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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/06

SPONSOR Moore LAST UPDATED _____ HB 309

SHORT TITLE Improve Poorly-rated Fire Districts SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
\$10,000.0		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

The General Appropriation Act contains an authorization for the State Fire Marshal's Office to distribute an additional \$2 million from the Fire Protection Fund to fire departments with an ISO class rating of 9 or 10.

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
\$10,000.0			Recurring	Fire Protection Fund
(\$10,000.0)			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Department of Public Safety (DPS)

SUMMARY

Synopsis of Bill

House Bill 309 appropriates \$10 million from the general fund to the fire protection fund for expenditure by the State Fire Marshal for the purpose of improving fire department with a rating from the Insurance Services Office (ISO) of class 6 or greater.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year FY08 shall revert to the general fund.

SIGNIFICANT ISSUES

In FY05 the Fire Protection fund received transfers and deposits totaling about \$55.8 million. Of this total, approximately \$24.7 million was distributed to county and municipal fire departments and \$27.2 million was deposited to the general fund. The other \$3.9 million funded the operations of the State Firefighter Academy and the State Fire Marshal’s office and other statutory disbursements. The State Fire Marshal distributes monies to fire departments from the Fire Protection Fund based on the fire districts’ Insurance Services Office (ISO) class rating.

The Insurance Services Office, Inc. rates fire department and districts on a scale of 1 to 10, with a “1” rating indicating the best possible fire protection and a “10” rating indicating no fire protection. Fire departments are funded for each main and sub station based on their ISO rating according to the following formula:

Fire Protection Fund Distribution Formula

ISO Class	Main Station	Substation
1	\$58,245	\$21,584
2	\$53,957	\$20,145
3	\$49,641	\$18,705
4	\$45,323	\$17,266
5	\$43,164	\$15,827
6	\$41,007	\$14,388
7	\$38,848	\$13,670
8	\$36,691	\$12,950
9	\$37,339	\$10,797
10	\$24,460	None

The appropriation contained in HB309 would add money to the fire fund for distribution. The bill specifies that the State Fire Marshal “shall make distributions only for specific improvements designed to enhance the rating.”

According to the Department of Public Safety, the significant issue is the ability of smaller/rural departments to provide protection services (water hydrants, tanker/shuttle capabilities, personnel) that will allow the ISO to improve the ratings from higher than 6 to lower than 6 (more desirable). This is important to citizens in that the lower the ISO rating the lower the insurance rates.

The LFC conducted a review in 2003 of the uses of the Fire Protection Fund. The audit found that monies are not distributed based on need. LFC further recommended that the State Fire Marshal’s office conduct a needs assessment of the fire departments with ISO class ratings of 9 or 10 and develop a strategic plan for getting allocating additional resources to the these neediest districts to improve to class 8b or better. The State Fire Marshal received \$250 thousand to con-

duct the needs assessment, which was completed in December 2005. The State Fire Marshal recommended statutory changes to the cap on distributions, additional funding for the State Fire Marshal's office and Firefighter Training Academy, and a new grant program. The needs assessment also contained a compilation of each departments equipment needs.

PERFORMANCE IMPLICATIONS

The funds are intended to target and improve those fire departments with ratings of six or higher. The bill suggests that by adding the additional funding the Fire Marshall's Office will be able to oversee the distribution of the funds to those departments that will take appropriate steps to improve their capabilities that will lower the ISO rating to lower than 6.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The General Appropriation Act contains an authorization for the State Fire Marshal's Office to distribute an additional \$2 million from the Fire Protection Fund to fire departments with an ISO class rating of 9 or 10.

ALTERNATIVES

Instead of appropriating \$10 million from the general fund to the fire protection fund for distribution, the legislation might accomplish the same goal by authorizing the expenditure of an additional \$10 million from the fire protection fund for fiscal years 2006 – 2008.

BE/yr