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FUNDING FOR RURAL FIRE DISTRICTS

This memorandum provides information regarding funding for rural fire districts, specifically insurance tax distribution fund allocations, property tax collections from levies on property within a fire district's designated area, and reimbursement to rural fire departments for fire protection services. In 2009, 373 fire protection agencies were operating in North Dakota consisting of 91 fire departments, 241 rural fire protection districts, and 41 rural fire departments.

INSURANCE PREMIUM TAX REFUND TO FIRE DISTRICTS

North Dakota Century Code Section 26.1-03-17 requires the Insurance Commissioner to collect a premium tax on the gross amount of insurance premiums sold within the state at a rate of 2 percent for life insurance policies and 1.75 percent for all other types of insurance.

Chapter 18-04 provides for the disbursement of insurance premium tax collections to qualifying fire protection agencies. The allocation to each eligible entity is based on the amount of gross premiums reported for each fire district to the total gross premiums reported statewide. The Insurance Commissioner calculates these insurance tax allocations and distributions are made annually during September.

To be eligible for funding under Chapter 18-04, the secretary of the fire protection agency must file a certificate of existence with the State Fire Marshal and with the Insurance Commissioner by October 31 of each year. The fire protection agency is required to have maintained for a period of at least eight months before the filing of the certificate an organized fire protection district in compliance with and capable of reporting fires in accordance with provisions of Section 18-01-06. To be in reporting compliance, fire protection agencies are required to submit the details of any fire that caused damage to property within the district in excess of \$25 to the State Fire Marshal.

The State Fire Marshal's 2008 *Fire Department Info* report indicates that only 190, or 51 percent, of the 373 fire protection agencies that received funding in 2009 filed incidents in 2008. The State Fire Marshal's office indicated that fire protection agencies may not be reporting because there were no incidents to report during the year, a lack of resources to complete the required reporting, or because of a lack of knowledge of the reporting requirements.

The 2009 Legislative Assembly appropriated \$6.2 million from the insurance tax distribution fund for insurance tax payments to fire protection agencies for the 2009-11 biennium. This funding was included in the Insurance Department appropriation bill--2009 House Bill No. 1010. The \$3.1 million disbursed in

September 2009 was based on 2008 insurance premium tax collections. [Appendix A](#) itemizes this disbursement by fire district.

RURAL FIRE PROTECTION DISTRICTS PROPERTY TAX LEVY

Chapter 18-10 authorizes a rural fire protection district's board of directors to determine a general fire protection program for the district, to make an annual estimate of the expense for the program, and to annually certify the estimate to the county auditor for purposes of tax levy. The annual estimate must be certified to the county auditor on or before June 30 of each year. Section 18-10-07 permits the county auditor to levy a tax upon the taxable property within the district for the maintenance of the fire protection district for the fiscal year as provided by law. Section 57-15-26.3 limits the tax levy to five mills on the taxable valuation of property in the district. This levy may however be increased by the district's board of directors to 13 mills if 20 percent of qualified electors residing in the district petition for it.

In 2009, \$4.6 million was collected under rural fire protection districts property tax levy. [Appendix B](#) provides detail by fire district of the mills assessed in each county and subsequent collections.

RURAL FIRE DEPARTMENTS REIMBURSEMENT FOR FIRE PROTECTION SERVICE

Rural fire departments may enter contracts with state and local government agencies to provide fire protection service or fire protection cooperation as permitted in Section 18-10-10. Reimbursement for such fire protection must be on a reasonable annual fee based on the agency's acreage within the fire district, and the fee may not be greater in amount than if the property had been subject to property tax levies. In some instances reimbursement on these contracts is paid not by cash but in exchange for allowing a rural fire department use of city buildings and sometimes paying any associated utilities. The State Fire Marshal's office does not have information on the number of rural fire departments entering these types of agreements; therefore, any associated funding is not available.

[Appendix C](#) summarizes the data that is available for analysis, showing a total for insurance tax distribution funding and property tax collection by fire district as well as incorporating the number of incidents reported by fire districts from the 2008 State Fire Marshal report.

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