

HF xxxx (Nelson); SF xxxx (Pappas), Revisor #23-04606: Legislation Recommended by the State Auditor's Volunteer Fire Relief Association Working Group

Prepared by: Susan Lenczewski, Executive Director

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Introduction

- Affected Plans:** Volunteer firefighter relief associations
- Law Amended:** Minnesota Statutes, Section 424A.014, subdivision 1
- Brief Description:** The bill increases the dollar threshold for requiring that a volunteer firefighter relief association submit audited financial statements from \$500,000 to \$750,000.
- Attachment:** [“Exhibit G”](#) prepared by the State Auditor’s office for the meeting of the Volunteer Fire Relief Association Working Group on November 10, 2022

Background

The bill is one of five items approved by the State Auditor’s Volunteer Fire Relief Association Working Group (working group) in meetings during the fall of 2022 and January of 2023. This 13-member group consists of officers of relief associations from around the state, two representatives from municipalities, one representative each from the Minnesota State Fire Department Association and the Minnesota State Fire Chiefs Association, and the State Auditor.

The Office of the State Auditor has convened meetings of the working group for many years to discuss changes to the statutes governing volunteer firefighter relief associations. The group was not established by Minnesota law and has no official status. The group’s purpose statement is the following:

To identify and work through current and pressing relief association issues while maintaining effective and efficient Office of the State Auditor oversight. We will do this by bringing together the major volunteer fire relief association stakeholders to develop relationships, facilitate communication, discuss relief association issues and make the Pension Process easier and more effective. The ultimate goal is to help volunteer fire relief association plans be successful.

Commission staff received the request to draft a bill using language sent over by the State Auditor’s office on January 20, 2023. At that time, with the legislature already in session, Commission staff’s first priorities were bill requests and research questions from legislators and legislative staff, of which we

have had a record number this session, together with preparations for weekly Commission meetings that began on January 23rd.

While most of the changes were not time-sensitive, the one that could be considered as needing to be enacted as soon as possible is the audit threshold addressed in the bill. Audits are costly to relief associations and raising the dollar threshold will relieve many relief associations from the requirement to have their financial statements audited. Accordingly, the bill addresses the audit threshold, increasing the threshold as recommended by the State Auditor's working group.

Section 424A.014, subdivision 1, requires relief associations with special fund assets of at least \$500,000 or special fund liabilities of at least \$500,000 according to any prior year's financial report to file audited financial statements. Relief associations with special fund assets or liabilities below that threshold may file audited financial statements but are not required to. For more information on the audit requirement, see the attached "[Exhibit G](#)" prepared by the State Auditor's office for the meeting of the working group on November 10, 2022.

Commission staff did not have the time or resources to draft the rest of the requested items, but will work with the State Auditor's office over the interim to draft a bill containing the rest of the items.

Commission staff particularly note the need for more due diligence before completing one substantial set of changes recommended by the working group, which is to delete most references to the term "volunteer" in Chapter 424A, which governs volunteer firefighter relief associations. The mark-up of Chapter 424A sent over by the State Auditor's office deletes most references to "volunteer" throughout 18 of the 22 sections in that chapter. There are, however, 50 sections in other chapters throughout the Minnesota statutes that contain the word "volunteer" in the phrase "volunteer firefighter." Commission staff is concerned about possible unintended consequences of deleting the word "volunteer" in Chapter 424A without reviewing the continued use of the term in these other 50 statutes. It is likely that conforming changes will be needed in these other statutes.

Section- by- Section Summary

The bill contains two sections:

Section 1 replaces each reference to the current dollar threshold of \$500,000 with \$750,000.

Section 2 is the effective date and states that the change is effective on December 31, 2023, applies prospectively, and any relief association with assets of less than \$750,000 on December 31, 2023, is not required to submit audited financial statement until the relief association's special fund assets or liabilities exceed \$750,000, even if the relief association had to comply with the audit requirement on December 30, 2023.