

Department of Planning and Budget
2007 Fiscal Impact Statement

1. **Bill Number** HB 2006

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron** Callahan

3. **Committee** General Laws

4. **Title** Line of Duty Act

5. **Summary/Purpose:** The bill would provide that any local employee included in the definition of a deceased person under the Line of Duty Act who was disabled on or after January 1, 1966 would be entitled to receive health insurance coverage fully paid for by the Commonwealth beginning July 1, 2007. (Under current law, any eligible person disabled on or after July 1, 2000, and any eligible state employee disabled on or after January 1, 1966, is entitled to receive health insurance coverage fully paid for by the Commonwealth.)

6. **Fiscal impact:**

DPB cannot estimate with precision the fiscal impact associated with the increased eligibility of local employees for the continued health insurance coverage benefit under the Line of Duty Act. The fiscal impact would depend on a number of factors, including the number of eligible local employees disabled between January 1, 1966 and June 30, 2000, the number of such individuals who file claims, and the costs associated with health insurance coverage. Also, the timing of the additional expenditures would depend greatly on the amount of time it would take the Department of State Police to complete the additional investigations.

Based on information provided by the Virginia Professional Fire Fighters Association last year, which surveyed the Virginia Retirement System (VRS), the nine active local pension systems in the Commonwealth as well as one local pension system that converted to VRS in 1997, DPB estimates that there are likely to be at least 900 new claims as a result of the bill (the survey covered the 1972-2000 period; however, DPB assumes that there would not be a significant number of claims for the 1966-1972 period). This estimate does not include the potential additional claims for volunteer and auxiliary members of rescue squads and police, sheriff and fire departments who may have been disabled between 1966 and 2000 but who do not participate in a government pension plan. These additional claims could double the estimate of new claims. The current average cost for claims under the Line of Duty Act health insurance program is about \$700 per month, or about \$8,400 per year. Therefore, the bill would increase costs to provide continued health insurance coverage under the Line of Duty Act by between \$7.5 million and \$15 million per year. While the annual cost per claim would increase in future years as health insurance costs rise, any overall increases in costs to provide such health insurance coverage could be offset by declining numbers of eligible beneficiaries.

There also would be significant increased costs to the Department of State Police to conduct additional investigations. The Department of Accounts (DOA) would need two additional positions in order to confirm eligibility and pay health insurance costs on a continuing basis. DOA estimates that the two additional positions would cost approximately \$120,000 per year (for salaries, fringe benefits, and other nonpersonal services costs).

- 7. Budget amendment necessary:** Yes; Items 256 (Department of Accounts) and 262 (Department of Accounts Transfer Payments).
- 8. Fiscal implications:** See Item 6.
- 9. Specific agency or political subdivisions affected:** Department of Accounts; Department of Accounts Transfer Payments; Department of State Police.
- 10. Technical amendment necessary:** No.
- 11. Other comments:** DOA estimates that costs associated with the current health insurance coverage benefit under the Line of Duty Act will increase from \$6.8 million in FY 2007 and \$9.4 million in FY 2008 to more than \$30 million in FY 2012. Additionally, it should be noted that the Governmental Accounting Standards Board has issued a statement regarding accounting for the unfunded actuarial liability of post-employment benefits. This unfunded actuarial liability for the Line of Duty Act program currently totals between \$99 million and \$183 million, depending on whether the full annual actuarial required contribution is funded in an independent trust fund over the next 30 years. This bill would approximately triple the number of claimants currently receiving benefits, which would increase both the unfunded actuarial liability and the annual required contribution by a factor of approximately three. This bill is identical to HB 2823, SB 1010, and SB 1157 as introduced.

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cc: Secretary of Finance
Secretary of Public Safety