



# Workplan 2022

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# Justin Brown

## Senior Associate Director

- 2022 studies
  - Tax progressivity
  - COVID-19 impact on K–12
  - K–12 Standards of Quality funding  
*(status update in 2022; report in 2023)*



Briefing: Sept 2022

## Progressivity of Virginia's individual income tax

Staff: Justin Brown, Erik Beecroft, Ellen Miller

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# Study resolution

- Directs JLARC to study increasing the progressivity of Virginia's individual income tax
  - tax brackets
  - tax rates
  - credits
  - deductions
  - exemptions

House Joint Resolution 567 (2021)

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## Background

- Tax considered progressive if percentage of income paid in taxes rises with income
- Proponents cite higher income filers' greater ability to pay
- Virginia's income tax is progressive but less so than many other states
- Income tax has generated about 70% of general fund revenue in recent years

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# Study issues

- How progressive is Virginia's income tax
  - compared to other states and the federal income tax?
  - using various measures of progressivity?
- How could Virginia consider changing its income tax to make it more progressive?
- How would changing Virginia's income tax affect progressivity and revenue?

# Research activities

- Reviewing academic research on tax policy
- Analyzing Virginia's income tax structure & filing data
- Comparing Virginia's income tax to other states
- Identifying *potential options (not recommendations)* to make Virginia's individual income tax more progressive
- Working with Virginia Tax to model impact of options
  - effect on progressivity
  - revenue impact



Briefing: Nov 2022

## Impact of COVID-19 on K-12

Staff: Joe McMahon, Kate Hopkins, Nick Galvin, Christine Wolfe



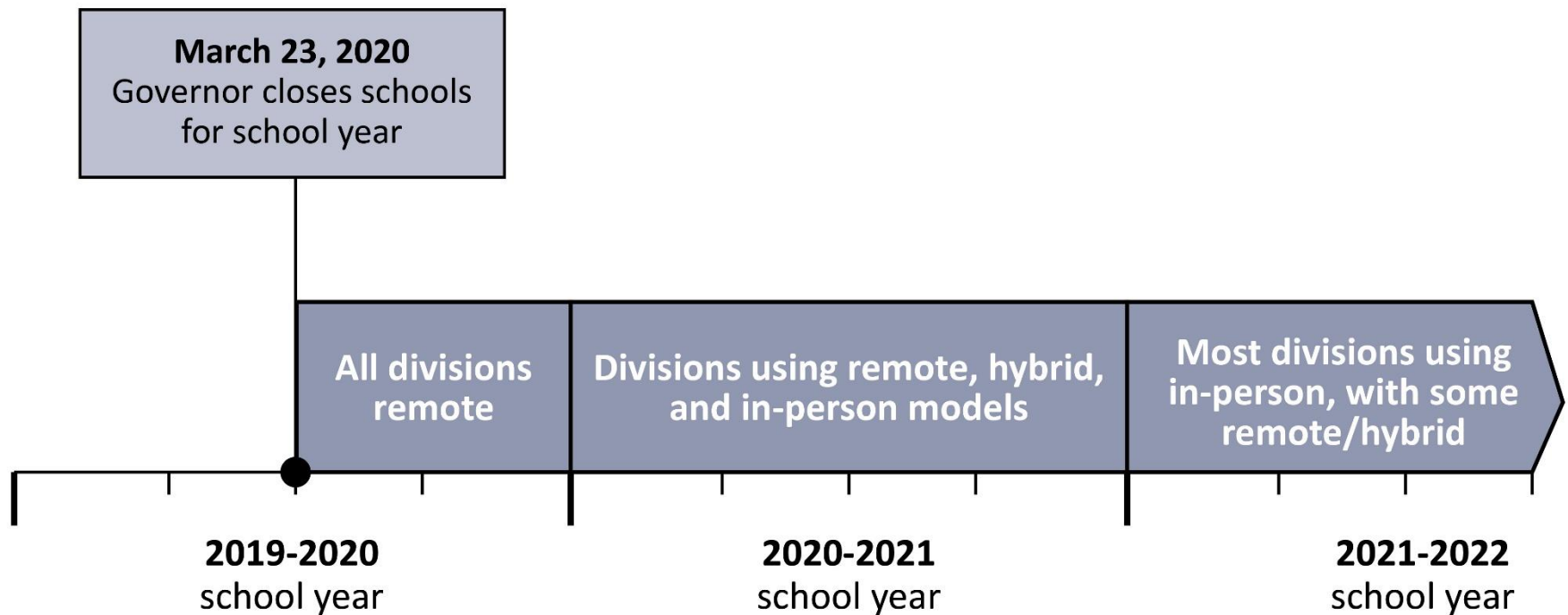
# Study resolution

- Directs JLARC to study the impact of COVID-19 on public schools, students, and school employees
  - Changes in student enrollment and impact on funding
  - Impact of virtual and hybrid instruction on achievement gaps and student well-being
  - Impact of pandemic on staffing levels
  - Programs to address learning loss and barriers to implementing programs
  - School preparedness to return to virtual instruction during future pandemics or other crises

Senate Joint Resolution 308 (2021)

# Background

- COVID-19 has been extremely disruptive to K–12 operations, students, and staff



# Background

- Students were taught with a mix of remote and in-person instruction, raising concern about
  - increasing pre-existing academic achievement gaps
  - mental health and well-being of students
- School staff jobs changed because of remote instruction and health and safety measures, raising concerns about
  - workforce morale
  - recruiting and retention
  - interest in entering or remaining in the profession

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## Study issues

- How has COVID-19 affected public school enrollment and student attendance?
- How has COVID-19 affected K–12 student achievement and mental health and well-being?
- What steps can be taken to narrow pandemic-related student achievement gaps and improve student mental health and well-being?

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## Study issues (continued)

- How has COVID-19 affected school staff working conditions and staffing levels?
- What steps can be taken to address pandemic-related staff morale, recruiting, and retention challenges?
- How could schools be better prepared for future disruptions to in-person learning?

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## Research activities

- Interview Virginia practitioners and experts about K–12 disruptions due to COVID-19
- Collect and analyze data about student achievement and schools' ability to effectively recruit and retain school staff
- Survey school divisions and a sample of schools about disruptions and strategies
- Review existing research about strategies to improve student achievement and well-being, recruit and retain school staff
- Identify lessons learned to ensure better preparedness



Status: Dec 2022; Final: 2023

## K–12 Standards of Quality funding formula

Staff: Mark Gribbin, Sarah Berday-Sacks, Sam Lesemann, Mitch Parry

# Study resolution

- Directs JLARC to study the cost of education and assess the costs to implement the Standards of Quality
  - Estimate the cost of implementing the Standards of Quality based on actual expense
  - Analyze impact of changes in the Standards of Quality formula since 2009
  - Propose changes to the Standards of Quality funding formula to ensure state funds are neither inadequate nor excessive

Senate Joint Resolution 294 (2021)



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## Background

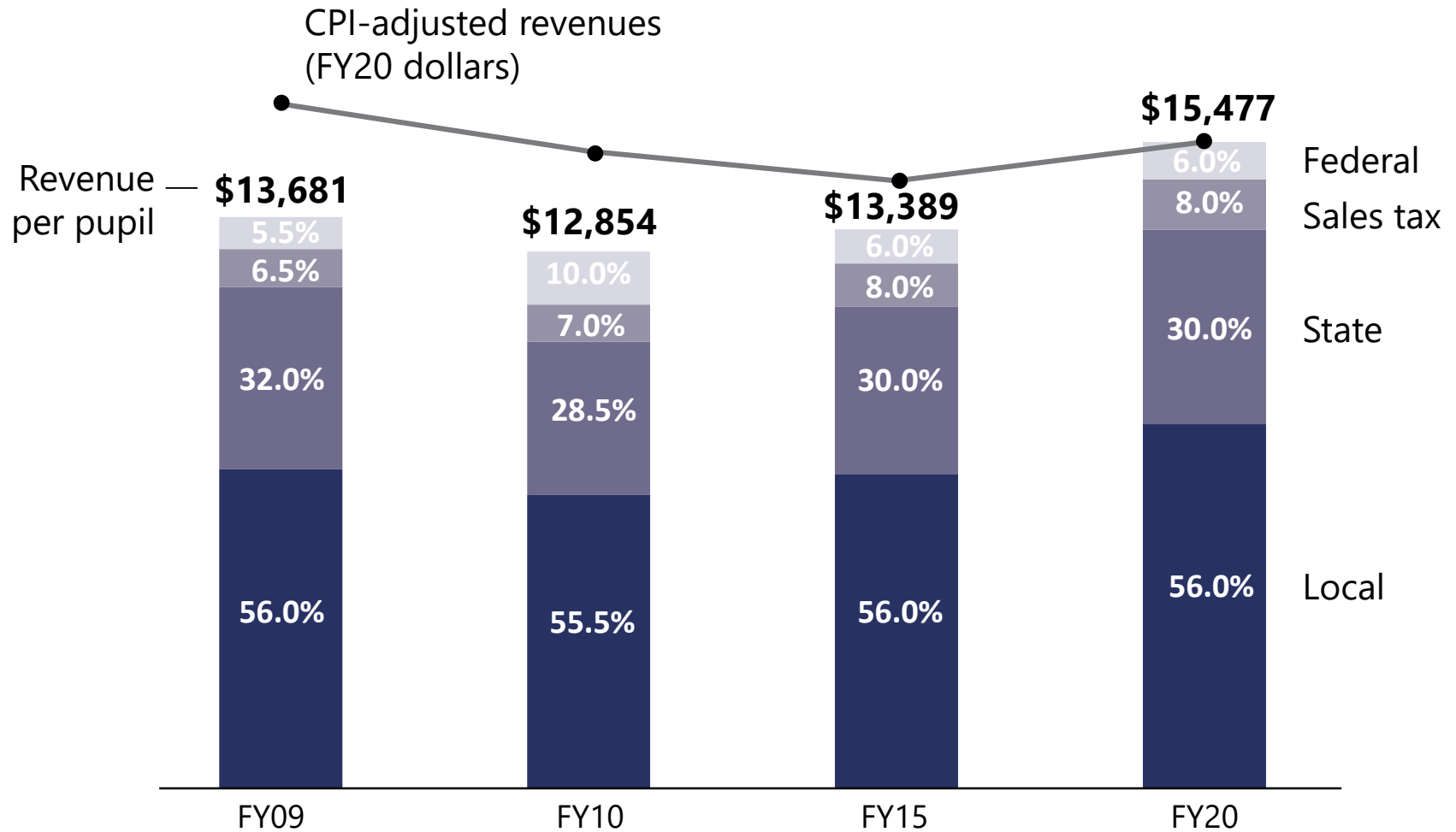
- State uses Standards of Quality (SOQ) funding formula to allocate state funds to 132 school divisions
- Formula considers many factors
  - number of staff division needs based on student population
  - salary and benefits cost of employing those staff
  - relative ability of each school division to contribute local funds

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## Background (continued)

- In FY21, SOQ formula allocated about \$6.6 billion in state funds to school divisions, representing the vast majority of state funding to school divisions
- In addition to state SOQ funds, localities are required to spend a minimum amount of their own funds
  - Nearly all localities spend substantially more than the minimum required
  - In FY21, the average division spent 74 percent more than required

## Background (continued)



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## Study issues

- Do SOQ staffing requirements reflect actual and best practices?
- Does the SOQ formula accurately estimate the costs school divisions incur to meet required staffing and support standards?
- Does the state's funding allocation approach to school divisions effectively direct funds based on local ability to pay and student needs?

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## Study issues (continued)

- Are Virginia's public K–12 school divisions adequately, but not excessively, funded?
- How could state SOQ and other funding programs be changed to better direct funds and address gaps in school division funding?

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## Research activities

- Interviews with education staffing and funding experts
- Review academic research on best practice staffing standards and educational funding
- Analysis of school division staffing data to measure actual staffing
- Convene “professional judgment” sessions with Virginia practitioners to estimate staffing needs

## Research activities (continued)

- Analysis of rationale & relevance of SOQ formula inputs and assumptions
  - Salary and benefits costs
  - Local ability to pay
- Statistical estimation of funding needs (rather than staffing based as done through current SOQ formula)
- Comparison of Virginia SOQ funding formula to
  - other states' funding formulas
  - best practice measures or estimates of funding needs
- Work with VDOE to estimate impact of potential changes to SOQ funding formula

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# Tracey Smith

## Associate Director

- 2022 studies
  - Virginia Housing
  - Gaming regulation
  - Higher education financial aid and dual enrollment
  - Community services boards





Briefing: June 2022

## Virginia Housing

Staff: Stefanie Papps, Ellie Riggsby

# Background

- Virginia Housing is an independent state authority created to expand access to affordable housing
  - Finances affordable multi-family rental developments
  - Administers state's allocation of Low Income Housing Tax Credit funds
  - Issues mortgages and assists with down payments and closing costs
- Receives no general funds, generates revenue primarily through lending programs
  - Net assets exceed \$3.7B, \$100M annual net revenue
- Authority's REACH program is state's largest source of discretionary funding for housing development

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## Study issues

- Is Virginia Housing appropriately managed?
- Is there appropriate oversight of Virginia Housing?
- Does Virginia Housing effectively manage its REACH program to stimulate new affordable housing?

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## Research activities

- Interviews
  - Virginia Housing staff and Board of Commissioners
  - REACH grant recipients
- Survey Virginia Housing staff
- Evaluate REACH grant applications and status reports
- Review employee job descriptions and HR policies
- Observe board meetings and review past board meeting materials



Briefing: October 2022

## Gaming regulation in Virginia

Staff: Stefanie Papps, Ellie Riggsby

# Study resolution

- Directs JLARC to assess advantages/disadvantages of consolidating gaming oversight activities into a single agency
  - evaluate each gaming agency's responsibilities, staffing, and funding
  - identify potentially duplicative agency responsibilities
  - compare and contrast agencies' regulatory requirements
  - evaluate effectiveness of each agency's regulation enforcement
  - examine other states' approaches

Commission resolution

## Background

- Virginia has six forms of legal gaming—lottery, charitable gaming, fantasy contests, pari-mutuel wagering on horse races, sports wagering, casinos
- Regulated by three state agencies: Virginia Lottery, Department of Agriculture and Consumer Services, and Racing Commission
- Legal gaming generated \$8.9B in sales and wagering (FY21)—\$900M designated for various public purposes
- State's gaming oversight responsibilities, and agencies involved, could increase if additional forms of gaming are legalized

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## Study issues

- What are the similarities and differences in Virginia's requirements for each form of legal gaming?
- What resources are needed at each state agency to ensure compliance with state gaming requirements?
- Are Virginia's efforts to regulate gaming effective at preventing unethical, criminal, or corrupt activity?
- What options exist to consolidate multiple forms of gaming under fewer state agencies? What are the advantages, disadvantages, and logistical considerations of those options?



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## Research activities

- Interviews with gaming agency staff in Virginia and in other states
- Interviews with gaming operators
- Analyze each state gaming agency's data on staffing, workloads, and funding
- Compare each state gaming agency's licensing, inspection, and regulation enforcement policies and procedures
- Review other states' gaming legislation and policies



Briefing: November 2022

## Higher ed financial aid and dual enrollment

Staff: Lauren Axselle, Brittany Utz, Landon Webber

# Study resolution

- Directs JLARC to review student financial aid at Virginia's public four-year higher ed institutions
  - Assess student cost, enrollment, graduation trends
  - Assess adequacy and equity of state financial aid funding across institutions
  - Compare and evaluate institutions' student aid policies
  - Evaluate effectiveness of state financial aid at lowering student costs
  - Evaluate impact of rising costs of higher education and student debt on HBCUs and their students

Commission resolution

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## Study resolution (continued)

- Directs JLARC to review dual enrollment
  - Determine costs of operating dual enrollment courses
  - Evaluate how well institutions share data about students who complete dual enrollment or transfer

Commission resolution

## Background – Financial aid

- Virginia Student Financial Assistance Program (VSFAP) is state's primary higher ed financial aid program
  - 36K students received VSFAP funds (2020–21)
  - \$173M (2020–21)
- State formula distributes VSFAP to institutions based on students' financial need
- Institutions have discretion in how they distribute state aid to students
  - GMU: \$2,810 per student, on average, to 9,982 students
  - UVA: \$14,269 per student, on average, to 677 students

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## Study issues – Financial aid

- How have higher education costs, student financial need, enrollment, and student success changed over time?
- Is the state's approach to allocating financial aid funds to higher education institutions effective and based on reasonable metrics and assumptions?
- Do Virginia's four-year higher education institutions have effective financial aid award criteria, policies, and processes, and are state dollars being maximized?
- To what extent have students at Virginia's public HBCUs been disproportionately affected by rising higher education costs?

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## Background – Dual enrollment

- Dual enrollment courses taken by high school students to earn college credit before they graduate high school
  - Mostly offered by community colleges
- Number of students in dual enrollment courses increased 55 percent over past decade
- Community colleges charge school divisions tuition, and some school divisions charge students
- Tuition and fee requirements for school divisions and students vary across the state

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## Study issues – Dual enrollment

- What costs do community colleges and school divisions incur to provide dual enrollment courses?
- To what extent does dual enrollment tuition cover these costs?
- Could charges to students be more uniform statewide?
- To what extent are dual enrollment credits successfully transferred to Virginia four-year institutions and applied toward four-year degree requirements?



## Research activities

- Interviews with staff at Virginia's colleges and universities, school divisions, SCHEV, VCCS, VDOE
- Analyze student-level data on financial aid awards, debt, and unmet financial need, statewide and by higher education institution
- Review institutions' financial aid policies to identify similarities and differences in how state financial aid dollars are allocated to students
- Review academic literature on effective financial aid policies
- Collect statewide data on dual enrollment tuition and program costs



Briefing: December 2022

## Community Services Boards

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Staff: Drew Dickinson, Kate Agnelli, Tess Hinteregger,  
Dillon Wild

# Study resolution

- Directs JLARC to review structure and service delivery of Virginia's community services boards
  - Determine whether required CSB services reflect greatest behavioral health needs of Virginians and whether populations served are appropriate
  - Evaluate staffing and funding
  - Evaluate timeliness and effectiveness of CSBs' provision of behavioral health services
  - Determine how existing structure could be improved (number of CSBs, relationships with other CSBs, state, private sector, and mental health hospitals)

Commission resolution

# Background

- CSBs established to serve as single point of entry for behavioral health services
  - Provide mental health, substance use disorder, and developmental disability services to low-income and uninsured Virginians
- 40 CSBs in VA, overseen by DBHDS and localities
- STEP-VA, Medicaid expansion, Project BRAVO, and Medicaid managed care introduced new requirements for CSBs, changed funding and service provision
- Received about \$1.4B in FY21, served 208K people

Note: Mental health and substance use disorder services are collectively referred to as “behavioral health services”

## Background (continued)

- CSBs required to provide 10 types of “core services\*”
  - Services at various implementation stages
- CSBs play an important role in use of state psychiatric hospital beds
  - Screen people prior to admission
  - Search for available beds at alternative facilities
  - Conduct discharge planning
- CSB crisis services can help avert hospitalization

\*Emergency services, crisis intervention, case management, outpatient primary care screening, outpatient behavioral health services, veterans' behavioral health services, family and peer supports, psychiatric rehab, same-day mental health services screening, and care coordination

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## Study issues

- How have CSB consumers, services, funding, and outcomes changed over time?
- Are CSBs effectively overseen by the state?
- Is current structure the most efficient and effective approach to delivering behavioral health services in the community?
  - What are the advantages and disadvantages of additional regionalization?
  - What are the advantages and disadvantages of greater collaboration with private providers?
  - How do other states structure their community behavioral health services delivery?

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## Study issues (continued)

- Are CSBs effectively implementing statewide behavioral health crisis services?
- Are CSBs efficiently and effectively screening individuals for psychiatric hospital admission and searching for hospital beds?
- Are CSBs conducting effective discharge planning?

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## Research activities

- Interviews with CSB staff, DBHDS and DMAS staff, private sector behavioral health providers, staff in other states, subject matter experts
- Analysis of data on CSB services, funding, and outcomes
- Analysis of national behavioral health data for comparing Virginia to other states
- Evaluation of DBHDS/CSB performance contracts
- Survey of CSB directors
- Review samples of pre-admission screening evaluations and hospital discharge plans prepared by CSBs



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# Kimberly Sarte

## Associate Director

- Ongoing evaluation and oversight
  - Evaluation of economic development incentives
  - Oversight of VRS, Virginia529, VITA, and Cardinal
  - Other evaluation support
- Fiscal analysis
  - Annual reports
  - Fiscal impact reviews



Briefings: June and December 2022

## Ongoing Evaluation of Economic Development Incentives

Staff: Ellen Miller

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## Effectiveness of science and technology incentives (June 2022)

- Research and development tax incentives
- Grants to incentivize early-stage investment and commercialization
- Angel/venture capital tax incentives
- Space industry tax incentives

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# Annual economic development incentives report (December 2022)

- Spending for all incentives
- Performance of completed projects receiving grants
- Biennial assessment of economic benefits of total spending on incentives



Briefings: Ongoing in 2022

## Ongoing Oversight: VRS, Virginia529, Cardinal, and VITA

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Staff: Jamie Bitz

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# Virginia Retirement System

- Oversight update (July)
- Update from VRS director and chief investment officer (July)
- Independent actuarial audit of VRS (July)
- Oversight report (December)
- VRS Legislator's Guide (February 2023)
- Attend meetings of the board and advisory committees (year-round)

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# Virginia529

- Biennial oversight report (July)
- Update from Virginia529 chief executive officer and investment director (July)
- Virginia529 Legislator's Guide (February 2023)
- Attend meetings of the board and advisory committees (year-round)



Briefing: October or November 2022

## Review of Prepaid529 surplus funds

Staff: Jamie Bitz, Erik Beecroft



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# Study mandate

- Review of Prepaid529 surplus funds
  - Statutory/legal restrictions on use of funds
  - Amount of funds that could be removed while maintaining actuarial soundness
  - Options for using funds to support higher education access and affordability, including SOAR Virginia program

Study mandate: Motion approved by Commission, July 6, 2021; 2022 Appropriations Act (pending).

# Background

- Virginia529 operates two defined benefit college savings programs
  - Legacy Prepaid529 - closed to new participants in 2019
  - Tuition Track Portfolio - opened in 2021
- Prepaid529 had an actuarial surplus of \$1.62 billion and a funded status of 193.5% as of June 30, 2021
- Prepaid529 funded status has increased steadily since 2010

# Study issues

- Do statutory or legal restrictions limit use of surplus funds for purposes other than paying out Prepaid529 contracts?
- Approximately how much of surplus is the result of net operating fee revenue?
- What amount of surplus funds could be used while maintaining actuarial soundness of the fund?
- What other higher education access and affordability initiatives could surplus funds support and how should these decisions be made?

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## Research activities

- Interviews with Virginia529, SCHEV, and VCCS staff
- Review of statutory and legal restrictions on the use of Prepaid529 surplus funds\*
- Actuarial review of scenarios for removing surplus funds from the Prepaid529 fund\*
- Literature review and review of other states

\*JLARC staff have procured consultants for these analyses.

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# Virginia Information Technologies Agency

- JLARC staff status update (September)
- Update from VITA leadership (September)
- Attend meetings of IT advisory groups

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# Cardinal

- Update on status of Human Capital Management Project (December expected)
  - Project has been delayed twice, adding one year to project
  - Cost increased from \$132 million to \$136 million, and all contingency funding has been used
  - Current schedule is for project to be fully implemented in fall 2022
- Attend meetings of the steering committee (year-round)



## Other Evaluation Support

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Staff: Kimberly Sarte, Justin Brown, Landon Webber

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# Racial and ethnic impact statements

- New JLARC responsibility
- Impact on racial and ethnic disparities of proposed criminal justice legislation
- Conducted at request of House Courts of Justice chair or Senate Judiciary chair
- 3 racial and ethnic impact statements conducted during 2022 session



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## Other evaluation support

- Review of James Madison University's higher education management agreement (June)
- Reviews of proposed mandated health insurance benefits (upon request)\*

\*Reviews provided at the request of the Health Insurance Reform Commission.



Briefings: Ongoing in 2022

## Fiscal Analysis

Staff: Kimberly Sarte, Justin Brown, Ellen Miller, Nick Galvin

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## Annual reports

- Review of State Spending (October)
- State Spending on K–12 Standards of Quality (December)
- Virginia Compared with Other States (January 2023)

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# Fiscal impact reviews

- Second opinions on the fiscal impact of proposed legislation (2023 session)
- Fiscal impact reviews of executive orders issued by governor (as requested)

NOTE: Reviews must be requested by committee chairs.

# Proposed meeting schedule for 2022

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<b>JUNE 13</b>	Science and technology incentives Virginia Housing JMU management agreement
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<b>JULY 5</b>	VRS Virginia529
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<b>AUGUST</b>	<i>No meeting</i>
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<b>SEPTEMBER 19</b>	Individual income tax progressivity VITA
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<b>OCTOBER 17</b>	Gaming regulation State spending Prepaid529 surplus funds (or November)
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<b>NOVEMBER 7</b>	Higher education financial aid & dual enrollment COVID-19 Impact on K–12
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<b>DECEMBER 12</b>	Community services boards SOQ funding formula review: status update VRS Economic development incentives Cardinal State spending report: SOQ
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## 2023 work

- SOQ funding formula review (begun in 2022)
- Several studies have been referred to JLARC for the Commission's consideration
- Study topic subcommittee to meet this summer or fall to assign future work