



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #266

### **Fire Dues Distribution Reestimate and Fire Service Training (Commerce and Wisconsin Technical College System )**

[LFB 2009-11 Budget Summary: Page 680, #4]

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#### **CURRENT LAW**

Any insurer doing fire insurance business in the state must pay fire department dues equal to 2% of the amount of all Wisconsin based premiums paid to the company during the preceding calendar year for insurance against loss by fire, including insurance on property exempt from taxation. The Office of the Commissioner of Insurance (OCI) collects the premiums and certifies the annual amount to Commerce in April. The fire dues distribution appropriation is estimated at \$14,870,000 PR annually in a continuing appropriation. However, the Department of Commerce distributes all funds to municipal fire departments that are not appropriated to Commerce for fire prevention programs and administration of fire dues programs, or to the Wisconsin Technical College System (WTCS) for fire fighter training programs. In 2007-08, Commerce distributed \$13,712,100 to local governments that maintain a fire department. In 2008-09, Commerce will distribute approximately \$14.0 million.

Commerce is appropriated \$697,600 PR with 6.6 positions in 2008-09 from fire dues revenues for fire prevention programs. WTCS is appropriated \$600,000 PR in 2008-09 in a local assistance appropriation for tuition for members of fire departments to attend fire fighter training programs, and \$442,500 PR with 4.0 positions in an operations appropriation for: (a) development and purchase of curriculum materials; (b) production and scoring of all fire certification examinations; (c) workshops for fire fighters; (d) an annual workshop for WTCS fire fighter instructors and trainers from fire departments; and (e) technical assistance to WTCS districts.

#### **GOVERNOR**

Provide \$144,000 in 2009-10 and \$225,600 in 2010-11 to WTCS for fire schools local

assistance, above base level funding of \$600,000, to offset the cost of providing fire service training programs at technical colleges.

Estimate the Commerce fire dues distribution appropriation at \$14,721,300 PR annually (a reduction of 1% from the 2008-09 base level).

## **DISCUSSION POINTS**

1. Insurers pay the fire dues to the Office of the Commissioner of Insurance (OCI). OCI transfers the fire dues revenues to Commerce in April of each year. Commerce is required to calculate, by May 1 of each year, the proper amount of fire dues to be paid to each qualifying city, village or town. Commerce calculates this by adding unexpended funds from the prior year to the fire department dues revenues reported by OCI. Then Commerce subtracts the appropriated amounts for the Commerce administrative appropriation and the two WTCS fire fighter training appropriations. Finally, Commerce withholds 0.5% of the remaining fire dues funds. The resulting amount is distributed to municipalities. The 0.5% of withheld fire dues is distributed in the following year if needed to correct errors of Commerce or OCI, or to correct payments to municipalities, or, if not needed for those purposes, is distributed in the regular distribution in the subsequent year.

2. Any unencumbered funds at the end of the fiscal year in the annual Commerce administrative appropriation, the WTCS fire fighter school training program local assistance appropriation, or the WTCS fire fighter training operations appropriation revert back to the fire dues distribution appropriation and are available for distribution to municipalities in the subsequent year.

3. Table 1 shows the actual expenditures for each appropriation from fire dues revenue in 2007-08, estimated fire dues revenues and expenditures in 2008-09 under current law, and estimated revenues and expenditures in 2009-10 and 2010-11 under the bill. While the Chapter 20 appropriations schedule would include \$14,721,300 for the Commerce fire dues distribution in 2009-11, estimated expenditures are shown in Table 1. Thus, the amounts reflected in the bill for fire dues distribution exceed anticipated revenues.

**TABLE 1****Fire Dues Revenues, Appropriations and Estimated Expenditures Under AB 75**

	2007-08 <u>Actual</u>	2008-09 <u>Estimated</u>	2009-10 <u>AB 75</u>	2010-11 <u>AB 75</u>
Fire Dues Revenue	\$15,467,300	\$15,760,000	\$16,070,000	\$16,390,000
<u>Appropriations</u>				
Commerce fire prevention and fire dues administration	\$738,500	\$697,600	\$699,200	\$699,200
WTCS fire schools administration	667,800	442,500	443,700	443,700
WTCS fire schools training local assistance	<u>600,000</u>	<u>600,000</u>	<u>744,000</u>	<u>825,600</u>
Subtotal	\$2,006,300	\$1,740,100	\$1,886,900	\$1,968,500
Amount available for Commerce fire dues distribution	<u>\$13,712,100</u>	<u>\$14,020,000</u>	<u>\$14,180,000</u>	<u>\$14,430,000</u>
Total Expenditures *	\$15,718,400	\$15,760,100	\$16,066,900	\$16,398,500
Chapter 20 Fire dues distribution			\$14,721,300	\$14,721,300
Difference (Estimated distribution less Chapter 20)			-\$541,300	-\$291,300

\*Total expenditures may differ from revenue because of carryover from prior years.

**WTCS Fire Fighter Training**

4. Technical college boards are required to make fire fighter training programs available, free of charge, to paid and volunteer municipal fire departments. Courses offered include entry level firefighting, certified fire fighter classes, and driver/operator classes. WTCS fire dues funds are divided into a state operations appropriation and a local assistance appropriation. State operations funds support 4.0 positions to provide curriculum development, testing materials for certification, grading written exams, and on-site oversight of practical skills tests. The local assistance appropriation partially reimburses technical college districts for the operation of these fire schools, with funding provided as program revenue from the fire dues 2% fund. Appropriated funding for local assistance is \$600,000 annually, which has been fully expended in recent years.

5. In its 2009-11 agency budget request, the WTCS Board requested an additional \$150,000 in 2009-10 and \$231,600 in 2010-11 above base level funding of \$600,000 in the local assistance appropriation for fire service training. Since the fire schools appropriation was last increased in 2003-04, the costs of instruction have increased, based on tuition rates for technical colleges as well as added certification requirements or other training needs. For example, in 2008-09, an identified training need would be an expansion of Fire Fighter II training to include tactical rescue and vehicle extrication, estimated to cost an additional \$20,000 annually.

6. Districts submitted claims equal to \$745,800 in 2007-08 for fire training

reimbursement. Because aid in 2007-08 was insufficient to fund eligible claims, funding was supplemented with \$116,600 from an unexpended balance within the local assistance appropriation, approved by the Joint Finance Committee under passive review in May, 2008. In addition, the System reallocated \$29,200 from the state operations appropriation to pay the remaining claims. Aid payments are shown in Table 2. Under the bill, \$744,000 would be available in 2009-10 and \$825,600 in 2010-11.

7. This funding supported training for 4,032 fire fighters in programs conducted by WTCS districts (average of \$185 per firefighter trained). Unexpended funds in the local assistance appropriation now revert to the 2% fund for redistribution to fire departments at the end of each fiscal year; therefore, carryover balances will no longer be available to supplement reimbursements. As a result, in the future districts must either reallocate property tax revenue or other resources to fire training, or reduce fire training services. In response to the shortfall in funding in recent years, several districts reported that fire service classes were consolidated or postponed, while two districts reported that some planned courses were canceled.

**TABLE 2**

**WTCS Aid Payments in 2007-08**

<u>District</u>	<u>Amount</u>
Blackhawk	\$4,177
Chippewa Valley	47,871
Fox Valley	73,487
Gateway	67,288
Lakeshore	27,157
Madison Area	87,145
Mid-State	33,677
Milwaukee Area	51,310
Milwaukee Fire Academy	5,513
Moraine Park	50,277
Nicolet Area	29,135
Northcentral	30,206
Northeast Wisconsin	37,384
Southwest Wisconsin	29,508
Waukesha County	67,209
Western	32,357
Wisconsin Indianhead	<u>52,073</u>
Total	\$745,774

8. The WTCS appropriation is intended to reimburse districts for the tuition revenue districts must forego to offer free training to fire departments. Since the local assistance appropriation was last increased, tuition for TCS postsecondary programs has increased from \$70 per credit in 2003-04 to \$97 in 2008-09, and will rise to \$101.40 in 2009-10. WTCS indicates that demand for such courses is likewise increasing. The Committee could choose to approve the Governor's recommendation to increase funding, in order to reflect the higher tuition rates, costs,

and demand experienced by technical colleges (Alternative #1). On the other hand, if the Committee chooses not to provide this funding to WTCS, it would instead be distributed directly to local fire departments (Alternative #2).

### Commerce Fire Dues Distribution

9. The fire dues distribution to local fire departments was \$13.71 million in 2007-08, is estimated at \$14.02 million in 2008-09, and under the bill, is expected to be \$14.18 million in 2009-10, and \$14.43 million in 2010-11. While the amounts distributed would be expected to increase each year, the amounts would be less than the \$14,721,300 identified under the bill. This is partly due to increases in fire insurance premiums being more modest than previously anticipated, and the WTCS provision in the bill utilizing fire dues revenues that would otherwise be distributed to fire departments.

10. If the Governor's recommendation related to WTCS funding is approved, fire dues distribution to local fire departments would be expected to total \$14,180,000 in 2009-10 and \$14,430,000 in 2010-11 (Alternative #1), a decrease of \$832,600 during the 2009-11 biennium from the amount identified under the bill (\$541,300 in 2009-10 and \$291,300 in 2010-11).

11. If the Governor's recommendation related to WTCS funding is not approved, fire dues distribution to local fire departments would be expected to total \$14,324,000 in 2009-10 and \$14,655,600 in 2010-11 (Alternative #2), a decrease of \$463,000 during the 2009-11 biennium from the amount identified under the bill (\$397,300 in 2009-10 and \$65,700 in 2010-11).

12. Table 3 shows the appropriation levels and estimated fire dues distribution to fire departments in 2009-10 and 2010-11 if the Governor's recommended funding is not provided to WTCS for local assistance for fire fighter training.

**TABLE 3**

#### Fire Dues Expenditures if WTCS Local Assistance is Not Increased

<u>Appropriation</u>	<u>2009-10</u>	<u>2010-11</u>
Fire Dues Revenue	\$16,070,000	\$16,390,000
Appropriations		
Commerce fire prevention and fire dues administration	\$699,200	\$699,200
WTCS fire schools administration	443,700	443,700
WTCS fire schools training local assistance	<u>600,000</u>	<u>600,000</u>
Subtotal	\$1,742,900	\$1,742,900
Amount available for Commerce fire dues distribution	<u>\$14,324,000</u>	<u>\$14,655,600</u>
Total Expenditures	\$16,066,900	\$16,398,500
Chapter 20 Fire dues distribution	\$14,721,300	\$14,721,300
Difference (Estimated distribution less Chapter 20)	-\$397,300	-\$65,700

13. Under either action, the appropriations schedule would represent the current best estimate of fire dues distribution. Actual fire dues distribution will depend on the actual collection of fire dues revenues in the 2009-11 biennium.

## ALTERNATIVES

1. Approve the Governor's recommendation to provide \$144,000 in 2009-10 and \$225,600 in 2010-11 in the fire schools--local assistance appropriation under the Wisconsin Technical College System, above base level funding of \$600,000. Further, reestimate the fire dues distribution to local fire departments from \$14,721,300 to \$14,180,000 in 2009-10 and \$14,430,000 in 2010-11.

<b>ALT 1</b>	<b>Change to Bill</b>
	Funding
PR	- \$832,600

2. Delete provision. (WTCS fire training grants would remain at the \$600,000 annual base level.) Further, reestimate the fire dues distribution to local fire departments from \$14,721,300 to \$14,324,000 in 2009-10 and \$14,655,600 in 2010-11.

<b>ALT 2</b>	<b>Change to Bill</b>
	Funding
PR	- \$832,600

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