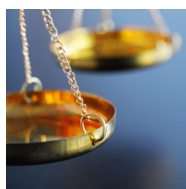




Special Purpose Districts



The Issue

Special purpose districts (SPDs) are the most numerous units of government in Texas, yet many people know relatively little about their function, structure, or governance, earning them the nickname: Invisible Governments.

SPDs are independent governmental entities that exist locally and provide infrastructure and deliver specific services, like firefighting, road construction, and water treatment. Districts can be created by local government bodies, the Texas Legislature, or the Texas Commission on Environmental Quality. Generally, SPDs are governed by the commissioners court of the county of their origin or by a board of directors.

The purpose and jurisdiction of SPDs tend to vary from district to district, but broadly speaking, they can include the power to:

- Impose a property tax;
- Impose a sales tax;
- Issue bonds and borrow money;
- Contract with other entities;
- Sue and be sued;
- Acquire, purchase, sell, or lease real or personal property; and/or
- Eminent domain.

Although SPDs have broad powers, they are not limitless. For example, district bonds must be approved by two-thirds of the voting public residing in the district, and may not exceed one-fourth of the assessed value of property in the SPD.

Today, there are approximately 3,350 special districts in Texas providing all manner of government goods and services. Of these thousands of districts, there are approximately 40 different types.

Because of the expansive nature and sheer quantity of special districts, there are common problems that have begun to arise in relation to these entities, including:

- **Layering of local governments.** Overlapping layers of governments servicing the same jurisdictional boundaries create the conditions necessary for inefficiency, redundancy, and waste.
- **Contribution to soaring property taxes.** A majority of special districts levy property taxes, which are fast outgrowing people's ability to pay. Consider that from 2000 to 2013 local property tax levies increased by 101.1%, well above population and inflation, which increased only a combined 70.3%.

Types of Special Districts in Texas

Groundwater Management Area (GMA)	County Development District (CDD)
Sports and Community Venue District (SCVD)	Library District (LD)
Noxious Weed Control District (NWCD)	Levee Improvement District (LID)
Groundwater Conservation District (GCD)	County Assistance District (CAD)
Multijurisdictional Library District (MJLD)	Independent School District (ISD)
Road District (RdD)	Irrigation District (ID)
Water Control and Improvement District (WCID)	Hospital District (HD)
Public Improvement District (PID)	Regional District (RD)
Road Utility District (RUD)	Health Services District (HSD)
Fresh Water Supply District (FWSD)	Navigation District (ND)
Homestead Preservation District & Reinvestment Zone (HPD)	Mosquito Control District (MCD)
Wind Erosion District (WED)	Self-Liquidating Navigation District (SLND)
Municipal Utility District (MUD)	Emergency Services District (ESD)
Municipal Management District (MMD)	Special Utility District (SUD)
Arts and Entertainment District (A&E)	Jail District (JD)
Water Improvement District (WID)	Stormwater Control District (SCD)
Municipal Development District (MDD)	Crime Control and Prevention District (CCPD)
Sports Facility District (SFD)	Municipal Management District (MMD)
Drainage District (DD)	Agricultural Development District (ADD)

Source: Texas Senate Research Center

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- **Questions of accountability.** There is no comprehensive review mechanism in place to determine if these entities are providing value to the community.
- **Lack of transparency.** Few, if any, financial transparency requirements exist oftentimes meaning that the public has little or no idea about how their tax dollars are being spent.

Addressing these problem areas with targeted reforms will be a critical task for lawmakers next session.

The Facts

- As of 2014, there were more than 3,350 special purpose districts, including school districts, in Texas.
- Special purpose districts are taxing entities that can have the authority to levy a property tax, a sales tax, or both.
- There is no comprehensive review process for special districts.

Recommendations

- Require special districts to adhere to basic financial transparency standards, such as the public posting of budgets, financial statements, and a check register online.
- Create a comprehensive review process for SPDs to undergo a periodic assessment of its roles and responsibilities.
- For certain districts, include a “sunset” provision that automatically expires the district unless a public vote affirms the continuance of the SPD.
- Require SPDs to hold an election to approve a tax rate that increases annual property tax revenue by more than 4% or population growth plus inflation, whichever is less.

Resources

[*Your Money and the Taxing Facts*](#), Texas Comptroller of Public Accounts (Aug. 2012).

[*Invisible Government: Special Purpose Districts in Texas*](#), Texas Senate Research Center (Oct. 2014).

