JLARC
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

REPORT TO THE GENERAL ASSEMBLY

2013

Joint Legislative Audit and
Review Commission

September 9, 2013

Members of the Virginia General Assembly

Dear Colleagues:

In its biennial *Report to the General Assembly*, JLARC briefly reviews the key findings of its studies and recaps the significant actions taken in response to JLARC recommendations. The *Report* offers an evaluation of JLARC's own agency performance and describes ongoing oversight and other services provided to the General Assembly.

Recent JLARC studies have had impact on a broad range of public policy areas in Virginia, including State pensions, health care, education, conservation, and criminal justice.

As you will see on page 1, about $1.4 million in savings accrued to the Commonwealth over FY 2012 and FY 2013 from implementing recommendations made by JLARC in 2010 and 2011.

I would like to thank all the members of the Virginia General Assembly for your support of JLARC's vital work for the Commonwealth.

Cordially,

John M. O'Bannon

John M. O'Bannon III
Chair

Contents

JLARC Performance

JLARC reports to the General Assembly on its performance every two years. Over the last two years, JLARC presented and published 130 products (68 in FY 2013 and 62 in FY 2012). All JLARC products—reports, briefings, fiscal impact reviews, and informational memos—were completed on schedule.

In an effort to measure the efficacy of its oversight and review, JLARC uses two additional performance measures: first, the implementation of JLARC recommendations, and second, any resulting savings or new revenue.

Whether or not changes are made and savings are realized depends on a number of factors, including the operations and resources of the agencies and programs that are reviewed.

Implementation of Recommendations

To measure implementation, JLARC staff track the actions taken in response to recommendations in JLARC reports: legislative changes made by the General Assembly and policy changes made by State agencies. Because changes to statute and policy often take time, implementation is tracked over a four-year period. The implementation measures shown below pertain to reports released during one full year: 2008.

Recommendations included in 2008 reports		38
Percentage of 2008 recommendations implemented to date, in full or in part	Target Actual	75 % 53 %

Savings and New Revenue

As estimated by State agencies, about $1.4 million in savings have accrued to the State over the last two years, mostly attributable to actions taken by the Virginia Information Technologies Agency and the Department of Medical Assistance Services in response to JLARC recommendations.

FY 2010 – FY 2011 *Study recommendations from 2008 and 2009*	$36.2 million
FY 2012 – FY 2013 *Study recommendations from 2010 and 2011*	$1.4 million
1975 – present	$714.6 million

Recent JLARC Studies

Review of Retirement Benefits for State and Local Government Employees

The Virginia Retirement System (VRS) administers benefits through a defined benefit retirement plan for approximately 600,000 active State and local employees, retirees, and beneficiaries. JLARC'S 2008 Review of State Employee Total Compensation found that retirement benefits, a key component of compensation, contribute to the State's competitiveness as an employer.

Anticipating that significant changes to the retirement benefits structure would be considered in the 2012 General Assembly Session, the Senate Finance Committee Chairman requested that JLARC update the 2008 findings and review options for modifying the existing retirement plans and introducing an alternative type of retirement plan. The findings of this study were presented to the Commission at its December 2011 meeting.

JLARC staff worked with Mercer, an actuarial firm, to analyze how modifications to current benefits might affect recruitment and retention of qualified employees. Mercer also evaluated the potential for employees to earn adequate retirement income under two types of plans: a defined contribution plan and a hybrid plan.

Major Findings & Recommendations

Current unfunded liabilities have a negative impact on the financial condition of the plans, such that a new strategy to fully fund the plans' expected costs would represent a positive step.

The State's total compensation package is marginally competitive when compared to peer employers, and the State's ability to remain competitive in recruiting and retaining employees can be partly attributed to the defined benefit retirement plans. Retirement benefits earned through the defined benefit plans can provide adequate income when paired with other sources, such as Social Security.

Employees could be provided an alternative retirement plan that is still competitive and that would allow employees to accrue adequate retirement savings. Either a defined contribution or hybrid retirement plan would have advantages, depending on the State's objectives. Several key components should be incorporated into design and administration of any alternative plan adopted by the General Assembly. The JLARC report offered several recommendations:

- If an alternative plan were to be offered, it should be optional for both existing and future employees, to preserve the competitive advantage afforded by the defined benefit plan. Any alternative plan should be accompanied by an educational component.
- Cost-saving modifications should be made to the benefit calculation formula and the cost of living adjustment. (Other cost-saving plan changes were ana-

lyzed but not ultimately recommended because of the adverse impact these changes could have on the State's ability to recruit and retain employees.)

- If the General Assembly proposes employer contribution rates that are less than those recommended by the VRS actuary, a fiscal impact analysis should be conducted to measure the impact of the proposed rates on the plans' funded status and future contribution rates.
- The Code of Virginia should be amended to specify a minimum acceptable funded ratio consistent with what actuaries and retirement plan experts consider acceptable and to require that employees and employers share costs incurred through future changes to the benefit provisions.

Actions

The General Assembly enacted significant changes to VRS in 2012. With a few exceptions, State employees and local government and school division employees hired on or after January 1, 2014, will be enrolled in a hybrid retirement plan that generally follows the model recommended in the JLARC report. The plan combines elements of a traditional defined benefit pension with a defined contribution plan. The new plan will also be available to current employees. According to JLARC analysis, when combined with a full Social Security benefit, most employees could achieve adequate savings for retirement. This new plan incorporates a JLARC report suggestion that employee retirement savings rates be periodically increased to improve the adequacy of resources for retirement.

Consistent with JLARC recommendations, the legislation included modifications to the defined benefit plans, including a lower cost of living adjustment for future retirees, a lower retirement benefit multiplier, and a benefit calculated using an employee's average final compensation over 60 months (versus 36 months). Together, these changes are projected to reduce costs for the State employee and teacher plans by $3.6 billion ($1.5 billion in general funds) over 20 years. Savings will not begin to accumulate until the 2015-16 biennium.

Another key provision of the legislation is consistent with JLARC's findings that plan design changes alone will not eliminate the State's unfunded liabilities. This provision requires the General Assembly and Governor to phase in full funding of the future cost of the retirement plans, as determined by the VRS actuary and certified by the VRS Board of Trustees. Based on the schedule established in the legislation, the employer contribution rates for the defined benefit plans will be fully funded beginning in FY 2018.

> *National Recognition for JLARC Study of VRS*

At a meeting of the National Association of State Retirement Administrators, this 2011 JLARC study was recommended as a resource to other states considering changes to public employee retirement programs. JLARC staff were invited to present the study's methods and findings at the 2012 National Conference of State Legislatures (NCSL).

JLARC was presented with a 2012 Certificate of Impact by the National Legislative Program Evaluation Society of the NCSL. Certificates of Impact are awarded in recognition of reports that document public policy impact.

Mitigating the Risk of Improper Payments in the Virginia Medicaid Program

As directed by the General Assembly in a 2010 resolution, JLARC staff examined improper payments, through error, fraud, and abuse, in the Medicaid program. Medicaid is the largest program in Virginia, accounting for more than $7 billion in State and federal funds in FY 2012. Even a relatively small number of improper payments can have a significant negative fiscal impact.

The Department of Medical Assistance Services (DMAS) bears direct responsibility for protecting the fiscal integrity of Medicaid, and works with the Virginia Department of Social Services (DSS) and local departments of social services to carry out program integrity activities with the aim of preventing, detecting, and collecting payments that have been made improperly.

The findings of this study were presented to the Commission at its October 2011 meeting.

Major Findings & Recommendations

Because a large number of Medicaid enrollees may have been ineligible, State general funds may have been negatively impacted by improper payments ranging from $18 million to $263 million. JLARC staff developed this estimate based on a federal extrapolation of potential costs. Recipient and provider fraud cost approximately $6 million in general funds in FY 2009. While DMAS successfully detected 90 percent of the payments to providers that may have been made improperly, there appear to be weaknesses in program integrity activities that span the entire Medicaid system.

This JLARC report offered several recommendations:

- Errors should be minimized through better State oversight of local departments of social services, improved information technology, and additional training of local caseworkers.
- The provider review process should be improved by obtaining provider information from managed care organizations (MCOs), applying analytics to identify providers that submit improper claims, and strengthening the provider audit process.
- DMAS should better utilize collection rates to assess the cost effectiveness of its program integrity activities.

- DMAS should provide additional oversight to ensure that MCOs consistently conduct program integrity initiatives to detect improper payments and report accurate expenditure data.
- An interagency task force should be formed to find ways to minimize the risk of improper payments.

Actions

- The 2012 General Assembly appropriated funding to modernize the eligibility determination systems used by local departments of social services. The DSS adopted a system to strengthen the case management and oversight functions of local departments of social services.
- DMAS hired a contractor to build data mining capabilities to identify claims patterns that might indicate improper payments. In addition, every quarter, the MCOs provide to DMAS the list of providers that have been removed from their network, so that DMAS may, where appropriate, remove those providers from the fee-for-service program.
- DMAS expanded its annual program integrity audit plan to include in-house audits and audits done by contractors, and DMAS now documents and reports how actual audits compare to planned audits and why deviations may have occurred. The agency tracks audit referrals prompted by concerns over potential improper payments, and it has begun to calculate its return on investment for contract auditors to ensure cost effectiveness. Four additional audit positions at DMAS were funded to increase fraud and abuse detection in the Medicaid program.
- DMAS created a Contract and Compliance Unit to oversee program integrity activities conducted by MCOs and developed a process, implemented in FY 2012, for an annual audit of each MCO's compliance with contractual requirements related to program integrity.

Cost of Competing Adjustment for School Divisions in Northern Virginia

The cost of competing adjustment (COCA) compensates for some of the higher cost of labor in Northern Virginia, where the labor market for school division employees is very competitive. Nine school divisions have received COCA funding since the mid-1990s, and another nine divisions on the outskirts of Northern Virginia have received a reduced or "phased-in" COCA since 2007. The COCA formula is based on State compensation numbers from the 1990s: additional funding of 9.83 percent for instructional staff and 24.61 percent for support staff.

Major Recommendations

- The COCA should be recognized for two groups of school divisions: (1) Fairfax County and the cities of Alexandria, Arlington, Fairfax, and Falls Church, and (2) Fauquier, Loudoun, Prince William, and Stafford counties, and the cities of Manassas and Manassas Park. School divisions in group 2 should receive a lower adjustment.
- The COCA should be calculated using current and direct measures of the labor market for Northern Virginia school division employees.

Actions

The findings of the 2012 COCA study were presented to the Commission at its December 2012 meeting. The Governor's proposed budget had eliminated COCA support staff funding altogether, but during the 2013 session, the General Assembly amended the Appropriation Act to restore some support staff funding: 22.7 percent for FY 2013 and 6.98 percent for FY 2014.

Review of Year-Round Schools

Year-round school calendars redistribute the standard 180-day school year across 12 months rather than the traditional nine months. The three-month summer vacation is divided and reallocated to shorter, more frequent breaks throughout the year, without necessarily increasing the number of instructional days.

Year-round school calendars have been used in 19 school divisions in Virginia since the early 1970s and were used by nine elementary schools in the 2011-12 school year.

JLARC staff assessed how year-round schools affect academic achievement and school costs by analyzing SOL test scores and cost data, visiting currently operating year-round schools, and surveying school personnel and parents.

The findings of this study were presented to the Commission at its October 2012 meeting.

Major Findings & Recommendations

- A year-round school calendar does not improve the test scores of all students, but the SOL scores of certain student groups—in particular, students who are black, Hispanic, economically disadvantaged, or who have limited English language proficiency—are more likely to improve at a faster rate at year-round schools.
- Operating a year-round school in Virginia increases annual school costs (not including transportation or food service costs) by about three percent, on average.
- School divisions with high percentages of student groups who appear to benefit from year-round schools may wish to consider using year-round calendars.

Actions

In 2013, $412,500 was allocated for grants of up to $50,000 to local school divisions that want to plan for new year-round schools. The Petersburg school board voted unanimously to allow the superintendent to apply for a grant to fund a feasibility study for certain schools to operate year-round. In media reports, the superintendent cited the JLARC study findings to support the district's interest in exploring year-round schools as a way to increase student achievement.

Dedicated Revenue Sources for Land Conservation Funding in Virginia

Government entities and private land trusts conserve land by acquiring legal title or easements to restrict future development. JLARC staff assessed dedicated sources of long-term revenue for land conservation in Virginia and developed options for new revenue sources. The findings of this study were presented to the Commission at its September 2012 meeting.

Major Findings & Recommendations

- Virginia's primary approach to funding land conservation is the Land Preservation Tax Credit, which accounted for nearly 90 percent of Virginia's support for land conservation between 2002 and 2011. The tax credit, which is stable and cost efficient, enabled the State to increase the number of acres conserved by 24 percent during this period, but compared to other methods, the credit has a relatively low ability to direct funds toward conserving priority land.
- Virginia provides additional land conservation funding through grant programs and bonds for land acquisition, but these sources account for less than two percent of the State's revenue for land conservation over the last decade. Although these funding sources offer a greater ability to conserve priority land than tax credits, grant funding has been relatively low, unstable, and difficult to predict.
- Of seven options JLARC identified for dedicated revenue sources for land conservation, two options would redistribute existing land conservation revenue and one option would redistribute financial support from the Land Preservation Tax Credit to grant and land acquisition programs.

Actions

Legislation passed in 2013 allows financial support from the Land Preservation Tax Credit to be redistributed to grant and land acquisition programs. The tax credit cap, which is adjusted for inflation each year, cannot exceed $100 million, and up to $20 million of the remaining tax credits under the cap must be allocated to grant and land acquisition programs. Funding will be divided among programs that conserve lands with conservation value, such as land with public access, working farmlands, and Civil War battlefields.

Review of the Civil Commitment of Sexually Violent Predators

In Virginia, after offenders have completed prison terms for sexually violent crimes, they may be confined involuntarily, through the process of civil commitment, at the Virginia Center for Behavioral Rehabilitation, which is operated by the Department of Behavioral Health and Developmental Services (DBHDS).

This study's primary focus was on a critical component of the process, the Static-99 actuarial risk assessment, which is used to of assign a risk score to offenders based on several factors related to the risk of re-offending. Offenders whose scores were at or above the risk threshold of 5 were further reviewed as potential sexually violent predators, and offenders whose scores were below 5 were released at the end of their prison terms and not further assessed.

The findings of this study were presented to the Commission at its November 2011 meeting.

Major Findings & Recommendations

The JLARC study found that since Virginia began using the Static-99 with the risk threshold score of 5, the number of offenders eligible for civil commitment had increased by 450 percent. Virginia's assessment process did not allow qualified professionals to exercise judgment when assessing the individual risk of re-offending. The JLARC review concluded that the overall process lacked flexibility and should be more consensus based and consistently applied.

The report offered several recommendations:

- Greater professional discretion should be allowed in the process of deciding which offenders should be further assessed.
- A process should be implemented to periodically compile and review the rates at which evaluators find offenders to be sexually violent predators.
- Guidance should be developed for the conditions under which a second evaluation is warranted.

Actions

- Legislation passed by the General Assembly in 2012 directed the Department of Corrections and DBHDS to develop new assessment protocols and granted professional evaluators more flexibility and discretion in the assessment of offenders.
- The Department of Corrections, the Office of the Attorney General, and DBHDS have changed the risk assessment process in response to several JLARC recommendations. Chief among these changes are the initiation of a quarterly peer review of sexually violent predator evaluations and establishment of procedures to request a second evaluation.

Review of the Effectiveness of Virginia Tax Preferences

Tax preferences are provisions in the tax code that decrease the tax liability of eligible taxpayers. Virginia currently offers nearly 200 tax preferences through the individual income, corporate income, and retail sales and use tax systems in the form of credits, deductions, subtractions, and exemptions. JLARC was directed by the General Assembly to study Virginia tax preferences to determine the extent to which they meet the intended public policy goals. JLARC was asked to review the use of sunset dates in other states and propose a process for ongoing evaluation of tax preferences in Virginia.

The findings of this study were presented to the Commission at its November 2011 meeting.

Major Findings & Recommendations

This study found that tax preferences that provide financial assistance or promote resource conservation generally deliver benefits that have value to taxpayers, but are not always efficiently targeted. Preferences to encourage charitable activities do not appear to have an appreciable effect. Preferences to promote economic activity vary widely in effectiveness; the largest such preference was shown not to have achieved its goal.

This study's primary recommendation was that a joint legislative subcommittee be created, comprised of members from the House Finance, House Appropriations, and Senate Finance committees, who would be charged with overseeing the evaluations of tax preferences.

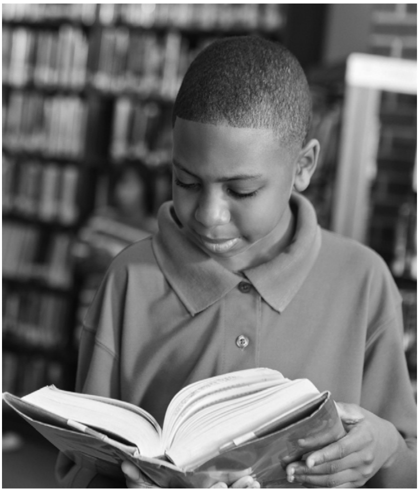
Actions

- Legislation passed in 2012 by the General Assembly established a joint subcommittee to oversee the evaluation of Virginia tax preferences. Independent evaluations will be conducted based on a schedule determined by the subcommittee.
- Legislation passed in 2012 by the General Assembly requires all new or renewing tax credit legislation to include a five-year sunset provision.
- As a result of this study, the Senate Finance Committee adopted new policies that limit the creation and expansion of tax credits, favoring instead grant programs subject to the appropriations process.

> *National Recognition for JLARC Study of Tax Preferences*

JLARC was awarded the 2012 Excellence in Research Methods Award by the National Legislative Program Evaluation Society, a staff section of the National Conference of State Legislatures. The Excellence in Research Methods Award is presented annually in recognition of reports developed through the use of exemplary research methods.

Strategies to Promote Third Grade Reading Performance in Virginia



To assess the strategies aimed at improving the reading performance of third grade students in Virginia, JLARC staff analyzed data from the spring 2010 Standards of Learning (SOL) third grade reading tests, surveyed Virginia school divisions, and observed third grade classrooms. JLARC also reviewed the research literature on early reading.

The findings of this study were presented to the Commission at its September 2011 meeting.

Major Findings & Recommendations

Small-group differentiated instruction provides the foundation for an effective reading program. Teachers need to be well trained and supported by literacy coaches, reading specialists, and additional staff in the classroom. The majority of Virginia school divisions report already implementing these practices, and the number of students who pass the third grade SOL reading test has increased substantially over the last decade.

The report offered several recommendations:

- Students should be placed in differentiated groups on the basis of data from reading assessments.
- Elementary teachers should have access to professional development, support from literacy coaches and reading specialists, and staffing for additional classroom assistance.
- To allow more time to focus on reading skills, third grade students should take SOL tests in only two subjects: reading and math.

Actions

Legislation passed in 2013 allows elementary schools with a pass rate of less than 75 percent on the third grade SOL reading test to apply for a two-year waiver from the third-grade SOLs in science and/or history and social science. Upon receiving a waiver, a school must hire a full-time reading specialist; $1.4 million was allocated to help pay for these reading specialists. As of May 2013, 24 Virginia schools in 17 districts had applied for waivers.

Review of the Tobacco Indemnification and Community Revitalization Commission

In 2010 the General Assembly directed JLARC to evaluate the performance of the Tobacco Indemnification and Community Revitalization Commission (TICR) by reviewing the effectiveness of its economic revitalization strategy and grants. The findings of this study were presented to the Commission at its June 2011 meeting.

The TICR was created by the General Assembly in 1999 to direct some of Virginia's tobacco settlement money toward economic stimulus in Virginia's tobacco region. Half of the payments received under the settlement were earmarked for the TICR. To date, the TICR has awarded $962 million for revitalization projects and activities. The remaining balance is $356 million.

Major Findings & Recommendations

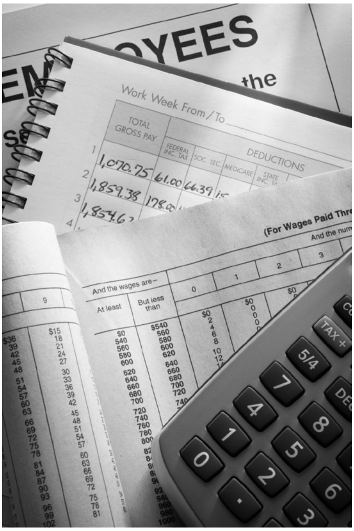
- The TICR's revitalization projects have not substantially improved economic conditions in the tobacco region. Revitalization is a considerable challenge under any circumstances, but the national economy has been in recession twice during the TICR's existence, and the TICR's resources are modest compared to the size of the regional economy. The TICR has also used some practices that tend to undercut its goals.
- The TICR spent about $400 million on strategic grant awards for programs in broadband infrastructure, research and development, and education and workforce training. The Tobacco Region Opportunity Fund was created to bring new business to the region.
- Some spending decisions have not followed a deliberate and focused revitalization strategy, and too much funding has been devoted to small projects with limited revitalization potential.
- The JLARC report recommended that the TICR implement a formal process to review its economic revitalization strategy; that the TICR slow its rate of spending to ensure the availability of funding in the future; and that the size and composition of the commission be changed.

Actions

The Tobacco Commission implemented eight of 18 JLARC recommendations that did not require legislation. These included reviewing and expanding the strategic planning process, providing public documentation of spending, and requiring that economic impact analysis be included with grant proposals greater than $1 million.

Previous Studies: Follow-up

Review of Total Compensation for State Employees



A 2006 resolution directed JLARC staff to evaluate the compensation system for State employees, identify opportunities for improving recruitment and retention of competent workers, address long-term cost growth for retirement and other benefits, and increase flexibility and choice for employees.

Results of this study were reported to the Commission in October 2008. Since then several changes have been implemented, some as recently as 2013, to increase employee awareness of the value of a State compensation package and to reduce the financial risk associated with the State health insurance plan.

The 2013 Appropriation Act directed DHRM to develop and distribute instructions and guidelines to all independent, legislative, and judicial agencies, and to the State public higher education institutions, to give employees information about their total compensation. Executive agencies provide an annual statement to each classified employee, accounting for the full value of compensation and benefits.

A number of changes to the State health insurance plan have been implemented, including a physician approval requirement for certain high-cost brand-name drugs; a disease management program that, for example, has no co-payment for diabetes patients who comply with their medication program; and a rewards initiative that reduces premiums for employees who complete a health assessment and biometric health screenings. Changes were also made to increase the percentage of drugs that are generic. A new health insurance plan offers employees the option of higher deductibles and higher out-of-pocket limits.

Reducing Veteran Homelessness in Virginia

Changes have recently been implemented in response to recommendations in this study, which was reported to the Commission in 2010.

The Virginia Prisoner and Juvenile Offender Re-entry Council formed the Veteran Re-entry Committee to address veteran prisoner re-entry issues.

The committee developed a guide, "A Re-Entry Roadmap for Veterans Incarcerated in Virginia," which is widely available to incarcerated veterans and the community. The committee worked with State and local leaders to ensure that veteran organizations are actively participating in local re-entry councils around the State.

The council Ad Hoc Workgroup on the Release of Special Needs Inmates at Risk of Homelessness examined the needs of veterans and developed a pre-release protocol. In conjunction with post-release community coordination, this protocol has coincided with a 73 percent reduction in homelessness among State responsible inmates with special needs returning to the community.

The Virginia Department of Corrections implemented several actions based on council recommendations regarding veteran re-entry. The Veterans Expecting to Transition Successfully (VETS) program, established at the Haynesville Correctional Center, can house 88 veteran inmates.

The VETS program helps incarcerated veterans build on the strengths they developed while serving in the military. Veterans provide support for each other as they return to the community. In addition to the VETS program, a veteran offender dormitory has been established at the Department of Corrections therapeutic community prison, Indian Creek Correctional Center. This program is operated through a contract with Community Education Centers.

Ongoing Oversight

JLARC provides ongoing oversight on behalf of the Virginia General Assembly of the following agencies: the Virginia Retirement System (VRS), the Virginia Information Technologies Agency (VITA), and the Virginia529 College Savings Plan. In addition, JLARC is responsible for oversight of internal service funds managed by the Departments of General Services and Accounts.

Virginia Retirement System

JLARC regularly reviews and reports on the performance of VRS investments, key changes in policy or personnel, and legislation affecting the retirement system.

As described on pages 2–3, the General Assembly enacted significant changes to VRS in 2012, many of which were based on options and recommendations presented in the 2011 Review of Retirement Benefits for State and Local Government Employees. Over the last year VRS reviewed the incentive pay plan for investment staff because of concerns with the pay plan's disproportionate reliance on qualitative, subjective measures of performance.

Given JLARC staff concerns regarding the apparent inconsistency in incentive award amounts, the Commission directed staff to review the VRS Board efforts to revise the pay plan. JLARC staff observed the process of developing the new pay plan and contributed to the discussion about some key components. The revised plan links incentive pay to quantitative measures of performance, and final awards are adjusted based on the total fund's absolute return for the fiscal year.

Gabriel Roeder Smith & Company, recently retained by JLARC as the actuary for the General Assembly, will conduct the next quadrennial audit of VRS in 2014.

Virginia Information Technologies Agency

JLARC is responsible for ongoing review and evaluation of VITA. Areas of review and evaluation include: VITA's infrastructure outsourcing contracts; adequacy of VITA's planning and oversight, including IT projects; security of governmental information; and cost-effectiveness and adequacy of procurement services.

Virginia529 College Savings Plan

In 2012, in response to a recommendation of the Governor's Commission on Government Reform and Restructuring, the General Assembly passed the Virginia College Savings Plan Oversight Act, which directed JLARC to oversee and evaluate the Virginia529 College Savings Plan. JLARC will report periodically on the structure and governance of Virginia529, the structure of the investment portfolio, investment practices and performance, actuarial policy, and administration and management.

The Oversight Act requires a biennial status report, the first of which will be provided to the Commission in July 2014, and a quadrennial actuarial audit. The first actuarial audit, presented by Gabriel Roeder Smith & Company in July 2013, concluded that the Virginia529 Prepaid program is actuarially sound.

Fiscal Analysis

JLARC provides several types of fiscal analysis services to the General Assembly. As required by statute, JLARC conducts two annual spending reviews: total State spending and State spending for K-12 standards of quality (SOQ). Upon request, usually during the General Assembly session, JLARC staff provide analysis of the fiscal impact statements that accompany proposed legislation.

Total State Spending

Trends noted in JLARC's most recent annual report on total State spending:

- State spending increased 18 percent when controlled for population and inflation over the ten-year period analyzed in 2012.
- This spending increase was in non-general funds, which include federal funds and higher education tuition payments. Federal stimulus funds provided to states in 2010-11 had a significant impact. Higher education agencies such as the Virginia529 College Savings Plan, the Community College System, and George Mason University, were among the fastest growing agencies for non-general fund appropriations.
- The largest State agencies—the departments of Medical Assistance Services, Transportation, and Education (including direct aid to public education), and the University of Virginia—together accounted for just over half of the State budget.

State Spending on K-12 Standards of Quality

Trends noted in JLARC's most recent annual report on SOQ funding, which is provided by the State to each locality:

- In FY 2012, the State spent about $4.96 billion on the SOQ, about $4,083 per student. The largest portion of that funding (58 percent) came from the basic aid account, and the second largest portion (23 percent) came from the State sales tax.
- The amount of State funds spent by individual school divisions to meet the SOQ ranges widely and is determined in part by the locality's ability to pay. In FY 2012, as in the two previous years, Lee County received the most in per-pupil State funds to meet the SOQ, $6,843 per student. Williamsburg, which has a relatively high ability to pay, received $2,090 per pupil.

Fiscal Impact Analysis

During the 2012 and 2013 legislative sessions, JLARC reviewed fiscal impact statements for several proposed legislative actions: the extension of Medicaid coverage to some children and pregnant women; extending in-state tuition to members of the Virginia National Guard; covering the cost of some transcripts in felony cases; and a temporary exemption of the sales tax on precious metals. Several fiscal impact reviews have already been requested for the 2014 session.

About JLARC

Commission Members

The Joint Legislative Audit and Review Commission is composed of 14 members of the Virginia General Assembly: nine delegates and five senators. The Auditor of Public Accounts serves on the Commission ex officio. The staff director is appointed by the Commission and confirmed by the General Assembly.

Delegate John M. O'Bannon III, Chair
Senator John C. Watkins, Vice-Chair
Delegate David B. Albo
Senator Charles J. Colgan
Delegate M. Kirkland Cox
Senator Janet D. Howell
Delegate Johnny S. Joannou
Delegate S. Chris Jones
Delegate James P. Massie III
Senator Thomas K. Norment, Jr.
Delegate Robert D. Orrock, Sr.
Delegate Lacey E. Putney
Delegate Lionell Spruill, Sr.
Senator Walter A. Stosch
Martha S. Mavredes, Auditor of Public Accounts, ex officio

Harold E. Greer III, Director

JLARC Director

On August 21, 2013, the Joint Legislative Audit and Review Commission named Harold E. (Hal) Greer III to the position of director.

Hal Greer began working for JLARC in 1994, after earning a law degree at UVA and a master's degree in public administration at VCU. He started work at JLARC as a senior legislative analyst and moved up to project leader, division chief, and deputy director. Hal has also served as the agency's legal adviser over the last 19 years.

Glen S. Tittermary retired from the position of JLARC director on September 1, 2013. He joined JLARC in 1978 as an assistant legislative analyst and thereafter served as associate, senior, principal, and chief analyst. He was appointed deputy director in 2004 and director of JLARC in 2010.

Glen advanced the goal of legislative oversight in Virginia, ensuring that the General Assembly maintained a sharp focus on accountability in government programs. He led JLARC with skill and dedication, and he provided sound counsel to members of the Commission and the General Assembly.

At its meeting on July 8, 2013, the Joint Legislative Audit and Review Commission resolved to commend Glen Tittermary for his 35 years of service to the Commission and outstanding leadership as director.

JLARC Studies

JLARC's full-time staff evaluate the efficiency and effectiveness of State agencies and programs. These studies may be requested by the General Assembly—through a Joint Resolution or language in the Appropriation Act—or by the Commission. Depending on study findings, the study team may develop recommendations for improving agency operations, services, and programs, and for eliminating those that are duplicative or performing poorly.

Major Studies September 2011–present

Strategies to Promote Third Grade Reading Performance in Virginia
Mitigating the Risk of Improper Payments in the Virginia Medicaid Program
Review of the Civil Commitment of Sexually Violent Predators
Review of the Effectiveness of Virginia Tax Preferences
Review of Retirement Benefits for State and Local Government Employees
Funding Options for Low-Income Residents of Assisted Living Facilities
Review of Employee Misclassification in Virginia
Dedicated Revenue Sources for Land Conservation in Virginia
Review of Year-Round Schools
Review of State Economic Development Incentive Grants
Encouraging Local Collaboration Through State Incentives
Technical Report: COCA for School Divisions in Northern Virginia
Special Report: Review of Recent Reports on Virginia Port Authority Operations
Trends in Higher Education Funding, Enrollment, and Student Costs
Review of Non-Academic Services and the Cost of Student Life at Virginia's Public Higher Education Institutions

Major Studies Forthcoming 2013–2015

Review of Preparedness Planning and Coordination in Virginia
Review of the Virginia Port Authority's Operations and Performance
Impact of Medicaid Payment Policies on Access to Health Care Services for Virginians
Review of Research and Instructional Spending and Workload at Virginia's Public Higher Education Institutions
Restructuring Lowest Performing Schools and Local School Divisions
Review of the Administrative Efficiency of Virginia's Public Four-Year Higher Education Institutions
Strategies and Practices to Facilitate Efficient and Effective Public Higher Education in Virginia
Review of the Implementation of the Workforce Investment Act in Virginia
Review of Incentives for Local Government and School Division Consolidation
Review of the Impact of Federal Spending in Virginia
Efficiency and Effectiveness of Elementary and Secondary School Spending

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> *Key to a Useful Auditing Function: Strong Legislative Support*

"Virginia's Joint Legislative Audit and Review Commission (JLARC) is regarded as a model for the rest of the country. Throughout its thirty-five-year history, JLARC has conducted hundreds of evaluations of state programs and saved the state millions of dollars. The key to a useful auditing function is strong legislative support (even in the face of audits that turn up controversial findings) and, at the same time, a guarantee of a certain degree of independence from legislative interference."

Ann O'M. Bowman and Richard C. Kearney, *State and Local Government: The Essentials*. College textbook from Cengage Learning, 2012.

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