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OSC Recommends Lawmakers Examine Expanded Use of \$245 Million Firefighter Assistance Fund

TRENTON – State Comptroller Philip James Degnan today recommended that the State Legislature consider overhauling existing law regarding the New Jersey State Firemen’s Association (NJSFA) and the state’s 538 Local Relief Associations (LRAs) after an investigation found the current antiquated law restricts NJSFA’s ability to distribute the funds to needy firefighters, their families and fire companies, while total assets have grown to nearly \$245 million.

Office of the State Comptroller (OSC) investigators found that money earmarked for the NJSFA and LRAs has gone largely unused for decades. The NJSFA is a non-profit organization that provides burial benefits and financial assistance to qualified firefighters and their families. The NJSFA is funded by a two percent tax levied on fire insurance policies written by out-of-state insurers on New Jersey properties, and receives about \$30 million annually via this funding source. The NJSFA then distributes about half of the total funds to the 538 separately-incorporated LRAs to disburse to firefighters who are able to demonstrate a financial need.

The investigation found that due to an antiquated statutory scheme, money collected and intended for NJSFA and LRAs goes unused. In 2016, the state’s LRAs collectively received about \$16 million and retained nearly \$6 million as surplus, spending more money on staff salaries, administrative costs and an annual convention than on disbursements to needy firefighters, their families and fire companies. While neighboring states have long allowed for a wider use of these funds to support local fire departments, New Jersey’s laws allow for only limited use, resulting in hundreds of millions in idle funds.

Comptroller Degnan, in releasing today’s investigative report, noted that the State Legislature in 1994 held hearings about the NJSFA, LRAs and how they were operating. During the hearings, concerns were expressed about the \$90 million in surplus funds that had been amassed at that time.

“Nearly a quarter-century after those Legislative hearings, very little has changed and our investigators found many of the same issues from 1994 continue to exist,” Comptroller Degnan said. “The Legislature must consider the fundamental issue of how to best use the accumulated funds to most effectively assist New Jersey’s 37,000 firefighters while continuing to ensure existing benefits are paid.”

NJSFA and the LRAs were formally established by State statute in 1885.

OSC’s investigation covered the period between January 2013 and June 2017 and included a review of NJSFA records and also records from various LRAs located throughout New Jersey. Comptroller Degnan noted that investigators also examined how Pennsylvania, North Carolina and New York spend the funds that each collects through taxes on out-of-state fire insurance premiums. Each state allows a broader use of their funds, including paying for firefighter training, equipment, insurance premiums, and annual physicals, among other things.

“We are recommending that the existing law be significantly revised so some of the available funds can be spent on education, ongoing training and upgraded equipment to increase personal safety as firefighters perform their mission of protecting the public,” Comptroller Degnan said. “Volunteer fire departments in particular would benefit from this funding source.”

OSC is an independent state agency that conducts audits and investigations of government agencies throughout New Jersey. The Office also reviews certain government contracts and works to detect and prevent Medicaid Fraud. The Office strives to enhance the efficiency and transparency of government and to ensure that public funds are spent effectively and efficiently.

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