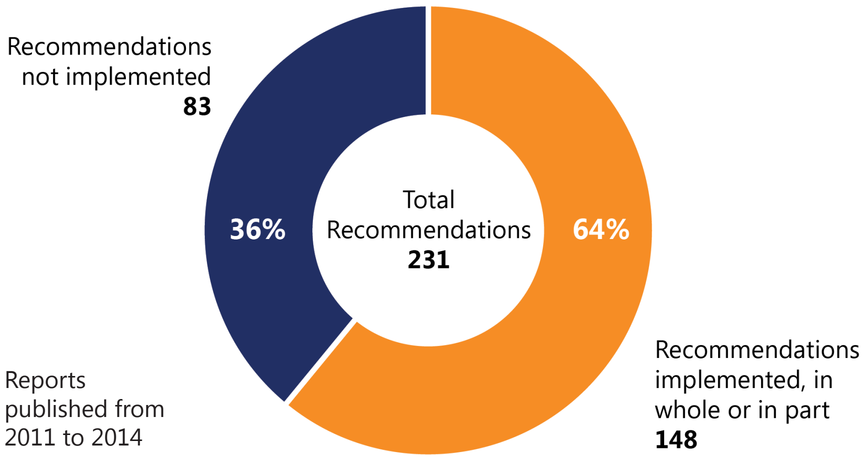
Report to the General Assembly: JLARC Impacts

2015

JLARC

JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

JLARC Performance: Recommendations



Report No. 473

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JLARC
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

September 14, 2015

Members of the Virginia General Assembly

Dear Members:

In its biennial Report to the General Assembly, JLARC evaluates its own agency performance, reviews the findings of its studies, and recaps the significant actions taken in response to its recommendations.

Recent JLARC studies have had impact on a broad range of public policy areas in Virginia, including higher education, economic development, health care, emergency preparedness, K-12 education, and IT. In FY 2014 and FY 2015, about $42.9 million was saved as a result of implementing JLARC report recommendations.

JLARC's ongoing oversight functions have helped to ensure transparency and accountability in important areas of legislative responsibility, including the state retirement program, central IT services, and the state's college savings plan. JLARC's fiscal analysis services have supported the work of the General Assembly by supplying comprehensive information about state spending and about the likely costs of proposed legislation.

I would like to express my gratitude for your support of JLARC's vital work for the Commonwealth of Virginia.

Cordially,

Hal E Greer

Hal E. Greer
Director

Contents

JLARC Mission, Goals, and Performance

Mission

JLARC provides the Virginia General Assembly with objective and rigorous oversight of state agencies and programs.

Goals

JLARC's goals are grounded in the state statutes that established its authority:

- Provide the General Assembly with objective, non-partisan analysis and evaluation for use in legislative decision making.
- Assess state agencies and programs for efficiency and effectiveness.
- Offer timely, actionable recommendations and options for improvement.
- Cultivate an exemplary work environment that sustains high levels of productivity and employee satisfaction.

Performance

JLARC reports on its own performance to the General Assembly every two years. In FY 2014 and FY 2015, JLARC staff presented and published 150 research products: reports, briefings, fiscal impact reviews, and policy memos.

JLARC report recommendations are intended to improve the efficiency and effectiveness of state government. When implemented, the recommendations can result in substantial savings to the Commonwealth. Since JLARC was established in 1975, the Commission's work has saved an estimated cumulative $1.1 billion (adjusted for inflation).

JLARC staff track two measures of performance: (1) recommendations implemented, either legislatively or administratively; and (2) savings attributable to the implementation of those recommendations. The figures reported here are for reports published from 2011 to 2014.

Recommendations

Recommendations made 231

Recommendations implemented, in whole or in part 148

Percentage implemented 64%

Savings

Estimated savings, FY 2014–FY 2015 .... $42.9 million

Savings due to a reduction in state agency retirement contributions as a result of pension reform: $22.9 million; savings due to the removal of some incentives and implementation of new tariff rates by the Virginia Port Authority: $19.1 million; savings due to the discontinuation of the third grade history and science SOL tests: $0.9 million.

Performance measures methodology

Recommendations: JLARC staff track implementation through the General Assembly's bill tracking system and through contact with the agencies and entities that have been subject to JLARC review. For each report, implementation is tracked over a four-year period.

Savings: JLARC staff make periodic requests for documentation of savings from the agencies and entities that have been subject to JLARC review.

The Cost of Public Higher Education in Virginia

Series of five reports issued in 2013 and 2014

In recent years, tuition and fees at the state's four-year institutions of higher education have increased substantially and the debt load of Virginia students has risen accordingly. State higher education funding per student has declined over the past two decades. Virginia's higher education institutions are high quality but high cost.

The JLARC higher education series reported a number of important findings. Spending by institutions increased, primarily on non-academic services, and institutions raised tuition to compensate for declining state funding. The state and the individual institutions have relied heavily on debt to expand and improve campuses. Student aid falls short of state goals, and allocation could better prioritize needs of low- and middle-income students.

►***Action taken***

Many of the recommendations from this report series were directed to the boards of visitors of Virginia public four-year institutions, and to the State Council of Higher Education for Virginia (SCHEV). Through legislation in 2014 and 2015, the General Assembly directed these entities to follow through on the recommendations.

Institutional governance and administration

Boards of visitors members will receive more comprehensive training to make use of their authority, to obtain the information they need for making good decisions, and to promote the priorities of the Commonwealth. SCHEV is in the process of implementing these changes.

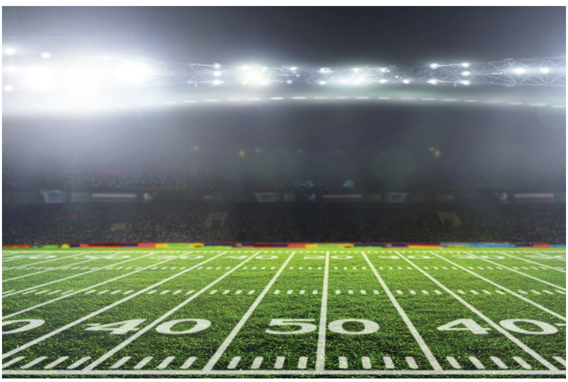
To promote the efficient administration of Virginia's public four-year institutions, the General Assembly directed all institutions to review their organizational structure, staff activities, and workload; identify opportunities to streamline their staffing structure; and eliminate unnecessary supervisory positions.

Institutions are in the process of implementing these changes.

To save money through more efficient procurement, the General Assembly required institutions to standardize the purchase of some commonly procured goods. Institutions are in the process of establishing and enforcing these requirements.

Athletics

The findings related to intercollegiate athletics attracted a great deal of attention. Part of each student's mandatory fees pays for college sports, even if the student is neither athlete nor spectator, and the average proportion is 12 percent of tuition and fees. The General Assembly enacted measures that would limit the percentage of student fees that can be used to subsidize intercollegiate athletics programs. Further, to promote transparency and comparability, institutions will be required to use a standard way to calculate and report fees. Clear standardized fee information will be posted on each school's website.



The General Assembly established a new commission to review the financing plans of colleges and universities before they add new athletic programs or change divisions.

In another legislative provision aimed at reducing mandatory student fees, institutions were directed to find other sources of financing for campus recreation and fitness enterprises.

►***Action needed***

The final higher education report recommended modifying the annual limit on the growth of student fees, and not permitting institutions to exceed the limit unless authorized by the General Assembly. This could be done through the Appropriation

Act (Recommendations 6 and 7, *Addressing the Cost of Higher Education in Virginia*, 2014).

The report recommended strengthening the rigor of the decision-making process for higher education capital funding, through the use of an improved prioritization process. This could be directed through the Appropriation Act. SCHEV should modify its existing capital prioritization process to ensure the objective analysis of proposals. SCHEV's prioritized list should be used by the entities tasked with making the decisions—the Six-Year Capital Outlay Plan Advisory Committee, the Department of Planning and Budget, and others (Recommendations 9 and 10, *Addressing the Cost of Higher Education in Virginia*, 2014).

The report recommended that the Department of General Services use its current asset management system to track the condition of facilities at Virginia's institutions of higher education (Recommendation 12, *Addressing the Cost of Higher Education in Virginia,* 2014).

The report recommended changing the allocation of Virginia Student Financial Assistance Program funds so that aid is more equitably distributed across Virginia's public four-year institutions. This could be done through the Appropriation Act (Recommendation 15, *Addressing the Cost of Higher Education in Virginia*, 2014).

Virginia's Workforce Development Programs

Report issued in 2014

The purpose of workforce development programs is to meet the needs of employers by producing a high quality workforce. Well coordinated, effective programs are vital to sustaining a strong state economy. In Virginia, workforce programs are governed by federal laws, administered by nine state agencies, and overseen by the Virginia Board of Workforce Development. Services are provided locally by a variety of agencies.

The report found that, in general, workforce programs in Virginia are not well aligned with the needs of employers. Programs are often developed without input from employers and without the effective use of labor market data.

Further, workforce development programs in Virginia are not sufficiently coordinated to serve statewide economic priorities. An efficient statewide system would require stronger state-level governance and oversight.

►***Action taken***

In 2015 the General Assembly took action to strengthen the Board of Workforce Development, creating an executive director position and adding board members who represent state economic development priorities. The board was directed to focus on statewide priorities and the workforce needs of employers.

The legislation requires workforce development agencies to report on state-level performance measures, and it creates incentives for agencies to engage employers and incorporate employer input when developing programs.

Related legislation directed the Virginia Community College System to expand workforce development

National recognition for the Workforce Development report

For the workforce development report, JLARC was awarded a **2015 Certificate of Impact** by the National Legislative Program Evaluation Society.

Certificates of Impact are awarded in recognition of reports that have an impact on public policy.

credentials and certifications to meet labor market demands.

In accordance with report recommendations, the Virginia Community College System and the Virginia Employment Commission are developing a referral system that will strengthen inter-agency coordination and provide better access to services.

The Virginia Department of Education is developing new requirements for incorporating local information about high-demand occupations when making decisions about new K-12 career and technical education courses.

►***Action needed***

The report recommended improving the ability of state agencies to track workforce development program expenditures. This could be directed through the Appropriation Act and the Code of Virginia. Expenditure information should be reported to the Board of Workforce Development to allow optimal decision making about the investment of public funds in workforce services (Recommendations 1 and 2, *Virginia's Workforce Development Programs*, 2014).

The report recommended that the Code of Virginia be amended to enhance the role of the Virginia Employment Commission in workforce development, and to give the Board of Workforce Development the authority necessary to create an efficient system of workforce development programs, coordinated across agencies (Recommendations 10 and 27, *Virginia's Workforce Development Programs*, 2014).

Disaster Preparedness Planning in Virginia

Report issued in 2013

Virginia is vulnerable to a range of natural and man-made disasters, including hurricanes, earthquakes, disease epidemics, and terrorist attacks. Disaster preparedness involves prevention, protection, mitigation, response, and recovery. All levels of government as well as private organizations and citizens share responsibility for disaster preparedness and play a role in responding to and recovering from disasters.

Preparedness planning is an ongoing process of developing, monitoring, and updating plans. Extensive coordination is required among federal, state, local, and private entities. JLARC's review of state and local coordination found problems of coordination and administrative alignment that could impede effective and efficient disaster planning and response.

►***Action taken***

In 2014 the General Assembly enacted disaster preparedness legislation that codified a major organizational change. The responsibilities for coordinating and overseeing preparedness were transferred to the newly renamed Public Safety and Homeland Security secretariat.

The legislation also implemented a number of specific recommendations: that the state strategic plan be updated annually and contain measurable goals and clear designation of responsibilities; that state agencies be required to develop and maintain disaster response plans in support of the state's emergency operations plan; that localities be required to have plans for shelter, evacuation, and traffic management; and that the state emergency management department monitor and regularly evaluate state and local disaster response plans.

National recognition for the Disaster Preparedness report

For the disaster preparedness report, JLARC was awarded a **2014 Certificate of Impact** by the National Legislative Program Evaluation Society.

Certificates of Impact are awarded in recognition of reports that have an impact on public policy.

Virginia's IT Governance Structure

Report issued in 2014

Effective governance of state information technology services is necessary to ensure continuous agency operations, protect sensitive information, and avoid wasted spending. Virginia has a partially centralized structure for governing IT, which requires cooperation between the Virginia Information Technologies Agency (VITA) and other state agencies.

JLARC's IT governance report found that, because VITA's main responsibilities were not clearly delineated, VITA's ability to carry out its mission was constrained. Further, agencies affected by central IT decisions had very little input into those decisions. Effective governance and agency input are particularly important as the state's contract for IT services with Northrop Grumman nears its expiration.

►***Action taken***

In 2015 the General Assembly passed legislation that eliminated the responsibilities of the Secretary of Technology that overlapped with the responsibilities of the Chief Information Officer, and established a technical working group to review and clarify the VITA statutes.

Other measures will increase agency involvement in central IT decisions and reinforce requirements that agencies comply with IT security standards and procurement laws and regulations.

VITA is revising its IT standards to reflect the changes made to its statutory responsibilities.

►***Action needed***

The report recommended that the Secretary of Technology and the CIO implement procedures for regular discussion of critical state IT issues with the governor and the cabinet, and that a deputy be hired to assist the Chief Information Officer with managing VITA operations (Recommendations 5 and 6, *Virginia's Information Technology Governance Structure*, 2014).

Virginia's Line of Duty Act

Report issued in 2014

The Line of Duty Act (LODA) program provides a lump sum death benefit and lifetime health insurance benefits to the families of public safety officers who were killed or permanently disabled in the line of duty. The state and localities paid a combined $12.2 million in LODA benefits to 952 beneficiaries in FY 2013.

The Department of Accounts determines eligibility for the LODA program and administers benefits for some state agencies and localities. Through this review, JLARC staff found that administration of the LODA program was not well aligned with the primary mission of the Department of Accounts.

The report identified ways to reduce program costs by enrolling LODA beneficiaries in more cost-efficient health plans, or by making changes to benefits or eligibility criteria.

►***Action taken***

In 2015 the General Assembly passed legislation that would transfer the administration of the LODA program from the Department of Accounts to the Virginia Retirement System (VRS) and Department of Human Resource Management (DHRM).

VRS and DHRM are in the process of reviewing the report recommendations and options and proposing administrative and policy changes that would improve the program.

Other provisions of the LODA legislation would create a process for employers to appeal eligibility decisions. Appeal is currently available to those who apply for benefits but not to employers.

►***Action needed***

The LODA legislation will not take effect unless it is reenacted in 2016.

Virginia Port Authority's Competitiveness, Funding, and Governance

Report issued in 2013

The operations of the Virginia Port Authority have significant impacts on the state and local economies. The Virginia Port Authority handles cargo inbound to North America and outbound to more than 200 countries.

The JLARC report found that the Virginia Port Authority had been successful in competing for cargo against the other major container ports. State funding was found to be a relatively modest and decreasing proportion of Virginia Port Authority revenue. However, port authorities in other states were found to rely less on state funding for on-terminal projects.

At the time of the review, the governor had recently removed and replaced most members of the Board of Commissioners. JLARC staff identified concerns among some customers that port governance was unstable.

The report also identified some problems with organizational structure and with the channels of communication between the Board of Commissioners and port staff.

►***Action taken***

In 2014 the General Assembly took action to require that gubernatorial appointments to the Board of Commissioners include at least one individual who has maritime shipping experience.

Virginia Port Authority reviewed and revised its tariff rates so that they are commensurate with other ports.

The Board of Commissioners hired a CEO-Executive Director and established policy-based performance metrics. Together the board and CEO-Executive Director made changes to the administrative structures of the Virginia Port Authority and Virginia International Terminals, clarifying the roles and responsibilities of the two entities.

►***Action needed***

The report recommended that the Code of Virginia be amended to limit the circumstances under which the governor may remove members of the Board of Commissioners; to change board terms so that they are staggered; and to require that most appointees have experience in industries highly applicable to port operations and that a range of those industries be represented (Recommendations 5, 6, and 7, *Virginia Port Authority's Competitiveness, Funding, and Governance*, 2013).

Low Performing Schools in Urban High Poverty Communities

Report issued in 2014

For many years Virginia has sought to improve school performance in the state's high poverty urban localities. Even after improvement attempts, most of the low performing schools continue to perform poorly.

For the report on low performing schools, JLARC staff examined school takeover efforts across the U.S. and found that school takeover is expensive and—thus far, according to available data—not necessarily more effective than other approaches to school improvement.

The report identified a major challenge to school improvement: attracting and retaining qualified teachers. Urban high poverty schools need teachers who have the ability, training, and commitment to work in a difficult environment over the long term.

►***Action taken***

In 2015 the General Assembly appropriated $500,000 in grants for FY 2016 for the development of two teacher residency programs, and $500,000 each for FY 2015 and FY 2016 for school districts to pay new teachers through the Teach for America program.

►***Action needed***

The report recommended that school divisions below certain thresholds of performance be required to enter into memoranda of understanding (MOUs) with the state board of education, giving the board binding authority in the short term over decisions that affect academic functions. The Code and Constitution of Virginia would have to be amended to give the state board of education legal authority to enter into mandatory MOUs with individual school districts (Recommendations 2 and 3, *Low Performing Schools in Urban High Poverty Communities*, 2014).

Local Government and School Division Consolidation

Report issued in 2014

The state provides incentive funds for local governments to consolidate and combine resources, with the intention of strengthening local fiscal sustainability and improving local services. State incentive funds are intended to facilitate agreements and equitable terms between the localities. The incentive is applied by continuing some state aid at higher levels than would normally apply to the newly consolidated locality. For this purpose, Virginia currently uses K-12 direct aid and funding for law enforcement and constitutional officers, among others.

The state's current approach, which uses the local composite index as a basis, is arbitrary. It uses formulas that do not correspond to the cost or complexity of consolidation, and it has the potential to be very expensive for the state.

►***Action taken***

In 2015 the General Assembly took action to address the findings of the consolidation report by directing the Commission on Local Government to develop a process for determining the appropriate level of additional state funding for future local consolidations. Funding levels should depend on the projected cost and complexity of a consolidation. Use of the local composite index as a basis for funding was eliminated pending additional analysis.

Effectiveness of Virginia Tax Preferences

Report issued in 2012

Tax preferences are provisions in the tax code that decrease the tax liability of eligible taxpayers. Virginia currently offers nearly 200 tax preferences through credits, deductions, subtractions, and exemptions. Many tax preferences are aimed at achieving public policy goals. Tax preferences are not subject to Virginia's budget process, so they remain in effect, sometimes indefinitely, without any assessment of their efficacy.

The study found that tax preferences that provide financial assistance generally deliver benefits, but some are not well targeted to their intended beneficiaries. For example, sales tax holidays may not effectively reach lower-income consumers. Preferences that are intended to promote economic activity vary widely in effectiveness. Preferences that are intended to encourage charitable activities do not appear to have an appreciable effect.

►***Action taken***

This report spurred a great deal of interest in tax preferences in recent years and contributed to the public debate in Virginia. After release of the report in 2012, the General Assembly established a joint subcommittee and a process for ongoing evaluation of state tax preferences.

In 2015 the General Assembly took further action by placing limits on the amount of the land preservation tax credit that can be claimed by taxpayers each year, and by eliminating the tax preference for the sale of land for open-space use.

Other 2015 legislation combined three existing sales tax holidays (for the purchase of school supplies, hurricane preparedness supplies, and energy-efficient products) into a single three-day sales tax holiday in August.

Year-Round Schools

Report issued in 2012

Year-round school calendars redistribute the standard 180-day school year over 12 months rather than the traditional nine months. The three-month summer vacation is reallocated as shorter, more frequent breaks throughout the year. At the time of the JLARC report, year-round school calendars were used in nine public elementary schools in five divisions in Virginia.

JLARC staff assessed how year-round calendars affect academic achievement and school costs, and found that the SOL scores of certain student groups—in particular, students who are African American, Hispanic, economically disadvantaged, or who have limited English language proficiency—are likely to be higher than predicted and to improve faster 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.

►***Action taken***

The General Assembly took action in 2014 and 2015 to appropriate additional funding in support of new year-round schools. Funding for start-up grants for new extended school-year programs was increased to $7.1 million for FY 2016. Grants of up to $300,000 per school may be awarded for three consecutive years. After the third year, grant amounts are based on the state and local cost share as determined by the local composite index.

For schools exploring year-round calendars, the General Assembly increased the funding for planning grants to $613,312 for FY 2015 and FY 2016.

Strategies to Promote Third Grade Reading Performance in Virginia

Report issued in 2011

Pass rates on the third grade reading SOL tests have increased but still fall short of the goal of a 95 percent statewide pass rate. Factors such as socioeconomic status and disability have a considerable impact on pass rates.

Effective early reading programs teach children in small groups and tailor instruction to their individual needs. Many school divisions in Virginia already follow these best practices, but the effectiveness of a reading program depends on teachers, who need training and classroom support.

This report included a recommendation that SOL test requirements for third graders be scaled down, so that schools can devote a larger portion of third grade classroom time to reading.

►***Action taken***

In 2014 the General Assembly enacted legislation to limit the third grade SOL tests to reading and math, and appropriated $1.8 million per year (FY 2015 and FY 2016) for instructional specialists in reading and math at underperforming schools.

Tobacco Region Revitalization Commission

Report issued in 2011

The Tobacco Region Revitalization Commission (formerly the Tobacco Indemnification and Community Revitalization Commission) was established by the General Assembly to administer a portion of the state's tobacco settlement funding for the purpose of revitalizing Virginia's tobacco-dependent localities. The Commission administers grants, which have provided benefits to the region through investment in broadband infrastructure, workforce training, and education, but have not succeeded in revitalizing the region.

The report found that the Commission did not consistently follow an economic revitalization strategy, and that it had funded a number of projects with low potential for economic impact.

►***Action taken***

In 2015 the General Assembly acted to implement a number of the report recommendations, including a requirement that the Tobacco Region Revitalization Commission develop a strategic plan at least biennially. Greater accountability was imposed on grant recipients by requiring that they set measurable goals and report on their progress toward meeting those goals.

The Commission has taken action to implement regular strategic planning activities; to narrow the criteria and restrictions on grant awards; and to track the progress and success of grants. The Commission is in the process of improving transparency by making more grant project information publicly available on its website.

►***Action needed***

The report recommended that the Tobacco Region Revitalization Commission establish objective criteria for determining grant awards and delegate most award decisions to its staff (Recommendation 16, *Review of the Tobacco Indemnification and Community Revitalization Commission*, 2011).

Employee Misclassification in Virginia

Report issued in 2012

Employee misclassification occurs when an employer improperly classifies a worker as an independent contractor rather than as an employee. Employee misclassification reduces Virginia's state income tax collections and deprives some workers of legal rights and benefits. Employers who properly classify workers may be less competitive in their respective industries because their employment costs are higher than those of employers who improperly classify workers.

►***Action taken***

In 2014 the governor established an inter-agency task force on employee misclassification. The Department of Labor and Industry (DOLI) initiated a public information campaign in 2015 to educate employers, workers, and the public about employee misclassification. DOLI adopted a policy that will address misclassification issues during the state Occupational Safety and Health inspection process.

►***Action needed***

The report recommended that the Code of Virginia be amended to make the misclassification of employees illegal and to impose financial penalties on employers who misclassify workers (Recommendation 2, *Review of Employee Misclassification in Virginia*, 2012).

Mitigating the Risk of Improper Payments in the Virginia Medicaid Program

Report issued in 2011

Medicaid is the largest program in Virginia's budget, accounting for a total appropriation of more than $8.6 billion in FY 2015. Because Medicaid is so large, even a relatively small proportion of improper payments can be very costly. The Department of Medical Assistance Services (DMAS) works with the state Department of Social Services (DSS) and local departments of social services to prevent, detect, and collect payments made improperly due to error, fraud, or abuse.

JLARC reported some risk of improper payments in Virginia's Medicaid program, particularly in relation to individuals who are erroneously or fraudulently enrolled in Medicaid. The report attributed the risks to systemic weaknesses in program integrity activities across multiple divisions and agencies.

►***Action taken***

After the release of this report in 2011, major legislative and agency actions were undertaken to improve the state's ability to minimize payment errors through improvements to oversight, training, and technology.

More recent actions on the part of DMAS and DSS include better sharing of information about improper payments across divisions and agencies; improvements to the DMAS accounts receivable system; and additional review and strengthening of managed care contracts.

►***Action needed***

The report recommended that DMAS evaluate the potential for using software that would better detect improper claims before payment is issued to providers. Other recommendations would improve the mechanism for setting the rates paid to managed care organizations (Recommendations 9, 23, 24, and 25, *Mitigating the Risk of Improper Payments in the Virginia Medicaid Program*, 2011).

State Economic Development Incentive Grants

Report issued in 2011

Economic development incentive grants are a type of financial incentive that governments commonly offer to influence the decisions of businesses to locate and expand within their borders. The grants are often intended to create jobs and stimulate the economy.

To qualify for a grant, businesses must agree to performance goals, such as creating a certain number of jobs or investing a certain amount of capital. Most of the projects reviewed for this study met the performance goals to which they committed. Economic impact varies widely, but grant programs are expected to have an overall positive impact on the state economy and revenues.

►***Action taken***

After the release of this report in 2012, the General Assembly directed the Secretary of Commerce and Trade to issue an annual report on the effectiveness of economic development incentive grants. The first annual report was issued in November 2014.

Coordination Needs in Virginia's Education System

Report issued in 2011

In Virginia, K-12 school systems and the postsecondary institutions operate independently of each other. No single entity is responsible for the public education system as a whole. The Virginia Department of Education (VDOE) oversees the K-12 school divisions; the Virginia Community College System (VCCS) oversees community colleges; and the State Council of Higher Education for Virginia (SCHEV) oversees the four-year colleges and universities. The agencies at the different education levels have separate governing bodies, and coordination is required to advance goals such as college readiness, career readiness, and alignment of curriculum with workforce needs.

The report identified a need for additional coordination among the state education agencies.

►***Action taken***

In 2015 the General Assembly enacted legislation directing the education agencies to designate staff members to serve as liaisons to each other's governing boards. The Secretary of Education was directed to report to the General Assembly on coordination efforts every two years.

Ongoing Oversight

JLARC has ongoing legislative oversight responsibility for the Virginia Retirement System (VRS), the Virginia Information Technologies Agency (VITA), and the Virginia College Savings Plan (VA529).

Virginia Retirement System

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

The General Assembly enacted significant changes to VRS in 2012, many of which were based on options and recommendations presented in the 2011 JLARC *Review of Retirement Benefits for State and Local Government Employees*. The financial benefits from those changes began to accrue in FY 2015 in the form of reduced retirement contributions from state agencies ($22.9 million).

In 2013, the VRS board began considering whether VRS should offer investment services to outside parties such as local governments. After JLARC members and staff raised concerns about the proposal, it was reevaluated and discontinued in 2014. The board determined that it would not likely benefit VRS or its members.

JLARC retains an independent actuary to perform an audit of VRS and its consulting actuary every four years, as required under the Code of Virginia. In 2014, JLARC's independent actuary, Gabriel, Roeder, Smith and Company (GRS), found that the methods used by the VRS actuary were reasonable and based on appropriate assumptions. GRS recommended minor modifications to actuarial calculations and reporting. Several recommendations have either been implemented by the VRS actuary or are in progress.

Virginia Information Technologies Agency

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

JLARC staff reviewed Virginia's IT governance structure in 2014 and recommended a number of actions, most of which have been implemented (see page 9).

In November 2014, JLARC staff began an ongoing review of VITA's IT sourcing initiative. Under the initiative, VITA is determining how central IT infrastructure services will be provided after its outsourcing contract with Northrop Grumman expires in 2019. The ongoing review of the IT sourcing initiative will span several years.

Virginia College Savings Plan

JLARC staff periodically report on the structure and governance of VA529, the structure of the investment portfolios, investment practices and performance, actuarial policy, and administration and management.

JLARC staff issued the first biennial status report on VA529 in July 2014, as required by the Code of Virginia. The report found that VA529's programs have grown and its operating expenses have increased due to staffing and marketing costs.

As required by statute, JLARC retains an independent actuary to perform an audit of VA529's PrePAID college tuition program every four years. In 2014, the independent actuary confirmed that PrePAID is actuarially sound but made several recommendations to improve the program's actuarial assumptions. One recommendation, lowering the program's annual investment return assumption, was implemented in 2015.

Fiscal Analysis Services

JLARC staff provide a number of fiscal analysis services to the General Assembly, many of which are required by statute.

Fiscal Impact Reviews

JLARC was asked to review the fiscal impact statements for eight bills in FY 2014 and FY 2015. The bills were in the areas of public safety, education, and general government. JLARC was also asked to determine the fiscal impact for two revenue bills for which fiscal impact statements were not provided by the administration.

Spending and Benchmarking Reports

JLARC staff issue annual reports on total state spending and on state spending for the K-12 Standards of Quality and produce an annual publication comparing Virginia to other states on taxes, demographics, state budget, and other indicators. These publications are popular sources of information for the General Assembly and the public, and are frequently referenced in the media.

Internal Service Funds

JLARC oversight of Internal Service Funds (ISFs) dates back to the 1980s and has evolved with the changing budgetary treatment of ISFs. Starting in 2014, JLARC no longer approves ISF rates; spending and rates are now approved in the appropriation act. JLARC staff continue to review ISFs to ensure that funds are managed efficiently and transparently. JLARC staff document their findings in an annual memorandum, which is intended to inform legislative budget decisions. The first of these memos was prepared for the 2015 General Assembly session.

Evaluations of Mandated Health Insurance Benefits

JLARC evaluates proposed health insurance mandates in support of the Health Insurance Reform Commission. JLARC reviews have focused on the medical effectiveness, social impact, and financial impact of the proposed coverage. In 2014, JLARC staff conducted two evaluations of proposed mandates.

Forthcoming Reports

JLARC's full-time staff evaluate the efficiency and effectiveness of state agencies and programs. Every JLARC study originates with a General Assembly mandate, usually a joint resolution.

Depending on study findings, JLARC staff may develop recommendations for improving agency operations, services, and programs, and for eliminating those that are duplicative or performing poorly.

Reports forthcoming in 2015 and 2016

Efficiency and Effectiveness of K-12 Spending

Department of Motor Vehicles

Eligibility Determination in Virginia's Medicaid Program

Medicaid Non-Emergency Transportation Services

Department of Veterans Services

Development and Management of State Contracts

Update: Impact of Manufacturing Regulations

Water Resources Planning and Management

Controlling Medicaid Costs in Virginia

Commission Members

The Joint Legislative Audit and Review Commission comprises 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.

JLARC Staff

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