

JLARC Impacts

Actions Taken on Report Recommendations

2025



Commission members

Chair

Delegate Mark D. Sickles

Vice-Chair

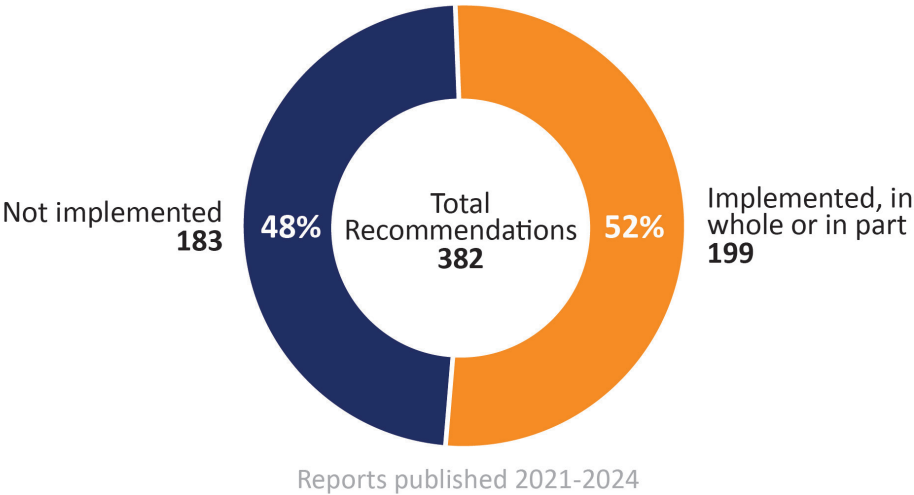
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Delegate Betsy B. Carr
Senator R. Creigh Deeds
Senator Adam P. Ebbin
Delegate Charniele L. Herring
Senator Ryan T. McDougale
Senator Jeremy S. McPike
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Staci Henshaw, Auditor of Public
Accounts

JLARC Performance: Recommendations



May 5, 2025

Members of the Virginia General Assembly

Dear Members:

In JLARC's biennial *JLARC Impacts: Actions Taken on Report Recommendations*, JLARC staff report on the response of agencies to reports and recommendations, recap actions taken by the General Assembly on key recommendations, and highlight recommendations that are still outstanding.

Over the last two years, JLARC studies have had impact on a broad range of public policy areas in Virginia, including CSB behavioral health services, the standards of quality funding formula, court-appointed indigent defense attorneys, psychiatric hospitals, dual enrollment funding, adult guardianship, self-sufficiency programs, GO Virginia, and economic development incentives.

I would like to express my gratitude for your support of JLARC's vital work for the Commonwealth of Virginia. By taking action on a wide range of JLARC recommendations, the General Assembly has expressed its commitment to efficiency and effectiveness in state government.

Cordially,

A handwritten signature in black ink, reading "Hal E. Green". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Director

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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 2023 and 2024, JLARC staff presented and published 133 evaluative and analytical research products, including reports, briefings, policy memos, racial and ethnic impact statements, and fiscal impact reviews.

JLARC recommendations are intended to improve the efficiency and effectiveness of state government. When implemented, the recommendations can result in substantial savings to the state. Since JLARC was established in 1975, the Commission's work has saved an estimated cumulative \$1.56 billion (adjusted for inflation to 2022 dollars).

JLARC uses three performance measures to track its own agency performance: recommendations, legislation introduced, and savings.

Recommendations implemented through legislative or administrative action

Recommendations made 2021–2024	382
Recommendations implemented, in whole or in part	199
Percentage implemented	52%

Legislation introduced in 2024 and 2025 in response to JLARC recommendations

Bills	105
Budget amendments	108

Savings attributable to implementation of recommendations

Estimated savings FY23–FY24	\$140,000*
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*Estimated FY23-FY24 savings are due to the Virginia Information Technologies Agency (VITA) implementing a JLARC recommendation to develop a plan for hiring classified staff to replace contractors who are carrying out long-term functions or otherwise not meeting the agency's guidelines for when to hire contractors (*Review of VITA's Organizational Structure and Staffing*, 2021). In developing this plan, VITA identified and converted 20 contractor positions to classified positions. VITA estimates that it is realizing a savings of approximately \$70,000 annually from the conversion of these positions.

Note: Significant savings will accrue to the state in future years as a result of the General Assembly implementing JLARC recommendations to 1) allow the State of Good Repair Program to proactively fund bridge maintenance, which will improve bridge safety and reduce long-term costs (*Transportation and Infrastructure Funding*, 2021), and 2) eliminate the Qualified Equity and Subordinated Debt Investment Tax Credit, which JLARC found to have little impact on startup growth (*Science and Technology Incentives*, 2022).

Recommendations are tracked for reports published over the prior four calendar years. The status of all recommendations made over these four years is reflected in the performance measures. Only actions taken since the 2023 JLARC Impacts report are included in the following pages.



Virginia Department of Health's Financial Management, Staffing, and Accountability

Report issued in 2024

The Virginia Department of Health (VDH) administers a broad range of public health programs, from detecting, preventing, and mitigating communicable diseases to inspecting restaurants and drinking water sources, among many other responsibilities. In 2023, the Joint Legislative Audit and Review Commission directed staff to review the operations and management of VDH.

JLARC found

JLARC staff's review of VDH found substantial problems with VDH's financial management, human resources, and accountability functions. While staff found that VDH's current leadership was actively working toward improvement in many areas, these challenges will take multiple years to address and require sustained attention across administrations, which could mean across several different VDH leaders. JLARC staff recommended that the agency be required to report semi-annually on its progress toward implementing JLARC's recommendations.

JLARC found that VDH's financial management was plagued by several problems, including its ability to pay vendors, state agencies, and employees, accurately and on time. The agency's

financial management has suffered under significant turnover in its leadership, insufficient internal controls to safeguard public funds, and ineffective processes.

JLARC staff found VDH's disorganized approach to grants management had jeopardized its essential federal funding. Some federal grantors have responded by modifying their practices for issuing funds to VDH, such as requiring approval before withdrawing grant funds or not providing grant funding upfront, which has exacerbated cashflow pressures in the agency. In addition, JLARC staff found VDH had been slow to set up a planned centralized grants management function. The Department of Planning and Budget evaluated VDH's grant management in 2024 and made 28 recommendations to improve VDH's grants drawdowns, federal reporting, staffing, policies, and cost recovery. To ensure that the General Assembly has visibility into VDH's efforts to improve this essential function, JLARC staff recommended VDH report its progress on implementing these recommendations to the Joint Subcommittee on Health and Human Resources Oversight.

JLARC staff found that VDH's financial difficulties also affected the agency's scholarships and loan repayment programs to expand the nursing pipeline. JLARC staff found that 96 percent of payments to recipients of these programs were made after the state's 30-day prompt pay requirement. In addition, VDH did not use all available funding for these programs. Considering the significant increase in funding the General Assembly has appropriated for these programs over the past several years, and Virginia's need for additional nurses, VDH needs to manage these programs effectively.

In addition to its financial management challenges, JLARC also found that VDH has significant staffing difficulties. Agency turnover has been especially high in some offices that handle critical administrative functions, such as finance and human resources, and in some health districts. In addition, 36 percent of all employees are contractors, which is not solely explained by the COVID-19 pandemic. Relying too heavily on contractors

increases agency costs and prevents the agency from stabilizing its workforce.

JLARC also found that fundamental deficiencies in VDH's Office of Human Resources (OHR) have prevented the agency from resolving agency staffing and workplace culture problems. Despite VDH's staffing challenges, OHR has not been an effective resource for the agency and has not been well managed. OHR has not provided its human resources staff with some fundamental tools needed to perform their jobs effectively and provides ineffective support during the hiring process.

VDH staff at all levels reported concerns about the agency's lack of effective management and accountability. For example, VDH has not equipped its supervisors to hold their direct reports accountable, and agency culture reportedly tolerates underperformance. In addition, a lack of attention to, and even awareness of, the operations and performance of the agency's offices and districts has allowed problems to grow. JLARC staff found that current leadership has improved its insight into central operations but needs more information about operations of the 32 health districts.

JLARC staff also found that VDH's Office of Internal Audit does not have enough staff to perform required security audits of VDH's sensitive IT systems. JLARC staff recommended the General Assembly fund two positions to audit and protect these sensitive and mission-critical systems.

VDH needs leaders with strong administrative and leadership experience to overcome its numerous management, accountability, staffing, and financial challenges, which will likely take years to resolve. While JLARC found that current VDH leadership was making progress addressing the agency's challenges, recommendations were made to strengthen leadership over the long term. JLARC recommended codifying the agency's chief operating officer position and adding organizational experience to requirements of the Virginia health commissioner.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Reporting on implementation of JLARC recommendations *Appropriation Act*

The General Assembly directed the state health commissioner to provide semi-annual written and in-person reports on the agency's progress implementing JLARC's recommendations to the Joint Subcommittee on Health and Human Resources Oversight through at least December 2026. The reports should continue annually until the Joint Subcommittee is satisfied with the implementation of the recommendations.

Reporting on improvements in grants management *Appropriation Act*

The General Assembly directed VDH to report on progress made on implementing DPB's recommendations to improve the agency's grants management function to the Joint Subcommittee on Health and Human Resources Oversight by September 1, 2025.

Improving administration of nurse incentive programs *Appropriation Act*

The General Assembly directed VDH to identify the causes of late payments and funding underutilization for VDH-administered nursing incentive programs; (ii) develop and implement a plan to address the causes; and (iii) report to the Joint Subcommittee on Health and Human Resources Oversight on its progress addressing identified problems, including the percentage of payments made within 30 days and the proportion of available funding that VDH has used.

Additional employees to support internal audit and information security audit functions *Appropriation Act*

The General Assembly included \$300,000 in the budget to hire at least two full-time positions to help support VDH's internal audit and information security audit functions.

► ACTION RECOMMENDED

Ensuring adequate internal controls

- The General Assembly may wish to consider amending the Code of Virginia to require VDH to designate a senior staff member, such as the chief financial officer, to be responsible for (i) ensuring and certifying the adequacy of the agency's internal controls over its financial processes, and (ii) taking all necessary steps to ensure the correction of any identified deficiencies in internal controls, including those identified by the VDH Office of Internal Audit, the Auditor of Public Accounts, or the Department of Accounts, in a timely manner. (Recommendation 7)

Funding recruiter positions at VDH

- The General Assembly may wish to consider including general funds in the Appropriation Act for at least four full-time classified recruiter positions within the Office of Human Resources at VDH. These positions should be dedicated exclusively to recruiting qualified candidates into especially critical or hard-to-fill positions within the central office and health districts, and VDH should base the responsibilities and objectives of the new positions on successful examples at other executive branch agencies. (Recommendation 18)

Establishing a chief operating officer at VDH

- The General Assembly may wish to consider amending the Code of Virginia to establish a chief operating officer (COO) for VDH, which shall be a full-time classified position, and require that the COO have an advanced degree in, and at least five years of experience in, healthcare administration or business administration. (Recommendation 29)

Adding organizational leadership qualifications for Virginia health commissioner

- The General Assembly may wish to consider amending 32.1-17 of the Code of Virginia to add organizational

leadership and administration experience to the required qualifications for the commissioner of health. (Recommendation 30)



Data Centers

Report issued in 2024

Data centers are specialized facilities that manage, process, and share large amounts of data that enable the digital services that people rely on daily. Northern Virginia is the largest data center market in the world, constituting 13 percent of all reported data center operational capacity globally and 25 percent of capacity in the Americas. Multiple factors have contributed to Northern Virginia's market prominence, including its role in the early stages of the internet's development, a strong fiber network, reliable and cheap energy, available land, proximity to major national customers, and the state's data center tax incentive. Significant new market growth is expected in counties outside of Northern Virginia and along the I-95 corridor to Central Virginia. In 2023, the Commission directed JLARC staff to study data centers' impacts on the economy, energy, local communities, and historic and natural resources.

JLARC found

The data center industry boom in Virginia has substantially driven up energy demand in the state, and demand is forecast to continue growing for the foreseeable future. An independent forecast commissioned by JLARC shows that unconstrained demand for power in Virginia would double within the next 10 years, with the data center industry being the main driver. An

independent grid model commissioned by JLARC found that building enough generation and transmission infrastructure to meet unconstrained demand, or even half of unconstrained demand, will be difficult.

JLARC staff found that the state could encourage or require data centers to take actions to help address their energy impacts to some extent. For example, the data center industry could be encouraged to further support investments in renewable energy through the Accelerated Renewable Buyers Program. Under this program, large energy customers like data centers can receive credits for their purchases of renewable wind and solar energy. Those credits offset what a utility charges customers for its renewable generation projects. JLARC found the program could be expanded to include utility-scale battery energy storage systems. Battery storage is needed because it can store and provide energy during periods when intermittent solar and wind generation is not producing power.

JLARC staff found that, due to their sheer size, data centers create additional financial risks to electric utilities and their customers. One risk is that utilities will build more generation and transmission infrastructure than is needed if data center demand does not materialize, which could leave stranded costs that utilities would have to recoup from their existing customers. Electric cooperatives, which are expected to serve an increasing number of data centers, could face particular financial solvency risks. If a data center delayed, disputed, or failed to pay its energy generation bill, these costs could be transferred to other co-op members. Some data center customers are so large that this could bankrupt a cooperative. JLARC staff offered a policy option that would allow cooperatives to create for-profit subsidiaries to serve large energy users like data centers to insulate their customers if a data center did not pay its bill.

Environmental groups and local governments have expressed concerns about data centers' water use. JLARC staff found that while some data centers are large water users, most use similar amounts or even less water than other large commercial and

industrial users. JLARC staff also found that the Virginia Department of Environmental Quality regulates water withdrawals and is responsible for ensuring water sustainability, but there is less oversight of how water should be shared across various local uses. While Virginia as a whole is relatively water rich, data center growth will likely lead to increased water needs, and water is more limited for some localities. Staff recommended that the legislature expressly authorize local governments to ask proposed data centers to report on their anticipated water needs.

JLARC staff found that data center developments can affect historic resources, like battlefields, cemeteries, and buildings, in the same way as other large developments. This can include disrupting historic sites during construction and negatively impacting viewsheds. Conducting pre-development studies of proposed data center developments can help identify potential impacts so that they can be mitigated.

JLARC staff found that some localities have allowed data centers to be built close to residential neighborhoods, which has created problems, such as noise concerns for nearby residents. Most noise from data centers does not violate local noise ordinances, which instead target loud, short-term noises. JLARC found local government officials were unclear about their authority to ask proposed data centers to conduct sound modeling prior to their local approval.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Incentivizes investment in battery storage to encourage renewable energy

HB 1821 (2025) – Delegate Reid

The General Assembly passed legislation that allows accelerated renewable energy buyers to offset all or a portion of their capacity needs through the procurement of energy storage resources under certain conditions. *(At the time of this report, this legislation was waiting for final action by the governor.)*

Requires proposed data centers to submit project's likely impact on sound, water and agricultural resources, parks, historic sites and forestland

HB 1601/SB 1449 (2025) Delegate Thomas/Senator Ebbin

The General Assembly passed legislation that either directs or permits localities to require proposed high energy use facilities, like data centers, to submit several assessments when localities are making local land use decisions on these developments. Localities are directed to require proposed facilities to assess their noise impacts on nearby neighborhoods and schools. Localities are also permitted to require proposed facilities to assess their impacts on ground and surface water resources, agricultural resources, parks, registered historic sites, and forestland. The legislature rejected the governor's recommendations for the legislation, including adding a reenactment clause. *(At time of this report, the legislation was waiting for final action by the governor.)*

Allows energy co-ops to create subsidiaries to protect co-ops and their non-data center customers from financial risk

HB 2644/SB 1197 (2025) - Delegate Sickles/Senator Deeds

The General Assembly passed legislation that allows electric cooperatives through one or more affiliates to make unregulated sales of electric power to customers whose power demand is expected to exceed 90 megawatts.

► ACTION RECOMMENDED

Clarifying that utilities can delay adding customers because of transmission or generation capacity concerns

- The General Assembly may wish to consider amending the Code of Virginia to clarify that electric utilities have the authority to delay, but not deny, service to customers when the addition of customer load cannot be supported by the transmission system or available generation capacity. (Recommendation 2)

Directing Dominion Energy to file plan addressing risk of overbuilding generation and transmission infrastructure for data centers

- The General Assembly may wish to consider amending the Code of Virginia to direct Dominion Energy to develop a plan for addressing the risk of generation and transmission infrastructure costs being stranded with existing customers and file that plan with the State Corporation Commission as part of its biennial rate review filing or as a separate filing. (Recommendation 5)

Authorizing localities to establish maximum sound levels for data centers

- The General Assembly may wish to consider amending the Code of Virginia to expressly authorize local governments to establish and enforce maximum allowable sound levels for data center facilities, including (i) using alternative low frequency noise metrics and (ii) setting noise rules and enforcement mechanisms in their zoning ordinances, separate from existing noise ordinances. (Recommendation 8)



Virginia's Higher Education Institutional Viability/Spending & Efficiency in Higher Education

Reports issued in 2024

In 2023, the Joint Legislative Audit and Review Commission (JLARC) directed staff to review Virginia's public four-year higher education institutions. Staff reviewed several aspects of the institutions in two companion reports, including higher education institutions' viability, academic program offerings, changes in students' cost of attendance, institutional revenue and spending, and opportunities to reduce the cost of higher education.

JLARC found

Higher education institutions are facing shifting demographics and market trends. For example, national surveys show potential students are increasingly questioning the value of higher education, and the population of traditional college-age students will peak in 2025 and then decrease. This will mean that in the future, higher education institutions will be competing for fewer students.

To examine the viability of the state's public, four-year institutions, JLARC staff assessed whether any faced viability risk. While none were in imminent danger of closure or needing a

merger or state bail out to survive, JLARC staff found that seven institutions faced low or some viability risk because of reasons such as dropping enrollment or financial ratios.

During the study of higher education institutions' viability, JLARC staff reviewed SCHEV's policy for reviewing higher education institutions' proposals for new academic programs. SCHEV is required to review newly proposed academic programs. JLARC staff found that SCHEV's program approval process lacked criteria, used job ads to demonstrate demand when better data was available, and was unnecessarily bureaucratic. In addition, staff did not consistently provide institutions with feedback on their proposals.

In a companion study to the viability review, JLARC staff also reviewed institutions' spending and efficiency. JLARC staff found that some institutions that had seen declining enrollment had not commensurately reduced spending and had become less cost efficient. JLARC staff recommended that the state's six-year planning process monitor institutions' efforts to align their spending with enrollment levels and recommend changes when needed.

Staff also found that there was no statutory requirement for institutions' board of visitor members to consider the impact of non-instructional spending on student costs, and that inter-collegiate athletics represented a substantial component of student costs at several institutions. JLARC staff recommended statutory changes to address these issues.

► ACTION TAKEN BY STATE AGENCIES

SCHEV

Monitoring viability risk and spending efficiency

SCHEV is integrating several new elements into the six-year planning process to monitor the viability risk of institutions. SCHEV is also incorporating elements related to maintaining

efficiencies when enrollment declines.

Streamlining new degree program approval process

The SCHEV council approved changes to the academic program review process at its March 2025 meeting. SCHEV shortened the new degree program approval process to a one-page application and reduced SCHEV's staff role to verification rather than editorial review. In addition, the council replaced the requirement for institutions to submit job ads to show demand for the proposed degree program with one that uses Virginia Office of Education Economics workforce data.

► ACTION RECOMMENDED

Codifying that board of visitors members must consider impacts of policies not related to instruction

- The General Assembly may wish to consider amending § 23.1-1303 of the Code of Virginia to expressly include in the duties of boards of visitors at public four-year higher education institutions the responsibility to fully consider the impact that policies and decisions in non-instructional areas—such as intercollegiate athletics, institution-funded research, and staffing levels for non-instructional positions—have on student costs. (Spending & Efficiency report - Recommendation 1)

Limiting student fees and institutional funds that can be allocated to intercollegiate athletics

- The General Assembly may wish to consider amending § 23.1-1309 of the Code of Virginia to constrain the amount of student fees and institutional funds that can be allocated to intercollegiate athletics by establishing a maximum proportion of the total cost of attendance that student fees and institutional funds cannot exceed per student. (Spending & Efficiency report - Recommendation 4)



Virginia Military Survivors & Dependents Education Program (VMSDEP)

Report issued in 2024

VMSDEP provides a tuition and mandatory fee waiver for Virginia's public higher education institutions for dependents of veterans who were killed in action or have at least a 90 percent disability rating. VMSDEP enrollment has surged in recent years. JLARC staff evaluated the program's long-term sustainability, eligibility criteria and parameters, and impact on Virginia's higher education institutions.

JLARC found

Virginia's higher education institutions typically know their VMSDEP enrollment by the fall of each academic year. However, when the State Council of Higher Education for Virginia (SCHEV) produces its annual report on VMSDEP participation in October or November every year, the enrollment numbers are for the previous academic year. Because program enrollment has been growing so quickly, this time lag has resulted in an out-of-date enrollment figure that is lower than actual enrollment, which caused confusion in the public and among legislators about the program's enrollment. In addition, JLARC staff found that the Virginia Department of Veterans Services (DVS) has the best numbers on potential future VMSDEP enrollees, because the agency determines participants' eligibility.

JLARC staff recommended that the General Assembly require SCHEV and DVS to coordinate on reporting VMSDEP's pending and current enrollment.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Annual report on VMSDEP eligibility and usage

SB 961/HB 1694 (2025) – Senator Roem/Delegate Askew (2025)

The General Assembly passed legislation requiring DVS and SCHEV to coordinate to report each fall 1) the number of eligible VMSDEP participants who have not yet enrolled at an institution and 2) the best available estimate of VMSDEP participants enrolled at each public higher education institution as of the current semester.



Virginia's State Psychiatric Hospitals

Report issued in 2023

The state operates nine psychiatric hospitals across Virginia, which provide psychiatric treatment services to individuals who are a threat to themselves or others because of mental illness. State hospitals also serve individuals in the criminal justice system, including jail inmates who require inpatient psychiatric treatment and defendants who need inpatient treatment to be able to understand the criminal charges against them. In FY23, about 5,000 individuals were admitted to state psychiatric hospitals, and the largest proportion were under a civil temporary detention order.

JLARC found

Since 2014, state law has required state psychiatric hospitals to admit individuals who magistrates have placed under a temporary detention order (TDO) if no other placement can be found for them. State psychiatric hospitals' lack of control over who they can admit has resulted in unsafe operating levels and placement of individuals in state psychiatric hospitals who have conditions that are not appropriate for that setting (e.g., individuals with dementia or developmental disabilities). JLARC staff also found that state hospitals have experienced an increase in individuals being dropped off by law enforcement before being admitted, which is unsafe, especially for patients with urgent

medical needs that state hospitals are not equipped to treat.

While state psychiatric hospitals are over capacity, JLARC staff found that private hospitals' psychiatric beds are underutilized, at least partially because of a reluctance by these facilities to serve certain populations. Many private hospitals could admit more patients without exceeding safe operating levels, reducing the strain on state hospitals. JLARC staff issued several recommendations aimed at increasing the willingness and ability of private hospitals to accept patients who would otherwise go to state psychiatric hospitals.

JLARC staff also found that an increase in forensic patients admitted to state psychiatric hospitals has significantly reduced the hospitals' capacity for other patients and exacerbated patient and staff safety risks. JLARC issued several recommendations to reduce the number and impacts of forensic patients in state psychiatric hospitals.

JLARC found that the Commonwealth Center for Children and Adolescents (CCCA) has persistent operational and performance issues, has become more costly to operate, and neither patient outcomes nor staffing challenges have improved despite additional investments. These findings, combined with the fact that most other states do not operate youth psychiatric hospitals, led to a recommendation for DBHDS to develop a plan to close CCCA and find or develop alternative placements for the youth who would otherwise be placed there.

JLARC staff found that state psychiatric hospitals are perpetually difficult to staff because of unsafe working environments and uncompetitive pay for some positions. Statewide turnover at public hospitals was 30 percent in FY23. JLARC staff found that some staffing positions were not paid competitive rates, including psychologists, social workers, housekeeping, and food services staff, and JLARC staff recommended that the General Assembly provide funding to increase salaries for these positions.

JLARC also found that some state psychiatric hospital nurses were frustrated that they could not work 12-hour shifts, which is typical for nurses in private health-care settings. This was because state human resources policy does not consider employees who work 36 hours a week full time. In addition, JLARC staff found that state hospitals used cumbersome, manual processes to handle nursing schedules. This is problematic because nursing schedules are complicated and often nurses need to be called in depending on the patients who are admitted and their required level of care. The report included multiple recommendations to align nurses' schedules with common practice in the private sector and to improve scheduling processes.

JLARC staff found that the Office of the Inspector General was not investigating most of the complaints it received related to state psychiatric hospitals. In FY23, OSIG received 633 complaints about DBHDS facilities, but referred most of them back to DBHDS and state hospitals to investigate. OSIG itself reviewed just 117 of those complaints. Independent investigation of patient safety complaints is essential to ensure complaints are thoroughly investigated and not ignored or concealed.

JLARC staff also found that key stakeholders were concerned that some patients were being discharged from public hospitals too soon or without the right support when they left. In addition, it has been more difficult for CSBs to handle discharge responsibilities as state hospital admissions have moved from a regional to statewide system. JLARC staff recommended that DBHDS improve its oversight of the discharge process from state hospitals and that local hospital staff handle discharge for patients expected to be admitted for less than 30 days.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Conditioning COPNs on acceptance of patients under TDOs *SB 1064 (2025) – Senator Hashmi*

The General Assembly approved legislation that authorizes the commissioner of health to condition a COPN for medical facilities or beds on the condition that they accept TDOs.

Allowing nursing staff at state hospitals to use 12-hour shifts *HB 806/SB 177 (2024) – Delegate Rasoul/Senator Favola*

The General Assembly approved legislation directing DHRM to authorize DBHDS and state hospitals to designate as full-time employees nursing staff and psychiatric technicians who work at least 36 hours per week to allow state hospitals to use 12-hour shifts. The legislation also directs DHRM to consider whether this scheduling would help with recruitment and retention of similar direct care positions in other executive branch agencies.

OSIG investigation of complaints of abuse and neglect at state psychiatric hospitals

HB 313/SB 178 (2024) – Delegate Hope/Senator Favola

The General Assembly enacted legislation directing the Office of the State Inspector General to develop a plan to fulfill its statutory obligation to fully investigate all complaints it receives alleging abuse, neglect, or inadequate care at a state psychiatric hospital and (ii) submit such plan to the chairmen of the House Committee on Health and Human Services and the Senate Committee on Education and Health. The bill also requires OSIG to submit an annual report to the General Assembly regarding the number of complaints it received about state psychiatric hospitals and the number fully investigated.

Giving state hospitals responsibility for discharging patients expected to stay less than 30 days

HB 314/SB 179 (2024) – Delegate Hope/Senator Favola

The General Assembly passed legislation for a pilot program at three psychiatric hospitals to remove responsibility of dis-

charge planning from CSB staff and grant it to the state hospitals for patients who were expected to be admitted for less than 30 days. Under the plan, CSBs would still oversee patients with stays of longer than 30 days. The law requires DBHDS to report on the impacts of the change to the General Assembly by November 1, 2025.

Increasing salaries for certain positions to make them more competitive

Appropriation Act, 2024-26 biennium

The General Assembly included \$8 million each year to provide salary increases for food services and environmental services staff at state hospitals and \$10 million each year to provide salary increases for clinical staff at state hospitals, including psychologists, social workers, counselors, therapists, medical lab technicians, and pharmacists.

Funding for software to improve nurse scheduling

Appropriation Act, 2024-26 biennium

The General Assembly included funding in the budget to procure scheduling software to assist state hospitals in scheduling nursing shifts.

Workgroup to evaluate alternatives to state psychiatric hospital placement for individuals with neurocognitive or neurodevelopmental disorders

HB 888/SB 176 (2024) – Delegate Watts/Senator Favola

Enactment language in this legislation directed the secretary of health and human resources to convene a workgroup of relevant stakeholders to identify and develop placements and services other than state psychiatric hospitals that would better support such individuals, especially those whose behaviors or symptoms are solely a manifestation of such disorders and disabilities.

Directing DBHDS to explore alternative placements to CCCA for youth so that it could be closed

Appropriation Act

The General Assembly directed DBHDS to identify existing and develop new, if necessary, alternative placements for children and youth who would otherwise be admitted to CCCA and report findings to the governor and the chairs of the House Appropriations and the Senate Finance and Appropriations committees. DBHDS was directed to include in the report information on (i) the types and locations of alternative placements identified, (ii) the number and treatment needs of children and youth who could be admitted at each placement type identified, (iii) the cost and funding sources for each placement type, and (iv) steps that remain to identify a sufficient number of appropriate alternative placements for all children and youth who would otherwise be admitted to CCCA.

► ACTION TAKEN BY STATE AGENCIES

VDH

Ensuring private hospitals are honoring TDO commitments in COPNs

VDH said it has a process to assess compliance with commitments to accept TDO patients and investigate any allegations of refusing these patients. The agency said it will first work on a remedy with any hospitals not in compliance and will consider revoking COPNs based on the magnitude of the non-compliance.

DBHDS

Improving oversight of discharge from state psychiatric hospitals

In FY24 and FY25, DBHDS said it enhanced its oversight of discharge planning in state psychiatric hospitals. DBHDS has five community transition specialists who are assigned to help

review discharge plans and ensure they are appropriate. These staff also offer technical assistance for facilities. Additionally, DBHDS has a discharge team, which works with several facilities to provide direct discharge services to patients. DBHDS said the agency will be adding a clinical utilization review position to oversee patient flow through, which will include discharge disposition. In FY25, the agency also implemented a community integration committee to improve the discharge process and encourage least restrictive discharge alternatives.

► ACTION RECOMMENDED

Preventing inappropriate TDOs and civil commitments of individuals with dementia and developmental disabilities

- The General Assembly may wish to consider amending the Code of Virginia, which defines “mental illness” for the purpose of temporary detention orders and civil commitments, to specify that behaviors and symptoms that are solely a manifestation of a neurocognitive disorder or a neurodevelopmental disorder, as determined through an appropriate evaluation by a mental health professional who is competent in the assessment of psychiatric illnesses in individuals with neurocognitive or neurodevelopmental disorders, are excluded from the definition of mental illness, and therefore, are not a basis for placing an individual under a temporary detention order or committing them involuntarily to an inpatient psychiatric hospital. (Recommendations 1 and 2)

(Note: In 2024 the General Assembly passed legislation to implement these recommendations with a clause requiring reenactment in 2025. The legislation was not reenacted, so the provisions of the legislation did not go into effect.)

Granting state psychiatric hospitals authority to reevaluate TDO if dementia or developmental disability is suspected to avoid inappropriate psychiatric hospitalization

- The General Assembly may wish to consider amending the Code of Virginia to give state psychiatric hospitals the authority to (i) have a licensed psychiatrist or other licensed mental health professional reevaluate an individual's eligibility for a temporary detention order before they are admitted if the facility has reason to believe that their symptoms and behavior are solely a manifestation of a neurocognitive or neurodevelopmental disorder, and (ii) deny admission to individuals for whom this is found to be the case. (Recommendation 3)

Granting state psychiatric hospitals authority to delay admission of individuals under TDOs who appear to have significant medical needs that the hospital cannot treat

- The General Assembly may wish to consider amending the Code of Virginia to allow state psychiatric hospitals to delay admission of an individual under a temporary detention order until the state psychiatric hospital has determined that the individual does not have urgent medical needs that the state hospital cannot treat. (Recommendation 5)

Providing financial incentives to private psychiatric hospitals to accept more TDOs

- The General Assembly may wish to consider including language and funding in the Appropriation Act directing DBHDS to establish a program for state-licensed psychiatric hospitals (commonly referred to as "private psychiatric hospitals") to provide funding for those hospitals that agree to increase the percentage of involuntary inpatient admissions they accept and demonstrate the need for funding to safely admit such patients. Funds could be provided to cover one-time and ongoing costs for creating and filling additional security positions, providing staff training on how to safely treat these patients, and making safety improvements to the facilities. (Recommendation 7)

Expanding existing funding for private psychiatric hospitals to overcome barriers to discharging especially challenging patients

- The General Assembly may wish to consider including language and funding in the Appropriation Act to expand the discharge assistance provided by DBHDS to individuals facing substantial barriers to discharge from inpatient psychiatric units and facilities licensed by DBHDS (commonly referred to as “privately operated”). (Recommendation 8)

DBHDS to seek clarification from the Office of the Attorney General on its authority to require private hospitals, which it licenses, to admit certain patients

- DBHDS should seek clarification from the Office of the Attorney General regarding whether the commissioner of DBHDS has the legal authority pursuant to 12VAC35-105-50.B to require providers of inpatient psychiatric services to admit patients under a temporary detention order or civil commitment order if the provider has the capacity to do so safely. (Recommendation 11)

Granting state psychiatric hospitals the authority to manage admissions to prevent operating at an unsafe capacity

- The General Assembly may wish to consider amending the Code of Virginia to grant state psychiatric hospitals the authority to decline to admit any individual under a temporary detention order if doing so will result in the hospital operating in excess of 85 percent of its total staffed capacity. (Recommendation 12)

DBHDS to solicit proposals from psychiatric hospitals to admit forensic patients

- DBHDS should formally solicit proposals from private psychiatric hospitals or units in Virginia to admit (i) individuals placed under a temporary detention order while in a local jail and (ii) criminal defendants determined to need inpatient competency restoration services, and work with those

hospitals that respond to develop a plan and timeline to contract with them to admit forensic patients. (Recommendation 15)

Increasing number of nursing positions allocated to state psychiatric hospitals

- The General Assembly may wish to include language and funding in the Appropriation Act to (i) increase the number of nursing positions allocated to state psychiatric hospitals to a level that would ensure adequate and safe patient care, as determined in 2022 by DBHDS and (ii) appropriate the amount of funding necessary to fill those positions. (Recommendation 21)

DBHDS to hire a third party to assess state psychiatric hospital staffing levels

- The General Assembly may wish to consider including language in the Appropriation Act to direct DBHDS to (i) contract for an assessment of the adequacy of each hospital's planned and actual staffing levels for key positions affecting facility operations, patient and staff safety, and quality of care; (ii) conduct similar assessments of the adequacy of each state hospital staffing levels at least biennially; and (iii) report the results of the initial and ongoing assessments to the Behavioral Health Commission, and any additional funding needed to address any staffing level deficiencies, to the chairs of the House Appropriations and Finance and Senate Finance and Appropriations committees. (Recommendation 22)

DBHDS to evaluate designating certain state psychiatric hospitals for forensic admissions

- DBHDS should study and propose designating certain state psychiatric hospitals or units within them as appropriate to treat only forensic patients and identify the following: (i) which hospitals and units are the most feasible to be reserved for forensic patients, (ii) necessary changes to staffing and facilities, (iii) potential impacts on local law

enforcement and jail resources, and (iv) any one-time and ongoing costs that the agency would incur. DBHDS should report the results of this study to the State Board of Behavioral Health and Developmental Services and the Behavioral Health Commission. (Recommendation 23)

DBHDS to review quality patient safety data reported by state psychiatric hospitals

- DBHDS should develop and implement a process to conduct ongoing reviews of the quality of the data reported by state psychiatric hospitals on patient safety and take action to address any deficiencies identified in hospitals' reporting of patient safety incidents. (Recommendation 25)

DBHDS to regularly review sample of state psychiatric hospital patient records to evaluate quality of care

- DBHDS should develop and implement processes to (i) conduct regular reviews of a sample of state psychiatric hospital patient records to evaluate the quality of care patients receive at each state hospital, which should at least include an evaluation of the effectiveness and safety of pharmacological and non-pharmacological treatments; (ii) share observations and conclusions with state hospital leaders; (iii) issue recommendations to each hospital regarding needed improvements in patient care; and (iv) hold state hospitals accountable for correcting the factors that are determined to cause the delivery of ineffective, unsafe, or generally substandard care to patients. (Recommendation 27)

DBHDS to amend contracts with CSBs to ensure timely intake of patients discharged from state psychiatric hospitals

- DBHDS should specify in its performance contracts with CSBs that CSB discharge liaisons are expected to complete the intake process for patients on their caseload before they are discharged from state psychiatric hospitals. (Recommendation 30)

DBHDS to contract for the provision of virtual psychiatric services to ensure timely initial services for patients discharged from state psychiatric hospitals

- DBHDS should contract with a provider to establish a tele-psychiatry program and, as part of that contract, stipulate that individuals discharged from state psychiatric hospitals should receive a telepsychiatry appointment through the program within one week of discharge, unless the individual's community services board or other community-based psychiatric provider can offer an in-person psychiatrist appointment within that week. (Recommendation 31)



Indigent Criminal Defense and Commonwealth's Attorneys

Report issued in 2023

Virginia's publicly funded indigent defense system provides representation to indigent criminal defendants through a hybrid system of state-funded, locally based public defenders and private attorneys who are compensated by the state when they serve as a court-appointed defense attorney. Virginia's 120 commonwealth's attorney offices act on behalf of the state to prosecute criminal offenses, among other responsibilities. In 2022, JLARC directed staff to review Virginia's system of attorneys for indigent criminal defendants and prosecution of criminal cases.

JLARC found

The number of attorneys serving as court-appointed defense attorneys in Virginia has dropped in recent years, with low compensation a primary reason. From FY13 to FY23, the number of court-appointed attorneys has declined by more than half, from 4,000 to 1,900 attorneys. In addition, 60 percent of court-appointed attorneys reported they were considering leaving or taking fewer cases in the next 12 months. Many attorneys who had already stopped, or were considering stopping, serving as court-appointed attorneys cited low compensation as one of the main factors.

JLARC found court-appointed attorney compensation was below other states and that attorneys are often paid for only a small portion of the time they spend defending a client. For example, Virginia caps compensation for representing a client on a misdemeanor charge at \$120, far below a state such as Tennessee, which allows up to \$1,000. Moreover, the average estimated time to defend a misdemeanor DWI charge is about six-and-a-half hours. An attorney in Virginia spending that amount of time would be paid for only about 20 percent of that time because of the cap. To help address the declining number of court-appointed attorneys, JLARC recommended increasing the caps on compensation.

JLARC staff also found a significant mismatch between actual attorney workload and how cases were categorized and compensated. For example, Class Three through Six felonies were compensated at an identical rate. However, this category includes both violent and nonviolent felonies, which take substantially different amounts of time for attorneys to prepare an adequate defense. JLARC staff recommended that if the General Assembly increased the pay caps for court-appointed attorneys, it should also adjust offense categories to better reflect the workload required.

JLARC also found that a few court-appointed attorneys were submitting requests associated with working more than 40 hours per week for 50 weeks per year. JLARC recommended that the Office of the Executive Secretary of the Supreme Court (OES) periodically review compensation to identify potentially illegitimate requests.

Public defenders also reported workload challenges, with many indicating they did not have adequate administrative support. JLARC recommended providing more support staff, such as paralegals, to help manage high public defender workloads.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Increasing caps on court-appointed attorney fees and adjusting offense categories

HB 102/SB 356 (2024) - Delegate Reaser/Senator Perry

The General Assembly enacted legislation that raises the caps on fees court-appointed attorneys can receive for representing indigent defendants for various offenses in district and circuit courts. An additional \$13.5 million was provided in the Appropriation Act to fund raising the caps. The legislation also established new offense categories for court-appointed attorney payments to better reflect workload required.

► ACTION RECOMMENDED

Reviewing payments to court-appointed attorneys

- The General Assembly may wish to consider amending 19.2-163 of the Code of Virginia to direct the Office of the Executive Secretary of the Supreme Court of Virginia to review court-appointed attorney payment requests on a quarterly basis and notify the chief judge of the courts in which any court-appointed criminal defense attorney actively practices when a quarterly review of attorney payments shows unreasonably high court-appointed workloads or request for a potentially illegitimate number of hours worked, according to criteria set by the Judicial Council of Virginia and the Committee on District Courts. (Recommendation 4)

Adding support positions to public defenders' offices

- The General Assembly may wish to consider including funding in the Appropriation Act for additional mitigation specialist and paralegal positions to lessen public defender office attorney workload. (Recommendation 5)



Virginia's Self-Sufficiency Programs and the Availability and Affordability of Child Care

Report issued in 2023

JLARC staff reviewed the state's Child Care Subsidy Program, the TANF Virginia Initiative for Education and Work (VIEW) program (in which most adult TANF recipients are required to participate), and the SNAP Employment and Training (SNAP E&T) program. These programs provide financial assistance to low-income families and are designed to improve participants' employment and earnings. TANF and SNAP are federally funded and are administered at the state level by the Virginia Department of Social Services and by local departments of social services. The Child Care Subsidy Program is administered by the Virginia Department of Education (VDOE) and local departments of social services. In FY23, \$3.5 billion in state and federal funds were spent on these three programs.

JLARC found

JLARC's analysis of a cohort of approximately 265,000 program participants confirmed results of other national and Virginia-specific analyses that self-sufficiency programs have limited impact on participants' employment and wages. Employment rates for these VIEW and SNAP E&T participants did not increase over time, and while half experienced wage increases, the median wage for the group remained below the federal

poverty threshold. Very few participants earned wages that would allow them to be self-sufficient (2 percent of TANF-VIEW clients and 7 percent of SNAP E&T clients). JLARC found that few clients of these programs participate in the state's workforce development programs, and that greater coordination between local departments of social services and local workforce development agencies could improve employment outcomes.

Local department of social services' staff who work with TANF-VIEW and SNAP E&T clients reported that they were frequently unable to provide the level of case management their clients require because of high caseloads. JLARC found that the median number of VIEW clients per worker was 32 as of August 2023; however, some workers' VIEW caseloads were as large as 169 clients. In addition, the state did not have any caseload guidelines or targets for social workers administering these programs.

JLARC found that many local social services departments do not spend all of the VIEW funds allocated to them. The number of local departments that were spending less than half of their allocated funds for VIEW services grew from 18 in FY14 to 28 in FY19. A local department that returns a significant amount of funds could signify that social workers do not have the time, experience, or motivation necessary to fully assess clients and identify their barriers; follow up with clients regularly; or know about available community resources. JLARC recommended that the Virginia Department of Social Services (VDSS) review local departments' VIEW spending and help local departments spend their money on supportive services that could further support VIEW participants' employability and earning potential.

JLARC staff also found that VDSS does not systematically monitor local social services departments' compliance with state and federal work requirements or their sanction policies when clients do not meet these requirements. Data indicates that nearly half of VIEW clients are not participating in any work or work-related activities, and it is not clear whether or how local social services departments sanction VIEW clients.

JLARC staff also found that VDSS does not monitor clients' progress toward self-sufficiency during and after enrollment in the program. JLARC staff recommended that VDSS measure a mix of intermediate "progress toward employment" measures, short-term client outcomes, and longer-term client outcomes.

JLARC staff also found that Virginia's lack of affordable child care is a major barrier to self-sufficiency, and that while the child care subsidy program improves affordability, some aspects of the program discourage childcare providers from accepting the subsidy. One common reason that providers do not participate is that the state's reimbursement process is cumbersome, because it requires providers to use an unreliable system to track children's attendance.

JLARC staff also found that a 2022 change that allowed individuals to use the child care subsidy while searching for work was problematic. This policy allowed individuals searching for work to use the program indefinitely, monopolizing subsidy spots that would have otherwise been available to working parents. JLARC suggested the General Assembly add a limit to the length of time participants were eligible for the program because they were searching for work.

JLARC staff also found that while Virginia's child care regulations are mostly appropriate and do not drive child care costs, some changes could improve child care staffing. For example, JLARC found that VDOE's required training for daycare workers was lengthy and not always relevant to daycare staff and therefore may be a poor use of day care workers' time. To ensure that pre-service training is effective and worthwhile for new staff, JLARC staff recommended that VDOE review and, as needed, improve, the Virginia Preservice Training for Child Care Staff course.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Limiting job search eligibility for childcare subsidy

Appropriation Act

The General Assembly included budget language that limits the amount of time that families are eligible for the Child Care Subsidy Program while they are searching for work to 90 days.

Improving required training for childcare workers

HB 1024 (2024) – Delegate Wilt

The General Assembly passed legislation requiring the VDOE to evaluate the appropriateness of topics in its Virginia Preservice Training for Child Care Staff and consider excluding portions that are only relevant to certain ages.

► ACTION TAKEN BY STATE AGENCIES

VDSS

Establishing caseload limits

VDSS hired a contractor in August 2024 to research how to improve outcomes for TANF-VIEW and SNAP participants. The consultant is looking at the root causes of poor outcomes and providing recommendations, including establishing caseloads for case managers.

Ensuring local departments spend available VIEW funds to encourage self-sufficiency

VDSS is monitoring local social services departments' expenses monthly, developing a risk assessment to identify local departments at risk of underspending their VIEW funds, and meeting with each department to review their spending and resolve any barriers to spending. VDSS has also revised program guidance to ensure local departments understand how these funds can be used to promote self-sufficiency.

Monitoring local departments' performance and sanction data

VDSS has established a process to monitor local department performance and sanction data monthly. The monthly sanction and work participation rate is sent to local departments each month.

Monitoring outcomes of VIEW participants

VDSS is monitoring VIEW participants on a range of new measures, including wage rate, employment rate, job retention rate, participation rate, and educational activity rate, among others.

► ACTION RECOMMENDED

MOUs between local workforce development and social services boards

- The Virginia Board of Workforce Development should rewrite policy number 300-02 to comply with the requirements of 2.2-2472 of the Code of Virginia that each local workforce development board shall develop and enter into a memorandum of understanding with each local department of social services for the coordination of services. (Recommendation 1)

Requiring coordination of social services and workforce development boards related to VIEW and SNAP clients

- The General Assembly may wish to consider amending 63.2-610 of the Code of Virginia to require that each local department of social services develop and enter into a memorandum of understanding with its local workforce development board concerning how the entities will coordinate to deliver workforce development activities to Virginia Initiative for Education and Work and SNAP Education and Training clients. (Recommendation 2)

Connecting career workforce centers and local social services departments

- The secretary of labor and the secretary of health and human resources should coordinate to develop for all Virginia career works centers (VCWs) and local departments of social services (i) a region-specific inventory of workforce development resources; (ii) guidelines for local department and VCW staff to improve the extent to which TANF and SNAP clients are connected with Virginia's workforce development resources; (iii) a guide to eligibility and participation requirements for TANF, SNAP, and workforce development programs; (iv) guidance on how participating in the state's workforce development programs can fulfill TANF and SNAP program requirements; and (v) best practices to foster integrated service delivery between local departments of social services and VCWs for TANF and SNAP clients. (Recommendation 3)

Facilitating co-location of Virginia Career Works staff at local social services departments

- The General Assembly may wish to consider including language in the Appropriation Act to dedicate a portion of the federal Workforce Innovation and Opportunity Act funding reserved by the governor for statewide workforce development initiatives to facilitate the co-location of Virginia Career Works staff at local departments of social services on a part-time basis. (Recommendation 4)

Issuing childcare subsidy payments based on authorized enrollment instead of attendance

- The General Assembly may wish to consider including language in the Appropriation Act that requires the Virginia Department of Education (VDOE) to issue payments to Child Care Subsidy Program vendors based on authorized enrollment, subject to the attendance threshold established by the Virginia Department of Education, on an ongoing basis. (Recommendation 15)

Reimbursing subsidy vendors

- The Virginia Department of Education (VDOE) and Virginia Department of Social Services should develop and implement a process to reimburse subsidy vendors based on children's enrollment rather than attendance as soon as possible. Once this process is in place, and until a new automated attendance tracking system is operational, VDOE should discontinue tracking children's attendance through the current swipe system and instead collect attendance data from vendors. (Recommendation 16)



Virginia's K-12 Funding Formula

Report issued in 2023

The Standards of Quality (SOQ) funding formula is how the General Assembly fulfills its constitutional obligation to seek to establish and maintain a high quality public school system. The formula estimates how many staff positions are needed for each school division, then applies cost assumptions to estimate the cost of K–12 staff needed in each division. That cost is then apportioned between the state and each local government using the Local Composite Index. The General Assembly directed JLARC to study the cost of education in Virginia and make an accurate assessment of the costs of the SOQs.

JLARC found

JLARC staff found that the state needed to make substantial changes to its existing SOQ funding formula. The SOQ formula as currently implemented did not meet the criteria for a sound funding formula. Consequently, the formula estimated divisions need far fewer staff and less funding than what divisions actually use in practice. The formula also yields less than what several benchmarks suggest was needed.

To help provide a long-term blueprint for reform, JLARC staff made near-term and long-term recommendations to improve the current formula. These included discontinuing several arbitrary reduction measures made during the Great Recession,

such as a cap on support staff. These also included fixing several methodological problems with how the level of need for at-risk student (i.e., low-income student) funding was determined in each division, as well as improving the formula's assumptions related to factors beyond a division's control: the number of special education and English learner students, its location in a higher cost region of the state, and whether it has too few students to achieve efficiencies or economies of scale.

Virginia uses a resource-based K-12 funding formula, a structure which is far less common nationally than a student-based funding formula. Consequently, the report also included a policy option to transition to the more commonly used student-based funding formula structure.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Removing the support cap

Appropriation Act

The FY26 budget includes \$223 million to raise the support cap to the prevailing ratio of 27.89 support positions per 1,000 average daily membership. *(At the time of this report, this is pending final approval from the governor.)*

Improving at-risk funding in state funding formula

Appropriation Act

Budget language in 2024 addressed several issues identified with the formula's at-risk funding methodology. Several existing programs were consolidated into the formula and additional funding was provided for at-risk students in each division. An outdated measure of at-risk need was discontinued (free lunch eligibility from 2014) and replaced with a better measure using more accurate and current data (the Identified Student Percentage).

Additional student-based funding for special education students

Appropriation Act

The FY26 budget included \$52.8 million to increase add-on funding for special education students. This increase is based on a 4.75 percent add-on to basic aid funding for students who require less intensive special education services and a 5.25 percent add-on for students requiring more intensive services.

► ACTION RECOMMENDED

Addressing several technical staffing and staffing-related assumptions

- The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act directing the following technical adjustments to the Standards of Quality (SOQ) formula and compensation supplement calculations: (i) include all division central office positions in the SOQ formula, (ii) apply the cost of competing adjustment to facility and transportation staff salaries in the SOQ formula, (iii) remove the cap on adjustments to non-personal cost assumptions in the benchmarking process in the SOQ formula, and (iv) account for cost of facilities staff salaries in compensation supplement calculations. (Recommendation 1)

Adjust outdated salary cost assumptions as part of biennial benchmarking process

- The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Education to update the cost assumptions for school division employee salaries used in the biennial Standards of Quality benchmarking process to better reflect current salaries paid by school divisions. (Recommendation 5)

Cost assumptions using a division average instead of the linear weighted average

- The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Education to calculate salary and other Standards of Quality formula cost assumptions using the division average, rather than the linear weighted average. (Recommendation 6)

Use a three-year average to calculate the Local Composite Index

- The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act to change the local composite index to be calculated using a three-year average of the most recently available data, rather than a single year of data every other year. (Recommendation 7)

Replace the Cost of Competing Adjustment with an education labor cost index

- The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act to replace the current cost of competing adjustment with a more accurate adjustment based on a Virginia cost of labor index that better accounts for differing labor costs across school divisions in calculating compensation funding through the Standards of Quality formula. (Recommendation 12)

Implement an economies of scale adjustment for small divisions

- The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act directing that the Standards of Quality formula include an economies of scale adjustment to provide additional funding to divisions with fewer than 2,000 students. (Recommendation 13)



Virginia's K–12 Teacher Pipeline

Report issued in 2023

Virginia's "teacher pipeline" consists of the programs and processes that attract, prepare, license, recruit, and retain public K–12 teachers. While the Commonwealth's local school divisions individually recruit and retain teachers, the state plays a role in the teacher pipeline through higher education institutions that administer teacher preparation programs, the Virginia Department of Education's (VDOE) licensure of teachers, and funding for initiatives to promote the teaching profession. JLARC assessed the K–12 teacher pipeline after shortages increased following the COVID-19 pandemic.

JLARC found

The Virginia Communication and Literacy Assessment (VCLA) was outdated and may be an unnecessary barrier for potential teachers. Passing the VCLA was required in teaching programs at all public higher education institutions, but 10 require passing the VCLA before admittance to the teaching program. The test had not been updated since 2007 and includes content, such as advanced copy editing, that is not relevant to teachers in all subjects. JLARC staff found that about 14 percent of VCLA test takers did not pass it. JLARC recommended that the VCLA either be removed as a requirement or replaced with a more relevant test.

JLARC staff found that VDOE does not publicize on its website courses provisionally licensed teachers must take to earn full licensure, nor information about the licenses and endorsements that are comparable between Virginia and other states. Provisionally licensed teachers must complete subject-matter courses for their endorsement, but because many provisionally licensed teachers are not participating in a teacher preparation program with established coursework, they must navigate Virginia's teacher licensure requirements on their own, which can be difficult. JLARC recommended that VDOE work to identify and publicize which courses provisionally licensed teachers must take for different endorsements. JLARC also recommended creating and publishing information about reciprocity between Virginia and other states.

JLARC staff found that teacher residency programs, where prospective teachers co-teach for a year while completing schooling, produce well-prepared teachers and help fill vacancies at hard-to-staff schools. However, these programs are expensive to administer and are small. JLARC staff proposed a policy option to increase funding for these programs.

JLARC also found several gaps in critical information about the teacher pipeline, especially on apprenticeship programs and the different teacher preparation pathways. JLARC made several recommendations related to collecting and maintaining this information to help better understand the state's ability to meet the demand for teaching in the future.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Eliminating the VCLA requirement

HB 731 (2024) – Delegate Sewell

The General Assembly enacted legislation requiring the Board of Education to eliminate the requirement that passing the Virginia Communication and Literacy Assessment was a condition of the initial award or renewal of a Virginia teacher's license.

Publicizing reciprocity of out-of-state teachers licenses with Virginia licenses

HB 632/SB 352 (2024) – Delegate Rasoul/Senator Peake

The General Assembly enacted legislation establishing a universal licensure for reciprocity for eligible teachers from out of state who have been teaching in person for three years and have no deficiencies on their license. The legislation also requires VDOE to post and update on its website teacher licensure standards and requirements from each state to help out-of-state teachers who want to move to Virginia determine the compatibility of their licenses with Virginia's teacher licensure requirements.

Additional funding for teacher residency programs

Appropriation Act

The budget included an additional \$600,000 annually for the teacher residency program for a total of \$2.85 million.

► ACTION TAKEN BY STATE AGENCIES

VDOE

Publicizing required coursework for provisionally licensed teachers

On its website, VDOE is in the process of publicizing up-to-date information on approved courses at higher education institutions that provisionally licensed teachers can take and receive credit for completing.

► ACTION RECOMMENDED

Reporting on teacher apprentice programs

- The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Education to report (i) which higher education institutions and school divisions have been approved

to have apprentice programs, (ii) when they expect to begin preparing prospective teachers, (iii) how many individuals are expected to be prepared through each program annually, and (iv) how each program will be funded. The report should be submitted to the Board of Education and House Education and Senate Education and Health committees by June 30, 2024. (Recommendation 1)

Collecting data on teacher preparation pathways

- The General Assembly may wish to consider including language and funding in the Appropriation Act directing the Virginia Department of Education to (i) hire a contractor to develop a database that can store and maintain teacher information; (ii) regularly collect information on the teacher preparation pathway, licensure status, place of employment, indicators of instructional quality, and public K-12 teaching tenure for each teacher who is prepared in Virginia; and (iii) share such information about these teachers with the Virginia preparation programs from which they graduated. (Recommendation 9)



GO Virginia Program

Report issued in 2023

The General Assembly created GO Virginia in 2016 with two main goals: to promote regional collaboration and grow and diversify regional economies. The program provides grants for economic and workforce development projects to support these goals. Grant projects must follow designated investment strategies in regionally targeted industries. GO Virginia is different from typical economic development programs because grants can go only to public and nonprofit organizations. GO Virginia does not provide funding directly to private businesses, and grants cannot be used to attract a particular business or as part of an incentive package. GO Virginia is governed by a state board and nine regional councils, and the Department of Housing and Community Development (DHCD) provides staff support for the program.

JLARC found

JLARC found that the GO Virginia program improved regional collaboration, was positively viewed by economic developers, and had many positive regional economic impacts. For example, GO Virginia projects had improved the availability of skilled workers in industries important to a region, and project leads unanimously stated that their projects would not have moved

forward with the same scope or at the same pace without the program.

However, JLARC found that several outcome measures used to measure GO Virginia activity were too broad or misleading to accurately reflect GO Virginia's impact, including the jobs filled metric. For example, the jobs created metric was defined as "number of jobs created/filled," which are two outcomes with different economic benefits. JLARC staff reviewed 54 GO Virginia projects in depth and found that only 9.7 percent of the total jobs GO Virginia said were created by those projects could reasonably be attributed to GO Virginia projects.

JLARC staff identified several ways that certain policies or unclear language were creating confusion over the eligibility of potential GO Virginia projects. For example, GO Virginia board's policy requiring projects to create high-wage jobs was unrealistic and could keep beneficial projects from applying for grants. In addition, GO Virginia projects are required to be in traded sector industries because they have the biggest economic impact, but JLARC staff found that the board had not adequately defined traded sectors, leading to confusion over whether some projects were eligible for GO Virginia funding. JLARC staff also found that return on investment (ROI) to the state is not suitable as an eligibility requirement because neither statute nor board policy establish ROI as an objective.

In addition, healthcare is a largely non-traded sector, so healthcare projects are typically ineligible for GO Virginia grants. However, four GO Virginia regions have identified healthcare as essential to their economic success. JLARC staff recommended that healthcare projects be allowed on a case-by-case basis using clearly defined criteria.

JLARC staff found that GO Virginia's match requirements could be limiting how many regional per capita projects are funded. JLARC staff found that when GO Virginia reduced its match requirements during the pandemic, GO Virginia funded 22 percent more projects, and the average grant size was twice as large. JLARC staff recommended that the local portion of

the match be eliminated or reduced and also provided a policy option to reduce the overall match requirement from a dollar-for-dollar match to 50 percent.

In addition to its more common per capita grants, the GO Virginia program offers statewide competitive grants. DHCD requires regions to work together to be eligible for these grants, which is much stricter than statute prescribes. Regional councils said it was difficult to meet this requirement, and JLARC found that less than half of these funds had been awarded.

JLARC found that GO Virginia's application review and approval process is working well, but most grants should not require board approval. By the time applications reach the board, they have been vetted regionally and reviewed in-depth by a state workgroup that includes board members and DHCD staff.

In addition, JLARC found that the GO Virginia board was generally operating effectively but recommended minor changes to improve its representation, including allowing the newly created secretary of labor to be eligible to serve on the board.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Lowering match requirement of GO Virginia grants

HB 237/SB 496 (2025) - Delegate Austin/Senator Carroll Foy

The General Assembly passed legislation that lowers the match requirement of GO Virginia grants from 100 percent to 50 percent.

Adding secretary of labor as an eligible member of GO Virginia Board

HB 237/SB 496 (2025) - Delegate Austin/Senator Carroll Foy

The legislation also adds the secretary of labor as an eligible member of the GO Virginia Board.

► ACTION TAKEN BY STATE AGENCIES

DHCD/GO Virginia Board

Using better outcome measures to evaluate projects

DHCD staff, under guidance of the GO Virginia Board's Program Performance and Evaluation Committee, reviewed the program's core grant outcomes and revised and organized them for clarity. DHCD also improved its jobs outcome measure by splitting it into two separate metrics and by requiring "jobs created" to stem directly from a GO Virginia program.

Clarifying eligibility policies for GO Virginia grants

DHCD staff, under the guidance of the GO Virginia Board's Governance and Policy Committee, more clearly defined traded sectors and clarified language to indicate that higher wage jobs are an aspiration of GO Virginia but not an eligibility requirement on applications.

Allowing certain healthcare projects to be eligible for GO Virginia awards

The GO Virginia Board adopted a policy that allows GO Virginia regional councils to submit workforce development applications that address healthcare needs if several criteria are met. These criteria include identified needs in the regional growth and diversification plans, demonstration that the proposed project will fulfill an unmet need, and justification of how the lack of healthcare services is negatively affecting the growth of traded sectors.

Expanding eligibility of statewide competitive funds

DHCD staff, with the approval of the GO Virginia Board, revised guidance for the GO Virginia Competitive Fund that allows regional councils that have exhausted or nearly exhausted their per capita allocation to access the competitive fund without needing to collaborate with other regional councils.

► ACTION RECOMMENDED

Assigning responsibility to DHCD to verify the calculation methods and data for project outcome measures

- The Virginia Growth and Opportunity Board should revise its policies to assign responsibility for the review of outcome calculation methods and outcome data verification to staff at the Department of Housing and Community Development. (Recommendation 3)

Evaluating GO Virginia's long-term impacts

- The Virginia Growth and Opportunity Board should develop and implement a policy to assess the long-term impact of individual projects and the GO Virginia program as a whole, including which information should be collected to facilitate this long-term assessment. The board's actions should proceed under the guidance of its new project evaluation committee and with the assistance and input of Department of Housing and Community Development staff and regional council support staff. (Recommendation 4)

Reducing or eliminating local match requirement for grants

- The Virginia Growth and Opportunity Board should either eliminate or reduce the local match requirement for all grants. (Recommendation 8)

Eliminating ROI requirement

- The Virginia Growth and Opportunity Board should eliminate the requirement that all projects show a positive return on investment to the state to be eligible to apply for GO Virginia funding. (Recommendation 10)

Streamlining GO Virginia grant approvals

- The Virginia Growth and Opportunity Board should revise its policies to delegate grant approval authority to the

director of the Department of Housing and Community Development for any regional per capita implementation grant that has been dutifully reviewed and approved by a regional council and recommended for administrative approval by a board-designated workgroup. The board should also delegate approval authority for projects it has voted to defer, pending resolution of specific issues it has identified with the application. (Recommendation 11)



Business Location and Expansion Incentives

Report issued in 2023

JLARC evaluated Virginia's business location and expansion incentives as part of its ongoing series evaluating the effectiveness of the state's economic development incentives. Virginia provides nine incentives to encourage businesses to locate and expand in the state. Spending on these incentives totaled \$35 million in FY21 and \$274 million between FY12 and FY21. Nearly all of the spending was for three grants administered by the Virginia Economic Development Partnership (VEDP), the largest being the Commonwealth's Development Opportunity Fund (COF).

JLARC found

The business expansion and location incentives had varying usefulness and economic benefits. The largest incentive, the Commonwealth's Development Opportunity Fund (COF), generates high economic benefits and appears to sway business decisions more than the average incentive. The Virginia Investment Performance Grant (VIP), VEDP's second-largest location and expansion incentive, encourages retention and expansion of manufacturers in the state. VIP has low economic benefits because it does not require job creation, only job retention. The Virginia Economic Development Incentive Grant (VEDIG), which targets company headquarters and service-based companies

creating significant numbers of high-wage jobs, generated high economic benefits compared with other state incentives, but its performance could not be fully assessed because only one project was completed during the 10-year study period.

JLARC staff recommended several changes to improve the attractiveness and economic benefits of the VIP and VEDIG grants. The performance period for VIP and VEDIG grants could be shortened to provide payments earlier, because research indicates that upfront incentives are more effective in influencing business location decisions than substantially delayed performance-based ones. In addition, projects seeking VIP awards should be required to meet a minimum wage threshold for jobs created, similar to the COF and VEDIG grants, to increase the incentive's economic benefits.

JLARC also found that the New Company Incentive Program, which is designed to encourage companies to locate in distressed areas of the state and create jobs, was not effective. Only two grant awards had been made since the state created the program, and both were to call centers in Southwest Virginia that paid low wages. A particularly problematic feature of the program is that COF money funds the grants, which allows projects that do not qualify for the better-designed COF to access COF funds.

JLARC staff reviewed the Major Business Facility Job Tax Credit, which is designed to encourage businesses to locate or expand in Virginia and create jobs, and found that it was not well designed. The credit does not require recipients to pay a certain wage level, lacks either a program or per taxpayer cap, and its value per job is low compared with other incentives. Despite this, the Major Business Facility Job Tax Credit generates moderate economic benefits because it requires businesses to create jobs, is low cost to the state, and over half the awards were to companies in industries with high employment multipliers.

JLARC staff also reviewed the Agriculture and Forestry Industries Development Fund Facility Grant (AFID facility grant), which is designed to attract and expand agricultural and forestry busi-

nesses that use raw commodities grown and harvested in Virginia. JLARC staff found the grant had limited ability to influence location and expansion decisions, likely because of its low value relative to the cost of the businesses' new or expanded operations. However, the grant was highly rated by economic development staff, may help bolster Virginia commodities that have seen a decline in purchases from Virginia buyers, and may help recipients purchase machinery and equipment. JLARC made several recommendations to improve the grant, including aligning program processes and its return on investment model more closely with VEDP's policies, and increasing the purchase threshold for Virginia commodities.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Sunsetting the New Company Incentive Program

The General Assembly did not extend the sunset date for the New Company Incentive Program.

Improving VIP and VEDIG grants

HB 1457/SB 496 (2024) – Delegate Carr/Senator Carroll Foy

The General Assembly passed legislation that allows VIP's and VEDIG's payments to companies to be made after one year of performance rather than after three years. The legislation also requires VIP grant recipients to pay at least the average prevailing wage when the grant requires job creation.

► ACTION TAKEN BY STATE AGENCIES

Improving effectiveness and economic benefits of AFID grant

Secretary of agriculture and forestry

The secretary of agriculture and forestry made changes to better align the AFID program's processes and policies with VEDP. AFID's performance agreement is now based on VEDP's per-

formance agreement and uses the same terms for grant award recapture and extensions. The AFID program has transitioned most of its grants from being paid up front to being paid out on a performance basis, and the program now uses a return-on-investment calculator that is generated by VEDP.

► ACTION RECOMMENDED

Improve economic benefits of Major Business Facility Job Tax Credit or allow it to expire if it is not improved

- The General Assembly may wish to consider amending 58.1-439 of the Code of Virginia to (i) require that businesses eligible for the Major Business Facility Job Tax Credit be export-base (basic) employers and pay wages that meet or exceed a certain wage threshold, and (ii) adopt an annual program cap or annual per taxpayer cap. (Recommendation 5)
- If the recommendation to improve the Major Business Facility Job Tax Credit is not adopted, the General Assembly may wish to consider allowing the tax credit to expire on June 30, 2025. (Recommendation 7)

Increase commodity purchase requirements for AFID grants

- The secretary of agriculture and forestry, in consultation with the Virginia Department of Agriculture and Consumer Services, Virginia Economic Development Partnership, and Department of Forestry, should revise the guidelines for the Agriculture and Forestry Industries Development Fund Facility Grant pertaining to the commodity purchase requirements. Specifically, the guidelines should be revised to (i) increase the state commodity purchase threshold to 50 percent; (ii) clarify that minimum requirements be based on commodity market values or expenditures only; (iii) clarify that only commodities for processing, manufacturing, and value-added activities are eligible for meeting the requirements; and (iv) clarify that all raw commodity

inputs purchased by the project must be reported and that additional purchase information may be requested by the program. (Recommendation 8)

Add wage threshold to AFID grant

- The General Assembly may wish to consider amending 3.2-305 of the Code of Virginia to require that guidelines for the Agriculture and Forestry Industries Development Fund Facility Grant include a wage threshold for jobs created as part of the grant project. (Recommendation 9)



Pandemic Impact on K–12 Education

Report issued in 2022

JLARC reviewed the COVID-19 pandemic’s impact on K–12 public education in Virginia, which resulted in an unprecedented disruption to the 2019–20 and 2020–21 school years. JLARC staff evaluated the pandemic’s impact on students’ academic achievement, mental health, and behavior. In addition, staff reviewed the pandemic’s impact on teachers and school divisions’ ability to recruit and retain a qualified workforce.

In addition to the action taken that is described in this article, the General Assembly previously made several statutory changes to help address the need for counseling and psychological services for students facing mental health challenges. These changes included defining what qualifies as counseling services, allowing divisions to fill vacant school psychologist positions with licensed or clinical psychologists who have a provisional license, and developing a model MOU between school divisions and community mental health providers. Funding was also provided to help address student learning loss due to the pandemic.

JLARC found

JLARC found the state should help divisions be better prepared for future emergencies requiring remote instruction. For example, the Virginia Department of Education (VDOE) did not

offer professional development courses related to teaching remotely, though this could benefit teachers if a future emergency requires remote instruction. The report recommended that VDOE provide training and resources to school divisions on developing plans to operate during prolonged periods of remote instruction.

JLARC found the pandemic created a variety of staffing challenges for schools. JLARC staff found that instructional assistants could help address several challenges associated with the pandemic, by reducing teacher workload and helping manage widening academic achievement gaps and behavior problems in the classroom. JLARC recommended that the General Assembly provide funds for instructional assistants to schools that are not fully accredited. JLARC also recommended providing targeted tuition assistance to help provisionally licensed teachers become fully licensed.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Requiring VDOE to develop guidelines for virtual learning

HB 2640/SB 1380 (2025) – Delegate Henson/Senator Hashmi

The General Assembly passed legislation requiring VDOE to develop and post guidelines related to virtual or online learning. The guidelines are to include statewide virtual learning policies, availability of online or virtual learning options, and school and educator guidelines and best practices for remote learning. The law also requires each public school to review its plan for school closures related to public health emergencies in its annual safety audit.

► ACTION RECOMMENDED

Hiring additional instructional assistants at schools that are not fully accredited

- The General Assembly may wish to consider including language and funding in the Appropriation Act to provide additional, temporary funding for a subset of schools accredited with conditions to hire more instructional assistants to (i) help teachers provide small group and individualized instruction necessitated by widening academic needs within classrooms, (ii) help teachers manage challenging student behaviors within classrooms, and (iii) reduce teacher workloads. (Recommendation 5)

Teacher tuition assistance for divisions with an increase in provisionally licensed teachers

- The General Assembly may wish to consider including language and funding in the Appropriation Act to provide the state share of funding for teacher tuition assistance to divisions that experienced an increase in the number of provisionally licensed teachers during the pandemic to help provisionally licensed teachers in those divisions become fully licensed. (Recommendation 7)



Community Services Boards' Behavioral Health Services

Report issued in 2022

JLARC reviewed the state's 40 community services boards' (CSBs) in 2022. Virginia's CSB system is the state's primary approach to providing publicly funded behavioral health services in communities, and the state requires every locality to establish or join a CSB. CSBs provide both emergency and non-emergency behavioral health services to individuals. CSBs' priority consumers for mental health services are those with a serious mental illness, and CSBs served 20 percent more consumers with a serious mental illness in FY22 than compared with a decade ago. CSBs are overseen by the Department of Behavioral Health and Developmental Services (DBHDS).

In 2023, the General Assembly passed legislation based on JLARC recommendations, including increasing salaries of direct care staff at CSBs, increasing funding for crisis services, better defining CSBs' purpose in state law, improving DBHDS's performance contracts with CSBs, and improving DBHDS's oversight of CSBs.

JLARC found

CSBs assess individuals' behavioral health using an instrument called the DLA-20, and DLA-20 scores can be used to measure

improvements or declines in behavioral health over time. While DBHDS collects some data from CSBs on individuals' DLA-20 scores, JLARC found that, by collecting more detailed data from the CSBs, DBHDS could better assess CSBs' effectiveness and identify those that may need assistance with their programming and service delivery.

JLARC also found that DBHDS did not collect data on CSBs' staffing, even though CSBs have had significant ongoing staffing challenges. By collecting salaries, turnover, and vacancy data, DBHDS could identify challenges to staffing specific positions and target potential pay increases or bonuses. In addition, JLARC staff found that even though the General Assembly had funded increases to CSB staff compensation several times over the previous decade, some CSBs did not use the funding they received for salary increases. One reason given was that localities could not provide the required local match.

JLARC staff also found that administrative burden was a major reason for turnover of direct care staff at CSBs. Administrative burdens had increased workloads and left direct care staff less time to treat consumers.

JLARC staff also found that some individuals were inappropriately placed in state psychiatric hospitals based on CSB staff assessments. CSB emergency services staff are responsible for determining, through a "preadmission screening," whether individuals meet the criteria to be placed under a temporary detention order, which can trigger state psychiatric hospital placement. JLARC staff found DBHDS staff did not adequately monitor the quality of CSBs' preadmission screenings and that a structured review process would allow DBHDS to identify whether preadmission screenings were contributing to inappropriate psychiatric hospital placements.

JLARC staff also found several deficiencies with CSBs' discharge planning for state psychiatric hospitals. For example, state hospital staff reported that some CSB staff did not adequately collaborate with patients and that it took too long for some patients to receive services after discharge.

JLARC staff also found that CSBs are not consistently billing for Medicaid-eligible services, which means CSBs are likely not receiving all the Medicaid funding they are eligible for.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Requiring DBHDS to report on CSBs' impacts on consumers' functioning levels

Appropriation Act

The General Assembly directed DBHDS to report on CSBs' performance in improving the functioning of its consumers based on composite and individual scores from the DLA-20 assessment or a comparable assessment; CSBs' ability to improve consumers' functioning levels over time; and DBHDS's use of this data to improve CSB performance.

Reporting on CSBs' workforce data

Appropriation Act

The General Assembly required DBHDS to report annually on the average salaries, turnover, and vacancy rates of various CSB staff positions to the State Board of Behavioral Health and Developmental Services and the Behavioral Health Commission.

Requiring CSBs to use state funding for compensation

Appropriation Act

The General Assembly required CSBs to use state funding specifically provided for increased compensation to be used for that purpose.

Reducing administrative requirements of CSB direct care staff

Appropriation Act

The General Assembly directed DBHDS to review all of CSBs' reporting requirements for direct care staff, identify any duplicative or conflicting requirements, and eliminate any requirements that are not essential to ensuring consumers receive timely and effective care.

CSBs' Medicaid billing

Appropriation Act

The General Assembly directed the Department of Medical Assistance Services to work with DBHDS to review the extent to which CSBs are billing Medicaid for eligible expenses, determine if CSBs need additional technical assistance about Medicaid billing and claims, and evaluate the feasibility of a central billing system to handle all Medicaid claims for CSBs.

► ACTION TAKEN BY STATE AGENCIES

Improving CSBs' preadmission screenings

DBHDS

DBHDS has begun a partnership with the Institute of Law, Psychiatry and Public Policy to develop a project to review and analyze samples of preadmission screenings to state psychiatric hospitals. Once implemented, the goal is for DBHDS to provide objective reports to CSBs, the VACSB Emergency Services Council, and DBHDS. The project is currently going through required administrative and funding approvals. DBHDS indicated it had already identified CSBs that would most benefit from site visits to monitor preadmission screening.

Improving CSBs' discharge planning

DBHDS

The DBHDS Office of Patient Clinical Services has added four metrics to review CSBs' discharge planning from state psychiatric hospitals. For example, one metric determines whether 80 percent of eligible patients have met with a CSB clinical staff member within seven calendar days of the discharge date, and another looks at whether state hospitals' readmission rate is higher than 7 percent. DBHDS says it uses this data to provide technical assistance or corrective action to CSBs requiring it.

► ACTION RECOMMENDED

Central system to collect CSBs' DLA-20 scores

- The Department of Behavioral Health and Developmental Services should develop a process for receiving DLA-20 composite and individual item scores from all community services boards (CSBs) at least quarterly, and this process should use data in CSB electronic health records systems and not require separate data entry by CSB direct care staff. (Recommendation 1)

Standardizing MCOs' policies, requirements, and procedures for CSB Medicaid reimbursements

- The General Assembly may wish to consider including language in the Appropriation Act directing the Department of Medical Assistance Services to (i) work with the managed care organizations (MCOs) to standardize, to the maximum extent practicable, policies, procedures, and requirements that CSBs must follow to receive reimbursement for the cost of Medicaid services they provide, including documentation, training, and credentialing requirements; and (ii) report on the improvements made to MCO policies, procedures, and requirements to the Behavioral Health Commission. (Recommendation 15)

Comprehensive information on MCO preferred provider programs

- The Department of Medical Assistance Services should work with managed care organizations (MCOs) to ensure that comprehensive information about all available MCO preferred provider programs is provided to all community services boards (CSBs), including (i) which behavioral health services are included in the preferred provider programs and (ii) the requirements CSBs must meet to participate in the programs. (Recommendation 16)



The Costs of Virginia's Dual Enrollment Program

Report issued in 2022

JLARC staff were directed to review the costs incurred by community colleges and school divisions to operate dual enrollment programs. Through these programs, high school students earn college credits by taking college-level courses, primarily at their high school or a community college. State law requires school divisions to offer dual enrollment, and most dual enrollment courses are taught at high schools by high school teachers.

JLARC found

Community colleges charge tuition for dual enrollment to school divisions, and some school divisions pass all or a portion of those costs on to students. JLARC staff found that while 63 percent of dual enrollment students did not pay for any courses because their school divisions absorbed the costs, students in some school divisions did pay, with student costs averaging \$300 per year for an average course load of three courses. JLARC staff also found that charging students for dual enrollment courses made dual enrollment less accessible to economically disadvantaged students. JLARC found that charging students for dual enrollment courses is not necessary because all community colleges and the vast majority of school divisions receive sufficient state and local funding to cover dual enrollment costs.

In addition, JLARC staff found that the costs of dual enrollment

programs are not transparent, and state funding for community colleges is not based on the actual expenses incurred by colleges and school divisions. Community colleges receive the same amount of state funding for traditional and dual enrollment students, even though community colleges' expenses to educate dual enrollment students are lower. JLARC determined that requiring community colleges to track and report dual enrollment expenses and revenue would help the Virginia Community College System (VCCS) determine how to allocate state funding across colleges and ensure state funding is adequate, especially as dual enrollment grows.

JLARC staff also found, as it has in past reviews, that there is a shortage of dual enrollment teachers and that credentialing flexibility may present options to address shortages in limited circumstances.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Providing dual enrollment courses free of charge

HB 1087/SB 627 (2024) - Delegate Coyner/Senator Lucas

The General Assembly passed legislation that established the College and Career Ready Virginia Program and Fund. The program requires all school divisions to offer access to specific dual enrollment courses to students free of charge. Eligible dual enrollment courses are those that are included in the Passport and Uniform Certificate of General Studies programs, which help students transfer their dual enrollment credits to four-year higher education institutions.

The legislation also requires the Virginia Department of Education and VCCS to collect local school divisions' and community colleges' dual enrollment revenues and expenses.

► ACTION RECOMMENDED

Increasing number of dual enrollment teachers through alternative qualifications

- The Virginia Department of Education should work in consultation with the Virginia Community College System to draft and issue a superintendent's memo (i) outlining the types of alternative credentials and/or expertise that may be considered acceptable by the community colleges' accrediting body for qualifying high school teachers to teach dual enrollment courses; and (ii) clarifying that, on a case-by-case basis, divisions with teachers who may have sufficient alternative qualifications should work with their community college to determine whether these teachers can teach dual enrollment and document their credentials accordingly. (Recommendation 1)

Including specific appropriation for dual enrollment courses in state budget

- The General Assembly may wish to consider including language in the Appropriation Act under Item 212, Educational and General Programs for the Virginia Community College System, which specifies the amount appropriated for non-career and technical education dual enrollment courses taught on Virginia public high school campuses that is based on community colleges' costs to operate these dual enrollment programs. (Recommendation 6)

Distributing state funds based on colleges' dual enrollment expenses

- The General Assembly may wish to consider including language in the Appropriation Act directing the State Board for Community Colleges to develop and implement a process for distributing state general funds to community colleges for their dual enrollment programs based on the dual enrollment program expenses reported by the colleges. (Recommendation 7)

Transferring dual enrollment program to SCHEV oversight

- The General Assembly may wish to consider amending § 23.1-203 of the Code of Virginia to assign to the State Council of Higher Education for Virginia responsibility for overseeing the state's dual enrollment program, including, but not limited to, (i) overseeing financial reporting by community colleges on their dual enrollment programs; (ii) tracking the extent to which state general fund appropriations continue to sufficiently cover community colleges' dual enrollment expenses; (iii) providing assistance to colleges and school divisions to maximize Passport and Uniform Certificate of General Studies courses offered; (iv) coordinating initiatives to increase the number of dual enrollment teachers across the state; and (v) evaluating the extent to which dual enrollment credits are accepted by Virginia's higher education institutions and recommending improvements and strategies for maximizing dual enrollment course transferability. (Recommendation 9)



Science and Technology Incentives

Report issued in 2022

JLARC evaluated Virginia’s science and technology incentives as part of an ongoing series evaluating the effectiveness of the state’s economic development incentives. Virginia provides 11 incentives to promote science and technology economic activity by businesses in the state. Spending on these incentives totaled \$39 million in FY20 and \$176 million between FY11 and FY20. More than half (56 percent) of this amount was for the state’s three research and development (R&D) incentives, which include the major R&D tax credit, the R&D expenses credit, and the R&D sales exemption. Spending on science and technology incentives has grown over time and reached 10 percent of spending on state economic development incentives in FY20, primarily because of adoption of the major R&D tax credit.

JLARC found

The state’s R&D tax incentives encourage private R&D spending, particularly for smaller businesses, but the incentives are too small to meaningfully increase statewide business R&D activity overall. While their economic benefits and return in revenue are negligible based on economic impact modeling, the actual benefits are probably greater because the modeling does not capture spillover benefits to other companies and only captures short-term impacts. The economic benefits of the state’s R&D

expenses tax credit are slightly higher than the major R&D tax credit, because the expenses credit targets smaller companies and is better designed.

JLARC staff recommended several ways to improve the R&D tax credits. JLARC staff found that 1) targeting smaller companies would improve the credits' economic benefits, 2) providing a step-rate reimbursement structure to encourage initial R&D spending outlays would improve the predictability of the major R&D tax credit and better target small businesses, 3) capping the major R&D credit per taxpayer would improve its predictability, and 4) prioritizing research with public universities would increase the economic benefits of the major R&D tax credit.

JLARC found the Qualified Equity and Subordinated Debt Investments Tax Credit, or angel investment tax credit, did little to increase business startup growth because it is not designed to ensure investments are made in businesses with growth potential and does not target professional, experienced investors. Additionally, JLARC staff found that businesses assisted by investors using the tax credit did not leverage much additional private investment. The credit had a negligible effect on economic benefits and return in state revenue. JLARC recommended that the tax credit be eliminated.

JLARC found that Virginia's space tax incentives have minimal impact on space activity. They also have negligible economic benefits and returns in state revenue because most of the components for space flight vehicles launched in Virginia come from out-of-state or international suppliers. Factors other than the incentives, like Virginia's Mid-Atlantic Regional Spaceport (MARS), are much more influential in attracting space flight activity to Virginia.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Requiring business sites to renew business-ready certification

HB 1518 (2024) – Delegate Glass

The General Assembly passed legislation to improve the R&D tax credits in several ways, including to:

- reallocate \$8 million from the major R&D tax credit to the R&D expenses tax credit,
- implement a step-rate reimbursement structure for the major R&D tax credit, to provide higher reimbursement for initial R&D outlays and less for additional spending,
- cap the amount each eligible company is able to receive at \$300,000,
- and allow the cap to be increased to \$400,000 if the research is conducted with a higher education institution.

Eliminating the angel investment tax credit

HB 2653 (2025) – Delegate Bennett-Parker

The General Assembly passed legislation to sunset the angel investment tax credit after taxable year 2025.

► ACTION RECOMMENDED

Eliminating Zero G Zero tax income tax subtractions

- The General Assembly may wish to consider amending §§ 58.1-322 and 58.1-402 of the Code of Virginia to eliminate the Zero G Zero Tax income tax subtractions after the current contract to resupply the International Space Station expires. (Recommendation 7)



Options to Make Virginia's Income Tax More Progressive

Report issued in 2022

In 2021, JLARC staff were directed to review options for making Virginia's income tax more progressive. Under a progressive tax, higher income filers pay a higher percentage of their income in taxes than lower income filers. Virginia's individual income tax consists of four income brackets, with gradually higher rates assessed in each bracket. State income tax is the largest source of Virginia's general fund revenue.

JLARC found

During the 2022 legislative session, Virginia made two changes to the individual income tax that made it much more progressive. The standard deduction was nearly doubled, and the state earned income tax credit became partially refundable. Making earned income tax credits (EITC) refundable—so that low-income filers can receive a refund even if they have little or no tax liability—is what many experts say is the single most important element in establishing a progressive tax.

In its report, JLARC staff outlined many policy options the state could consider to increase the progressivity of the state's income tax. One option was to make the partially refundable EITC fully refundable, by increasing the refundable portion from 75 per-

cent to 100 percent (the equivalent of 15 percent of the federal credit to 20 percent of the federal credit). This would raise the subsidy offered to low-income filers. JLARC staff found this option to be a relatively inexpensive way to increase Virginia's income tax progressivity because lower income filers contribute proportionally little to total revenue.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Increasing refundable portion of the earned income tax credit

Appropriation Act

The General Assembly included budget language that reduced the effective tax rates of low-income filers by increasing the refundability of the state earned income tax credit from 15 percent to 20 percent of the federal earned income tax credit.



Adult Guardianship and Conservatorship

Report issued in 2021

In 2021, JLARC staff reviewed Virginia's adult guardianship and conservatorship system. Guardianship is a legal process where a court-appointed individual supervises the personal affairs of an adult who is incapacitated because of a disability or illness.

In 2022 and 2023, the General Assembly took several actions based on JLARC staff recommendations, including providing better information to the court on guardianships cases, requiring additional reporting from guardians, requiring financial institutions to work with local authorities investigating alleged abuse, requiring periodic review hearings of guardianship arrangements, and requiring regular visits from guardians.

JLARC found

JLARC found that the requirements to help a guardian ad litem determine whether a potential guardian was suitable for guardianship were insufficient. For example, guardians ad litem were not required to consider how a potential guardian's workload could affect their ability to fulfill their responsibilities or whether another interested individual, such as a family member, would be better suited as a guardian. In addition, JLARC staff found that guardians ad litem could not easily determine whether a prospective guardian is named as an alleged perpetrator in sub-

stantiated complaints of adult abuse, neglect, or exploitation with Adult Protective Services.

JLARC found that most guardians in the state are family members or friends of, or attorneys for, the individual under guardianship (“private guardians”) and may not be aware of their responsibilities. However, private guardians are not required to complete any training on guardianship and, even if they were, the state does not offer any ongoing training.

JLARC found that complaints about and resulting investigations of the state-funded public guardianship program were not required to be submitted to the Department for Aging and Rehabilitative Services (DARS), which operates the program. Therefore, DARS is unaware of the number, scope, or nature of all complaints. Tracking these complaints could allow DARS to tailor training for the public guardianship program or improve the provisions of its contracts with public guardianship providers.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Requiring additional information in court reports about potential guardians’ suitability

SB 292 (2024) – Senator Roem

The General Assembly passed legislation that added several requirements to be included in the guardian ad litem’s report to the court on the suitability of a potential guardian, including whether the person works as a professional guardian on a full-time basis, the person’s expected capacity to fulfill their guardianship responsibilities, and whether the person is named as a perpetrator in any substantiated adult protective services complaint involving the individual under guardianship.

Providing training for private guardians

SB 291 (2024) – Senator Roem

The General Assembly passed legislation requiring DARS to develop training for private guardians that covers their respon-

sibilities, how to complete annual guardianship reports, and how to encourage participation of incapacitated adults in major decisions regarding their care. DARS is expected to develop the training by July 1, 2025, and the legislation requires all private guardians to complete the training within 120 days of appointment starting in 2027.

► ACTION TAKEN BY STATE AGENCIES

Reporting complaints about public guardians

DARS

DARS created a process to ensure it is aware of all complaints against public guardians. DARS will either conduct investigations into alleged wrongdoing or ask the contracted provider to investigate and report results.

► ACTION RECOMMENDED

Reference materials for circuit court judges on guardianship and conservatorship

- The Virginia Benchbook Committee should, in consultation with Virginia's Working Interdisciplinary Network of Guardianship Stakeholders (WINGS), create additional reference materials for circuit court judges about adult guardian and conservator cases and work with the publisher to include these materials in the Virginia Civil Benchbook for Judges and Lawyers (Recommendation 8)

Requiring new guardians ad litem to shadow experienced guardians ad litem

- The Virginia Judicial Council should amend the Standards to Govern the Appointment of Guardians Ad Litem for Incapacitated Persons to require that new guardians ad litem shadow experienced guardians ad litem on two cases that involve appointment of a guardian or conservator for an incapacitated adult, as defined in § 64.2-2000 in the

Code of Virginia. (Recommendation 9)

Including years of experience on OES list of guardians ad litem

- The Office of the Executive Secretary of the Supreme Court of Virginia (OES) should include each attorney's years of experience and areas of expertise as a guardian ad litem (GAL) on its published list of GALs. (Recommendation 12)

Independent care visits of private guardianship cases

- The Department for Aging and Rehabilitative Services, in consultation with the Virginia Department of Social Services and local departments of social services, should develop a proposal for conducting independent care visits for a subset of private guardianship cases on an ongoing basis. The proposal should describe criteria for determining which adults under guardianship should receive visits, who should conduct the visits, the purpose of the visits, what the visitor should monitor during the visit, when to request and review additional documents, and potential actions to take when problems are identified. The proposal should also include an estimate of one-time and ongoing total costs of independent care visits and be submitted to the House Appropriations Committee and Senate Finance and Appropriations Committee. (Recommendation 23)

Requiring guardians to notify designated contacts of major changes

- The General Assembly may wish to consider amending § 64.2-2019 of the Code of Virginia to require the guardian to notify designated contacts, as specified by the court, of certain changes in the condition or circumstances of an adult under guardianship, including a change to the adult's primary residence, a temporary change in living location, admission to a hospital or hospice care, and death, as well as provide them with a copy of the annual guardianship report each year at the time it is submitted to the local department of social services. (Recommendation 31)

Prohibiting self-dealing by guardians and conservators

- The General Assembly may wish to consider amending § 64.2-2009 of the Code of Virginia to (i) define self-dealing, at a minimum, to include using the estate of an adult under guardianship or conservatorship to complete a sale or transaction with the guardian or conservator, their spouse, agent, attorney, or business with which they have a financial interest; (ii) prohibit self-dealing by a guardian or conservator unless court approval is first obtained or the sale or transaction was entered into before the guardian or conservator was appointed; and (iii) make voidable by the court any sale or transaction that constitutes self-dealing. (Recommendation 32)

Developing online training for conservators

- The Office of the Executive Secretary of the Supreme Court of Virginia should coordinate with the Conference of Commissioners of Accounts and the Standing Committee on Commissioners of Accounts of the Judicial Council of Virginia to develop online training for conservators or contract with a third party to develop training. Training should include the responsibilities and duties of conservators, how to complete inventories and annual accounting reports, and more advanced financial management training on issues such as benefits and managing investments. (Recommendation 37)

Requiring conservators to complete state training

- The General Assembly may wish to consider amending § 64.2-2021 of the Code of Virginia to require conservators to complete state-provided training within four months of their court appointment, and consider amending Title 64.2, Chapter 12 of the Code of Virginia, to assign commissioners of accounts responsibility for verifying compliance with training requirements for conservators under their supervision. (Recommendation 38)

Helping ensure accuracy of adult's initial inventory of assets

- The General Assembly may wish to consider amending Title 64.2, Chapter 12 of the Code of Virginia to require conservators to (i) notify family members and other interested parties, who are specified in the initial petition for conservatorship, that an initial inventory of assets will be submitted, and (ii) provide copies of the initial inventory to notified parties, if requested, and inform these parties that they may raise any concerns about the accuracy and completeness of the inventory with the commissioner of accounts overseeing the conservator. (Recommendation 39)

Helping ensure adult's initial inventory of assets is correct for conservator petitions

- The General Assembly may wish to consider amending § 64.2-2003 of the Code of Virginia to require guardians ad litem to include in their report to the court all assets and income of adults under consideration for guardianship that they identify when determining the amount of surety on a conservator's bond. (Recommendation 40)

Listing financial resources on court order for conservatorship

- The General Assembly may wish to consider amending § 64.2-2009 of the Code of Virginia to require the court order appointing a conservator to include a list of the financial resources of the adult being placed under conservatorship to the extent known as identified in the petition for conservatorship and the guardian ad litem report. (Recommendation 41)

Review of conservator annual accounting reports

- The Office of the Executive Secretary of the Supreme Court of Virginia (OES) should collaborate with the Standing Committee on Commissioners of Accounts of the Judicial Council of Virginia and the Conference of Commissioners

of Accounts to contract with a third party to review a subset of conservator annual accounting reports. The review should, at minimum, assess the timeliness of submission and review of the reports, confirm that information provided by conservators is accurate and complete, assess the accuracy and thoroughness of the review performed by commissioners of accounts, and evaluate how commissioners are reviewing conservator compensation. OES should be directed to report the findings of the review to the Conference of Commissioners of Accounts and the chief circuit court judge and commissioner of accounts in each locality included in the review, and to use the findings to inform the development and/or refinement of guidance for commissioners of accounts and new conservator training. (Recommendation 42)



Affordable Housing in Virginia and Virginia Housing

Reports issued in 2021 and 2022

JLARC reviewed housing affordability in Virginia in 2021. JLARC staff estimated the number of Virginia households that are housing cost burdened (spending more than 30 percent of their income on housing) and the supply of affordable quality housing by region and statewide; examined the state’s efforts to increase the supply of affordable housing and provide direct financial assistance to households struggling to afford homes; reviewed the effectiveness of the state’s housing assistance programs; and examined how local zoning laws affect construction of affordable housing. JLARC staff also reviewed Virginia Housing, formerly the Virginia Housing Development Authority, in 2022.

Previously, the legislature implemented recommendations from this study that required conducting a statewide assessment of Virginia’s housing cost burden and supply and demand of affordable housing every five years and directing the Department of Housing and Community Development to conduct a related housing plan. The Virginia Housing Board of Commissioners also made several changes based on JLARC recommendations, including reporting on Virginia Housing’s financial positions, adjusting its affordable housing funding calculations, and creating a more robust committee structure.

JLARC found

JLARC staff found that Virginia Housing staff reported insufficient metrics to its board of commissioners on its Resources Enabling Affordable Community Housing (REACH) program, which is the state's largest program to address affordable housing needs. The REACH program subsidizes interest rates for multifamily rental developments and provides grant assistance to specific projects. JLARC staff recommended that better outcome measures would help ensure money is spent on initiatives directly tied to affordable housing. JLARC staff also recommended that more information about REACH should be reported regularly to the legislature because it is such a significant resource for housing affordability initiatives.

JLARC staff also found that Virginia Housing offered interest rates for single-family homes that were slightly higher than those on the commercial market and that it could potentially lower them for some borrowers. Virginia Housing's policy of upwardly adjusting the interest rates of the subset of borrowers who receive a Plus mortgage appeared to be driving this difference. JLARC recommended that Virginia Housing staff provide annual reports to its board comparing its mortgage interest rates to commercial rates and present options for offering lower rates.

JLARC staff also found that Virginia Housing's workforce housing units, which are subsidized by the REACH program, are not affordable to all of the households for which they are reserved because there are no restrictions on the rent for those units. While units are reserved for low-income households, in some cases the rents charged are the same as for other households. JLARC recommended that rents for these households be restricted to affordable amounts.

► ACTION TAKEN BY AGENCIES

Virginia Housing Board of Commissioners/Virginia Housing staff

Improving outcome measures for the REACH program

The Virginia Housing Board of Commissioners added additional outcome measures to the annual report on the REACH affordable housing program that had been recommended by JLARC staff, including:

- the number of affordable rental units created that, without a REACH grant or loan, would not have been created;
- the number of individuals with disabilities receiving REACH funds for accessibility improvements to their homes; and
- the number of permanent supportive housing units for vulnerable populations built or renovated using REACH funds that would not have otherwise been built or improved.

Reporting on mortgage rates

Virginia Housing's financial consultant has presented one report to the board on Virginia Housing's mortgage rates.

► ACTION RECOMMENDED

Reporting on expenditures and outcomes of Virginia Housing's REACH program

- The General Assembly may wish to consider amending §36-55.51 of the Code of Virginia to require Virginia Housing to submit an annual report to the chairs of the Senate Finance and Appropriations Committee, House Appropriations Committee, and Virginia Housing Commission describing: i) Virginia Housing's annual contributions to the Resources Enabling Affordable Community Housing (REACH) program and the annual fund balance (or any future program that reinvests Virginia Housing's net earnings into affordable housing initiatives); ii) amount of

REACH funds spent in the fiscal year by broad purpose; and iii) the outputs and outcomes associated with those and prior REACH expenditures, as measured through its REACH performance measures. This report should be submitted at the end of each fiscal year. (Recommendation 5)

Reporting annually to the board on how Virginia Housing's single-family mortgage rates compare to commercial rates and presenting options for lowering them

- Virginia Housing should provide annual reports to the Board of Commissioners comparing the interest rates it offers on single-family loans to interest rates offered on the commercial market, and present options for offering lower rates where the Virginia Housing interest rate is higher than the comparable commercial market rate. (Recommendation 14)

Requiring Virginia Housing's workforce housing units to offer rent affordable to low-income households

- The General Assembly may wish to consider modifying §36-55.30:2 of the Code of Virginia to specify that, in economically mixed projects financed by the Virginia Housing Development Authority, at least 20 percent of units shall be reserved for low-income households and reserved units must be affordable to households earning 80 percent and below area median income. (Recommendation 9)

Creating an incentive program for localities to adopt zoning policies that facilitate affordable housing

- The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Housing and Community Development to evaluate different approaches to structuring, administering, and funding an incentive program to provide additional state funding for infrastructure improvements to localities that adopt zoning policies designed to facilitate the development of affordable housing and report on it. The report should include recommendations for implementing an

incentive program and should be submitted to the House Committee on Counties, Cities, and Towns; the Senate Local Government Committee; and the Virginia Housing Commission. (Recommendation 18)



Virginia's Transportation and Infrastructure Funding

Report issued in 2021

In 2021, JLARC staff reviewed Virginia's surface transportation system and funding. JLARC's transportation study reviewed current transportation revenue and future projections, road conditions and maintenance funding, road improvements planning and funding, and transit condition and funding.

JLARC found

JLARC staff found that the state could more economically maintain its bridges by allowing funding from the State of Good Repair program to be used on bridges that are in "fair condition" rather than those deemed "structurally deficient." Proactive maintenance on bridges in "fair" condition before they deteriorate to "structurally deficient" can allow the bridges to be repaired, whereas structurally deficient bridges often need to be fully replaced. Proactively maintaining a bridge rather than waiting to replace it is substantially more cost effective. The Virginia Department of Transportation (VDOT) provided data showing proactively maintaining a bridge costs substantially less than not maintaining it and then replacing it. (Proactive maintenance costs \$1.65 per square foot each year, while replacement costs \$15 per square foot each year.) JLARC recommended changing the law to allow maintaining bridges in "fair" condition, rather

than waiting until they become structurally deficient.

JLARC also found the State of Good Repair program funding is allocated across the nine VDOT districts (and the VDOT and locally maintained roads within each) using an arbitrary floor and cap. This arbitrary structure had resulted in two districts not receiving proportional shares of funding in recent years. JLARC recommended two adjustments to improve how this funding is allocated.

JLARC found that VDOT's Smart Scale program, Virginia's largest transportation improvement program, was generally objective and fair when deciding which transportation projects to fund. However, JLARC staff found through interviews with localities that they sometimes could not get their top-priority projects funded through the program. To address this concern, JLARC recommended that localities be allowed to rank their project priorities when submitting projects for consideration.

In addition, the VTRANS planning process did not fully include needs of regional significance in some rural areas. These corridors of regional significance were excluded from the VTRANS needs assessments for congestion or travel time reliability.

JLARC staff also found that the MERIT operating assistance program, a state transit program, did not consider how well agencies promoted transit access to low-income areas in its funding decisions. JLARC recommended that the Department of Rail and Public Transportation (DRPT) staff review MERIT's performance metrics to determine whether they could be changed to benefit transportation access to low-income areas.

► ACTION TAKEN BY THE GENERAL ASSEMBLY

Proactive bridge maintenance funding

HB 1254 (2024) - Delegate Runion

Legislation passed in 2024 allows bridges to be eligible for State of Good Repair funding before they reach a "structurally deficient" rating. The bill allows for funds to be used for improve-

ments expected to extend the life of a bridge at least 10 years, and apply to bridges in “fair condition.”

► ACTION TAKEN BY STATE AGENCIES

Including local priorities in Smart Scale scoring

Commonwealth Transportation Board

Smart Scale policy now requires applicants to rank projects in order of importance prior in the application submission. This prioritization is shared with each Commonwealth Transportation Board member prior to making financial funding decisions.

Promoting transit access in MERIT program

DRPT

In 2022, DRPT reviewed MERIT operating and capital assistance programs. As a result of the review, the Commonwealth Transportation Board added a performance metric for accessibility to disadvantaged populations, including low-income areas. In addition, DRPT has implemented its Transit Ridership and Incentive Program, which provides better transit access to low-income individuals and funding for passenger amenities.

► ACTION RECOMMENDED

Additional funds for districts in the State of Good Repair program

- The General Assembly may wish to consider amending § 33.2-369 of the Code of Virginia to allow the State of Good Repair (SGR) program to fund more of the estimated bridge and pavement repair needs in construction districts by (i) eliminating the 17.5 percent cap and 5.5 percent floor on the proportion of SGR funding that a district can be allocated or (ii) raising the cap on the proportion of SGR funding that a district can be allocated to 20 percent but maintaining the 5.5 percent floor. (Recommendation 5)

Identifying corridors of regional significance

- The Commonwealth Transportation Board should designate corridors of regional significance to be included in the VTrans needs identification process. (Recommendation 6)



Ongoing Evaluation and Oversight

JLARC provides ongoing legislative evaluation and oversight of the state's economic development incentives, the Virginia Retirement System (VRS), the Virginia Information Technologies Agency (VITA), the Commonwealth Savers Plan (formerly known as Virginia529), and racial and ethnic impact statements for proposed criminal justice legislation. Ongoing evaluation and oversight help keep the General Assembly informed in key areas and ensure proper stewardship of the state's resources and taxpayer dollars.

Economic development incentives

JLARC is responsible for ongoing evaluation of the state's economic development incentives. Areas of evaluation include spending on incentives, business activity generated by incentives, economic benefits of incentives, and the effectiveness of incentives. JLARC contracts with the University of Virginia's Weldon Cooper Center for Public Service to assist with the evaluations.

JLARC issued in-depth reports on business location and expansion incentives in 2023 and on the state's custom grant incentives in 2024. JLARC also issued reports on overall spending and business activity for Virginia's economic development incentives in 2023 and 2024. The 2024 report provided estimates of the collective impact of Virginia's economic development incentives.

Virginia Retirement System

JLARC regularly reports on the structure and governance of VRS, including the structure of the investment portfolios, investment practices and performance, actuarial policy and soundness, and administration and management.

In 2023, JLARC staff conducted a study of the eligibility of state and local public safety occupations for enhanced retirement benefits. The study assessed public safety occupations (both those that already receive enhanced retirement benefits and those that have been seeking to receive enhanced benefits) based on their level of public safety responsibility and physical and psychological demand. The study then rated public safety occupations based on their relative levels of public safety responsibility and physical and psychological demands.

In 2024, JLARC staff conducted a review of the investment benchmarks VRS and Commonwealth Savers use to measure performance. Staff found that VRS uses a custom policy benchmark for its total fund, similar to many other public funds, and widely recognized benchmarks for most asset classes. VRS has generally outperformed its benchmarks and compares favorably to other large public pension plans. VRS has made several changes to its benchmarks in recent years, including eliminating the spread for the private equity benchmark, making the benchmark easier to achieve. Staff noted that a legislative benchmark review could broadly assess the appropriateness of VRS's recent benchmark changes, or it could focus solely on the change to the private equity benchmark.

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.

In its 2024 annual update to the Commission, JLARC staff reported that several key customer agencies stated that VITA's

infrastructure services had improved, as well as its management of its multi-supplier model. However, agencies still had concerns about the quality and reliability of the network, as well as the consistency of security vulnerability scanning and the timely patching of critical security vulnerabilities.

Commonwealth Savers Plan

JLARC staff periodically report on the structure and governance of the Commonwealth Savers Plan (formerly Virginia 529), including the structure of the investment portfolios, investment practices and performance, actuarial policy and soundness, and administration and management.

In 2022, JLARC issued a report on the Defined Benefit 529 Surplus Fund, which found that the fund is higher than needed to cover future obligations. The report found that \$1.3 billion in DB529 surplus funds could safely be withdrawn over at least five years (based on the 2021 valuation) and be returned to account holders and used to support higher education access and affordability. Legislation has been introduced to implement recommendations and options from the study, but it has not been enacted. In October 2024, the Senate Finance Workgroup on DB529 Surplus Funds considered potential options for addressing the surplus. Legislation was not enacted in the 2025 session, but the 2025 Appropriation Act (pending approval by the governor) establishes the VA529 Surplus Funds Joint Subcommittee to consider the 2022 JLARC report and make recommendations regarding the 1) method, timing, and amount of withdrawals from the fund, 2) the appropriate allocation and use of monies withdrawn, and 3) ongoing oversight of the fund. The subcommittee is to submit its findings and recommendations by October 15, 2025.

In July 2024, JLARC contracted with an independent consultant to review the risk-based capital (RBC) model that the Virginia529 board (now the Commonwealth Savers board) adopted as part of a Comprehensive Risk Policy to help assess the actuarial soundness of and overall risks faced by the DB529 fund. Because the RBC model has a substantial impact on the surplus funds

available and it has not been widely used with defined benefit college savings plans, JLARC hired the consultant to review the appropriateness and use of the RBC model to assess the DB529 fund. The consultant suggested using a stochastic simulation model, rather than an RBC model, to evaluate the DB529 fund, because it considers the interactions of several important factors that affect the surplus over many economic scenarios. Commonwealth Savers has since adopted a risk scorecard that incorporates a stochastic simulation model.

In its 2024 review of VRS's and Commonwealth Savers's investment benchmarks, JLARC staff found that, similar to VRS, Commonwealth Savers uses a custom policy benchmark for its total fund and widely recognized benchmarks for most asset classes. However, JLARC reported that Commonwealth Savers's investment performance has underperformed its benchmarks for most periods, and performance has been lower than other defined benefit college savings programs. JLARC staff suggested that a legislative benchmark review may provide insight into whether the fund could be managed to better improve performance, but such a review should occur after any legislative changes are made to the fund.

Mandated health insurance benefits

JLARC staff participated in assessments of bills that would mandate insurance coverage of specific healthcare benefits, when requested by the Health Insurance Reform Commission. These assessments have focused on the medical effectiveness of the proposed coverage, current availability and use of the treatment, and the financial impact on people without coverage. In 2024, JLARC issued three assessments of proposed mandated health insurance benefits: for PANS & PANDAs (HB 513), audio-only telehealth services (HB 1918/SB 1157), and proton radiation therapy (HB 2206). In 2025, the General Assembly passed legislation that transfers responsibility for assessing bills that would mandate insurance coverage of specific healthcare benefits to the Joint Commission on Health Care.

Racial and ethnic impact statements for proposed criminal justice legislation

Starting with the 2022 session, JLARC began providing reviews of proposed criminal justice legislation to determine the potential impact on racial and ethnic disparities in the Commonwealth. Reviews can be requested by the chairs of the House Judiciary Committee and the House Courts of Justice Committee. JLARC was asked to provide racial and ethnic impact statements for two bills during the 2024 session: petition for sentence modification (SB 427) and compensation of court-appointed counsel (SB 356).

Fiscal Analysis Services

JLARC staff provide several 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 three bills during the 2023 and 2024 sessions. The bills addressed tax credits, elections, and public safety.

Spending and benchmarking reports

JLARC staff issue annual reports on total state spending and on state spending for the K–12 Standards of Quality. Staff also produce an annual publication comparing Virginia with 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.

JLARC Reports

Joint Legislative Audit and Review Commission (JLARC) research is directed by resolution of the General Assembly or by the Commission. JLARC's full-time staff conduct research; develop recommendations for improving operations, services, and programs; and report their findings and recommendations in a public briefing before the Commission. Reports are available in print and on the JLARC website, jlarc.virginia.gov.

Forthcoming in 2025

Potential transfer of DJJ to HHR

School library book removal

Capital construction and maintenance

Community college landscape & mission impact

Shifting demographic trends

Correctional education & vocational training

K-12 accountability

Effects of gun violence

2023-2024 reports

Data Centers in Virginia

Broadband Deployment in Virginia

Compensation: Senators and Delegates

Virginia Department of Health's Financial Management, Staffing, and Accountability

Virginia Military Survivors and Dependents Education Program

Spending and Efficiency in Higher Education

Higher Education Institutional Viability

Review of VRS and Virginia529 Benchmarks

Northern Virginia Tolling and Congestion; P3 Lessons Learned; and I-81 Congestion and Funding

VCU Health System Capital Process and Governance Structure

Custom Incentive Grants

GO Virginia Program

Virginia's State Psychiatric Hospitals

Indigent Criminal Defense and Commonwealth's Attorneys

Enhanced Retirement Benefits for Public Safety Occupations

Virginia's Self-Sufficiency Programs and the Availability and Affordability of Child Care

Business Location and Expansion Incentives

Virginia's K-12 Teacher Pipeline

Virginia's K-12 Funding Formula

Periodic updates

Virginia Compared with the Other States (annual)

State spending (annual)

State spending on the K–12 Standards of Quality (annual)

Oversight: Virginia Retirement System (semi-annual)

Oversight: Virginia529 (biennial)

Oversight: Virginia Information Technologies Agency (periodic)

Economic Development Incentives



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919 East Main Street, Suite 2101
Richmond, VA 23219