

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; Kentucky Firefighters Association; Insurance Institute of Kentucky;

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

Preparer: Scott Varland **Reviewer:** JWN **Date:** 3/24/16