

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

Senate Bill 589 (Senator Garagiola, *et al.*)
 Judicial Proceedings

First Responders Fund

This bill establishes a First Responders Fund (FRF) to provide grants for local law enforcement and fire, rescue, and emergency medical services equipment and personnel.

Fiscal Summary

State Effect: Special fund revenue and expenditure increase for FRF of \$24.5 million in FY 2008. This assumes passage of SB 590/HB 899, which would provide funding for FRF. It reflects a required annual payment of \$14 million from lapsed insurance penalties and \$10.5 million from fees for points assessed against a driver’s license in those bills. General fund expenditures would increase by \$32,000 in FY 2008 (for MEMA administrative costs above \$100,000). Out-year general fund administrative expenditures reflect annualization and inflation.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	\$24,532,200	\$30,821,300	\$34,441,500	\$35,326,900	\$35,299,800
GF Expenditure	32,000	60,900	69,400	78,400	188,000
SF Expenditure	24,532,200	30,821,300	34,441,500	35,326,900	35,299,800
Net Effect	(\$32,000)	(\$60,900)	(\$69,400)	(\$78,400)	(\$188,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Potentially significant increases in revenues for counties and municipalities for related capital purchases beginning in FY 2008 and varying by jurisdiction.

Small Business Effect: None.

Analysis

Bill Summary: The purpose of FRF is to provide grants to counties and municipal corporations to pay for equipment and new personnel for first responders which includes fire, rescue, or emergency medical services entities and local law enforcement agencies. The Director of the Maryland Emergency Management Agency (MEMA) must administer the fund. MEMA may use up to \$100,000 each year for administrative expenses. This fund is intended to supplement current State and local funding for expenses for first responders, rather than supplant funding that would otherwise be appropriated by the State or by local government entities.

Grants may be used to purchase, replace, or improve equipment or facilities for first responders, or to hire additional personnel. A grant may not be used to fund salaries for existing personnel. The director must establish procedures for grant proposals by counties or municipal corporations, as well as guidelines as to what the money can be used for.

If a grant is to be used to purchase, replace, or improve equipment for first responders, the grant would be for one year; the local government must provide matching funds in an amount equal to half the grant. If a grant is to be used to hire additional personnel, the grant would be for three years; the local government must provide matching funds in an amount equal to 25% of the grant in the first year, 50% of the grant in the second year, and 75% of the grant in the third and final year.

The bill provides that the fund consists of:

- revenue distributed to the fund from the Transportation Article;
- money appropriated in the State budget;
- investment earnings; and
- any other money from any other source accepted for the benefit of the fund.

Current Law: MEMA is operated as an agency of the Military Department and is responsible for the overall statewide direction, development, implementation, and coordination of a number of emergency response activities. MEMA works in concert with local jurisdictions, State departments and agencies, federal departments and agencies, and private and volunteer organizations. The Maryland National Guard, which comprises the Maryland Army Guard and the Maryland Air Guard (MDNG), may also be called up by the Governor during State emergencies or may be activated by the federal Department of Defense. Local jurisdictions may also have local emergency management agencies.

The State also provides regular and supplemental grants to local government police operations via the police aid formula, which is currently supported with general funds. Qualifying municipalities share in the distribution of this aid.

The Senator William H. Amoss Fire, Rescue, and Ambulance Fund promotes (1) the delivery of effective and high quality fire protection, rescue, and ambulance services in Maryland; (2) increased financial support for fire, rescue, and ambulance companies by counties; and (3) the continued financial viability of volunteer fire, rescue, and ambulance companies given the greatly increased costs of equipment.

The Volunteer Company Assistance Fund (VCAF), administered by the Maryland State Firemen's Association, provides grants and loans to assist fire companies with purchases, replacement, or refurbishing of equipment or structures. The Board of Public Works (BPW) distributes funds for VCAF to the Maryland State Firemen's Association, which administers VCAF grants to local volunteer fire companies.

Background: In June 2006, severe rain and flooding caused much damage to Caroline and Dorchester counties. One week later, the area was declared a disaster by the U.S. Department of Homeland Security, thereby securing federal relief funding. The Governor's proposed fiscal 2008 budget includes approximately \$11.5 million in federal funds provided by the Public Assistance Grant Program. The funds will allow MEMA to reimburse first responders for costs incurred as a result of the disaster. Caroline and Dorchester counties will receive the bulk of the funds. MEMA will retain a portion for administrative costs, while the remainder will be disbursed to other State and local agencies that assisted during the disaster.

Funds for software upgrades are also included in the proposed fiscal 2008 budget. The upgrades will allow for a web-based interface system for emergency managers to enhance interoperability during times of emergency. Additionally, satellite software and weather forecasting software will be improved to provide for better emergency preparedness. The majority of this funding is split evenly between federal and general funds.

The proposed budget also provides for additional training for emergency managers and first responders. The training will include technical guidance for staff based on the agency's new technology, public assistance and hazard mitigation training, and counter terrorism training.

Similar provisions to create an FRF were contained as a part of SB 763 and HB 1312 of 2006, which would have also imposed fees for points assessed on a driver's license and specified drunk driving and controlled dangerous substance violations. A portion of that fee revenue was directed to FRF.

State Fiscal Effect: The funding mechanism for FRF is contained in separate legislation (SB 590 and HB 899 of 2007). Those bills mandate an annual payment of \$14 million to FRF, increase penalties for lapsed motor vehicle liability insurance, and impose a new fee for accumulation of points on a driver's license. The bills direct the new revenue to FRF as well. If, however, FRF is not established, the revenues would instead be distributed as police aid.

Accordingly, if either bill passes, FRF revenues would increase by \$24.5 million in fiscal 2008, \$30.8 million in fiscal 2009, \$34.4 million in fiscal 2010, \$35.3 million in fiscal 2011, and \$35.3 million in fiscal 2012. SB 590 has been jointly referred to the Senate Judicial Proceedings Committee and the Senate Budget and Taxation Committee. HB 899 has been referred to the House Environmental Matters Committee.

MEMA awards could increase by nearly \$24.4 million in fiscal 2008 due to increased grants through FRF to counties and municipalities.

It is assumed that a significant portion of FRF grants would be capital grants. First responder capital equipment can be extremely expensive, costing several hundreds of thousand dollars. Larger grants would limit the number of grants given annually. Based on a limited number of larger grants, MEMA would require three employees (one administrator, one fiscal account technician, and one administrative aide) to administer FRF grants.

MEMA is authorized to direct up to \$100,000 annually from FRF to cover administrative costs for administering the fund. This funding would not be sufficient to cover administrative expenses, even at the outset. It is assumed that such a shortfall would need to be augmented with general funds.

MEMA advises that this bill would increase the workload of its budget and finance operations by at least 50%. General and special fund expenditures for administration could increase by an estimated \$131,953 in fiscal 2008, which accounts for the bill's October 1, 2007 effective date. This estimate reflects the cost of hiring an administrator, a fiscal accounts technician, and an administrative aid to oversee and manage FRF. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Salaries and Fringe Benefits	\$113,267
Start-up Costs	13,875
Other Operating Expenses	<u>4,811</u>
Total FY 2008 State Expenditures	\$131,953
Positions	3

Future year expenditures reflect (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

MEMA advises that half of the general funds needed for administrative purposes (above the \$100,000 authorized under the bill) could be covered under a federal Emergency Management Performance Grant, but only if the State general funds are appropriated as matching funds to the grant for the stated administrative purposes.

Local Fiscal Effect: Local government revenues from FRF grants could increase beginning in fiscal 2008. Corresponding local government expenditures would increase to match FRF grants; however, the amount of these revenue and expenditure increases would depend on the type of grants disbursed and any matching grants secured by the local government.

Additional Comments: MEMA also advises that fund administration duties required under this bill, and similar responsibilities for administration of the Amoss Fund, would likely necessitate the hiring of an additional full-time accountant/auditor at some point during fiscal 2008.

Additional Information

Prior Introductions: Similar provisions to create an FRF were contained as a part of SB 763 and HB 1312 of 2006. SB 763 passed the Senate, was heard by the House Environmental Matters Committee, and had no further action taken on it. HB 383 was heard by the House Environmental Matters Committee, but had no further action taken on it. Similar provisions to create an FRF were contained as a part of SB 275 and HB 383 of 2005. SB 275 passed the Senate, was heard by the House Environmental Matters Committee, and had no further action taken on it. HB 383 was heard by the House Environmental Matters Committee, but had no further action taken on it.

Cross File: HB 900 (Delegate Bronrott) – Environmental Matters.

Information Source(s): City of College Park, Somerset County, Montgomery County, Charles County, Department of State Police, Maryland Emergency Management Agency, Department of Legislative Services

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mll/jr

Analysis by: Guy G. Cherry

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