

# General Overview of Special Purpose Districts in Washington



## House Ways and Means Committee Work Session on Local Government Programs/Finance

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# Information Sources

- The information contained in this presentation was obtained primarily from research done by Judy Cox, MRSC Finance Consultant ([jcox@mrsc.org](mailto:jcox@mrsc.org)), and Lynne De Merritt, MRSC Senior Research Consultant ([ldemerritt@mrsc.org](mailto:ldemerritt@mrsc.org)), and was prepared into this PowerPoint presentation by Joe Levan, MRSC Legal Consultant ([jlevan@mrsc.org](mailto:jlevan@mrsc.org)).
- Although MRSC does not currently have funding to provide our services to all special districts in the state due to a loss of state funding a few years ago, we are providing our services directly to several special districts through contracts with associations and entities that serve special districts.
- MRSC continues to have a wealth of information on our Web site ([www.mrsc.org](http://www.mrsc.org)) and otherwise regarding special districts.

# Outline

This presentation addresses the following primary topic areas:

1. What are special districts?
2. How many special districts are there?
3. What services do they provide?
4. Distribution – Are there regional differences within the state?
5. Upon which revenue sources do special districts rely?
6. What are some funding challenges faced by special districts?

# What are Special Districts?

- There is no single uniform definition of a special district or a special purpose district in the Revised Code Washington (RCW).
- Special districts and special purpose districts are defined within the context of a particular title or chapter of the RCW.
- The definition generally applies only to the provisions addressed by a particular statute.
- Washington statutes have defined special districts as, for example:
  - municipalities
  - units of local government
  - municipal corporations
  - quasi-municipal corporations

# Special Districts – Practical Considerations

- We regard special districts as those such districts that have independent governing bodies.
- Commonly, such districts are created to provide a new service or a higher level of an existing service.
- The enabling legislation sets forth the purpose of the district, procedures for formation, powers, functions and duties, composition of the governing body, methods of finance, and other matters.
- The general provisions for some special district statutes have been consolidated, such as for diking and drainage districts and water and sewer districts.

# Special District Jurisdiction

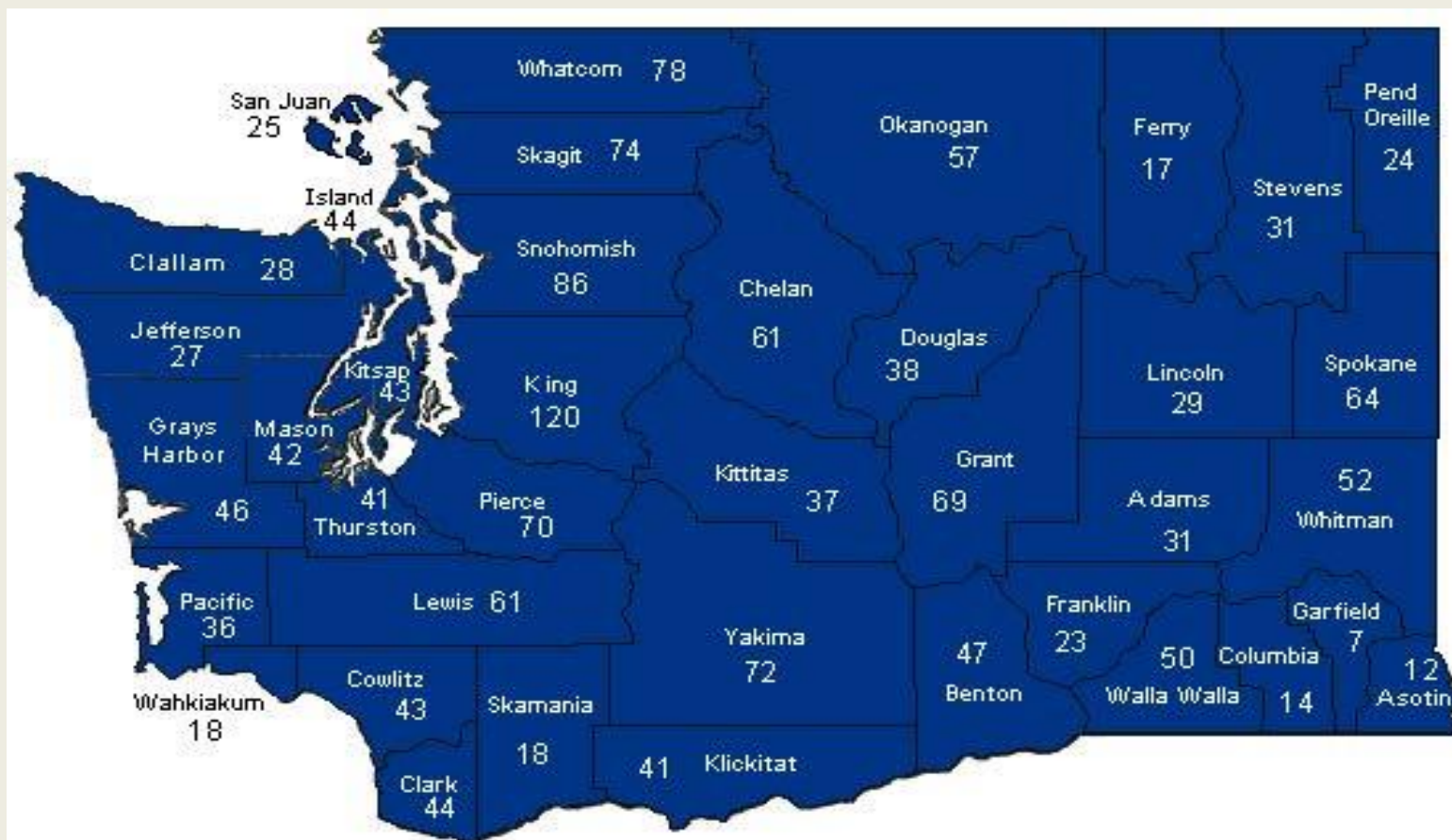
- Special districts were perhaps once thought of as existing only in unincorporated portions of counties.
- Currently, many special district statutes allow the inclusion of cities and towns.
- Some districts have provisions for a county-wide district, some are multi-county, and others provide for interlocal cooperation agreements.

# How Many Special Districts are There?

- About 1,672
- Those that have independent governing bodies
- The number of special districts and types may vary depending on the definition of a special district



# Approximate Number of Special Districts – By County



Number of Special Districts in Each County - Includes Multi-County Districts ( 01/12)



# Types of Special Districts

- About 80 types (those that have their own enabling statute)
- The Top 5 types (by number):
  1. Fire (about 367)
  2. School (about 296)
  3. Water & Sewer (about 190)
  4. Diking & Drainage (about 107)
  5. Cemetery (about 104)

# Other Types of Special Districts

- Other special districts include:
  - Irrigation (about 93)
  - Port (about 75)
  - Public Hospital (about 53)
  - Conservation (about 47)
  - Park and Recreation (about 43)

# Newer Special Districts

A number of special districts have been authorized in the last decade, including:

- Community Facilities District (2010)
- Public Hospital Capital Facility Areas (2009)
- Regional Fire Protection Service Authorities (2004)
- County Ferry District (2003)
- City Transportation Authority (2002)
- Community Renewal Area (2002)
- Regional Transportation Investment District (2002)

# How Does Washington Compare to Other States?

- According to 2007 data from the U.S. Census Bureau, Washington has the 11<sup>th</sup> highest number of special districts (including school districts)
- Washington has about 1,672 special districts currently
- The top five according to the U.S. Census are:
  - Illinois (4,161)
  - California (3,809)
  - Texas (3,372)
  - Missouri (2,345)
  - Pennsylvania (2,084)

# Why So Many Types?

- To provide services and facilities not otherwise available from the state government or city or county governments, and/or
- To provide services and facilities more effectively through special expertise and focus
- Historically, functions such as schools, electricity, fire protection, flood control, health, housing, irrigation, parks and recreation, library, water-sewer service
- More recently – stadiums, convention centers, entertainment facilities

# Distribution Throughout the State

- About 1,672 Total Special Districts
  - About 916 in **Western** Washington (including multi-county districts)
  - About 776 in **Eastern** Washington (including multi-county districts)
  - About 21 districts are in more than one county

# Top 5 Types, West and East

## Top 5 Types of Districts, **Western** Washington

1. Fire (about 212)
2. School (about 153)
3. Water & Sewer (about 130)
4. Diking and Drainage (about 90)
5. Cemetery (about 54)

## Top 5 Types of Districts, **Eastern** Washington

1. Fire (about 155)
2. School (about 143)
3. Irrigation (about 87)
4. Water & Sewer (about 60)
5. Cemetery (about 50)



# Revenue Sources

Note: MRSC's Web site, [Revenues of Special Purpose Districts](#), has detailed information on this topic.

- Districts with Proprietary Functions
  - Water & sewer, PUD, airport, port, hospital
  - Primary revenues for operating fund are fees for services
- Districts with Governmental Functions
  - Fire, library, parks, schools
  - Primary revenue source for general fund is property tax

# Comparison of Property Tax Dependency: Cities and Counties

Source: LGFRS (Local Government Financial Reporting System) data from the State Auditor's Office (2010).

- **Counties**
  - About 46% of general fund revenues from property tax
- **Cities**
  - About 29% of general fund revenues from property tax

# Comparison of Property Tax Dependency: Special Districts

- No LGFRS data
- We looked at some budgets we found online (not a true random sample, but instructive perhaps)
- Library district revenues
  - Around 90% property tax
- Fire district revenues
  - Around 90% property tax (some close to 100%)
- Park district revenues
  - Around 65% property tax (the rest from user fees)

# Funding Challenges for Special Districts that Depend on Property Taxes

- “One-legged” rather than “three-legged stool” regarding taxing authority
- Cities have, for example, sales taxes and utility and business taxes in addition to property taxes (three-legged stool)
- Counties have sales taxes and property taxes (two-legged stool)

# Funding Challenges for Special Districts – AVs

- When assessed valuations (AVs) are **increasing**, some special districts do quite well, others at least get along
- When AVs are **decreasing**, as they have been the last couple of years, special districts have very limited options for more revenues
- In past economic downturns, AVs in Eastern Washington have been the ones to suffer
- This time around, there are big decreases in AVs in Western Washington as well

## Additional Challenge – Prorationing of Property Taxes

- Statutory and constitutional limits on total of state, county, city, and special district tax rates
- \$5.90 per thousand dollars AV limit for statutory rate, 1% (or \$10) for constitutional rate
- If the total rate exceeds these numbers, then “someone’s” rate has to be cut back (prorated)
- The state, city, and county are on top and never get cut back
- Special districts have a ranking for being cut back (see RCW [84.52.010](#))
- Result: Some districts are taking two hits in property tax revenue
  - Lose revenue because AV is falling AND because prorated

## Protection for Some Districts

- Certain special districts are **not subject** to the \$5.90 regular tax levy limit, including PUDs, port districts, levies for acquiring conservation futures, emergency medical service levies, low income housing levies, ferry district levies, county criminal justice levy, fire district levies under RCW 52.16.140 and .160, levies by counties for transit-related purposes, and, under certain restrictive conditions, the metropolitan park district levy under RCW 84.52.120.
- Most of the above levies, however, are subject to statutory and constitutional limits that limit total regular property tax levies to one percent of true and fair value (RCW 84.52.043; Washington State Constitution, Art. VII, Sec. 2).
- If that limit is exceeded, one or more of the levies must be prorated in the order given in RCW 84.52.010 until the total rate is one percent.



# Challenges for Proprietary Districts

- Problems are those any business faces:
  - Increasing costs
  - Efficiencies
  - May be too small to have economies of scale
  - Decreasing amounts from other key funding sources (e.g., state, federal)

# Additional Resources

- MRSC Web sites ([www.mrsc.org](http://www.mrsc.org))
  - [Special Purpose Districts in Washington](#)
  - [Revenues of Special Purpose Districts](#)
  - [Number and Types of Special Purpose Districts in Washington](#)

# Contact Info



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