



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #227

Fire Dues Distribution (Commerce -- Housing, Buildings, and Environmental Regulation)

Base Agency

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 \$14.1 million PR annually in a continuing appropriation. However, 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 2005-06, Commerce distributed \$14.5 million to local governments that maintain a fire department. In 2006-07, Commerce will distribute \$13.6 million.

Commerce is appropriated \$639,100 PR with 6.6 positions in 2006-07 from fire dues revenues for fire prevention programs. WTCS is appropriated \$600,000 PR in 2006-07 in a local assistance appropriation for tuition for members of fire departments to attend fire fighter training programs, and \$434,200 PR with 3.0 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

Maintain current law.

DISCUSSION POINTS

1. The fire dues distribution to local fire departments has steadily risen from \$6.8 million in 1994-95, to \$8.2 million in 1999-00 to \$14.5 million in 2005-06. The amount distributed to local fire departments will decrease to \$13.6 million in 2006-07. The decrease in 2006-07 is due to adjustments OCI made to correctly reflect amounts paid by insurance companies in the prior year, and due to a slight decrease in insurance premiums paid. However, the amounts distributed to local fire departments have increased by an average annual increase of over 6% in the last five years. The appropriation was reestimated in the 2005-07 biennial budget. The fire dues distribution appropriation could be reestimated to provide a more accurate amount in the appropriations schedule. The Committee could increase the appropriation for fire dues distribution to local fire departments (Alternative A1) from \$14,100,000 to an estimated \$14,390,000 in 2007-08 (an increase of \$290,000) and \$14,870,000 in 2008-09 (an increase of \$770,000).

2. 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 is required to calculate 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.

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

4. Any unencumbered funds at the end of the fiscal year in the annual WTCS operations appropriation remain in that appropriation account and are not available for distribution to municipal fire departments. However, WTCS is only authorized to expend the appropriated amounts, and is not authorized to expend the unencumbered balance. Since WTCS cannot use these funds and the funds cannot revert to the fire dues distribution appropriation, the funds remain in the unencumbered balance and are not used.

5. In April, 2007, the Legislative Audit Bureau (LAB) completed a limited-scope review of how Commerce and WTCS have spent funds from fire dues in recent years. The Audit Bureau noted that, while WTCS has fully expended its local assistance appropriation, the operations appropriation had accumulated \$308,000 as an unencumbered balance on July 1, 2006. WTCS anticipates that all appropriated funds will be expended for administration of the program in 2006-07 and subsequent years. Therefore, this unencumbered balance is not expected to increase.

6. The LAB review noted that unspent funds from this appropriation have been periodically used to purchase more expensive training equipment when national training standards and curricula are changed by the National Fire Protection Association. The last such purchase occurred in 1998-99, when WTCS obtained approval from the Committee to spend \$125,000 for training equipment. Fire training standards will be updated in 2007-08, and WTCS plans to request expenditure authority under s. 16.515 in order to use the \$308,000 balance to purchase equipment to help districts comply with those changes. Such equipment is expected to include portable steel-framed virtual doors, used in forced entry training, and pitched roof simulators, used to practice roof entries. When such purchases are made, each fire training school receives the new equipment, so that curriculum, training, and testing remain standard statewide. The reusable virtual doors cost approximately \$6,000 each, and the roof simulators cost approximately \$12,000 each. The total cost to buy one of each for 16 technical college districts and the Milwaukee Fire Academy would be \$306,000. It is possible that WTCS could receive a discount on such a large order, although the amount of any potential discount is unknown at this time. Also, equipment needs could change, depending on changes to be made to national fire training standards.

7. The Committee may wish to amend the statutes to require that the unencumbered balance in the WTCS operations appropriation revert back to the fire dues distribution appropriation at the end of each fiscal year. This would make those funds available for distribution to municipalities in the subsequent year. The \$308,000 that was in the unencumbered balance on July 1, 2006, would revert to the fire dues distribution appropriation for distribution to municipalities in 2007-08. The Committee could also increase the fire dues distribution appropriation by \$308,000 PR in 2007-08 to reflect the reversion of the unencumbered balance (Alternative B1).

8. Another option would be to require the WTCS balance to revert each year, but provide the \$308,000 in 2007-08 for the purchase of fire fighter training equipment (Alternative B2). Alternatively, the Committee could choose to require the WTCS balance to revert each year, but allow the June 30, 2007, balance to remain in the appropriation and be available through s. 16.515 for allocation to WTCS for fire fighter training. However, if WTCS does not need the full \$308,000 the remainder would lapse on June 30, 2008, and become available for distribution to municipal fire departments in the following year (Alternative B3). If no action is taken, the \$308,000 balance would remain in the WTCS appropriation. The Committee could consider any future request for WTCS to use the balance for fire fighter training equipment or other purposes (Alternative B4).

ALTERNATIVES TO BASE

A. Commerce Fire Dues Distribution

1. Reestimate the fire dues distribution to local fire departments from \$14,100,000 to \$14,390,000 in 2007-08 and \$14,870,000 in 2008-09.

ALT A1	Change to Bill Funding	Change to Base Funding
PR	\$1,060,000	\$1,060,000

2. Maintain current law.

B. Wisconsin Technical College System Administration Appropriation

1. Require that the unencumbered balance in the WTCS operations appropriation revert back to the fire dues distribution appropriation at the end of each fiscal year. (This would make those funds available for distribution to municipalities in the subsequent year.) In addition, specify that the June 30, 2007, unencumbered balance be lapsed to the fire dues appropriation on the effective date of the budget act, and increase the Commerce fire dues distribution appropriation by \$308,000 PR in 2007-08.

ALT B1	Change to Bill Funding	Change to Base Funding
PR	\$308,000	\$308,000

2. Require that the unencumbered balance in the WTCS operations appropriation revert back to the fire dues distribution appropriation at the end of each fiscal year. (This would make those funds available for distribution to municipalities in the subsequent year.) In addition, specify that the June 30, 2007, unencumbered balance be lapsed to the fire dues appropriation on the effective date of the budget act. Provide \$308,000 in 2007-08 in additional spending authority in the WTCS operations appropriation. This alternative would provide one-time authority for WTCS to expend the unencumbered balance for fire fighter training equipment.

ALT B2	Change to Bill Funding	Change to Base Funding
PR	\$308,000	\$308,000

3. Require that the unencumbered balance in the WTCS operations appropriation revert back to the fire dues distribution appropriation at the end of each fiscal year. (WTCS could request expenditure authority under s. 16.515 in order to expend all, or a portion of, the balance for fire fighter training equipment. Any funds not allocated for WTCS fire fighting equipment in 2007-08 through s. 16.515 would be available for distribution to municipal fire departments in 2008-09.)

4. Maintain current law. The unencumbered balance would remain in the WTCS operations appropriation.

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