

What is a Special District ?

Special districts have long been part of the structure of American government. Also known as public corporations and authorities, the earliest special districts date as far back as 1797 in Rhode Island. Traditionally, special districts were established to perform specific functions; some examples are the toll road and canal corporations of the 1880s. Florida's introduction to special districts dates back to 1822 when the Legislative Council of the Territory of Florida passed an act concerning roads, highways, and ferries.

According to the 2002 Census of Governments, published in 2005, over 35,000 special districts are now active in the U.S., representing forty-percent of all government entities providing public services. Increased public demand for the provision of special services is a compelling reason for the expanded use of special districts. Because most special districts perform only one function or a very limited number of functions, their establishment allows a greater degree of concentrated effort in providing services in an efficient and cost-effective manner directly benefitting the landowners they serve.

Investment in capital improvements or in new construction for infrastructure systems involves significant expenditures. The fiscal resources of many cities and counties are, however, curtailed by voter-enacted limitations on taxes and spending city and county revenue sources are also affected by cutbacks in state and federal aid. The result is that many cities and counties are experiencing difficulty in raising revenues rapidly enough to keep pace with mounting costs and public demands for expanded services.

Financing infrastructure improvements through special districts shifts infrastructure costs from all taxpayers within the jurisdiction of a general-purpose local government to the residents or property owners who will specifically benefit from such improvements. Public officials often favor special districts as a means of providing facilities at no direct cost to the local government. Special districts provide a mechanism for financing infrastructure that directly ties benefits to costs, yet allows major capital costs to be spread over a long period by use of revenue bonds.

Special districts represent a response to the need for alternative financing mechanisms. Since the mechanism establishes a revenue source and spending capabilities independent of local governments, it is a powerful tool for expanding the fiscal capacities of specific communities in need of funding. Special districts also allow services to be targeted for specific groups of consumers who pay for the amount and quality of services they demand.

Special districts raise their revenue from direct charges for services rendered and from special assessments. Only a small percentage of special districts are empowered to levy ad valorem taxes. In contrast, ad valorem taxes account for more than one-half of all revenues raised by counties, townships, municipalities and school districts.

In many cases, special districts provide the only institutional mechanism that allows a balance between the economic constraints and the demands for levels of service. Citizens interested in obtaining new or expanded services or a special quality of service may find special districts easier to establish than persuading a general-purpose government to increase its budget.

This overview has been prepared by the Florida Association of Special Districts for the purpose of providing key facts regarding special districts and the underlying reasons for their widespread use.