

## Department of Planning and Budget 2010 Fiscal Impact Statement

**1. Bill Number:** SB97

House of Origin	<u>X</u>	Introduced	___	Substitute	___	Engrossed
Second House	___	In Committee	___	Substitute	___	Enrolled

**2. Patron:** Quayle

**3. Committee:** Finance

**4. Title:** **Line of Duty Act; definitions; funding for the Line of Duty Death and Health Benefits Trust Fund.**

**5. Summary:** This bill includes local employees disabled on or after January 1, 1966, in the definition of “disabled,” and also provides for funding through a \$0.05 surcharge to the current E-911 service fee.

**6. Fiscal Impact Estimates:** Preliminary. See comments in Item 8.

**7. Budget Amendment Necessary:** Yes, Item 258 and Section 3-6.02. See comments in Item 8.

**Fiscal Implications:** This bill creates a \$0.05 surcharge to the current E-911 fee to generate revenue for the costs associated with this bill, and expands the number of individuals eligible to receive health benefit payments from the Line of Duty Act.

Claims Costs:

This bill amends the Line of Duty Act to provide for health insurance coverage for local employees disabled in the line of duty between January 1, 1966 and June 30, 2000. Currently, the Line of Duty Act only covers local employees who were disabled in the line of duty after July 1, 2000.

The Virginia Retirement System (VRS) estimates that there may be 900 local employees in the VRS system that would constitute a new claim for health benefits under the provisions of this bill. This estimate does not include the additional claims from those individuals covered by non-VRS pension systems and those not covered by any pension system. Such additional claims could double the estimate to 1,800 total new claims. These estimated 1,800 new claims would be in addition to the 697 claims that are currently being paid as Line of Duty Act benefits.

*Pay-as-you-go Claims Cost:* Item 267 of Chapter 781 of the 2009 Acts of Assembly, the 2009 Appropriation Act, includes \$9.2 million in funding for the Line of Duty; with the appropriation calculated according to a pay-as-you-go model. If Line of Duty payments continue to be funded on a pay-as-you-go basis, the increased cost of the new claims is determined by multiplying the estimated new covered claimants by the most projected average actual pay-as-you-go cost of a claim of \$12,353 (FY 2009), for a total estimated additional cost in the range of \$11.1 million (900 new claims x \$12,353) to \$22.2 million (1,800 new claims x \$12,353), annually. This annual cost would be in addition to current Line of Duty program costs.

*Actuarial Claims Cost:* Should future payments for the Line of Duty program be switched to an actuarial basis, according to the Department of Accounts (DOA), this additional cost would more than double. Based on the current annual per claim cost on an actuarial basis of \$28,264, increasing coverage to new claimants under this bill could increase the total actuarial cost of the Line of Duty program by an estimated \$25.4 million (900 new claims x \$28,264) to \$50.8 million (1,800 new claims x \$28,164), annually. (Note: Switching to an actuarial basis for payments would also double the current required contributions for the program, as the latest actuarial valuation yields an annual required contribution of \$19.7 million based on current eligibility requirements, which is more than double the current appropriation for the program of \$9.4 million. This would not occur as a result of this bill but is a consideration when evaluating changes in the program as a result of this bill.)

Note also that the benefit costs in this program in future years may change depending upon variances between current and future health insurance rate increases.

Administrative Costs:

Costs to DOA to administer claims and health insurance billings for the additional benefit recipients are estimated to be \$742,450 per year for 10 additional positions. This cost is based on an annual salary/fringe benefit cost of \$71,097 per person, and a nonpersonal service cost of \$3,148 per person (costs such as technology, rent, hardware, etc.). This position estimate is based on the maximum number of additional claims.

The Department of State Police anticipates that this bill will result in an additional investigative workload for their agency, but any additional costs are indeterminate at this time.

The bill is silent to whether these additional administrative costs would be supported through nongeneral fund revenue raised by the fee increase, or general fund support allocated directly to the agencies.

Fees:

This bill provides for fees to be collected from E-911 surcharge of \$0.05, to be deposited to the Line of Duty Death and Health Benefits Trust Fund. Based on information provided by the Department of Taxation, the \$0.05 surcharge could generate approximately \$5.6 million annually. This estimate is based on a calculation of approximately \$1.13 million in additional revenue generated for each \$0.01 increase in the surcharge.

**9. Specific Agency or Political Subdivisions Affected:** Department of Accounts, Department of Accounts Transfer Payments, Department of State Police, Virginia Retirement System, and Department of Taxation.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** The bill is silent to whether any additional administrative costs to state agencies would be supported through nongeneral fund revenue raised by the fee increase, or general fund support allocated directly to the agencies.

Other bills that amend the Line of Duty Act:

- (i) **HB973:** Identical to the introduced version of this bill.

- (ii) **HB71:** Provides that a state police officer who incurs a work-related injury in the line of duty shall receive supplemental short-term disability coverage providing income replacement for 100 percent of the officer's creditable compensation for up to one calendar year, as opposed to the current limit on short-term disability of 125 days.
- (iii) **HB661/SB279** (identical as introduced): Codifies the Line of Duty Death and Health Benefits Trust Fund, establishes this fund as the source of funding support for the Line of Duty program, establishes an \$0.18 surcharge to the current \$0.75 E-911 fee and designates the additional revenue from this surcharge to be deposited to the Line of Duty Death and Health Benefits Trust Fund for support of the Line of Duty program.

Currently, HB 30 and SB 30 (2010 Budget Bills) do not include any general fund support for the Line of Duty program, and instead establish a \$9.4 million nongeneral fund appropriation for Line of Duty costs, based on a pay-as-you-go method. The \$9.4 million appropriation is set at a level to supplant the previous level of general fund costs associated with death and health benefit payments in the program. This nongeneral fund appropriation was established based on the approval of a new \$0.18 surcharge to the existing \$0.75 E-911 fee (see HB661/SB279, as introduced). If approved at the \$0.18 level, the potential revenue generated could equal as much as \$20.3 million annually (\$18.6 million in FY 2011, due to a one-month lag in collections).

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