

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB 41

House of Origin X Introduced Substitute Engrossed

Second House X In Committee Substitute Enrolled

2. Patron: Reynolds

3. Committee: Appropriations

4. Title: Line of Duty Health Benefits Trust Fund

5. Summary: This bill amends the Line of Duty Act to include local employees who were disabled in the line of duty after January 1, 1966. (Under current law, local employees are covered if they were disabled on or after July 1, 2000.) The bill also provides for a \$1.50 monthly fee to be collected from alarm company operators for each alarm system monitored and a \$5 fee to be collected on all processes and services in civil proceedings to provide funding for the Line of Duty Health Benefits Trust Fund.

6. Fiscal Impact Estimates:

Chapter 847, Item 262 B. changed the funding methodology for the Line of Duty Act program from a cash-basis to an actuarial-basis. Local employees disabled on or after July 1, 2000 are currently eligible for Line of Duty Act benefits. The bill would provide Line of Duty Act benefits to local employees disabled on or after January 1, 1966, which would increase the number of Line of Duty Act benefit recipients and therefore the actuarial costs. The fiscal impact of this bill is calculated by multiplying the number of potential new recipients of Line of Duty Act benefits by the actuarially determined annual required contribution per recipient. It should be noted that benefit "recipients" carry a high incremental actuarial cost (i.e., higher than simply adding eligible employees) because the requirement to pay benefit streams (for health insurance) are certain.

It is difficult to estimate with precision the number of new benefit recipients as a result of the provisions of this bill. However, based on information provided by the Virginia Retirement System (VRS), the Department of Accounts (DOA) estimates that there may be 900 local employees in the VRS system who would qualify for health benefits under the provisions of this bill. Local employees not covered by VRS may double the total to 1,800. Based upon actuarial analyses, the estimated increase in the annual required contribution (i.e., the budget cost) for each of the potential benefit recipients would be \$13,000 per year. Therefore, the total actuarial cost of this bill ranges from \$11.7 million (900 x \$13,000) to \$23.4 million (1,800 x \$13,000) annually. The actuarial costs in future years may change depending upon variances between actual and assumed health insurance rate increases, investment returns, and other actuarial factors.

Additionally, costs to DOA to administer claims and health insurance billings for the additional benefit recipients would be \$700,000 per year for 10 additional positions (for salaries, fringe benefits, and nonpersonal service costs). The bill provides for DOA's administrative costs to be paid from the fund. The Department of State Police would also require additional resources related to the additional investigative workload.

Based on information provided last year by the Virginia Professional Fire Fighters, the \$1 monthly fee would provide \$12 million annually. If the same information is used for a \$1.50 monthly fee, then annual revenue could be as high as \$18 million. This estimate assumes that there would be one million alarm systems subject to the new fee and that there would be no uncollectible assessments. It is unclear how many alarm company operators would collect the \$1.50 fee and submit the proceeds to the Department of Accounts; however, according to the National Burglar and Fire Alarm Association's (NBFAA) website, there are 49 member firms in Virginia. Other firms likely provide this service but are not members of the NBFAA. The administrative impact on the Department of Accounts would depend upon the number of alarm company operators submitting the fees (the greater the number, the greater the administrative costs to process the receipts and ensure compliance with the new requirements). However, according to DOA, two additional positions and \$150,000 annually would be needed to develop policies, procedures, and process the receipts. The Virginia Professional Fire Fighters also estimate that the \$5 fee to be collected on all processes and services in civil proceedings would provide about \$5 million annually.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	0	0	
2009	\$12.6-\$24.3 million	12.00	GF
2010	\$12.6-\$24.3 million	12.00	GF
2011	\$12.6-\$24.3 million	12.00	GF
2012	\$12.6-\$24.3 million	12.00	GF
2013	\$12.6-\$24.3 million	12.00	GF
2014	\$12.6-\$24.3 million	12.00	GF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	0	n/a	
2009	\$23.0 million	n/a	NGF
2010	\$23.0 million	n/a	NGF
2011	\$23.0 million	n/a	NGF
2012	\$23.0 million	n/a	NGF
2013	\$23.0 million	n/a	NGF
2014	\$23.0 million	n/a	NGF

- 7. Budget Amendment Necessary:** Yes: Items 267 (Department of Accounts Transfer Payments) and Item 260 (Department of Accounts). It appears in the bill's house of origin a proposed amendment to Item 267 of the budget bill (SB 30) replaces the general fund line of duty payments of \$10.5 million in FY 2009 and \$11.8 million in FY 2010 with \$17 million nongeneral fund revenue in each year from the fees provided in SB 329. The \$17 million was the estimated revenue impact for a \$1 month fee prior to the amendment to raise the monthly fee to \$1.50.

8. Fiscal Implications: See Section 6.

9. Specific Agency or Political Subdivisions Affected: Department of Accounts; Department of Accounts Transfer Payments; and Department of State Police.

10. Technical Amendment Necessary: No.

11. Other Comments: The engrossed version of SB 329 is identical to this bill.

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cc: Secretary of Finance
Secretary of Public Safety