

Commission on Local Government

Estimate of Local Fiscal Impact
2013 General Assembly Session

Bill: HB 1554 **Patron:** Loupassi **Date:** January 15, 2013

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

I. Bill Summary

Requires the risk management plans established by the Division of Risk Management to provide coverage sufficient to pay as compensation for a single claim an amount not to exceed \$2 million. The bill also requires each locality to secure for the sheriff and his deputies liability coverage that is beyond the coverage provided under the risk management plan for any civil judgment obtained based on injuries or damages sustained arising out of the conduct and scope of the sheriff's operations.

II. Fiscal Impact Analysis

The Commission on Local Government (CLG) received fiscal impact statements from 21 localities – the Counties of Arlington, Augusta, Campbell, Fairfax, Henrico, King George, Rappahannock, Rockingham, Spotsylvania, and Wise; the Cities of Charlottesville, Danville, Lynchburg, Norfolk, Richmond, Roanoke, Waynesboro, and Winchester; and the Towns of Louisa, Strasburg, and Wytheville.

Eight of the responding localities – the Counties of Fairfax, Henrico, and Rockingham; the Cities of Charlottesville and Waynesboro; and the Towns of Louisa, Strasburg, and Wytheville – reported that they would not experience a net increase in expenditures.

Henrico County indicated that they currently provide excess coverage up to \$5,000,000. They expressed concern that there is no cap on the excess coverage that is required. A higher cap could result in excess cost for Henrico County.

Charlottesville indicated that their Sheriff and deputies are covered well beyond the requirements of the bill. Additionally, they echoed the concerns of the Virginia Municipal League (VML), which stated that the bill is unrealistic because a reinsurer is not going to agree to cover *any* civil judgment.

Waynesboro, also referring to VML's concerns over HB 1554, stated that they may be unable to comply with the additional coverage mandate.

Three of the respondents – the Counties of King George, Spotsylvania, and Wise – indicated that they would experience an expenditure increase of over \$5,000. King George County expressed concern about increases in costs if the number of claims increases.

The remaining ten respondents – the Counties of Arlington, Augusta, Campbell and Rappahannock and the Cities of Danville, Lynchburg, Norfolk, Richmond, Roanoke, and Winchester – reported that they would experience an expenditure increase of over \$5,000. The estimates ranged from \$5,654 in the City of Roanoke to \$800,000 in the City of Norfolk. Listed below are the revenue estimates:

Arlington County:	\$35,000-50,000
Augusta County:	9,000
Campbell County:	10,500-24,500
Rappahannock County:	unknown
Danville City:	unknown
Lynchburg City:	50,000-75,000
Norfolk City:	500,000-800,000
Richmond City:	50,000-80,000
Roanoke City:	5,654
Winchester City:	unknown

Arlington County expressed a concern that additional coverage would create deeper pockets and may encourage more claims. They also indicated that their estimate is a minimum because it is impossible to estimate the cost of additional coverage.

Augusta County's estimate is based upon an assumption that coverage levels will double. They also indicated that the ambiguity of what is required has made the impact difficult to estimate.

Campbell County stated that their estimate is based upon a range of a cap between \$5 million and \$10 million. They also stated that they believe that HB 1554 is an unfunded mandate on local governments and that the bill should not be seriously considered without a cap on the required insurance.

Rappahannock County and the Cities of Danville and Winchester did not provide an estimate, but believe that any cost to their respective localities would exceed \$5,000. All three questioned whether any insurer would write coverage for civil liability without a cap.

The City of Lynchburg expressed concern about being forced to provide additional coverage for the Sheriff's office when they have no control over their daily operations, policies, or procedures. Without being able to implement risk management policies on the Sheriff's office, they believe that the City's insurance program will always be at risk.

The City of Norfolk acknowledged that their estimate is based upon quotes they previously received for the purchase of insurance policies for liabilities in excess of \$2 million. Like Campbell County, they stated that HB 1554 is an unfunded mandate on local governments.

III. Conclusion

Localities have made it clear that estimating the financial impact of HB 1554 has been difficult. Of the ten localities that believe the impact will be over \$5,000, eight of were only able to provide a range of estimates. In addition, some localities believe that there will not be a financial impact because absence of a cap is not realistic.

The Virginia Municipal League has reported that it is unrealistic to assume that a reinsurer will agree to cover civil judgments with unlimited liability. In addition, they have stated that reinsurance or excess policies typically contain a limit of liability, which HB 1554 fails to specify.

The City of Lynchburg provided an interesting perspective on the impact of the bill. If HB 1554 were to pass, they would need to pay for additional coverage for the Sheriff's office, over which they do not have control.

HB 1554 will impact any locality with a Sheriff's office. If the coverage they currently provide is insufficient, they will experience an increase in costs. The increase in costs will vary by the size of the Sheriff's office. Additionally, the lack of a cap on excess insurance coverage in the bill does not allow for an upper bound on expenditure estimates.