



Legislative Fiscal Bureau

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February 12, 2020

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 607/Senate Bill 556: Funding for Service Award Payments

Assembly Bill 607 (AB 607) was introduced on November 15, 2019, and referred to the Assembly Committee on Criminal Justice and Public Safety. On January 9, 2020, a public hearing was held. On January 28, 2020, the Assembly Committee recommended the bill for passage on a vote of 14-0 and the bill was referred to the Assembly Committee on Rules. Senate Bill 556 (SB 556) was introduced on November 8, 2019, and referred to the Senate Committee on Labor and Regulatory Reform. On December 10, 2019, a public hearing was held. On February 6, 2020, the Senate Committee recommended the bill for passage on a vote of 5-0.

BACKGROUND AND CURRENT LAW

The service award program, administered by the Department of Administration (DOA), assists municipalities and counties in retaining volunteer fire fighters, first responders, and emergency medical technicians through state matching contributions to volunteers' retirement accounts. The program is funded by a sum sufficient GPR appropriation. As such, the amounts in the schedule of appropriations represent the most reliable estimate of the amounts needed. However, under current law, the amount appropriated for service award state matching funds may not exceed \$2.5 million in a fiscal year. To expend more than \$2.5 million annually, the statutory cap would need to be increased.

The Department indicates that changes under 2017 Act 59 increased program participation and expenditures. Act 59 increased the maximum state match-per-volunteer from \$344 to \$390. The match-per-volunteer limit is adjusted annually to reflect changes in the U.S. consumer price index (CPI). Act 59 also required that DOA provide a match of \$2 for every \$1 that a municipality contributes, rather than \$1 for every \$1 as under prior law. Further, Act 59 reduced the number of service years required to be vested in the program.

In 2018-19, 6,603 individual participants from 255 volunteer fire departments received awards

through the program. The state match for 2018-19 totaled \$2,545,700; however, DOA was unable to provide a match for amounts exceeding the statutory limit of \$2,500,000. Therefore, payments above the statutory limit were prorated for 2018-19. During the 2019-20 fiscal year, DOA intends to provide \$45,700 in payments to volunteers that did not receive the full match in 2018-19.

SUMMARY OF BILL

Assembly Bill 607/Senate Bill 556 ("the bill") would increase the amount that DOA may spend on service awards to \$2,805,700 GPR in 2019-20 and \$2,900,000 GPR in 2020-21 and subsequent fiscal years. Of the amount appropriated in 2019-20, the bill would authorize DOA to spend \$45,700 GPR to fund awards earned in 2018-19 that exceeded the statutory limit.

FISCAL EFFECT

Under the bill, the statutory limit for expenditures would be increased to \$2,805,700 GPR in 2019-20 and \$2,900,000 GPR in 2020-21. In a fiscal note accompanying the bill, DOA reports that expenditures under the bill are based on estimated increases in the state match rate and the number of program participants. The Department estimates that the CPI adjustment for the maximum match rate will be 1.91% in 2019-20 and 2.0% in 2020-21. Based on the increase in participants following enactment of Act 59, DOA anticipates that program participation will increase by 200 volunteers per year. The table below details the requested state match for service award payments through 2020-21.

**Service Award Payments,
2018-19 to 2020-21**

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Maximum State Match Rate per Participant	\$398	\$406	\$414
Estimated Number of Participants	<u>6,603</u>	<u>6,803</u>	<u>7,003</u>
Requested State Match*	\$2,545,700	\$2,759,300	\$2,897,200

* In 2018-19, the requested state match exceeded the statutory expenditure limit of \$2.5 million. Therefore, DOA intends to expend an additional \$45,700 in 2019-20 to provide contributions earned in 2018-19.

It should be noted that the requested state match may differ from the estimates described above. If the requested state match is greater than the statutory limits provided under the bill, DOA would prorate payments, as occurred in 2018-19. If the requested match is less than the statutory limit, DOA would expend less through the GPR sum sufficient appropriation.

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