

Special Purpose Districts

The Issue

Special purpose districts (SPDs) and authorities are the most abundant types of government in Texas, but their small size and relative obscurity oftentimes mean that they go unnoticed. In fact, their nickname is “invisible governments.”

Broadly speaking, SPDs are independent governmental units created for a particular purpose, like removing graffiti; maintaining harbors, boat ramps, and fishing piers; or boosting tourism. Each entity's structure, functions, and governance can vary substantially; however, they are commonly vested with the authority to:

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

Today, there are approximately 3,400 special districts in Texas providing all manner of government goods and services. Of these, independent school districts are the most commonplace. However, there are many different types besides ISDs.

Because of the sheer quantity and inconspicuous nature of special district governments, a number of public policy problems have begun to emerge, including:

- **Local government layering.** Once created, these entities tend to exist, outside of the public consciousness. As such, occasions can arise whereby multiple jurisdictions overlap one on top of another which can result in inefficiencies, redundancies, and waste.
- **Pushing up property taxes.** A majority of special districts have the authority to levy a property tax. In 2016, special district property tax levies totaled \$8 billion out of a total levy of \$56 billion. One year prior that levy was just under \$7 billion.

- **Questions of accountability.** There is no comprehensive review mechanism in place to determine if these entities are still providing value to the community. Further, too few transparency requirements exist, giving the public little opportunity to see how their tax money is being spent.

Next session, it will be important for legislators to address these growing problems and more with good government reforms.

The Facts

- Special districts and authorities are the most numerous and common form of government in Texas. In 2016, there were approximately 3,400 of these entities in existence.
- While ISDs are the most commonly occurring variety, these entities come in all different types. Some are focused on providing core services while others are more trivial.
- Together, these entities levied property taxes totaling \$8 billion in 2016.

Recommendations

- Require special districts to adhere to basic financial transparency standards, such as the public provision of budgets, financial statements, and a check register.
- Create a comprehensive review process for SPDs to undergo periodic assessment.
- For certain districts, include a “sunset” provision that automatically expires the district unless a public vote affirms its continuance.
- Subject all SPDs that levy a property tax to a revenue-trigger requirement.

Resources

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

2012 Census of Governments, U.S. Census Bureau (Sept. 2013).