

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1515

(Delegate Glassman, *et al.*)

Health and Government Operations

Budget and Taxation

Public Safety - Volunteer Company Assistance Fund - Grants and Loans

This bill provides that certain conditions for awards from the Volunteer Company Assistance Fund (VCAF) apply to grants rather than loans. The bill specifies that the Board of Public Works, after a favorable recommendation from the Maryland State Firemen's Association, may make grant awards only if specified conditions are met: (1) an unforeseen event that substantially impairs the ability of the volunteer company to provide adequate and safe service; or (2) the volunteer company is unable to maintain the minimum level of performance for adequate and safe service established by the association's standards due to a demonstrated lack of financial resources. These conditions currently apply to both grants and loans.

Fiscal Summary

State Effect: None. The bill's changes are not expected to materially affect State finances or operations.

Local Effect: None. The bill's provisions may increase the number of loans made from the fund, with a corresponding decrease in grants, to volunteer companies. The effect of having disbursements from the fund be made to the association, rather than the volunteer company, cannot be readily determined.

Small Business Effect: None.

Analysis

Bill Summary: Under the bill, a grant or loan may not be used to refinance a debt or obligation of a volunteer company, regardless of when it was incurred.

The bill alters the circumstances under which a volunteer company may appeal a request disapproval, or inaction on a request, by allowing such appeals to be made with 90 rather than 45 days, and providing that the appeal may be made for any reason other than because the funds are not available.

The Treasurer must disburse money from the fund to the association, rather than the volunteer company. Annually required financial statements of the association must include the available, rather than most recent, financial statement of any volunteer company receiving a grant or loan for the previous fiscal year or the year in which the grant or loan was received.

The bill also provides that it is the intent of the General Assembly that the Governor include an appropriation for the fund in the annual State budget.

Current Law: VCAF, a special, nonlapsing fund that is not subject to annual reversion provisions, (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 the Board of Public Works (BPW).

Chapter 136 of 2005, among other provisions, clarified that a grant from VCAF must be matched by at least 30% of the amount of the grant. Loans from VCAF were limited to 75% of the total cost of equipment or facilities being purchased.

Chapter 136 also specified 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.

Background: The Budget Reconciliation and Financing Act of 2004 merged the Emergency Assistance Trust Account (EATA) and the Low Interest Revolving Loan Fund into VCAF. The Governor may include in the State budget each year an appropriation to the fund, after consultation with the Maryland State Firemen's Association. 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 develop loan criteria, develop loan terms (including interest rates), and recommend to BPW the approval or denial of loans. The fiscal 2007 allowance for VCAF is \$1,525,000, which includes \$525,000 for EATA and \$1 million for the revolving loan fund.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, Department of State Police, Department of Public Safety and Correctional Services, Department of Legislative Services

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