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Senate Bills 905, 906, and 907 (as introduced 12-18-03)
Sponsor: Senator Jason E. Allen
Committee: Banking and Financial Institutions

Date Completed: 5-13-04

CONTENT

Senate Bills 905, 906, and 907 would amend, respectively, the Fire Fighters Training Council Act, the Insurance Code, and the Single Business Tax (SBT) Act to do all of the following:

- **Establish a formula for distributing money in the Fire Fighters Training Fund, and set a minimum distribution of \$3,000 per fire department.**
- **Establish requirements for the use of money distributed from the Fund.**
- **Require certain insurance companies to pay an assessment that would be deposited into the Fund.**
- **Allow insurers to claim an SBT credit equal to the amount of the assessment.**
- **Revise the membership of the Fire Fighters Training Council.**
- **Delete a requirement that the Council provide fire departments with a training video, and revise examination standards.**
- **Require the Council to report annually to the Governor, the Senate, and the House of Representatives.**

Senate Bills 905 and 906 are tie-barred.

Senate Bill 905

Fire Fighters Training Fund

General Provisions. The Fire Fighters Training Council Act created the Fire Fighters Training Fund in the State Treasury. The bill would delete a requirement that the Legislature appropriate from that Fund sums considered necessary for the Act's purposes,

but not more than 75% of the amounts paid into the Fund.

Under the bill, the Fund would be composed of money collected from insurance company assessments (under Senate Bill 906). Money in the Fund would be restricted, could not revert to the General Fund at the end of any fiscal year, and would have to be available for the purposes for which the Fire Fighters Training Fund was created. Any Fund interest or earnings would have to be deposited back into the Fund. The Fund would have to be audited by the Auditor General every two years.

Distribution. The bill would require the Fire Fighters Training Council annually to distribute the Fund as follows:

- 75% to fire departments to be used for the training of their members.
- An amount, not to exceed 25%, sufficient to cover the Council's reasonable operational expenses, including the delivery of training, program design, instructional development, continuing education, volunteer training, curriculum development, administration of testing, and certification.

Any remaining balance would have to remain in the Fund for disbursement in the following years.

Disbursements would have to be made in annual installments on a date the Council determined. Money in the Fund would have to be disbursed to fire departments using a weighted formula within the local unit of government in which population would count

for 50% of the weighted factor and State equalized valuation (SEV) would count for 50%. Each fire department would have to receive at least \$3,000.

The distribution formula would be based 50% on population and 50% on SEV. Money remaining after allocations for operational expenses were paid first would have to be distributed to departments that qualified under the \$3,000 minimum appropriation. Then, the Fund would have to be distributed to remaining departments with appropriations over the \$3,000 amount, using the following formula:

State population factor formula: (Total Fund divided by total State population) divided by 2.

State SEV factor formula: (Total Fund divided by total State SEV) divided by 2.

Department allocation formula:
Department's population multiplied by State population factor plus department's SEV multiplied by State SEV factor.

The Council could not disburse money from the Fund for any of the following purposes:

- Fire fighter training conducted by a provider that was not based in Michigan or fire fighter training that did not occur in Michigan, unless the Council approved the training.
- Meal expenditures that exceeded the per diem meal expenditures authorized by the Department of Management and Budget for Civil Service employees.
- Expenditures for alcoholic beverages.
- Travel costs associated with fire fighter training programs, unless the training was the sole purpose of the program or unless the program offered at least six hours of qualified fire fighter training within a 24-hour period.
- Wages of fire fighters attending fire fighter training.

Use of the Fund. A fire department that received a disbursement from the Fund would have to use the entire disbursement for fire fighter training and any equipment or services directly used to facilitate that training. Fire fighter training would have to occur within three years after the

department received a disbursement. If money were not used within that period, it would have to be redistributed to fulfill requests from fire departments for additional training allocations beyond their standard allocations. If there were no other requests for additional money and surplus remained, the money could be distributed to fire departments, upon their request, to improve or expand existing fire training centers, including improvements to training towers and live burn buildings. A fire department failing or refusing to use a disbursement in the manner required by the bill would be disqualified from receiving an additional disbursement until the department demonstrated to the Council that the entire prior disbursement was used in the required manner.

A fire department that used money from the Fund would have to make and maintain detailed records of the actual costs associated with the preparation for, the administration of, and the conduct of a fire fighter training program financed in whole or in part by a disbursement from the Fund. A fire department also would have to report annually to the Council on the results of its training program, as prescribed by the Council. The department would have to identify each cost separately.

Council Membership

Currently, the Fire Fighters Training Council consists of seven members. The Director of the Department of State Police serves as an ex officio member. Six members are appointed by the Governor, as follows:

- Two from a list of five active members submitted by the Michigan Fire Chief's Association.
- One from a list of three active fire fighters submitted by the Michigan State Fire Fighter's Association.
- One from a list of three names submitted by the Michigan State Firemen's Association.
- One from a list of three names submitted by the Metropolitan Club of America, Inc.
- One from a list of two names submitted by the Michigan Townships Association and two names submitted by the Michigan Municipal League.

Under the bill, the Council would have nine members. The Director of the Department of State Police would continue to be an ex officio member. The other eight members would be appointed by the Governor as follows:

- Two from a list of three names submitted by the Michigan Association of Fire Chiefs.
- One from a list of three names submitted by the Michigan Professional Fire Fighter's Union.
- One from a list of three names submitted by the Michigan Professional Firemen's Association.
- One from a list of three names submitted by the Michigan Townships Association.
- One from a list of three names submitted by the Michigan Municipal League.
- One from a list of three names submitted by the Michigan Fire Service Instructors Association.
- One from a list of two names submitted by the Office of Financial and Insurance Services (OFIS) of a person employed in the insurance industry.

Gubernatorial appointments would continue to require the advice and consent of the Senate.

Training Standards & Examination

The Act mandates that the Council prepare and publish standards in certain areas with due consideration to varying factors and special requirements of fire departments or other organizations. The bill would delete a requirement that the Council develop a videotape to be used in training fire fighters, and provide the videotape to each fire department or other organization, upon request and at no charge.

The Act also requires the Council to develop and administer an examination that includes a practical demonstration, a written or oral test, or a combination of the two, to determine a person's competency regarding the knowledge and skill requirements set forth in a 1987 pamphlet of the National Fire Protection Association. The bill would delete the reference to that publication and require instead that the examination determine a person's competency regarding the knowledge and skill requirements set forth in standards pursuant to rules promulgated

by the Council under the Act or adopted by reference in the manner provided by law.

Definitions

The bill would define "fire fighter training" as training designed and intended to enhance the delivery of fire department services by a fire department, including one or more of the following:

- A program presented by the fire department itself or by a contractual provider hired by the fire department.
- A course or instruction package provided to a fire department for the payment of a fee or tuition.
- Materials and programs relating to and used for fire fighter training.

Under the Act, "fire fighter" means a member, including volunteer members and members paid on call, of a fire department or other organization of a city, county, township, or village who is responsible for, or is in a capacity that includes responsibility for, extinguishing fires, directing fire extinguishment, preventing and detecting fires, and enforcing the State's general fire laws. The bill would refer to "an active" member of such a fire department or other organization and would include someone responsible for "other fire-related services". It also would delete a statement that the definition does not apply to a person whose job description, duties, or responsibilities do not include direct involvement in fire suppression.

"Fire department or other organization" means an organization or department that provides fire suppression and other fire-related services within a city, village, township, or county. Under the bill, that department or other organization would have to be a fire department of a city, village, township, or county, or a fire service designated by such a municipality pursuant to a contract. "Fire department" also would include a department of county employees who were responsible for fire suppression and other fire-related services for an airport operated by the county or an agency of the county.

Senate Bill 906

Under the bill, as a condition of its authority to transact insurance business in Michigan, by April 1 of each year, an insurer would have to pay an assessment written on the following classifications of insurance for a risk resident or located within Michigan for the prior calendar year:

- Homeowners multiple peril.
- Farmowners multiple peril.
- Commercial multiple peril (liability).
- Commercial multiple peril (nonliability).
- Group automobile.
- Private passenger nonfleet automobile.

The formula to determine the assessment for each insurer would be: (A divided by R) multiplied by (M multiplied by R).

"A" would represent \$10,600,000 for 2004 and would have to be adjusted annually by the increase in the consumer price index for each year after 2004. "R" would represent the total number of fire runs, as reported by the Department of State Police, for the year immediately preceding the year of the assessment. "M" would represent the insurer's percentage of market share in Michigan for the classifications of insurance subject to the assessment for the year immediately preceding the year of the assessment, as determined by OFIS. ("Consumer price index" would mean the annual average percentage increase in the Detroit consumer price index for all items for the prior 12-month period, as reported by the United States Department of Labor and as certified by the OFIS Commissioner.)

The assessment would have to be deposited into the Fire Fighters Training Fund.

Senate Bill 907

Under the bill, for tax years beginning after December 31, 2003, a taxpayer that was an insurance company could receive an SBT credit equal to the amount it paid in that tax year into the Fire Fighters Training Fund (pursuant to Senate Bill 906).

If the credit and any unused carryforward of the credit exceeded the insurer's tax liability for the tax year, the excess could not be refunded, but could be carried forward as an offset to the company's SBT liability in

subsequent years for 10 tax years or until the excess credit was used up, whichever occurred first.

MCL 29.362 et al. (S.B. 905)
Proposed MCL 500.452 (S.B. 906)
Proposed MCL 208.22g (S.B. 907)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Senate Bill 905 & 906

The proposed assessments on insurers would generate approximately \$10.6 million. Of these funds, \$8.0 million would be allocated to local fire departments and \$2.5 million would be maintained in the Fire Fighters Training Fund for use by the Department of Labor and Economic Growth for administration of the Council.

The fire run portion of the assessment, as outlined in the bill, would have no effect, as it would cancel itself out under the proposed assessment formula.

Senate Bill 907

This bill would reduce single business tax revenue by \$10.6 million in FY 2004-05, if all insurance companies eligible to claim this proposed credit would be able to claim the full credit and not carryover any of the credit to subsequent years. In future years, the loss in single business tax revenue would increase because the total assessment amount would be indexed to increases in the Detroit Consumer Price Index.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.