

PROGRAM SUMMARY: FIRE PROTECTION GRANTS

Department of Labor and Economic Growth

SUMMARY: Public Act 289 of 1977 provides for payments to municipalities for fire protection services received by state facilities. The act defines state facilities as "state-owned real property associated with buildings primarily used for office purposes, state prisons or hospitals, institutions of higher education, and state-owned real and inventory personal property associated with a state proprietary function". The Department of Management and Budget is responsible for preparing a report by July 1 of each year for each municipality in which a state facility is located listing each state facility along with the value of the facility. A copy of the report is to be furnished to the local assessor, who may submit recommendations for adjustments within 30 days. Final determination of facilities and values must be made by September 1 of each year.

Municipalities are then responsible for providing to the Department of Labor and Economic Growth the following: a) the dollar amount of actual expenditures for fire protection for the municipality's preceding fiscal year; b) the current state equalized valuation of all property within the municipality; and c) certification that fire protection is provided to a state facility in the same manner as those services are provided to the municipality.

Grants are then made to each municipality in relation to an amount determined by formula, using the fire protection costs and SEV of the municipality as reported by the municipality and using 50% of the determined value of the state facility as the SEV of the facility:

$$\text{Formula Grant} = \{ \text{SEV of state facility} / \text{SEV of all property (including state-owned)} \} \times \text{Fire protection costs}$$

As an example, a city with a total SEV of \$1,000,000, fire protection costs of \$10,000, and with one state-owned facility valued at \$200,000 (thus SEV = \$100,000) would have a formula grant of \$1,000:

$$\begin{aligned} \text{Formula Grant} &= \{ \$100,000 / \$1,000,000 \} \times \$10,000 \\ &= .10 \times \$10,000 \\ &= \$1,000 \end{aligned}$$

The act does place restrictions on the dissemination of grants, however. First, it provides that the actual grant levels are subject to legislative appropriations. If appropriations are not sufficient to cover the formula grants of all eligible municipalities, the appropriated funding is pro-rated to municipalities based on the formula grants. Going back to the example above, if the Legislature appropriates enough funding to cover 40% of the grants, then this hypothetical city would receive 40% of its formula grant, or \$400. For FY 2004, the appropriation for Fire Protection Grants provided eligible municipalities with just over 24% of their formula grant levels.

Second, the act states that grants shall not be made to municipalities if the amount of the payment is less than \$500, if the estimated SEV of the state facility is less than 1% of the SEV of the municipality as a whole, or if the state facility provides its own fire protection.

The table below indicates the funding history over the past five years for Fire Protection Grants.

Fiscal Year	Actual Appropriation	Amount Needed for Full Formula Grant	Proration %
FY 2004	\$3,710,500	\$15,432,388	24.0%
FY 2003	\$3,710,500	\$15,571,469	23.8%
FY 2002	\$7,421,000	\$15,779,610	47.0%
FY 2001	\$7,421,000	\$15,924,191	46.6%
FY 2000	\$6,675,000	\$15,348,059	43.5%



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