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## Coates' Canons Blog: Funding Options for Municipal Fire Services

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Counties and municipalities in North Carolina are not required to furnish (or fund) fire protection services for their citizens, but many local governments provide, or contract for the provision of, these services within their units. And, typically that fire protection extends beyond basic fire prevention and suppression services to include, among other things, emergency dispatch services, medical and other response services, and building code enforcement. Local governing boards have much leeway in determining the types and amounts of these services to provide. See **G.S. 153A-233 & -234; G.S. 160A-291**. They also have a broad array of service provision options. Both counties and municipalities may establish one or more county or municipal fire departments. They also may contract with nonprofit volunteer or community fire departments or rescue squads. For most counties, maintaining a county fire department is cost prohibitive. For that reason, almost all fire services in unincorporated areas are furnished by rural or municipal fire departments. In contrast, many municipalities maintain their own fire departments, although these departments often are staffed with volunteer fire personnel. A previous **post** examined counties' authority to fund their fire and rescue services. This post surveys funding options for the provision of these services in municipalities.

Under general law, there are three main funding options for fire services in municipalities. Many municipalities choose to provide and fund these services themselves, with general municipal property tax proceeds. If the county is willing, however, a municipality may choose to allow the county to provide and fund the services with the county's general property tax revenue or through special tax districts established by the county.

### Municipal General Property Tax

A municipality has broad authority to fund fire services within its territory with general property tax proceeds, **G.S. 160A-209**, or other unrestricted general fund revenue. A municipality's general property tax is levied against all (non-exempt) real and personal properties in the municipality. A municipality's governing board may adopt a single property tax rate, the revenue from which is used to fund a variety of general fund purposes including fire services. Alternatively, it may adopt a series of property tax rates tied directly to specific purposes. (For example, several municipalities have adopted one property tax rate to cover most general fund expenditures and a separate property tax rate to fund fire services.) Either way, a municipality's governing board has much discretion in determining how much revenue to allocate to each service and to make funding adjustments during the fiscal year.

There is a financial benefit to certain municipalities to funding their fire services with general property tax proceeds. Municipalities share in a portion of a county's local sales and use tax levy. See **G.S. 105-472**. The monies generated by the local sales and use tax are allocated among the county and its eligible incorporated municipalities according to one of two statutory formulas. (The county chooses the distribution formula each year.) Under one of the authorized distribution methods, the local sales and use tax proceeds are allocated among the county and its municipalities on an *ad valorem* basis—based on relative property tax levies. Thus, the higher a municipality's property tax levy is compared to the county and other municipalities in the county, the greater its proportional share of local sales and use tax proceeds.

A municipality that was incorporated after January 1, 2000, has an additional incentive to fund its own fire services. It must appropriate funds for at least four of a possible eight services (including fire protection services) in order to qualify for a distribution of local sales and use tax proceeds and several state-shared revenues.

### County General Property Tax

Some municipalities, however, are unable (or unwilling) to provide and fund fire services. Municipal citizens may then look to their county government for coverage. A county is authorized to use its general property tax revenue (as well as other unrestricted general fund revenue) to fund fire services throughout the county. **G.S. 153A-149**. A county's general property

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tax applies to all (non-exempt) real and personal properties in the county, including properties located in incorporated municipalities. And, a county's governing board has broad authority to use the property tax revenue to fund a wide-array of fire and rescue services throughout its entire territory.

## **County Tax Districts**

Alternatively, instead of using its general property tax revenue to fund fire services in municipalities, a county may include municipal territory in a fire tax district. As described in a previous **post**, a county is authorized to establish two types of tax districts to fund fire and rescue services—rural fire protection tax districts and county fire service tax districts. The special tax districts allow counties to raise revenue from those property owners who directly benefit (or more directly benefit) from the fire services. The ability to include municipal territory (and to remove that territory once it has been included) varies depending on the type of fire tax district.

### ***Rural Fire Protection Tax Districts***

Municipal territory may not be included in a rural fire protection district when the district is initially established. **G.S. 69-25.1**. Incorporated areas may be added to an existing rural fire protection district if both the municipality's governing board and the county's governing board consent to its inclusion. **G.S. 69-25.11**. The only procedural requirement for adding the municipal territory to an existing district is for the municipal board and the county board(s) of commissioners adopt resolutions agreeing to the addition.

If rural fire district tax proceeds are used to fund the services in incorporated areas, the rural district's governing board (not the municipality's governing board) has complete discretion over the type and level of service provision. It also determines how the services are provided.

### ***County Fire Service Tax Districts***

Municipal territory may be included in a county fire service tax district at its inception, if both the county's governing board and the municipality's governing board consent. **G.S. 153A-302**. A board of county commissioners may add territory to an existing fire service district (including municipal territory) if the area is contiguous to the district, with at least one eighth of the area's aggregate external boundary coincident with the district's boundary, and if the board determines that the area needs the services provided in the district. **G.S. 153A-303**. Alternatively, a board may extend a district's boundaries if it receives a petition signed by 100 percent of the real property owners of an area requesting inclusion in the district. Municipal territory may not be added to an existing service district, however, unless the municipality's governing board adopts a resolution agreeing to the resolution.

Under either scenario, the board of county commissioners must hold a public hearing on the proposed change to the district. And at least two weeks before the public hearing, the board must cause a report to be prepared and made available for public inspection in the office of the clerk to the board. The report must contain a map of the service district and the adjacent territory showing the current and proposed district boundaries; a statement showing that the area to be annexed meets the required statutory standards; and a plan for extending the services to the area to be annexed. Once it holds the public hearing, the board of county commissioners may adopt a resolution extending the district's boundaries. The resolution must take effect at the beginning of the next fiscal year.

As with the rural fire district, if service district tax proceeds are used to fund the fire services in incorporated areas, the county's governing board determines the type and level of services to provide, as well as how those services are furnished.

## **Links**

- [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_153A/GS\\_153A-233.html](http://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\\_153A/GS\\_153A-234.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_153A/GS_153A-234.html)
- [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_160A/GS\\_160A-291.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_160A/GS_160A-291.html)
- [canons.sog.unc.edu/?p=3919](http://canons.sog.unc.edu/?p=3919)
- [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_160A/GS\\_160A-209.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_160A/GS_160A-209.html)
- [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_105/GS\\_105-472.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_105/GS_105-472.html)



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- [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_153A/GS\\_153A-149.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_153A/GS_153A-149.html)
  - [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_69/GS\\_69-25.1.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_69/GS_69-25.1.html)
  - [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_69/GS\\_69-25.11.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_69/GS_69-25.11.html)
  - [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_153A/GS\\_153A-302.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_153A/GS_153A-302.html)
  - [www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_153A/GS\\_153A-303.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_153A/GS_153A-303.html)