

- SUBJECT:** Creating an assistance program for rural volunteer fire departments
- COMMITTEE:** Agriculture and Livestock — committee substitute recommended
- VOTE:** 9 ayes — Swinford, McReynolds, Christian, Hardcastle, Miller, Brown, Green, Hupp, Kolkhorst
- 0 nays
- WITNESSES:** For — Mike Fisher, Rural Fire Advisory Council; Bill Webb, Etoile Volunteer Fire Department; Helen Campbell, State Firemen’s and Fire Marshal’s Association; Jerry Walzel; Ted Regnier, Volunteer Fireman’s Insurance Services of Texas
- Against — Bob Huxel, Farmer’s Insurance Group; Beaman Floyd, United Services Automobile Association; Denise Ruggiero, State Farm Insurance; Jay Thompson, AFACT
- On — James B. Hull, Texas Forest Service; Philip Presley, Texas Department of Insurance; Mike Davis, Texas Department of Insurance and Office of the State Fire Marshal
- BACKGROUND:** The fire department emergency program (Government Code, sec. 419.051 et seq.) provides eligible municipal fire departments, volunteer fire departments, and publicly supported firefighting organizations with scholarships, grants, loans, and other financial assistance. For other volunteer fire departments, however, most funds to pay operating costs come from fund-raising events and donations.
- DIGEST:** CSHB 2604 would create the Rural Volunteer Fire Department Assistance Program, to be administered by the Texas Forest Service (TFS) and funded by an assessment on insurance companies.
- The bill would define volunteer fire department as a department operated by its members on a nonprofit basis. This would include part-paid fire departments — those operated by members, some of whom were volunteers and not more than 20 of whom were paid — and volunteer fire departments

exempt from federal income tax under the Internal Revenue Code, sec. 501(c)(3).

The TFS director could adopt rules needed to help volunteer fire departments pay for equipment and training and could employ staff to administer the program. The director would have to:

- ! establish criteria and qualifications for distribution of money from the volunteer fire department assistance fund;
- ! establish a procedure for reporting and processing requests for money from the fund; and
- ! prepare an annual status report on the fund and submit the report to the lieutenant governor, House speaker, and comptroller before November 1 of each year.

A volunteer fire department could not be denied assistance from the fund solely because the department received funds from a political subdivision. Assistance or benefits provided under the program to volunteer fire departments or firefighters would not be considered to be in the paid service of any political governing body.

The program's administration costs could not exceed 7 percent of the total revenue collected to fund the program.

On receiving a request for assistance, the TFS director would have to determine whether to provide the assistance and the amount to be provided, if any, and would have to send the requestor a written copy of the decision.

CSHB 2604 would establish the assistance fund as a general revenue account containing money collected from assessments on insurance companies and money contributed from other sources. The assessments would apply to providers of homeowner's insurance, fire insurance, farm and ranch owner's insurance, private passenger and commercial automobile physical damage insurance, and the nonliability part of a commercial multiple peril policy.

For each 12-month period, the comptroller would have to assess all insurers in an amount that would total \$15 million. Each insurer would have to pay a

portion of the assessment based on the proportion of the insurer's net direct premiums relative to the aggregate net direct premiums of all insurers in the state for the 12-month assessment period.

The comptroller would have to assess insurers on or before September 1 of each year. An insurer would have to pay the assessment on or after the 60th day after the assessment date. The insurer could reflect this assessment as an expense in any required rate filing.

The comptroller would have to credit collections to the volunteer fire department assistance fund. The comptroller and the insurance commissioner would have to adopt rules as necessary to implement the new assessment. The assessment would expire September 1, 2011.

This bill would take effect July 1, 2001, if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001. The TFS director could not grant a request for assistance before September 1, 2002, and the comptroller would have to make the first required assessment in 2002.

**SUPPORTERS
SAY:**

CSHB 2604 would give rural volunteer fire departments the support they need to serve their communities better. Texas has about 1,800 volunteer fire departments, many of which operate with little or no reserve funds. These departments respond to more than 90 percent of wildfires, but many are supported only by fund-raisers and donations. Most of these departments are located within rural counties that are growing rapidly.

This bill would help provide better training and equipment for volunteer fire departments. Many of the volunteers are older or younger people who are not trained very well. Last year, 11 firefighters were killed in the line of duty. Most of them were volunteers. These volunteers save taxpayers money by providing service without pay. Knowing that their departments were receiving financial assistance would instill a sense of pride in the volunteers and let them know they are appreciated.

Volunteer fire departments rely on used equipment donated by other fire departments. Much of the equipment is old and unreliable. Already low on funds, these departments often must spend money on repairs. Some volunteer

fire departments do not have the correct protective gear for their members. Better fire departments could lead to savings for insurance payers by lowering risks. Insurers would share in the savings outcome over a decade of lower costs due to better trained and better equipped fire departments and would pass the savings on to policyholders. Better fire departments reduce losses and alleviate the burden of insurers.

CSHB 2604 would not set a precedent in regard to assessments for this type of program. Several other states, such as New York and Pennsylvania, have programs similar to the one proposed in this bill. These programs meet different needs, such as providing worker's compensation insurance to fire departments that cannot afford to buy it. A similar type of assessment for auto theft already exists in Texas.

The assessment would not be a surcharge but would be a consideration when an insurance company set its rate. Because of the billions of dollars worth of policies sold annually, the assessment would be distributed relatively evenly among insurers. Even if the assessment was passed on to the consumer, the amount would be nominal.

People from larger cities would benefit from this program as well. Houston and its surrounding communities are served by about 30 volunteer fire departments. Anyone who travels would benefit from better rural volunteer fire departments. These departments provide other services besides fire fighting, such as emergency medical services and rescues. Travelers expect the same quality of service in small cities as in large cities. CSHB 2604 would help even out quality of services across Texas.

OPPONENTS
SAY:

The assessment on insurers authorized by CSHB 2604 would mean that Texas insurance companies that do business in other states could have to pay the proposed assessment twice if the other states charged a retaliatory tax. Such a tax could be at the rate charged in either state. For example, Texas imposes a retaliatory tax on firms from other states that do business in Texas at the same amount as that state's insurance premium tax. However, this bill could disfavor Texas if the other states charged a higher tax on Texas firms than Texas could charge firms from other states.

CSHB 2604 could be inequitable for larger cities that do not depend on volunteer fire departments, because the assessment could lead to an increase in urban dwellers' insurance rates. Larger cities already pay local taxes for their paid fire departments and are not served by volunteer fire departments.

NOTES:

The committee substitute changed the proposed source of funding to an assessment on insurers rather than a \$1 surcharge on specific types of policies, as in the filed version. The substitute also would limit the program's administration costs to 7 percent of the total revenue collected for the program, and it would set a sunset date for the program.