

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: SB289

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

2. Patron: Carrico

3. Committee: Finance

4. Title: Line of Duty Act; funding and review.

5. Summary: Line of Duty Act; funding and review. Creates a Line of Duty Death and Health Benefits Fund and provides for the funding of Line of Duty claims. The bill also establishes an advisory review board to assist the Comptroller in the review of claims involving a claimant who has not received a disability determination from the Virginia Retirement System, Social Security Administration, Workers' Compensation Commission, or any recognized retirement system or who is, as of the time the claim for benefits had been filed, working in an alternative position.

The bill also transfers the local employee Line of Duty health benefits costs from the Communication Sales and Use Tax Trust Fund into the new Line of Duty Death and Health Benefits Fund annually and limits the retroactive period health benefits are paid for disabled claimants to five years from the date eligibility is determined.

6. Budget Amendment Necessary: Yes, Items 264 and 270, SB30

7. Fiscal Impact Estimates:

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015	\$7.7 million	1	General
	\$5-6 million		Line of Duty Death and Health Benefits Fund
2016	\$1.3 million	1	General
	\$5-6 million		Line of Duty Death and Health Benefits Fund

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2015	\$(3.9 million)	VRS LODA Local Premiums
	\$8.5-10.3 million	Communications S&UT Transfers
2016	\$(3.9 million)	VRS LODA Local Premiums
	\$8.5-10.3 million	Communications S&UT Transfers

8. Fiscal Implications: Preliminary;

It is unclear from the legislation if the patron intends to remove currently charged local premiums from the funding model. Given that revenues from the Communications Sales and Use Tax could supplant local premiums as a fund source, this fiscal impact statement assumes the patron intended to discontinue the local premiums. Several changes would be required to synchronize the intent of this bill with current law (Item 268 of Chapter 806, 2013 Acts of Assembly). However, without knowing the specifics of the intended corresponding budget amendments the complete fiscal impact of this bill is difficult to determine. Therefore, for this FIS it is assumed that the intent of this bill is to entirely replace the current funding strategy for local claimants, which involves a combination of VRS established actuarially-based Line of Duty Act premiums (\$3.9 million billed in FY 2014) paid by participating localities and self-funding of Line of Duty Act costs for non-participating localities (estimated at between \$5 to 6 million annually) with partial funding (i.e., health benefits for local claimants) from the Virginia Communications Sales and Use Tax Fund and the remaining funding (i.e., death benefits for local claimants, State Police investigative costs, DOA and VRS administrative costs) from the General Fund. Funding for state claimants is assumed to remain VRS premium based.

The bill has fiscal implications. Funds otherwise disbursed to localities pursuant to the Virginia Communications Sales and Use Tax Act are transferred to the Line of Duty Death and Health Benefits Fund. The amount transferred equals the annual health benefits costs of local Line of Duty claimants. Given the fact that many localities are non-participating in the VRS premium program, complete statewide cost information is not available. However, the amount to be transferred in FY 2015 is estimated at between \$8.5 and \$10.3 million.

Payments of VRS established actuarially-based Line of Duty Act premiums (\$3.9 million billed in FY 2014) would cease for participating localities. Self-funding of Line of Duty Act costs for non-participating localities would also cease.

Additionally, death benefits of local Line of Duty claimants (\$900,000 in FY 2013), Line of Duty State Police investigative, Department of Accounts (including current and additional Line of Duty Act Review Board costs and non-participating claims administration costs of 1 FTE), and Virginia Retirement System administrative costs supporting local Line of Duty

claimants (approximately \$400,000 annually) are not covered by the Communications Sales & Use Tax transfer. Absent additional transfer authority from the Communications Sales & Use Tax Fund, these costs would be borne by the general fund.

The bill does not address repayment of the existing VRS Group Life Insurance loan currently carrying a balance of \$8 million, approximately \$6.4 million of which is estimated to be attributable to local claims. Since it is assumed VRS local premium payments (which include a component for the Group Life Insurance loan repayment) would cease, absent additional transfer authority from the Communications Sales & Use Tax Fund, it is assumed repayment of the local portion of the Group Life Insurance loan would be also borne by the general fund.

Savings attributable to the five year limit on retroactive health benefits for disabled claimants are estimated at approximately \$30,000 annually based on recent experience.

9. Specific Agency or Political Subdivisions Affected:

Department of Accounts, Virginia Retirement System, All localities

10. Technical Amendment Necessary: Yes;

Expand forty-five day eligibility determination period in cases requiring Review Board action.

Clarification as to whether the bill intends to remove the premium model from Line of Duty Act funding. If the current VRS premium-based funding process is discontinued for both local and state claimants and Line of Duty Act funding is funded on a pay-as-you-go basis (i.e., instead of prefunding like other similar post-employment benefits), VRS investment of the fund is unnecessary and VRS involvement would likely be limited to actuarial analysis and reporting. Fund investment would revert to the ordinary investment policies common to other state funds under the jurisdiction of the State Treasury.

11. Other Comments:

This bill is identical to SB493.

Date: January 21, 2014

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