
Coates' Canons Blog: Fire Tax Districts vs. Fire Insurance Districts

By Kara Millonzi

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As I detailed in a previous **post**, North Carolina counties are authorized to establish two different types of special tax districts to fund fire services in both their unincorporated and incorporated areas (subject to certain conditions and procedural requirements, of course). Counties also have broad authority to establish fire insurance districts. This post briefly examines the purpose and function of fire insurance districts and discusses their relationship with fire tax districts.

For more detailed information on providing and funding fire services—including the procedures for establishing, altering, and abolishing fire tax and fire insurance districts, see this **Local Finance Bulletin**.

Counties typically divide their unincorporated territory into multiple fire response zones, each of which is served by one or more volunteer or municipal fire departments. This allows a county's governing board to provide different types and levels of services in different parts of the county. A county may fund these services with its general property tax proceeds. Alternatively, it may establish and maintain one or more special tax districts to generate revenue specifically to provide the fire services in the district(s).

In addition to the tax districts, a county also is authorized to establish fire insurance districts within its unincorporated territories. **G.S. 153A-233**. The primary purpose of insurance districts, as their name suggests, is to delineate the fire protection coverage afforded to particular properties for purposes of determining whether those properties may be covered by fire insurance and at what cost. The North Carolina Commissioner of Insurance and State Fire Marshal are responsible for rating departments that serve areas with populations of 100,000 or less. See **G.S. 58-36-10(3)**; **G.S. 58-40-25(4)**. (For more information on the rating system see the **North Carolina Fire Service Reference Manual**.) A private corporation, the Insurance Services Office, Inc., rates departments that serve more populous areas. (Additional information on ISO's rating systems is available **here**.)

Although **G.S. 153A-233** allows a county's governing board to "designate fire districts or parts of existing districts and prescribe the boundaries thereof of insurance grading purposes" the insurance district boundaries must be approved by the State Fire Marshal's Office because it actually provides most of the insurance ratings.

Insurance ratings are based on the staffing levels and apparatus of the fire department itself, as well as on the applicable emergency response communication system and available water supply. A fire department that serves the properties within an insurance district is rated on a scale of 1 to 10, with 10 effectively constituting no fire protection for purposes of setting insurance rates. Thus, the minimum insurance grade for departments rated by the Commissioner of Insurance is 9S. In order to qualify for a 9S rating county insurance district boundaries may be no more than 6 road miles from the fire station and the fire station that serves those properties must meet certain requirements. Some fire departments receive a split rating—providing a lower (better) insurance rating to properties in the insurance district that are located within 1000 feet of a fire hydrant. (For more information on fire insurance ratings in North Carolina see **Office of State Fire Marshal, Requirements to Meet the 9S Rating for Initial Certification/Re-Inspection of Fire Departments in North Carolina**.)

A secondary (and related) purpose of fire insurance districts is to delineate fire response areas for particular fire departments. Because of this, fire insurance district boundaries often are co-extensive with fire tax district boundaries. This allows for ease of administration by identifying a particular funding source for a particular set of services provided in a particular area by a particular service provider. Fire insurance districts are legally distinct from fire tax districts, though, and they do not have to have the same boundaries. There may be times when a county wishes to alter its insurance districts to account for new growth and development or new service providers but it is not practical for it to change its existing tax districts. As a result of the change, an insurance district may cut across two or more tax districts. If properties in the



insurance district are served by a single fire department, the county's (or rural district's) governing board may appropriate monies from each of the tax districts to the fire department to provide services across the insurance district. A change in insurance district boundaries also may result in a tax district that comprises properties in two or more insurance districts. In this case, the county's (or rural district's) governing board may divvy up the district's tax proceeds and allocate them among the various fire departments that serve the tax district.

Links

- canons.sog.unc.edu/?p=3919
- canons.sog.unc.edu/wp-content/uploads/2011/05/County-Funding-for-Fire-Services.pdf
- www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_153A/GS_153A-233.html
- www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_58/GS_58-40-25.html
- www.ncafc.com/2008%20NC%20Fire%20Service%20Reference%20Manual.pdf
- www.isomitigation.com/ppc/0000/ppc0001.html
- www.ncdoi.com/OSFM/Ratings_and_Inspections/Documents/9S_9E_Requirements.doc