

# **SJR 5 Study: Emergency Medical Services EMS Grant Program**

## Background

Some stakeholders suggested that creating a grant program for emergency medical service (EMS) providers would allow providers to apply for funds that could be used to meet their specific needs.

A grant program is seen as one way to pay for the "costs of readiness" associated with running an emergency medical service, which must have trained personnel and specific vehicles and equipment no matter how many runs it makes each year.

A quick survey of nearby states found that they appropriated the following amounts for EMS grant programs:

- Idaho: \$1.08 million in fiscal year 2008, for vehicle and equipment purchases.
- North Dakota: \$1.25 million in fiscal year 2007, to fund staffing needs only.
- Utah: \$1.15 million for fiscal year 2009, for vehicle, equipment, and training costs, as well as demonstration and research projects.
- Colorado: \$1.6 million in fiscal year 2009, for vehicle, equipment, and training costs.

## Draft Legislation: LCS5-4

The legislation drafted for committee consideration would:

- Establish a grant program to fund vehicle and equipment purchases for licensed emergency medical services that are staffed primarily by volunteers;
- Define "volunteer" by using annual compensation levels already set in law;
- Create a grant review committee to make recommendations on funding requests;
- Establish criteria for awarding grants;
- Appropriate \$1 million a year from the nonrestricted highway account and require a 25% local match, to create a program worth \$1.25 million; and
- Hold some of the state funds in reserve for certain emergency situations.

## Committee Decision Points

In reviewing this legislation, the committee may want to consider the following questions:

- **Who should be eligible for grant funding?**  
The current bill draft allows an emergency medical service staffed primarily by volunteers to apply for grant funds, including providers that receive public funding but use volunteers. Other options include:
  - Allowing all licensed emergency medical services to apply for funding, including those run by private businesses and those operated by publicly funded agencies, such as a city fire department.
  - Limiting grant funding to EMS providers that are not privately operated and/or that receive no public funding.
- **For what purposes may grant funding be used?**  
The current draft limits funding to vehicle and equipment purchases related to medical care. The committee may want to consider adding other activities to the allowable uses.

- ▶ **How should the program be funded?**  
The current draft uses the highway nonrestricted account, which the Legislative Fiscal Division estimates to contain about \$7 million in any given year. Stakeholders have proposed a number of other options, which are explained in more detail on pages 3 and 4. They include:
  - ▶ Gas tax funds;
  - ▶ Entitlement share funds appropriated to local governments;
  - ▶ Insurance premium tax monies;
  - ▶ New fees or taxes or increases in existing fees or taxes;
  - ▶ Tobacco tax revenue; and
  - ▶ General fund.
  
- **How much money should be appropriated each year?**  
The current bill draft allows DPHHS to spend up to \$1 million each year. DPHHS estimates that Montana has about 250 licensed EMS providers. About 117 of those are considered volunteer services. Sixty-one are volunteer fire departments that provide emergency medical services. Approximately 65 services are paid in one way or another, with 16 paid private providers and 16 paid fire departments. Five providers are tribal providers. Depending on the average grant award the committee thinks would be helpful, the proposed \$1 million appropriation would allow:
  - ▶ 20 grants of \$50,000 each year;
  - ▶ 40 grants of \$25,000 each year; or
  - ▶ 100 grants of \$10,000 each year.
  
- **Should the money be statutorily appropriated?**  
The current bill draft provides a statutory appropriation to DPHHS.
  - ▶ A statutory appropriation would fund the grant program automatically every year, without further legislative action.
  - ▶ Without a statutory appropriation, funding for the program must be appropriated every year or built into the Department's base budget.
  
- **Should grant recipients be required to provide matching funds?**
  - ▶ A requirement for matching funds may ensure that the EMS provider is a viable organization that can put the state funds to good use.
  - ▶ The requirement would stretch state dollars farther in accomplishing the goals of the grant program.
  - ▶ A matching requirement may be a financial burden for some EMS providers.

About the Proposed Funding Source

The current bill draft would fund the program by using money from the highway nonrestricted account, which is established in 15-70-125, MCA. The 1995 Legislature created this account, which is made up of penalties collected by the Department of Transportation and the interest on those penalties. These funds can be appropriated with a simple majority vote.

The Legislature has approved use of these funds in the past. For example, the 2005 Legislature made a one-time appropriation of about \$200,000 to the Department of Commerce's Main Street Program. And 80-7-823, MCA, appropriates \$100,000 out of this fund each year for the noxious weed special revenue account.

Other Funding Sources Proposed by Stakeholders

During committee meetings and discussions with staff, stakeholders presented several other ideas for paying for a grant program. The ideas, and related issues, include:

- **A fee of up to \$5 on vehicle registrations**, because EMS providers respond to motor vehicle crashes. A similar \$5 fee already exists to help fund Highway Patrol salaries; that fee raised \$5.36 million in 2007,<sup>1</sup> meaning it was applied to approximately 1,073,000 vehicle registrations. Using that number, fees of varying levels could raise the following amounts:
  - ▶ \$5 fee: \$5.36 million
  - ▶ \$4 fee: \$4.29 million
  - ▶ \$3 fee: \$3.22 million
  - ▶ \$2 fee: \$2.15 million
  - ▶ \$1 fee: \$1.07 million
  - ▶ 50 cent fee: \$536,500

*Related Issue: A new fee may be seen as a tax increase.*

- **A fee on phone bills**, because 9-1-1 is part of the emergency response system. State law imposes a 25-cent monthly fee on each phone line for 9-1-1 services and a 50-cent monthly fee for wireless enhanced 9-1-1 services. The general fund receives 3.74% of the fee revenue, while the rest goes to providers to pay for the emergency phone system program.

*Related Issue: A new fee may be seen as a tax increase.*

- **Use of gas tax funds.** The Montana Constitution limits the use of gas tax funds to road construction and a few other purposes, including "enforcement of highway safety." Gas tax revenue may be appropriated for other purposes only with a *three-fifths* vote of each house. Diverting a portion of the gas tax for a grant program may fall under the "highway safety" provisions of the Constitution. The ongoing legislative performance audit has found that approximately 16% of EMS calls in calendar year 2006 involved motor vehicle accidents, while 21% of the calls involved a response to a street or highway location.

The Legislative Fiscal Division says the state collected about \$200 million in gasoline and diesel taxes in fiscal year 2007. One percent of that amount would equal about \$2 million.

*Related Issues: An argument could be made that a diversion is related to highway safety, allowing a simple majority vote on use of the funds. However, a diversion may face opposition because of the high federal match rate. The state receives about 87 cents from the federal government for every 13 cents of gas tax money it spends on road construction.<sup>2</sup>*

- **Use of the so-called "entitlement share" funds** for cities and counties. In 2001, local governments gave up millions of dollars that they had received from a number of sources, including video gambling taxes, vehicle title and registration fees, and beer, liquor, and wine taxes. In exchange, the state now provides them with a share of the general fund.

*Related Issues: In 2005, SB 146 diverted a per-person amount of the entitlement share to help cover the costs of the new statewide public defender program. However, local governments have indicated a strong resistance to further diversions.*

- **Insurance premium tax.** The state levies a 2.75% yearly tax on the total income that each

---

<sup>1</sup>Interview with Lee Bain, Title and Registration Bureau, April 2, 2008.

<sup>2</sup>Greg DeWitt, Legislative Fiscal Division, April 21, 2008.

insurance company receives from insurance premiums. This tax raises approximately \$62 million, which goes into the general fund. While the tax revenue is not specifically earmarked, some statutory appropriations have been associated with the tax, including funding of the volunteer firefighter retirement system.

Some stakeholders have suggested that the premium tax could be increased and/or a portion of the premium tax could be earmarked for an EMS grant program, because EMTs and ambulances frequently respond to emergencies that are covered by insurance policies.

*Related Issues: The proposed initiative to expand the Children's Health Insurance Program (CHIP) would use an estimated \$22 million of the funds raised by the premium tax. If the initiative passes, there may be a reluctance to divert additional premium tax revenue from the general fund. Insurance-related interests also may oppose an effort to increase the tax.*

- **A fee on insurance policies:** Some stakeholders have suggested a fee on insurance policies to raise money for a program, similar to the \$1 genetics fee authorized in 33-2-712, MCA. The fiscal note for the legislation that set the genetics fee at the \$1 level estimated that it would raise about \$1 million a year.

*Related Issue: Insurance-related interests may oppose an additional fee on policies. A new fee may be seen as a tax increase.*

- **Tobacco tax funds:** A stakeholder suggested the use of these funds because EMS calls are often related to medical issues stemming from tobacco use. Revenue from the increased tobacco tax is deposited in the Health and Medicaid Initiatives Account, and the account's authorized uses are spelled out in 53-6-1201, MCA. In FY 2006, the tax raised \$38 million.

*Related Issues: The money could not be used for an EMS grant program unless the statute governing the account was amended. Much of the money in this account is already being spent for currently authorized purposes.*