

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB41

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

2. Patron: Reynolds

3. Committee: Courts of Justice

4. Title: Line of Duty Health Benefits Trust Fund

5. Summary: This bill amends the Line of Duty Act to include in the definition of “disabled person” any sheriff or deputy sheriff who was disabled on or after January 1, 1990.

6. Fiscal Impact Estimates: Preliminary

Chapter 847, Item 262 B. changed the funding methodology for the Line of Duty Act program from a cash-basis to an actuarial-basis. Sheriffs and deputy sheriffs 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 sheriffs and deputy sheriffs disabled on or after January 1, 1990, 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 up to 150 disabled sheriffs and deputy sheriffs who would qualify for health benefits under the provisions of this bill. Based upon actuarial analysis, 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 could be up to \$1,950,000 annually. The actuarial cost 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 require one additional FTE and \$70,000 per year (for salary, fringe benefits, and non-personal service costs). The Department of the State Police would also require additional resources to take on this additional investigative workload.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	0	0	0
2009	\$2,020,000	1.00	GF
2010	2,020,000	1.00	GF
2011	2,020,000	1.00	GF
2012	2,020,000	1.00	GF
2013	2,020,000	1.00	GF
2014	2,020,000	1.00	GF

6b. Revenue Impact: None

7. Budget Amendment Necessary: Yes, Items 267 (Department of Accounts Transfer Payments and Item 260 (Department of Accounts)

8. Fiscal Implications: Department of Accounts will have to add one staff member to administer the impacts of this bill. It is uncertain if the Department of the State Police will need additional staff.

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

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/23/2008 dpb

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cc: Secretary of Finance
Secretary of Public Safety