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Following the Money 2017: Special Districts

Executive Summary

Citizens' ability to understand how their tax dollars are spent is fundamental to democracy. Budget and spending transparency holds government officials accountable for making smart decisions, checks corruption, and provides citizens an opportunity to affect how government dollars are spent.

"Special districts" are a type of government agency that exist outside of traditional forms of general purpose local or state governments, and serve key governmental functions such as public transit or housing. However, special districts are poorly understood by the public and often do business without adhering to modern standards of government budget or spending transparency. The lack of transparency and accountability of many special districts has caused concern among some state agencies and government watchdogs, as it can contribute to an atmosphere conducive to lowered efficiency and potential misconduct.

A review of 79 special districts' online financial transparency shows that while a few districts are meeting the goals of "Transparency 2.0" - a standard of comprehensive, one-stop, oneclick budget accountability and accessibility - the vast majority do little to inform citizens about how they spend money. To empower and engage the public, enable citizen oversight of all branches of government, and improve the efficiency with which they operate, special districts, along with local and state governments, should expand the amount and improve the quality of spending data that are made available to the public online.

Special districts are a significant form of government, and should be held to strong financial transparency standards.

- Nationwide, there are more than 38,000 special districts, many of them charged with fulfilling key governmental functions, that spend more than \$200 billion annually.
- The creation of special districts can enable large expenditures to occur mostly or entirely off the budgets of state or local general purpose governments. According to a study by MASSPIRG Education Fund from 2010, revenues from special districts in Massachusetts amounted to at least \$8.76 billion - equal to one third of the state's general budget.
- Special districts are not held to the same transparency and accountability standards as other types of government. A 2012 Kentucky Auditor's report found that in 2011 only 60 percent of special districts required to submit budgets to the Department for Local Government's office did so, and many special districts were not even aware of their legal and financial reporting obligations.

The nation's most transparent special districts are often those in states that have taken action to require or encourage the posting of financial information online.

- The Texas Comptroller of Public Accounts offers a Transparency Stars program for local governments, including special districts, excelling in financial transparency. Of the seven leading special districts evaluated in this report, three are from Texas and all three have received at least one Transparency Star from the Comptroller.

- In Illinois, legislation requiring the creation of a transparency portal for the Chicago area's transportation districts has resulted in an easy-to-use resource for citizens seeking to access financial information. One district included in the legislation was evaluated in our report, and received a leading score.
- The Kentucky Department for Local Government was established as the central reporting agency for all state special districts in 2013, and publishes a public portal of special district budget and spending information. The one special district from Kentucky evaluated in this report also received a leading score.

Our snapshot of special district online financial practices shows that many of these governmental bodies are not meeting standards for government transparency.

In this report, we evaluated the online financial transparency practices of 79 special districts nationwide, chosen to represent a diversity of functions and states. Of those 79 special districts:

- Seven special districts, 9 percent of those evaluated in the report, received leading scores.
- 30 special districts, 38 percent, received lagging scores.
- 42 special districts, 53 percent, received failing scores, having failed to meet basic financial transparency criteria.
- Of the failing districts, 11, or 14 percent of districts evaluated, received a score of zero, having made little to no evident effort to provide online financial transparency information.

Special districts varied greatly in providing financial transparency information online:

- 30 special districts, 38 percent of those evaluated in the report, have posted the most recently approved budget document on their website.
- 24 special districts, or 30 percent, currently publish a comprehensive annual financial report on their website in accordance with the Government Accounting Standards Board's specifications.
- Eight special districts, or 10 percent, publish full annual salary ranges by job title.
- Seven special districts, or 9 percent, provide information on checkbook-level spending, and only two of those district websites allow users to view the information without having to download data.

There are many opportunities to improve online financial transparency.

Districts that already provide checkbook spending data still have room to improve.

No district in our sample has a thorough "completeness statement" alerting citizens to the specific exclusions from checkbook-level spending information.

Only the Chicago Transit Authority, via the Regional Transit Authority's Transparency Portal, hosts checkbook data on a portal with a full search function.

Special districts may be able to take advantage of existing local or state transparency portals to expand the amount of information they share with the public. The Utah Transit Authority, for example, provides revenue and itemized expenditure data on the Utah state checkbook website.

Districts should make available the most recently approved budget document on their website.

Publishing detailed categories of revenues and expenditures allows for citizens to easily find how a district is funded, and what the district plans to accomplish in a fiscal year.

In addition, publishing past years' budgets allows for comparison in expenditure levels between

fiscal years, ultimately giving citizens the ability to identify unusual trends or changes in spending categories.

Special districts should aspire to provide audited financial statements in accordance with the Government Accounting Standards Board's specifications, even if state or local law does not require them to do so.

Special districts that have annual financial reports hosted on an external site, such as that of a state auditor's office, should offer direct links to the documents from their own websites.

In particular, special districts such as hospitals that issue municipal bonds and report financials to the Electronic Municipal Market Access database (EMMA) should offer direct links to documents hosted on the database, if not publish those documents directly on their own organization's website. Housing authorities should publish their annual plans with capital funds information as reported to the U.S. Department of Housing and Urban Development on their agency websites.

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