



*Supplemental State Aid
Work Group*



Overview

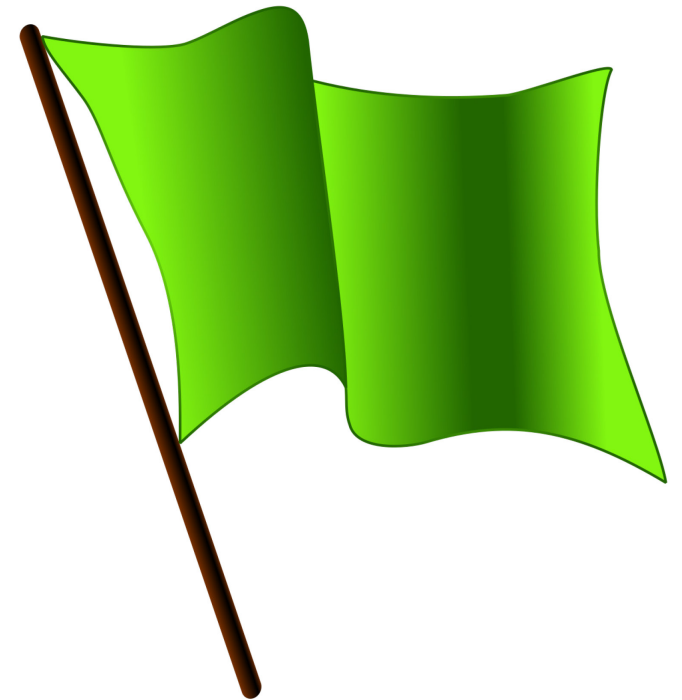
- Work Group
 - Creation, Requirements and Membership
- Supplemental State Aid
 - History, Allocation and Work Group Scope
- Fire State Aid
 - History and Current Allocation Method
- Work Group
 - Meetings and Discussion
- Report Conclusion





Work Group Creation

- The LCPR considered a bill during 2021 that would have changed the existing method of allocating Supplemental State Aid to Fire Departments
- Existing method allocates Aid in the same proportion as Fire State Aid
- Proposal would have changed allocation to a per-firefighter basis
- Bill was amended to instead form a Work Group to consider the allocation method





Work Group Requirements



- State Auditor required to convene the Work Group
- Work Group Requirements:
 - Discuss and articulate options for changing the aid allocation method
 - Consider discussion and testimony from LCPR meeting
 - Address disparities in the allocation of fire state aid among fire departments
 - Submit a report to the LCPR by December 31, 2022



Work Group Membership

Representing	Member	Title
League of Minnesota Cities	Laurie Hokkanen	Manager City of Chanhassen
	Marshall Hallock	CPA, Administrative Business Director City of Red Wing
Minnesota Association of Townships	Todd Greseth	Treasurer Wanamingo Fire Department
	Mike Scott	Retired Chief Eagan Fire Department
Minnesota State Fire Chiefs Association	Jim McCoy	Chief Austin Fire Department
	Bruce Hemstad	Assistant Chief Bemidji Fire Department
Minnesota State Fire Department Association	Roger Carlson	Firefighter Fairmont Fire Department
	Corey Nellis	Firefighter Avon Fire Department



Work Group Membership *cont.*

Representing	Member	Title
Minnesota State Fire Department Association	Roger Carlson	Firefighter Fairmont Fire Department
	Corey Nellis	Firefighter Avon Fire Department
Department of Public Safety	John Ehret	Fire Safety Supervisor Department of Public Safety's State Fire Marshal Division
Public Employees Retirement Association	Doug Anderson	Executive Director
Department of Revenue	Kristie Strum	State Program Administrator, Principal Department of Revenue's Property Tax Division
Office of the State Auditor	Julie Blaha, Chair	State Auditor



Supplemental State Aid History

- Established in 2013
- Proposed by a coalition of Police and Fire organizations to assist in addressing growing retirement funding problems
- Formally known as “Police and Firefighter Retirement Supplemental State Aid”
- Authorized under Minn. Stat. § 423A.022





Current Aid Allocation Method



- Funded through \$15.5 million annual appropriation
- Aid is allocated as follows:
 - Roughly \$9 million to PERA for the P&F Plan
 - Roughly \$1 million to MSRS for the State Patrol Plan
 - Roughly \$5.5 million to all Fire Departments where retirement coverage is not solely with the P&F Plan
- Scope of Work Group: \$5.5 million allocated to Fire Departments with volunteer or paid on-call firefighters



Current Aid Allocation Method cont.

- Scope of Work Group: \$5.5 million allocated to Fire Departments with volunteer or paid on-call firefighters
 1. Local Fire Relief Associations
 2. Fire Departments in the PERA Statewide Volunteer Firefighter Plan
 3. Roughly 15 small Volunteer Fire Departments with no pension coverage for their firefighters





Fire State Aid

- Supplemental State Aid is allocated in the same proportion as each department receives in Fire State Aid
 - For those within the Work Group's scope
- Important for the Work Group to understand the calculation method for the Fire State Aid program
 - Due to Supplemental State Aid paid in proportion to Fire State Aid





Fire State Aid History

- Established in 1885
- Initially to provide benefits to firefighters injured in the line of duty and to support fire departments with maintenance and equipment needs
- Since 1945: Fire State Aid has generally been restricted to funding firefighter pensions and benefits





Fire State Aid Calculation

➤ Fire State Aid consists of two components:

1. Initial Fire Aid
2. Minimum Fire Aid

➤ Initial Fire Aid:

- One-half based on estimated property value within the service area
- One-half based on census population within the service area

➤ Minimum Fire Aid:

- Based on a minimum amount of fire state aid per active firefighter
- Minimum fire aid program provides additional funding for smaller fire departments



Fire State Aid Breakdown

Payable Year	Total Initial Fire Aid Available	\$ Difference from Prior Year	% Difference from Prior Year	Minimum Fire Aid
2018	\$29,119,645	\$868,834	3.08%	\$897,436
2019	\$30,095,986	\$976,341	3.35%	\$897,436
2020	\$32,088,073	\$1,992,087	6.21%	\$897,436
2021	\$33,806,286	\$1,718,213	5.08%	\$897,436
2022	\$36,655,114	\$2,848,828	7.77%	\$897,436



Work Group Meetings

- Held seven virtual meetings between November 2021 and December 2022
- Additional individual meetings with each work group member
- Dedicated one meeting to public testimony
 - Provided virtually and written submissions
- Meetings were live streamed, recorded, and posted on the OSA website





Aid Allocation Options

- Work Group Members identified 12 options for allocating Supplemental State Aid and evaluated each option by considering the following metrics:
 - Advantages
 - Disadvantages
 - Who would be impacted by changing to this allocation method?
 - What would be the impacts on different fire department types?
 - How easy would this method be to administer (e.g., does data needed to calculate aid exist, is the data reported, etc.)?
 - Is this method consistent with the purpose of the supplemental state aid program?
 - How much change would be made if this method were implemented?
 - Is this method fair and/or equitable?



Report Conclusion



- Challenges and opportunities with each option
- No consensus on a clear path to satisfy all communities
- Trade-offs with each option
 - A change that increases aid for some would reduce aid for others
- Work group, through its report, identified trade-offs and provided a template to assess and consider future aid allocation change proposals



Report Conclusion cont.

- Considerable discussion about how much firefighter benefits would need to increase to make a difference in firefighter recruitment and retention
- Supplemental state aid allocated to volunteer and paid on-call firefighter plans is about \$5.5 million annually, with over 20,000 firefighters in these plans, so even major changes to how the aid is allocated would yield relatively minor changes in actual benefit amounts payable to firefighters without an increase in the aid appropriation





Suggestions for Future Legislative Considerations



- Work Group Suggestions for Future Legislative Action:
 - Review whether firefighter recruitment and retention is uniquely harder in rural areas because of the lower tax basis and population
 - Consider whether a rural firefighter fund or other equalization mechanism is needed
 - Consider if additional funding for rural fire departments is needed, act separately and deliberately, rather than through existing aid program



Thank You!