

Joint Legislative Audit and Review Commission



2009 JLARC Workplan

Commission Briefing
May 11, 2009



Studies and Oversight Activities Under Deputy Director Glen S. Tittermary

- Review of DGS Internal Service Funds
- 2009 Report to the General Assembly
- Review of Funding for District and Circuit Courts
- State Spending (2009 Update)
- Virginia Retirement System Oversight
- Internal Service Fund Oversight
- Computer Resources and Website Support



Review of Internal Service Funds at the Department of General Services

Staff: Justin Brown (Team Leader), Brad Marsh,
Kimberly Sarte, Christine Wolfe

Study Mandate

- §2.2-803 of the *Code of Virginia* designates JLARC with oversight responsibility for internal service funds
- At December 2008 JLARC meeting, JLARC Director indicated that staff would review Department of General Services (DGS) internal service funds in spring 2009

Background

- Internal service funds are a mechanism to charge agencies for the cost of providing centralized services
- Each internal service fund has “rates” that it charges for its goods or services
 - Rates are intended to cover the fund’s operating expenses
- In FY 2008, DGS operated nine internal service funds
 - Collected \$108 million in revenue from customers

Major Research Issues

1. Achieving objectives of internal service funds
 - a. Activities managed in a businesslike manner
 - b. Agencies pay full cost of services provided
 - c. Costs shared across all fund types
2. Financial condition of the fund
3. Customer agency satisfaction

Research Activities

- Interviews with internal service fund and other agency staff
- Analysis of fund gain and loss statements
- Survey of customer agencies
- Research on other states' use of internal service funds

Study Schedule

Planning

January 2009

Data collection and analysis

Spring 2009

Briefing

June 2009





District and Circuit Court Funding

Staff: Walt Smiley (Team Leader), David Reynolds, Kimberly Sarte

Study Mandate

- Appropriation Act Item 29F
 - Directs JLARC to review funding of the district and circuit courts, including whether the current fee structure is equitable, efficient and sufficient
 - Also calls for a review of courthouse construction, operation, maintenance
- Staff recommends two projects
 - Court funding, due November 2009
 - Courthouse construction & maintenance, due fall 2010

Court Funding

- District and circuit courts received State appropriations of \$348 million in FY 2009
 - \$295 million and 1,981 positions for court system (including district court clerks' staff and magistrates)
 - \$53 million through Compensation Board for circuit court clerks
 - Localities also provide operating costs and some salary supplements

- District and circuit courts collected \$1.34 billion in fines, fees, and taxes in FY 2007
 - District courts collected \$264 million
 - Circuit courts collected \$1.077 billion

Major Research Issues

1. Is the State and local funding structure for district and circuit courts efficient and equitable?
2. What are the costs of district and circuit court operations, including local supplements? Could efficiencies reduce costs?
3. Are State appropriations and local supplements adequate and equitable?
4. Is the organizational structure for the district and circuit courts (including circuit court clerks) effective and efficient?
5. Is the structure of fees collected by the courts and the clerks appropriate and equitable?

Major Research Issues (continued)

6. Does the fee structure provide an equitable, efficient and sufficient source of revenue for courthouse construction, operation and maintenance?
7. What roles do State and localities have for funding courthouse operation and maintenance? Are these roles appropriate and equitable?

Research Activities

- Conduct interviews with court and local government personnel, including possible survey of court clerks
- Collect revenue and expenditure information from the Supreme Court, Compensation Board, APA, localities
- Site visits
- Literature and document review

Study Schedule

Data Analysis

Summer-Fall 2009

Report Drafting

Fall 2009

Briefing: Fees and funding

November 2009

Briefing: Courthouse construction
and maintenance

Fall 2010





State Spending (2009 Update)

Staff: Walt Smiley (Team Leader), Paula Lambert



Study Mandate

- Code of Virginia §30-58.3 directs JLARC to review State spending annually
 - Largest and fastest growing functions and programs
 - Causes of expenditure growth
 - Programs that could be consolidated or are inefficient
- Prior reports focused on spending trends

Explaining Budget Growth

- Combination of methods best explains long-term growth
- Societal factors: population growth, inflation, personal income growth, federal policies, etc.
- Virginia-specific factors: initiatives, funding decisions, caseloads, etc.
- Budget drivers: agencies that account for bulk of growth
- Individual agency and program budgets

Research Activities

- Focus: FY 2000 – FY 2009
- Examine major trends and factors
- Review selected topics



Study Schedule

Data Analysis

Summer-Fall

Briefing

November 2009





Virginia Retirement System Oversight

Staff: Tracey Smith, VRS Analyst

VRS Oversight Act

- Oversee and evaluate VRS on a continuing basis
- Prepare semi-annual investment reports
- Prepare a biennial status report
- Conduct a quadrennial actuarial analysis
- Hire an actuary for use by JLARC, House Appropriations, and Senate Finance
- Publish an informational guide for legislators

VRS Oversight Activities and Schedule

- Attend meetings of the Board and IAC
- Update the online Legislator's Guide to VRS
- Semi-annual investment report (July and December)
- Status reports by VRS Director and CIO (July)



Internal Service Fund Oversight

Staff: Glen Tittermary, Bob Rotz, Aris Bearse, Ashley Colvin

Background

- JLARC statutory responsibility (§2.2-803 of Code of Virginia)
 - Creation of new funds as necessary
 - Elimination of funds no longer needed
 - Transfer of excess balances to general fund
- Commission policy
 - Review of quarterly financial statements
 - Approval of changes in billing formulas and rates
 - Approval of changes in scope and nature of services

Current Funds

- Virginia Information Technologies Agency (VITA)

 - Computer services

 - Systems development

 - Telecommunications

- Department of General Services (DGS)

 - Fleet Management

 - State Surplus Property

 - Virginia Distribution Center

 - Consolidated Laboratory Services

 - Federal Surplus Property

 - Real Estate Services

 - Graphic Communications

 - Capital Outlay Management

 - Facilities Management

Schedule

Consideration of VITA rate requests and approval of DOA payroll service bureau ISF	June 2009
Review of additional rate requests	As needed
Review of financial statements	Quarterly



Studies Under Division Chief Robert B. Rotz

- Impact of eVA on Small Businesses
- Homeless Veterans
- APA Exemptions
- Post-Election Audits
- State Spending on SOQ Costs (2009 Update)



Impact of eVirginia (eVA) on Small Businesses

Staff: Eric Messick (Team Leader), Janice Baab,
Shannon White, Paula Lambert

Study Mandate

- House Joint Resolution 119 (2008) directs JLARC to study the impact of eVirginia (eVA) on small businesses in the Commonwealth
 - eVA is a web-based procurement process that supports the State's decentralized purchasing environment
 - With some exceptions, State entities are to use eVA to announce procurement opportunities, receive quotes, and place orders for goods and services
- Businesses are eligible for small business status by meeting either of the State's following two criteria
 - 250 or fewer employees
 - Average gross receipts of \$10 million or less averaged over previous 3 years

Background

- FY 2008 State procurement spending for goods and services was roughly \$4.6 billion, of which 99% was processed through eVA
- State agencies, colleges, universities, and many local governments use eVA
- Of about 174,000 businesses in Virginia, more than 38,000 are registered with eVA
- About 12,600 businesses are eVA registered and certified by the State as small businesses

Study Issues

1. Total number and dollar amount of contracts awarded to small businesses through eVA annually
2. Impact of the fee structure and mandatory use of eVA on procurement opportunities for small businesses

Research Activities

- Interviews
- Collection and analysis of eVA data
- Surveys of Virginia businesses and State agencies

Study Schedule

Research and Analysis

Fall 2008 -
Spring 2009

Report Drafting

Spring 2009

Briefing

July 2009





Reducing Homelessness Among Veterans in Virginia

Staff: Eric Messick (Team Leader)

Study Mandate

- Letter from Delegate Cox dated January 22, 2009, requested JLARC study ways to reduce homelessness among veterans in the Commonwealth

Background

- As of fall 2008, about 814,000 veterans lived in Virginia, according to the U. S. Department of Veterans Affairs
- Veterans experience homelessness due to effects of PTSD, traumatic brain injury as well as other causes
- Specialized services available, including through U.S. Department of Veterans Affairs
- Services are also available from State, local, and private sources

Study Issues

1. Examine current level of services provided by federal, State, local, and private sources
2. Identify gaps in those services
3. Identify need for additional services and their cost

Study Schedule

Research and Analysis

Fall 2009 -
Spring 2010

Briefing

Summer 2010





Review of Exemptions from the Virginia Administrative Process Act

Staff: Aris Bearse (Team Leader), Jenny Breidenbaugh



Background

- Virginia Administrative Process Act (VAPA) governs the way in which State agencies promulgate regulations
 - Requires
 - Notice of intended regulatory action
 - Posting of proposed regulation
 - Minimum periods for public comment and input
 - Economic impact analysis conducted by Department of Planning and Budget
- Several agencies wholly or partially exempt from VAPA requirements and many regulatory actions are exempt
- §2.2-4005 of the *Code of Virginia* directs JLARC to periodically review exemptions

Study Issues

1. Why do VAPA exemptions exist?
2. What are the implications of these exemptions?
3. How has the number and use of exemptions changed over time?
4. How does Virginia compare to other states in the use of exemptions?
5. Which exemptions, if any, should be discontinued or modified?

Research Activities

- Surveys
 - State agencies
 - Regulated community
 - Regulatory administrators in other states
- Structured interviews
- Data collection and analysis

Study Schedule

Research and analysis

Spring 2009

Report drafting

Summer 2009

Briefing

September 2009





Review of Post-Election Audits of Voting Equipment in Virginia

Staff: Justin Brown (Team Leader), Greg Rest

Study Mandate

- SJR 328 (2009) directs JLARC to study post-election audits of voting equipment in Virginia

Background

- Definition of post-election audit

The audit of election results, conducted after the polls have closed ... by performing manual counts of paper ballots and voter-verifiable paper records in randomly selected units (e.g. precincts) and comparing them to the corresponding electronic or manual tallies, for the purpose of verifying the election result with a high level of confidence.

Major Study Research Issues

1. Alternative strategies for post-election audits
2. Reasonableness of data, procedures, results, and conclusions of Virginia's pilot audit of optical scan calculators
3. Time requirements and costs of post-election audits
4. Experience of post-election audits in other states
5. Level of statistical confidence of different audit strategies
6. Changes required in the *Code of Virginia* and procedures for different audit strategies

Research Activities

- Convene meetings to include statistical and election audit experts, and representatives from
 - State Democratic Party
 - State Republican Party
 - Virginia Electoral Board Association
 - Voter Registrars' Association of Virginia

- Structured interviews

- Reviews of literature, documentation, and *Code of Virginia*

- Survey / telephone interviews with other states

Study Schedule

Meetings for first year

Summer and Fall
2009

Data collection and analysis

Winter, Spring,
Summer 2010

Briefing

November 2010





State Spending on Standards of Quality (SOQ) Costs (2009 Update)

Staff: Bob Rotz

Study Mandate

- Section 22.1-97 of the Code of Virginia
- Statutory section provides that
 - The Department of Education must report data on required and actual local expenditures for the SOQ
 - JLARC is required to report on State expenditures for the SOQ

Background

- Fifth in series of annual special reports by JLARC was completed December 2008
- State SOQ spending in FY 2008 was \$5.09 billion
- Report briefed by JLARC staff to the Commission, then furnished to House Appropriations, Senate Finance, and education committees

Sixth Report in Series Will Address

1. Total State SOQ spending statewide in FY 2009
2. Factors impacting the amount of State SOQ spending
3. State dollars spent in each school division, total and per pupil

Study Schedule

Data analysis

Oct. / Nov. 2009

Briefing

December 2009

Written report to standing
and money committees

January 2010



Studies Under Division Chief Hal Greer

- Autism Services
- Virginia Corporate Income Tax
- VITA
- Review of Health Insurance Mandates



Delivering Services to Virginians With Autism Spectrum Disorders

Staff: Nathalie Molliet-Ribet (Team Leader), Ellen Miller,
Tracey Smith, Stefanie Papps

Study Mandate

- House Joint Resolution 105 (2008) directs staff to
 - Compare autism services provided in Virginia to other states
 - Assess availability of autism education for law enforcement and judicial personnel
 - Identify best practices and ways to improve delivery of autism services in Virginia

Overview of Autism Spectrum Disorders

- Autism spectrum disorders (ASDs) affect individuals differently and to varying degrees
- ASDs are a group of developmental disabilities impairing social interactions and communication
- Usually appear before age 3

Prevalence of Autism Spectrum Disorders Rising Faster than Availability of Services

- 1 in every 150 eight-year-old children had a diagnosed ASD in 2007
- ASD rate increased by 173% in last decade
- Effective approaches to diagnosis, treatment, and management of ASDs not consistently available
- Public safety personnel may lack education to recognize and address ASDs

Study Issues

1. Which ASD services exist in Virginia, and how do they compare to those available in other states?
2. To what extent do law enforcement and judicial personnel have access to education about ASDs?
3. What best practices exist for the diagnosis, treatment, and management of ASDs?
4. How could the delivery of ASD services be improved in Virginia?

Research Activities

- Structured interviews with State and local stakeholders
- Site visits
- Surveys
- Examination of other states' service delivery systems
- Literature review

Study Schedule

Research and analysis

Summer 2008-Winter 2009

Report drafting

Spring 2009

Briefing

June 2009





Review of Virginia Corporate Income Tax

Staff: Nathalie Molliet-Ribet (Team Leader)

Study Mandate

- House Joint Resolution 681 (2009) directs staff to
 - Compare Virginia's corporate income tax system to that of other similar states
 - Consider cost-of-performance rather than market-based assessment to calculate tax liability of multi-state corporations
 - Examine impact of tax structure on how corporations operated in Virginia during past 20 years

Background

- Corporations subject to corporate income tax
 - Incorporated under Virginia law
 - Registered with SCC to conduct business in Virginia
 - Receiving income from Virginia sources

- Tax rate = 6% of computed Virginia taxable income

- FY08 revenues collected = \$808 M

Research Activities

- Structured interviews
- Data collection and analysis
- Survey

Study Schedule

Research and analysis

Fall 2009 - Summer 2010

Report drafting

Summer 2010

Briefing

Fall 2010





Operations, Services, and Costs of the Virginia Information Technologies Agency

Staff: Ashley Colvin (Team Leader), Jamie Bitz,
Mark Gribbin, Massey Whorley



Study Mandate

- Senate Joint Resolution 129 (2008) and Item 29 E of the 2008 Appropriation Act direct JLARC to examine the Virginia Information Technologies Agency (VITA)

Background

- VITA provides information technology (IT) services to State agencies, in part through contract with Northrup Grumman
- VITA's project management division oversees IT systems development projects proposed by State agencies
- Costs of VITA services are recovered through internal service fund fees
- Information Technology Investment Board (ITIB) oversees VITA & approves systems development projects

Study Issues

1. Evaluate quality, cost, & value of services delivered to State agencies and public bodies
2. Characterize impact of fee-based services model & new partnership with Northrop Grumman
3. Examine the relationship between VITA and the ITIB
4. Examine the procurement of IT goods & services by VITA for other State agencies
5. Examine the management of IT projects by VITA's Project Management Division
6. Examine VITA's role in governance & oversight of IT maintenance & operations now conducted by State agencies

Summary of Findings from Interim Report

- Despite successes, tension exists between centralization and agency autonomy
- VITA has cited problems with NG's planning, & agencies have delayed transformation for several reasons
- State agencies raise concerns about adequacy of NG's services
- IT governance structure may not be meeting its intended objectives

Summary (continued)

- Payment cap of \$236 million can be exceeded if inflation occurs or agencies request new services
- No additional savings are expected during initial contract term
- VITA's implementation of rates may increase IT costs for some agencies
- Transformation is a very complex undertaking, and progress toward July 1, 2009, deadline is mixed

Research Activities

- Interviews
- Data collection and analysis
- Literature reviews

Study Schedule

Interim report completed

December 2008

Additional Research & Analysis

Spring-Fall 2009

Briefing

December 2009





Review of Mandated Health Insurance Benefits

Staff: Kimberly Sarte (Team Leader), Jenny Breidenbaugh



Study Mandate

- Sections 2.2-2503 and 30-58.1 of Code of Virginia direct JLARC to
 - Assist Special Advisory Commission on Mandated Health Insurance Benefits
 - Evaluate social and economic costs and benefits of proposed health insurance mandates
- Bureau of Insurance also assists Special Advisory Commission

Background

- Require health insurers to
 - Cover or offer specific benefits
 - Cover specific providers
 - Extend benefits to certain populations
- Argument For
 - Provide consumers better access to health care services
- Argument Against
 - Can increase health insurance costs

Mandated Benefits in Virginia

- Approximately 1/3 of Virginians affected by mandates
 - Individual and employer fully insured plans
- 27 mandated benefits and offers of coverage and 15 mandated providers
 - Virginia among top 4 states in number of health insurance mandates in 2008*

**Source: Council for Affordable Health Insurance*



New Prosthetics Mandated Offer in Virginia

- 2009 General Assembly passed mandated offer for prosthetics device coverage
 - Mandate will be effective in 2010
- JLARC 2007 review found mandate would
 - Establish minimum coverage level not presently available to some insured
 - Increase access to prosthetics given their potentially high costs

Mandates Proposed in Two Areas During 2009 Session

1. Telehealth services HB 2191, SB 1458
2. Amino acid-based elemental formulas* HB 2337

**Evaluation of HB 2337 will be an addendum to a JLARC review of a similar mandate in 2008.*

Research Activities

- Review of medical literature
- Interviews with medical experts
 - Virginia Commonwealth University Medical Center
 - University of Virginia Medical Center
- Data analysis
 - BOI survey of insurance companies
 - State employee health plan
 - Medicaid
- Analysis of information provided by opponents and proponents, including insurance industry and advocacy groups

Study Schedule

Review proposed mandates

Spring/Summer

Advisory Commission meetings

Summer 2009

