

INSURANCE ASSESSMENT FOR FIRE FIGHTERS TRAINING FUND



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FISCAL ANALYSIS

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HOUSE BILL 5347 AS INTRODUCED

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Sponsor: Rep. Jason Allen

House Committee: Insurance and Financial Services

COMMITTEE ANALYSIS - 5/28/02

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SUMMARY

House Bill 5347 would amend the Fire Fighters Training Council Act of 1966 to make a number of revisions to the provisions of the act governing the council's composition and responsibilities, including the distribution of revenue from the Fire Fighters Training Fund. House Bill 5348 would amend the Insurance Code to create an assessment equal to 0.5% of the direct earned premiums written by an insurer in certain categories of insurance, the proceeds of which would be earmarked for the training fund.

Based on information provided by the Michigan Association of Fire Chiefs, the new assessment would generate annual revenue of approximately \$9.7 million. Of that total, \$7.3 million would be distributed to fire departments under the provisions of House Bill 5347. The remaining \$2.4 million would be available for the operational expenses of the council.

BACKGROUND

Currently, the Fire Fighters Training Fund is not utilized because no restricted funding source for the fund exists. Instead, the activities of the Fire Fighters Training Council are funded by an annual GF/GP appropriation in the State Police budget—\$1.5 million for FY 2001-02. From this appropriation, \$439,000 is allocated on a county-by-county basis to pay for instructor costs associated with fire fighter training in each county. The allocations are made based on the number of fire fighters in each county, with a minimum allocation of \$5,000 per county. The remainder of the funding (approximately \$1.1 million) is utilized for the operational expenses of the council.

ANALYSIS

House Bill 5347 would amend the Fire Fighters Training Council Act of 1966 to make a number of revisions to the provisions of the act governing the council's composition and responsibilities. In particular, the bill would provide for the distribution of revenue from the Fire Fighters Training Fund as follows:

- (1) 75 percent to fire departments for fire fighter training
- (2) 25 percent or \$2.0 million, whichever is greater, for the reasonable operational expenses of the council
- (3) Remaining balance to remain in the fund for disbursement in subsequent years

Distributions to fire departments would be based on a formula equally weighted between population and state equalized value within the local unit of government establishing the fire department—with a minimum disbursement amount to be set by the council. The bill would impose various restrictions on the use of the funds received by fire departments.

The bill would retain language currently in the act providing for payments from the fund to partially reimburse local units for costs associated with fire fighter training. It is unclear how these payments would fit within the new funding distribution provisions included in the bill.

The bill specifies that money in the fund would not revert to the general fund at the end of any fiscal year. Any interest or earnings on the fund would be deposited back into the fund.

House Bill 5348 would amend the Insurance Code to create an assessment equal to 0.5% of the direct earned premiums written by an insurer in the following categories:

- (1) Homeowners multiple peril
- (2) Farmowners multiple peril
- (3) Commercial multiple peril (liability)
- (4) Commercial multiple peril (nonliability)

Payment of the assessment would be required by April 1 of each year (based on the previous calendar year) and revenue from the assessment would be earmarked for the Fire Fighters Training Fund.

House Bills 5347 and 5348 are tie-barred to one another.

Based on information provided by the Michigan Association of Fire Chiefs, the new assessment created in House Bill 5348 would generate annual revenue of approximately \$9.7 million. Of that total, \$7.3 million would be distributed to fire departments under the provisions of House Bill 5347. The remaining \$2.4 million would be available for the operational expenses of the council.