

Local Boards and Associations Administer Firefighters' and Rescue Squad Workers' Relief Funds with Limited State Oversight

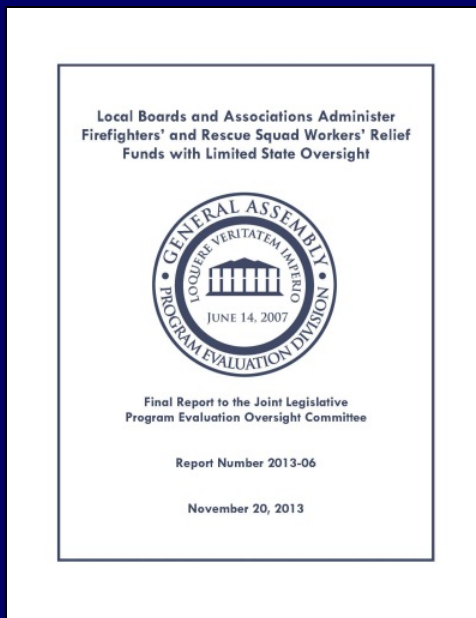
A presentation to the
Joint Legislative Program Evaluation Oversight Committee

November 20, 2013

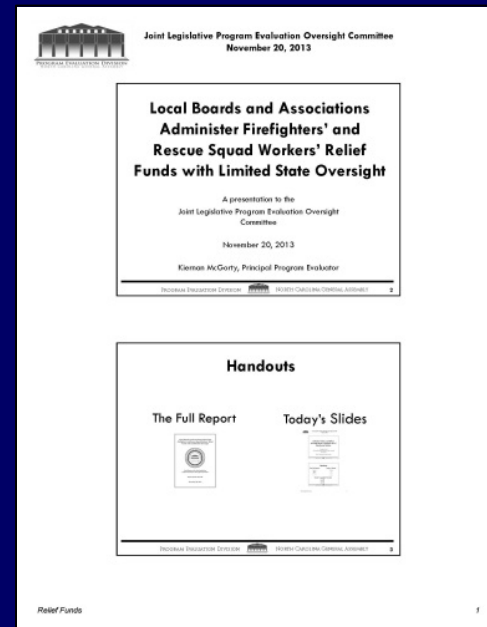
Kiernan McGorty, Principal Program Evaluator

Handouts

The Full Report



Today's Slides



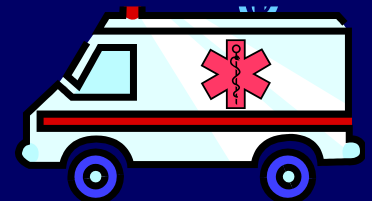
Study Direction

- 2013–15 JLPEOC work plan directed PED to examine six state-administered funds related to fire, rescue, and emergency medical services
- 1st report in four-part series evaluates:

- Firefighters' Relief Fund



- Rescue Squad Workers' Relief Fund



Report p. 2

Evaluation Team

Kiernan McGorty, Evaluation Lead

Jim Horne, Senior Program Evaluator

Meg Kunde, Program Evaluator

Sara Nienow, Senior Program Evaluator

Stakeholders

Department of Insurance (DOI)

NC State Firemen's Association (NCSFA)

NC Association of Rescue & EMS (NCAREMS)

Research Questions for Two Funds

- What are the eligibility criteria and benefits of the funds?
- What is the financial status of the funds?
- How are the funds administered, and what are the oversight mechanisms for the funds?

Report p. 3

Overview: Findings

1. Relief fund money from both funds

- is not being spent at the rate intended by the General Assembly
- has been spent on non-permitted uses
- is being invested without statutory regulation

2. Oversight of relief funds is hindered by

- DOI's failure to require adequate information from the associations
- NCSFA's lack of oversight of local boards
- lack of coordination between department and association databases

Overview: Findings

3. Accountability, efficiency, and equity could be gained by

- using electronic transfer for all relief funds
- consolidating the State and local firefighters' relief funds
- transferring administration of all relief funds to DOI

Overview: Recommendations

- General Assembly should either
 - consolidate the firefighters' relief funds and make administration of all relief funds the responsibility of DOI
 - OR
 - improve oversight of relief funds under their current administrative structures

Background





Funding of Firefighters' Relief Fund, FY 2012-13

Insurance companies pay taxes on gross premiums from property insurance



20% of collected taxes go to

Firefighters' Relief Fund



1%

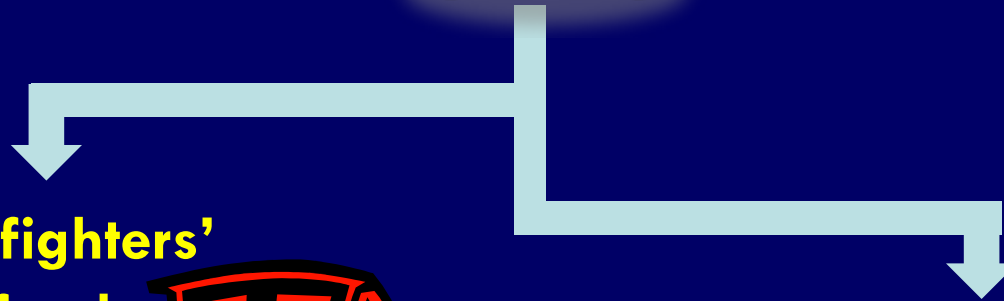
\$7,414,328

- ~~2%~~ went to DOI (\$148,287)
- 3% goes to NCSFA (\$222,430)
- 96% is available for local relief funds

Report pp. 6,8



**Firefighters'
Relief Fund**



**Local firefighters'
relief funds**



**State Firefighters'
Relief Fund**

- Eligibility criteria for money
- Money available for benefits
- Roles of stakeholders
- Permissible uses of money



Disbursement to Local Relief Funds

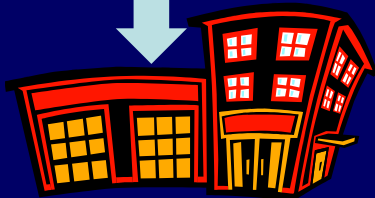


**Firefighters'
Relief Fund**

Amount allocated to
qualifying fire departments
(n = 1,067)

- be rated by DOI
- submit board names to DOI
- be a NCSFA member
- submit financial statements to NCSFA

**Eligibility
criteria**



Local firefighters' relief funds
(n = 1,024)

Report pp. 6,7



Disbursement to Local Relief Funds



**Firefighters'
Relief Fund**



Local firefighters' relief funds

\$6,494,349 ← Money available for benefits

- DOI distributes money to local boards
- Local boards administer their funds
- NCSFA oversees local boards' spending

Stakeholder roles

Report pp. 6,8

Uses of Local Relief Fund Money



Local firefighters' relief funds

- (1) Payment to members injured or disabled in the line of duty
- (2) Payment to dependents of members killed in the line of duty
- (3) Support for destitute firefighters
- (4) Firemen's Fraternal Insurance Fund premiums
- (5) Supplemental retirement benefits, workers' compensation, and other insurance or pension benefits
- (6) Educational benefits
- (7) Other uses permitted by local bills

Permissible uses

Report p. 6



Disbursement to State Relief Fund



**Firefighters'
Relief Fund**

Amount allocated to non-qualifying fire departments
(n = 184)



**State Firefighters'
Relief Fund**

Money available for benefits → \$756,299

Stakeholder roles {

- DOI distributes money to NCSFA
- NCSFA administers benefits



Eligibility for State Relief Fund Money



**Eligibility
criteria**



- be affiliated with a fire department that is a NCSFA member



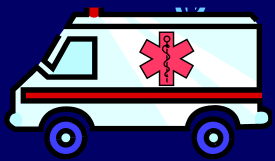
Uses of State Relief Fund Money



Permissible uses

- (1) Line-of-duty AD&D benefit
- (2) Non-line-of-duty AD&D benefit
- (3) Scholarships to members and their children
- (4) Educational benefit for children of members killed in the line of duty

Report p. 6



Funding of Rescue Squad Workers' Relief Fund, CY 2012

Vehicle owners pay fees
for safety and emissions
inspections



\$0.12 of each
inspection fee goes to

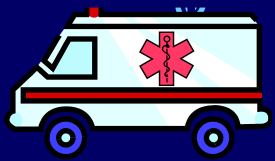
Rescue Squad
Workers' Relief Fund



\$920,813

- 2% goes to DOI (\$18,416)
- 12% goes to NCAREMS (\$110,498)
- 86% goes to relief fund benefits

Report p. 10



Funding of Rescue Squad Workers' Relief Fund, CY 2012



Money available
for benefits → \$791,899

- Stakeholder
roles {
- DOI distributes money to NCAREMS
 - NCAREMS administers benefits

Report p. 10



Eligibility for Rescue Squad Workers' Relief Fund Money



- be eligible for NCAREMS membership
- have attended 36 hours of training and meetings in the last year
- be affiliated with a department that filed a roster certifying all eligible members met the above requirements

**Eligibility
criteria**

Report p. 9



Uses of Rescue Squad Workers' Relief Fund Money



For all qualifying workers:

- (1) Line-of-duty death benefit
- (2) Line-of-duty injury benefit
- (3) Scholarships to children of workers
- (4) Scholarships to children of line-of-duty death members

For dues-paying members of NCAREMS:

- (5) AD&D benefit
- (6) Natural death benefit
- (7) Monetary compensation for catastrophe
- (8) Scholarships for members
- (9) Scholarships to spouse of line-of-duty death members

Permissible uses

Report p. 10

Findings



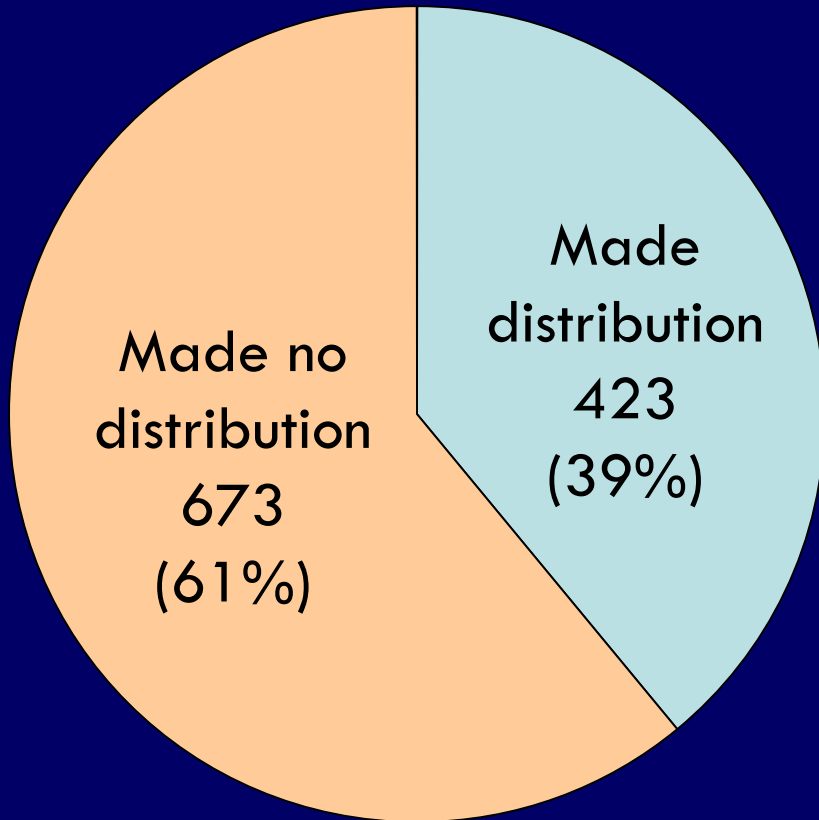
Finding 1.

Relief fund money is not being spent at the rate intended, has been spent on non-permitted uses, and is being invested without statutory regulation



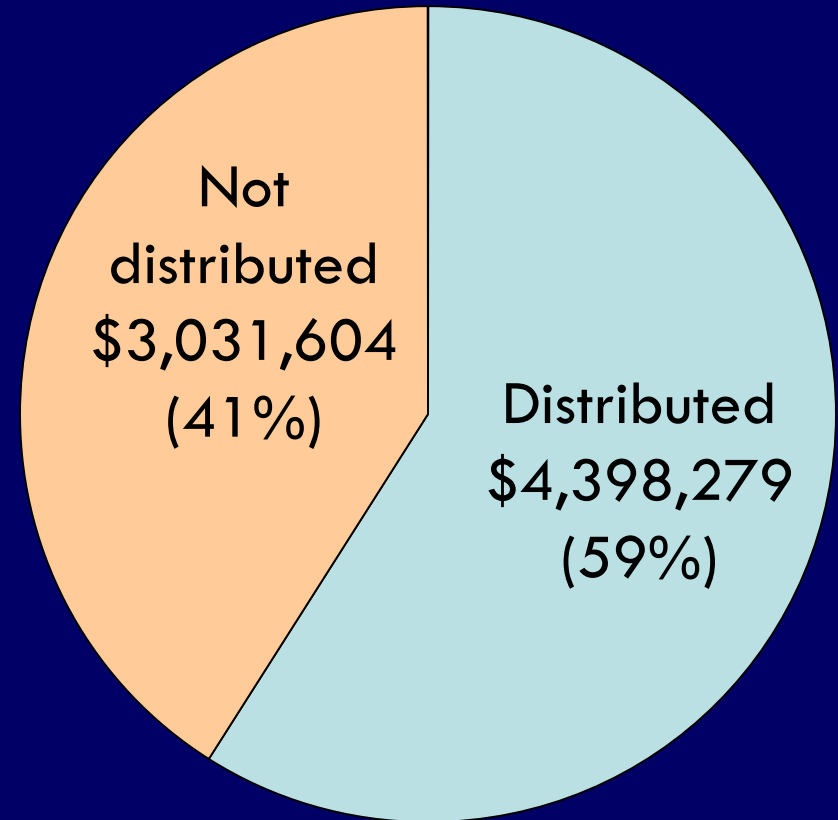
Local Firefighters' Relief Fund Boards Are Saving Rather than Spending

Number of Local Boards That Made Distributions



FY 2011–12 Total = 1,096

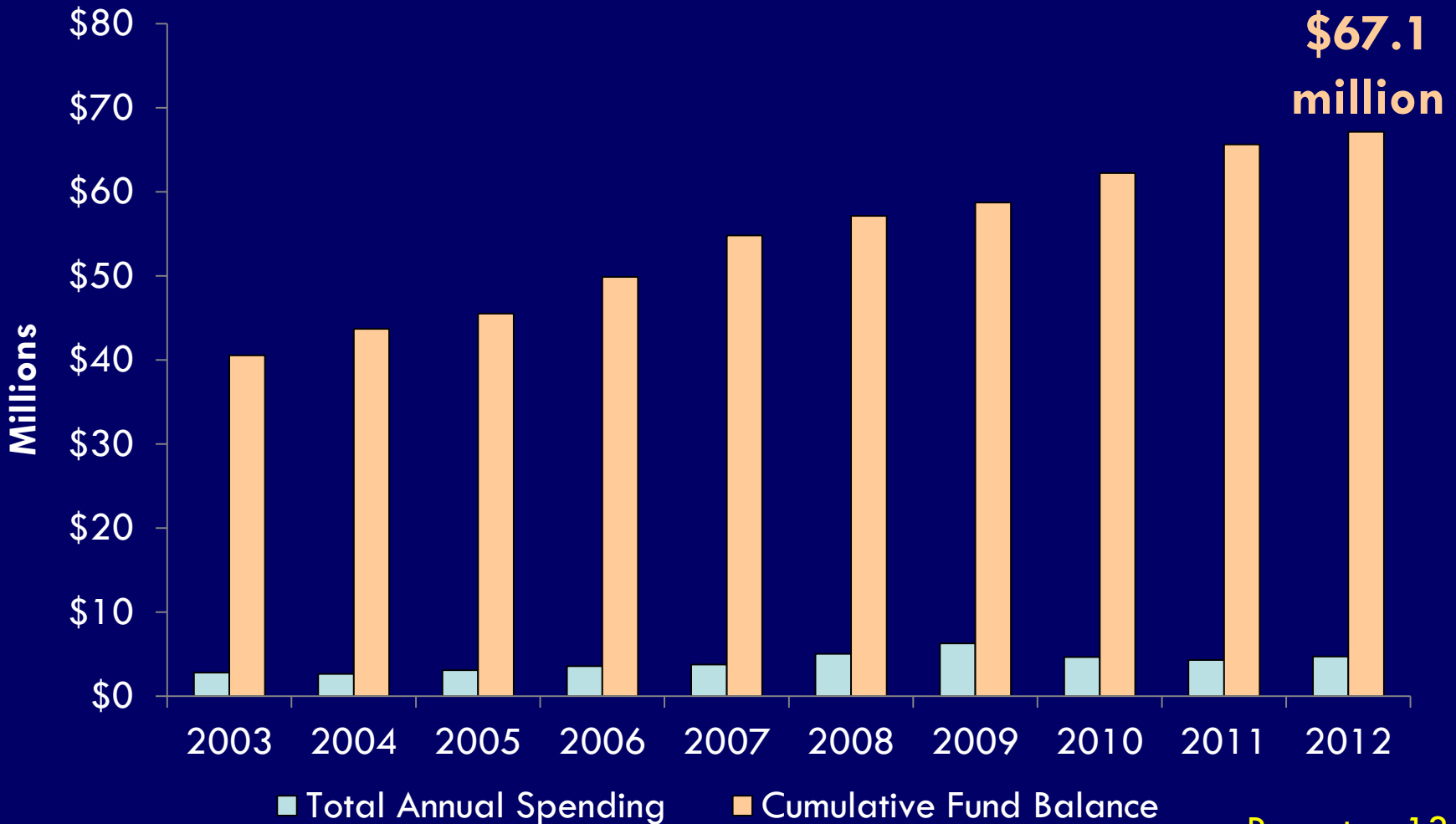
Amount of Local Funds Distributed



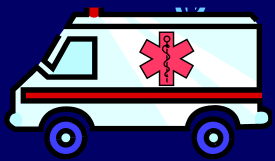
FY 2011–12 Total = \$7,429,883



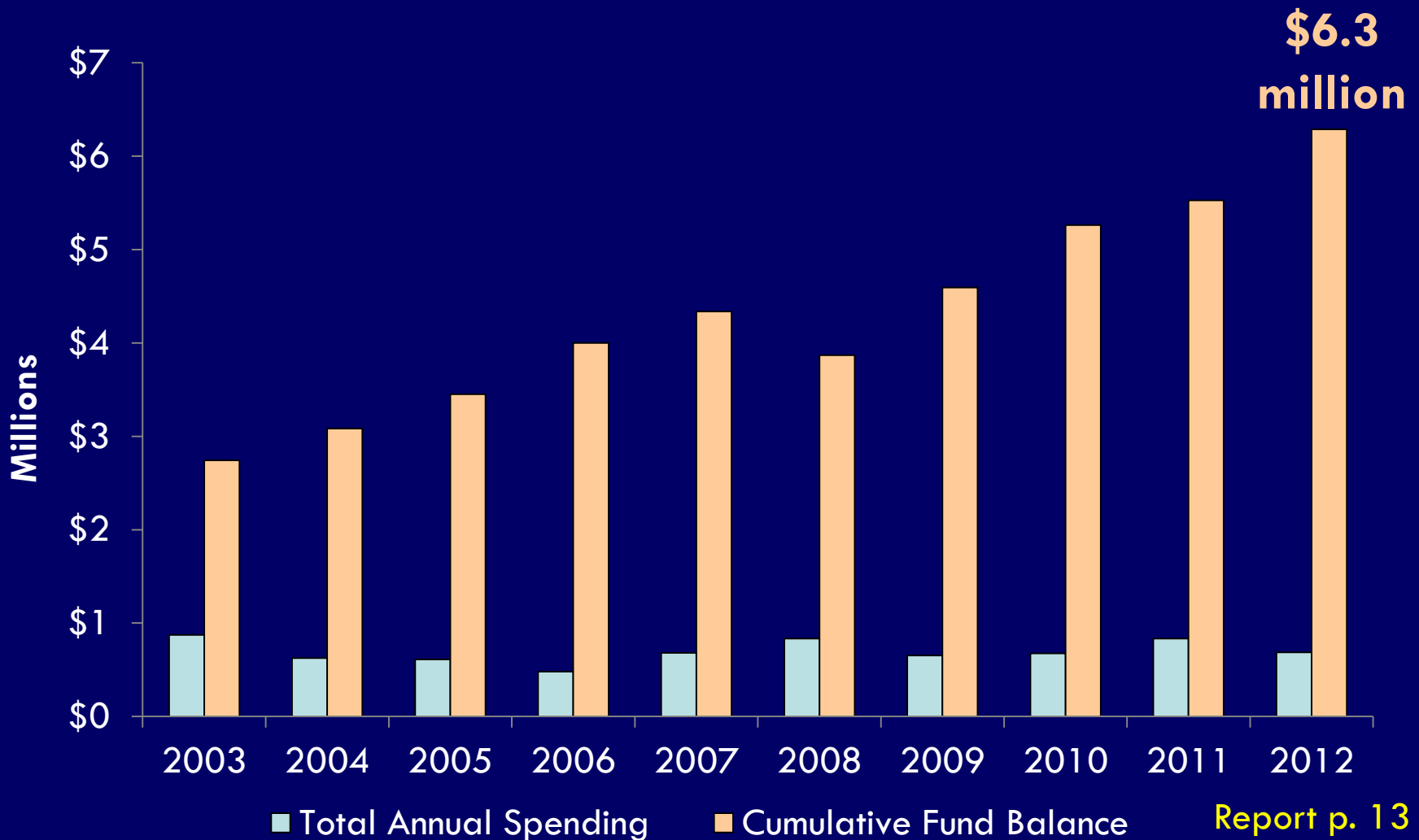
Local Boards Spend 7% of Their Cumulative Relief Fund Balances Each Year



Report p. 13



NCAREMS Spends 17% of the Cumulative Relief Fund Balance Each Year





NCAREMS Misspent \$1.9 Million

- In 2009, NCAREMS borrowed \$1.9 million from the relief fund to construct a 16,000 square foot office building with 9,600 square feet of rental space
- Nowhere in the statutory list of permissible relief fund uses do real estate loans appear



Report p. 18



NCAREMS Misspent \$1.9 Million

- Questionable loan terms
 - No title search
 - Interest rate was lowered from 5% to 3.5%
 - Interest-only payments until rental space occupied



Report p. 18



Examples of Local Boards Misusing Firefighters' Relief Funds

- Relief funds used on non-permissible uses
 - Firefighter physicals
 - Pension fund contributions
 - Administrative costs
 - Bank fees
 - Investment charges

Report p. 19

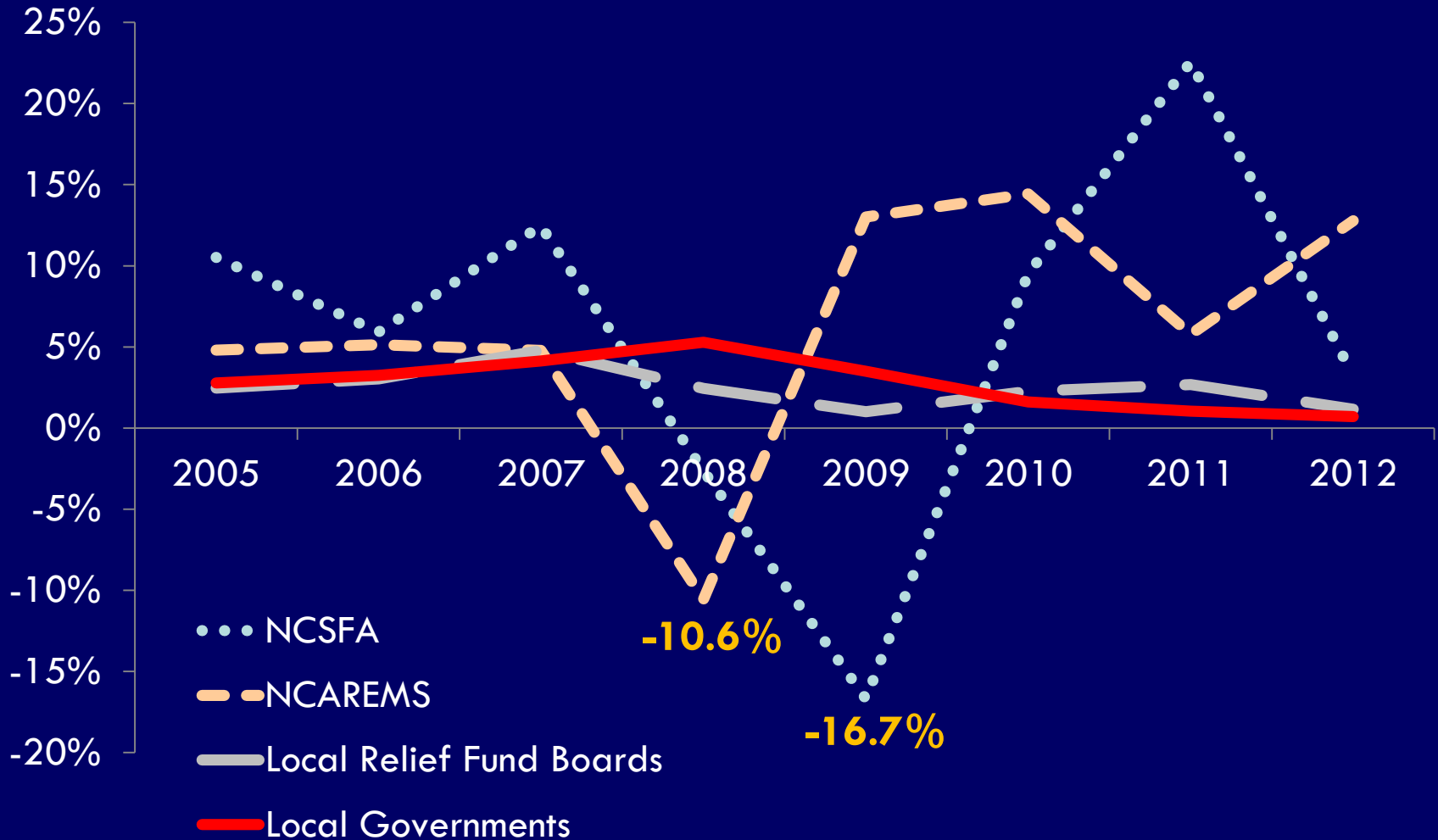
No Statutory Regulations for Relief Fund Investment

- NCSFA, NCAREMS, and local boards are investing relief fund money
- None of the statutes governing the relief funds regulate how the funds can be invested

In contrast, local governments' investment of idle funds is regulated by statute

Report pp. 19, 20

Relief Fund Money Is at a Greater Risk than Local Government Investments



Report p. 21

Finding 2.

DOL's failure to require adequate information, NCSFA's lack of oversight, and lack of coordination between databases puts relief funds at risk for misuse

DOI Not Requiring Adequate Information

- DOI distributes relief fund money
- According to statute, NCSFA and NCAREMS must file annual reports in a form prescribed by DOI
 - NCSFA submits yes/no list and spreadsheet with totals
 - NCAREMS submits annual audit

Current formats are not adequate to make the associations accountable to the State

Report pp. 21, 22



NCSFA Not Adequately Overseeing Local Boards

NCSFA Oversight Activity	Implementation Status
1. Providing clear information on how local boards can spend funds and when local boards must seek NCSFA's approval	◐
2. Having written criteria to guide NCSFA's approval/denial determinations	○
3. Collecting itemized financial data	◐
4. Tracking itemized financial data	○
5. Tracking local bill activity	○
6. Performing quality assurance of financial data submitted by local boards	◐
7. Investigating questionable local board activity	◐
8. Reporting questionable local board activity to DOI's Criminal Investigations Unit	○

● = Fully implemented; ◐ = Partially implemented; ○ = Not implemented



Lack of a Centralized Database Hinders Oversight

- DOI, NCSFA, and NCAREMS each have databases for their own purposes
- Several departments listed in one database are completely absent from the other database

Lack of database coordination increases the chances that a department could be overlooked

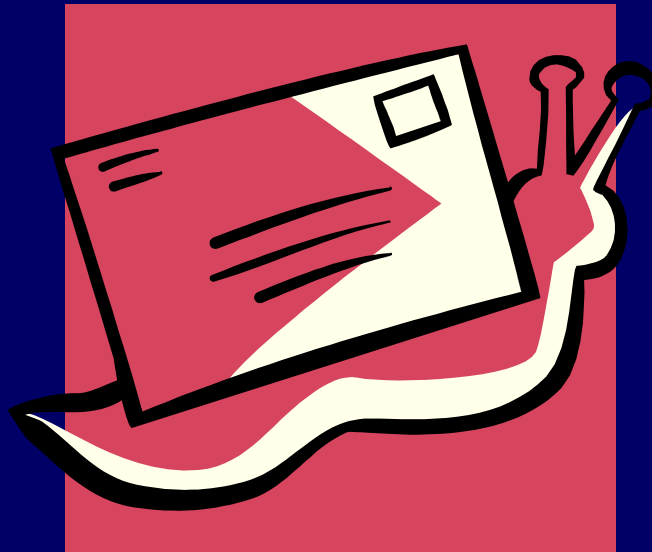
Report p. 27

Finding 3.

Accountability, efficiency, and equity could be gained by using electronic transfer, consolidating the firefighters' relief funds, and transferring administration to DOI

Electronic Transfer

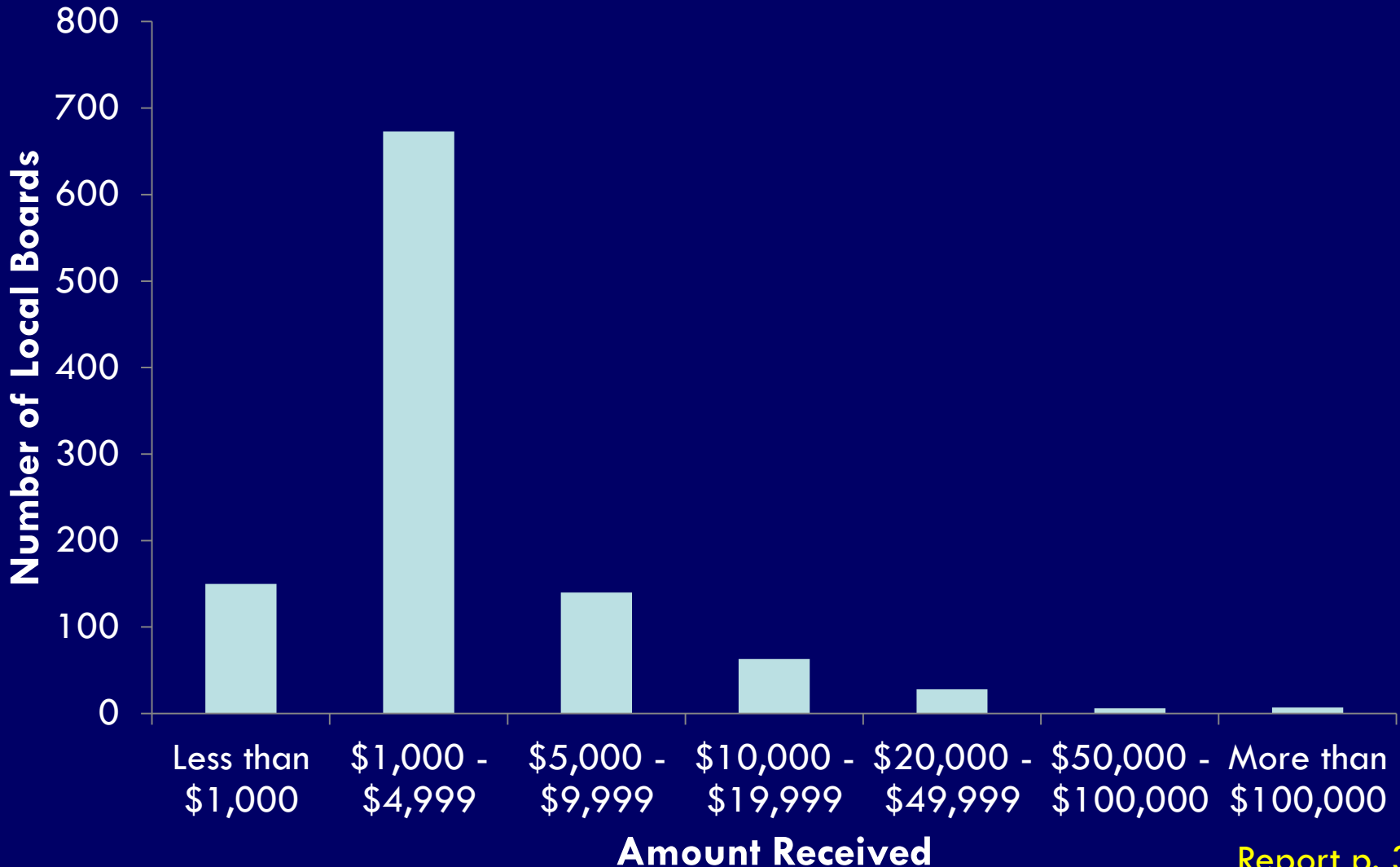
- DOI mails relief fund checks
- Electronic transfer would be safer and faster



Report p. 28



Majority of Local Boards Receive Less than \$5,000 Annually, FY 2012–13



Report p. 30

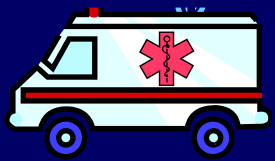




Advantages of Consolidation and State Administration of Firefighters' Relief Fund

	Current model	State and local funds combined and DOI administers
Equitable benefits for firefighters across the state		✓
Local boards decide how they spend their funds	✓	
Local boards have the option to consolidate	✓	
State pools resources for better benefits		✓
Efficient administration of relief funds		✓
Program administrator is more accountable to State		✓





Advantages of State Administration of Rescue Squad Workers' Relief Fund

	Current model	DOI administers fund
Equitable benefits for rescue personnel across the state	✓	✓
State pools resources for better benefits	✓	✓
Efficient administration of relief fund	✓	✓
Program administrator is more accountable to State		✓

Recommendations

General Assembly



- better benefits
- more equitable benefits
- more efficient administration
- more accountability

- more responsiveness
- more flexibility

Recommendation A

Recommendation B

Recommendation A.

General Assembly should consolidate the State and local firefighters' relief funds and make administration of all relief funds DOI's responsibility

Statutory Changes

- Abolish State Firefighters' Relief Fund
- Repeal 54 local bills
- Combine the State and local firefighters' relief funds and transfer administration of the combined fund to DOI
- Transfer administration of the Rescue Squad Workers' Relief Fund to DOI

Implementation Plan

- DOI should provide an implementation plan to General Government appropriations subcommittees by January 1, 2015
 - Working group with representatives from associations
 - Implementation schedule for July 1, 2015 completion
 - Inventory of local board benefits
 - Determination of statewide benefits

Recommendation B.

General Assembly should improve oversight of all the relief funds under their current administrative structures

Improve Efficiency and Oversight by DOI

Direct DOI to

- Make disbursements by electronic transfer
- Create a centralized database
- Report to General Government appropriations subcommittees

To carry out these functions, DOI should be restored to its previous funding level for this program

Report p. 38



Improve NCSFA Oversight of Local Boards and State Oversight of NCSFA

Direct NCSFA to

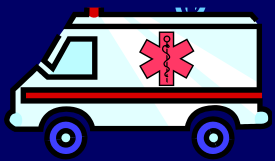
- Create and revise written materials
- Create written criteria
- Modify reporting form
- Track local bills
- Submit data to centralized database
- Submit audit to DOI and State Auditor

Report pp. 38, 39

Statutory Changes

- Regulate investments by local boards, NCSFA, and NCAREMS
- Direct DOI to
 - set a minimum balance threshold
 - set a maximum balance threshold

Report pp. 37, 40



NCAREMS Should Pay Back \$1.9 Million

- Buying land and building an office facility were not permitted uses of Rescue Squad Workers' Relief Fund money
- General Assembly should direct NCAREMS to secure a traditional bank loan for \$1.9 million and pay back the relief fund by July 1, 2014

Report p. 36

Summary: Findings

1. Relief fund money from both funds

- is not being spent at the rate intended by the General Assembly
- has been spent on non-permitted uses
- is being invested without statutory regulation

2. Oversight of relief funds is hindered by

- DOI's failure to require adequate information from the associations
- NCSFA's lack of oversight of local boards
- lack of coordination between department and association databases

Summary: Findings

3. Accountability, efficiency, and equity could be gained by

- using electronic transfer
- consolidating the State and local firefighters' relief funds
- transferring administration of all relief funds to DOI

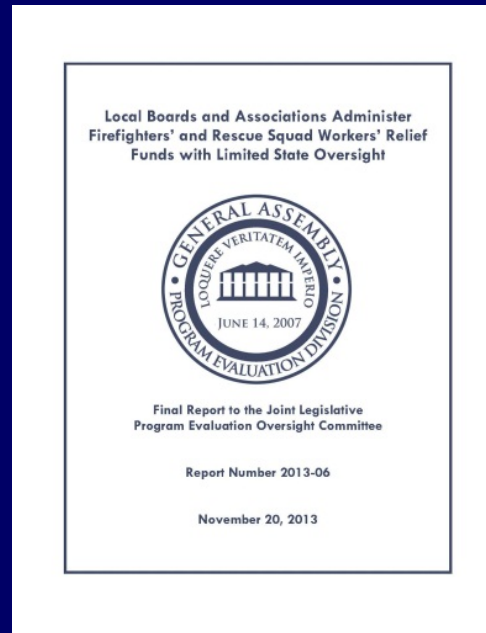
Summary: Recommendations

- General Assembly should either
 - consolidate the firefighters' relief funds and make administration of all relief funds the responsibility of DOI
 - OR
 - improve oversight of relief funds under their current administrative structures

Legislative Options

- Accept the report
- Refer it to any appropriate committees
- Instruct staff to draft legislation based on any of the report's recommendations

**Report available online at
www.ncleg.net/PED/Reports/reports.html**



Kiernan McGorty
Kiernan.McGorty@ncleg.net