

A Primer on California's Special Districts

Definition and Number

Special districts are local governments separate from general purpose governments—such as cities or counties—established to provide one or more specific services in a defined area. These districts are governed by a board and provide a diverse array of services, such as fire protection, waste disposal, water supply, electric utilities, transportation and parks. There are 3,294 of these types of special districts in California. In drafting its annual report on special districts, the California State Controller Office (Controller) also includes nonprofit corporations, some joint powers authorities, and flood control districts, among others in the list of special districts that report financial data to the Controller. According to the Controller's annual report, there are a total of 4,776 special districts in California that are required to report. Neither of these definitions includes benefit assessment districts, school districts, redevelopment agencies, or Mello-Roos community facility districts.¹

[For purposes of this joint hearing, we will use the first, narrower definition of special districts.]

Types of Special Districts

Dependent vs. Independent. If a county Board of Supervisors or City Council controls a special district, it is a *dependent* district. If the special district has its own elected board of directors, it is an *independent* district.

Enterprise vs. Non-enterprise. If a special district relies on user fees as its primary source of funding, it is an *enterprise* district. If a special district's primary sources of funding are property and parcel taxes, it is a *non-enterprise* district. The latter is appropriate when all or most residents in the district benefit from the service(s) provided, such as fire protection.

Single purpose vs. Multi-purpose. Most California special districts provide only one service, but others—such as county service areas and community services districts—often provide multiple services. State law limits some types of special districts to providing only one type of service (e.g. cemetery districts), while it allows others (e.g. community services districts) to provide up to 32 different services.

The most common types of special districts in California are:²

- County service areas (895)
- Fire protection districts (372)
- Community services districts (325)
- Cemetery districts (252)

History and Governance

¹ "What's So Special About Special Districts?" Fourth Ed., Senate Committee on Local Government, 2010.

² "Special Districts Annual Report: Fiscal Year 2007-08," California State Controller, 2010.

Special districts have existed in California since 1887. They were originally intended to provide irrigation services to rural areas, but in the 20th century they increased in number and scope.

These districts derive their authority from *principal* acts or *special* acts. The former is an act in the statutes that applies to all districts which provide a specific service (e.g. mosquito abatement, fire protection, hospital). Districts with unique circumstances (e.g. financing, boundaries) are often established with special acts, which are not codified in statute.

In 1963, the Legislature created Local Agency Formation Commissions (LAFCO) to coordinate the creation of new local governmental entities and to make necessary changes in local government boundaries.³ Each county has its own LAFCO composed of County Supervisors, City Councilmembers, the general public, and sometimes representatives of special districts. Over the years, the Legislature has given LAFCO's additional planning and monitoring responsibilities. In 1994, the Legislature gave LAFCO's the power to initiate consolidation and dissolution of special districts (GC 56375(a)), provided the LAFCO makes the following findings:

- (1) "Public service costs of a proposal that the commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing the service.
- (2) A change or organization or reorganization that is authorized by the commission promotes public access and accountability for community services needs and financial resources." (GC 56881(b))

Trends

Although there is a common perception that special districts are increasing in number, their numbers in California have actually decreased by three percent over the past 30 years. An analysis conducted by the Senate Local Government Committee shows that from 1977-78 to 2007-08, the number of single service districts decreased while the number of multi-service districts (namely county service areas and community service districts) increased.⁴

Funding and Transparency

Special districts fund their operations and maintenance through general taxes, special taxes (a.k.a "parcel taxes"), benefit assessments, and service charges. Special districts issue a variety of bonds to finance capital projects.

The California State Controller is required by GC 12463.1 to publish specified financial information about special districts. The Controller produces reports annually containing the revenues, expenditures and fund balances of special districts. In 2001, the Legislature improved the transparency of special districts by requiring the State Controller to issue a separate annual report containing specified information regarding the assets, liabilities, and equity of the 250 special districts with the largest total revenues.⁵

³ "Special Districts: Relics of the Past or Resources for the Future?" Little Hoover Commission, 2000.

⁴ Interestingly, this contrasts with a national trend in which special districts increased by 184% between 1952 and 2002. See "US Census Bureau, 2002 Census of Governments, Volume 1, Number 1: *Government Organization*."

⁵ SB 282 (Dunn) Statutes of 2001, Chapter 288.