

JLARC Workplan

2021



COMMISSION DRAFT

Joint Legislative Audit and Review Commission

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1 JLARC Workplan

The Joint Legislative Audit and Review Commission (JLARC) is the oversight agency of the Virginia General Assembly. The legislature established JLARC in 1973 to review and evaluate the operations and performance of state agencies and programs. Since its establishment, JLARC's responsibilities have been expanded to include oversight and fiscal analysis in several areas of Virginia government.

JLARC uses a structured but flexible process for planning agency work. This workplan, which is prepared annually and submitted to the Commission for review and approval, represents a staff proposal for a feasible work schedule. The workplan may be revised to reflect changes in organizational priorities and needs. The sections that follow cover JLARC's major work functions: Studies, Ongoing Evaluation and Oversight, Fiscal Analysis, and Support.

Proposed Commission meeting schedule 2021

May 3	JLARC Workplan
	JLARC Impacts: Actions Taken on Report Recommendations (2017–2020)
	APA workplan and report on 2020 work
June 7	Trade and transportation incentives
	Comparison of marijuana legislation to 2020 JLARC report
July 6	VRS
	Virginia529
August	<i>No meeting</i>
September 20	VITA
	Individual income tax progressivity study update
	Actuarial review of state employee health insurance program
October 18	Guardianship and conservatorship
	State spending
	Racial and ethnic impact statements
November 15	VEC
	Transportation infrastructure and funding
	Cardinal
	Unimplemented JLARC recommendations
December 13	Juvenile justice system
	Affordable housing (part of study to be released in June 2022)
	VRS
	Economic development incentives
	State Spending: K–12 Standards of Quality

2 Studies

Major research studies are the agency's primary work. JLARC's topic selection subcommittee recommends research topics, which are then approved by the full Commission. JLARC also receives studies through joint resolutions passed by the General Assembly.

Studies follow project-specific workplans, which are developed by study teams and reviewed by JLARC's project review team—director, associate directors, methodologist, and publications staff—to ensure that high-quality work can be completed in the time allotted. The project review team examines each project at every major stage of the research process. JLARC staff are assigned to study teams on a full-time basis for the duration of the project.

Studies to be completed in 2021 are summarized below. Study resolutions are included in the appendix.

Review of VITA's organizational structure and staffing

Mandate: Directed by Commission

Scheduled publication: September 2021

The Virginia Information Technologies Agency (VITA) is the commonwealth's consolidated IT agency responsible for the provision of infrastructure services and oversight of state agency IT functions. VITA provides infrastructure services to over 60 executive branch agencies, which are required by law to use VITA's services. In 2018, VITA transitioned to a new multi-supplier infrastructure model that fundamentally changed how IT infrastructure goods and services are provided to state agencies and the IT agency's role. VITA is also responsible for oversight of state IT projects, IT security and risk management for state agencies, and IT strategic planning across state government.

The JLARC study team will assess whether VITA is structured effectively to ensure the current and future operational success of the new multi-supplier model. The team will also assess whether VITA is appropriately staffed to carry out its responsibilities under the new model and perform its statewide oversight responsibilities. Finally, the team will determine whether VITA can adequately recruit and retain qualified staff to effectively provide and support its infrastructure and oversight responsibilities.

Virginia's court-appointed guardian and conservator system

Mandate: Commission resolution

Scheduled publication: October 2021

Guardianship and conservatorship support incapacitated adults by providing them a representative who legally makes decisions on their behalf. Guardianship is a legal process where a court-appointed individual supervises the personal affairs of adults who are incapacitated because of a disability or illness. In conservatorship, a court-appointed individual manages the financial affairs of an incapacitated adult. Guardianship legally removes some or all rights of a client. For example, a guardianship and/or conservator client may not legally be allowed to make decisions about their medical care, living arrangements, or finances depending on the terms of the court-ordered guardianship arrangement. Furthermore, a guardian can restrict whether others can visit the client.

Guardianship in Virginia includes a state-funded public guardianship program and private guardians who work outside of the public program. While public and private guardians have similar responsibilities, there are key differences. For example, public guardians have a maximum caseload of 20 adults, but private guardians do not have caseload limits.

The study covers two major topic areas—guardianships/conservatorships and adult protective services—that are separate but related systems. The research team will assess various aspects of public and private guardianship/conservatorship in Virginia, including the court process to appoint a guardian, the oversight of guardians, and the process for restoring the rights of individuals who are under guardianship. Because individuals under guardianship are vulnerable to abuse, neglect, and exploitation, the research also addresses aspects of the state's adult protective services system to assess whether the system is designed to adequately protect these individuals and other adults who have been affected by abuse, neglect, and exploitation, especially those under guardianship.

Virginia Employment Commission

Mandate: Commission resolution

Scheduled publication: November 2021

The Virginia Employment Commission (VEC) administers two types of federally required programs to assist Virginians who have lost their jobs through no fault of their own. VEC provides temporary financial assistance through the unemployment insurance program and job search assistance. The bulk of VEC's staff is dedicated to administering the unemployment insurance program. The COVID-19 pandemic triggered unprecedented unemployment, which led to rapid increases in the demand for VEC's services. The number of unemployed Virginians increased from 145,294 in March 2020 to 482,111

in April, causing unemployment insurance claims to increase ten-fold within a month. Congress also created several temporary programs to extend unemployment insurance benefits and expand them to many previously ineligible workers, such as self-employed workers. VEC was unable to process the unprecedented volume of claims in a timely manner and experienced significant backlogs. In fall 2020, VEC ranked lowest nationwide for timeliness to process unemployment insurance claims that required further review. General Assembly members complained directly to VEC about the agency's slow processing of these claims during the pandemic and called for improvements.

The study will evaluate the timeliness of VEC's processing of unemployment insurance claims, including initial claims and appeals, and the agency's responsiveness to claimants and employers. Insufficient staffing levels and an antiquated IT system are two key reasons for processing delays. The study will examine whether VEC is using its staffing resources effectively and whether the federal government's administrative funding is sufficient to support necessary staffing levels and operations. A major focus of the study will be VEC's project to modernize its unemployment insurance IT system. The team will evaluate why VEC's IT capabilities have lagged, why the modernization project has been prolonged, and capabilities the modernized IT system needs to maximize customer service and improve the efficiency of claims processing. The study will also evaluate VEC's management of the unemployment insurance trust fund, which required a federal loan to remain solvent during the pandemic.

Adequacy of Virginia's transportation infrastructure and funding

Mandate: Commission resolution

Scheduled publication: November 2021

An effective and efficient surface transportation system is essential for many aspects of daily life. Virginia's surface transportation system consists of more than 150,000 miles of state-maintained roadways, 19,000 bridges & culverts, dozens of special structures and toll roads, and 41 transit systems. Prioritizing transportation revenue to maintain the existing system and make needed improvements is a complex process. In FY21, Virginia is projected to collect about \$7.8 billion in revenue for transportation, mostly from state, regional, and local sources. Substantial changes by the 2020 General Assembly are projected to increase transportation revenues over time, which should help the state better address its needs. However, some funding sources, such as the fuel tax, may not be sustainable over the long term as vehicles become more fuel efficient and switch to alternative fuels.

The study team will broadly review the adequacy of Virginia's surface transportation system and whether the state is prepared to fund existing needs and adapt to changes in transportation needs, patterns, and revenues over the long term. The team will assess existing data about the condition and performance of the state's surface transportation system. The team will consult with experts to identify long-term technological changes (e.g., increasing fuel-efficiency, adoption of electric cars) and societal changes (e.g.,

increasing urbanization, use of rail and transit, telecommuting) that are underway and will continue to affect transportation system use, needs, and revenues. The team will determine whether short-term and long-term planning processes effectively identify and prioritize needs. Finally, the team will project the sustainability of transportation revenues over the long term and develop alternative revenue scenarios based on potential technological and societal changes. The team will then review revenue sources used by other states and nations (including a mileage-based user fee to replace fuels taxes) to identify methods Virginia could consider to adapt its revenue sources over time.

Review of Virginia's juvenile justice system

Mandate: Commission resolution

Scheduled publication: December 2021

Virginia's juvenile justice system includes a state juvenile corrections center in Bon Air, 34 court service units, 24 local juvenile detention centers, 10 community placement programs, and 16 group homes, shelters, and independent living programs. Last year, about three-fourths of Virginia's 3,300 court-involved youth were either on probation or parole on a typical day. The remaining juveniles were either in a local detention center or in the state corrections center. Youth may also be "diverted" at intake as an alternative to the official court process; almost 8,000 diversion plans were created for youth in FY20. More than \$230 million was appropriated to DJJ for juvenile justice services in FY21.

The JLARC study team will analyze key trends and outcomes, assessing whether the recent system transformation has led to improvements. The team will also examine demographic (including race), risk assessment, and detention data to assess whether the system appropriately holds youth accountable for wrongdoing, and whether there are any disparities in the treatment of youth, such as by race, disability status, or region. The team will assess both state-operated and locally operated detention centers to ensure youth receive adequate and appropriate services necessary for rehabilitation. This facility assessment will focus on whether the current number, size, and location of locally operated detention centers represent an efficient and effective expenditure of resources. This assessment will also review whether the state is efficiently and effectively providing required educational services to juveniles. Finally, the team will assess the use and effectiveness of diversion and probation services.

Virginia's housing needs

Mandate: Commission resolution

Scheduled publication: December 2021 and June 2022

Access to affordable, quality housing is critical to citizens' financial stability and physical and mental health, but it is becoming increasingly difficult to obtain. Housing costs exceed 30 percent of income for one in three Virginia households, and these households are considered "housing cost burdened." Affordable housing is most lacking in

Virginia's urban areas, and quality housing has become difficult to acquire in rural areas. Rising costs of materials, labor, and land hinder the development of new affordable housing, and there is unmet demand for financial assistance to lower the monthly costs of housing for low-income Virginians. The state entities primarily tasked with facilitating the development of quality, affordable housing and assisting Virginians with housing costs are Virginia Housing (formerly the Virginia Housing Development Authority) and the Department of Housing and Community Development (DHCD). Virginia Housing—an independent authority created by the General Assembly—has a significant amount of discretionary funds that can be used to incentivize the development of affordable housing or provide direct financial assistance to households.

The study will include an assessment of the number of Virginia households that are housing cost burdened; the supply of affordable, quality housing, statewide and by region; and how housing shortages vary by household demographics, such as race and income level. The study will also examine the state's efforts to 1) increase the supply of affordable housing by encouraging the development of affordable housing units and 2) make existing housing more affordable to homeowners and renters through direct financial assistance. The team will identify barriers to expanding supply, such as local zoning and land use ordinances that disincentivize or prevent affordable housing expansions. The study will also examine the level of coordination between the relevant state agencies, as well as between the state and local housing agencies. The study will also evaluate the effectiveness of DHCD's and Virginia Housing's management of their housing assistance programs. The findings of these issues will be presented in December.

During the first half of 2022, the study will evaluate the operations, performance, and oversight of Virginia Housing, which has significant financial resources and discretion in how it uses its funds. Virginia Housing's effectiveness at financing affordable housing strategies is critical to addressing the state's current and future unmet housing needs. Because Virginia Housing is an independent state government authority and does not receive state general funds, its operations and performance are less visible to the General Assembly. The findings from this second phase of the review will be presented in June 2022.

Review of the progressivity of Virginia's individual income tax system

Mandate: HJ 567 (2021 session)

Scheduled publication: 2022

Virginia's individual income tax is its primary revenue source and affects a substantial number of Virginians. Individual income tax revenue typically accounts for about 70 percent of all general fund revenue. About 4 million individuals have filed an individual income tax return annually in recent years.

Several components of the state's individual income tax system could be changed to make the system more progressive. The study resolution notes that the tax bracket income amounts have not been changed since 1990; since that time the consumer price index has nearly doubled. After accounting for all exemptions and deductions, about 5 percent of all individual income tax revenue is paid by those reporting less than \$25,000 in annual income. In contrast, more than 60 percent of all tax revenue is paid by those reporting more than \$100,000.

The JLARC study team will review academic research to develop a definition of tax progressivity, then compare Virginia's income tax system to that definition. The team will also compare Virginia's individual income tax system to other state systems and interview tax policy experts and other stakeholders about how Virginia's system could be changed to make it more progressive. The study team will coordinate with the Department of Taxation to model the impact of potential changes, then release a report with policy options—not recommendations—for the General Assembly to consider to make the state's tax system more progressive.

The study team will present a brief status update at the September 2021 JLARC meeting. The update will include a summary of historical tax trends in Virginia (e.g., liability by income level) and various definitions of tax progressivity.

3 Ongoing Evaluation & Oversight

JLARC provides ongoing evaluation and oversight for the General Assembly. The General Assembly has directed JLARC to evaluate and oversee the following topics. Two JLARC staff members are permanently assigned to evaluation and oversight. Other staff members are assigned as needed.

Economic development incentives

The Appropriation Act directs JLARC to review and evaluate economic development initiatives and policies on an ongoing basis. The Commission selects the incentives to evaluate each year. JLARC contracts with the University of Virginia's Weldon Cooper Center for Public Service to perform evaluations. Evaluations analyze

- economic development incentives, such as grants and tax preferences;
- success by businesses in meeting goals in return for incentives;
- the economic benefits of incentives; and
- effectiveness of incentives in influencing business activity.

JLARC staff will present two reports in 2021:

Evaluation of trade and transportation incentives

Scheduled briefing: June 2021

Annual economic development incentives report

Scheduled briefing: December 2021

Virginia Retirement System

The Virginia Retirement System Oversight Act (Chapter 10 of Title 30 of the Code of Virginia) authorizes oversight of the Virginia Retirement System (VRS). Under this authority, JLARC evaluates

- the structure and governance of the retirement system;
- the structure of the investment portfolio;
- investment practices, policies, and performance;
- the actuarial policy and the actuarial soundness of the trust funds; and
- the administration and management of the retirement system.

JLARC staff conduct independent research and attend meetings of the VRS Board of Trustees and committees to observe agency and board operations. JLARC staff will present two reports in 2021 and prepare an update to the biennial legislator guide for 2022.

VRS Oversight Reports

Scheduled briefings: July and December 2021

Legislator's Guide to VRS

Scheduled publication: February 2022

Virginia529

The Virginia College Savings Plan Oversight Act (Chapter 51 of Title 30 of the Code of Virginia) authorizes oversight of the Virginia College Savings Plan (Virginia529). Under this authority, JLARC evaluates

- the structure and governance of Virginia529;
- the structure of investment portfolios;
- investment practices, policies, and performance;
- the actuarial policy and the actuarial soundness of the prepaid tuition program; and
- the administration and management of the plan.

JLARC staff conduct independent research and attend meetings of the Virginia529 Board of Directors and committees to observe agency and board operations. JLARC staff will provide the following report in 2021 and prepare an update to the biennial legislator guide for 2022.

Independent actuarial audit of the legacy Prepaid529 program

(prepared by actuarial firm under contract with JLARC)

Scheduled briefing: July 2021

Legislator's Guide to Virginia529

Scheduled publication: February 2022

Virginia Information Technologies Agency

The Appropriation Act directs JLARC to review and evaluate the Virginia Information Technologies Agency (VITA) on an ongoing basis. Under this authority, JLARC evaluates

- the state's IT infrastructure outsourcing contracts;
- VITA's planning and oversight responsibilities; and
- VITA's procurement services and oversight of state agency procurement activities.

JLARC staff conduct independent analysis and attend IT advisory and agency relational meetings to observe VITA's operations. In response to a motion approved by the Commission, JLARC staff will conduct a review of VITA's organizational structure and staffing in 2021:

Review of VITA's organizational structure and staffing

Scheduled briefing: September 2021

Cardinal

The Appropriation Act directs JLARC to review and evaluate Cardinal, the Commonwealth's enterprise resource planning system, on an ongoing basis. Under this authority, JLARC evaluates:

- procurements and contracts related to Cardinal;
- the development, implementation, performance, and costs of Cardinal;
- the viability of the technologies used in Cardinal;
- the system of governance for Cardinal; and
- the security of information contained in Cardinal.

JLARC staff conduct independent analysis and attend meetings of the Cardinal Human Capital Management Project Steering Committee to assist with its oversight of Cardinal. JLARC staff will present the following briefing in 2021:

Update on the status of Cardinal Human Capital Management Project
Scheduled briefing: November 2021 (estimated)

Other evaluation support provided for the General Assembly

JLARC provides additional evaluation and support services for the General Assembly as directed by Code of Virginia or the Appropriation Act.

Racial and ethnic impact statements

Legislation enacted during the 2021 session (HB 1990) requires JLARC to review proposed criminal justice legislation to determine the potential impact on racial and ethnic disparities in the Commonwealth. JLARC staff will provide racial and ethnic impact statements on proposed legislation at the request of the chair of the House Courts of Justice Committee or the chair of the Senate Judiciary Committee. No more than three statements may be requested by each chair for completion during a regular General Assembly session. A primary work activity this year will be establishing this new function.

Mandated health insurance benefits

As directed by the Code of Virginia, JLARC staff participate in the assessments of bills that would mandate insurance coverage of specific health-care benefits, when requested by the Health Insurance Reform Commission. JLARC's assessments focus on:

- medical effectiveness of the proposed coverage;
- current availability and use of treatment;
- current financial impact on people without coverage for treatment; and
- proposed mandate's consistency with the purpose of health insurance and impact on public health.

JLARC staff will complete two assessments this year that have been requested by the Health Insurance Reform Commission.

Coverage for prosthetic devices (HB 2669, 2019 session)

Scheduled publication: November 2021 (estimated)

Coverage for donated human breast milk (HB 2049/SB 1650, 2019 session)

Scheduled publication: November 2021 (estimated)

Actuarial review of the state employee health insurance program

JLARC staff will facilitate an actuarial review of the state employee health insurance program as directed by the Appropriation Act (2020 Acts of Assembly, Special Session I). The review will assess the reasonableness and accuracy of the actuarial rate development process, methods, reports, and assumptions used for the program, as well as the appropriate balance of the State Employee Health Insurance Fund.

Independent actuarial review of the state employee health insurance program
(prepared by actuarial firm under contract with JLARC)

Scheduled briefing: September 2021

Higher education management agreements

§23.1-1007 of the Code of Virginia requires JLARC (in cooperation with the Auditor of Public Accounts) to review compliance of higher education institutions with their management agreements. The review is to be completed during the third year of implementation of the agreement. James Madison University entered into a management agreement with the state in February 2019. JLARC may begin its review later this year and plans to report the results of its review no later than the June 2022 JLARC meeting.

4 Fiscal Analysis

JLARC provides fiscal analysis services to the General Assembly. Under this function, JLARC staff

- provide an independent assessment of the fiscal impact of proposed legislation and executive orders;
- report on state spending and how Virginia compares nationwide;
- monitor and provide technical support for major forecasts related to the state budget; and
- provide other fiscal analysis support to the General Assembly as requested.

Several JLARC staff members work part time on fiscal analysis. Activities and reports for this year include:

Second opinion fiscal impact reviews of proposed legislation

Upon request of a committee chair

Fiscal impact reviews of executive orders issued by the governor

Upon request of a committee chair

Annual state spending report

Scheduled briefing: October 2021

Annual state spending on the K–12 Standards of Quality

Scheduled briefing: December 2021

Annual Virginia compared with the other states publication

Scheduled publication: January 2022

Monitoring of major expenditure forecasts

Ongoing and periodic

Review of internal service funds

Upon request of JLARC, House Appropriations Committee or Senate Finance & Appropriations Committee chairs

Debt Capacity Advisory Committee

Participation by JLARC director

5 Support Functions

Several functions support the research and oversight work of JLARC staff: research methods, publications, business and administrative support, and staff training and development.

Research methods

JLARC's chief methodologist supports teams in developing and evaluating state programs and agencies. The chief methodologist

- supports the conceptualization, design, and implementation of research methods and techniques to improve the accuracy and validity of findings;
- advises study teams on data collection, approaches to analysis, and statistical methods;
- leads complex or critical analyses for teams;
- reviews work products for methodological soundness and accuracy of interpretation;
- develops and implements training to enhance staff capabilities;
- provides technical assistance for the fiscal analysis function; and
- serves as a member of the project review team.

Publications

JLARC's two-person publications team supports the study teams and advances communication of JLARC's work to the legislature and to the public. The publications team

- participates in project review during the development of reports and briefing materials;
- edits reports and other documents for clarity, logic, usage, and style;
- contributes to the design of graphics;
- handles design and layout of JLARC documents and publications;
- maintains staff resources for writing and graphics; and
- oversees output and distribution of JLARC publications online and in print.

The JLARC publications team maintains the JLARC website, making sure that public information is current and accurate.

Business operations and administrative support

JLARC's business operations are carried out by a two-person team. The business manager oversees daily operations of the function, which include

- executing the agency's annual budget and ensuring effective internal financial controls;
- providing human resources, payroll, and benefits services to agency staff;
- managing the agency's fixed assets inventory;
- managing agency records and archives;
- arranging travel for site visits;
- conducting administrative preparation and follow-up for Commission meetings;
- coordinating staff recruiting efforts;
- and providing administrative support to study teams as needed.

Staff training and development

Staff training activities ensure that staff have the skills and knowledge necessary to perform their work, improve their individual performance, and contribute to the organization's overall performance. JLARC offers several opportunities to help staff meet their training needs and to address organization-wide training needs.

In 2021, training may include:

- in-house training for new staff on selected topics, to be led by external experts and trainers or experienced and skilled JLARC staff members;
- professional development opportunities offered by the National Legislative Program Evaluation Society at its annual conference; and
- webinars relevant to the work of the agency, available through the National Conference of State Legislatures and other professional organizations.

Appendix: Study resolutions

VITA Study Motion

Authorized by the Commission on October 5, 2020

In light of the Virginia Information Technologies Agency's (VITA) significant transition to a multi-supplier model, JLARC staff are directed to review VITA's organizational structure and staffing, including but not limited to, (1) whether VITA is organized to ensure the current and future operational success of the new model; (2) whether VITA is appropriately staffed to carry out its responsibilities under the new model, including whether any existing staff should be repurposed; (3) VITA's ability to recruit and retain qualified staff and any factors affecting this; and (4) other relevant topics identified during the course of the review.

Study Resolution

Adequacy of Virginia's Court-Appointed Guardian and Conservator system

Authorized by the Commission on November 16, 2020

WHEREAS, court-appointed guardians and conservators support individuals who are incapacitated and in need of assistance in making medical, financial, or daily living decisions and who have no other suitable person to serve as their guardian or conservator; and

WHEREAS, court-appointed guardians are responsible for supervising their wards' medical care, overseeing residential care, monitoring social services benefits, and advocating on behalf of incapacitated persons; and

WHEREAS, court-appointed conservators are responsible for managing the estate and financial affairs of an incapacitated person; and

WHEREAS, across the nation, there has been a rise in cases of abuse, neglect, and exploitation of elderly and incapacitated persons; now, therefore be it

RESOLVED by the Joint Legislative Audit and Review Commission that staff be directed to study the adequacy of Virginia's system of court-appointed guardians and conservators.

In conducting its study, the Joint Legislative Audit and Review Commission shall (i) identify the Commonwealth's current laws that help prevent and remedy abuse, neglect, and exploitation of elderly and incapacitated persons; (ii) examine opportunities to strengthen the Commonwealth's laws to better prevent and remedy abuse, neglect, and exploitation of such persons, including instances in which such abuse, neglect, or exploitation is committed by a court-appointed guardian or conservator; (iii) determine the maximum number of wards per guardian that should be permitted to ensure a high level of oversight and care; (iv) identify appropriate training, qualification, and oversight requirements for court-appointed guardians; (v) determine the types and amount of information that court-appointed guardians should be required to provide when making decisions on behalf of their ward and identify the parties to whom such information should be provided; (vi) consider one or more processes that could be implemented to allow for the receipt and investigation of complaints regarding the actions of court-appointed guardians; and (vii) review the adequacy of oversight of the guardian and conservator system.

JLARC shall make recommendations as necessary and review other issues as warranted.

All agencies of the Commonwealth, including the Department for Aging and Rehabilitative Services, Department of Social Services, Office of the Executive Secretary of the Supreme Court, Virginia Public Guardian and Conservator Advisory Board, Community Services Boards, and local departments of social services shall provide assistance, information, and data to JLARC for this study, upon request. JLARC staff shall have access to all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.

Study Resolution

Review of the Virginia Employment Commission

Authorized by the Commission on November 16, 2020

WHEREAS, the economic losses due to the COVID-19 pandemic led to historically high unemployment benefits claims in the United States and Virginia, and Virginia's monthly unemployment rate rose sharply from 3.3% in March 2020 to 10.8% in April 2020, declining to 6.1% in August 2020; and

WHEREAS, the Virginia Employment Commission (VEC) is the state agency responsible for administering the Unemployment Insurance (UI) program, including receiving and processing unemployment benefits claims and issuing payments; and

WHEREAS, citizens have expressed frustration with their inability to navigate VEC's unemployment benefits claims process, successfully file benefits claims, and receive benefits in a timely manner; and

WHEREAS, efforts to modernize the information technology systems VEC uses to operate the unemployment insurance program have been delayed; and

WHEREAS General Assembly members introduced budget amendments during the 2020 Special Session to (i) create within VEC a team of IT experts to help fulfill the agency's mission and (ii) enable VEC during a declared state of emergency to redirect staff resources normally dedicated to collecting benefit overpayments of less than \$500; and

WHEREAS, VEC also administers key federal laws related to increasing employment opportunities through job placement and job training assistance, and demand for such assistance has increased because of COVID-19's economic impacts; now, therefore be it

RESOLVED by the Joint Legislative Audit and Review Commission that staff be directed to review the operations of the Virginia Employment Commission.

In conducting its study, staff shall (i) evaluate the impacts of the COVID-19 pandemic on VEC's operations and staffing; (ii) evaluate the timeliness and effectiveness of the operational and staffing changes VEC implemented in response to the pandemic; (iii) evaluate how VEC's UI operations are supervised and led; (iv) evaluate the IT systems used to receive, review, and process unemployment insurance claims and respond to customer inquiries; (v) evaluate the effectiveness of VEC's coordination with the Virginia Information Technologies Agency; (vi) examine the upfront and ongoing costs and cost savings of creating a core team of IT experts within the agency; (vii) identify opportunities to improve customer service, including ways to increase automation and improve customer call-back protocols; (viii) compare Virginia's UI benefit amounts to benefit amounts provided by other states; (ix) evaluate the efficiency and fairness of the unemployment insurance appeals process; (x) determine how VEC has used additional federal funding made available to states during the pandemic; (xi) quantify the frequency and volume of benefit overpayments that are less than \$500 and the VEC staff resources dedicated to their collection; (xii) evaluate VEC's ability to

connect out-of-work Virginians with meaningful employment opportunities; and (xiii) determine whether additional funding is needed to enable VEC to enhance its operations to a standard that reasonably meets the public's needs and expectations.

JLARC shall make recommendations as necessary and review other issues as warranted.

All agencies of the Commonwealth, including the Virginia Employment Commission, the Auditor of Public Accounts, and the Virginia Information Technologies Agency shall provide assistance, information, and data to JLARC for this study, upon request. JLARC staff shall have access to all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.

Study Resolution

Transportation Infrastructure and Funding

Authorized by the Commission on November 16, 2020

WHEREAS, Virginia has diverse transportation needs and transportation facilities, such as the Metro in Northern Virginia, the Port of Virginia in Hampton Roads, highways traversing the mountainous regions of Southwest Virginia, and intercity rail throughout the state; and

WHEREAS, prior to the COVID-19 pandemic, changes were made to expand transportation revenues but gasoline tax revenue was still highly dependent on vehicle miles traveled by increasingly fuel-efficient vehicles; and

WHEREAS, during the pandemic, vehicle miles traveled declined substantially and it is unclear whether miles traveled will return to pre-pandemic levels, which may cause a permanent reduction in transportation revenues; and

WHEREAS, due to the substantial investments in transportation, and the various entities that have the authority to administer such investments, there is a need for an independent review of the current state of transportation funding and systems in the Commonwealth; now, therefore be it

RESOLVED, that the Joint Legislative Audit and Review Commission shall direct staff to study the state of the Commonwealth's transportation infrastructure, funding, and preparedness for change.

In conducting its study, the Joint Legislative Audit and Review Commission shall review (i) the state of the highways and transportation infrastructure in the Commonwealth; (ii) funding sources used by transportation entities; (iii) trends in vehicle miles traveled and changes in commuting patterns; (iv) challenges facing transportation facilities and infrastructure, particularly the Port of Virginia, Interstate 81, and Interstate 95, due to increased activity and use and potential solutions for such challenges; (v) the impact of the increase in the number of vehicles with noncombustion engines or more fuel-efficient combustion engines on transportation funding and alternatives to ensure that the owners and operators of such vehicles are contributing a fair share to transportation funding in the Commonwealth; and (vi) the preparedness to adapt to changes within the transportation landscape due to advances in technology.

JLARC shall make recommendations as necessary and review other issues as warranted.

All agencies of the Commonwealth, including the Virginia Department of Transportation, Department of Rail and Public Transportation, Commonwealth Transportation Board, the Virginia Academy of Science, Engineering, and Medicine, the Virginia Tech Transportation Institute, and Metropolitan Planning Organizations shall provide assistance, information, and data to JLARC for this study, upon request. JLARC staff shall have access to all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.

Study Resolution

Review of the Juvenile Justice System

Authorized by the Commission on November 16, 2020

WHEREAS, the mission of the Department of Juvenile Justice (DJJ) is to protect the public by helping court-involved youth become productive citizens; and

WHEREAS, on any given day, DJJ has between 4,000 and 5,000 youth under some type of supervision, with about 90% of youth being supervised through diversion, probation, or parole; and

WHEREAS, DJJ operates a juvenile correctional facility and provides a continuum of community-based services to youth in the juvenile justice system through partnerships with localities, non-profits, and private entities; and

WHEREAS, the proportion of minority youth in the juvenile justice system is greater than in the general population, and the proportion of youth in the system from certain regions is greater than the proportion of youth in those regions generally; and

WHEREAS, the 2016 General Assembly authorized reform of the juvenile justice system, including allowing DJJ to reinvest operational savings from the recent closures of juvenile correctional centers into treatment, education, and alternative placement options and planning for two new juvenile correctional centers; now, therefore be it

RESOLVED by the Joint Legislative Audit and Review Commission that staff be directed to review Virginia's juvenile justice system, including the Department of Juvenile Justice.

In conducting its study, staff shall (i) assess Virginia's juvenile justice system process, including intake, petition, detention, and adjudication and disposition; (ii) determine whether there are racial or regional disparities in the treatment of youth in the juvenile justice system; (iii) determine whether there are disproportionate impacts on youth with cognitive or behavioral health disabilities in the juvenile justice system; (iv) assess the status of DJJ's recent reforms and whether the reforms have improved outcomes for youth, including rearrest rates, recidivism, and educational outcomes; (v) assess whether DJJ facilities are adequately staffed and whether staff are sufficiently trained; (vi) evaluate future facility needs, including considerations regarding the placement of committed youth relative to their primary residence and the appropriate size of future facilities; (vii) evaluate the effectiveness of educational and training services provided at juvenile correctional centers and juvenile detention centers and whether funding levels appropriately reflect the population of youth in these facilities; (viii) determine whether DJJ adequately oversees community-based services provided to youth and if sufficient community-based services are available throughout the state; and (ix) assess the extent to which DJJ ensures that appropriate services are consistently provided and best practices are followed at juvenile detention centers throughout the state.

JLARC shall make recommendations as necessary and review other issues as warranted.

All agencies of the Commonwealth, including the Virginia Department of Juvenile Justice, shall provide assistance, information, and data to JLARC for this study, upon request. JLARC staff shall have access to all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.

Study Resolution

Review of the Commonwealth's Housing Needs

Authorized by the Commission on November 16, 2020

WHEREAS, access to affordable housing is a critical factor in Virginians' physical and behavioral health and their ability to achieve and maintain economic stability; and

WHEREAS, affordable housing is becoming more difficult for many individuals and families to acquire throughout all regions (suburban, urban, and rural) of the Commonwealth; and

WHEREAS, the high cost burden of housing, especially for lower-wage earners or those with special needs, is contributing to housing instability and homelessness; and

WHEREAS, between January and June of 2020 approximately 54,000 evictions were filed, more than 19,000 of those resulted in an eviction, and analysis by Virginia Commonwealth University estimated that up to 262,000 additional households are at risk of eviction; and

WHEREAS, multiple state and local agencies are involved in the provision of housing services and monitoring housing affordability and availability in Virginia; now, therefore be it

RESOLVED by the Joint Legislative Audit and Review Commission (JLARC) that staff be directed to review the Commonwealth's housing needs and the role of state and local governments in addressing them.

In conducting the study, staff shall (i) analyze rent burden across the Commonwealth and compare the demand for affordable housing statewide to its supply; (ii) identify the impacts of a lack of housing options and high rent burden on Virginians, especially those discriminated against based on their race and ethnicity or disadvantaged by their education, income, age, or physical or behavioral health needs; (iii) identify factors that limit the supply of housing, including zoning requirements; (iv) evaluate the importance of housing availability to state and local revenues and economic growth; (v) evaluate the effectiveness of state and local programs to address housing needs, especially for low- and moderate-income Virginians, Virginians who struggle with mental health conditions and substance abuse, Virginians who live in multi-family households, and elderly Virginians; and (vi) evaluate the adequacy of coordination between the various state and local agencies that have a role in housing policies and services.

JLARC shall make recommendations as necessary and review other issues as warranted.

All agencies of the Commonwealth, including the Department of Housing and Community Development, the Virginia Housing Development Authority, the Department of Behavioral Health and Developmental Services, the Department of Aging and Rehabilitative Services, and the Department of Social Services, shall provide assistance, information, and data to JLARC for this study, upon request. JLARC staff shall have access to all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be

interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.

2021 SPECIAL SESSION I

ENROLLED

HOUSE JOINT RESOLUTION NO. 567

Directing the Joint Legislative Audit and Review Commission to study increasing the progressivity of Virginia's individual income tax system. Report.

Agreed to by the House of Delegates, January 26, 2021

Agreed to by the Senate, February 16, 2021

WHEREAS, the individual income tax should be based on the fundamental principles of fairness and progressivity; and

WHEREAS, the Virginia individual income tax made up 69 percent of the general fund revenues for fiscal years 2020 through 2022, and changes to it can have major budgetary impacts; and

WHEREAS, Virginia does not collect any tax from taxpayers whose Virginia adjusted gross income is less than \$11,950 for an individual and \$23,900 for joint filers, and these zero tax bracket amounts have not changed since 2012; and

WHEREAS, after subtracting personal exemptions, deductions, and credits, the taxable income that remains above the zero tax bracket threshold is taxed at rates of two percent of the amount that is \$3,000 or less; three percent of the amount in excess of \$3,000 but no more than \$5,000; five percent of the amount in excess of \$5,000 but no more than \$17,000; and 5.75 percent of any taxable income over \$17,000, and these dollar thresholds and rates have not changed since 1990; and

WHEREAS, Virginia provides personal exemptions to reduce the taxable income for state income tax purposes, including those for dependent children and for seniors and blind taxpayers, while other states have moved away from income tax exemptions to avoid choosing who among a wide variety of taxpayers deserves such a tax break; and

WHEREAS, the standard deduction primarily results in alleviating tax liabilities of low-income and moderate-income individuals who do not have the necessary income to make expenditures on items that could be deducted; and

WHEREAS, as the federal standard deduction has grown to be much greater than Virginia's, a number of middle-income taxpayers must pay more in Virginia taxes to achieve the lowest combined federal and state tax total bill because Virginia is one of 13 jurisdictions that does not allow taxpayers to claim the standard deduction on their state returns if they itemize deductions on their federal returns; and

WHEREAS, a tax credit is a dollar-for-dollar subtraction from the taxes owed by a taxpayer, notwithstanding the income tax bracket in which the taxpayer falls, while a deduction reduces the amount of income on which taxes are calculated, which results in a higher dollar benefit the higher the tax rate; and

WHEREAS, many businesses, such as pass-through entities, S corporations, limited liability companies, partnerships, and sole proprietorships, are subject to the Virginia individual income tax, rather than the Virginia corporate tax, and almost all of the more than 25 individual income tax credits available to taxpayers focus on economic incentives, rather than progressivity; and

WHEREAS, only three tax credits for research and development, agricultural best management practices, and motion picture production are refundable tax credits; however, for most businesses, the value of a nonrefundable tax credit is not lost because almost all business tax credits may be carried over to future tax years; and

WHEREAS, Virginia's earned income tax credit is a principal element of progressivity and it is not refundable, which results in the lowest-income families not receiving the same dollar benefit as other qualifying taxpayers; and

WHEREAS, graduated rates assume that the higher the income, the more taxpayers can pay in taxes without undercutting basic living expenses; however, in Virginia, determination of the dollar amounts to which graduated rates apply is complicated by the fact that Virginia has the second-highest cost of living spread in the nation and basic living expenses differ greatly in different areas of the Commonwealth; and

WHEREAS, basic living expenses and the consumer price index are largely driven by the housing index, and the lower the income, the less flexibility there is to reduce housing costs; and

WHEREAS, for all income levels, since the 1940s, the cost of housing has increased more than any other category of household spending and nationally now approaches twice the amount spent on either food or transportation; nevertheless, since tax year 2018, federal tax deductions are severely reduced for local real estate taxes which, in Virginia, are the major source for funding local government services; and

WHEREAS, 16 other states and the federal government adjust tax bracket dollar amounts, zero tax

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thresholds, the standard deduction, and personal exemptions annually for inflation to counter their income tax structure from becoming incrementally more regressive; and

WHEREAS, numerous legislative proposals are made annually to change Virginia's income tax structure and modify its application; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission be directed to study increasing the progressivity of Virginia's individual income tax system. In conducting its study, the Joint Legislative Audit and Review Commission (JLARC) shall evaluate the fiscal impact of amendments to tax brackets, tax rates, credits, deductions, and exemptions, as well as any other factors it deems relevant to making Virginia's individual income tax system more progressive and fair in response to economic dynamics. JLARC shall recommend whether the General Assembly should amend the Code of Virginia or administrative regulations of the Department of Taxation and shall make any other appropriate recommendations.

Technical assistance shall be provided to JLARC by the Department of Taxation. JLARC shall consult with staff of the House Committee on Finance, the House Committee on Appropriations, the Senate Committee on Finance and Appropriations, and any other stakeholders deemed appropriate. All agencies of the Commonwealth shall provide assistance to JLARC for this study, upon request.

The Joint Legislative Audit and Review Commission shall complete its meetings by November 30, 2022, and the chairman shall submit to the Division of Legislative Automated Systems an executive summary of its findings and recommendations no later than the first day of the 2023 Regular Session of the General Assembly. The executive summary shall state whether JLARC intends to submit to the General Assembly and the Governor a report of its findings and recommendations for publication as a House or Senate document. The executive summary and report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.



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