

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6930**  
**BILL NUMBER: SB 427**

**DATE PREPARED:** Jan 3, 2000  
**BILL AMENDED:**

**SUBJECT:** Firefighting equipment grants and funds.

**FISCAL ANALYST:** Beverly Holloway; Brian Tabor; Bob Sigalow  
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**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill eliminates the Firefighting and Emergency Equipment Revolving Loan Fund (Loan Fund) and creates the Firefighting and Emergency Equipment Grant Fund (Grant Fund) administered by the Office of the State Fire Marshal. It requires a grant from the Grant Fund to be used for the purchase of firefighting and emergency equipment and other incidental expenses.

This bill repeals the Fire Safety Equipment Revolving Loan Account (Loan Account) in the Build Indiana Fund.

This bill releases the obligation of a loan recipient under the Loan Fund and the Loan Account to pay the remaining balance due on the principal plus interest of a loan. The bill transfers funds remaining in the Loan Fund to the Grant Fund.

This bill transfers \$500,000 per month to the Grant Fund from the Lottery and Gaming Surplus Account in the Build Indiana Fund.

This bill provides that a fire protection territory may establish a Cumulative Building and Equipment Fund.

**Effective Date:** Upon passage; July 1, 2000; March 1, 2001.

**Explanation of State Expenditures:** *Grant Fund:* This bill creates the Firefighting and Emergency Equipment Grant Fund (Grant Fund) administered by the Office of the State Fire Marshal. Administrative expenses are paid from the Grant Fund.

Grants from this fund are to be used for the purchase of firefighting and emergency equipment and other incidental expenses. Money in the Grant Fund also includes transfers of any funds remaining in the Loan Fund. As of December 7, 1999, the balance remaining in the Loan Fund is \$398,500. However, the balance

will also be reduced to pay for the administrative expenses of administering the Loan Fund in FY 2000.

This bill transfers \$6 M annually in monthly disbursements of \$500,000 to the Grant Fund from the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund. There are two accounts within the Build Indiana Fund: the LGSA and the State and Local Capital Projects Account. Surplus lottery revenue, as well as revenue from the Riverboat Wagering Tax, the Pari-Mutuel Wagering Tax, and charity gaming is deposited in the LGSA. A statutorily determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account within the state General Fund. A portion of money remaining in the LGSA is then transferred to the State and Local Capital Projects Account. Under this bill, transfers to the Grant Fund would occur after distributions to the Motor Vehicle Excise Tax Replacement Account are made, but before money is transferred to the State and Local Capital Projects Account.

The State Budget Agency estimates that as of June 30, 2001, the available balance of the LGSA will be \$290.6 M. Based on the Budget Agency's gaming revenue projections, it is expected that there would be sufficient funds in the LGSA to cover transfers to the Motor Vehicle Excise Tax Replacement Account and the Grant Fund, with money remaining for state and local projects.

**Explanation of State Revenues:** *Loan Fund:* This bill eliminates the Firefighting and Emergency Equipment Revolving Loan Fund (Loan Fund) and releases the obligations of a loan recipient under the Loan Fund. **As of December 7, 1999, the total amount either disbursed, approved but not disbursed, or pending approval is \$1,601,500.** This bill eliminates the repayment of those loans to the Loan Fund. However, this bill provides that the amount of the remaining balance due on the principal plus interest of a loan from the Loan Fund shall be deducted from the total grant amount allowed (from the Grant Fund) to the qualified entity.

*Loan Account:* This bill also forgives and releases the obligation of those communities and fire safety service providers listed in P.L. 340-1995, Section 37, to repay loans issued under the Fire Safety Equipment Revolving Loan Account within the Build Indiana Fund. This would eliminate the repayment of those loans to the Loan Account. Without the repayment of those loans, there will be less money in the Account to loan to other communities and fire safety service providers. This bill provides that the amount of the remaining balance due on the principal plus interest of a loan from the Loan Account shall be deducted from the total grant amount allowed (from the Grant Fund) to the qualified entity.

P.L. 340-1995 appropriated \$3 M to the account. Almost all of the \$3 M has been loaned, of which only 50% is to be repaid to the account. **As of December 31, 1999, those communities listed in P.L. 340 - 1995 had an outstanding loan balance of \$411,821.** No interest is owed on these loans. This amount may change before July 1, 2000, if additional loans or repayments are made. The Loan Account is administered by the State Budget Agency.

**Explanation of Local Expenditures:** *Loan Fund:* This bill releases the obligation of a loan recipient from the Firefighting and Emergency Equipment Revolving Loan Fund. The volunteer fire departments that have a loan from the Loan Fund do not have to pay back the loans. The loans were made for the purpose of purchasing new or used firefighting and other emergency equipment of apparatus and legal and other incidental expenses that are directly related to acquiring the equipment or apparatus.

*Loan Account:* Those communities and fire safety service providers listed in P.L. 340-1995, Section 37 would not have to repay loans issued under the Fire Safety Equipment Revolving Loan Account. The loans were made for the purchase and lease of fire safety equipment, especially fire engines and necessary or useful

equipment related to fire engines and fire safety.

**Explanation of Local Revenues:** *Cumulative Fund:* Fire protection territories are comprised of at least two contiguous taxing units where one unit provides fire protection to the other unit(s). All participating units charge the same property tax rate for fire protection.

Under current law, a county, municipality, township, or a fire protection district may impose a Cumulative Building and Equipment Fund tax rate not to exceed \$0.10. The fund may be used to purchase or lease fire fighting and EMS equipment and to purchase, construct, or renovate buildings used for fire or EMS purposes.

This bill would allow fire protection territories to also levy the cumulative fund rate if the legislative bodies of all of the participating units approve the establishment of the fund. There are currently only three fire protection territories with assessed valuations totaling \$278 M. If all three territories were to adopt the full \$0.10 tax rate, revenues would amount to about \$278,000 per year.

An increase in a territory's levy could also cause an increase in the territory's share of County Adjusted Gross Income Tax (CAGIT), County Option Income Tax (COIT), Excise Tax, and Financial Institutions Tax (FIT) revenues. These taxes are distributed to local units based on a unit's share of the total of all levies in the county. An increase in these revenues for the territory would come at the expense of other units in the county.

The actual fiscal impact is dependent on local action.

**State Agencies Affected:** Office of the State Fire Marshal; State Budget Agency.

**Local Agencies Affected:** *Loan Fund:* Bentonville Volunteer Fire Department; Dublin Volunteer Fire Department; Shawswick Volunteer Fire Department; Wayne Township (Tippecanoe County); City of Alexandria; Gaston Volunteer Fire Department; German Township Volunteer Fire Department; Hanna Civil Township Volunteer Fire Department; Lafayette Township Volunteer Fire Department; Liberty Volunteer Fire Department; Lincoln Township; Scipio Township; Noble Township; Centre Township Volunteer Fire Department; Winona Lake; Brooklyn Volunteer Fire Department.

*Loan Account:* Town of Mentone; City of Seymour; Town of Vevay; City of North Vernon; Henry Township Volunteer Fire Department (Fulton County); Swayzee Volunteer Fire Department (Grant County); Orange Township Volunteer Fire Department (Noble County); Sheffield Township (Tippecanoe County); Milan Volunteer Fire Department (Ripley County); Clay Township Volunteer Fire Department (Owen County); Lake Township-Arcola Volunteer Fire Department (Allen County); Mexico Community Fire Association (Miami County); Elberfield (Warrick County).

*Cumulative Fund:* Fire protection territories.

**Information Sources:** David Dukes, State Budget Agency, (317) 232-2974. Mara Snyder, Office of the State Fire Marshal, (317) 233-5341; Melissa Henson, State Board of Tax Commissioners (317) 232-3761.