

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB1997

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Bulova

3. Committee: Appropriations

4. Title: **Line of Duty Act; definitions; funding for 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 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: Preliminary.

6a. Expenditure Impact: *Note: these numbers are based on a range*

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2009	\$0	0.0	n/a
2010	\$12.0 million-\$23.0 million	12.0	GF/NGF
2011	\$12.0 million-\$23.0 million	12.0	GF/NGF
2012	\$12.0 million-\$23.0 million	12.0	GF/NGF
2013	\$12.0 million-\$23.0 million	12.0	GF/NGF
2014	\$12.0 million-\$23.0 million	12.0	GF/NGF
2015	\$12.0 million-\$23.0 million	12.0	GF/NGF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2009	\$0	n/a
2010	\$17.0 million	NGF
2011	\$17.0 million	NGF
2012	\$17.0 million	NGF
2013	\$17.0 million	NGF
2014	\$17.0 million	NGF
2015	\$17.0 million	NGF

7. Budget Amendment Necessary: Yes, Item 267.

8. Fiscal Implications: Chapter 847, Item 262 B. of the 2007 Acts of Assembly changed the funding methodology for the Line of Duty Act program from a cash-basis to an actuarial-basis by establishing a general fund appropriation set at a level intended to proportionally (20 percent per

year) reduce the funding shortfall between the previous pay-as-you-go funding level and the actuarially determined funding level over the five year period between FY 2008-FY 2010. However, due to the budget shortfall, the Governor's Introduced Budget returns to the pay-as-you-go method.

Currently, local employees disabled on or after July 1, 2000, are 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.

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. This estimate does not include the additional claims from non-VRS covered pension systems and those not covered by any pension system. The additional claims from local employees not covered by VRS may double the total to 1,800.

Based on the current claims count of 616 approved claims, the per claim cost on a pay-as-you-go basis is \$12,353. Therefore, the total cost of this bill ranges from \$11,117,700 ($900 \times \$12,353$) to \$22,235,400 ($1,800 \times \$12,353$) annually. Therefore, increasing covered claimants by 1,800 as estimated under this bill increases the total cost of the line of duty program by as much as \$22,235,400 annually. The costs in future years may change depending upon variances between actual and assumed health insurance rate increases, investment returns, and other factors.

Additionally, costs to DOA to administer claims and health insurance billings for the additional benefit recipients are estimated to be \$700,000 per year for 10 additional positions (for salaries, fringe benefits, and nonpersonal service costs). This position estimate is based on the maximum number of additional claims. 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 two years ago by the Virginia Professional Fire Fighters, the \$1 monthly fee would provide \$12 million annually. 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 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 58 member firms in Virginia as of January 2009. Other firms likely provide this service but are not members of the NBFAA. In addition, recent estimates provided by the Virginia Professional Fire Fighters project that the \$5 fee to be collected on all processes and services in civil proceedings would provide about \$5 million annually.

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.

Overall, total annual additional costs resulting from this bill are estimated to be a maximum of \$22,235,400 for new claims, and \$850,000 for additional positions at DOA for the increased workload; totaling \$23,085,400 annually. Projected revenues resulting from the bill are expected to be approximately \$17.0 million annually, and are to be used for Line of Duty payments, and for costs relating to the administration of the Fund by DOA. The difference between costs related to this bill, and revenues expected to be raised ranges from \$5.0 million in excess revenue, to \$6.0 million in excess costs not supported by revenue. In the case that this bill results in excess costs not supported by fee revenue, the balance would need to be provided for with general fund dollars.

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: None.

Date: 1/22/2009 dpb

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cc: Secretary of Finance