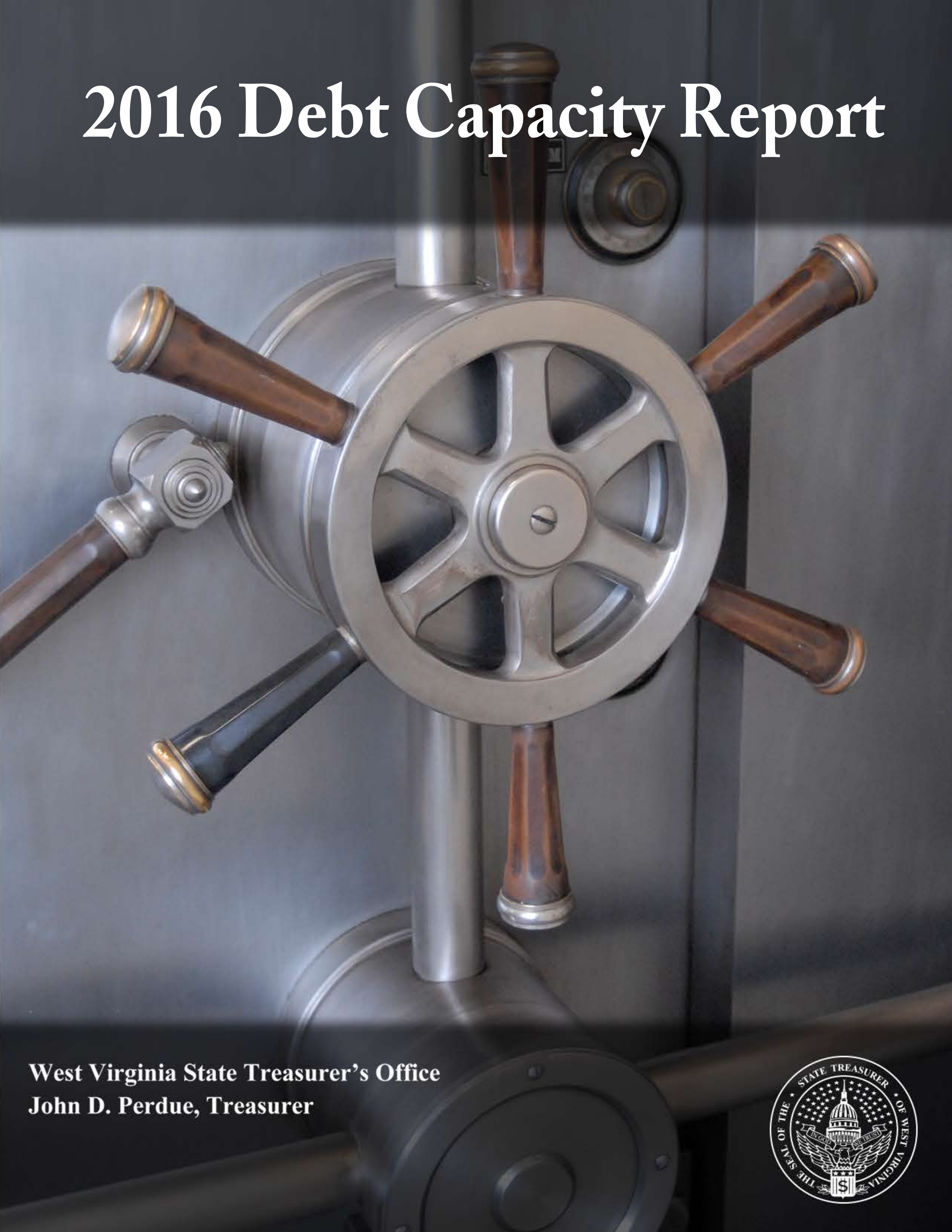
2016 Debt Capacity Report



West Virginia State Treasurer's Office
John D. Perdue, Treasurer

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EXECUTIVE SUMMARY

The purpose of this report is to comply with the provision of West Virginia Code §12-6A-6 (e) which requires the Treasurer to annually submit a report that will examine:

> The amount of net tax supported debt outstanding and debt authorized but not issued during the current and next fiscal year and annually for the following ten fiscal years;
>
> Debt service requirements during the current and next fiscal year and annually for the following ten fiscal years based upon existing outstanding debt, previously authorized but unissued debt and projected bond authorizations;
>
> Any information available from the budget office of the department of revenue in connection with projected revenues and anticipated capital expenditures projected for at least the next five fiscal years;
>
> The amount of debt the state and its spending units may prudently issue;
>
> What is needed to keep West Virginia within an average to low range of nationally recognized debt limits;
>
> The debt ratios rating agencies and analysts use; and
>
> The effect of authorizations of new tax supported debt on each of the considerations in this subsection.

Net tax supported debt outstanding - For purposes of this report and the examination of the state's debt capacity, the Treasurer's office includes the following debt obligations in the calculation of net tax supported debt:

> General Obligation (GO) Bonds;
>
> Lottery Revenue Bonds;
>
> Bonds with debt service that is subject to an annual appropriation from the state's General Revenue Fund; and
>
> Lease Obligations.

Table one (page two) shows the breakdown of the state's $1.62 billion in outstanding net tax supported debt as of June 30, 2015.

Table 1 - West Virginia Net Tax Supported Debt Outstanding as of June 30, 2015

Type of Debt		Principal Outstanding June 30, 2015
GENERAL OBLIGATION BONDS		
Safe Road Bonds	$ 168,845,000	
Infrastructure Improvement Bonds	239,548,538	
Total General Obligation Bonds		$ 408,393,538
REVENUE BONDS		
School Building Authority Capital Improvement Bonds	109,075,000	
Economic Development Authority, Lottery Revenue Bonds	142,360,000	
Economic Development Authority, Excess Lottery Revenue Bonds	154,170,000	
Higher Education Policy Commission, Excess Lottery Revenue Bonds	219,640,000	
Higher Education Policy Commission, Excess Lottery Revenue Bonds (BABs)	50,265,000	
School Building Authority, Lottery Revenue Bonds	72,010,000	
School Building Authority, Excess Lottery Revenue Bonds	98,780,000	
School Building Authority, Excess Lottery Revenue Bonds (QSCBs)	150,480,000	
West Virginia Infrastructure & Jobs Development Council (Excess Lottery Revenue Bond)	75,790,000	
Total Revenue Bonds		1,072,570,000
TOTAL LEASE OBLIGATIONS		316,784,254
GROSS TAX SUPPORTED DEBT		1,797,747,792
DEDUCTIONS FOR ESCROW/SINKING FUND/RESERVE FUNDS		
Economic Development Authority, Excess Lottery Revenue Bonds	(25,160,499)	
Infrastructure Improvement Bonds, General Obligation Bonds	(80,915,000)	
School Building Authority Capital Improvement Revenue Bonds	(23,020,801)	
School Building Authority, Excess Lottery Revenue Bonds (QSCBs)	(49,267,790)	
Total Deductions		(178,364,090)
NET TAX SUPPORTED DEBT		**$ 1,619,383,702**

DISCLAIMER

The information contained in this report comes from various sources considered reliable. Every state agency, board and commission is to report quarterly to the Treasurer's Office on the status of all bonds and leases; however, this report is unaudited.

The debt service (principal and interest payments) on the $1.62 billion in net tax supported debt represented 4.02% of the state's General Revenue Fund receipts and 3.16% of specified revenue sources for Fiscal Year 2015. The specified revenue sources include the state road fund, lottery funds and certain dedicated severance taxes (see Appendix B for more information on the revenues included in this calculation). Both of these ratios are below the recommended caps.

Another important factor when determining debt capacity and the health of the state's debt is amortization – or how rapidly is the state's debt maturing? With all things remaining constant, the state will see a 4.81% decrease in its net tax supported debt outstanding within the next year. It is estimated that there will be a 23.99% decrease within five years (2016-2020) and an additional 33.16% in the following five years (2021-2025). This is, of course, assuming that no new additional debt is issued. The recommended caps for various debt ratios are as follows:

Table 2 - Recommended Ratio Caps as of June 30, 2015

Ratio	Recommended Cap	June 30, 2015 Level	Projected Highest Level (FY16-26)
Net Tax Supported Debt Service as a percentage of the General Revenue Fund	6.00%	4.02%	4.28% (June 30, 2017)
Net Tax Supported Debt Service as a percentage of Revenues	5.00%	3.16%	3.44% (June 30, 2017)
Net Tax Supported Debt as a percentage of Personal Income	3.00%	2.38%	2.19% (June 30, 2016)
Net Tax Supported Debt Per Capita	$1,100	$875	$834 (June 30, 2016)
Net Tax Supported Debt as a Percentage of Assessed Valuation	2.0%	1.75%	1.67% (June 30, 2016)

Conclusion

The most important indicators of debt capacity include ratios which take into account the state's revenues and how much of those revenues are dedicated to make payments on the state's debt burden. The next five years will see a decrease in the state's GO debt of more than 40% ($327 million on June 30, 2015 to $197 million on June 30, 2020). This reduction in debt is important since the state is facing increasing budget deficits which must be immediately addressed.

Debt Capacity

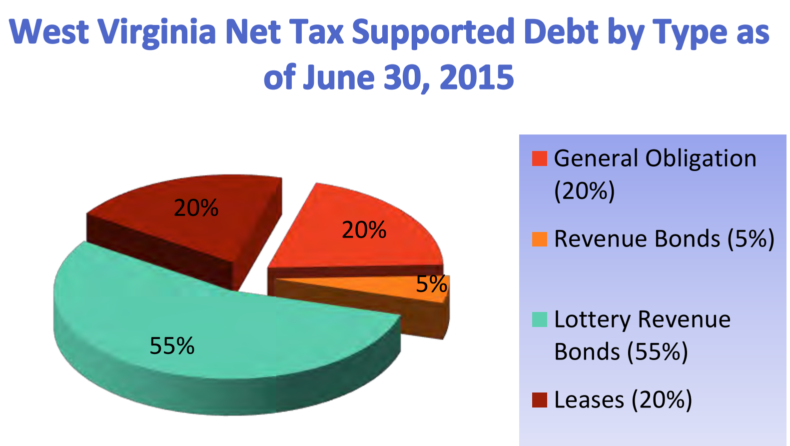
The legislative purpose of this report is to perform the following tasks:

1. determine the amount of net tax supported debt outstanding;
2. calculate key ratios that are commonly used to examine debt; and
3. make recommendations which will attempt to keep the state within an average to low range of national recognized debt limits.

1. Determine the amount of net tax supported debt outstanding

The calculation of net tax supported debt is shown in table one, page two. This $1.62 billion figure includes General Obligation (GO) Bonds, Revenue Bonds of the School Building Authority that are subject to an annual appropriation from the General Revenue Fund, Lottery Revenue Bonds and Lease Obligations of state agencies which also includes state colleges and universities.

The highest quality bonds that can be issued are GO Bonds because they pledge the full faith and credit of the state and are authorized only by a constitutional amendment. Currently, GO Bonds only constitute approximately 20% of the state's net tax supported debt outstanding (see chart below).The State of West Virginia has not had a "new money" GO Bond issue in more than 14 years when it issued the final $110 million authorized by the Safe Roads Amendment of 1996.



The largest portion of the state's net tax supported debt consists of bonds which are backed by various pledges of revenue generated from the West Virginia Lottery. Revenues from the West Virginia Lottery are anticipated to decrease approximately $14 million between fiscal year 2015 to 2016. Projections show only a moderate increase for the near future. During the 2014 legislative session, the Legislature approved statutory changes which addressed adequate debt service coverage ratio limits on the Excess Lottery Fund and provided a cross-collateral mechanism for lottery revenue bonds.

There are also several agencies that had Revenue Bonds outstanding at June 30, 2015 (see table three, page five). These Revenue Bonds are excluded from the calculation of net tax supported debt because they are self-supporting. The notes issued by the Commissioner of Highways are excluded since they are secured through pledged revenues of the Federal Highways Administration (these notes matured in

September 2015). Also the bonds issued by the Tobacco Settlement Financing Authority are excluded because the debt service is paid directly from tobacco settlement funds. The remaining debt is repaid from revenues of the projects financed.

Although certain bonds of the West Virginia Water Development Authority and the West Virginia Housing Development Fund are considered moral obligations of the state, they are currently self-supporting and are also excluded from the calculation of net tax supported debt.

Calculations of the net tax supported debt and debt service of the State of West Virginia for fiscal years 2010 through 2026 are contained in tables four and five (pages 6 – 9). Fiscal years 2010 through 2015 are included to show the historical perspective of the actual debt issued and the debt service requirements for those obligations. The most recent and next ten fiscal years, 2015 through 2026, are included to show expected debt levels as existing obligations mature.

Revenue information included in tables four and five was compiled and provided by the West Virginia Department of Revenue and is included in Appendix B. The projected values of personal income were obtained from Global Insight, ("WV Annual Long- Term Forecast" November 2015).

Table 3 – Various Revenue Bonds Outstanding
June 30, 2015

Entity	Principal Outstanding
Economic Development Authority	$1.6 billion
Hospital Finance Authority	$1.6 billion
Concord University	$16.5 million
Fairmont State University	$80.6 million
Glenville State College	$35.6 million
Higher Education Policy Commission	$81.1 million
Highways, Commissioner of	$26.9 million
Housing Development Fund	$398.8 million
Infrastructure & Jobs Development Council	$108.6 million
Marshall University	$83.8 million
Mountwest Community and Technical College	$2.7 million
Parkway Authority	$38.4 million
*Regional Jail & Correctional Facilities Authority	$50.7 million
Shepherd University	$41.9 million
Tobacco Settlement Financing Authority	$823.4 million
Water Development Authority	$199.8 million
West Liberty University	$17.5 million
West Virginia State University	$13.7 million
West Virginia University	$597.5 million

* - does not include lease-backed bonds issued by the Economic Development Authority. The lease-backed bonds are included in net tax supported debt as lease obligations.

Table 4. NET TAX SUPPORTED DEBT OUTSTANDING FOR FISCAL YEARS 2010 - 2026

	6/30/2010 FY10	6/30/2011 FY11	6/30/2012 FY12	6/30/2013 FY13	6/30/2014 FY14	6/30/2015 FY15	6/30/2016 FY16
General Obligation							
Safe Roads of 1996	339,515,000	305,460,000	270,595,000	245,365,000	220,525,000	168,845,000	166,385,000
(1) Infrastructure of 1994	221,415,041	210,353,971	198,082,386	186,474,763	174,735,525	158,633,538	146,294,132
Total General Obligation	560,930,041	515,813,971	468,677,386	431,839,763	395,260,525	327,478,538	312,679,132
Moral Obligations							
Economic Development Authority - Excess Lottery	198,590,000	190,415,000	181,920,000	173,070,000	163,830,000	154,170,000	144,065,000
Economic Development Authority - Lottery	-	153,705,000	151,020,000	148,250,000	145,370,000	142,360,000	139,230,000
(4) Higher Education Policy Commission - Excess Lottery	222,320,000	243,480,000	244,170,000	235,375,000	227,675,000	219,640,000	211,255,000
Higher Education Policy Commission - Excess Lottery (BABs)	-	50,265,000	50,265,000	50,265,000	50,265,000	50,265,000	50,265,000
(2) School Building Authority - Appropriation	187,380,000	173,090,000	158,160,000	142,535,000	126,190,000	109,075,000	91,040,000
(2) School Building Authority - Lottery	64,600,000	49,655,000	59,500,000	67,360,000	76,055,000	72,010,000	67,760,000
School Building Authority - Excess Lottery	95,940,000	116,590,000	112,420,000	108,060,000	103,520,000	98,780,000	93,830,000
School Building Authority - Excess Lottery (QSCBs)	78,200,000	150,480,000	150,480,000	150,480,000	150,480,000	150,480,000	150,480,000
State Building Commission - Lottery	7,690,000	-	-	-	-	-	-
West Virginia Infrastructure & Jobs Development Council - Excess Lottery	-	-	-	-	-	75,790,000	72,475,000
Total Moral Obligations	854,720,000	1,127,680,000	1,107,935,000	1,075,395,000	1,043,385,000	1,072,570,000	1,020,400,000
Leases							
(3) Leases	442,823,000	417,257,010	346,986,152	322,874,298	302,462,341	316,784,254	315,000,000
Total Leases	442,823,000	417,257,010	346,986,152	322,874,298	302,462,341	316,784,254	315,000,000
Deductions for debt service reserve accounts							
Economic Development Authority - Excess Lottery	(18,990,000)	(18,990,000)	(23,501,000)	(24,077,819)	(24,941,484)	(25,160,499)	(25,160,499)
School Building Authority	(23,020,801)	(23,020,801)	(23,020,801)	(23,020,801)	(23,020,801)	(23,020,801)	(23,020,801)
School Building Authority - Lottery	(14,180,000)	(14,180,000)	(14,180,000)	(14,180,000)	-	-	-
School Building Authority - Excess Lottery (QSCBs) - debt service sinking fund	(3,565,725)	(12,488,006)	(21,682,952)	(30,877,898)	(40,072,844)	(49,267,790)	(58,462,736)
State Building Commission - Lottery	-	-	-	-	-	-	-
Net Tax Supported Debt Outstanding	1,798,716,515	1,992,072,174	1,841,213,785	1,737,952,543	1,653,072,737	1,619,383,702	1,541,435,096
Assessed value (in thousands)	79,555,133	79,498,082	81,895,714	86,578,234	88,238,953	92,552,034	92,552,034
Net tax supported debt as a percentage of assessed value	2.26%	2.51%	2.25%	2.01%	1.87%	1.75%	1.67%
Income (in thousands)	59,526,357	63,461,055	65,665,365	65,177,629	66,856,853	68,082,678	70,348,642
Net tax supported debt as a percentage of personal income	3.02%	3.14%	2.80%	2.67%	2.47%	2.38%	2.19%
Population	1,852,994	1,854,982	1,856,313	1,853,595	1,850,326	1,849,826	1,849,326
Net tax supported debt per capita	970.71	1073.90	991.87	937.61	893.40	875.42	833.51

Income and Assessed value information and projections provided by the West Virginia Department of Revenue
Population information obtained from the U.S. Census Bureau

(1) - Cash basis and net of escrowed bonds
(2) - Reported as paid from the School Building Authority to the Trustee
(3) - Compiled by the Division of Debt Management. Does not match the State's CAFR due to differences in materiality levels
(4) - The Higher Education Excess Lottery Revenue Bonds, Series 2004B were incorrectly reported in the 2014 Annual Debt Position Report. The FY2014 amount outstanding has been properly updated.

6/30/2017 FY17	6/30/2018 FY18	6/30/2019 FY19	6/30/2020 FY20	6/30/2021 FY21	6/30/2022 FY22	6/30/2023 FY23	6/30/2024 FY24	6/30/2025 FY25	6/30/2026 FY26
151,160,000	135,715,000	118,390,000	100,830,000	82,460,000	63,240,000	43,130,000	22,090,000	-	-
133,745,959	121,140,144	108,162,634	95,697,884	82,941,968	69,893,844	56,469,103	42,877,275	28,922,329	14,578,054
284,905,959	256,855,144	226,552,634	196,527,884	165,401,968	133,133,844	99,599,103	64,967,275	28,922,329	14,578,054
133,415,000	122,195,000	110,370,000	97,910,000	84,780,000	70,940,000	56,260,000	40,690,000	24,170,000	6,650,000
135,940,000	132,555,000	129,000,000	125,290,000	121,430,000	117,375,000	113,120,000	108,675,000	104,005,000	99,115,000
203,650,000	195,675,000	187,310,000	178,550,000	169,390,000	159,780,000	149,720,000	139,175,000	128,120,000	116,540,000
50,265,000	50,265,000	50,265,000	50,265,000	50,265,000	50,265,000	50,265,000	50,265,000	50,265,000	50,265,000
72,105,000	52,220,000	31,370,000	9,465,000	1,910,000	-	-	-	-	-
63,360,000	58,800,000	54,050,000	49,090,000	43,895,000	38,445,000	32,725,000	26,710,000	20,400,000	13,820,000
88,655,000	83,245,000	77,605,000	71,690,000	65,475,000	58,950,000	52,090,000	44,910,000	37,365,000	29,435,000
150,480,000	150,480,000	150,480,000	150,480,000	150,480,000	150,480,000	150,480,000	120,480,000	120,480,000	72,280,000
-	-	-	-	-	-	-	-	-	-
70,100,000	67,610,000	64,995,000	62,245,000	59,360,000	56,330,000	53,150,000	49,810,000	46,305,000	42,625,000
967,970,000	913,045,000	855,445,000	794,985,000	746,985,000	702,565,000	657,810,000	580,715,000	531,110,000	430,730,000
308,000,000	300,000,000	310,000,000	310,000,000	305,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
308,000,000	300,000,000	310,000,000	310,000,000	305,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
(25,160,499)	(25,160,499)	(25,160,499)	(25,160,499)	(25,160,499)	(25,160,499)	(25,160,499)	(25,160,499)	(25,160,499)	(25,160,499)
(23,020,801)	(23,020,801)	(23,020,801)	(9,465,000)	(1,910,000)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(67,657,682)	(76,852,628)	(86,047,574)	(95,242,520)	(104,437,466)	(113,632,412)	(122,827,358)	(131,822,304)	(109,017,250)	(116,212,196)
-	-	-	-	-	-	-	-	-	-
1,445,036,977	1,344,866,216	1,257,768,760	1,171,644,865	1,085,879,003	996,905,933	909,421,246	788,699,472	725,854,580	603,935,359
92,552,034	92,552,034	92,552,034	92,552,034	92,552,034	92,552,034	92,552,034	92,552,034	92,552,034	92,552,034
1.56%	1.45%	1.36%	1.27%	1.17%	1.08%	0.98%	0.85%	0.78%	0.65%
73,610,488	76,987,342	80,352,706	83,840,939	87,204,559	90,721,021	94,338,830	98,041,100	101,730,550	105,655,356
1.96%	1.75%	1.57%	1.40%	1.25%	1.10%	0.96%	0.80%	0.71%	0.57%
1,848,826	1,848,326	1,847,826	1,847,326	1,846,826	1,846,326	1,845,826	1,845,326	1,844,826	1,844,826
781.60	727.61	680.67	634.24	587.97	539.94	492.69	427.40	393.45	327.37

Table 5. NET TAX SUPPORTED DEBT SERVICE FOR FISCAL YEARS 2010 - 2026

	6/30/2010 FY10	6/30/2011 FY11	6/30/2012 FY12	6/30/2013 FY13	6/30/2014 FY14	6/30/2015 FY15	6/30/2016 FY16
General Obligation Debt Service							
Safe Roads of 1996	49,995,200	47,798,658	49,779,756	38,402,531	36,756,900	6,040,150	11,163,738
Infrastructure of 1994	23,021,864	23,020,648	22,730,117	22,755,699	22,769,275	21,616,903	22,068,153
Total General Obligation Debt Service	73,017,064	70,819,306	72,509,873	61,158,230	59,526,175	27,657,053	33,231,891
Moral Obligation Debt Service							
Economic Development Authority - Excess Lottery	18,845,344	18,829,686	18,811,894	18,794,224	18,778,390	18,764,110	18,714,645
Economic Development Authority - Lottery	-	7,998,060	9,995,363	9,999,813	9,999,013	9,995,513	9,995,113
#Higher Education Policy Commission - Excess Lottery	11,189,550	16,821,958	18,678,994	19,238,324	19,012,939	18,784,515	18,652,971
Higher Education Policy Commission - Excess Lottery (BABs)	-	1,040,889	3,823,673	3,823,673	3,823,673	3,823,673	3,823,673
School Building Authority - Appropriation	23,308,825	23,313,425	23,298,475	23,308,645	23,308,582	23,312,770	23,423,270
School Building Authority - Lottery	17,996,623	17,997,510	17,999,416	17,996,910	17,995,460	7,513,455	7,507,700
School Building Authority - Excess Lottery	8,208,431	10,072,817	9,799,781	9,797,631	9,797,581	9,798,831	9,796,831
School Building Authority - Excess Lottery (QSCBs)	3,565,725	8,922,281	9,194,946	9,194,946	9,194,946	9,194,946	9,194,946
State Building Commission - Lottery	9,757,994	7,891,863	-	-	-	-	-
West Virginia Infrastructure & Jobs Development Council - Excess Lottery	-	-	-	-	-	789,479	7,021,625
Total Moral Obligation Debt Service	92,872,491	112,888,488	111,602,542	112,154,166	111,910,584	101,977,291	108,130,773
Lease Debt Service							
Leases	41,409,000	53,867,501	47,049,081	45,368,773	43,169,782	38,905,103	36,000,000
Total Lease debt service	41,409,000	53,867,501	47,049,081	45,368,773	43,169,782	38,905,103	36,000,000
Net Tax Supported Debt Service	207,298,555	237,575,295	231,161,496	218,681,169	214,606,540	168,539,448	177,362,664
General revenue fund (expressed in thousands)	3,758,372	4,063,786	4,103,305	4,059,121	4,106,106	4,193,310	4,305,776
Debt service as a percentage of general revenue fund	5.52%	5.85%	5.63%	5.39%	5.23%	4.02%	4.12%
Revenue (expressed in thousands and as defined in the rule)	4,796,521	5,148,666	5,285,853	5,150,746	5,201,032	5,326,602	5,384,487
Debt as a percentage of revenue (as defined in the rule)	4.32%	4.61%	4.37%	4.25%	4.13%	3.16%	3.29%

Revenue information provided by the West Virginia Department of Revenue (see Appendix B).

- FY14 deb service does NOT include bonds that had been advance refunded and were called on April 1, 2014

6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026
FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
23,192,900	23,191,650	23,192,400	23,193,000	23,192,450	23,194,100	23,196,100	23,196,500	23,194,500	-
22,055,613	21,807,900	21,804,031	21,949,563	21,939,188	21,956,206	21,940,200	22,201,950	22,214,275	22,206,313
45,248,513	44,999,550	44,996,431	45,142,563	45,131,638	45,150,306	45,136,300	45,398,450	45,408,775	22,206,313
18,702,373	18,685,164	18,671,405	18,654,353	18,632,974	18,566,102	18,540,520	18,512,433	18,488,501	18,455,387
9,998,613	9,994,913	9,995,663	9,996,113	9,997,713	9,999,713	9,996,963	9,996,213	9,998,963	9,997,213
17,466,531	17,462,510	17,457,184	17,465,771	17,456,396	17,461,509	17,452,153	17,454,240	17,457,020	17,438,658
3,823,673	3,823,673	3,823,673	3,823,673	3,823,673	3,823,673	3,823,673	3,823,673	3,823,673	3,823,673
23,421,520	23,424,770	23,420,520	23,433,020	7,987,770	1,990,220	-	-	-	-
7,514,600	7,512,250	7,512,950	7,510,700	7,513,550	7,508,800	7,506,300	7,515,300	7,509,550	7,511,050
9,801,731	9,801,656	9,798,269	9,801,019	9,801,244	9,797,119	9,798,494	9,801,438	9,799,238	9,798,250
9,194,946	9,194,946	9,194,946	9,194,946	9,194,946	9,194,946	9,194,946	8,994,946	7,194,946	7,194,946
-	-	-	-	-	-	-	-	-	-
5,939,375	5,932,750	5,930,125	5,931,000	5,925,125	5,922,250	5,917,000	5,914,000	5,907,875	5,903,250
105,863,362	105,832,631	105,804,735	105,810,594	90,333,391	84,264,332	82,230,049	82,012,242	80,179,765	80,122,426
34,000,000	32,000,000	32,000,000	34,000,000	36,000,000	36,000,000	34,000,000	34,000,000	34,000,000	34,000,000
34,000,000	32,000,000	32,000,000	34,000,000	36,000,000	36,000,000	34,000,000	34,000,000	34,000,000	34,000,000
185,111,874	182,832,181	182,801,166	184,953,157	171,465,028	165,414,638	161,366,349	161,410,692	159,588,540	136,328,739
4,327,794	4,499,592	4,667,666	4,881,300	5,044,611	5,170,726	5,325,848	5,485,624	5,650,192	5,819,698
4.28%	4.06%	3.92%	3.79%	3.40%	3.20%	3.03%	2.94%	2.82%	2.34%
5,376,440	5,524,979	5,708,049	5,921,829	6,085,129	6,211,261	6,366,367	6,526,405	6,690,985	6,860,483
3.44%	3.31%	3.20%	3.12%	2.82%	2.66%	2.53%	2.47%	2.39%	1.99%

General Obligation Bonds

Safe Roads Amendment of 1996
As of June 30, 2015
Principal outstanding: $168,845,000
No remaining authorization for "new money" debt

- FY 2016
    - Principal due: $2,460,000
    - Interest due: $8,703,738
    - Principal Outstanding: $166,385,000
- FY 2017
    - Principal due: $15,225,000
    - Interest due: $7,967,900
    - Principal Outstanding: $151,160,000
- FY 2018
    - Principal due: $15,985,000
    - Interest due: $7,206,650
    - Principal Outstanding: $135,175,000
- FY 2019
    - Principal due: $16,785,000
    - Interest due: $6,407,4000
    - Principal Outstanding: $118,390,000
- FY 2020
    - Principal due: $17,560,000
    - Interest due: $5,633,000
    - Principal Outstanding: $100,830,000
- FY2021
    - Principal due: $18,370,000
    - Interest due: $4,822,450
    - Principal Outstanding: $82,460,000
- FY 2022
    - Principal due: $19,220,000
    - Interest due: $3,974,100
    - Principal Outstanding: $63,240,000
- FY 2023
    - Principal due: $20,110.000
    - Interest due: $3,086,100
    - Principal Outstanding: $43,130,000
- FY 2024
    - Principal due: $21,040,000
    - Interest due: $2,156,500
    - Principal Outstanding: $22,090,000
- FY 2025
    - Principal due: $22,090,000
    - Interest due: $1,104,500
    - Principal Outstanding: $0

Components of net tax supported debt as of June 30, 2015 General Obligation Bonds

Safe Road Amendment of 1996 – This amendment authorized bonds to be issued in an amount not to exceed $550 million. All of the bonds will be completely retired by June 1, 2025.

The Safe Road Bonds are paid from the state's road fund. The following table shows the debt service burden on the road fund which peaked during fiscal year 2010. The debt service burden is expected to remain at 3.5% for fiscal years 2019 through maturity in fiscal year 2025.

Table 6 – Debt Service Burden, State Road Fund as of June 30, 2015

Fiscal Year	Debt Service	Road Fund Revenue	Debt Service as % of Road Fund
2010	49,995,200	628,157,000	7.96%
2011	47,798,658	663,309,000	7.21%
2012	49,779,756	665,602,000	7.48%
2013	38,402,531	688,327,000	5.58%
2014	36,756,900	734,717,000	5.00%
2015*	6,040,150	742,998,000	0.81%
2016*	11,163,738	702,859,000	1.59%
2017	23,192,900	671,570,000	3.45%
2018	23,191,650	648,559,000	3.58%
2019	23,192,400	663,559,000	3.50%
2020	23,193,000	663,559,000	3.50%
2021	23,192,450	663,559,000	3.50%
2022	23,194,100	663,559,000	3.50%
2023	23,196,100	663,559,000	3.50%
2024	23,196,500	663,559,000	3.50%
2025	23,194,500	663,559,000	3.50%

*Does not include amounts paid through refunding.

General Obligation Bonds

Infrastructure Improvement Amendment of 1994
As of June 30, 2015
Principal outstanding: $158,633,538
No remaining authorization for "new money" debt

- FY 2016
  - Principal due: $12,339,406
  - Interest due: $9,728,747
  - Principal Outstanding: $146,294,132
- FY 2017
  - Principal due: $12,548,173
  - Interest due: $9,507,440
  - Principal Outstanding: $133,745,959
- FY 2018
  - Principal due: $12,605,816
  - Interest due: $9,202,085
  - Principal Outstanding: $121,140,144
- FY 2019
  - Principal due: $12,977,510
  - Interest due: $8,826,521
  - Principal Outstanding: $108,162,634
- FY 2020
  - Principal due: $12,464,750
  - Interest due: $9,484,813
  - Principal Outstanding: $95,697,884
- FY2021
  - Principal due: $12,755,916
  - Interest due: $9,183,271
  - Principal Outstanding: $82,941,968
- FY 2022
  - Principal due: $13,048,123
  - Interest due: $8,908,083
  - Principal Outstanding: $69,893,844
- FY 2023
  - Principal due: $13,424,741
  - Interest due: $8,515,459
  - Principal Outstanding: $56,469,103
- FY 2024
  - Principal due: $13,591,828
  - Interest due: $8,610,122
  - Principal Outstanding: $42,877,275
- FY 2025
  - Principal due: $13,954,946
  - Interest due: $8,259.329
  - Principal Outstanding: $28,922,329
- FY 2026
  - Principal due: $14,344,275
  - Interest due: $7,862,038
  - Principal Outstanding: $14,578,054
- FY 2027
  - Principal due: $14,578,054
  - Interest due: $7,623,771
  - Principal Outstanding: $0

General Obligation Bonds Continued

Infrastructure Improvement Amendment of 1994 – This amendment authorized bonds to be issued in an amount not to exceed $300 million for water supply and sewage treatment systems and economic development sites. The bonds are secured by the first $23 million in severance tax collections. Beginning in April 2016, the annual dedication of collections will be based on an amortization schedule published by the State Treasurer, not to exceed $22.5 million per year. All of the bonds issued will be retired by November 1, 2026. Table seven (below) shows the debt service on all Infrastructure GO Bonds and the appropriation of dedicated severance tax collections.

Table 7 – Debt Service Infrastructure GO Bonds as of June 30, 2015

Fiscal Year	Debt Service	Annual Appropriation
2015	21,616,903	23,000,000
2016	22,068,153	22,500,000
2017	22,055,613	22,500,000
2018	21,807,900	22,500,000
2019	21,804,031	22,500,000
2020	21,949,563	22,500,000
2021	21,939,188	22,500,000
2022	21,956,206	22,500,000
2023	21,940,200	22,500,000
2024	22,201,950	22,500,000
2025	22,214,275	22,500,000
2026	22,206,313	22,500,000
2027	22,201,825	22,500,000

Authorized but unissued - Vietnam Veterans Bonus Amendment of 1973, Veterans Bonus Amendment of 1992 and Veterans Bonus Amendment of 2004 – These amendments authorized the sale of bonds of not more than $40 million, $4 million and $8 million, respectively, for the purpose of paying a bonus to the veterans serving in foreign conflicts. General Revenue funds were used to pay all of these bonuses and no bonds were issued.

Qualified Veterans Housing Bonds Amendment of 1984 – This amendment authorized the sale of bonds to provide financing for owner-occupied residences for persons determined by the Legislature to be qualified veterans. The amount of bonds that may be issued is limited to bonds in which the annual principal and interest do not exceed a total of $35 million in any fiscal year.

Components of net tax supported debt as of June 30, 2015
Revenue Bonds

Bonds subject to an annual appropriation from the General Revenue Fund (School Building Authority) – There are currently two outstanding issues which utilize this funding source for repayment; each issue is a refunding. All of these bonds will mature by July 1, 2022. The debt service for these bonds is paid through an annual appropriation from the West Virginia Legislature. Debt service and debt outstanding information is included on table five, page eight.

Revenue Bonds

<u>Bonds subject to an annual appropriation from the General Revenue Fund (School Building Authority)</u>

As of June 30, 2015
Principal outstanding: $109,075,000
No remaining authorization for "new money" debt

- FY 2016
  - Principal due: $18,035,000
  - Interest due: $5,388,000
  - Principal Outstanding: $91,040,000
- FY 2017
  - Principal due: $18,935,000
  - Interest due: $4,486,520
  - Principal Outstanding: $72,105,000
- FY 2018
  - Principal due: $19,885,000
  - Interest due: $3,539,770
  - Principal Outstanding: $52,220,000
- FY 2019
  - Principal due: $20,850,000
  - Interest due: $2,570,520
  - Principal Outstanding: $31,370,000
- FY 2020
  - Principal due: $21,905,000
  - Interest due: $1,528,000
  - Principal Outstanding: $9,465,000
- FY2021
  - Principal due: $7,555,000
  - Interest due: $432,770
  - Principal Outstanding: $1,910,000
- FY 2022
  - Principal due: $1,910,000
  - Interest due: $80,220
  - Principal Outstanding: $0

Revenue Bonds Continued

Revenue Bonds

The remaining authorization for all bonds is dependent upon legislation and available revenues

Lottery and Excess Lottery Revenue Bonds – Economic Development Authority
Principal outstanding (net): $271,369,501

Lottery and Excess Lottery Revenue Bonds – Higher Education Policy Commission
Principal outstanding (net): $269,905,000

Lottery and Excess Lottery Revenue Bonds – School Building Authority
Principal outstanding (net): $272,002,210

Excess Lottery Revenue Bonds – West Virginia Infrastructure & Jobs Development Council
Principal outstanding (net): $75,790,000

Lottery Revenue Bonds – Revenue Bonds backed by certain funds of the West Virginia Lottery have been issued for various reasons, such as economic development grants and "brick & mortar" projects at various primary and secondary schools and at various colleges and universities. Lottery Revenue Bonds account for more than half of the state's net tax supported debt outstanding. The following table shows the debt service burden that Lottery Revenue Bonds place on lottery funds (lottery fund numbers provided by the Department of Revenue and are net of transfers to the state's General Revenue Fund).

Table 8 - Debt Service Burden, Lottery Fund as of June 30, 2015

Fiscal Year	Debt Service	Lottery Fund Revenue	Debt Service as % of Lottery Fund
2010	69,563,666	385,992,000	18.02%
2011	89,575,062	397,571,000	22.53%
2012	88,304,067	492,946,000	17.91%
2013	88,845,520	380,298,000	23.36%
2014	88,602,001	337,209,000	26.28%
2015	78,664,521	367,294,000	21.42%
2016	84,707,503	353,352,000	23.97%
2017	82,441,842	355,020,000	23.22%
2018	82,407,861	355,020,000	23.21%
2019	82,384,214	355,020,000	23.21%
2020	82,377,574	355,020,000	23.20%
2021	82,345,620	355,020,000	23.19%
2022	82,274,111	355,020,000	23.17%
2023	82,230,047	355,020,000	23.16%
2024	82,012,241	355,020,000	23.10%
2025	80,179,765	355,020,000	22.58%
2026	80,122,426	355,020,000	22.57%

Lease Obligations

Various Lease Obligations

Principal outstanding: $316,784,254

Remaining authorization is dependent upon legislation and available revenues

Top 10 Agencies with Leases Outstanding (dollar value outstanding) as of June 30, 2015

1. Secretary of Administration: $148.7 million
2. State Building Commission: $67.4 million
3. Department of Health & Human Resources: $20.0 million
4. Department of Environmental Protection: $19.7 million
5. Travel Management: $17.5 million
6. WVU: $12.6 million
7. Veterans Affairs: $8.1 million
8. WVU-Tech: $6.8 million
9. Public Service Commission $4.0 million
10. Marshall University: $3.9 million

Components of net tax supported debt as of June 30, 2015 Leases

Approximately $41.5 million of new leases were entered into during fiscal year 2015. This is up from fiscal year 2014 which had a total of $9.0 million. The total amount of leases outstanding in this report ($317 million) will differ from the figure reported in the state's Comprehensive Annual Financial Report (CAFR). This is due to several factors, including materiality levels and the fact that this report includes state colleges and universities.

Components of net tax supported debt as of June 30, 2015
Debt Service Reserve & Other Funds

Table nine (below) shows debt service reserve, escrow and sinking funds which are available to pay debt service on various issues which are part of the state's net tax supported debt. These amounts are deducted from the gross tax supported debt to arrive at the net figure which is detailed in table one, page two. All figures are as of June 30, 2015.

Table 9 - Escrow/Sinking Funds/
Debt Service Reserve Accounts
as of June 30, 2015

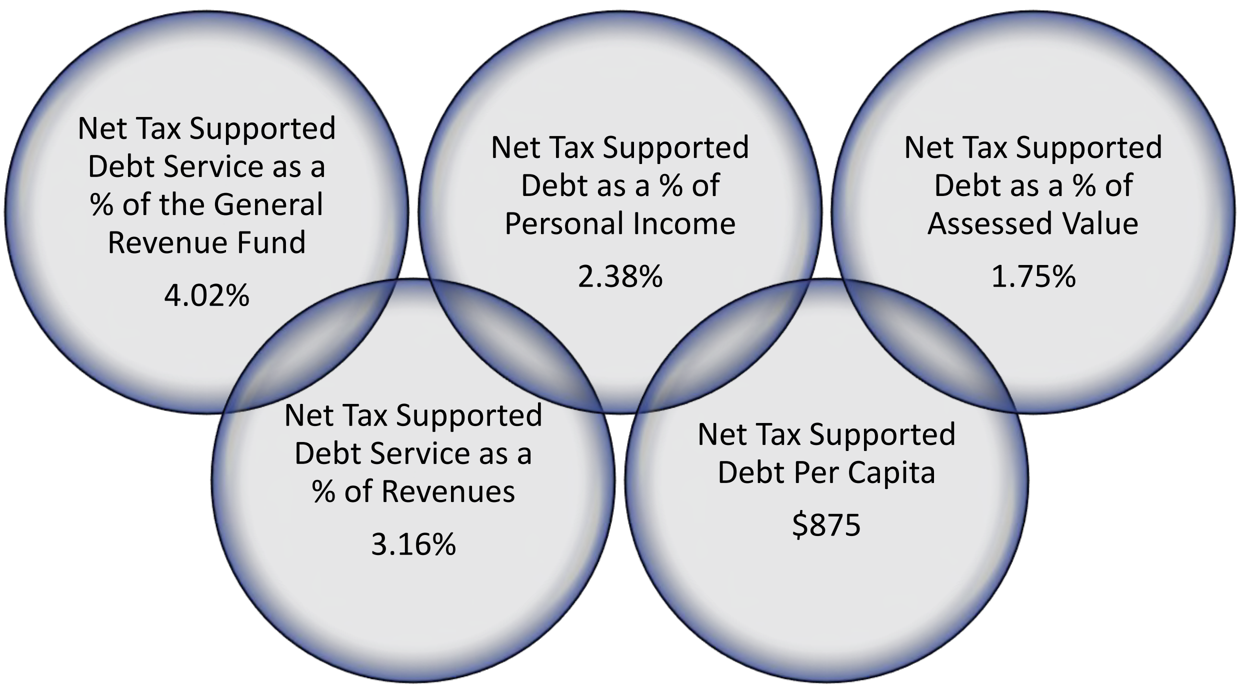
Issue	Type of Amount	Value at June 30, 2015
Economic Development Authority Lottery Revenue	Reserve	$25,160,499
GO Infrastructure Bonds	Escrow	$80,915,000
School Building Authority Appropriation Bonds	Reserve	$23,020,801
School Building Authority Lottery Revenue (QSCBs)	Sinking Fund	$49,267,790

2. Calculate key ratios that are commonly used to examine debt

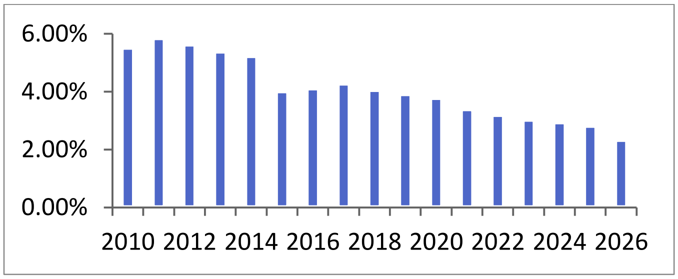
Key ratios establish benchmarks that the municipal bond industry and others use to provide a measurement of a state's outstanding debt and the servicing (principal and interest payments) of that debt. Ratios are useful tools since they provide quantifiable measurements which are used when analyzing a state's fiscal position. Ratios can also provide insight into economic trends and a state's reliance on debt financing.

According to calculations based on net tax supported debt, revenue projections, personal income projections and population estimates, the ratios as of June 30, 2015 are shown below:

Various Debt Ratios
as of June 30, 2015

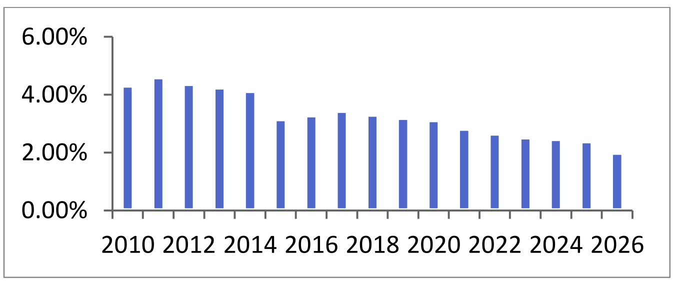


Historically, all of these ratios reached their peak at the end of fiscal year 2011; and are expected to continue declining in the coming years. This is, of course, dependent on future issuance of debt. The future projections do not include the issuance of any additional GO or Revenue Bond debt and only modest increases in lease obligations outstanding for fiscal years 2015 to 2019. The following charts show the historical and future projections of these ratios.



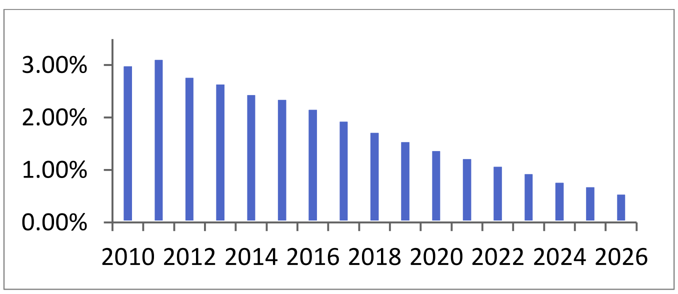
Net Tax Supported Debt Service as a Percentage of General Revenue Fund

Current Percentage: 4.02%



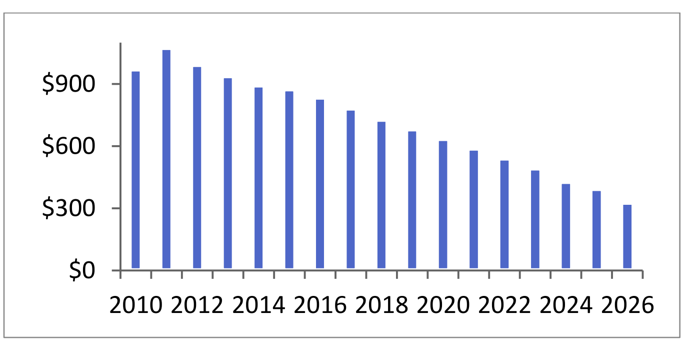
Net Tax Supported Debt Service as a Percentage of Revenues

Current Percentage: 3.16%



Net Tax Supported Debt as a Percentage of Personal Income

Current Percentage: 2.38%



Net Tax Supported Debt Per Capita

Current Level: $875

3. Make recommendations which will attempt to keep the state within an average to low range of nationally recognized debt limits.

The final step in this analysis is making recommendations based on keeping the state within a certain range of debt ratios. Most ratios are easily accessible; therefore, making comparisons to other states and making recommendations of keeping the state in the average to low range is relatively easy. There are also certain industry practices that have been recognized as prudent fiscal management. For example, many states have constitutional or statutory caps on how much of their General Fund can be obligated toward debt repayment. Other states use a combination of ratios with various parameters.

Each year, Moody's Investors Service produces a report in which they rank states according to various debt ratios. The "2015 State Debt Medians Report," shows the average (or "mean"), the high and the low for two of the ratios examined in this report. This comparison is made to West Virginia ratios in order to carry out the legislative intent of this report, which is to make recommendations with the aim of keeping the state in the "average to low range of national recognized debt limits." The average debt per capita of the 50 states for 2015 was $1,419. The average debt as a percentage of personal income was 3.1%

Table 10 – Various Statistics from Moody's Publication, "2015 State Debt Medians"

Ratio	Average	Highest	Lowest	West Virginia Ranking*
NTSD per capita	$1,419	$5,491 Connecticut	$10 Nebraska	$980 #26
NTSD as a % of Personal Income	3.1%	10.8% Hawaii	0.0% Nebraska	2.7% #23
Total NTSD	$10.2 billion	$93.4 billion California	$18.2 million Nebraska	$1.8 billion #39

** As reported by Moody's in June 2015. These figures do not necessarily agree with the amounts stated in this report by the West Virginia State Treasurer's Office, generally due to timing and the inclusion of certain obligations. For our specific calculations, see tables 4 and 5, pages 6 through 9.*

Net Tax Supported Debt Service as a Percentage of the General Revenue Fund

Recommended Caps:

At June 30, 2015 the net tax supported debt service as a percentage of the General Revenue Fund was 4.02% which is below the recommended cap of 6.00%. This report recommends a cap on this particular ratio each year. The following are the recommended caps in past reports and actual levels at the time the report was issued:

2010
Recommended cap: 6.00%
Actual Ratio: 5.52%

2011
Recommended cap: 6.00%
Actual Ratio: 5.85%

2012
Recommended cap: 6.00%
Actual Ratio: 5.63%

2013
Recommended cap: 6.00%
Actual Ratio: 5.42%

2014
Recommended cap: 6.00%
Actual Ratio: 5.23%

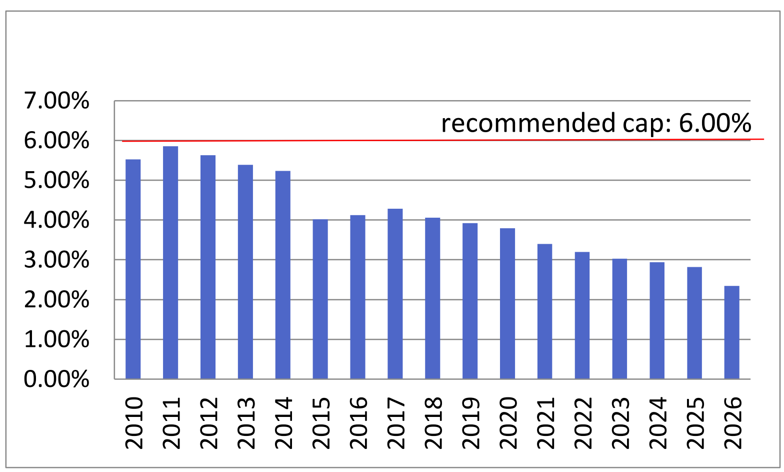
Net Tax Supported Debt Service as a Percentage of the General Revenue Fund

This is perhaps the most important ratio measurement since it shows the potential strain on the General Revenue Fund if, for some reason, all other funds are insufficient to pay debt service.

Perhaps the most troubling part of this measurement is the fact that the General Revenue Fund is facing a potential budget shortfall for Fiscal Year 2016 and 2017. According to Deputy Cabinet Secretary, Department of Revenue, Mark Muchow, "The 2015 budget was balanced with the aid of $100 million from the State's Rainy Day Fund, $38.9 million in mid-year budget spending authority reductions, the use of $12.6 million in unappropriated balances, a supplemental reserve revenue appropriation by the Legislature and the use of $3 million from the Income Tax Refund Reserve Account." (Mark Muchow, West Virginia Economic Outlook 2016, West Virginia University College of Business and Economics, page 41)

Keeping the potential debt service burden on the state's General Revenue Fund below 6.00% is prudent fiscal management, especially in the face of uncertain economic conditions.

Net Tax Supported Debt Service as a Percentage of the General Revenue Fund as of June 30, 2015



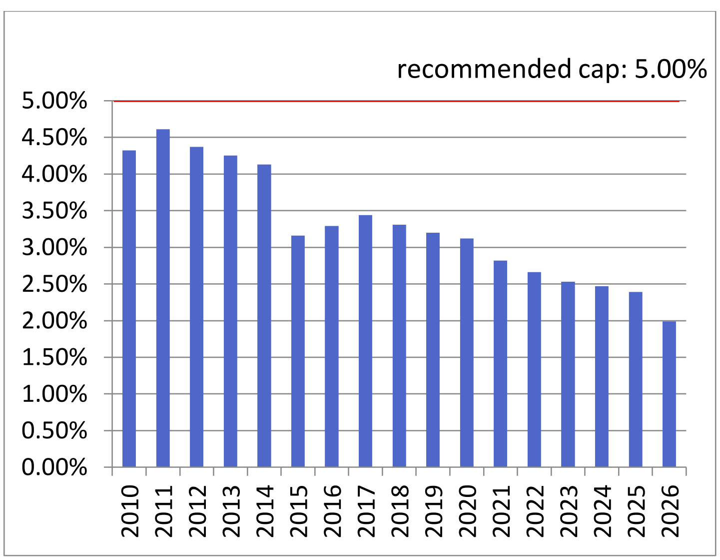
Net Tax Supported Debt Service as a Percentage of Revenues

The definition of revenues includes not only the General Revenue Fund but also the state's Road Fund, Lottery Fund and the dedicated stream of $23 million of the state's coal severance tax collections. Beginning in April 2016, the annual dedication of collections will be based on an amortization schedule published by the State Treasurer, not to exceed $22.5 million per year. The current and projected revenues are contained in table five, pages eight and nine, and also in Appendix B.

The recommended level for this year's report remains at 5.00%. As mentioned in previous reports, the amount of bonds backed by a pledge of lottery revenue remains at a high level with just over $900 million (gross) as of June 30, 2015. As mentioned on page four, the Legislature approved statutory changes which addressed adequate debt service coverage ratio limits on Excess Lottery Fund and provided a cross- collateral mechanism for Lottery Revenue Bonds.

The debt service on existing Lottery Revenue Bonds peaked at $89 million during fiscal year 2013 and is expected to level out to approximately $82 million for fiscal years 2017 through 2024.

Net Tax Supported Debt Service as a Percentage of Revenues as of June 30, 2015



Net Tax Supported Debt Service as a Percentage of Revenues

Recommended Caps:

At June 30, 2015 the net tax supported debt service as a percentage of Revenues was 3.16% which is below the recommended cap of 5.00%. This report recommends a cap on this particular ratio each year. The following are the recommended caps in past reports and actual levels at the time the report was issued:

2010
Recommended cap: 5.00%
Actual Ratio: 4.32%

2011
Recommended cap: 5.00%
Actual Ratio: 4.61%

2012
Recommended cap: 5.00%
Actual Ratio: 4.37%

2013
Recommended cap: 5.00%
Actual Ratio: 4.27%

2014
Recommended cap: 5.00%
Actual Ratio: 4.13%

Net Tax Supported Debt as a Percentage of Personal Income

Recommended Caps:

At June 30, 2015 the net tax supported debt as a percentage of Personal Income was 2.38% which is below the recommended cap of 3.10%. This report recommends a cap on this particular ratio each year. The following are the recommended caps in past reports and actual levels at the time the report was issued:

2010 (personal income figures revised)
Recommended cap: 3.10%
Actual Ratio: 3.02%

2011 (personal income figures revised)
Recommended cap: 3.10%
Actual Ratio: 3.14%

2012 (personal income figures revised)
Recommended cap: 3.10%
Actual Ratio: 2.80%

2013 (personal income figures revised)
Recommended cap: 3.10%
Actual Ratio: 2.67%

2014 (personal income figures revised)
Recommended cap: 3.10%
Actual Ratio: 2.47%

Net Tax Supported Debt as a Percentage of Personal Income

This has been a ratio that has historically plagued West Virginia because the measurement of personal income has been well below the national average. According to the West Virginia Economic Outlook 2016, "Per capita personal income is expected to grow at an annual average rate of 1.8 percent over the next five years, below the national rate of 2.3 percent. Growth will be driven largely by non-wage income, such as Social Security." (West Virginia Economic Outlook 2016, West Virginia University, College of Business and Economics, page 2.)

According to Moody's "2015 State Debt Medians Report," the average of this particular ratio is 3.1% with the median being 2.5%. Comparing states that have a similar Moody's rating to that of West Virginia (Aa1), West Virginia was slightly better than Minnesota as the sixth highest within the average range of this particular ratio as detailed in table 11, page 22.

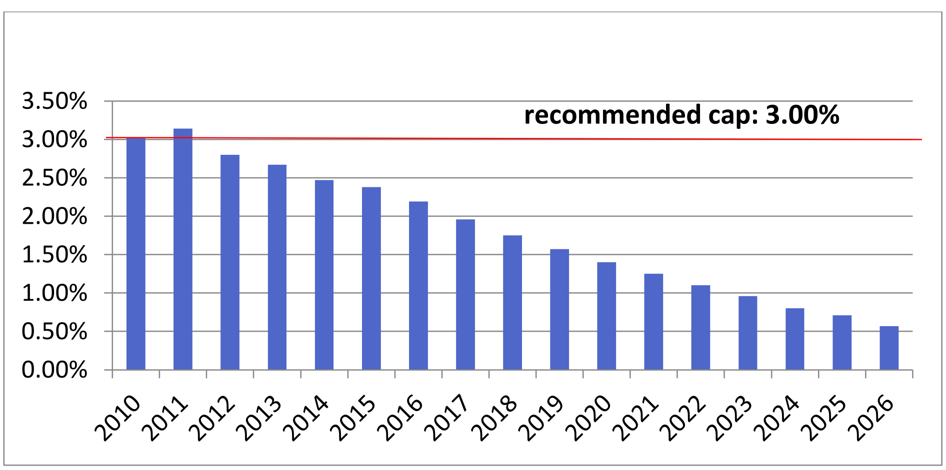
Historically, this report has recommended a cap of 3.00% for this particular ratio. It was raised slightly in 2010 due to an increase in the national average. Although the current national average is at 3.1%, it is recommended that the cap be lowered back to 3.0% this year. Until West Virginia is able to see a greater increase in its personal income, careful attention should be paid to this important economic indicator.

Table 11 - Debt as a Percentage of Personal Income (similarly rated states) as Presented in 2015 State Debt Medians Report by Moody's Investors Service

State	Debt as a % of Personal Income*
North Dakota	0.3%
Montana	0.7%
Colorado	1.0%
Idaho	1.4%
New Hampshire	1.7%
Arkansas	1.9%
Alabama	2.3%
Florida	2.4%
Ohio	2.7%
West Virginia	2.7%
Minnesota	3.2%
Oregon	4.1%
New York	5.7%
Washington	6.2%
Massachusetts	8.7%

** As reported by Moody's in June 2015. These figures do not necessarily agree with the amounts stated in this report by the West Virginia State Treasurer's Office, generally due to timing and the inclusion of certain obligations. For our specific calculations, see tables 4 and 5, pages 6 through 9.*

West Virginia Debt as a percentage of personal income
Fiscal Years 2010-2015, 2016-2026(projected) as of June 30, 2015



Net Tax Supported Debt Per Capita

Recommended Caps:

At June 30, 2015 the net tax supported debt per capita was $875 which is below the recommended cap of $1,100. This report recommends a cap on this particular ratio each year. The following are the recommended caps in past reports and actual levels at the time the report was issued:

2010
Recommended cap: $1,100
Actual Ratio: $971

2011
Recommended cap: $1,100
Actual Ratio: $1,074

2012
Recommended cap: $1,100
Actual Ratio: $992

2013
Recommended cap: $1,100
Actual Ratio: $938

2014
Recommended cap: $1,100
Actual Ratio: $893

Net Tax Supported Debt Per Capita

West Virginia's net tax supported debt per capita, as calculated by the West Virginia State Treasurer's Office, was $875 which is well below the national average of $1,419.

Population figures can be good economic measurements. For example, the ratio of "Net Tax Supported Debt Per Capita," indicates the possible debt burden on each West Virginia citizen. According to the West Virginia Economic Outlook for 2016, the state's population is expected to remain stable or increase in only a few concentrated areas. "Berkeley County is expected to expand at an average annual rate of 1.3 percent through 2019, followed by gains of 1.1 and nearly 1 percent per year for Jefferson and Monongalia counties, respectively. (West Virginia Economic Outlook 2016, West Virginia University, College of Business and Economics, page 43.) Although this may seem to be good news, the significant declines expected in the southern coalfields will nullify the gains experienced in the northern and eastern parts of the state.

It was also noted in the Economic Outlook that the state's median age now stands at 42 which makes West Virginia the second oldest state in the United States. Almost 25% of the State's residents are 60 or older compared to a national average of 20%.

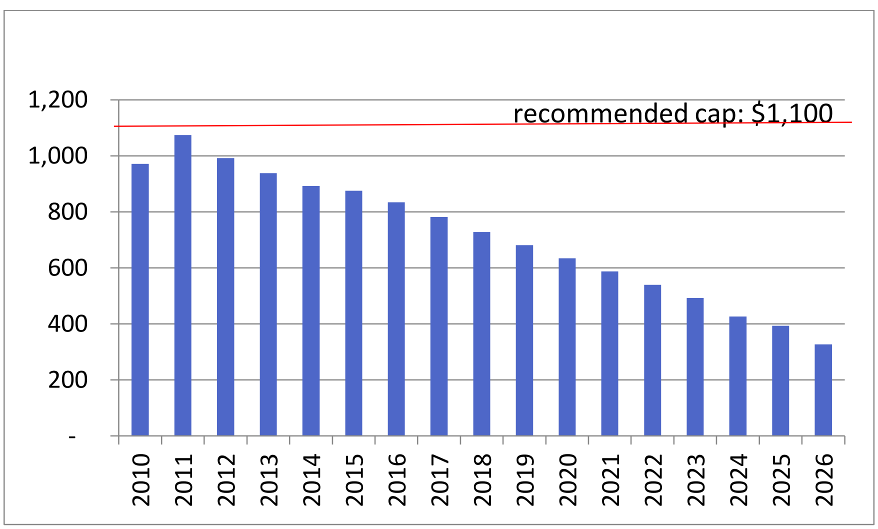
With a possible reduction in the state's population over the next five years and considering the aging population, the recommended cap of net tax supported debt per capita remains at $1,100 as of June 30, 2015. This is well below the national average of $1,419. According to Moody's, the net tax supported debt per capita for West Virginia was $980 which was the seventh highest ratio among other states with a Moody's rating of Aa1 (See page 24). This figure is different than the figure calculated by the West Virginia State Treasurer's Office (see note on page 24).

Table 12 - Debt Per Capita
(similarly rated states)
as Presented in 2015 State Debt Medians Report by Moody's
Investors Service

State	Debt Per Capita*
North Dakota	$193
Montana	$254
Colorado	$478
Idaho	$494
Arkansas	$669
Alabama	$824
New Hampshire	$848
Florida	$973
West Virginia	$980
Ohio	$1,109
Minnesota	$1,538
Oregon	$1,636
Washington	$2,892
New York	$3,092
Massachusetts	$4,887

** As reported by Moody's in June 2015. These figures do not necessarily agree with the amounts stated in this report by the West Virginia State Treasurer's Office, generally due to timing and the inclusion of certain obligations. For our specific calculations, see tables 4 and 5, pages 6 through 9.*

West Virginia Debt Per Capita
Fiscal Years 2010-2015, 2016-2026 (projected) as of June 30, 2015



Other Debt Ratios

Net Tax Supported Debt as a Percentage of the Assessed Value of Taxable Property - Historically, the Debt Capacity Report has suggested a cap of 2.00% for this particular ratio. This recommendation has not been based on any particular research but rather on the relationship to the other current debt ratios of the state. At June 30, 2015, the ratio was 1.75%.

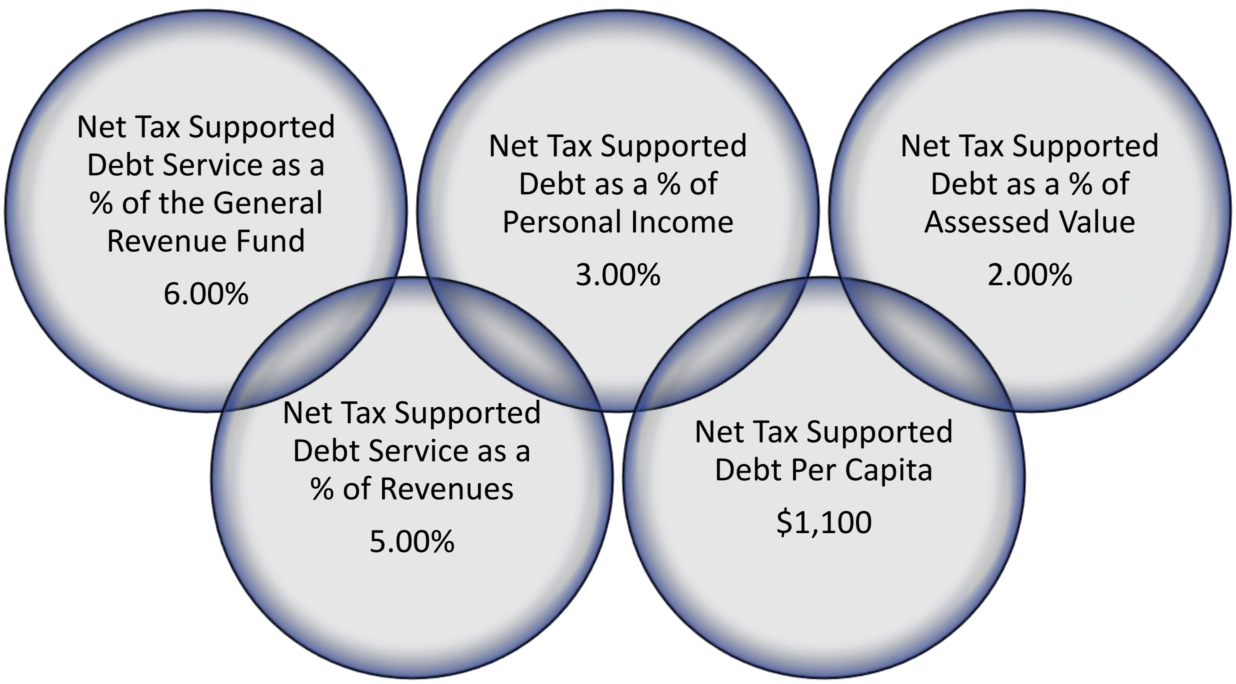
Summary

The goal of this report is to continue West Virginia's practice of fiscal conservatism by making recommendations to help the state maintain a "moderate-to-low" debt burden. This burden does not take into account the state's "soft" debts such as pension liabilities or other post-employment benefits, but it does consider those debt issuances which the state's citizens and its lawmakers have authorized.

Although West Virginia is below all of the recommended caps on the ratios examined in this report, that does not provide a license to issue debt. Until West Virginia leaders come up with a comprehensive plan to fix the budget deficits and address declining revenues, debt should only be issued within the recommended ratios to move West Virginia forward and help address its financial issues.

Summary of Recommended Caps

as of June 30, 2015



Appendix A

West Virginia State Code §12-6A

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ARTICLE 6A. THE DEBT MANAGEMENT ACT

§12-6A-1. Short title.

This article shall be known and may be cited as “The Debt Management Act”.

§12-6A-2. Legislative findings and declaration of public necessity.

The Legislature hereby finds and declares that in order to maintain the strong financial management of the state, to meet the fiscal needs of state government and to facilitate financing essential capital projects at the lowest possible cost to the citizens of the state, the state must regularly monitor the amount of debt issued by the state and its spending units, ensure the state and its spending units meet all debt service requirements, monitor the credit rating of the state and analyze the acceptance of debt issued by the state and its spending units. The Legislature further finds that in order to meet these important goals, the Division of Debt Management needs to be continued.

§12-6A-3. Division of Debt Management continued; director.

(a)The Division of Debt Management is continued in the office of the State Treasurer.

(b) The Division shall serve as a central information source concerning the incurrence, recording and reporting of debt issued by the state and its spending units, and shall prepare reports pertaining to the capacity of the state and its spending units to issue debt.

(c) The Treasurer shall appoint a director, qualified by reason of exceptional training and experience in the field of activities of his or her respective Division, and who shall serve at the will and pleasure of the Treasurer.

§12-6A-4. Definitions.

For the purpose of this article:

“Debt” means bonds, notes, certificates of participation, certificate transactions, capital leases, debentures, lease purchases, mortgages, securitizations and all other forms of securities and indebtedness obligations evidencing specific amounts owed and payable on demand or on determinable dates.

“Debt impact report” means a report prepared by the division which includes information pertaining to a proposed issuance of debt by the state or its spending units.

“Division” means the Division of Debt Management.

“Moral obligation bond” means a debt obligation for which the state or a spending unit has made a nonbinding covenant to make up any deficiency in debt service.

“Net tax supported debt” means the amount of tax supported debt less any applicable refundings, defeasances, escrow accounts, reserve requirements and sinking funds.

“State” means the State of West Virginia.

“Spending unit” means a state department, agency, board, commission, committee, authority or other entity of the state with the power to issue and secure debt. Spending unit does not include local political subdivisions.

“Tax-supported debt” means: (1) General obligation bonds of the state; (2) moral obligation bonds of the state or a spending unit; (3) capital leases, installment purchases, lease purchases, mortgages, certificates of participation and any other similar debt financing transaction extending beyond one year issued by the state or its spending units; and (4) any other debt issued by the state or a spending unit which is not self-supporting. Debt issued by the West Virginia housing development fund, economic development authority, hospital finance authority, parkway authority, public energy authority, solid waste management board and water development authority, with the exception of debt secured by lottery revenues or secured by a lease with the Secretary of Administration, is not tax-supported debt.

§12-6A-5. Powers and duties.

The Division of Debt Management shall perform the following functions and duties:

(1) Continuously evaluate the current and projected debt and debt service requirements of the State and its spending units.

(2) Evaluate cash flow projections relative to proposed and existing revenue bond issues.

(3) Issue a debt impact report if requested by the Governor, the President of the Senate or the Speaker of the House of Delegates. The Division may request any additional information needed to issue a debt impact report. A debt impact report shall in no way restrict the Governor, the Legislature or the spending unit.

(4) Act as liaison with the Legislature on all debt matters, including, but not limited to, new debt issues and the status of debt issued by the State and its spending units.

(5) Assist the State and its spending units regarding the issuance of debt if requested.

(6) Establish reporting requirements for the issuance of debt by the State and its spending units pursuant to the provisions of this article.

(7) Monitor continuing disclosure requirements and post-issuance compliance issues with federal and state tax and securities law, including, without limitation, arbitrage, rebate and remedial measures.

(8) Make and execute contracts and other instruments and pay the reasonable value of services or commodities rendered to the division pursuant to those contracts.

(9) Contract, cooperate or join with any one or more other governments or public agencies, with any political subdivision of the State, or with the United States, to perform any administrative service, activity or undertaking which the contracting party is authorized by law to perform, charge for providing services and expend any fees collected.

(10) Do all things necessary or convenient to effectuate the intent of this article and to carry out its powers and functions.

§12-6A-6. Reporting.

(a) Within fifteen days following the end of each calendar quarter, each state spending unit shall provide the division and the Legislative Auditor, in the manner provided by this article and in such form and detail as the State Treasurer may require, a report including, but not limited to, the name of the state spending unit, the amounts and types of debt incurred during the calendar quarter and outstanding at the end of the calendar quarter, the cost and expenses of incurring the debt, the maturity date of each debt, the terms and conditions of the debt, the current debt service on the debt, the interest rate on the debt, the source of the proceeds utilized for repayment of the debt, the amounts of repayment during the calendar quarter, the repayment schedule and the security for the debt. A state spending unit having no outstanding debt shall not be required to provide the quarterly report but shall file an annual report, on forms established by the Division of Debt Management: *Provided,* That the state spending unit shall immediately notify the Division of Debt Management of any change in the spending unit's outstanding debt or financial condition.

(b) Not less than thirty days prior to a proposed offering of debt by the state or a state spending unit, written notice of the proposed offering and the terms thereof shall be given to the Division by the state spending unit in the form as the Division may require.

(c) Within thirty days after closing on an offering, the responsible spending unit shall report to the division the information pertaining to the offering required by the division in the form the division may require.

(d) On or before January 31 and July 31 of each year, the division shall prepare and issue a report of all debt of the State and its spending units and of all proposed debt issuances of which the division has received notice and shall furnish a copy of the report to the Governor, the President of the Senate, the Speaker of the House of Delegates, the members of the Joint Committee on Government and Finance, the Legislative Auditor and upon request to any other legislative committee and any member of the Legislature. The report shall be kept available for inspection by any citizen of the state. The division shall also prepare updated reports of all debt of the state and its spending units as of March 31 and September 30 each year, which shall be available for inspection at the office of the state Treasurer within thirty days of the end of the respective calendar quarter.

(e) On or before January 15 each year, the division shall report to the Governor and to the Legislature on the capacity of the state to issue additional debt. In preparing its annual review and estimate, the division shall, at a minimum, consider:

(1) The amount of net tax supported debt outstanding and debt authorized but not issued during the current and next fiscal year and annually for the following ten fiscal years;

(2) Debt service requirements during the current and next fiscal year and annually for the following ten fiscal years based upon existing outstanding debt, previously authorized but unissued debt and projected bond authorizations;

(3) Any information available from the budget office of the department of revenue in connection with projected revenues and anticipated capital expenditures projected for at least the next five fiscal years;

(4) The amount of debt the state and its spending units may prudently issue;

(5) What is needed to keep West Virginia within an average to low range of nationally recognized debt limits;

(6) The debt ratios rating agencies and analysts use; and

(7) The effect of authorizations of new tax supported debt on each of the considerations in this subsection.

§12-6A-7. Promulgation of rules.

The Treasurer shall propose rules for legislative approval relating to the reporting requirements and duties under this article in accordance with the provisions of article three, chapter twenty-nine-a of this code.

Appendix B

Revenue Information

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Revenue & Revenue Projections
(thousands)
2016-2027 (projected)

Year	General Revenue	Road Fund	Lottery**	Severance	Total
2007	3,752,722	611,085	514,902	24,000	4,902,709
2008	3,928,288	661,960	501,190	24,000	5,115,438
2009	3,901,552	626,434	428,822	24,000	4,980,808
2010	3,758,372	628,157	385,992	24,000	4,796,521
2011	4,063,786	663,309	397,571	24,000	5,148,666
2012	4,103,305	665,602	492,946	24,000	5,285,853
2013	4,059,121	688,327	380,298	23,000	5,150,746
2014	4,106,106	734,717	337,209	23,000	5,201,032
2015	4,193,310	742,998	367,294	23,000	5,326,602
*2016	4,305,776	702,859	353,352	22,500	5,384,487
*2017	4,327,794	671,570	355,020	22,056	5,376,440
*2018	4,499,592	648,559	355,020	21,808	5,524,979
*2019	4,667,666	663,559	355,020	21,804	5,708,049
*2020	4,881,300	663,559	355,020	21,950	5,921,829
*2021	5,044,611	663,559	355,020	21,939	6,085,129
*2022	5,170,726	663,559	355,020	21,956	6,211,261
*2023	5,325,848	663,559	355,020	21,940	6,366,367
*2024	5,485,624	663,559	355,020	22,202	6,526,405
*2025	5,650,192	663,559	355,020	22,214	6,690,985
*2026	5,819,698	663,559	355,020	22,206	6,860,483
*2027	5,994,289	663,559	355,020	22,202	7,035,070

Notes: Revenue information provided by the West Virginia Budget Office
FY2013 Actuals do not include $45 million transfer from Income Tax Refund Reserve Account
Lottery fund does not include any revenue added to General State Revenue Fund

* Estimates
** Net of transfers to the General Revenue Fund

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