

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1673

PRINTER NO. 4573

AMOUNT

See Fiscal Impact

FUND

See Fiscal Impact

DATE INTRODUCED

June 24, 2019

PRIME SPONSOR

Representative Farry

DESCRIPTION

House Bill 1673 amends Title 35 providing for changes to the Volunteer Loan Assistance Program, the Office of the State Fire Commissioner (OSFC), Relief Associations, the Fire and Emergency Medical Services (EMS) Grant program and First Responder Tax Credits.

Fire and Emergency Services Loan Fund (formerly the Volunteer Loan Assistance Program)

This legislation changes the name of the Volunteer Fire Company, Ambulance Service and Rescue Squad Assistance program to the Fire and Emergency Medical Services Loan Program and changes the name of the Volunteer Companies Loan Fund to the Fire and Emergency Services Loan Fund.

The amounts for eligible loans authorized by the OSFC are increased to the following amounts:

- Facilities that house equipment or vehicles - \$450,000;
- Firefighting apparatuses, utility or special service vehicles - \$250,000;
- Aerial apparatuses - \$350,000;
- Ambulance or light duty vehicle - \$125,000;
- Watercraft rescue vehicle - \$35,000;
- Protective, accessory or communication equipment - \$25,000;
- Repair or rehabilitation of an apparatus to bring into compliance - \$3,000 but shall not exceed \$80,000 or 80% of the total cost; and
- Used equipment or vehicles - \$200,000.

The repayment period for certain loan amounts were changed as follows:

- Loans less than \$50,000 – 10-year repayment;
- Loans \$50,000 to \$300,000 – 20-year repayment; and
- Loans above \$300,000 – 30-year repayment.

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Beginning one year after the effective date and biannually thereafter, the loan amounts shall be increased by the rate of inflation as determined in the Consumer Price Index (CPI) and published in the Pennsylvania Bulletin. All applications shall be reviewed by the newly established application review committee consisting of the majority and minority chair of the Veterans Affairs and Emergency Preparedness committees in the House of Representatives and the Senate, the Director of the Bureau of Emergency Services in the Department of Health, and a representative from the Pennsylvania Fire and Emergency Services Institute, Firemen's Association of Pennsylvania, the Ambulance Association of Pennsylvania and the Pennsylvania Emergency Health Services Council.

The bill includes a voter referendum to allow for the expanded use of previously approved and authorized debt to include career fire and EMS companies. The referendum shall appear on the ballot in the next primary or general election held after November 3, 2020.

The consolidation incentive that is currently available to volunteer fire companies that have received loans from the Fire and Emergency Medical Services Loan Fund has been extended to EMS companies. This would allow EMS companies that consolidate to reduce the interest rate payable from 2% to 1% for all outstanding principal balances owed to the Fire and Emergency Medical Services Loan Fund.

The Office of the State Fire Commissioner shall produce an annual report to be distributed and posted on its website that includes information on beginning and ending balances of the fund and the number of applications received, loans issued, the companies to which they were distributed and the intended use.

Office of the State Fire Commissioner

This bill requires the commissioner to directly report to the Governor. It also authorizes new duties of the commissioner to include:

- Serve as the primary representative for fire services;
- Chair the State Fire Advisory Board;
- Develop a curriculum and provide training, online training and issue certifications;
- Administer the State Fire Academy;
- Collect data and provide analysis and reports related to fires, property damage and injuries or loss of life to the public and fire fighters;
- Conduct after-action reports on significant injuries;
- Administer grant and loan programs as provided by law;
- Assist in statewide recruitment and retention;
- Hire regional technical advisors to assist fire companies with grant and loan assistance, consolidations and mergers, and promote best practices;
- Promote public education and community risk reduction efforts; and

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- Administer a fire equipment distributor certification program.

The legislation provides for the commissioner to be someone who has served as a chief officer or administrative officer of a fire company and to be confirmed by the Senate. It also requires that the commissioner must establish guidelines for online and in-person training and maintain a complete listing of available training courses on the office's website. It allows for trainings to be conducted at the State Fire Academy, county training centers, community colleges, or any other area approved by the commissioner. A certificate shall be provided to those who have successfully completed the trainings. These additional requirements of the commissioner shall become effective January 1, 2022.

The bill changes the name of the "Fire Safety Advisory Committee" to the "State Fire Advisory Board" (board). The board shall be made up of the following voting and non-voting members:

- The commissioner;
- The President of the Pennsylvania Professional Firefighters Association;
- The President of the Pennsylvania Career Fire Chiefs Association;
- The President of the Pennsylvania Fire and EMS Institute;
- Nine firefighters appointed by the Governor;
- The Majority and Minority Chair of the Veterans Affairs and Emergency Preparedness Committee in the House of Representatives (non-voting); and
- The Majority and Minority Chair of the Veterans Affairs and Emergency Preparedness Committee in the Senate (non-voting).

The Governor may appoint the following members to the board as non-voting members:

- The Director of the Pennsylvania Emergency Management Agency;
- The Director of the Bureau of Emergency Medical Services of the Department of Health; and
- Any representative of fire-related state associations.

The legislation directs the board to meet at least quarterly on matters relating to legislation, innovation programming, standards of cover, the operation of the State Fire Academy and any other matters as requested or directed by the General Assembly.

House Bill 1673 also requires the office to prepare and submit an annual report that shall include, but is not limited to, the total number of applications and approved grants and an analysis of the grants by use, location, status as volunteer or career, and use to pay off loans under the Fire and Emergency Medical Services Loan Program.

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Fire Relief Associations

This legislation changes the definition of “volunteer firefighters’ relief association” to expand the definition to include fire companies that are a combination of a volunteer and paid fire company and provides for a definition for ‘Length or Service Award Program’.

It also moves the certification and distribution of funds to the volunteer firefighters’ relief associations from the Office of the Auditor General to the Office of State Fire Commissioner. The uses of funds are expanded to include:

- Recruitment and retention activities;
- Length of service awards;
- Facilities for storage of vehicles, equipment, training and meetings;
- Vehicles and equipment used for emergency response;
- Obtaining or renewing commercial driver licenses to operate fire or emergency service vehicles; and
- Stipends to volunteer firefighters not to exceed \$1,500 per year.

The board shall have the duty to review, make findings and recommendations and propose legislation regarding the fire relief funding formula and fire relief services in a report due no later than November 30, 2022.

Grants to Fire Companies and EMS Companies

This bill adds the definition of “airport fire company” and changes the definition of “fire company” to include “airport fire company” to make those entities eligible for funds provided in this section.

The legislation moves the responsibility to administer the program from PEMA to the commissioner. It expands the use funds for both fire companies and EMS companies to include recruitment and retention programs, length of service award programs and for grants awarded in 2021 and 2022 to replace revenue lost due to the COVID-19 pandemic. Eligible fire companies must have responded to at least 15 emergencies in the previous calendar year.

This legislation also allows for a fire company to apply for grant funding for the construction of a new facility for up to five years. Awarded funds shall be deposited into the Construction Savings Account and withdrawn by application of the fire company. A fire company may withdraw money from the account for emergency purposes by application and at the discretion of the commissioner. The account shall be established in the state treasury and administered by the commissioner.

House Bill 1673 reauthorizes the program until June 30, 2024. This grant program expired on June 30, 2020, and is being reauthorized in this legislation. The commissioner is authorized to immediately begin administering the program for FY 2020-21 as dates in the reauthorized language have already passed.

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First Responder Tax Credit

This bill allows municipalities and school districts to provide a tax credit for active service as a volunteer. The tax credit may be provided against earned income taxes and real property taxes not to exceed 100% of the individual's liability. The commissioner shall require municipalities and school districts to notify the commissioner if a tax credit is adopted. The commissioner shall provide an annual report to the majority and minority chairs of the Veterans Affairs and Emergency Preparedness committees in both the House of Representatives and the Senate.

FISCAL IMPACT:

Fire and Emergency Medical Services Loan Program

House Bill 1673 provides for a ballot question to allow career fire and emergency medical service companies to access low-interest loans provided by the newly named Fire and Emergency Medical Services Loan Fund. Originally, the fund was capitalized by a voter referendum bond issuance for volunteer fire and EMS companies. In total, \$100 million in debt was authorized by the electorate, while only \$50 million in debt was issued and has since been repaid. If approved, this referendum would allow career fire and EMS companies to participate in the loan program, regardless of whether additional debt is issued. The Department of State estimates the cost for each required advertisement for a ballot question to be approximately \$1,000,000 to \$1,500,000.

The Fire and Emergency Medical Services Loan Fund has maintained an average beginning balance of over \$50 million since FY 2014-15. There are 22 career and 72 combination career and volunteer companies that will now have access to loans from the fund. The legislation will increase the maximum loan distribution to \$450,000 and increases the amounts biannually by the rate of inflation as calculated by the CPI. Allowing career fire and EMS companies to access the program is likely to reduce the current fund balance as the increased demand for loans and increased allowable loan amounts will also result in higher spending from the fund.

House Bill 1673 increases the allowable amount for administration of the program from \$250,000 to 50% but not more than \$600,000 of the 2% interest paid on the outstanding loans.

The consolidation incentive of a reduced interest rate for emergency medical services companies will have a minimal impact on the Fire and Emergency Medical Services Loan Fund. This provision is already provided to fire companies and is anticipated to affect only a small number of current and future loans to EMS companies.

Office of State Fire Commissioner

Provisions pertaining to changes made to the Office of the State Fire Commissioner contained in House Bill 1673 are anticipated to have a \$2.3 million annual cost and a \$221,000 one-time cost.

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The Office of the State Fire Commissioner has determined that to fully implement the provisions of the bill, an additional 17 new positions, which include nine regional advisors, additional legal staff, and legislative and communications staff, would be required. The additional costs also include the leasing of new office space to house the newly created regional advisor positions. The \$221,000 one-time cost would be utilized in the set-up and outfitting of the new office space for all 17 new positions.

Fire Relief Associations

Provisions in House Bill 1673 regarding Fire Relief Associations will have no fiscal impact on the Commonwealth General Fund. The costs of administering the program are currently incurred by Pennsylvania Emergency Management Agency (PEMA). Given that the Office of the State Fire Commissioner is a line item under PEMA, it will not require any additional funds to administer the program.

The bill moves the certification of volunteer companies from the Office of the Auditor General to the Office of the State Fire Commissioner. Currently, there are three staff within the Office of the Auditor General that spend a portion of their time working on the certification and disbursement to the volunteer firefighters' relief associations. There is no additional cost to this change, but it will require the reallocation of funds for two full-time equivalent (FTE) positions totaling \$200,000 from the Office of the Auditor General to the Office of the State Fire Commissioner for the cost of staff time to perform the certification and disbursement.

Grants to Fire and EMS Companies

House Bill 1673 increases from 10 to 15 the number of emergencies that companies are required to respond to for participation in the fire and EMS grant program. It also expands the definition of fire company to include 'airport fire company' which is defined as being associated with an airport, has a mutual aid agreement and has responded to at least 15 emergency calls to neighboring fire companies. There are 16 airport fire companies that could meet the criteria and become eligible for grant awards.

According to response reports for calendar year 2019, 21 fire and EMS companies would not have received grant funding if this higher response threshold had been in place. There were also 21 additional fire and EMS companies that participated in more than 15 but less than 20 emergency calls, putting them at risk of not meeting the 15-response minimum in future years. Current statute caps grant awards for fire companies at \$15,000 and EMS companies at \$10,000, and grants may be provided on a pro-rata basis with a minimum award of \$2,500. Assuming the same number of responses by companies in future years, the increase in the minimum threshold will result in 21 fewer companies participating in the program, and the potential for 16 additional airport fire companies to becoming eligible. The provisions of this bill may change the number of eligible companies but not to a degree that would substantially change the amount awarded to each company.

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The provisions of House Bill 1673 that reauthorize the program will have no fiscal impact on Commonwealth funds. The extension of the program to 2024 will continue providing \$30 million annually for the Fire Company Grant Program and the EMS Grant Program, which are supported by \$25 million transferred from the State Gaming Fund and \$5 million transferred from the Property Tax Relief Fund.

Interest earned on funds transferred to the Construction Savings Account may be used for the administration of the account by the commissioner.

First Responder Tax Credit

House Bill 1673 allows for municipalities and school districts to provide earned income tax or real property tax relief to first responders in the form of a tax credit not to exceed 100% of the individual's liability. These provisions will have no fiscal impact on Commonwealth funds. Municipalities and school districts will see a reduction in revenue if they choose to make the tax credit available to first responders.