## Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2016 Regular Session

## **Part I: Measure Information**

<b>Bill Request #:</b> 965		
Bill #: HB 215 HCS	·	
Bill Subject/Title:	AN ACT relating to surcharges on insurance policies.	
Sponsor: Representa	ative Adam Koenig	
Unit of Government:	XCityXCountyXUrban-CountyXCharter CountyXConsolidated LocalXGovernment	
Office(s) Impacted:	Local Police, Sheriffs, and Professional and Volunteer Fire Departments	
Requirement: X	Mandatory Optional	
Effect on Powers & Duties: X	Modifies Existing Adds New Eliminates Existing	

## Part II: Purpose and Mechanics

The Kentucky Law Enforcement Foundation Program Fund was established by the legislature in 1972. According to the Kentucky Department of Criminal Justice Training, the Fund pays for an incentive-pay program so that more police departments send their officers to training. In a similar vein, fire departments benefit from the Kentucky Firefighters Foundation Program Fund first established by statute (KRS 95A.220) in 1980.

Currently, KRS 136.392 establishes a surcharge on every \$100 of premiums, assessments, or other charges made by insurers (except life and health insurers) for insurance coverage provided to policyholders on risks located within Kentucky. The funds derived from the surcharge are required to be deposited in the state treasury and are allocated for the Kentucky Firefighters Foundation Program Fund and the Kentucky Law Enforcement Program Fund. Further, this statute also provides that the commissioner of revenue shall have the sole authority to adjust the rate. The current surcharge per \$100 of premiums is \$1.80, according to the Kentucky Department of Revenue.

Section 1 of HB 215, as introduced, amends KRS 136.392 to remove the ratemaking authority from the commissioner and place it with the General Assembly.

Section 2 makes the Section 1 amendment retroactive to July 1, 2016.

The HCS adds detail to Section 1. If and when the General Assembly adjusts the surcharge on insurance premiums, the adjusted rate shall be applied beginning 90 days after the effective date of the Act.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The HB 215 HCS does not change the Local Mandate.

In the near term, the fiscal impact of the HCS on local law enforcement and fire departments is nil. Over the longer term, there is disagreement with regard to the fiscal impact of the measure.

In the near term, the HCS does not raise or lower the current surcharge of \$1.80 per \$100 of premiums. Therefore, in the near term, the measure has no fiscal impact on local law enforcement and firefighter training.

Over the long term, the Kentucky State Fraternal Order of Police and the Kentucky Firefighters Association expect the proposal to have a significant negative impact on law enforcement and fire departments throughout the state. They are concerned that if the discretion to adjust the surcharge is placed in the hands of the legislature, then any additional necessary increase to the surcharge to pay for increased training cost may not occur. More personnel receiving training and additional Homeland Security training requirements are among the factors that will raise training costs in the future.

The Insurance Institute of Kentucky disagrees with the Fraternal Order of Police and the Firefighters Association. The Institute points out that the General Assembly already lowers and raises various taxes and fees. Therefore, the General Assembly is quite capable of lowering or raising the \$1.80 surcharge. Furthermore, since the surcharge has been changed only once since it was created more than 30 years ago, it is unlikely that the General Assembly will need to change the surcharge very often if ever.

Ken Schwendeman, Executive Director of the Kentucky Law Enforcement Council, states that the Kentucky Law Enforcement Foundation Program Fund and the Kentucky Firefighters Foundation Program Fund receive no general fund appropriations. The insurance surcharge provides all funding for the two Funds to pay for training of police and firefighters. According to the Kentucky Fire Commission, the Kentucky Firefighters Foundation Program Fund also pays the workers' compensation premiums for volunteer firefighters and volunteer ambulance personnel.

## Data Source(s):Kentucky Department of Revenue; Kentucky Fraternal Order of Police;<br/>Kentucky Firefighters Association; Insurance Institute of Kentucky;

Kentucky Fire Commission; Kentucky Department of Criminal Justice Training; Kentucky Law Enforcement Council; KRS

Preparer:Scott VarlandReviewer:JWNDate:	3/24/16	
---	---------	--