

TEXAS PUBLIC POLICY FOUNDATION

2019-20
LEGISLATOR'S
GUIDE
to the issues



TEXAS PUBLIC POLICY
FOUNDATION

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The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

TEXAS PUBLIC POLICY FOUNDATION
901 Congress Ave., Austin, TX 78701
(512) 472-2700 Phone (512) 472-2728 Fax
www.TexasPolicy.com

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).

Experts

Kara Belew, *Senior Education Policy Advisor, Center for Innovation in Education*
kbelew@texaspolicy.com AREAS OF EXPERTISE: State Budget, Taxes, Public Education Finance and Policy, Public Education Accountability

Derek Cohen, Ph.D., *Director, Center for Effective Justice and Right on Crime*
dcohen@texaspolicy.com AREAS OF EXPERTISE: Juvenile Justice Reform, Victims' Rights, Overcriminalization, Constitutional Limitations on Corrections

The Hon. Chuck DeVore, *VP of National Initiatives; Senior Fellow for Fiscal Policy*
cdevore@texaspolicy.com AREAS OF EXPERTISE: Tax and Fiscal Policy, Elections, Foreign Affairs, Military Affairs, Energy and Environmental Policy

Vance Ginn, Ph.D., *Director, Center for Economic Prosperity; Senior Economist*
vginn@texaspolicy.com AREAS OF EXPERTISE: State Budget and Tax Reform, National and State Labor Market Trends, Tax and Expenditure Limits, Energy Markets and Policy

Michael Haugen, *Policy Analyst, Center for Effective Justice and Right on Crime*
mhaugen@texaspolicy.com AREAS OF EXPERTISE: Civil Forfeiture, Overcriminalization, Substance Abuse Policy

The Hon. Talmadge Heflin, *Director, Center for Fiscal Policy*
theflin@texaspolicy.com AREAS OF EXPERTISE: State Budget and Taxation, Economic Stabilization Fund, Local Government Spending, Pension Reform, Federal Funds

Haley Holik, *Attorney, Center for Effective Justice and Right on Crime*
hholik@texaspolicy.com AREAS OF EXPERTISE: Juvenile Justice, Grand Jury Reform, Constitutional Limitations on Search and Seizure, Overcriminalization

Marc Levin, Esq., *VP of Criminal Justice and Right on Crime*
mlevin@texaspolicy.com AREAS OF EXPERTISE: Adult Corrections, Juvenile Justice, Overcriminalization, Victim Empowerment and Restitution, Law Enforcement, School Discipline

Thomas Lindsay, Ph.D., *Director, Center for Innovation in Education*
tlindsay@texaspolicy.com AREAS OF EXPERTISE: Higher Education, Culture Wars (Political correctness, cultural decline, etc.), America's Founding Principles, Online Learning, Federalism, Tenth Amendment, Interstate Compacts

Brandon J. Logan, Ph. D., *Director, Center for Families & Children*
blogan@texaspolicy.com AREAS OF EXPERTISE: Child Welfare Policy, Foster Care, Adoption, Family Law, Parental Rights

Bryan Mathew, *Policy Analyst, Center for Local Governance*
bmathew@texaspolicy.com AREAS OF EXPERTISE: Local Economic Regulation, Local Economic Development, Municipal Annexation, Housing Affordability, Property Rights, Special Districts

Stephanie Matthews, *VP of Public Affairs*

smatthews@texaspolicy.com AREAS OF EXPERTISE: Workforce Development, Charter Schools, School Choice, Virtual Learning

Jennifer Minjarez, *Policy Analyst, Center for Health Care Policy*

jminjarez@texaspolicy.com AREAS OF EXPERTISE: Medicaid Reform, Mid-Level Providers, Medical and Dental Licensure Reform

Bill Peacock, *VP of Research*

bpeacock@texaspolicy.com AREAS OF EXPERTISE: Electricity Markets and Renewable Energy, Insurance, Technology and Telecommunications, Tort Reform, Property Rights, Economic Development, Consumer Issues

Randy Petersen, *Senior Researcher, Center for Effective Justice and Right on Crime*

rpetersen@texaspolicy.com AREAS OF EXPERTISE: Policing Policy, Diversion Programs, Civil Asset Forfeiture

James Quintero, *Director, Center for Local Governance*

jquintero@texaspolicy.com AREAS OF EXPERTISE: Budgets, State and Local Spending, Debt, Taxes, Transparency, Pensions

Kevin D. Roberts, Ph.D., *Executive Director*

kroberts@texaspolicy.com AREAS OF EXPERTISE: K-12 Education Growth, Increasing Public School Efficiency, Education Choice, Higher Education, Tenth Amendment

Emily Sass, *Policy Analyst, Center for Innovation in Education*

esass@texaspolicy.com AREAS OF EXPERTISE: K-12 Education, Education Choice, School Finance, Civic Education, Charter Schools

Deane Waldman, Ph.D., *Director, Center for Health Care Policy*

dwaldman@texaspolicy.com AREAS OF EXPERTISE: Health Care, Medicaid, Telemedicine, Scope of Practice, Regulatory Issues

The Hon. Kathleen Hartnett White, *Distinguished Senior Fellow-in-Residence; Director, Center for Energy & the Environment*

khwhite@texaspolicy.com AREAS OF EXPERTISE: EPA Regulation, Energy and Environmental Policy, Free Market Environmental Policies, Endangered Species Act, Water Rights

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