

*Commission on Local Government*

**Estimate of Local Fiscal Impact**  
2005 General Assembly Session

**Bill:** SB 878      **Patron:** Wampler      **Date:** January 24, 2005

**I. Bill Summary**

SB 878 transfers to the Virginia Retirement System (VRS) responsibility for the Line of Duty Act program. The bill also establishes a new fund to pay for the health insurance of State and local public safety personnel, as well as their surviving spouses and dependents, which become disabled or are killed in the line of duty. The fund would also pay the beneficiaries of such personnel whose death occurs in the line of duty. The Commonwealth and each locality with employees eligible for benefits under the Line of Duty Act will be required to make annual contributions to the fund. Currently, Line of Duty Act benefits are the total responsibility of the Commonwealth. SB 878 provides, however, that those localities with a comparable health insurance benefits program can elect to not participate in the benefits from the Line of Duty Act benefits, but will still be required to contribute to the VRS Line of Duty Act fund.

**II. Fiscal Impact and Analysis**

The Commission on Local Government received a total of 16 fiscal impact estimates concerning SB 878. The responding jurisdictions included the Cities of Hopewell, Lynchburg, Richmond, Roanoke, Virginia Beach and Winchester, as well as the Counties of Augusta, Bath, Botetourt, Campbell, Charles City, Fairfax, Gloucester, Northampton, Rappahannock, and Rockingham.

The Counties of Bath and Botetourt indicated that the legislation was not applicable to their localities. The Cities of Roanoke and Winchester indicated that SB 878 would not impose a net additional expenditure on those local governments, while the City of Richmond indicated a net local cost of the bill to be less than \$5,000. The Counties of Augusta, Campbell, and Charles City stated that they had insufficient data, such as information on the health insurance benefits currently provided by the State under the Line of Duty Act or actuarial assumptions that would be used by VRS, to provide a fiscal impact estimate of this bill. The City of Hopewell and the Counties of Rappahannock and Rockingham estimated that the impact of SB 873 on their locality would be greater than \$5,000, but those local governments were unable to quantify the net additional expenditure without additional data from VRS.

## **Fiscal Impact Statement**

**SB 878**

**Page 2**

The fiscal impact assessments from the remaining localities with respect to SB 873 are as follows:

### **City of Lynchburg \$140,148 Total First Year Cost**

Estimate is base on a projected rate of 0.31% provided by VRS last year for a similar bill and the City's FY2005-06 VRS creditable payroll of \$45.9 million.

### **Fairfax County \$1.27 Million – \$1.76 Million Total First Year Cost**

The County's estimate is based on the local cost of additional public employees participating in the County's health insurance program.

### **Gloucester County \$23,969 Total First Year Cost**

The County's estimate is based on a projected rate of 0.28% provided by VRS last year for a similar bill and the County's FY2005-06 total employee payroll.

### **Northampton County \$8,000 Total First Year Cost**

Without knowing the required VRS contribution rate, the estimate is based on the current cost to the County for its health insurance program and projecting that two employees would be eligible for Line of Duty Act benefits.

### **City of Virginia Beach \$150,000 Total First Year Cost**

Virginia Beach's estimated is based on the City assuming certain costs currently borne by the Commonwealth.

Most of the responding local governments indicated that the estimate of the fiscal impact of SB 878 on their jurisdiction could not be calculated precisely without knowing the contribution rate that VRS would impose on localities for this bill.

The passage of SB 878 may also result in approximately 12 local governments with independent retirement systems (e.g., Cities of Alexandria, Danville, Newport News, Norfolk, Richmond, and Roanoke and the Counties of Arlington, Fairfax, and Powhatan) entering into fiduciary relationship with VRS for the first time.

## **III. Conclusion**

The fiscal impact of SB 878 on local governments may be considerable to some local governments depending on a number of factors that cannot be measured at this time. The exact cost to localities will vary according to total payroll costs and the VRS rate for contributions to the Line of Duty Act fund.