

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 228

(Senator DeGrange)

Budget and Taxation

Health and Government Operations

Public Safety - Volunteer Company Assistance Fund - State Budget

This bill clarifies and alters certain requirements and limitations on the award of grants and loans from the Volunteer Company Assistance Fund (VCAF).

The bill is effective July 1, 2005.

Fiscal Summary

State Effect: Minimal overall impact on State operations and finances. Revenues would not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: This bill clarifies that a grant from VCAF must be matched by at least 30% of the amount of the grant. The bill limits loans from VCAF to 75% of the total cost of equipment or facilities being purchased.

The bill repeals requirements for each request for a grant or loan from the fund to be submitted to the Department of Budget and Management (DBM) for approval and to the Department of Legislative Services for review. The bill substitutes the Maryland State Firemen's Association for DBM under provisions detailing responsibilities relating to

recommendations to the Board of Public Works (BPW) and the execution of grant or loan agreements.

The bill includes the Legislative Auditor as a recipient of required annual reports (with current recipients DBM and BPW) and requires the report to include the total amount of grants and loans made during the previous fiscal year, as well as other specified related documentation. The bill eliminates the review of certain financial statements by the Legislative Auditor and DBM. It requires that specified reports of documentation of grants and loans from VCAF be made to the Budget and Taxation Committee and Appropriations Committee be made on an annual basis. The bill allows, rather than requires, specified reviews and reports related to that documentation from the Legislative Auditor to the Joint Audit Committee.

The bill specifies that it is the intent of the General Assembly that: (1) appropriations to VCAF for loans must cease after fiscal 2021 or after the State has contributed \$20 million to the fund, whichever occurs first; and (2) the Governor must include an annual appropriation for grants and loans from VCAF.

Current Law: VCAF is a special, nonlapsing fund that is not subject to annual reversion provisions. VCAF (1) assists volunteer fire, rescue, and ambulance companies with up to 75% of the cost of purchasing or refurbishing fire and rescue equipment and updating or replacing facilities needed to store equipment; and (2) provides grants and loans to volunteer companies for replacement of equipment or structures that house equipment. Awards are actually made by BPW.

After consultation with the Maryland State Firemen's Association, the Governor may include in the State budget each year an appropriation to the fund. Any VCAF investment earnings must be credited to VCAF. Repayments on loans from VCAF must be placed in VCAF and made available to fund grant or loan requests.

For the purpose of making loans under these provisions, the association must: (1) develop loan criteria; (2) develop loan terms, including interest rates; and (3) recommend to BPW the approval or denial of loans.

Funding for Maryland's emergency medical services (EMS) system is provided from a variety of State, local, and volunteer sources. Annual State budget support for EMS is provided from the Maryland Emergency Medical System Operations Fund (MEMSOF), which is funded by an \$11 annual surcharge on motor vehicle registrations for certain classes of vehicles. Interest earned annually on the fund balance is credited to the fund. Money in MEMSOF is statutorily limited to the several components of Maryland's EMS program.

Providing grants and loans to volunteer companies has historically been funded with a general fund grant as it has not been eligible for MEMSOF funding. However, the Budget Reconciliation and Financing Act of 2003 (BRFA) authorized the use of \$403,744 in MEMSOF funds for the Emergency Assistance Trust Account (EATA) in fiscal 2004 only.

BRFA of 2004 broadened the use of MEMSOF to permanently include all purposes within VCAF. The fiscal 2005 budget made \$403,744 in special funds contingent on the enactment of this provision, thereby freeing an equivalent amount of general funds for other purposes.

Background: MEMSOF consists of registration surcharges and all funds, including charges for accident scene transports and inter-hospital transfers of patients, generated by an entity that is a unit of State government. The fund must be used solely for: (1) medically oriented functions of the Department of State Police, Special Operations Bureau, Aviation Division; (2) the Maryland Institute for Emergency Medical Services Systems; (3) the R Adams Cowley Shock Trauma Center at the University of Maryland Medical System; (4) the Maryland Fire and Rescue Institute; (5) the provision of grants under the Senator William H. Aross Fire, Rescue, and Ambulance Fund; and (6) VCAF.

The 2004 BRFA merged EATA and the Low Interest Revolving Loan Account into VCAF. However, when the two accounts were merged, a statutory error was made relating to the funding levels for grants and loans. Previously, loans could be made up to 75% of the cost of a project and grants could be made up to 70% of the cost. When the two accounts were merged, the new provisions did not differentiate between grants or loans and both were eligible to fund 70% of the project cost. This bill restores the 75% funding level for loans from the new VCAF.

The Governor's fiscal 2006 budget performance measures estimates grant payments from BPW to the Maryland State Firemen's Association in fiscal 2006 as follows:

- \$150,000 – Administration
- \$125,000 – Widows and Orphans Fund
- \$528,744 – Emergency Assistance Trust Account
- \$1,000,000 – Low Interest Revolving Loan Account

State Fiscal Effect:*State Funding for VCAF*

The bill's clarifications are intended to correct an error in 2004 BRFA provisions and have no fiscal impact. The bill's legislative intents do not alter expected appropriations to VCAF. The bill's cap on total appropriations to VCAF will not occur until fiscal 2021. The administrative changes in the bill would provide some operational efficiencies for DBM, as well as some additional workload requirements for BPW.

The loan component of VCAF has received \$8.5 million through fiscal 2005. It received \$500,000 in fiscal 2001, \$1 million in fiscal 2002, \$1 million in fiscal 2003, and \$6 million in fiscal 2004. However, the \$6 million appropriation in fiscal 2004 included an advance of \$5 million to cover the years fiscal 2005 through 2009. The advance is being recorded for fiscal 2005 through 2009 as a \$1 million appropriation to the loan fund, but is actually remaining in the general fund. As a result, VCAF is not scheduled to receive any new money until fiscal 2010.

Beginning in 2010, VCAF should again receive an annual general fund appropriation of \$1 million. Assuming that money would continue to be appropriated to VCAF annually, with an appropriation of \$500,000 for fiscal 2021, the overall funding cap provided by the bill (as the legislative intent) would be reached by fiscal 2021.

Additional Information

Prior Introductions: None.

Cross File: HB 841 (Delegate Conway, *et al.*) – Health and Government Operations.

Information Source(s): Board of Public Works, Comptroller's Office, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2005
n/jr

Analysis by: Guy G. Cherry

Direct Inquiries to:
(410) 946-5510
(301) 970-5510