



JLARC
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

2011 REPORT TO THE
GENERAL ASSEMBLY





JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

September 12, 2011

Members of the Virginia General Assembly

Dear Colleagues:



This report briefly describes JLARC's ongoing activities, such as our oversight of the Virginia Retirement System, and presents a scorecard of achievements in relation to our performance measures. It also summarizes the key findings and recommendations of recent JLARC studies, and significant actions taken by State agencies, the General Assembly, and other entities in response to these studies.

Three JLARC studies discussed in this report have had a particular impact on public policy in Virginia. In response to the findings and recommendations of JLARC staff, the compensation package for State employees was modified to more closely align with budget priorities, and major changes were made to the State's information technology governance structure. In addition, services have been improved for Virginians diagnosed with autism spectrum disorders.

In keeping with one of our primary objectives, the results of JLARC studies will sometimes lead to savings or new revenue for the State. As shown on page 18, more than \$36 million is expected to accrue to the State from implementation of recommendations or options described in JLARC reports over the past two years.

I thank all members for their continuing cooperation and support in our oversight efforts.

Cordially,

A handwritten signature in cursive script, reading "Charles J. Colgan".

Charles J. Colgan
Chair

This report is available at <http://jlarc.virginia.gov>

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JLARC STUDIES

Our full-time staff conducts studies to evaluate the efficiency and effectiveness of State agencies and programs. These studies may be requested by the General Assembly—through a Joint Resolution or language in the Appropriation Act—or by the Commission.

Based on study findings, the JLARC study team may develop recommendations. These recommendations are designed to help improve agency operations, services, and programs, and eliminate those that are duplicative or are performing poorly. Recommendations typically call for specific actions by agencies or secretariats, or for consideration by the General Assembly.

A JLARC report may also provide a baseline assessment of a new program or issue of concern, or one that has not been evaluated recently.

ONGOING ACTIVITIES

JLARC also has a variety of ongoing oversight responsibilities. Some of these activities are described in more detail in this report.

- Oversight of the Virginia Retirement System
- Annual report on State budget growth
- Annual report on State spending on the Standards of Quality for public schools
- Review of fiscal impact statements during legislative sessions
- Evaluation of proposed health insurance mandates with findings reported to the Special Advisory Commission on Mandated Health Insurance Benefits
- Oversight of the Virginia Information Technologies Agency (VITA)
- Monitoring of 13 internal service funds managed by the Department of General Services, VITA, and the Department of Accounts

OVERSIGHT OF THE VIRGINIA RETIREMENT SYSTEM (VRS)

We produce a series of reports that summarize the performance of VRS investments, significant changes that have taken place in VRS policies or personnel, and changes to the retirement system resulting from legislation. Recently, these JLARC reports have discussed topics such as

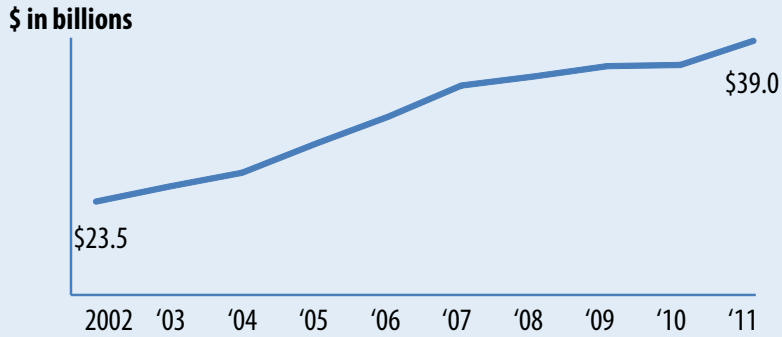
- the pension fund's gradual recovery of losses as the economy emerged from the recession—the fund's market value rose from \$38.9 billion in March 2009 to \$54.3 billion in March 2011;
- the lowering of the pension fund's long-term return assumption from 7.5% to 7.0% (effective July 2010);
- the reasonableness of the fees VRS pays to its outside investment managers;
- substantial changes resulting from legislation, such as the creation of a new retirement plan ("Plan 2") for employees hired after July 1, 2010, which will over time reduce the cost of the plan to the State and local employers;
- the continued decrease in funded status of VRS retirement plans and associated increase in recommended employer contribution rates—the unfunded liability of all the plans was \$11.9 billion in June 2009 and \$17.6 billion in June 2010.

TRACKING TRENDS IN STATE SPENDING

Each year, JLARC staff analyzes and reports on total State spending and State spending on the Standards of Quality (SOQ) for Virginia public schools. Key trends that emerge from these most recent analyses include the following:

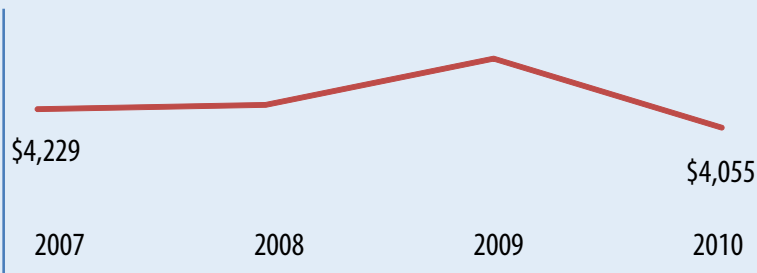
- State spending increased from \$23.5 billion to \$39.0 billion (66 percent) over the last decade (see graph, next page). The upward trend is partly due to increases in population and inflation, and also results from increases in State agency caseloads and in non-general funds, which include federal funds and higher education tuition payments. Non general-funds accounted for 60 percent of the FY 2011 budget.
- Over the same period, the departments of Education, Medical Assistance Services, Transportation, and Social Services, as well as the University of Virginia (including the Medical Center) have consistently been in the top five for largest appropriations received.

TOTAL STATE SPENDING



- From FY 2007 to FY 2010, State spending for the SOQ on a per-pupil basis decreased by about four percent, from \$4,229 to \$4,055. The number of pupils attending public schools, teacher salaries, and State and local shares of SOQ costs are some of the factors that impact the amount spent by the State for the SOQ.
- The amount of State funds expended by individual school divisions to meet the SOQ is determined in part by the locality's ability to pay. Since 2007, Lee County has spent the most in per-pupil State funds to meet the SOQ, receiving \$6,976 per pupil in 2010. Localities with a greater ability to pay, including Goochland County and Williamsburg, have spent the least amount of per-pupil State funds to meet the SOQ; Williamsburg received \$2,069 per pupil in 2010.

TOTAL STATE SPENDING ON THE SOQ, PER PUPIL



PERFORMANCE SCORECARD

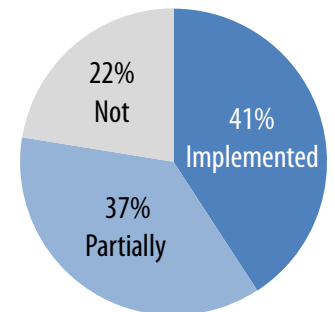
JLARC tracks its performance in five specific areas: number of products (primarily reports and briefings) provided to the General Assembly and others; percentage of products completed on time; percentage of recommendations made four years ago that have been implemented; and potential or actual savings or new revenue from implementing recommendations during the past four years and cumulatively since JLARC's inception.

The scorecard below shows how we performed in FY 2011, including in relation to the two measures that have specific targets. It should be noted that implementation of recommendations, and savings that may accrue to the State, depend largely on the nature of the research topics JLARC is assigned, the operations and resources of the agencies and programs that are reviewed, and policy decisions.

PERFORMANCE MEASURE	TARGET	2011 ACTUAL
Number of products	--	66
Products on time	100%	100%
Recommendations made four years ago (in 2006) that have been implemented	75%	41%
Savings / new revenue from implementation of recommendations over last four years (2007-2010)	--	\$121.9 million
Cumulative savings / new revenue (1975-2011)	--	\$713.2 million

MOST RECOMMENDATIONS FROM 2006 AT LEAST PARTIALLY IMPLEMENTED

According to reports from State agencies and other sources, almost 80 percent of the recommendations from JLARC reports produced in 2006 have been either fully or partially implemented. In some cases, the partially implemented recommendations are "in progress." The vast majority of recommendations made in 2006 were from either *Evaluation of Children's Residential Services Delivered Through the Comprehensive Services Act* or *Performance and Oversight of Virginia's Small Community Drinking Water Systems*.



FOCUS ON STATE EMPLOYEE COMPENSATION, INFORMATION TECHNOLOGY, AND HUMAN SERVICES

JLARC studies completed in the last biennium addressed issues such as State employee salaries and benefits, the contract with Northrop Grumman to provide IT services to State agencies, and the adequacy of services for Virginians with autism spectrum disorders and for veterans who are homeless.

We also reviewed the findings of a federal agency concerning Virginia’s juvenile correctional centers, and the fiscal impact of the Governor’s proposal to privatize the alcoholic beverage control system.

Study findings, recommendations made by JLARC staff, and major actions that have occurred as a result of those findings and recommendations are summarized on the following pages. Most of the actions described are taken from agency reports to JLARC in the spring of 2011. Savings or new revenue that agencies reported have resulted from those actions are shown on p. 18.

ABBREVIATIONS USED IN THIS REPORT

AGENCIES

DBHDS	Department of Behavioral Health and Developmental Services
DOC	Department of Corrections
DCJS	Department of Criminal Justice Services
DHCD	Department of Housing and Community Development
DMBE	Department of Minority Business Enterprise
DOE	Department of Education
DEQ	Department of Environmental Quality
DMAS	Department of Medical Assistance Services
DPB	Department of Planning and Budget
DRPT	Department of Rail and Public Transportation
DRS	Department of Rehabilitative Services
DSS	Department of Social Services
DVS	Department of Veterans Services
OVAHS	Office of the Secretary of Veterans Affairs and Homeland Security
DHS	U.S. Department of Homeland Security
VCU	Virginia Commonwealth University
VDH	Virginia Department of Health
VDOT	Virginia Department of Transportation
VHDA	Virginia Housing Development Authority
VITA	Virginia Information Technologies Agency
VRS	Virginia Retirement System

OTHER

ASDs	Autism spectrum disorders
CIO	Chief information officer
IT	Information technology
NG	Northrop Grumman

Review of State Employee Total Compensation (2008)

This comprehensive review of State employee salaries and benefits conducted by JLARC staff, with the assistance of two consulting firms, identified two alternative options that would change certain aspects of employees’ total compensation package. Either option would reduce the level of financial risk for the State and better achieve the goals of recruiting and retaining a qualified workforce.

MAJOR FINDINGS & RECOMMENDATIONS

- We found that most agencies were able to recruit qualified staff, primarily because the State’s health insurance, retirement, and leave benefits were competitive. State salaries, however, were only partially effective at recruiting, retaining, and motivating employees. Certain agencies, such as DBHDS and DOC, struggled with recruitment and retention due to salaries.
- We determined that the State’s level of future financial risk was high with regard to its provision of health insurance benefits. State spending on health insurance had grown faster than total compensation spending.
- We found the level of future financial risk for the State to be moderate due to the retirement system. State-paid employee compensation for retirement was unique compared to other states, and the cost of living adjustment (COLA) for retirees was particularly expensive and greater than that provided by other states.
- We recommended that to improve its decision-making about employee salaries and benefits, the State develop a total compensation strategy which identifies principles and goals, and actions to achieve those goals.

MAJOR ACTIONS

The 2010 General Assembly made several modifications to the State employee retirement system. Two key changes—reducing the COLA for employees hired on or after July 1, 2010 who retire on a State plan and requiring those employees to contribute toward their retirement benefits—were modeled after the options described in the report. (See savings from employee contributions into VRS on p. 18.)

The 2011 Appropriations Act required almost all State employees to make mandatory retirement contributions, with a concomitant salary increase for the newly affected employees.

RECOMMENDATIONS OUTSTANDING

The State’s salary structure has not been refined nor has DPB required agencies to provide more supporting data when asking for salary increases. A total compensation strategy has not been established.

FOLLOW-UP REVIEW

JLARC staff are conducting a follow-up review of the State’s retirement programs. The report, due in December 2011, will include options to revise or offer an alternative to the current defined benefit retirement plans.

Assessment of Services for Virginians With Autism Spectrum Disorders (2009)

Concern about the adequacy of services for Virginians with ASDs, which are lifelong and pervasive developmental disorders, led to this study. JLARC staff evaluated the services that were available in Virginia and identified improvements that were needed.

MAJOR FINDINGS & RECOMMENDATIONS

- We found that the effectiveness of Virginia’s public programs for diagnosing, treating, and managing the care of individuals with ASDs was undermined by several factors. Coordination between agencies providing services was lacking, there was no centralized point of information about available services, and many agency programs were unable to fully meet these individuals’ needs.
- Notably, many Virginia schools were not meeting the multifaceted needs of students with ASDs, in part because there was inadequate practical guidance on ASD-specific instruction and school staff needed more technical assistance. Also, many schools were not providing adequate assistance for students with ASDs in their transition to adult life.
- We found that children were often being diagnosed with an ASD later than advisable and not receiving intensive early intervention services at the optimum time or at all. Such services have been shown to substantially improve children’s outcomes and reduce the cost of special education and other public supports.
- There were limited supports and services to help adults with ASDs achieve independence, and some of these adults had to rely on public assistance.
- We noted there were limited opportunities for public safety personnel to be trained to respond appropriately to individuals with ASDs.
- The report’s 21 recommendations called for actions by the primary agencies that serve individuals with ASDs—DBHDS (the lead coordinating agency for these services since 2009), DOE, DMAS, and DRS. Recommendations also were addressed to DCJS, VDH, and the Supreme Court of Virginia.
- The report identified options for building a more effective, comprehensive system of care along with possible sources of funding, including increasing the role of health insurance to pay for medically necessary services.

MAJOR ACTIONS

All of the report recommendations have been at least partially implemented.

Workgroups made up of staff from relevant agencies (with DBHDS taking the lead), as well as family members and individuals with ASDs, created a detailed action plan, released in November 2010, which addresses the report recommendations. A legislative autism advisory council was created whose duties include monitoring implementation of the action plan.

DOE developed guidance documents on teaching students with ASDs using evidence-based practices, developing effective education plans, facilitating students’ transition from school to adulthood, and helping parents through the special education process.

DOE partnered with VCU to establish the Autism Center of Excellence, which provides training and technical assistance for Virginia school divisions. DOE also increased the amount of tuition reimbursement available to students in teacher preparation programs enrolled in autism-specific coursework.

The Commonwealth Autism Service website was redesigned and acts as a centralized, comprehensive source of information.

DMAS began notifying families with children about the availability of treatment for ASDs through Medicaid. DMAS also provides guidance to physicians on use of a standardized ASD screening tool. Additional diagnostic clinics have been developed in several Virginia regions, and federal funds were secured to train individuals in diagnosing ASDs.

DRS hired several ASD experts and offered counselors more training on working with individuals with ASDs. The Woodrow Wilson Rehabilitation Center life skills training program expanded to serve additional clients, and an ASD social skills support group was developed. The center’s Autism Advocacy Partnership helped secure a grant to fund the development of customized assessment and employment services for individuals with ASDs.

DCJS conducted autism awareness training for law enforcement officers in seven regions across the state, and provided similar training to school resource officers and administrators, fire and rescue personnel, teachers, principals, social workers, and counselors. The Director of Educational Services for the Supreme Court of Virginia reported there are plans to offer a version of this training to all substitute judges in the fall of 2011. (See savings reported by DRS and DCJS on p. 18.)

The General Assembly passed legislation requiring certain health insurance plans to cover early intervention services for young children with ASDs (more details are on p. 14).

RECOGNITION OF STUDY IMPACT

Assessment of Services for Virginians With Autism Spectrum Disorders received an award for its impact on public policy from the National Legislative Program Evaluation Society of the National Conference of State Legislatures.

The Virginia Board for People with Disabilities noted that the JLARC report “provides a blueprint for improving services for individuals with autism during all stages of life.”

Review of Information Technology Services in Virginia (2009)

In 2006, VITA contracted with Northrop Grumman (NG) to modernize and operate the IT assets of the executive branch. In 2008, this JLARC review was requested because of complaints about the quality, cost, and applicability of NG's services to some agencies' unique needs.

MAJOR FINDINGS & RECOMMENDATIONS

- We found the IT governance structure was ineffective. The CIO was hired by and reported to an independent IT board that was not adequately supervising VITA or the contract with NG, and the board's independence limited the Governor's ability to make needed corrections. We recommended eliminating the board and having the Governor appoint the CIO, who would report to the Secretary of Technology. In addition, we found that VITA's responsibility for both providing and overseeing IT services, including IT procurements, created inherent conflicts of duty. We recommended a return to the separate IT services and policy agencies that existed prior to VITA's creation in 2003.
- An additional concern was that VITA used its oversight authority to assign individual State agencies the responsibility for IT security even though IT infrastructure was no longer in the agencies' control. We recommended that the VITA CIO have direct responsibility for IT security.
- The problem of poor IT planning was noted in previous JLARC reviews, and we found that it had persisted under VITA. In 2010, VITA was also tasked with overseeing the modernization of enterprise applications and the development of statewide data standards. However, VITA lacked a clear plan and we recommended VITA develop a formal plan for this complex process.
- We also found that many IT goods and services procured by NG on behalf of the State could cost more than if the State procured them directly. We made recommendations for VITA to improve its oversight of IT procurements, including discontinuing use of NG for some purchases. We also recommended VITA develop a formal policy concerning agencies' use of third party vendors, where appropriate, if they were more cost effective than NG.
- There were widespread problems with VITA's internal service fund rates, and we recommended revising the rate structure and improving the rate-setting process, including aligning VITA's rate-setting process more closely with the State's annual budget development process.
- We also observed that in future public-private partnerships, the State should (1) give priority to vendors with relevant experience, (2) ensure that contracts provide for adequate vendor performance, and (3) assign the legislature a role in financial auditing and performance evaluation, including review of proposed amendments to existing contracts.

MAJOR ACTIONS

The 2010 General Assembly and Appropriation Act addressed many of the findings and recommendations from the JLARC study.

The IT Board was eliminated and replaced with the Information Technology Advisory Council (ITAC), which is composed of agency representatives from each Cabinet Secretary, the Secretary of Technology, the CIO, and two citizens, all appointed by the Governor. The CIO now reports to the Secretary of Technology.

VITA's CIO was directed to work with agencies to develop a risk management program to identify and mitigate gaps in IT security. *JLARC staff stands by the recommendation that the CIO should be in charge of IT security.*

VITA is to develop a formal plan for how it intends to modernize and integrate enterprise applications that support the State's central administrative functions. *According to VITA, these elements will be included in the technology business plan being developed by ITAC.*

VITA is to analyze and report on potential improvements to the procurement of IT goods by NG. *VITA reported it would implement a new approach to procurement in the summer of 2011 and that it is evaluating whether provisions in the NG contract provide reasonable assurance that prices are competitive.*

Changes were made to the internal service fund rate process to improve transparency and coordination with the budget process. For example, rates must be submitted by September 1, nine months before they would go into effect, to ensure the funds are budgeted.



RECOMMENDATIONS OUTSTANDING

A new agency to provide oversight of State government IT was not established. Instead, the 2010 Appropriation Act directs JLARC staff to assume ongoing oversight of VITA. The Public-Private Partnership Advisory Commission also was not given statutory authority to review proposed contract amendments, as was recommended.

The Council on Technology Services was not re-established in statute. The council would have served as a defined venue for agencies to provide direct feedback on their concerns about and needs for IT services. *VITA reported that the establishment of ITAC and continuation of the CIO Council may satisfy the intent of this recommendation.*

A formal process has not been established for assessing agency requests to use third party vendors. *VITA reported it has a draft process and is working with NG to implement that process with the rollout of Windows 7.*

SERVICE DISRUPTION FOLLOW-UP

JLARC and VITA staff selected a firm to conduct the audit of the August 2010 systems outage at the Chester data center. JLARC staff then worked with that firm to ensure the accuracy of the audit and the readability of the report, which included 26 recommendations for improvements to NG's performance related to the outage.

Reducing Veteran Homelessness in Virginia (2010)

This study was requested by the Commission because of concerns that services for veterans who are homeless were not well coordinated and additional resources might be needed to address gaps in those services.

MAJOR FINDINGS & RECOMMENDATIONS

- About 890 self-identified veterans were homeless in Virginia at a single “point-in-time” count in 2010, but throughout the year, more than 2,000 veterans may have been homeless. We estimated that about 780 of those veterans were chronically homeless (these veterans have been homeless frequently or for a long time and have one or more disabling conditions).
- A lack of affordable housing, poverty, substance abuse, mental illness, and a history of incarceration are key factors that can result in an individual becoming homeless.
- We determined that homeless veterans need assistance obtaining federal benefits, which may include subsidized housing and assistance with finding a job. To ensure this assistance is available, we recommended that DVS fill all claims representatives positions required by the *Code of Virginia*.
- We determined that preventing homelessness and moving veterans out of homelessness will require additional resources. Many communities reported to JLARC staff that they are not able to help homeless veterans secure permanent homes. Actions the State could take would be to increase funding for the State’s Homeless Intervention Program or provide veteran-specific rental subsidies.
- We recommended the Governor’s re-entry council consider how to assist veterans released from prison or jail who have difficulty finding housing and employment because of convictions for violent offenses.
- We found that permanent subsidized housing combined with supportive services has been demonstrated to effectively address the needs of chronically homeless persons while reducing costs associated with this population. To assist chronically homeless veterans, the State could provide existing supportive housing programs with more funding, fund veteran-specific vouchers for supportive housing, and/or award competitive funds for new supportive housing programs. The State could also designate a revenue source for its housing trust fund or create and fund a veterans trust fund.

MAJOR ACTIONS

As the final report was being prepared, two of the Governor’s executive orders established groups which could potentially address some of the report’s findings and recommendations: (1) a housing policy advisory committee which “will increase capacity to address the needs of homeless Virginians by focusing on the reduction of chronic homelessness” and (2) a prisoner and juvenile offender re-entry council which includes a committee focusing on veterans.

The 2011 General Assembly provided funds for DVS to hire additional claims representatives. DVS reported it planned to fill those positions in the summer of 2011.

DVS and DHCD reported that the two agencies are working together in a newly created Homeless Outcomes Coordinating Council to identify goals and strategies for reducing homelessness among veterans.

RECOMMENDATIONS OUTSTANDING

Additional State funds have not been provided for the Homeless Intervention Program, veteran-specific rental subsidies or vouchers, or the State’s housing trust fund. *VHDA reported that the resources of the State’s housing trust fund are depleted.*

The Virginia Prisoner and Juvenile Offender Re-entry Council Veterans Task Force has not specifically addressed housing and employment-related assistance for veterans convicted of violent offenses. *The task force reported it is aware of the challenges facing this population and is working to strengthen connections between DOC, DVS’ Virginia Wounded Warrior Program, and local re-entry councils.*



Evaluation of House Bill 83: Mandated Coverage of Autism Spectrum Disorders (2008)

We reported that a minority of health insurance providers in Virginia covered behavioral treatments for ASDs even though most medical experts and the American Academy of Pediatrics consider applied behavioral analysis (ABA) therapies to be particularly effective for children with the disorder. We concluded that coverage of these services is consistent with the role of health insurance and that it may be desirable to restrict coverage to evidence-based treatments provided by certified or licensed providers, and to place a cap on coverage.

The 2011 General Assembly passed legislation which requires certain private plans as well as the State's employee health plans to cover the diagnosis and treatment of ASDs in children ages two to six. Coverage for ABA therapy is capped at \$35,000 annually, and treatment must be provided or supervised by a certified, licensed behavioral analyst.



Evaluation of House Bill 2191 and Senate Bill 1458: Mandated Coverage of Telehealth Services (2009)

Our evaluation found that medical experts supported the efficacy of telemedicine, which is direct patient care services delivered via telecommunications. We concluded that a mandate focused on telemedicine would be preferable to a broader mandate for telehealth, which could include activities not directly related to patient care.

The 2010 General Assembly passed legislation which requires health insurers to cover telemedicine.



Placing More Treasury-Managed Funds in Virginia Banks (2010)

Legislation introduced in 2009 and 2010 would have required Treasury to place a portion of Local Government Investment Pool (LGIP) assets in banks operating within the Commonwealth. (The LGIP is primarily an investment fund for localities, but Treasury manages its investments.) In 2009, JLARC requested staff to study the potential benefits of placing more Treasury-managed funds in Virginia banks. The study focused on the two largest Treasury-managed portfolios—the LGIP and the Primary Liquidity Portfolio, which includes the majority of the State's General Account assets.

We found that a requirement to place a portion of these portfolios in Virginia banks could have a negative impact on both portfolios' objectives, which are established by the *Code of Virginia* and the Treasury Board as (1) safety, (2) liquidity, and (3) return on investment. In addition, the LGIP's AAAM rating could be jeopardized. We also found that any economic benefits would be uncertain and unlikely to offset the potential reduction in returns for both portfolios.

Treasury staff reported that it concurs with the report recommendation that if the General Assembly were to require additional public funds to be placed in Virginia banks, a specific lending requirement be attached to these funds. In its response, Treasury referenced a program "whereby such time deposits are specifically linked by community banks to loans for economic development" and stated that it would require additional resources to implement and monitor such a program.

FOLLOW-UP ON EARLIER STUDIES

We also follow up on actions being taken in response to earlier studies. For example, recommendations continue to be implemented from studies of Virginia's preschool program for at-risk four-year-olds and of homeland security funding and preparedness.

VIRGINIA PRESCHOOL INITIATIVE (VPI): CURRENT IMPLEMENTATION AND POTENTIAL CHANGES (2007)

DOE reports that Virginia's Early Childhood Advisory Council, with the assistance of a three-year federal grant, is developing recommendations to improve the professional development and career advancement of early childhood educators. As part of this effort, the council is assessing how well the State's institutions of higher education support the professional development of these educators, including the extent to which the institutions have articulation agreements, professional development and career advancement plans, and preschool internship programs for students.

REVIEW OF HOMELAND SECURITY FUNDING AND PREPAREDNESS IN VIRGINIA (2005)

In response to recommendations in this report, the Secretary of Veterans Affairs and Homeland Security office (OVAHS, formerly the Office of Commonwealth Preparedness) designated a Commonwealth Interoperability Coordinator. The coordinator focuses on using grant funds to enhance interoperability when reviewing communications-related grant requests from State agencies and localities. The coordinator also annually updates the statewide interoperability strategic plan. Regional preparedness advisory councils meet several times a year to identify interoperability gaps and propose cross-agency, cross-jurisdictional projects that meet U.S. Department of Homeland Security (DHS) grant requirements. (Interoperability refers to the ability of emergency responders to work seamlessly with other systems or products.)

Also, OVAHS adopted DHS' risk-based methodology for allocating State Homeland Security grant funds to localities and seeks to ensure that allocation of these funds takes into account probability of loss, project cost, population, and other pertinent factors. In FY 2012, OVAHS will test a new formula for quantifying threat and risk when selecting projects for State Homeland Security Grant funds.

SELECTED, MORE RECENT STUDIES

The 2013 *Report to the General Assembly* will highlight studies completed since September 2010. Three of those studies are summarized below.

REVIEW OF THE TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION (2011)

A JLARC review found that the commission has awarded grants to higher education, workforce development, and other projects that have significantly benefited many of the 41 "tobacco region" localities in Southside and Southwest Virginia. But despite the \$756 million awarded so far, revitalization of this region remains an elusive goal. JLARC staff made 26 recommendations, including that the commission be downsized and include members that have relevant backgrounds, such as in economic development. Other recommendations seek to ensure that the commission awards its remaining funds to projects with the greatest potential to revitalize the region, using input from stakeholders and analysis of data on existing projects to achieve this objective.

REVIEW OF VIRGINIA'S CORPORATE INCOME TAX SYSTEM (2011)

This review found that Virginia's corporate income tax system does not appear to hinder the State's economic development efforts, but the system could be better aligned with sound tax policy principles. In particular, the State could adopt market-based sourcing for sales of services and intangible goods while taxing out-of-state providers of such items to the full extent permissible under federal law. Most initiatives to restructure the State's current system carry significant risks, particularly in light of the State's favorable business environment.

REVIEW OF VIRGINIA'S TRANSPORTATION PLANNING AND PROGRAMMING (2010)

A key finding of this review was that the State's metropolitan planning organizations (MPOs) have limited input into the decision-making process for allocating transportation funds even though most of the State's population, roads, and traffic lie within MPO boundaries. The report made seven recommendations, including one which the 2011 General Assembly acted upon: Senate Bill 1112 directs the Commonwealth Transportation Board, VDOT, and DRPT to ensure that MPOs and regional transportation planning bodies be provided "meaningful opportunity for input into transportation decisions that impact the transportation system within their boundaries."

REPORT ON SAVINGS AND NEW REVENUE

Savings and new revenue have accrued to the State as a result of actions taken in response to JLARC reports. The table below shows (1) a cumulative amount from 1975 to 2009; (2-5) actions and reported savings or new revenue from implementing recommendations or options presented in *Review of State Employee Total Compensation, Assessment of Services for Virginians With Autism Spectrum Disorders*, and *Impact of eVA on Small Virginia Businesses*; (6) a total of rows 2-5; and (7) the new cumulative amount.

DESCRIPTION		AMOUNT
1	Savings and New Revenue From 1975 to 2009	\$677,019,190
2	State employees hired after July 1, 2010 contribute 5% of salaries into VRS (amount is for FYs 2011-2012) *	\$35,836,937
3	DRS received two grants to enhance employment opportunities for persons with autism spectrum disorders	\$187,884
4	DCJS conducted, at no charge, 12 sessions of autism awareness training for law enforcement officers, fire and rescue workers, teachers and others in seven regions across the State (agencies and localities save about \$1,500 per training session)	\$18,000
5	DMBE opened four regional offices to assist local businesses, including providing information about eVA, thus decreasing the agency's travel and personnel expenses (amount is for FYs 2011-2012) *	\$116,740
6	Savings and New Revenue Reported in 2011 (total of rows 2-5)	\$36,159,561
7	Total Since 1975	\$713,178,751

* Savings are expected to recur at varying amounts.

JLARC STAFF

The Commission's full-time staff have varied education, training, and professional experience. Most have advanced degrees in public policy or administration while others have degrees in urban planning, English, anthropology, law, etc.

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JLARC MEMBERS

The Commission is composed of nine delegates appointed by the Speaker of the House and five senators appointed by the Rules Committee. By law, five of the delegates must also serve on the House Appropriations Committee, and two senators must also serve on the Senate Finance Committee. The chair is elected by a majority of Commission members and traditionally rotates every two years between the House and Senate. The Auditor of Public Accounts serves on the Commission *ex officio*. The staff director is appointed by the Commission and confirmed by the General Assembly for a six-year term.

MEMBERS

Senator Charles J. Colgan, Chair

Delegate John M. O'Bannon III, Vice-Chair

Delegate David B. Albo

Delegate M. Kirkland Cox

Senator R. Edward Houck

Senator Janet D. Howell

Delegate Johnny S. Joannou

Delegate S. Chris Jones

Delegate Harvey B. Morgan

Senator Thomas K. Norment, Jr.

Delegate Robert D. Orrock, Sr.

Delegate Clarence E. Phillips

Delegate Lacey E. Putney

Senator Walter A. Stosch

Walter J. Kucharski, *ex officio*

Glen S. Tittermary, Director

PHILIP A. LEONE, DIRECTOR, RETIRES IN 2010

Phil Leone retired after 37 years of service, 24 as Director of JLARC. Under his leadership, JLARC maintained its national reputation for outstanding legislative oversight. Phil was most proud of his association with staff, many of whom went on to serve the Commonwealth of Virginia in other public service capacities.



JLARC staff present the results of studies at monthly meetings.



Meeting materials, including the draft report and presentation slides, are posted on the JLARC website.



Commission meetings are open to the public.

JLARC
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