they were uncertain of the precise cause of this trend, and posited that the reasons could include victims not knowing about compensation availability, less interest from prosecutors to promote victim awareness of the fund, changes in state population and crime trends, and a decreased need for payment assistance due to the Affordable Care Act. Commission officials did note that it was difficult to publicize the availability of the funds to eligible recipients in extremely rural counties in the state. The Commission has attempted to enhance public awareness of available victim compensation by presenting an overview of the program to victim advocates at the West Virginia Victim Assistance Academy. In addition, the Commission met with local prosecutors and police, and also printed and distributed to police across West Virginia "Miranda warning" cards with information on the Crime Victims Compensation Fund to inform police-victim interactions. We encourage the Commission to continue exploring other initiatives to increase public awareness of the victim compensation program.

### *Annual State Certification*

State administering agencies must submit an annual Crime Victim Compensation State Certification Form, which provides the OVC the necessary information to determine the grant award amount. The certification form must include all sources of revenue to the crime victim compensation program during the federal fiscal year, as well as the total of all compensation claims paid out to, or on behalf of, victims from all funding sources. The accuracy of the information

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<sup>6</sup> Claims investigators may also file appeals themselves if they do not agree with the initial decision.

provided in the certification form is critical to OJP's correct calculation of the victim compensation award amounts granted to each state.<sup>7</sup>

The OVC allocates VOCA victim compensation formula grant funds to each state by calculating 60 percent of the total eligible compensation claims paid to victims during the fiscal year 2 years prior.<sup>8</sup> For example, this means a state's FY 2018 compensation award would be based on certified FY 2016 financial data. We thus compared and attempted to reconcile the amounts the Commission submitted to the OVC via its annual certification forms for FY 2015 through 2018 awards to the corresponding FY 2013 through FY 2016 data available from the Commission's accounting systems. We sought support for the certified payout and revenue amounts, to include accounting data maintained by the Commission documenting the amounts reported for total compensation claims paid, VOCA grants, subrogation recovery, and restitution recovery. Additionally, we reviewed the revenue received in the form of fines, fees, or penalties assessed by the West Virginia court system.

We determined the Commission did not correctly calculate the amounts it reported on its annual certification forms for the FY 2015 through the FY 2018 grant awards. We identified discrepancies in the reported amounts for payments made to or on behalf of victims in FY 2014 through FY 2016. We also identified discrepancies in the reported deduction amounts for FY 2013 through FY 2016. As shown in Table 2, the Commission consistently made errors in calculating the amounts that were critical to the accurate description of the state's compensation program and calculation of its federal award allocation.<sup>9</sup>

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<sup>7</sup> The OJP's Office of the Chief Financial Officer, Budget Execution Division calculates the allocations for VOCA eligible crime victim compensation programs and OVC makes the grant awards.

<sup>8</sup> The eligible payout amount for award consideration is determined after deducting payments made with VOCA funds, subrogation and restitution recoveries, refunds, any amounts awarded for property loss, and other reimbursements.

<sup>9</sup> Additionally, by statute, West Virginia allocates to the state compensation program revenue derived from court costs as a simple percentage of all costs collected by its courts. Therefore, the Commission cannot differentiate and subsequently track court costs from other specific types of payments that it should include as deductions on the certification form, such as restitution or subrogation. As a result, the Commission may not properly capture all costs that should be deducted on its certification form, ultimately resulting in a higher total and increasing the state's overall compensation award amount.

**Table 2**  
**Discrepancies in Certification Form Data Fields**  
**FY 2013 through 2016 Reported Amounts**

Fiscal Year of Activity Captured on Form	Award Year	Data Field on Form*	Certified Amount (\$)	OIG-Recalculated Amount (\$)	Difference (\$)
2013	2015	Payouts	\$3,793,596	\$3,793,596	(\$0)
		Deductions	1,862,520	1,860,537	(1,983)
2014	2016	Payouts	3,727,006	3,615,726	(111,280)
		Deductions	1,988,235	1,978,958	(9,277)
2015	2017	Payouts	2,697,465	1,940,982	(756,483)
		Deductions	991,130	991,462	332
2016	2018	Payouts	2,409,320	1,522,670	(886,650)
		Deductions	457,345	460,976	3,631

Note: "Payouts" signifies field A. *Total Amount paid to or on behalf of crime victims from all funding sources* on the State Certification Form. "Deductions" is the subtotal of payments made with VOCA funds, subrogation and restitution recoveries, refunds, amount awarded for property loss, and other reimbursements. See Table 3 for more analysis on the net effect of these discrepancies.

Sources: Certification forms and OIG analysis of Commission accounting data

Each state's certified payout and deduction amounts serve as the basis for OJP to calculate federal compensation award totals. Because we identified significant discrepancies in these amounts that the Commission certified, we recalculated the FY 2015 through 2018 award amounts by applying the federal grant formula to the amounts we could verify in the state's accounting records, as shown in Table 3.

**Table 3**  
**Inaccurate Awarding of the Commission's Compensation Grants**  
**FY 2015 through 2018**

Grant Number	Award Amount	OIG-Recalculated Award Amount	Difference
2015-VC-GX-0057	\$1,159,000	\$1,160,000	(\$1,000)
2016-VC-GX-0066	1,043,000	982,000	61,000
2017-VC-GX-0084	1,024,000	570,000	454,000
2018-V1-GX-0033	1,171,000	637,000	534,000
<b>Net Total Over-Awarded</b>			<b>\$1,048,000</b>

Source: OIG Analysis

Based on this analysis, the Commission appeared to have received a net total of \$1,048,000 more in FY 2015 through FY 2018 federal awards than can be supported by available accounting records. Excess compensation awards received by one state not only result in inconsistent award allocations across all other state and territory recipients, but also affect the amount of CVF funds available for distribution to other programs.<sup>10</sup> According to the Victim Compensation Program Guidelines, in the event of an over certification, "the necessary steps will be taken to recover funds that were awarded in error...it is the policy of OVC to reduce the amount of the subsequent year VOCA victim compensation award by the amount of the overpayment." We recommend that OJP remedy as funds to be put to better use the \$1,048,000 we identified as excess compensation award amounts received by the Commission.<sup>11</sup> We further recommend that OJP verify that the Commission data submitted to support future awards is accurate.

Given the extent of the repeated discrepancies in the state certifications and corresponding award amounts, we determined that the Commission did not have adequate controls in place to promote accurate reporting. In general, the Commission lacked detailed guidance and formal procedures for completing key grant management duties, to include the completion of these annual certifications. We found the effects of this grant management environment became particularly acute when the Commission experienced grant management staff turnover in recent years, including in the position of business manager for the claims office—which is responsible for preparing the certifications and was held by four different individuals in the span of 5 years. Further, the Commission did not have any secondary verification or management review to ensure that the certifications were complete and accurate.

To help minimize the risk of future improper award certifications and ensure accurate award amounts, we recommend that OJP work with the Commission to ensure it understands the expectations for the data fields in the certification form, and ensure the Commission develops and implements formal procedures to promote accurate reporting in its certification forms.<sup>12</sup>

## **Program Requirements and Performance Reporting**

To determine whether the Commission distributed VOCA victim compensation program funds to compensate victims of crime, we reviewed Commission performance measures and performance documents that the Commission used to track goals and objectives. We further examined OVC solicitations and award

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<sup>10</sup> Specifically, given that OJP calculates victim compensation awards before victim assistance awards, over-awarding of compensation awards results in less funding available for the victim assistance program.

<sup>11</sup> As of February 2019, the Commission had not drawn down any funds for the grants that were over-awarded; therefore, we identify the amount over-awarded as funds to be put to better use.

<sup>12</sup> We discuss the Commission's lack of formal policies, procedures, and controls further in our Grant Financial Management section of this report.

documents and verified the Commission's compliance with special conditions governing recipient award activity.

Based on our overall assessment in the areas of program requirements and performance reporting, we found that the Commission's records generally supported the performance figures it reported to the OVC. However, we identified discrepancies in some of the figures reported, particularly with regard to the demographic information of victims, which the OVC requires to be reported if known. The Commission also did not adjust its tracking process to align to federal reporting requirements or compile its performance reports in a way that precisely reflected its activity under the grant. As discussed below, of the two special conditions tested, the Commission complied with one pertaining to attending the Annual VOCA National Training Conference, but did not comply with the other, which related to grant fraud reporting procedures.

#### *Annual Performance Reports*

Each state administering agency must annually report to the OVC on specific activity funded by any VOCA awards active during the federal fiscal year. The reports are submitted through OJP's Grants Management System (GMS). As of FY 2016, the OVC also began requiring states to submit quarterly performance data through the web-based Performance Measurement Tool (PMT). After the end of the fiscal year, the Commission is required to produce the Annual State Performance Report and upload it to GMS.

For the victim compensation grants, the states must report the number of victims for whom an application was made; the number of victims whose victimization is the basis for the application; victim demographics; the number of applications that were received, approved, denied, and closed; and total compensation paid by service type. Table 4 depicts the Commission's Annual State Performance Report summary data from recent years.

**Table 4**  
**Summary Data from the Commission's Annual Performance Reports**  
**FY 2015 through 2017**

<b>Performance Categories</b>	<b>FY 2015 Data Reported</b>	<b>FY 2016 Data Reported</b>	<b>FY 2017 Data Reported</b>
Number of Victims Compensated	615	515	537
Number of Applications Received	602	497	537
Number of Applications Approved	296	407	282
Number of Applications Denied/Closed	255	264	286

Note: We note that the Commission's claims tracking system does not differentiate federal versus state-funded victims, and that the Commission reported the overall performance data from its tracking system. We find that this practice can affect the accuracy of the reporting of VOCA-funded activity.

Source: FY 2015, 2016, and 2017 Annual Performance Measures Reports

We assessed whether the Commission's performance reports to the OVC fairly reflected the performance figures of the victim compensation program by

comparing the data the Commission reported to the data it had recorded in its victim claims tracking system. Specifically, we compared performance measure data points from six judgmentally selected reporting periods in FY 2015 through FY 2017, as shown in Table 5 below. While the records in the Commission's claims tracking system generally supported the PMT figures tested, in nearly all instances in our sample, the figures did not match precisely. We found that for the tested figures relating to number of applications received, the discrepancies were minimal and those that appeared to result in over-reporting differed from the supported figures by less than 5 percent.

**Table 5**  
**Sampled Performance Statistics Reported to OVC**  
**FY 2015 through 2017**

Performance Categories	2015 Quarter 1	2015 Quarter 4	2016 Quarter 2	2016 Annual Report <sup>a</sup>	2017 Quarter 3	2017 Quarter 4
<b>NUMBER OF APPLICATIONS RECEIVED</b>						
Commission Reported	172	149	140	515	140	148
Supporting Documentation	168	143	138	504	137	147
Difference	4	6	2	11	3	1
<b>DEMOGRAPHIC DATA</b>						
<b><i>Applications with victim ethnicity/race "Not Tracked"</i></b>						
Commission Reported	159	118	95	187	0	0
Supporting Documentation	155	113	92	203	13	27
Difference	4	5	3	(16)	(13)	(27)
<b><i>Applications with victim age "Not Tracked"</i></b>						
Commission Reported	0	1	3	6	0	0
Supporting Documentation	5	1	2	9	1	7
Difference	(5)	0	1	(3)	(1)	(7)

<sup>a</sup> The annual report required by OVC is a compilation of quarterly data from the four quarters that constitute the federal fiscal year.

Sources: PMT reports, Commission records, and OIG analysis

However, in our sample testing related to demographic categories, we found more discrepancies and noted that the Commission reported high numbers for application demographic data "not tracked"—particularly for FYs 2015 and 2016. Although "not tracked" has been a valid response in PMT, according to the VOCA Victim Compensation Program Grantee Frequently Asked Questions, OVC informed state administering agencies that as of Fall 2017 it expected recipients of



compensation funding to make efforts to track the data in the manner required “as soon as possible.” We believe these discrepancies were partially due to the fact that the Commission did not structure its claims tracking system to enable it to collect all required data in the format requested by the OVC—at least at the time these previous reports were submitted. Further, we found that the Commission lagged in implementing improvements to its data collection capabilities.

Beginning in FY 2017, for the data points we tested, the Commission reported values of zero for the “not tracked” categories—in apparent compliance with OVC’s requirement that states improve the precision of their reporting and minimize responses that fell into generic categories such as “not tracked” or “not applicable.” However, during our fieldwork, we were subsequently able to identify records of applications from these reporting periods that appear to have met the definition of “not tracked” yet were not reported by the Commission in PMT. We also learned that for the scope of our sampled testing, when the Commission could not readily determine a data point due to limitations in its claims tracking system, it simply reported a value of zero. As of 2018, Commission officials told us that they were continuing to improve the tracking of claims and reporting capabilities, with input from the Commission’s claims investigators.

We recommend that OJP require that the Commission enhance its procedures to collect accurate performance data, to include (1) tracking victim demographics as required, and (2) maintaining records to support the data reported to the OVC.

### *Compliance with Special Conditions*

The special conditions of a federal grant award establish specific requirements for grant recipients. In its grant application documents, the Commission certified it would comply with these special conditions. We reviewed the special conditions for each VOCA victim compensation program grant and identified special conditions that we deemed significant to grant performance which are not otherwise addressed in another section of this report.

We chose to test two special conditions. The first tested special condition required the Commission to ensure that at least one key official attended the Annual VOCA National Training Conference. We found that the Commission complied with this requirement. The second tested special condition required that the Commission ensure that it reported to the OIG fraud, waste, abuse, and other misconduct pertaining to its victim compensation program. At the time of our audit, the Commission did not have a policy to address and mitigate fraud, or a mechanism to inform those handling grant funds of their responsibility to report fraud. In response to this concern, the Commission and attorneys from the West Virginia Legislative Services Division conducted a fraud training for Commission employees, which included information regarding fraud reporting and handling conflicts of interest. However, to supplement this one-time training occurrence, we recommend that OJP require that the Commission implements formal fraud awareness and reporting policies.

## Grant Financial Management

Award recipients must establish an adequate accounting system and maintain financial records that accurately account for awarded funds. To assess the adequacy of the Commission's financial management of the VOCA victim compensation grants, we reviewed the process the Commission used to administer these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports.

As part of our review of the Commission's financial management of the VOCA victim compensation grants, we examined the Single Audit Reports performed on the State of West Virginia for FYs 2015 through 2017. These Single Audits identified some issues relating to how West Virginia prepared the Schedule of Expenditures of Federal Awards (SEFA) for the state, and the single auditors identified significant deficiencies based on their review of the state's major programs.<sup>13</sup> However, the Single Audits did not note any issues related specifically to the Commission or the victim compensation program.

To further assess the Commission's grant financial management, we also interviewed Commission personnel responsible for financial aspects of the grants, evaluated Commission policies and procedures, inspected award documents, and reviewed financial records. We also reviewed how Commission employees used the claims tracking system to access, process, and track claims. As discussed in further detail below, while we determined that the Commission adequately processed the victim compensation claims we tested, we identified significant control weaknesses and a lack of formal procedures governing grant management in general, and financial management in particular. For example, the Commission did not have formal policies to guide employees who may encounter a conflict of interest when processing claims for compensation funds. These control weaknesses impaired the efficiency of West Virginia's victim compensation program and increased the risk of mismanagement of federal grant funds.

### *Claims Tracking System Controls*

Based on our observation of system processes and confirmation from Commission officials, we determined that the Commission had significant internal control weaknesses with regard to ensuring proper segregation of duties and oversight for the system it used to track and process claims for compensation.

- The Commission did not restrict system access to only authorized users with a need to access information. The list of authorized system users: (1) was outdated, (2) included employees who did not process claims, and (3) included employees who did not have a need to know any

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<sup>13</sup> These SEFAs should be based on information submitted by state agencies, such as the Commission, that expend federal monies during the year, and serve as the basis for how the single auditors conduct their testing. The Single Audit reports noted that: (1) all state agencies did not follow policies and procedures related to timeliness, and (2) last-minute revisions and reclassifications were made to the SEFA that could have caused inaccurate reporting and improper classification of programs subject to audit.

information contained in the claims tracking system. For example, one authorized user on the list was actually a part-time assistant, whose duties we found were primarily secretarial and did not include any crime victim work.

- Among active users with access to the system, and a need to access the system, access was not differentiated based on user role. Instead, all system users, regardless of their level of authority, had unrestricted access to all claim information.
- The system did not maintain a log of claims accessed by any given user. Thus, the Commission had no auditable trail of users' activity.
- We observed Commission employees routinely using each other's workstations and computers to access the system.

While Commission officials told us that they were in the process of enhancing the claims tracking system with input from the Commission's claims investigators, they stated that they had been unaware of these significant access control issues. The lack of system controls we observed made the system too accessible to individuals without a need for unlimited access. Further, users could easily access the system in a way that disguised the activity of specific individuals without leaving an audit trail, increasing the risk of misuse—such as an individual accessing and manipulating claim data to potentially create and approve false claims. Moreover, enhanced controls are necessary for the Commission to safeguard the sensitive and personally identifiable information in this system, such as full names, social security numbers, addresses, birth dates, and medical histories of thousands of victims.

Following our discussion, the Commission took some action to address the system control issues we identified, requiring a username and password to log into the claims tracking system. While we consider this is a positive step, considering the sensitivity of the information contained in its claims tracking system, there remain potential risks associated with weak access and tracking controls. We thus recommend that OJP work with the Commission to implement claims tracking system controls that: (1) regularly assess the universe of individuals with access to the claims tracking system, (2) restrict access to this information to only necessary personnel, and (3) improve the ability to track and differentiate claims processing activity.

### *Grant Expenditures*

State administering agency VOCA compensation expenses can fall into two overarching categories: (1) compensation claim payments – which generally constitute the vast majority of total expenses, and (2) administrative expenses – which are allowed to total up to 5 percent of each award. The Commission elected not to charge administrative costs to its VOCA grants. To determine whether compensation costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of

compensation claim payments by reviewing accounting records and verifying support for select transactions.

#### Victim Compensation Claim Expenditures

Crime victims can submit claims for reimbursement of expenses incurred as a result of victimization, such as medical and funeral costs or loss of wages. In West Virginia, these victims may submit their claims via mail, email, fax, online, and walk-in applications. Commission employees adjudicate the eligibility of these claims and make payments. These payments are supported by both the VOCA victim compensation grants and state funding, as well as court fees, assessed fines, restitution, donations, and corporate settlements.

To evaluate the Commission's financial controls over VOCA victim compensation grant expenditures, we reviewed select victim compensation claims to determine whether the payments were accurate, allowable, timely, and in accordance with the policies of the VOCA Guidelines and West Virginia Code. We judgmentally selected 331 expenses totaling \$1,481,428 that comprised 55 claims paid to or on behalf of victims. The transactions we reviewed included costs associated with loss of wages, loss of support, funerals, prescriptions, transportation, medical and dental bills, and mental health counseling. Generally, we found that the Commission properly reviewed the compensation claims and paid them in accordance with VOCA Guidelines along with the West Virginia Code.

We also examined a sample of denied claims, including denied claims subsequently appealed by the claimants, in order to assess the records the Commission retained to support its decisions and the outcomes. Specifically, we reviewed seven denied claim requests and verified that the Commission maintained adequate documentation to show these denied claims were incomplete or unallowable. Additionally, we reviewed seven appealed claims and found that the Commission maintained adequate and sufficient documentation regarding the appealed claims.

We found that the Commission adequately processed compensation claims and maintained detailed records on the claims it received. We did not identify any issues related to claims expenditures, although we found the Commission should formalize its policies and procedures guiding the claims adjudication process, as previously discussed in the Program Implementation section above.

#### Administrative Expenditures

State administering agencies may retain up to 5 percent of each grant to pay for administering its crime victim compensation program. Commission officials stated that the Commission does not use the 5 percent administrative allowance and instead distributes all VOCA grant funding to pay victim compensation claims. Our review of Commission records confirmed that it did not charge administrative expenses to the VOCA grants under review.

## Drawdowns

Award recipients should request funds based upon immediate disbursement or reimbursement needs, and the grantee should time drawdown requests to ensure that the federal cash on hand is the minimum needed for disbursements or reimbursements made immediately or within 10 days. VOCA victim compensation grant funds are available for the fiscal year of the award plus 3 additional fiscal years. To assess whether the Commission managed grant receipts in accordance with these federal requirements, we compared the total amount drawn down to the total expenditures in the Commission's accounting system and accompanying financial records. Table 6 shows the total amount drawn down for each grant as of February 2019.

**Table 6**  
**Amount Drawn Down for Each Grant as of February 2019**

Award Number	Award Date	Award End Date	Total Award (\$)	Amount Drawn Down (\$)	Amount Remaining (\$)
2015-VC-GX-0057	09/28/15	9/30/2018	1,159,000	1,159,000	0
2016-VC-GX-0066	09/09/16	9/30/2019	1,043,000	0	1,043,000
2017-VC-GX-0084	09/28/17	9/30/2020	1,024,000	0	1,024,000
<b>Totals</b>			<b>\$3,226,000</b>	<b>\$1,159,000</b>	<b>\$2,067,000</b>

Source: OJP Payment History Reports

We found the Commission used the funds it drew down from the VOCA victim compensation awards to reimburse itself for eligible payments it had previously covered with state funds, due to the timing of when the VOCA grant funds became available.

As noted above, the Commission made improper certifications for its compensation program, which resulted in inaccurate FY 2015 through 2018 award amounts made available for it to draw down. Consequently, we believe the Commission drew down and spent more federal funds than it should have received from OJP. However, in our examination of the drawdown process itself, we did not take issue with the Commission's process to track eligible expenses, prepare drawdown requests, or apply federal funding as reimbursement for eligible costs paid by the state.<sup>14</sup> Commission officials also told us that they did not plan to make any further drawdowns on the federal awards with balances remaining, until they resolved their award amounts with OJP.

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<sup>14</sup> We did identify one issue with the Commission's deposit process that necessitated OJP sending grant funds in check form through the mail rather than secure Electronic Fund Transfers (EFT). Commission officials told us this occurred twice due to the EFT information being deleted from the Department's payment system, causing some delays in the transaction. The Commission subsequently worked with the Department to resolve the issue and has been informed that EFT will resume once the Commission requests its next drawdown.

## *Financial Reporting*

According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether the Commission submitted accurate Federal Financial Reports (FFR), we compared the four most recent reports to the Commission's accounting records for each grant. We determined that quarterly and cumulative expenditures for the reports reviewed matched the Commission's accounting records. We found the Commission's reported expenditure amounts accurately reflected how it spent the federal funding it received—applied as reimbursements for eligible costs it had originally paid with state funds.<sup>15</sup>

We did find that on numerous occasions during our audit scope, the Commission did not comply with the deadlines for the grants' financial reports, resulting in instances of OJP freezing its award funds. We believe this was due in part to a lack of formal procedures on this process, as well as turnover in the position of business manager, which is charged with sending these financial reports for the Commission. The Commission ultimately resolved these issues each time and OJP released the funds after receiving and reviewing the overdue financial reports. To promote efficiency in grant funds management, we recommend OJP require that the Commission develops policies and procedures to guide relevant staff on preparing and submitting federal financial reports.

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<sup>15</sup> As described elsewhere in this report, we believe the Commission drew down and spent more federal funds than it should have received from OJP, due to issues with its annual program certifications.

## **CONCLUSION AND RECOMMENDATIONS**

We found the Commission used its grant funds to compensate eligible crime victims in accordance with the criteria governing the VOCA victim compensation program. While we did not identify significant issues regarding the Commission's adjudication and payment of claims, we found there was a considerable backlog of appealed claims in West Virginia. The Commission generally kept adequate records to support its claims decisions and payments; however, we found there was a pervasive lack of formal policies and procedures to guide the Commission's victim compensation program and management of federal funds. Specifically, because Commission staff lacked formal guidance on the proper completion of the state certification form, the Commission made inaccurate certifications for the award years in our scope. This resulted in \$1,048,000 paid to the state in excess of the amounts we recalculated according to the grant formula. In addition, the Commission experienced significant weaknesses in internal controls for grant financial management, including a lack of formal fraud policies or training, and poor segregation of duties, particularly with regard to user access of its claims tracking system. We provide eight recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Require that the Commission develops formal written policies and procedures to guide its compensation claims process.
2. Remedy as funds to be put to better use the \$1,048,000 we identified as excess compensation award amounts received by the Commission.
3. Verify that the Commission data submitted to support future awards is accurate.
4. Work with the Commission to ensure it understands the expectations for the data fields in the certification form, and ensure the Commission develops and implements formal procedures to promote accurate reporting in its certification forms.
5. Require that the Commission enhances its procedures to collect accurate performance data, to include (1) tracking victim demographics as required, and (2) maintaining records to support the data reported to the OVC.
6. Require that the Commission implements formal fraud awareness and reporting policies.
7. Work with the Commission to implement claims tracking system controls that: (1) regularly assess the universe of individuals with access to the claims tracking system, (2) restrict access to this information to only necessary personnel, and (3) improve the ability to track and differentiate claims processing activity.
8. Require that the Commission develops policies and procedures to guide relevant staff on preparing and submitting federal financial reports.

## APPENDIX 1

### OBJECTIVE, SCOPE, AND METHODOLOGY

#### Objective

The objective of the audit was to evaluate how the West Virginia Legislative Claims Commission (Commission) designed and implemented its crime victim compensation program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) grant program planning and execution, (2) program requirements and performance reporting, and (3) grant financial management.

#### Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

This was an audit of *Victims of Crime Act* (VOCA) victim compensation formula grants 2015-VC-GX-0057, 2016-VC-GX-0066, and 2017-VC-GX-0084 from the Crime Victims Fund (CVF) awarded to the Commission. The Office of Justice Programs (OJP), Office for Victims of Crime (OVC) awarded these grants totaling \$3,226,000 to the Commission, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of September 28, 2015, the project start date for VOCA compensation grant number 2015-VC-GX-0057, through February 2019. As of February 2019, the Commission had drawn down a total of \$1,159,000 from the audited grants. Additionally, we conducted some review of the documents to support the Commission's application for grant 2018-V1-GX-0033 because the grant was awarded during the course of our audit, and we had the financial data to perform the analysis.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the Commission's activities related to the audited grants. We performed sample-based audit testing for compensation claims, financial reports, and performance reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. Although we tested on a sample basis revenue transactions, our audit did not include a full verification of the revenue derived from court costs, as these amounts are determined by an allocation percentage set at the state level based on all costs collected by its courts, and are not controlled by the Commission, and thus beyond the scope of this audit.



The authorizing VOCA legislation, the VOCA compensation program guidelines, the DOJ Grants Financial Guide, West Virginia Code § 14-2A-1, and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System as well as the Commission's accounting systems specific to the management of DOJ funds during the audit period. We also obtained information from the Commission's claims tracking system, CVic (Crime Victims) Database, specific to claims during the scope of our audit. We did not test the reliability of those systems as a whole; therefore, any findings identified involving information from those systems was verified with documents from other sources.

While our audit did not assess the Commission's overall system of internal controls, we did review the internal controls of the Commission's financial management system specific to the management of funds for each VOCA grant within our review. To determine whether the Commission adequately managed the VOCA funds we audited, we conducted interviews with state of West Virginia financial staff, examined policies and procedures, and reviewed grant documentation and financial records. We also developed an understanding of the Commission's financial management system and its policies and procedures to assess its risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grants.



## APPENDIX 2

### SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
<b>Funds to be put to Better Use:<sup>16</sup></b>		
Funds Over-awarded Based on Inaccurate Certifications <sup>17</sup>	<u>\$1,048,000</u>	7
<b>Total Funds to be put to Better Use</b>	<b>\$1,048,000</b>	

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<sup>16</sup> **Funds to be put to Better Use** are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

<sup>17</sup> As of February 2019, the Commission had not drawn down any funds for the grants that were over-awarded; therefore, we identify the amount over-awarded as funds to be put to better use.

## WEST VIRGINIA LEGISLATIVE CLAIMS COMMISSION RESPONSE TO THE DRAFT REPORT



### West Virginia Legislative Claims Commission

Presiding Commissioner  
J. David Cecil  
Commissioners  
George F. Fordham  
J. Rudy Martin

1900 Kanawha Blvd., E., Rm. W-334  
Charleston, West Virginia 25305-0610  
Telephone (304) 347-4851  
Facsimile (304) 347-4915

Janet N. Kawash  
Clerk  
Recky A. Offish  
Chief Deputy Clerk

April 2, 2019

John J. Manning  
Regional Audit Manager  
Washington Regional Audit Office  
Office of the Inspector General  
Jefferson Plaza  
Suite 900  
Washington, D.C. 20530

Dear Mr. Manning:

We appreciate the opportunity to respond to the recommendations contained in the report on the Audit of the West Virginia Crime Victims Compensation Fund as conducted by the Office of the Inspector General.

The West Virginia Crime Victims Compensation Fund's responses to the recommendations listed in the report are itemized below. The Fund welcomes this opportunity to improve its efficiency, administration and delivery of services and benefits to those who are the unfortunate victims of crime within our state borders. We look forward to working with the Office of Justice Programs to effectively implement the recommendations of the Audit Team and improve our program as well.

Please let this letter serve as the official response of the West Virginia Crime Victims Compensation Fund to the recommendations included in the Audit Report as listed below.

**1. Require that the Commission develops formal written policies and procedures to guide its compensation claims process.**

Response: The Commission concurs with the recommendation that formal written policies and procedures are needed to guide the compensation claims process. The development of written policies, guidelines and procedures is a top priority for the Commission in all aspects of the Commission office. The Commission is in the process of drafting written policies and procedures to further guide the process. Clearly, it is important to have a consistent set of guidelines that are routinely followed to assure that all claims are fairly

and accurately reviewed, assessed and adjudicated. All employees of the Commission are drafting these guidelines which will be used not only as compensatory guidelines but also as training manuals as staffing within the office changes. The Commission will review and modify these policies and procedures as necessary on a yearly basis to assure that the guidelines accurately reflect the practices of the Fund in all areas.

- 2. Remedy as funds to be put to better use the \$1,048,000 we identified as excess compensation award amounts received by the Commission.**

Response: The Commission concurs with this recommendation that it received excess compensation award amounts and that the overpayment of compensation awards can be restored to the Office of Justice Programs/VOCA and designated as funds to be put to better use.

- 3. Verify that the Commission data submitted to support future awards is accurate.**

Response: The Commission concurs with this recommendation. The Commission has put into place safeguards and will increase the safeguards once the written policies and procedure guidelines are completed to assure that no errors in the grant application process and certification process are made. The Commission acknowledges that the situation that led to the inclusion of inaccurate data – significant turnover in the grant and business manager and clerk positions as well as an extended illnesses and unfortunate death of the business manager all occurring at the time the grant application and certification were due - is a situation that is unlikely to be repeated in the future. With the introduction of formal guidelines and written procedures, along with a more informed staff and fiscal office, the appropriate personnel are better informed, more knowledgeable and more closely involved in the grant application and certification processes, particularly with the data needed to complete each process.

The Commission has, within the last eighteen months, employed new personnel for the key positions identified in the Audit Report, who are committed to rectifying the past errors and moving forward with the appropriate measures in place to prevent these same errors. Key personnel are actively involved in creating thorough written guidelines and procedures for the administration of the West Virginia Crime Victims Compensation Fund, including the entire claims compensation process, the grant application and certification process, the appeals process, accounting practices and adherence to all general and special conditions of the grants.

- 4. Work with the Commission to ensure it understands the expectations for the data fields in the certification form, and ensure the Commission develops and implements formal procedures to promote accurate reporting in its certification forms.**

Response: The Commission concurs with this recommendation. The Commission further acknowledges that the lack of formal policies and procedures exacerbated the issues created by the turnover at the business manager position that eventually became a crisis upon the hospitalization and subsequent death of the business manager. Because there were no formal written guidelines, the knowledge needed for the completion of the

application and certification forms became unavailable with the passing of the business manager, thereby creating a void of knowledge and competency. These events occurred in close proximity to the closing of the application window in which to submit the grant, which heightened the deadline's urgency and lead to the inclusion of inaccurate data in the certification forms.

Since the Audit began, Commission personnel, including the fiscal officer responsible for maintaining the Fund's payment and accounting records, have worked closely with the Audit Team to assure that the Fund's benefit payments are coded and labeled in such a manner to collect and report the correct data for inclusion in future grant applications and certification forms.

- 5. Require that the Commission enhances its procedures to collect accurate performance data, to include (1) tracking victim demographics as required, and (2) maintaining records to support the data reported to the OVC.**

Response: The Commission concurs with this recommendation. The Commission intends to update and revise the application so that demographic information, specifically victim ethnicity/race and age, is required, thereby complying with the requirements for Performance Measurement Tool (PMT) reports. The Commission further states that the business manager and the fiscal officer have implemented processes, including new codes for various payments, to allow for more specific tracking of payment types and to increase accuracy in its collection of performance data. The Commission worked with its IT Department to incorporate upgrades to the CVIC database and claims tracking system to assure that all demographics, payments, fees and other required data are collected within the same tracking system and that performance data can be collected accurately and quickly for reporting purposes.

The Commission has worked closely with Legislative Fiscal Office and the State Auditor's Office to implement an improved benefit coding system to better track awards. This will increase the Commission's ability to prepare accounting reports on a timelier and more accurate basis for performance reports, quarterly reports, annual legislative reports, applications and certification forms. The involvement of the Fiscal Office in the Audit has benefitted the Fund thus far as both the Commission staff and the Fiscal Office have a much better understanding of the Fund's workings, accounting practices, the information needed to apply for and comply with federal grants and the information needed to maximize the reach of the Crime Victims Compensation Fund.

- 6. Require that the Commission implements formal fraud awareness and reporting policies.**

Response: The Commission concurs with this recommendation. Upon being notified by the Audit Team that there was a lack of formal fraud awareness for the Crime Victims Compensation Fund, Commission officials instituted a fraud awareness policy, conducted a training session and developed written materials for use by the Commission staff in order to be aware of what constitutes fraud, how and where it should be reported and the appropriate signs were distributed to and posted by each Commission employee in their workspace and other prominent areas within the office. The Commission has committed to yearly fraud awareness and training for its employees and is currently working with the

Office of Legislative Services to incorporate the training into the existing annual training for all Legislative employees.

- 7. Work with the Commission to implement claims tracking system controls that: (1) regularly assess the universe of individuals with access to the claims tracking system, (2) restrict access to this information to only necessary personnel, and (3) improve the ability to track and differentiate claims processing activity.**

Response: The Commission concurs with this recommendation. During the Audit Team's onsite visit and investigation, the Team notified Commission officials as to their concerns related to the protection of private and identifying information as well as access to that information through the claims tracking system and database. This system and the accompanying database were specifically designed and built for the Crime Victims Compensation Fund by the IT Department. The Commission and the IT Department worked to tighten the privacy protections of the system, which included limiting access to the database to only those employees who worked with the Fund on a daily basis. A second password protection was added to the claims tracking system; various areas within the database were locked down and placed on restricted access to prevent any accidental or intentional changes to the data and information contained within the database. Additional fields were added to the claims tracking system and database to allow for more specific tracking of benefit payments, deposit types, donations, refunds, restitution payments, subrogation and attorneys' fees. The formal guidelines that are currently being drafted will include a yearly review of the database to assure privacy protections as well as a determination of the appropriate universe of employees with access to the database and in particular, access to sensitive information.

- 8. Require that the Commission develops policies and procedures to guide relevant staff on preparing and submitting federal financial reports.**

Response: The Commission concurs with this recommendation. The Commission agrees with the finding in the report that non-compliance with the deadlines for filing of financial reports related to the grants was related to the vacancies in the business manager position at the time the reports were due. The Commission office experienced significant turnover in several positions in 2016 and 2017, which adversely affected the management of the grants. Unfortunately, when an employee left employment with the Commission, the information needed to comply with the grant requirements also left because of the lack of written policies. The Commission is in the process of developing and compiling formal guidelines, policies and procedures to address all aspects of the Crime Victims Compensation Fund, including the reporting requirements for the VOCA grants. The Commission's current business manager is well-versed on all areas of the VOCA grant, including federal financial reports, certification forms, quarterly performance reports and applications. The Commission personnel responsible for hiring the business manager were specifically interested in only those candidates who had federal grant experience, particularly with VOCA grants. Going forward, grant experience will be a mandatory requirement for the business manager position whereas it was not in the past.

There were additional findings within the report that, while mentioned, did not merit recognition as a formal recommendation. Commission personnel has been working steadfastly to assure that all claims are reviewed on a timely basis, with minimal delays in the payment of benefits working within the framework of the State's auditing and payment systems. In instances where a claimant appeals either the denial of a claim in its entirety or the denial of a specific finding or payment, Commission personnel are prioritizing the appeals to have them heard in an expeditious manner and are working to eliminate the backlog of appeals as quickly as possible. Upgrades to the claims tracking system were implemented to allow for increased tracking of hearing requests and appeals. Newly filed appeals are placed on a hearing schedule almost immediately upon receipt.

The audit report also recommended that the West Virginia Crime Victims Compensation Fund explore other initiatives to further publicize the Fund. The Commission staff works closely with victim advocates who are on the staff of county prosecutors; however, not all West Virginia counties employ victim advocates and accordingly, those counties have lower claims filed each year. Our staff is committed to continue working with victim advocates and pursuing new relationships with other statewide and regional organizations that provide services to crime victims, with particular emphasis on domestic violence, sexual assault and child abuse victims.

Thank you for the opportunity to respond to the recommendations set forth in the Audit Report for the Audit of the Office of Justice Programs Victim Compensation Grants Awarded to the West Virginia Legislative Claims Commission. We look forward to working with the Office of Justice Programs to strengthen the West Virginia Crime Victims Compensation Fund that will allow us to provide more support, more services and more benefits to crime victims within West Virginia.

Please call me or email me if you have any additional questions or you need further information related to this response.

Sincerely,



Janet N. Kawash  
Clerk of the West Virginia  
Legislative Claims Commission

cc: Aaron Allred  
Legislative Manager

Linda J. Taylor,  
Lead Auditor, Audit Coordination Branch  
Audit and Review Division



OFFICE OF JUSTICE PROGRAMS  
RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

APR - 9 2019

MEMORANDUM TO: John J. Manning  
Regional Audit Manager  
Washington Regional Audit Office  
Office of the Inspector General

FROM: Ralph E. Martin  
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Victim Compensation Grants Awarded to the West Virginia Legislative Claims Commission, Charleston, West Virginia*

This memorandum is in reference to your correspondence, dated March 13, 2019, transmitting the above-referenced draft audit report for the West Virginia Legislative Claims Commission (Commission). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **eight** recommendations and **\$1,048,000** in funds to be put to better use. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP require that the Commission develops formal written policies and procedures to guide its compensation claims process.**

OJP agrees with the recommendation. We will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to guide its compensation claims process.

2. **We recommend that OJP remedy as funds to be put to better use the \$1,048,000 we identified as excess compensation award amounts received by the Commission.**

OJP agrees with the recommendation. We will review the \$1,048,000 in excess compensation award amounts received by the Commission, and will work with the Commission to remedy, as appropriate.

3. **We recommend that OJP verify that the Commission data submitted to support future awards is accurate.**

OJP agrees with the recommendation. We will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure the accuracy of that data submitted to support future Federal awards.

4. **We recommend that OJP work with the Commission to ensure it understands the expectations for the data fields in the certification form, and ensure the Commission develops and implements formal procedures to promote accurate reporting in its certification forms.**

OJP agrees with the recommendation. We will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure that the information reported on the claim certification forms is accurate.

5. **We recommend that OJP require that the Commission enhances its procedures to collect accurate performance data, to include (1) tracking victim demographics as required, and (2) maintaining records to support the data reported to OJP's Office for Victims of Crime (OVC).**

OJP agrees with the recommendation. We will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure accurate collection of performance data, to include tracking victim demographics and maintaining records to support the data reported to OVC.

6. **We recommend that OJP require that the Commission implements formal fraud awareness and reporting policies.**

OJP agrees with the recommendation. We will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, related to fraud awareness and reporting.

7. **We recommend that OJP work with the Commission to implement claims tracking system controls that: (1) regularly assess the universe of individuals with access to the claims tracking system, (2) restrict access to this information to only necessary personnel, and (3) improve the ability to track and differentiate claims processing activity.**

OJP agrees with the recommendation. We will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure that claims tracking system controls regularly assess the universe of individuals with access to the claims tracking system; restrict access to this information to only necessary personnel; and improve the ability to track and differentiate claims processing activity.

**8. We recommend that OJP require that the Commission develops policies and procedures to guide relevant staff on preparing and submitting Federal Financial Reports.**

OJP agrees with the recommendation. We will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure that staff is properly trained on preparing and submitting Federal Financial Reports.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Matt M. Dummermuth  
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OJP Executive Secretariat  
Control Number: IT20190319081900

**OFFICE OF THE INSPECTOR GENERAL  
ANALYSIS AND SUMMARY OF ACTIONS  
NECESSARY TO CLOSE THE REPORT**

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and the West Virginia Legislative Claims Commission (the Commission). The Commission's response is incorporated in Appendix 3 and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, the OJP concurred with our recommendations, and as a result, the status of the audit report is resolved. The Commission also concurred with our recommendations. The following provides the OIG analysis of these responses and a summary of actions necessary to close the report.

**Recommendations for OJP:**

**1. Require that the Commission develops formal written policies and procedures to guide its compensation claims process.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to guide its compensation claims process.

The Commission also concurred with our recommendation. The Commission stated in its response that it is in the process of drafting written policies and procedures to guide its compensation claims process. The Commission will review and modify these policies and procedures as necessary on a yearly basis to assure that the guidelines accurately reflect the practices of the West Virginia Crime Victims Compensation Fund in all areas.

This recommendation can be closed when OJP provides evidence that the Commission has established and implemented procedures to guide its compensation claims process.

**2. Remedy as funds to be put to better use the \$1,048,000 we identified as excess compensation award amounts received by the Commission.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will review the \$1,048,000 in excess compensation award amounts received by the Commission, and will work with the Commission to remedy, as appropriate.

The Commission also concurred with our recommendation. The Commission agreed that it received excess compensation award amounts and further

stated in its response that the overpayment of compensation awards can be restored to the Office of Justice Programs/VOCA.

This recommendation can be closed when we receive evidence that OJP has coordinated with the Commission to remedy the \$1,048,000 in excess compensation received by the Commission.

**3. Verify that the Commission data submitted to support future awards is accurate.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure the accuracy of that data submitted to support future Federal awards.

The Commission also concurred with our recommendation. The Commission stated in its response the Commission is working on safeguards to assure that no errors in the grant application and certification process are made. The Commission stated that key personnel are actively involved in creating thorough written guidelines and procedures for the administration of the West Virginia Crime Victims Compensation Fund, including the entire claims compensation process, the grant application and certification process, the appeals process, accounting practices and adherence to all general and special conditions of the grants.

This recommendation can be closed when we receive evidence that OJP has coordinated with the Commission to determine if its State Certification Forms included accurate amounts.

**4. Work with the Commission to ensure it understands the expectation for the data fields in the certification form, and ensure the Commission develops and implements formal procedures to promote accurate reporting in its certification forms.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure that the information reported on the claim certification forms is accurate.

The Commission also concurred with our recommendation. The Commission stated in its response that formal written guidelines were needed for the completion of the application and certification forms. The Commission stated that its personnel have worked to ensure the Fund's benefit payments are coded and labeled in such a manner to collect and report the correct data for inclusion in future grant applications and certification forms.

This recommendation can be closed when OJP provides evidence it has communicated with the Commission on expectations for the data fields in the

certification form, including the appropriate accounting for revenue derived from court costs. In addition, OJP should demonstrate that the Commission has established and implemented procedures to promote accurate reporting in its certification forms.

**5. Require that the Commission enhances its procedures to collect accurate performance data, to include (1) tracking victim demographics as required, and (2) maintaining records to support the data reported to the OVC.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure accurate collection of performance data, to include tracking victim demographics and maintaining records to support the data reported to OVC.

The Commission also concurred with our recommendation. The Commission stated in its response that it intends to update and revise its victim compensation claim application to include demographic information, specifically victim ethnicity/race and age. The Commission further stated that its personnel have implemented processes, including new codes for various payments, to allow for more specific tracking of payment types and to increase accuracy in its collection of performance data. The Commission stated that it worked with its IT Department to upgrade the CVIC database and claims tracking system to assure that all demographics, payments, fees and other required data are collected within the same tracking system and that performance data can be collected accurately for reporting purposes.

This recommendation can be closed when OJP provides evidence that the Commission upgraded its database and claims tracking system to ensure that all demographics, payments, fees, and other required data are collected accurately for reporting purposes.

**6. Require that the Commission implements formal fraud awareness and reporting policies.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, related to fraud awareness and reporting.

The Commission also concurred with our recommendation. The Commission stated in its response that it instituted a fraud awareness policy; conducted a training session; developed written material for use by Commission staff in order to be aware of what constitutes fraud, as well as how and where it should be reported; and posted signage on this topic in prominent areas within the office. The Commission stated that it has committed to providing yearly fraud training for its employees and is working with its Office of the

Legislative Services to incorporate the training into the existing annual training for all West Virginia legislative employees.

This recommendation can be closed when OJP provides evidence of the Commission's proposed remedial actions in this area, which include: (1) the Commission's fraud awareness policy; (2) written material for use by the Commission staff in order to be aware of what constitutes fraud, as well as how and where it should be reported; and (3) incorporation of fraud training into existing annual training for all West Virginia legislative employees.

**7. Work with the Commission to implement claims tracking system controls that: (1) regularly assess the universe of individuals with access to the claims tracking system, (2) restrict access to this information to only necessary personnel, and (3) improve the ability to track and differentiate claims processing activity.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure that the claims tracking system controls regularly access the universe of individuals with access to the claims tracking system; restrict access to this information to only necessary personnel; and improve the ability to track and differentiate claims processing activity.

The Commission also concurred with our recommendation. The Commission stated in its response that formal guidelines are currently being drafted that will include a yearly review of the database to assure privacy protections as well as a determination of the appropriate universe of employees with access to the database. The Commission stated that its IT Department worked to tighten the privacy protections of the system, which included: (1) limiting access to the database to only those employees who worked with the Fund on a daily basis; (2) adding a second password protection; and (3) restricting access to various areas within the database to prevent any accidental or intentional changes to the data.

This recommendation can be closed when OJP provides evidence that the Commission has formalized guidelines relating to system access and completed the described changes to tighten privacy protections in the system.

**8. Require that the Commission develops policies and procedures to guide relevant staff on preparing and submitting federal financial reports.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Commission to obtain a copy of written policies and procedures, developed and implemented, to ensure that staff is properly trained on preparing and submitting federal financial reports.



The Commission also concurred with our recommendation. The Commission stated in its response that it agrees with the finding and is in the process of developing and compiling formal guidelines, policies, and procedures to address all aspects of the Crime Victims Compensation Fund, including the reporting requirements for the VOCA grants.

This recommendation can be closed when OJP provides evidence that the Commission has established and implemented procedures to ensure staff has appropriate guidance on preparing and submitting federal financial reports.



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