



CHAPTER ONE

INTRODUCTION

Stimulated by local budget pressures, fire and emergency medical service departments in the United States are using a wide array of fundraising approaches beyond traditional methods.

These funding alternatives range from small fees for special services to major new sources of funds such as benefit assessments, which pay for as much as 40 percent of the budget for some fire departments. The alternatives include impact development fees, in which private developers pay for virtually all new fire stations and their associated apparatus and equipment, and subscription charges, in which households pay a flat rate and then are absolved from any further payments associated with emergency medical services beyond those covered by their medical insurance.

Fees for fire prevention services are being used to pay much of the cost of fire prevention, a part of fire department budgets that often receives little public support and has been hard to fund adequately. The structure of fees for prevention also can play a significant role in shaping prevention strategies. To motivate safe behaviors and achieve better compliance with codes, departments are using a variety of fees and citations for repeat inspections, false alarms, and code violations.

Some fire departments are defining the basic services covered by taxes to include only a small house fire, and charge for “additional services” such as dealing with emergency medical service responses, hazardous materials incidents, extinguishing larger fires, standing by at events, pumping flooded basements, and providing other technical services. Some fire departments are charging

for rescues where the victim disobeyed public warnings, such as getting caught in flash flood areas or violating water safety precautions.

Some fire departments are charging for fire suppression, knowing that household insurance policies will often cover up to a few hundred or a few thousand dollars for fees associated with fire protection. And some fire departments are simply charging for everything, either through a subscription fee or a charge for each service.

A key part of new fire and EMS department funding strategies is the approach to emergency medical incidents, which often comprise two-thirds to three-quarters of responses in many fire departments. What was once a free service now often has charges for transport to the hospital, and, increasingly, charges for providing medical care even without transport.

EMS is a major role of the fire service, and is increasing in sophistication and scope. The cost of EMS, and who pays for them, are (or should be) tied to the national public health care cost debate. As has finally been accepted for many other types of emergencies, the fire service and independent EMS agencies are usually the first responders to acute medical problems and play a significant role in influencing how many people are introduced into the health care system, and in what condition.



THE IMPLICATIONS OF FUNDING CHOICES

Each agency providing fire-related or emergency medical services must consider the range of opportunities and the local and state constraints in shaping its funding policy and determining its budget. Funding influences the amount of emergency resources available, and the scope of prevention activities, which in turn influence life or death issues. The funding issue is not one to be left solely to accountants and finance officers; it is a vital public policy issue that can literally mean life or death in the community.

The choice of funding approaches also raises fundamental questions about governance and equity. Should only the users of local government services pay the burden of the services provided to them? Should fire protection and EMS be treated like insurance, in which the fees charged are a function of the risks presented? Should fire and EMS be considered services provided to people in need, with the costs spread evenly across society, with no “user charges”?

These are fundamental questions about our values and the role of government in society. Different communities are taking radically different positions; many seem uneasy about charging for services beyond what taxes cover, but others have found it to be the only way to fund critical public safety services.

ABOUT THIS MANUAL

The purpose of this manual is to identify the various types of funding sources actually being used by fire

and EMS agencies throughout the nation, and their pros and cons. The report includes financing alternatives for all types of fire and EMS departments - rural and urban, volunteer and career, agencies providing multiple services and those providing only fire protection or only emergency medical service. Examples are given of departments using the various methodologies.

The manual includes funding of local services by local government, state government, federal government and the private sector. The types of funding sources are summarized below.

Major Local Government Funding Mechanisms

The wide variety of local funding approaches found in practice - and it is truly a very wide variety - can be grouped into several major categories.

Taxes - These include general property taxes, local income taxes and general sales taxes used to fund most local services, but also transient taxes, and other taxes earmarked specifically for fire and EMS services.

Borrowing - In addition to the familiar bonds used for purchasing capital equipment and facilities are “certificates of participation” (COPs). They operate much like home mortgages and are used to purchase equipment and facilities when the local jurisdiction is not allowed to use the more conventional debt instruments.

Leasing - Another way to avoid a large capital outlay, especially for apparatus is a leasing arrangement, often with a right to purchase at the end.



Benefit Assessment Charges - Administered somewhat like property taxes, these charges factor in not only size and type of property but also “benefits” from being close to fire stations, having reduced insurance, having special services available, etc. These charges are a way to get around property tax limitations and also can improve the equity of charges for fire protection.

Fees - These include small revenue producers such as fees for permits for new construction, special events and operating hazardous functions, to fees for inspections and violations of codes, to fees for special services for which charges were not made in the past, such as pumping water out of a basement or rescuing a boater or hiker, to fees for virtually anything a fire department does. Perhaps the most lucrative new category of fees are those for emergency medical service transport and emergency medical care.

Strategic Alliances- Fire departments are forming alliances with other agencies to provide all the fire protection and EMS care in neighboring jurisdictions, or to provide selected services for parts of jurisdictions, or to provide special services such as training, hazardous materials responses, and heavy rescue either under an annual contract or with a fee per usage or per student. These arrangements are mutually beneficial to both the departments or agencies involved.

Cost Sharing and Consolidation - Many fire and EMS departments are joining together to pay for new facilities or services to reduce the burden on each, especially where the facilities or services are not frequently used. Also, some fire and EMS departments are joining

together to form single departments to save costs and improve service delivery.

Fines and Citations - Fire and EMS departments are charging fees for negligent fire, actions inconsistent with the law and failure to comply with codes.

Sales of Assets and Services - Some fire and EMS agencies sell used equipment or services to produce much needed revenue.

Subscriptions - Most commonly used for emergency medical services, this is essentially a form of insurance in which a household pays a fixed fee per year, such as \$35, and then does not have to pay anything additional for emergency medical service or transport it uses during the year. A major variation is where the subscription prevents any out-of-pocket expenditures beyond the subscription fee, but the local agency is free to charge the subscriber for fees that can be recovered from medical insurance or homeowners insurance. In either method, those not subscribing pay the full amount charged.

Impact Development Fees - New developments can be required to pay for the impact they have on capital purchases such as new fire stations and their full complement of equipment. Thereafter, the provision of services is paid the same as for existing development.

There are a wide variety of miscellaneous other funding sources described in the text. There also are organizational approaches that can be considered when rethinking approaches to funding fire and EMS services.



Federal and State Programs

In addition to the above sources in which the local government obtains funds from its server population through taxes or other approaches, local fire and emergency medical agencies also can obtain considerable funding from state and federal programs. Often the federal programs flow to the local level through state programs.

Many states provide direct funding of EMS squads, especially in rural areas. Many states offer grant aid and low interest loans to fire and EMS departments for capital improvement projects. On the other hand, some states have no funds for local programs. The report lists the funding available at the state level for each state. Among the state and federal sources identified were the following:

Fire Insurance Surcharges - These range from a fraction of a percent to a few percent of fire-related premiums to pay for fire and emergency medical services programs. Local agencies do not tap into the surcharge funds directly, but rather through a variety of state programs.

Vehicle-Related Fees - Vehicle registration and traffic citations may have fees added to help pay for emergency medical services, which often are needed to assist victims of traffic accidents.

Special State Grant Programs - Many states have crime, health, or fire programs in which grants are given to local governments for specific public safety purposes such as new arson control initiatives or improving the

quality of emergency medical services. Often the grants are competitive.

General State Revenues - Many states allocate part of the taxes they raise to help support the local fire service, especially rural and volunteer fire agencies or those agencies considered most in need.

State Provided Services - Many states provide services that can be used in lieu of local services and funds, such as training of firefighters, regional hazardous materials teams and technical assistance programs.

Federal Grant Programs-There are a wide array of special purpose programs across the federal agencies. Some programs are not specifically earmarked for fire protection or EMS but can be used for those purposes, such as community block grants for improving cities, crime control initiatives (which often can be used for arson and juvenile firesetting programs), military surplus vehicles, and others.

Fire departments and EMS agencies in states without funding may wish to consider what other states are doing, and decide whether to approach their own states for funding. The taxpayers pay for these services one way or another, but some approaches may be more palatable or more equitable than others.



Private Sector Sources

Career and volunteer fire and EMS companies raise a significant amount of funds from the private sector. Many fire departments are increasingly using private donations, sometimes by setting up non-profit foundations. Among the private sector sources are the following:

Private Foundations - Some communities are fortunate to have local foundations whose funds can be used for providing special public safety services, starting new services, helping low-income areas or other services allowed by their charters. Some national foundations also contribute to fire and EMS services.

Corporate Donations - Both volunteer and career departments have been successful in soliciting grants and services from local and national corporations. These sources may be involved in safety (such as insurance companies, manufacturers of fire-related equipment, manufacturers of products involved in fires), or may just be interested in good public relations and in doing community service (such as fast food restaurants).

Public/Private Partnerships - Many fire and EMS departments have been successful in public/private partnership ventures including co-development, sharing of resources and cost tradeoffs.

Miscellaneous Fundraising Ideas

Fire and EMS departments all across the country are using innovative methods to raise much needed funds.

Many volunteer agencies rely on these types of funding methods to support their organizations and operation. This section includes information on:

Direct Solicitation - Volunteer departments often take the straightforward approach of door-to-door solicitation or direct mail solicitation.

Fundraising Events or Drives - Volunteer departments have raised funds through bake sales, barbecues, carnivals, dinners, picnics, casino nights, sporting events, and a wide variety of other fundraising methods.

Sale of Products of Services - Fire and EMS departments can raise funds through sales of products, such as photos or calendars, as well as services, such as rental facilities and car washes.

Other Important Information

This manual includes a special section on developing grant requests and proposals, to assist fire and emergency medical service agencies in preparing appropriate documentation in pursuit of grants from government and private sources. This manual also includes a section on Managed Care and its effects on the funding of fire and emergency medical service agencies providing EMS and transport services to their communities. Managed Care has the potential to change the way EMS billing and EMS services are done by fire and EMS agencies in this country.

Providers of fire protection and emergency medical service should consider the wide variety of ways avail-



able to fund services and perhaps to improve the equity of paying for the service. Citizens often balk at new fundraising mechanisms, and need to be brought into the discussion of the purpose and mechanism of the funding at the earliest opportunity. Changing the way public safety is funded can profoundly affect the way government is viewed, and change the unwritten contract between a government and its people on major issues such as representation and the purposes and goals of government.

ORGANIZATION OF THE MANUAL

The report is divided into several major sections. In each chapter, the funding alternatives presented apply to both fire and EMS departments unless flagged in parentheses after the title as applying predominantly to one or the other. Many examples are given of funding alternatives used in particular jurisdictions. Where appropriate and consented, the name is given of a local contact knowledgeable about that jurisdiction's approach.

A note on EMS and fire department names - There is no uniform term to describe local organizations that provide an Emergency Medical Service - they may use "rescue" or "ambulance" in their name, and "squad" or "department" or other designations. Likewise, "fire department" may mean an organization that provides EMS, rescue and many other services. "Fire and Rescue" Department often means Fire and EMS and Rescue. In this report, the term "fire and EMS departments" is used to mean any local organization that does fire protection, EMS, or both. The ideas here apply broadly.

Many of the alternative funding approaches presented here are ways to raise funds without raising overall taxes, or to live within a tax cap by using alternatives that are not technically taxes.

Another group of funding alternatives tries to change the behavior of users who put disproportionate demands on the system, by making the users, or at least unusually demanding users, pay for their service. But businesses, residents, and visitors often resent paying fees beyond their taxes, and often expect taxes to pay for all of their services. Any successful funding mechanism has to be well-packaged and "sold" to the community.

SCOPE

This report discusses funding alternatives applicable to fully career, volunteer, and combination departments. It includes public and private sources of funds or in-kind services. It is intended for organizations from small, rural departments to large municipal departments.

The report includes funding sources for fire protection, emergency medical services, and other services such as those relating to technical rescue and hazardous materials. The report applies to organizations that solely provide emergency medical services, or solely fire services, or both.

Advantages and disadvantages are discussed for each funding mechanism to the extent they are known and not totally obvious.



SOURCES USED

In addition to an intense bibliographic search, many federal, state, and local agencies were researched to examine funding sources they use. Project staff and the staff of the United States Fire Administration also contributed many examples. Some examples were obtained from management studies for individual fire departments, and from professional meetings where funding alternatives were discussed.

SUMMARY

Budget pressures have forced local governments across the country to seriously consider reducing services, increasing efficiency, or finding new funding sources. The impacts of budget pressures have been especially complex for fire protection and emergency medical services to deal with because they come at a time when there are increasing concerns for firefighter safety, increasing demand for emergency medical service (EMS), and often an increasing array of other services required to be provided by fire and EMS departments such as responding to hazardous materials spills, technical rescue incidents, and providing advanced life support. The addition of new services also offers new opportunities for funding: charging for the additional services can sometimes offset some or all of the costs of both the new and the old services.

Fire departments and emergency medical service departments need to know the range of possibilities for new funding sources, especially ones that have proven effective. They need more than just new concepts - what is theoretically possible - but rather what has been tried

that works, and the pros and cons of the approaches. This manual describes a long list of alternative funding sources that have been used successfully by local fire and EMS agencies.

