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FISCAL IMPACT REPORT

ORIGINAL DATE 02/26/11

SPONSOR Larranaga LAST UPDATED 03/01/11 HB 563

SHORT TITLE Fire Protection Fund Delayed Increases SB _____

ANALYST Golebiewski

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$1,300.0	\$1,300.0	Nonrecurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Not Received From

Public Regulation Commission (PRC)

Municipal League

Association of Counties

SUMMARY

Synopsis of Bill

House Bill 563 would freeze, for FY12, the 13.4 percent distribution rate of the remaining balance in the Fire Protection Fund from the Fire Protection Fund to the Fire Protection Grant Fund. If HB 563 is not adopted, the distribution would increase to 20.1 percent.

FISCAL IMPLICATIONS

The FY12 estimate of \$1.3 million assumes that the transfer from the Insurance Suspense Fund remains flat between FY11 and FY12, which is the primary risk to the estimate shown above. It then compares the distribution to the Fire Protection Grant Fund of the remaining balances after distributions to the Fire Protection Fund, the HB2 appropriations from the Fire Protection Fund to PRC, and the distributions to the Firefighter Survivor Fund. A similar calculation was performed for FY13, except that the estimates reflect the difference between a distribution rate of 20.1 percent and one of 26.8 percent.

SIGNIFICANT ISSUES

Section 59A-53-5.2 has been amended for three years to freeze the 13.4 percent distribution rate from the Fire Protection Fund to the Fire Protection Grant Fund. This Section was originally intended to gradually increase the distribution between the funds such that in fifteen years, all of the remaining balance in the Fire Protection Fund would be transferred to the Fire Protection Grant Fund. House Bill 563 proposes an additional year of the freeze, thus extending the period at which all of the funds would be transferred to the Fire Protection Grant Fund until FY 25.

The Fire Protection Grant Fund is used to fund grants to local fire departments for approved apparatuses, equipment, and other maintenance and insurance expenditures. The maximum amount of a grant awarded to a single applicant is \$100,000, with a minimum matching funds commitment from the local fire department of 20 percent. Without additional data on the needs of local fire departments, it is unclear whether the Fire Protection Grant Fund is of a sufficient size to grant enough funding to local fire departments.

It should be noted that the remaining balance that is not transferred to the Fire Protection Grant Fund reverts to the General Fund.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If not enacted, the rate at which the remaining balance of the Fire Protection Fund is transferred to the Fire Protection Grant Fund would increase to 20.1 percent.

JAG/mew