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State Comptroller

A RESEARCH SERIES FROM THE  
OFFICE OF THE NEW YORK STATE COMPTROLLER

DIVISION OF LOCAL GOVERNMENT SERVICES  
& ECONOMIC DEVELOPMENT



## LOCAL GOVERNMENT ISSUES IN FOCUS

# Town Special Districts in New York: Background, Trends and Issues

“The revenue raised for special district services represents nearly one-quarter of total revenues raised by towns.”

“Should residents be charged at different rates for substantially the same public service based on where they live in a town?”

### Summary

- **In addition to the 4,200 local governments in New York State, there are more than 6,900 town special districts.** Special districts have been used liberally by towns over the last 50 years to address the increased residential needs brought on by suburban growth that were not necessarily occurring on a townwide basis.
- **The demographic and fiscal landscape has changed.** Continued population growth in towns has caused them to look and act more like cities. Urbanized towns now find themselves responsible for delivering services such as garbage collection, water and sewer systems on a large-scale basis. In light of these changes, special district proliferation may no longer be the ideal mechanism to provide services—especially in urbanized areas.
- **The majority of special district revenues come from property taxes and assessments.** Indeed, special districts can add hundreds of dollars to an individual tax bill. In 2004, \$862 million, or 67 percent, of special district revenue came from property taxes and assessments. New York is the third highest taxed state in the nation in local property taxes.
- **The amount of revenue raised by special districts is considerable.** In 2004, towns raised \$5.4 billion in revenues, including \$1.3 billion (24 percent) for special districts. In certain counties, special district revenues represent a much greater share of total town revenues: Nassau (52 percent), Niagara (41 percent) and Erie (32 percent).
- **Special districts in urbanized counties—areas where property tax concerns are growing—account for two-thirds of total special district revenues statewide.** While the 140 special districts in Nassau County represent only two percent of the districts statewide, they are responsible for 31 percent of all special district revenues collected throughout the State. Districts in Suffolk, Erie and Westchester counties account for another 35 percent of special district revenues, and districts in the remaining 53 counties are responsible for the remaining one-third of special district revenues collected statewide.
- **Recent developments in some Long Island special districts have raised concerns over special districts statewide.** Media stories have highlighted a lack of transparency and potential abuse of taxpayer money. In addition, questions have been raised about whether special districts remain the best approach to delivering public services, and whether they operate efficiently and equitably for all taxpayers.
- **There are some potential actions that State and local policy makers could consider as they pursue further study of this important issue.** By encouraging local unit cost analysis of special

district operations, by requiring consolidation studies in heavily urbanized areas and by expanding the State’s Shared Municipal Services Incentive (SMSI) program to include special districts, policy makers can greatly improve the level and quality of information upon which to make critical decisions regarding equity, efficiency and transparency.

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## Introduction

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There are 932 towns in New York, which encompass all areas of the State except those within the boundaries of cities or Native American reservations. Because of the outward migration from cities into suburban and rural areas over the past 50 years, many towns have fared better economically than other classes of governments, with sizable increases in suburban population and real property values. As growth has occurred, towns have found themselves facing service demands previously provided only to city dwellers, such as garbage collection, water and sewers.

In response, the State created a mechanism – the special district – by which towns could deliver certain services. A special district is a geographic area within a town established to address specific needs of the property owners within that district, utilizing charges<sup>1</sup> and, in some cases, user fees paid by taxpayers within the district to finance these services. Special districts were statutorily authorized to assist towns in adjusting to patterns of growth that were not townwide, and have been used liberally by towns over the last several decades to address increased residential needs. The revenue raised to pay for special district services now represents a significant share of total revenue raised by local governments, which can cost a taxpayer hundreds of dollars annually.

Recently, questions have been raised about whether special districts remain the best approach to handling the increased growth within towns, and whether they operate efficiently and equitably for all taxpayers. Some of these questions have been fueled by the attention given to fire and sanitation districts on Long Island, where media stories highlighted a lack of transparency and potential abuse of taxpayer monies. That scrutiny, along with the changing landscape of towns, has brought more attention to both town board-administered special districts and special districts governed by separately elected boards.

The purpose of this report is to help shed light on how town special improvement districts are structured, how they operate and what fiscal burden they impose on property owners. It aims to inform policy makers at the State and local levels regarding special districts, their impact on town taxpayers and the town governments that administer them.

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## Background

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Prior to World War II, cities were almost exclusively the centers of population, industry and commerce in New York State. Towns were generally more sparsely settled, sometimes with a village incorporated to provide basic municipal services to a small concentration of people.

In the wake of suburban growth, towns were not prepared to provide needed services on a townwide basis. Tax bases were insufficient to support townwide water or sewer systems, and needs were generally not broad enough to generate voter support for such townwide services. The expedient answer was, therefore, creation of the special improvement district, an area within the town that was large enough to serve only those needing the service and was supported only by the property owners within the district. Historically, districts have been the preferred way to provide services within towns and have multiplied in both number and type since their initial authorization.<sup>2</sup>

Special districts are established to offer service delivery to properties in a specific area of the town. Property owners are then charged for those services through assessments or fees. As towns grow, special districts are often established or extended to address incremental residential needs. For example, if a subdivision is built in a town, those houses may need a number of new services, such as water, sewer, street lighting or garbage collection. In cases where those services are not delivered townwide or where the development does not fall into an existing special district, a new special district is established or extended to meet those needs.

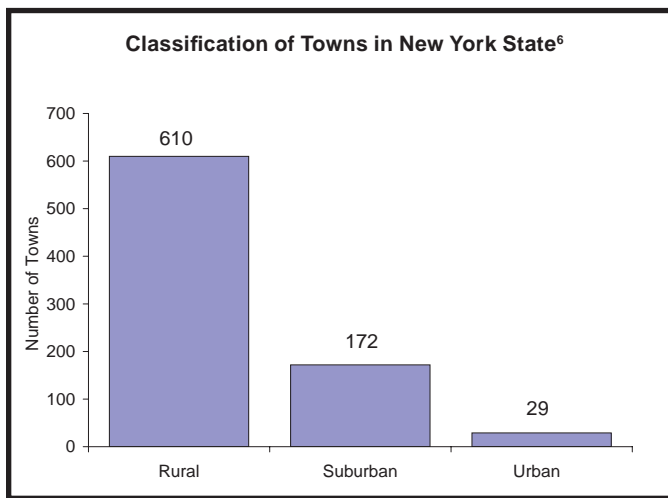
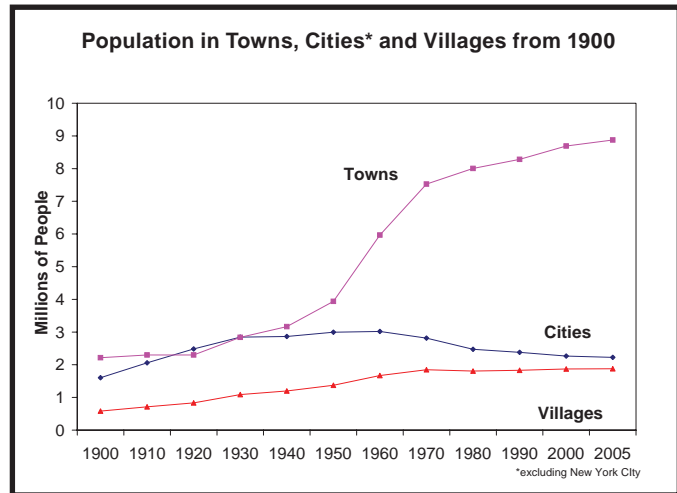
The earliest comprehensive authority for town improvement districts was provided in former Town Law (Chapter 63, Laws of 1909). Special legislation authorizing the establishment of improvement districts in Nassau County was enacted by the State in 1928 (Chapter 516, Laws of 1928). These laws provided a framework for the establishment, financing and operation of special improvement districts. Part of that framework provided for districts to be governed by elected boards of commissioners with, in certain cases, the power to issue bonds and levy taxes.

Subsequently, when the current Town Law was enacted in 1932 (Chapter 634, Laws of 1932) separate boards of commissioners were generally abolished and the powers of separate boards were transferred to town boards. Accordingly, most special improvement districts now in existence were established under general provisions of Articles 12 and 12-A of the Town Law<sup>3</sup> and are administered by their respective town boards rather than separately elected boards. Some have been created by special act of the State Legislature.

Since the 1930s, with the exception of a number of older improvement districts (primarily in Nassau County) which were grandfathered in by referendum and retained separate boards of commissioners, the town board acts as the governing body for all improvement districts in a town. Specific provisions of the Town Law authorize a town board to let contracts for the construction of district improvements, determine the manner of levying assessments to cover costs, set water and sewer rents or other service charges, and provide for the issuance of obligations to cover capital costs. Although district costs are paid from charges and fees levied against the properties therein, the districts have no taxation or debt issuance powers of their own. All debt obligations issued on their behalf must be general obligations of the town and, unless an exemption applies,<sup>4</sup> are chargeable to town debt limits.

## Changing Landscape in Towns

The majority of our cities, towns and villages were established prior to 1920. Historically, cities were more populous than towns and villages, but today, there are many more big towns in New York than there are big cities. Ten towns exceed 100,000 in population, whereas only the “Big Five” cities<sup>5</sup> are this populous. Four of these “mega-towns” exceed the populations of Buffalo, Rochester, Syracuse and Yonkers—making them the largest municipalities outside of New York City. Further down the scale, the relative size of large towns becomes even more apparent. For example, only 12 cities today have populations greater than 50,000, whereas 21 towns exceed this level. And while only 27 of 62 cities have populations over 25,000, there are 60 towns and 6 villages that exceed this level. In fact, there are more towns exceeding the median city population than there are cities in total.



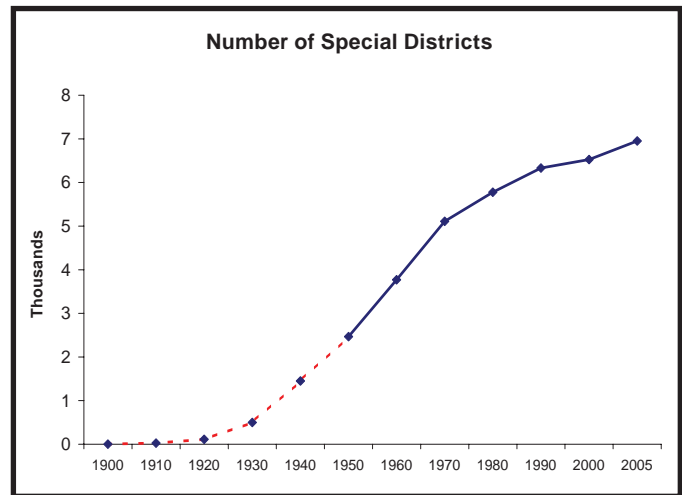
This growth has caused many towns to look and act more like traditional cities. According to a recent study on municipal structures from the Office of the State Comptroller (OSC), one-quarter of the towns in New York State are considered to be suburban or urban.<sup>7</sup> Those 172 towns falling in the “suburban” category are likely to have relatively newer housing and fewer residents in poverty when compared to other groups. Twenty-nine towns statewide are considered to be “urban centers.” Towns in this category experience challenges similar to those faced by most cities. As expected, some regions of the State, including the North Country (98 percent), the Mohawk Valley (93 percent) and the Southern Tier (91 percent) have an overwhelming majority of rural towns, while all towns on Long Island and most in the mid-Hudson region (72 percent) are considered suburban or urban.

The growth of the suburban subdivision and the need for additional services are well illustrated by the example of Levittown in Nassau County. A large swathe of farmland was developed in the years following World War II to accommodate an upsurge in housing demand. By 1951, more than 17,000 homes had been constructed, and a suburb was created. With those homes came the need for access to water, fire protection, street lighting and garbage collection; many of these needs were met through the creation of special districts. Today, 50 years after its development, Levittown is in the middle of the most urbanized county in New York, and one of the most urbanized areas in the country.

## Increase in Special Districts

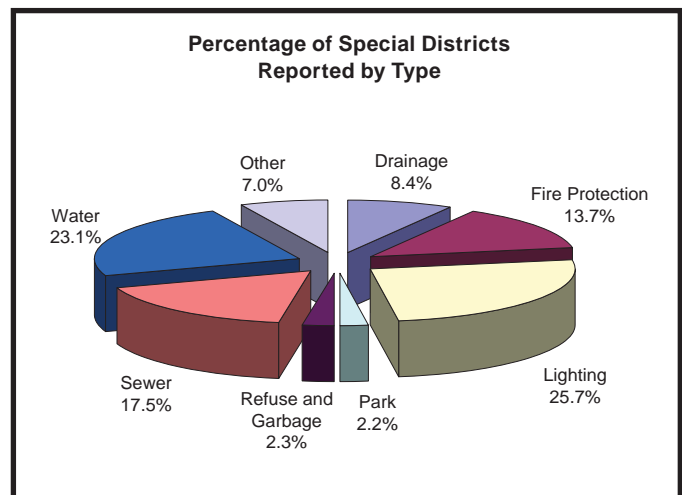
Town special improvement districts have proliferated over the last 50 years. As of 2004, there were 6,927 special districts created throughout the State for a wide variety of residential needs. Most districts are established to attend to common needs of people in residential areas, with drainage, fire protection, lighting, park, refuse, sewer and water districts accounting for about 93 percent of all existing improvement districts.

Other less-common districts have been created for ambulance services, incinerators, sidewalks and snow removal, among other purposes. These districts are responsible for about 7 percent of all current special districts. The concept of the special district has proved so flexible that it has even been used to meet some unusual and unique needs, including public dock, beach erosion control and harbor improvement for seaside properties. A list of all special district purposes under articles 11, 12 and 12-A of the Town Law is contained in Appendix A. Other special districts have been created through special acts of the State Legislature.



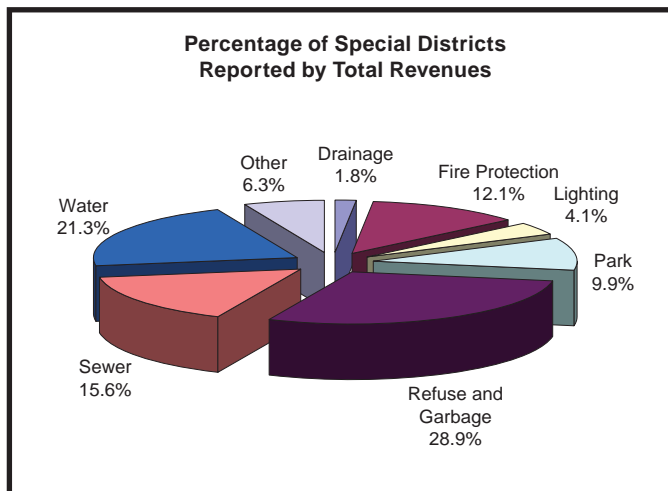
The number of special districts has grown consistently since 1909, when the authority for town improvement districts was originally established in law. The end of World War II and the subsequent “baby boom” provided for an expansion of suburban development in towns surrounding larger metropolitan areas. The greatest increase of special districts in towns occurred between 1950 and 1970, when more than 2,500 special districts were established, largely for lighting, water, sewer and fire protection.

Today, 34 percent of all special districts in the State are located in three counties—Erie, Onondaga and Monroe—which reported 939, 867 and 551 special districts, respectively. Seven of the nine counties in the New York City metropolitan area, and 18 of New York’s 57 counties reported having more than 100 special districts each. Lighting, water, sewer and fire protection continue to represent the most common types. However, garbage, water, sewer and fire protection account for the greatest shares of revenue generated.

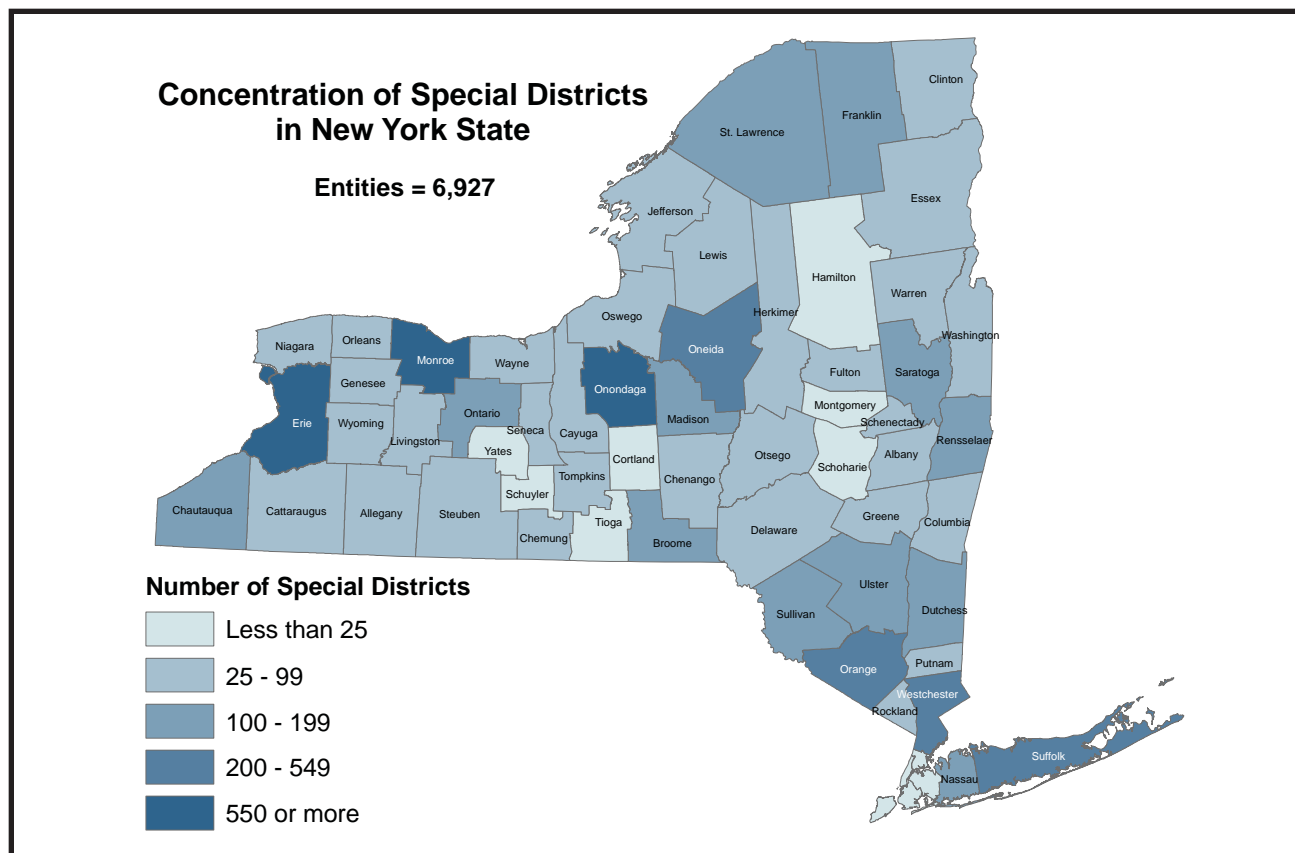


Some interesting facts emerge from a closer look at these districts. While the 160 refuse and garbage districts reported statewide accounted for only 2.3 percent of all reported districts, they were responsible for almost 29 percent of the revenues collected for all special district

purposes. Fifteen percent of all refuse and garbage districts statewide are located in Nassau County, but these districts are responsible for close to 50 percent of the statewide revenues reported for refuse and garbage. In other words, Nassau County's 24 garbage districts are responsible for 14 percent (\$181.1 million) of all revenues collected for special district purposes, statewide.



Conversely, the 1,783 lighting districts in the State were responsible for more than a quarter of the 6,927 districts reported statewide – the largest number of districts reported – yet accounted for only 4 percent of special district revenues collected. Again, Long Island lighting districts are responsible for a disproportionate amount of revenues. Combined, Nassau and Suffolk have 24 lighting districts, or 1.3 percent of the statewide total, yet are responsible for 55 percent of the statewide revenues for lighting purposes. Erie, Monroe and Onondaga counties, in comparison, have 427, 188 and 161 lighting districts, respectively – 44 percent of the statewide total – yet these districts are responsible for only 27 percent of all revenues collected for lighting purposes.



**Town Special District Entity Counts (2004)**

<b>Counties</b>	<b>Drainage</b>	<b>Fire Protection</b>	<b>Lighting</b>	<b>Park</b>	<b>Refuse and Garbage</b>	<b>Sewer</b>	<b>Water</b>	<b>Other</b>	<b>Total Town Special Districts</b>
Erie	144	43	427	3	23	119	143	37	939
Onondaga	177	35	188	10	20	220	143	74	867
Monroe	102	15	161	45	14	62	98	54	551
Westchester	16	28	21	15	5	141	54	21	301
Oneida	14	26	90	0	2	36	81	19	268
Orange	22	7	26	3	9	72	54	13	206
Suffolk	1	34	21	10	21	11	18	84	200
Broome	24	33	30	1	1	22	38	1	150
Chautauqua	4	33	41	1	1	26	42	2	150
Nassau	1	31	3	23	24	5	28	25	140
Saratoga	0	14	22	11	4	13	39	18	121
Ulster	8	13	49	1	0	18	24	7	120
Dutchess	1	7	25	1	1	34	42	8	119
Ontario	6	25	29	1	0	17	37	3	118
Sullivan	0	13	45	0	1	26	20	7	112
Madison	5	16	28	0	0	13	35	10	107
Rensselaer	0	16	22	0	0	29	36	4	107
Franklin	1	21	15	0	1	27	34	2	101
St. Lawrence	0	31	33	0	0	15	19	2	100
Clinton	0	13	29	0	0	20	32	5	99
Jefferson	1	15	26	0	0	20	35	1	98
Wayne	3	18	24	0	2	11	32	8	98
Niagara	7	12	13	0	13	18	26	3	92
Oswego	0	22	22	0	0	15	31	0	90
Putnam	6	10	10	11	4	12	26	10	89
Schenectady	23	7	22	10	0	16	9	0	87
Essex	1	9	7	2	2	23	39	2	85
Cattaraugus	0	23	18	0	0	22	19	1	83
Steuben	0	30	20	0	0	9	16	3	78
Greene	0	14	27	0	0	14	12	8	75
Allegany	0	25	14	0	1	11	15	5	71
Herkimer	0	20	19	0	1	6	24	1	71
Orleans	1	8	9	0	0	1	48	0	67
Tompkins	1	7	18	0	0	11	28	1	66
Otsego	0	16	32	0	1	4	8	0	61
Cayuga	1	10	18	0	1	8	21	1	60
Lewis	0	18	6	0	0	6	23	1	54
Livingston	3	11	12	0	0	6	20	2	54
Warren	1	9	10	2	1	11	20	0	54
Albany	1	12	13	0	1	4	13	9	53
Chenango	0	21	17	0	0	1	10	1	50
Columbia	0	17	17	0	2	5	6	3	50
Chemung	1	16	16	1	0	1	11	1	47
Rockland	0	5	7	1	2	7	0	25	47
Seneca	1	14	7	0	1	9	14	1	47
Washington	2	25	8	1	0	2	6	0	44
Delaware	0	4	25	0	0	2	12	0	43
Genesee	1	10	0	0	0	8	20	1	40
Wyoming	0	18	13	0	0	3	6	0	40
Fulton	0	15	2	0	0	5	4	0	26
Schoharie	0	9	8	0	0	3	3	0	23
Montgomery	1	12	2	0	0	3	4	0	22
Yates	0	8	2	0	0	2	9	0	21
Schuyler	0	12	1	0	0	2	4	0	19
Tioga	0	3	11	0	0	2	2	0	18
Hamilton	0	7	0	0	1	1	5	2	16
Cortland	0	5	2	0	0	1	4	0	12
<b>Total</b>	<b>581</b>	<b>951</b>	<b>1,783</b>	<b>153</b>	<b>160</b>	<b>1,211</b>	<b>1,602</b>	<b>486</b>	<b>6,927</b>

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## State Comptroller's Responsibilities

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The State Comptroller's responsibility with respect to town special districts is defined in statute (Town Law, Articles 12 and 12-A). The Comptroller's approval is required for the creation and/or extension of a special district established pursuant to articles 12 or 12-A of the Town Law if both of these criteria are met:

- The cost of establishing or extending a district is to be financed by the issuance of town bonds and notes; **and**
- The cost of the district or extension to the "typical property" exceeds the cost threshold that is calculated annually by the State Comptroller.

This concept of cost threshold is based on a list (compiled by OSC) of costs by district type throughout the year. Generally, the cost threshold for a given year is based on an average of the costs of those new special districts of the same type created in the prior three years.

One important caveat to note is in the case of town improvements provided for under Article 12-C or, in the case of towns governed by the "Suburban Town Law," Town Law §54. Under Article 12-C and Town Law §54, certain improvements (e.g., water, sewer, drainage) may be undertaken without the formation of a special district, with capital costs borne by either an area of benefited properties or part of the general tax levy on the entire area of the town outside of any incorporated villages. Operation and maintenance costs of such town improvements are borne by the entire town outside village area. OSC approval is required for these improvements if debt is to be issued and the estimated expense of the improvement exceeds one-tenth of one percent of the full valuation of taxable real property within the town outside of any villages —regardless of the estimated cost threshold.

In all cases where these statutes require OSC approval, the Comptroller must determine that:

- The public interest will be served by the proposed creation or extension, **and**
- The cost will not be an undue burden upon the property owners who will bear the costs.

## Reporting Requirements

Towns proposing Article 12 or 12-A special districts for which indebtedness is proposed, but which do not exceed the OSC cost threshold, are required to submit to OSC a copy of their notice of hearing on the district, which contains an estimate of costs for the typical property. This information is used by the Comptroller's Office when calculating the annual cost threshold.

Irrespective of the date they were created, all special improvement districts must file annual financial reports with the State Comptroller pursuant to provisions in General Municipal Law §30, which states: *"every municipal corporation and school, fire, improvement, and special district shall annually make a report of its financial condition to the Comptroller."* Special districts generally satisfy the requirements of GML §30 by reporting their finances as part of the respective town presentations or by filing separate reports. Towns with populations of less than 5,000 must file within 60 days. Towns with populations of more than 5,000 and less than 20,000 must file their reports within 90 days. Towns with populations of 20,000 or more must file within 120 days.



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## Audits of Special Districts

OSC has the authority to audit town special districts. Most often, special district records and management practices are audited during a town audit, but occasionally OSC conducts specific audits of town special districts. Recent OSC audit findings have identified instances of poor internal controls and inefficient operations in some town special districts.

### Nassau County

In Nassau County, commissioner-run districts have recently been the subject of increased scrutiny and public discussion. Concerns are mounting that these districts operate largely outside the scope of government oversight and that they impose too significant a tax burden.

This spike in interest follows a series of audits and a report\* released by the Nassau County Comptroller in 2005. The report cites “serious financial mismanagement, a lack of oversight, few written policies and procedures, overspending, faulty contracting and questionable employment and benefit practices.”

The only “structural check” noted by the county comptroller is the annual district election. Unfortunately, there appear to be significant problems in this area, too. The report specifically cites inadequate public notices regarding elections, questionable election oversight and low voter turnout as evidence that “elections were administered in a manner so as to limit participation.”

In addition to accountability and transparency concerns raised in the report, there are also concerns over cost and efficiency. Findings from an operating cost analysis are presented which suggest that “large town-run districts that contract out services are far more efficient and less costly to operate than commissioner-run districts (Districts Nos. 1, 2 and 6 in the Town of Hempstead).” This inefficiency translates into tax bills that are up to three times higher for Hempstead residents compared to residents of other districts. The report further asserts that “the higher tax levies in Hempstead’s three districts compared to other districts are not explained by any differences in quality and scope of services provided.”

In light of these findings, the county comptroller has called for a comprehensive review of the administration and organization of all special districts in Nassau County, both commissioner-run as well as town-run special districts.

OSC recently released an audit\*\* of Hempstead District No. 1 and found many of the same problems cited by the county. Specifically, the OSC audit cites: inexperienced and poorly trained fiscal staff; inaccurate financial records and tax reporting; potential conflicts of interest in purchasing and contracting; lack of independent audits of the District’s financial statements and failure to implement prior recommendations of State and local government auditors to improve internal controls over financial operations. The audit identifies \$462,000 in excess costs which were passed on to taxpayers because of these problems.

\* A summary of the Nassau County Comptroller sanitary district audit findings and links to the audit reports can be found at [www.nassaucountyny.gov/agencies/Comptroller/NewsRelease/2005/9-08-05.html](http://www.nassaucountyny.gov/agencies/Comptroller/NewsRelease/2005/9-08-05.html).

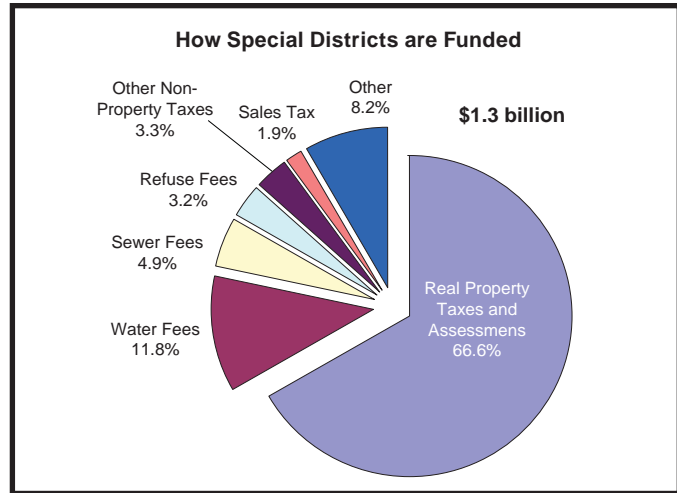
The report, entitled “Nassau County Special Districts: A Case for Reform,” can be found at [www.nassaucountyny.gov/agencies/Comptroller/Docs/PDF/05Dec19-SpecDistRpt.pdf](http://www.nassaucountyny.gov/agencies/Comptroller/Docs/PDF/05Dec19-SpecDistRpt.pdf)

\*\*Sanitary District No. 1 Town of Hempstead Internal Controls Over Financial Operations, Office of the State Comptroller (2005-S-69).

## Town Special District Finances<sup>8</sup>

Town special districts serve a specific subset of town residents. Most special districts are administered by town governments and their operations are funded through the collection of town real property taxes and assessments or through user fees.

A small minority of special districts are structured differently. These districts are not administered through towns, but rather have their own separately elected boards of commissioners and, in some cases, have the ability to levy taxes and issue debt. According to OSC records, these independent districts number around 100 and make up less than two percent of all special districts. Most of these districts are in Nassau County, including 11 of the 24 special sanitation districts in Nassau County's three towns of North Hempstead, Hempstead and Oyster Bay.

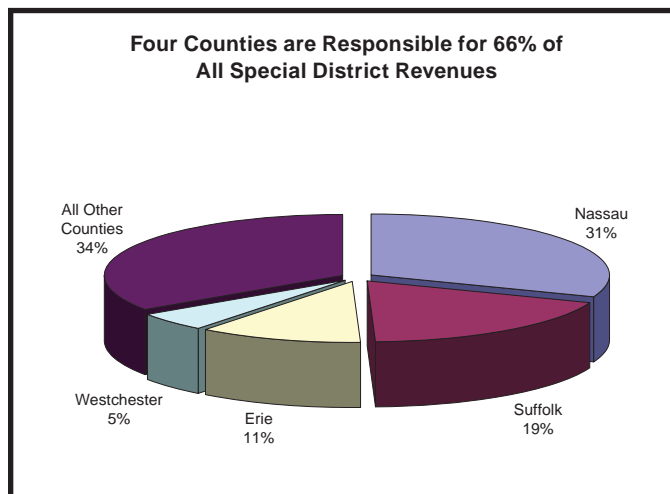


## Special District Revenues

In most cases, special district revenues are collected through town taxes, assessments and user fees which are reported in annual financial statements as a portion of town revenues. In 2004, total revenues raised in towns were \$5.4 billion; revenues for town special districts accounted for \$1.3 billion (24 percent) of that amount.

Most special district revenues are collected with the property tax levy. These taxes and assessments accounted for \$862 million (67 percent) of all special district revenues in 2004. User fees also play a significant role in the funding of special districts; \$259 million (20 percent) of total special district revenues

are accounted for through the collection of water, sewer and garbage fees. The final \$173 million (13 percent) are funds collected through other user fees and non-property taxes.



Nassau County (31 percent) and Suffolk County (19 percent) on Long Island are responsible for half of the State's special district revenues. Combined with Erie (11 percent) and Westchester (5 percent), these four counties are responsible for two-thirds of all special district revenues. The other 53 counties together account for only 34 percent of the revenues collected for special districts.

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## Lack of Transparency Leads to Taxpayer Confusion

When taxpayers try to piece together how much they actually pay for special districts, it is often difficult for them to make sense of their tax and utility bills. There is no set of standard billing practices and the multiple methods for billing and collecting taxes, assessments and fees can lead to confusion. Below are some ways residents pay for townwide and special district services.

**Property Taxes and Assessments** – Most often, town residents pay for services through property taxes. Special districts and Article 12-C improvements receive portions of taxes and assessments, and residents are billed at varying rates depending on a variety of factors. Special district portions of the charges are sometimes shown on tax bills, and at other times they are billed separately.

**Special District User Fees** – Special districts often bill residents directly for services like metered water usage fees or sewer rents. These fees may appear on property tax bills but are separate from real property tax and assessment collections.

**Fees to Other Entities** – Other organizations, like water and sewer authorities, are sometimes responsible for specific service or resource delivery. For example, a water authority can provide water to municipalities on a broader regional basis and residents are billed directly.

## Special District Revenues as a Percentage of Total Town Revenues

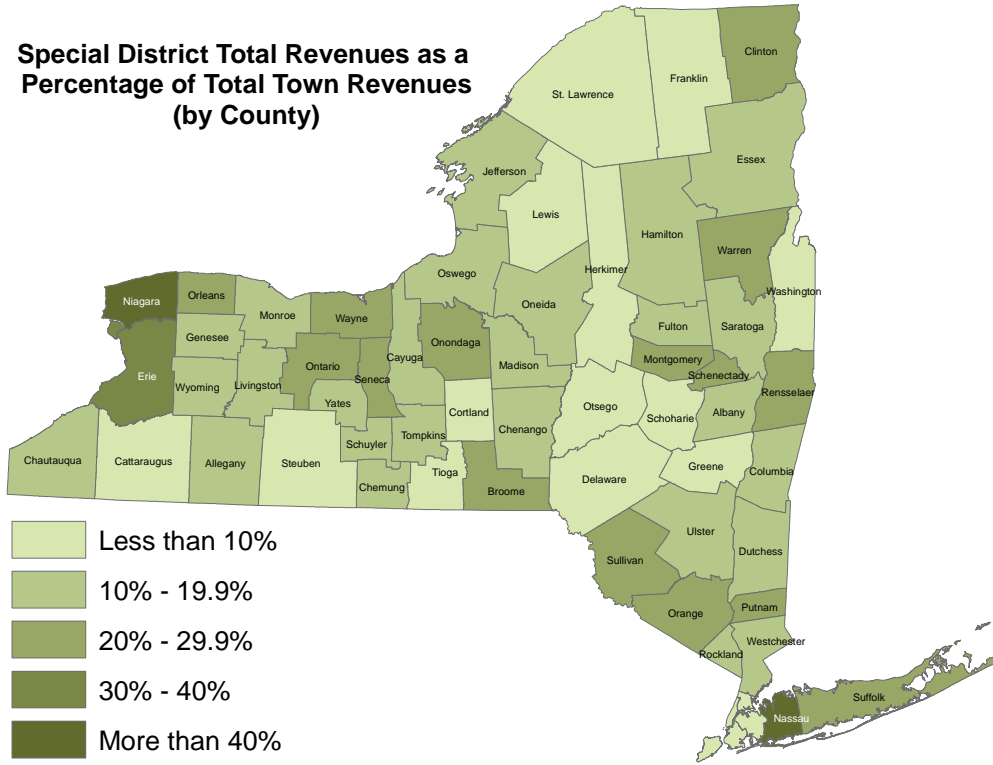
The following tables and corresponding maps offer more precise views of towns with strong reliance on special districts. Suburban towns outside cities bordering the Hudson River and west along the Thruway corridor had the greatest amounts of special district revenues. Within individual counties, special districts are responsible for 52 percent of all revenues in Nassau County, 41 percent in Niagara County and 32 percent in Erie County. Taxes and assessments on real property are responsible for two-thirds of all special district revenues statewide. Special districts in Niagara County (77 percent), Nassau County (65 percent) and Warren County (52 percent) were responsible for a majority of all real property taxes and assessment revenues collected by towns in those counties in 2004.

When examined on a per household basis, the relative significance of special districts varies widely. The portion of total town charges attributable to special districts per household range from as little as 3 percent (Tioga County) to as high as 77 percent (Niagara County).

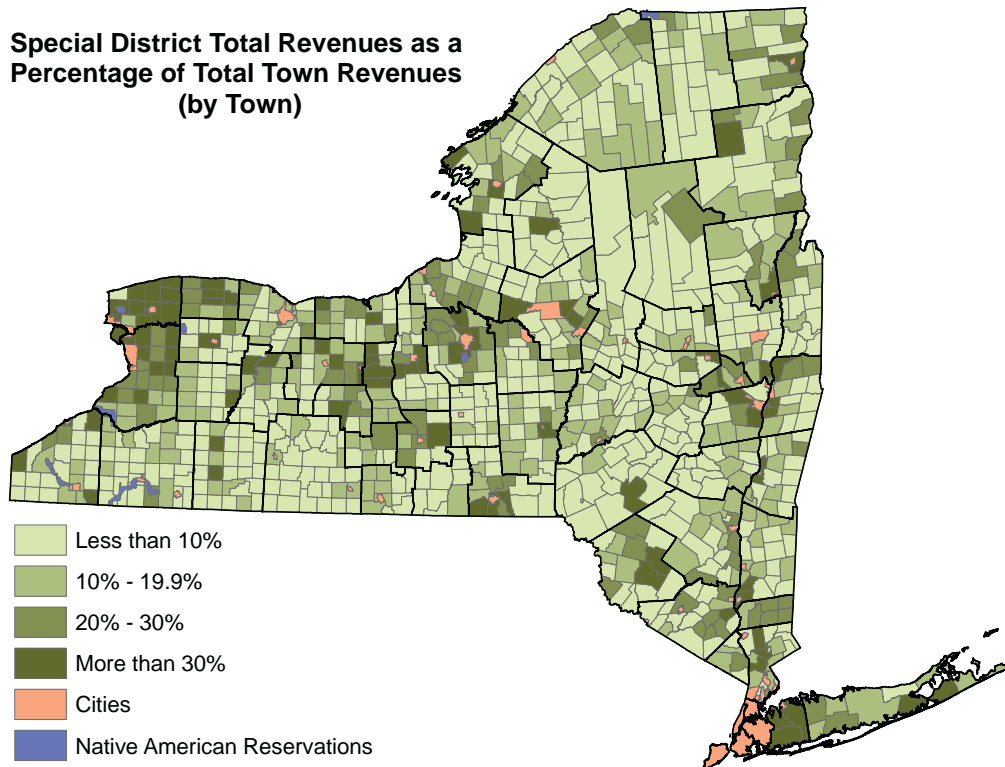
**Special District Revenues as a Percentage of Town Revenues (2004)**

County	Households	Total Revenues		Total Revenues per Household		Special District Revenues as a Percentage of Town Revenues
		Townwide	Special Districts	Townwide	Special Districts	
Nassau	423,003	\$771,929,616	\$400,042,232	\$1,825	\$946	51.8%
Niagara	40,219	\$66,829,104	\$27,612,158	\$1,662	\$687	41.3%
Erie	242,512	\$443,956,795	\$141,973,308	\$1,831	\$585	32.0%
Orleans	15,363	\$14,465,826	\$3,969,592	\$942	\$258	27.4%
Onondaga	121,367	\$125,402,805	\$33,810,401	\$1,033	\$279	27.0%
Warren	19,459	\$44,381,071	\$11,858,952	\$2,281	\$609	26.7%
Putnam	32,703	\$78,896,455	\$18,682,381	\$2,413	\$571	23.7%
Rensselaer	36,501	\$47,257,515	\$11,188,326	\$1,295	\$307	23.7%
Seneca	12,630	\$12,441,647	\$2,867,294	\$985	\$227	23.0%
Wayne	34,908	\$37,953,787	\$8,592,560	\$1,087	\$246	22.6%
Schenectady	33,419	\$48,998,860	\$11,083,799	\$1,466	\$332	22.6%
Sullivan	27,661	\$52,554,510	\$11,754,517	\$1,900	\$425	22.4%
Broome	59,660	\$66,255,432	\$14,541,709	\$1,111	\$244	21.9%
Ontario	28,594	\$50,445,328	\$10,587,493	\$1,764	\$370	21.0%
Clinton	21,823	\$27,301,771	\$5,664,714	\$1,251	\$260	20.7%
Suffolk	469,027	\$1,172,263,447	\$240,143,651	\$2,499	\$512	20.5%
Orange	92,645	\$175,011,621	\$34,967,520	\$1,889	\$377	20.0%
Montgomery	12,055	\$10,358,358	\$2,069,342	\$859	\$172	20.0%
Yates	9,029	\$11,647,329	\$2,298,485	\$1,290	\$255	19.7%
Tompkins	26,133	\$31,704,426	\$6,178,594	\$1,213	\$236	19.5%
Cayuga	19,147	\$21,264,397	\$4,105,937	\$1,111	\$214	19.3%
Essex	15,028	\$45,565,572	\$8,116,911	\$3,032	\$540	17.8%
Rockland	92,675	\$250,843,730	\$43,800,978	\$2,707	\$473	17.5%
Albany	68,206	\$149,488,333	\$25,751,146	\$2,192	\$378	17.2%
Westchester	175,879	\$390,895,312	\$65,182,875	\$2,223	\$371	16.7%
Jefferson	29,032	\$45,032,766	\$7,503,696	\$1,551	\$258	16.7%
Ulster	57,628	\$87,908,590	\$14,461,100	\$1,525	\$251	16.5%
Livingston	22,150	\$26,530,672	\$4,315,138	\$1,198	\$195	16.3%
Chautauqua	35,470	\$34,881,367	\$5,525,137	\$983	\$156	15.8%
Madison	20,938	\$15,740,013	\$2,468,841	\$752	\$118	15.7%
Oswego	33,261	\$31,080,952	\$4,864,736	\$934	\$146	15.7%
Oneida	50,481	\$51,504,141	\$8,051,649	\$1,020	\$159	15.6%
Columbia	21,845	\$26,645,806	\$4,126,073	\$1,220	\$189	15.5%
Dutchess	82,431	\$131,170,167	\$20,139,359	\$1,591	\$244	15.4%
Schuyler	7,374	\$8,564,538	\$1,160,067	\$1,161	\$157	13.5%
Saratoga	65,162	\$84,140,759	\$11,042,772	\$1,291	\$169	13.1%
Genesee	16,127	\$19,499,871	\$2,519,364	\$1,209	\$156	12.9%
Hamilton	2,362	\$14,135,121	\$1,822,894	\$5,984	\$772	12.9%
Chemung	23,574	\$19,943,516	\$2,569,174	\$846	\$109	12.9%
Chenango	16,795	\$15,155,301	\$1,881,656	\$902	\$112	12.4%
Wyoming	14,906	\$13,725,385	\$1,634,588	\$921	\$110	11.9%
Monroe	197,513	\$230,238,894	\$26,523,215	\$1,166	\$134	11.5%
Fulton	11,805	\$11,507,988	\$1,246,872	\$975	\$106	10.8%
Allegany	18,007	\$22,999,421	\$2,312,662	\$1,277	\$128	10.1%
Washington	22,458	\$16,921,307	\$1,646,430	\$753	\$73	9.7%
Schoharie	11,991	\$12,567,415	\$1,070,446	\$1,048	\$89	8.5%
Otsego	19,038	\$19,537,670	\$1,659,070	\$1,026	\$87	8.5%
Cattaraugus	22,570	\$22,242,863	\$1,881,845	\$986	\$83	8.5%
Steuben	30,479	\$37,125,529	\$3,046,478	\$1,218	\$100	8.2%
Franklin	17,027	\$20,805,571	\$1,472,164	\$1,222	\$86	7.1%
Herkimer	23,395	\$22,795,096	\$1,605,254	\$974	\$69	7.0%
Lewis	10,040	\$11,120,886	\$782,493	\$1,108	\$78	7.0%
Greene	18,256	\$33,573,538	\$2,347,454	\$1,839	\$129	7.0%
Tioga	19,725	\$16,351,452	\$975,491	\$829	\$49	6.0%
Delaware	19,270	\$42,306,992	\$2,402,558	\$2,195	\$125	5.7%
St. Lawrence	36,325	\$86,744,204	\$3,427,457	\$2,388	\$94	4.0%
Cortland	11,288	\$15,661,145	\$557,358	\$1,387	\$49	3.6%
<b>Mean</b>	<b>54,708</b>	<b>\$94,671,438</b>	<b>\$22,699,796</b>	<b>\$1,497</b>	<b>\$257</b>	<b>16.7%</b>
<b>Median</b>	<b>23,395</b>	<b>\$33,573,538</b>	<b>\$4,315,138</b>	<b>\$1,220</b>	<b>\$195</b>	<b>15.8%</b>

**Special District Total Revenues as a Percentage of Total Town Revenues (by County)**



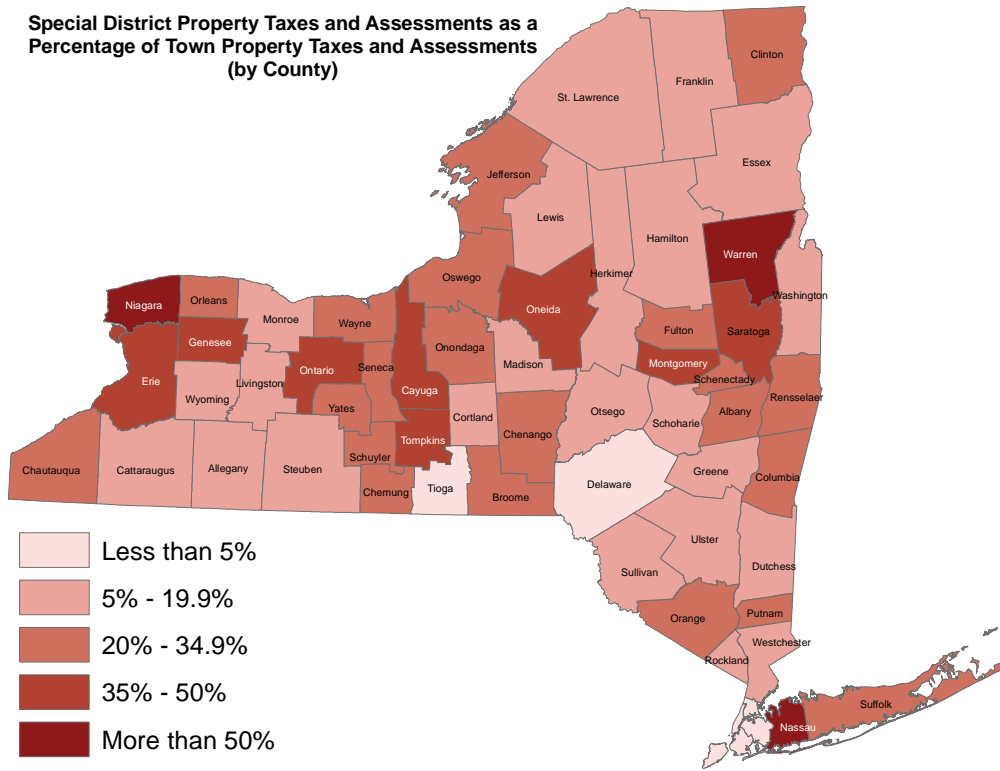
**Special District Total Revenues as a Percentage of Total Town Revenues (by Town)**



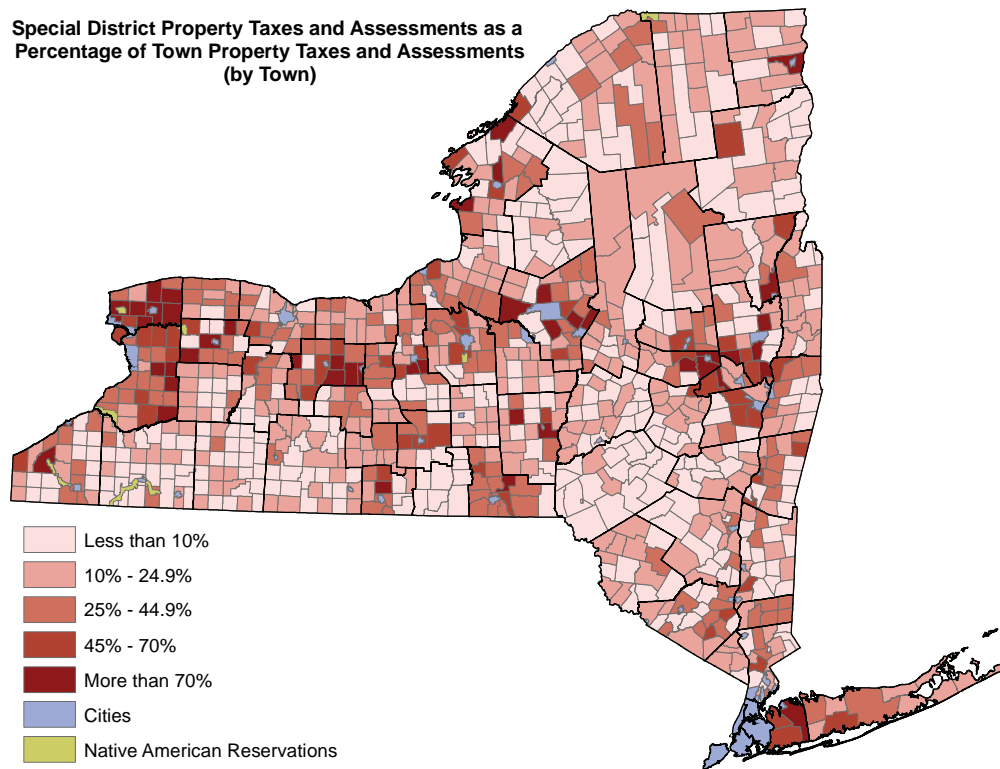
**Average Property Taxes and Assessments per Household for Townwide vs Special District-wide Services (2004)**

County	Households	Property Taxes and Assessments		Property Taxes and Assessments per Household		Special District Property Taxes and Assessments as a Percent of Town Total
		Townwide	Special Districts	Townwide	Special Districts	
Niagara	40,219	\$22,256,867	\$17,042,447	\$553	\$424	76.6%
Nassau	423,003	\$415,575,774	\$271,299,268	\$982	\$641	65.3%
Warren	19,459	\$13,353,487	\$6,976,492	\$686	\$359	52.2%
Montgomery	12,055	\$2,242,539	\$1,111,566	\$186	\$92	49.6%
Genesee	16,127	\$2,666,243	\$1,239,059	\$165	\$77	46.5%
Ontario	28,594	\$9,680,967	\$4,277,743	\$339	\$150	44.2%
Erie	242,512	\$244,737,778	\$102,184,549	\$1,009	\$421	41.8%
Oneida	50,481	\$16,017,333	\$6,570,709	\$317	\$130	41.0%
Saratoga	65,162	\$18,403,061	\$7,391,050	\$282	\$113	40.2%
Tompkins	26,133	\$14,085,880	\$5,151,309	\$539	\$197	36.6%
Cayuga	19,147	\$7,153,508	\$2,568,394	\$374	\$134	35.9%
Albany	68,206	\$41,104,850	\$13,923,499	\$603	\$204	33.9%
Chemung	23,574	\$5,989,234	\$1,993,117	\$254	\$85	33.3%
Onondaga	121,367	\$84,329,275	\$27,659,145	\$695	\$228	32.8%
Broome	59,660	\$24,309,688	\$7,751,891	\$407	\$130	31.9%
Orleans	15,363	\$7,564,597	\$2,308,520	\$492	\$150	30.5%
Putnam	32,703	\$50,875,442	\$15,521,927	\$1,556	\$475	30.5%
Seneca	12,630	\$5,338,530	\$1,620,393	\$423	\$128	30.4%
Suffolk	469,027	\$558,337,789	\$169,453,596	\$1,190	\$361	30.3%
Rensselaer	36,501	\$23,770,515	\$7,052,285	\$651	\$193	29.7%
Schenectady	33,419	\$23,548,462	\$6,319,693	\$705	\$189	26.8%
Jefferson	29,032	\$8,152,786	\$2,179,456	\$281	\$75	26.7%
Columbia	21,845	\$9,727,335	\$2,584,249	\$445	\$118	26.6%
Orange	92,645	\$87,151,571	\$22,934,634	\$941	\$248	26.3%
Oswego	33,261	\$16,577,762	\$3,960,996	\$498	\$119	23.9%
Fulton	11,805	\$4,362,162	\$1,039,468	\$370	\$88	23.8%
Clinton	21,823	\$11,506,768	\$2,725,572	\$527	\$125	23.7%
Chautauqua	35,470	\$14,487,429	\$3,423,267	\$408	\$97	23.6%
Wayne	34,908	\$17,274,047	\$3,938,031	\$495	\$113	22.8%
Schuyler	7,374	\$4,278,820	\$929,337	\$580	\$126	21.7%
Chenango	16,795	\$7,766,996	\$1,678,745	\$462	\$100	21.6%
Yates	9,029	\$6,618,852	\$1,406,430	\$733	\$156	21.2%
Madison	20,938	\$10,801,041	\$2,044,249	\$516	\$98	18.9%
Westchester	175,879	\$218,315,000	\$40,841,266	\$1,241	\$232	18.7%
Livingston	22,150	\$11,887,827	\$2,209,851	\$537	\$100	18.6%
Monroe	197,513	\$123,527,059	\$22,716,098	\$625	\$115	18.4%
Dutchess	82,431	\$61,808,916	\$10,132,734	\$750	\$123	16.4%
Essex	15,028	\$22,203,391	\$3,529,998	\$1,477	\$235	15.9%
Wyoming	14,906	\$8,335,930	\$1,314,534	\$559	\$88	15.8%
Hamilton	2,362	\$10,080,154	\$1,481,855	\$4,268	\$627	14.7%
Ulster	57,628	\$54,696,903	\$7,970,643	\$949	\$138	14.6%
Sullivan	27,661	\$30,102,822	\$4,254,256	\$1,088	\$154	14.1%
Rockland	92,675	\$174,221,041	\$24,483,669	\$1,880	\$264	14.1%
Washington	22,458	\$10,914,535	\$1,495,534	\$486	\$67	13.7%
Herkimer	23,395	\$9,252,770	\$1,264,462	\$396	\$54	13.7%
St. Lawrence	36,325	\$15,234,034	\$1,948,486	\$419	\$54	12.8%
Schoharie	11,991	\$7,709,518	\$966,815	\$643	\$81	12.5%
Franklin	17,027	\$10,943,792	\$1,182,364	\$643	\$69	10.8%
Cattaraugus	22,570	\$9,906,502	\$1,023,238	\$439	\$45	10.3%
Steuben	30,479	\$17,413,080	\$1,747,022	\$571	\$57	10.0%
Allegany	18,007	\$12,197,026	\$1,172,931	\$677	\$65	9.6%
Greene	18,256	\$13,988,265	\$1,333,725	\$766	\$73	9.5%
Otsego	19,038	\$10,646,973	\$994,867	\$559	\$52	9.3%
Lewis	10,040	\$7,462,170	\$494,863	\$743	\$49	6.6%
Cortland	11,288	\$5,640,620	\$337,453	\$500	\$30	6.0%
Delaware	19,270	\$16,503,788	\$482,595	\$856	\$25	2.9%
Tioga	19,725	\$6,276,472	\$172,369	\$318	\$9	2.7%
<b>Mean</b>	<b>54,708</b>	<b>\$46,654,666</b>	<b>\$15,119,521</b>	<b>\$703</b>	<b>\$161</b>	<b>24.8%</b>
<b>Median</b>	<b>23,395</b>	<b>\$13,353,487</b>	<b>\$2,568,394</b>	<b>\$559</b>	<b>\$119</b>	<b>22.8%</b>

**Special District Property Taxes and Assessments as a Percentage of Town Property Taxes and Assessments (by County)**



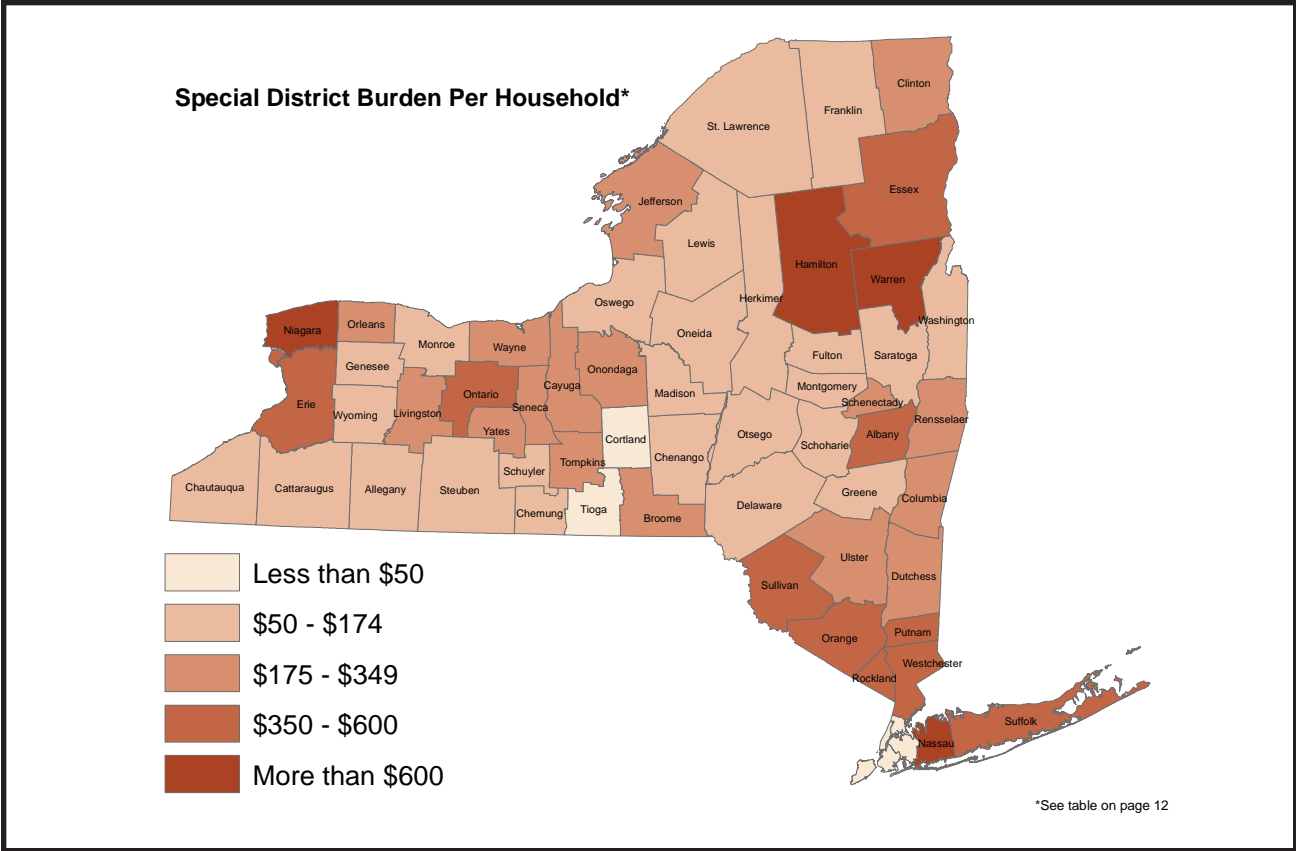
**Special District Property Taxes and Assessments as a Percentage of Town Property Taxes and Assessments (by Town)**



**Special District Revenues as a Percentage of Statewide Totals (2004)**

County	Statewide Revenues Collected	Drainage	Fire Protection	Lighting	Park	Parking	Refuse and Garbage	Sewer	Water	Miscellaneous
Nassau	30.9%	48.1%	9.3%	25.5%	58.1%	91.9%	48.4%	6.7%	25.9%	20.8%
Suffolk	18.6%	0.0%	11.9%	29.6%	35.9%	4.8%	28.5%	2.6%	8.4%	32.5%
Erie	11.0%	27.0%	11.7%	16.3%	0.2%	0.0%	7.6%	25.6%	6.9%	12.4%
Westchester	5.0%	0.2%	4.4%	2.2%	1.2%	2.5%	3.3%	3.7%	10.8%	7.4%
Rockland	3.4%	0.0%	1.1%	2.3%	0.0%	0.0%	6.3%	3.7%	1.0%	9.0%
Orange	2.7%	0.0%	1.4%	0.9%	0.0%	0.1%	1.8%	6.6%	3.9%	1.8%
Onondaga	2.6%	6.1%	8.8%	4.1%	0.1%	0.0%	1.1%	1.9%	2.8%	0.7%
Niagara	2.1%	1.8%	3.3%	0.4%	0.0%	0.0%	1.0%	5.2%	2.6%	0.4%
Monroe	2.0%	12.7%	3.9%	6.1%	0.2%	0.0%	0.1%	4.9%	1.2%	0.6%
Albany	2.0%	0.1%	2.2%	0.1%	0.0%	0.0%	0.0%	4.2%	4.5%	1.7%
Dutchess	1.6%	1.5%	1.2%	1.7%	0.0%	0.0%	0.0%	5.3%	2.2%	0.4%
Putnam	1.4%	0.0%	3.7%	0.4%	0.7%	0.0%	1.0%	1.2%	1.5%	1.8%
Broome	1.1%	0.3%	2.0%	1.0%	0.7%	0.0%	0.0%	2.3%	1.4%	1.4%
Ulster	1.1%	0.0%	1.0%	0.7%	0.0%	0.0%	0.0%	2.8%	2.1%	1.1%
Warren	0.9%	0.0%	2.3%	0.3%	0.0%	0.0%	0.0%	1.1%	2.1%	0.0%
Sullivan	0.9%	0.0%	0.5%	1.0%	0.0%	0.7%	0.1%	3.4%	1.0%	0.5%
Rensselaer	0.9%	0.0%	1.4%	0.3%	0.0%	0.0%	0.2%	1.6%	1.4%	1.1%
Schenectady	0.9%	0.2%	0.5%	0.3%	0.0%	0.0%	0.0%	2.0%	2.2%	0.0%
Saratoga	0.9%	0.0%	1.1%	0.6%	0.3%	0.0%	0.0%	0.7%	2.1%	1.9%
Ontario	0.8%	0.5%	1.6%	0.3%	0.0%	0.0%	0.0%	1.9%	1.4%	0.0%
Wayne	0.7%	1.0%	1.4%	0.3%	0.0%	0.0%	0.0%	1.3%	1.2%	0.1%
Essex	0.6%	0.0%	0.7%	0.1%	2.1%	0.0%	0.0%	0.9%	0.9%	0.1%
Oneida	0.6%	0.0%	1.6%	0.5%	0.0%	0.0%	0.3%	1.2%	0.7%	0.0%
Jefferson	0.6%	0.0%	0.8%	0.2%	0.0%	0.0%	0.0%	0.9%	1.4%	0.5%
Tompkins	0.5%	0.0%	2.5%	0.1%	0.0%	0.0%	0.0%	0.3%	0.5%	0.3%
Clinton	0.4%	0.2%	0.3%	0.7%	0.0%	0.0%	0.0%	0.9%	0.9%	0.8%
Chautauqua	0.4%	0.2%	1.3%	0.4%	0.0%	0.0%	0.0%	0.6%	0.7%	0.0%
Oswego	0.4%	0.0%	1.9%	0.2%	0.0%	0.0%	0.0%	0.4%	0.3%	0.0%
Livingston	0.3%	0.0%	0.7%	0.1%	0.0%	0.0%	0.0%	0.3%	0.9%	0.0%
Columbia	0.3%	0.0%	0.9%	0.3%	0.0%	0.0%	0.0%	0.6%	0.4%	0.3%
Cayuga	0.3%	0.0%	0.4%	0.1%	0.0%	0.0%	0.0%	0.7%	0.7%	0.0%
Orleans	0.3%	0.0%	0.5%	0.1%	0.0%	0.0%	0.0%	0.0%	1.1%	0.0%
St. Lawrence	0.3%	0.0%	0.9%	0.3%	0.0%	0.0%	0.0%	0.4%	0.4%	0.0%
Steuben	0.2%	0.1%	0.9%	0.2%	0.0%	0.0%	0.0%	0.4%	0.3%	0.0%
Seneca	0.2%	0.0%	0.5%	0.1%	0.1%	0.0%	0.0%	0.3%	0.4%	0.1%
Chemung	0.2%	0.0%	0.8%	0.5%	0.1%	0.0%	0.0%	0.0%	0.2%	0.4%
Genesee	0.2%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.2%	0.4%	0.0%
Madison	0.2%	0.0%	0.5%	0.1%	0.0%	0.0%	0.0%	0.2%	0.2%	0.7%
Delaware	0.2%	0.0%	0.2%	0.2%	0.0%	0.0%	0.0%	0.8%	0.2%	0.0%
Greene	0.2%	0.0%	0.7%	0.3%	0.0%	0.0%	0.0%	0.3%	0.1%	0.1%
Allegany	0.2%	0.0%	0.4%	0.2%	0.0%	0.0%	0.0%	0.3%	0.3%	0.1%
Yates	0.2%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.3%	0.4%	0.0%
Montgomery	0.2%	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.0%
Cattaraugus	0.1%	0.0%	0.5%	0.1%	0.0%	0.0%	0.0%	0.2%	0.3%	0.0%
Chenango	0.1%	0.0%	1.0%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%
Hamilton	0.1%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.4%
Otsego	0.1%	0.0%	0.5%	0.2%	0.0%	0.0%	0.0%	0.2%	0.1%	0.1%
Washington	0.1%	0.0%	0.8%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Wyoming	0.1%	0.0%	0.6%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%
Herkimer	0.1%	0.0%	0.5%	0.1%	0.0%	0.0%	0.0%	0.1%	0.2%	0.0%
Franklin	0.1%	0.0%	0.5%	0.1%	0.0%	0.0%	0.0%	0.2%	0.1%	0.0%
Fulton	0.1%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Schuyler	0.1%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Schoharie	0.1%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tioga	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%
Lewis	0.1%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Cortland	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

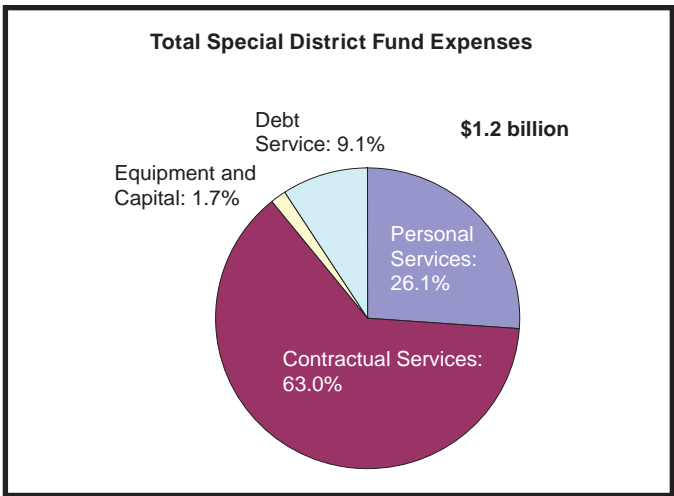




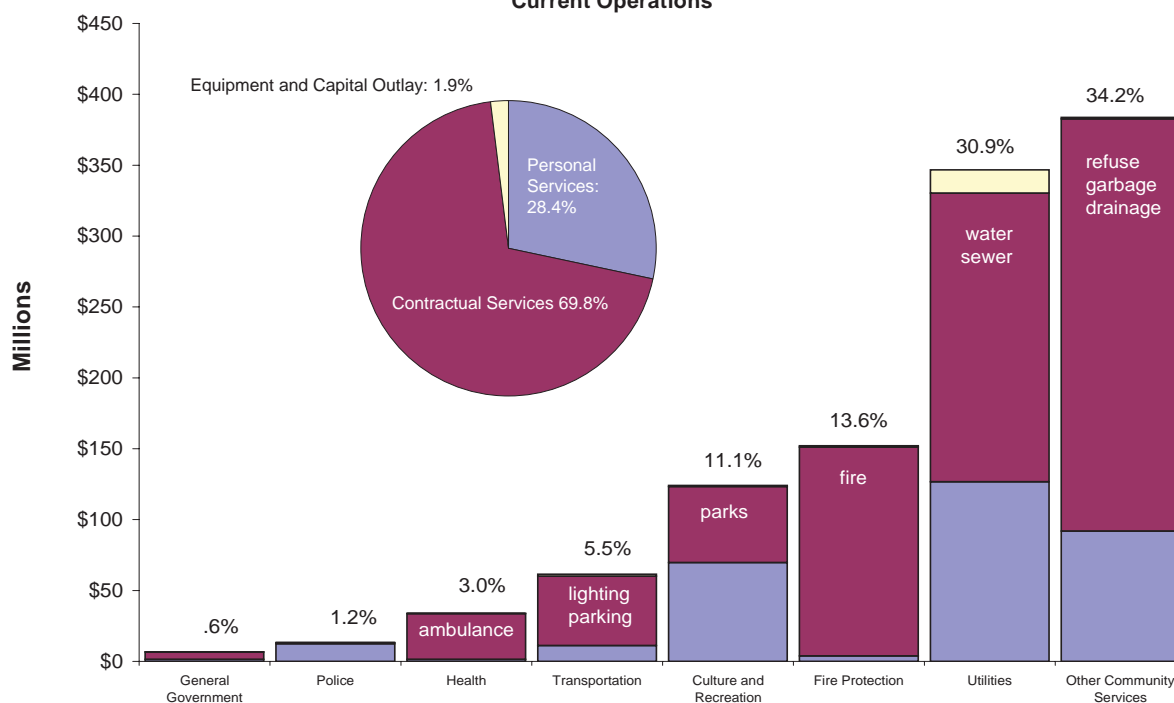
### Special District Expenditures

Towns reported expenses of \$6 billion in 2004. Special district expenditures accounted for \$1.24 billion (21 percent) of these expenditures. Excluding debt service, current expenditures account for \$1.12 billion.

In some functional categories, like health and fire protection, expenses are predominantly contractual in nature, with very little personal service or capital expenditures. Health and fire protection account for about 17 percent of all functional expenditures in special districts. Most health expenditures are for ambulance services. Both of these services are often performed by ambulance and fire companies, which contract with towns to provide services to specific areas. In many cases, the employees are volunteers and are not accounted for in personal service costs.



### Special District Expenditures by Purpose \$1.12 Billion Current Operations



## Fire Protection in Towns— a Primer

Fire protection is provided through two different mechanisms within towns – fire districts and fire protection districts.

**Fire districts** are autonomous public corporations, independent from the towns in which they are located, established for the primary purpose of providing fire protection and responding to certain other types of emergencies. They are usually governed by an elected board of fire commissioners and have the authority to levy taxes. Fire districts have the authority to incur debt generally without approval from any other governmental entity. Fire district boundaries sometimes cross town and county lines. Fire districts must file their own financial reports (the Annual Update Document, or AUD) annually with OSC. As of 2004, there were 871 fire districts statewide which raised total revenues of \$492 million. Because fire districts are separate governmental entities, they are not included in the analysis presented in this report.

**Fire protection districts** are administrative units of towns, not independent public corporations. Towns, on behalf of their fire protection districts, contract with fire companies, fire districts, cities or villages for the provision of fire protection and certain other services within the fire protection districts. The amounts paid under these contracts are assessed and levied on taxable property within the districts at the same time and in the same manner as town taxes. Contracts for fire protection are responsible for 95 percent of fire protection expenditures within towns. All budgetary controls and financial reporting are handled by town governments; fire protection districts are not required to file separate AUDs with OSC. Fire protection districts are included in the analysis in this report.

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## Policy Implications

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Special improvement districts have played an important role in the delivery of town services for many decades. Their creation reflected the unique service needs of certain communities as well as the desire to allocate costs for those services to only those who received them. As the population of New York has shifted and more people have moved out of cities and into surrounding towns, the question as to whether special districts remain the ideal mechanism for providing these services is one that deserves thoughtful consideration.

The number of special districts has increased exponentially over the years and they continue to be created. In fact, there are examples of policy decisions at higher levels of government, not just at the local level, that spur municipalities to create additional districts (see textbox). As such, focus on the administrative and operational workings of special districts is imperative.

Because towns are so diverse in their composition and operation, it is difficult to develop standardized models for specific service delivery. However, any cost/benefit analysis of special districts within and among towns should take into consideration issues of equity, efficiency and transparency when framing discussions about special districts.

### **Storm Water Management: Potential Demand for the Creation of New Districts**

By January 2008, communities within urbanized areas (as defined by the Census Bureau) are required by the EPA to have established storm water management programs aimed at controlling the discharge of polluted water from storm water systems into natural waters. Because local governments control the ways in which land is used and developed within their area, affected municipalities must enact local storm water management laws that amend existing or enact new subdivision, site plan and/or zoning laws or ordinances to require construction site operators to comply with the requirements established by the EPA.

In addition to completion of their storm water management plans, affected local governments must consider ways to pay for administration and maintenance of the plans. Towns impacted by this requirement may have several options for funding these activities, including general appropriation on a townwide basis; the creation of drainage improvement districts wherein storm water activities in a discrete area would be funded based on the assessed benefit to each property within the district; or implementation of drainage improvements without districts wherein costs of storm water management plans would be spread over the entire town, outside village area, and/or restricted to the benefited area by the town board. The town board may authorize issuance of debt, including bonds to fund the construction of new storm water management facilities or capital improvements to its existing system.

Affected municipalities will need to budget for: program development and creation of new local enactments; technical services for storm water plan review; the required storm water management officer and contact person; and site inspections and enforcement. Affected municipalities will also have to establish and implement programs to maintain storm water management practices (treatment ponds, wetlands, etc). As local governments grapple with ways to fund both the initial capital improvements and the ongoing administrative and capital maintenance costs associated with the plans, there is clearly the potential for the creation of new special districts.

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In urbanized and suburbanized towns, which make up almost one-quarter of all towns in the State, many residents in special districts are charged different rates for the same service. As new developments are built, new special districts are often established for specific services and their residents are responsible for paying for the service expenses, including capital infrastructure. This is not how all town services are funded. For example, roads in new developments generally are not paid for solely by those who live there; they are paid for with townwide resources. Should the cost of water or sewer systems be treated differently than roads? When services are widespread, should residents be charged at different rates for substantially the same public services based on where they live in the town? What costs are appropriate to share on a larger geographic basis, and across a longer timeline? Is it fair for a new resident in a new development to bear a higher cost for sewer service while a new resident in an older neighborhood receives the same services at lower cost because their section of the sewer system was built 20 years ago?

Efficiency in towns and districts is also a concern. Many urbanized towns must administer multiple special districts. Erie County towns administer more than 400 lighting districts and Onondaga County towns have more than 200 sewer districts. Towns are responsible for allocating costs, tracking revenues and levying different taxes, assessments and fees on the residents living in each district. Would it be more efficient for urbanized towns to consolidate districts in order to simplify the administration of these services? Could economies of scale be realized?

The Nassau County Comptroller found that operating costs in certain commissioner-run districts in Nassau County towns were much higher than those administered through town boards. These districts have the power to issue debt and levy taxes, and historically some have operated with very little transparency. If provided with comparative information, would residents conclude that town board governance might be more beneficial?

Special districts are supported primarily through taxes and assessments. The level of “tax” burden that special districts impose varies from one community to the next. In some areas, this support can add hundreds of dollars to a household’s tax bill each year. In his study, the Nassau County Comptroller found that bills for services provided in Hempstead were up to three times higher than those provided in other districts. Moreover, the excessive cost difference did not appear to relate to the level of service provided.

New York State ranks third in the nation in terms of local property tax burden – 56 percent above the national average in 2004. Any opportunity to alleviate some of that burden, including improving the efficiency of special districts, warrants further investigation.

In order to analyze and address these issues, State and local policy makers could consider the following actions:

**Unit Cost Analysis** – The State and local governments could begin conducting unit cost studies similar to the one conducted in Nassau County. Findings from such studies could shed light on possible inequities and inefficiencies in the current delivery of services.

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**Thresholds** – The State Legislature could consider enacting legislation which would compel towns to formally undertake a consolidation study if certain prescribed thresholds or triggers are met. For example, thresholds could be based on the percentage of population living in an area served by multiple special districts with the same purpose. For instance, once a town has 65 percent or more of its population living in an area serviced by multiple districts of the same type, the town would have to formally study either consolidation of these districts or, if authorized, delivery of services on a town outside village basis.<sup>9</sup>

**Expansion of the Shared Municipal Services Incentive (SMSI) Program** – The State currently offers grants to local governments looking at consolidation opportunities. The program could be expanded to include special districts as eligible participants.

## Appendix A

### Purposes of Special Districts Under Articles 11, 12 and 12-A of the Town Law <sup>10</sup>

- Ambulance
- Aquatic Plant Growth Control
- Beach Erosion Control
- Dock
- Drainage
- Fire Alarm
- Fire Protection
- Harbor Improvement
- Lighting
- Park
- Public Dock
- Public Parking
- Refuse and Garbage Disposal
- Sewage Disposal
- Sewer
- Sidewalk
- Snow Removal
- Wastewater Disposal
- Water
- Water Acquisition and Storage
- Water Quality Treatment
- Water Storage and Distribution
- Water Supply

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## Notes:

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- <sup>1</sup> There are two types of charges that may be imposed on behalf of town special districts – a benefit assessment, which is a charge imposed in proportion to the benefits received by the property, and an ad valorem levy, which is imposed in the same manner and at the same time as real property taxes (i.e., generally, an amount per \$1,000 of assessed value). (See Real Property Tax Law §102.) Not all types of districts are authorized to impose both types of charges (see Town Law §§202, 202-a) and not all types of districts may impose user fees.
- <sup>2</sup> New York State Department of State. *Local Government Handbook, 2000 (5th ed.)*.
- <sup>3</sup> Articles 12 and 12-A provide for two different types of proceedings for the establishment and extension of special districts. Under article 12, a proceeding is commenced by a petition, signed by a prescribed number of owners of taxable real property within the proposed district or extension, that is presented to the town board for consideration. Article 12-A provides for the establishment and extension of districts on the town board’s own motion, subject to permissive referendum requirements. Under both articles, a public hearing is required. Article 11 of the Town Law sets forth analogous procedures for the establishment of fire, fire protection and fire alarm districts.
- <sup>4</sup> Water and sewer debt may be excluded from a town’s debt limit. Towns must apply to OSC for these exclusions.
- <sup>5</sup> Buffalo, Rochester, Syracuse, Yonkers and New York City.
- <sup>6</sup> Additional information related to this issue can be found in OSC’s *Outdated Municipal Structures: Cities, Towns and Villages—18th Century Designations for 21st Century Communities*, October 2006, which can be accessed online at: <http://www.osc.state.ny.us/localgov/pubs/research/munistructures.pdf>
- <sup>7</sup> Ibid.
- <sup>8</sup> For purposes of this discussion, the revenue and expenditures of Article 12-C improvements are included in special district revenues and expenditures.
- <sup>9</sup> Several provisions of law facilitate consolidation of districts or functions performed by districts. For example, Section 206 of the Town Law sets forth procedures for the consolidation of two or more districts established for the same purpose, and two or more coterminous districts established for different purposes. Town Law §206-a enacted as a State Comptroller’s Program Bill, provides procedures for consolidation of a district and its extensions. Town Law §209-r, sets forth procedures for the dissolution of water, sewer and drainage districts when a town determines to manage, maintain and operate an improvement provided by one or more water, sewer or drainage districts, as a town function pursuant to Article 12-C of the Town Law.
- <sup>10</sup> There are many other types of districts that have been created pursuant to special act of the State Legislature, such as library, traffic control, lifeguard and road improvement districts. Depending on the particular provisions of the special act, these districts may be governed under the Town Law, or may be governed by different rules.





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