

Restructuring local government should focus on special districts

April 23 2012, By Marc Ransford

Like most states, Indiana should consider cutting down on the number of special districts as they restructure local government, says a report from Ball State University.

Such districts tend to be less scrutinized and generate more debt than other forms of local government, the study says.

"[Special Districts and Local Government Reform](#)," a study by Ball State's Center for Business and Economic Research (CBER), found that special districts — independent special purpose units — are the fastest growing type of local government in the state, with nearly 150 created during 2002-07.

The study found that from 1952 to 2007 the number of special districts in Indiana increased by about 300 percent while the number of school districts fell by 74 percent and townships remained the same. In the same period, special districts increased by 200 percent nationally while the number school districts dropped by 80 percent and townships decreased by 4 percent.

Special districts perform diverse functions. Nationally, the most common are fire protection, water supply, housing and community development, drainage, soil and water conservation, sewerage, parks and recreation, and upkeep of cemeteries. Indiana's most numerous special districts include school building corporations, library districts, housing authorities, and special districts for conservancy, soil and water

conservation, and solid waste.

"Indiana is one of several states that have considered or recently implemented policies to restructure local government," said Larita Killian, a faculty research fellow for CBER and study co-author. "In many cases, special districts are not audited as carefully as general purpose governments, and special districts are less likely to have elected boards or chief executives."

The study found special districts often have expenditures or debt that exceed those of general-purpose governments in Indiana, where special districts accounted for 9 percent of local government revenue and 38 percent of local government debt. Nationally, special districts accounted for 11 percent of revenue and 20 percent of debt.

"We are particularly concerned about special districts being used to circumvent debt limits imposed on general purpose governments," said Dagney Faulk, CBER's research director and study co-author. "The debt ratio in Indiana is substantially higher than that of any other state in the Midwest."

The study also found:

- Special districts represent 42 percent of all [local governments](#) in the U.S. and 39 percent in Indiana.
- About half of special districts have elected boards and few have elected chief executives.
- Indiana and Illinois have more special districts than townships per 1,000 population and per square mile.
- In Indiana, 30 percent of special district revenue comes from other local governments.

As opposed to other types of government units, the authors believe

special districts often fall under the radar for a variety of reasons and are proliferating at a fast rate.

One argument for the increase is that special districts allow for more flexible operations and government practices than general purpose governments. This makes it easier to hire "impartial experts" who prefer to work outside the glare of partisan elections. Another reason may be that creating such units is a matter of habit and local political culture.

"In contrast to townships, which have been the focus of much public policy debate in recent years, special districts have received little attention," said Killian, an assistant accounting professor at Indiana University-Purdue University Columbus. "Without increased attention to special districts, efforts to improve efficiency and accountability of local government will be incomplete."

Provided by Ball State University

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