

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3714-05
BILL NO.: HCS for SCS for SB 842
SUBJECT: Fire Protection
TYPE: Original
DATE: April 13, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue*	(\$185,829)	(\$148,190)	(\$133,190)
Fire Education	\$0	\$0	\$0
Fire Education Trust	\$0 to \$58,800	\$0 to \$59,190	\$0 to \$59,190
Total Estimated Net Effect on <u>All</u> State Funds	(\$127,029 to \$185,829)	(\$89,000 to \$148,190)	(\$74,000 to \$133,190)

* Does not include unknown amounts or amounts subject to appropriation.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government*	\$0	\$0 to Unknown	\$0 to Unknown

* Funds are subject to appropriation.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Section 302.094

Officials from the **Department of Insurance**, the **Department of Revenue**, and the **University of Missouri** stated the proposal would not affect their agencies, administratively.

In response to a similar proposal, the **Department of Public Safety** and the **Office of the State Treasurer** assumed the proposal would not affect their agencies, administratively.

The **Governor's Budget** for FY 2001 shows General Revenue Insurance Tax receipts of \$145,801,930 in FY 1999 and estimates receipts of \$147,000,000 for FY 2000 and \$148,190,000 for FY 2001. One-half of these collections are retained by the General Revenue Fund. This proposal would allow transfers to the Fire Education Trust Fund of approximately \$147,000 in FY 2001 and \$148,190 in FY 2002. Oversight assumes receipts would remain constant at \$148,190,000 per year, subsequently.

Section 320.330

Officials from the **Department of Public Safety, Division of Fire Safety** (DPS) state this proposal will create a grant program, funded by appropriation and administered by DPS, to award funds to (1) Volunteer fire protection associations; or (2) Fire protection districts that would otherwise have less than \$10,000 in annual revenues generated from memberships. There are 899 fire departments registered with the Division of Fire Safety. Of those, 286 are registered as fire protection districts. It is not known how many of the districts and departments receive less than \$10,000 in tax revenues or how many are wholly or partially supported by membership or subscriber fee systems. The Division of Fire Safety assumes that the Fire Safety Advisory Board would review and approve, or disapprove, grant applications submitted by fire departments. The Division does not need any additional FTE to process the grant applications. However, the overall fiscal impact of this proposal is unknown since there is not a dollar amount or formula specified in the proposal.

Oversight also assumes that funding is subject to appropriation and the amount is unknown at this time.

The **Office of Administration-Budget and Planning** and the **Department of Economic Development** assume this proposal will not fiscally impact their respective agencies.

ASSUMPTION (continued)

Sections 320.400 through 320.410

Officials of the **Department of Public Safety - Division of Fire Safety (DFS)** assume owners of high rise buildings which are not, as of August 28, 2000, protected by an approved fire protection sprinkler system would be required by this proposal to submit a written master plan to the State Fire Marshal by January 1, 2003 outlining their schedule for compliance. The State Fire Marshal's office would be responsible for promulgating rules. This proposal would allow fees to be collected by the State Fire Marshal's office for reviewing plans.

DFS officials stated that they were still in the process of gathering information from St. Louis, Kansas City and Springfield to determine how many high rise buildings there are in the state that would be affected by this proposal, but officials from those areas indicated that DFS's assumption was probably reflective of the number of buildings that would be affected. DFS officials determined a charge of \$150 for reviewing and approving plans. Assuming approximately 100 buildings in the state would be affected, DFS officials assume \$15,000 in fees would be paid in FY2003. In response to a similar proposal, DFS officials assumed that their office could review the plans with existing staff and would not request additional FTE at this time.

DFS officials estimate that there would be 100 buildings in the state that would be required to install sprinkler systems by January 1, 2012. The majority of these buildings would be in the St. Louis and Kansas City areas. All buildings must be in compliance by January 1, 2012.

DFS staff estimate 100 buildings above 75 feet from street level (approximately 7 stories). Each story is approximately 10,000 square feet. DFS officials stated it would cost an average of \$1.75 per square foot to install a sprinkler system in an existing building according to the National Sprinkler's Association.

7 story building @ 10,000 sq. ft. per story = 70,000 sq. ft. per building
70,000 x \$1.75 per sq. ft. for installation = \$122,500 cost per building
\$122,500 x 100 buildings = \$12,250,000

In addition, there would be a local cost to submit plans to the State Fire Marshal. There would be a charge of \$150 per plan review. Total impact to all political subdivisions = \$15,000. Plans would be required to be submitted to the State Fire Marshal by January 1, 2003.

Oversight assumes the capital improvements related to the installation of the fire sprinklers is outside the scope of this fiscal note.

ASSUMPTION (continued)

Oversight assumes the Secretary of State could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **Office of State Courts Administrator, Office of State Public Defender, Department of Revenue, and Office of Administration - Design and Construction** assume this proposal would have no fiscal impact to their agencies.

In response to a similar proposal, officials of the **Office of the Attorney General** assumed costs could be absorbed within existing resources.

Section 321.242

Department of Revenue officials stated that the proposed legislation does not require the fire protection district to be in a present system defined boundary (city or county) so new systems development will be necessary.

DOR officials assume that a new system to collect a sales tax in a fire protection district would be necessary should this legislation be enacted. The legislation does not require the district to be in a presently defined boundary (city or county) so a new coding system would need to be established and applied to all businesses collecting this new sales tax. It is forecast to require 1038 programming hours to create this system @ \$30.00 per hour, totaling \$32,074, and the State Data Center will charge \$6,755 to test and implement this system.

DOR officials stated that a 1% collection fee would be retained by their department and deposited in the States General Revenue Fund. Officials stated that without knowing how many Fire Protection District would receive voter approval to impose a sales tax, and at what rate, they cannot estimate the amount of revenue that would be generated by the 1% collection fee.

Sections 321.223 and 321.247

City of Kirkwood, City of Berkeley and LeMay Fire Protection District officials assume no fiscal impact. **Oversight** assumes this proposal is permissive and would have no state fiscal impact.

Local Governments would have no fiscal impact without mutual agreement of their governing bodies.

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
FIRE EDUCATION FUND			
<u>Income</u> - Transfers from General Revenue	\$147,000	\$148,190	\$148,190
<u>Cost</u> - Transfers to Fire Education Trust Fund	(\$ 58,800)	(\$ 59,276)	(\$ 59,276)
<u>Cost</u> - Distribution to University of Missouri Fire and Rescue Training Institute	(\$ 88,200)	(\$ 88,914)	(\$ 88,914)
NET EFFECT ON FIRE EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

GENERAL REVENUE FUND

<u>Income</u>			
1% Collection Fee	unknown	unknown	unknown
<u>Income</u> - Department of Public Safety Division of Fire Safety (DFS)			
Fees	\$0	\$0	\$15,000
<u>Cost</u> - Transfers to Fire Education Fund	(\$147,000)	(\$148,190)	(\$148,190)
<u>Cost</u> - State Data Center, Programming	(\$38,829)	\$0	\$0
<u>Loss</u> - Appropriations of Grant Funds	\$0	\$0 to (Unknown)	\$0 to (Unknown)
NET EFFECT ON GENERAL REVENUE FUND*	<u>(\$185,829)</u>	<u>(\$148,190)</u>	<u>(\$133,190)</u>

*** Does not include 1% sales tax collection fees or costs associated with the program to award grants, which are subject to appropriation (section 320.330) and are unknown.**

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003
 (continued) (10 Mo.)

FIRE EDUCATION TRUST FUND

<u>Income</u> - Transfers from Fire Education Fund	\$58,000	\$59,276	\$59,276
<u>Cost</u> - Appropriations for Fire Education Programs	(\$0 to (\$ 58,800)	(\$0 to (\$ 59,276)	(\$0 to (\$ 59,276)

NET EFFECT ON FIRE EDUCATION TRUST FUND

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	<u>to</u>	<u>to</u>	<u>to</u>
	<u>\$58,800</u>	<u>\$59,276</u>	<u>\$59,276</u>

FISCAL IMPACT - Local Government FY 2001 FY 2002 FY 2003
 (10 Mo.)

FIRE PROTECTION DISTRICTS

<u>Income</u> - Fire Protection Districts from sales tax of up to 1%* _____	Unknown	Unknown	Unknown
<u>Grants</u> - Fire Protection Districts_____	\$0	Unknown	Unknown
<u>Cost</u> - Fire Protection Districts for election, Fire Protection Services*	(unknown)	(unknown)	(unknown)
<u>Cost</u> - Plan reviews	\$0	\$0	(\$15,000)
NET EFFECT ON FIRE PROTECTION DISTRICTS	\$0	Unknown	Unknown

***Oversight assumes this proposal is permissive and would have no fiscal impact unless voters would approve the imposition of a sales tax.**

Long-Range Fiscal Impact

DFS officials estimated there would be fiscal impact of \$12,250,000 outside the fiscal note period for affected buildings to be retrofitted with an approved sprinkler system.

FISCAL IMPACT - Small Business

A direct fiscal impact to certain small businesses may be expected because of possible construction projects that may be implemented due to this proposal.

Small business located within a Fire Protection District whose voters approved the imposition of a sales tax would be fiscally impacted to the extent of collection and administration of the sales tax.

DESCRIPTION

This substitute requires that, beginning July 1, 2000, two-tenths of 1% of the premium taxes levied on insurance companies be credited to the Fire Education Fund. Currently, 3% of the amount collected which exceeds the premium taxes deposited in 1997 are credited to the fund.

The substitute requires the Department of Public Safety, subject to appropriations, to establish a grant program for volunteer fire protection associations and fire protection districts which collected or received less than \$10,000 local tax revenue in the preceding year. The grants are to be awarded for the purchase of equipment and the construction of fire stations.

Under current law, Raytown and municipalities having a municipal fire department are allowed to impose a sales tax of up to 0.25% on all retail sales made within the municipality. The tax is to be used exclusively for the operation of the fire department. The substitute allows any fire protection district to impose this tax upon voter approval.

The substitute requires all existing high-rise buildings, except state buildings, to be protected by an approved fire protection sprinkler system by January 1, 2012. The standards for the plan must comply with the National Fire Protection Association Pamphlet 13. Owners of existing high-rise buildings which are not protected by a system must submit a written master plan to the State Fire Marshal. The substitute outlines the phases of the installation of a system. The State Fire Marshal is authorized to adopt rules that are necessary for the approval of sprinkler system master plans. A fee may be charged for the review of a plan. Violators of this law will be guilty of a class B misdemeanor.

The substitute allows fire protection districts within St. Louis County to contract for fire protection services for a fee with any municipality or village that does not operate its own fire department or does not receive protection from another district. The substitute allows for the negotiation of an agreement between the fire protection district and the municipality to provide fire protection service based on any method of compensation to which the parties agree. If the fire protection district is authorized to provide ambulance service within its district, then it may also provide ambulance service to the municipality. This portion of the substitute contains an

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DESCRIPTION (continued)
emergency clause.

The substitute also allows fire districts in Jackson County to impose, upon voter approval, a retail sales tax on sales within the district in the amount of one-half of 1% for the operation of the fire protection district. The substitute requires local property taxes to be reduced by half the amount of sales taxes collected.

This legislation is not federally mandated, would not duplicate any other program and would require additional capital improvements which would be incurred outside the scope of this fiscal note. This proposal would affect Total State Revenues.

SOURCES OF INFORMATION

LeMay Fire Protection District
City of Kirkwood
City of Berkeley
Department of Insurance
Department of Revenue
Office of State Treasurer
University of Missouri
Department of Economic Development
Office of Administration - Design and Construction
Office of Administration - Budget and Planning
Office of State Courts Administrator
Department of Public Safety - Division of Fire Safety
Office of Prosecution Services
Office of the Attorney General
Office of State Public Defender



Jeanne Jarrett, CPA
Director
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