

Special District Financing: Methods and Limits

REVENUE INTERIM COMMITTEE
MEGAN MOORE – JANUARY 2026

MANY DISTRICTS HAVE FINANCING METHOD OPTIONS

State law dictates the financing method that a special district may use to fulfill its function. The governing statutes vary for the nearly 35 special districts that are not uniform districts, but trends emerge in the allowable financing methods.

A majority of districts — 23 total, comprised of the 13 uniform districts and 10 other district types — may choose one or more financing methods, often from a list of about six options. Levying mills against the taxable value of a district is the second most common financing method for those districts without options. Less common financing methods are based on a unit, such as area, acres, or head of cattle, or a fee for the provided service.

Some districts may use multiple financing methods for different purposes. For example, a fire service area can levy a fee per structure or lot for fire protection and may use a voted levy for disability insurance and workers' compensation.

SUMMARY OF FINANCING METHODS BY SPECIAL DISTRICT TYPE

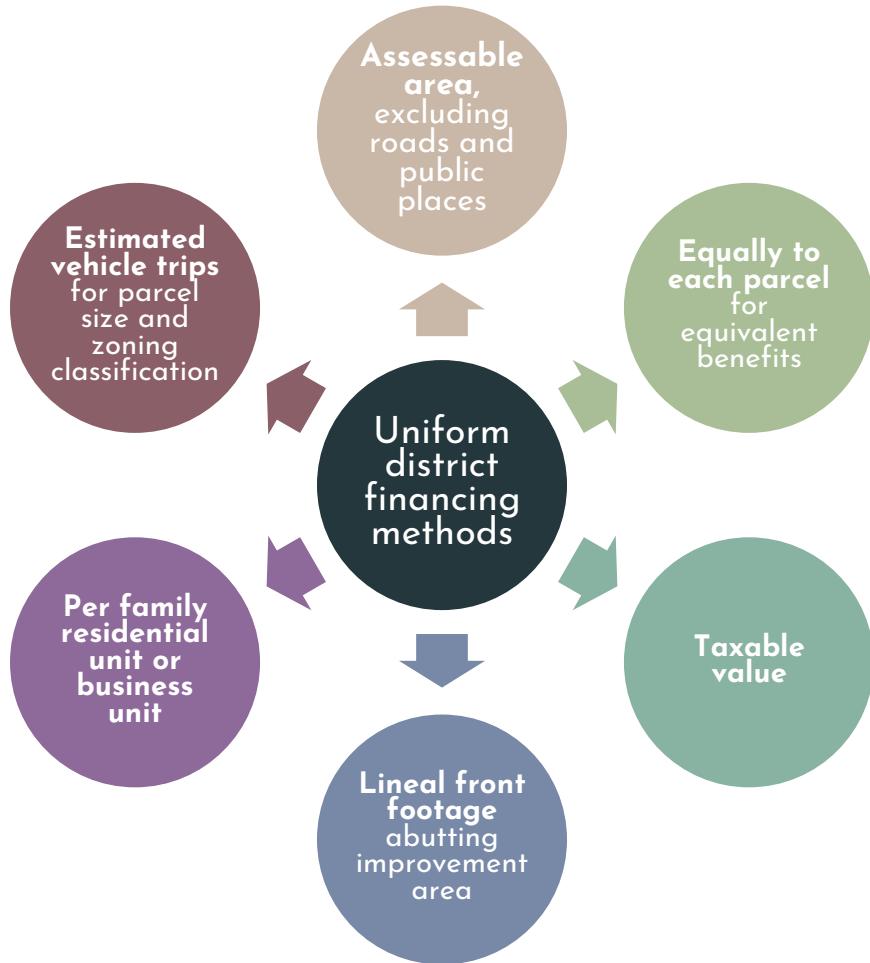
Multiple Options - 23		Taxable Value - 17	Per Unit - 5
Uniform Districts - 13	Other Districts - 10	Airport Authority	
Cemetery	Business Improvement	Conservancy	Cattle Protective
County Fair	County Water & Sewer	Conservation	Consolidated Local Government Water Supply
County Museum	Drainage	Consolidated Local Government Water Supply	Fire Service Area
County Park	Fire Hydrant Maintenance	Fire Department Relief Assoc.	Irrigation
Joint Solid Waste Management	Lighting	Fire Service Area	Livestock Protective
Local Improvement	Metropolitan Sanitary or Storm Sewer	Hospital	
Mosquito Control	Rural Improvement	Library	
Multijurisdictional Service	Special Improvement	Parking	
Park Maintenance	Street Maintenance	Planning & Zoning Commission	
Road Improvement	Water Conservation & Flood Control Projects	Planning Board	
Rodent Control		Port Authority	Conservancy
Solid Waste Management		Railway Authority	Local Water Quality
Television		Regional Resource Authority	Regional Resource Authority
		Rural Fire	Regional Water & Wastewater
		Urban Transportation	Sanitary & Storm Sewer
		Weed Management	
		Fee for Service - 5	

DISTRICTS THAT MAY CHOOSE FINANCING METHOD HAVE SIMILAR OPTIONS

As provided for in [7-11-1024](#), a uniform district makes assessments or imposes fees for the costs of the district based on a budget proposed to the governing body or board. The cost of the program or improvements are spread among the properties within the district using one or a combination of the six methods in the graphic below.

For example, a road improvement district may use estimated vehicle trips to determine assessments while a solid waste management district may charge fees based on the number of residential or business units.

UNIFORM DISTRICT FINANCING METHOD OPTIONS IN [7-11-1024](#)



In addition to the uniform districts, 10 additional district types also allow a choice among financing methods. This includes certain water and sewer districts, special improvement districts (SID's), rural improvement districts (RID's), and specialized versions of SID's or RID's: districts for fire hydrant maintenance, lighting, and street maintenance.

The following table shows the financing methods available for uniform districts and the districts that are not uniform districts. The other district financing options are similar to the options for uniform districts, though some districts have options not available to uniform districts.

SPECIAL DISTRICT FINANCING METHODS FOR DISTRICTS WITH OPTIONS

Method allowed	Method not allowed
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District Type	Area	Per Parcel	Taxable Value	Lineal Road Frontage	Per Res./Com. Unit	Per Parcel with Utility Connection	Fee for Service	Vehicle Trips	Combo of Methods	Additional Options & Notes
Uniform										
Business Improvement										<ul style="list-style-type: none"> • Standard criteria like individual occupancy or daily use • Occupied/income producing area above first floor • Classification such as location, economic impact, other measurable criteria
County Water & Sewer										Different methods for capital costs and bonds
Drainage										Statute allows "tax or assessment"
Fire Hydrant Maintenance										Water meter size
Lighting										
Metropolitan Sanitary or Storm Sewer										
Rural Improvement										
Special Improvement										Proportional benefit from off-street parking
Street Maintenance										
Water Conservation & Flood Control Projects										Different methods for regular and special assessments

TAXABLE VALUE FINANCING METHOD SIMILAR TO OTHER PROPERTY TAXES

Among the districts that are not given options, the most common financing method is a levy on taxable value. Financing for these 17 district types generally operates the same as for other property taxes: the district budget is divided by the taxable value of the district and multiplied by 1,000 to determine the mill levy.

Special districts that levy based on taxable value — including the 17 districts for which that is the only option and any of the 23 districts that opt to use taxable value — do not collect revenue from tax-exempt properties because exempt properties do not have any taxable value.

Some districts have special provisions such as requirements for voter approval, the option to use additional financing methods for certain purposes, or mill limits.

ADDITIONAL PROVISIONS FOR CERTAIN DISTRICTS THAT LEVY ON TAXABLE VALUE

Levy requires a vote

- **Railway authority**
- **Rural fire district or fire service area**: must have voter approval to levy for disability insurance or workers' compensation but may collect money for fire protection without a vote
- **Fire department relief association**: requires voter approval if the retirement fund is above minimum funding requirement but less than the maximum

May impose a levy and a fee

- **Conservancy district**: can impose mills if fees for service do not provide sufficient revenue for operation, maintenance, and replacement of works
- **Consolidated local government water supply**: assesses a fee based on area for operation and maintenance, may levy based on taxable value for a reserve fund
- **Fire service area**: assesses a fee for fire protection, may levy for disability insurance and workers' compensation
- **Regional resource authority**: may levy mills and impose fees for service for conservation of water or management of water for agricultural and recreational uses

Subject to mill limits

- **Conservancy district**: 2 mills for operation, maintenance, replacement or depreciation of works, or for payment of bonds, and 3 mills for the payment of bonds
- **Library district**: mill limit contained in referendum creating district, may be changed in subsequent election
- **Weed management district**: minimum levy of 1.6 mills for the noxious weed fund

FIVE DISTRICTS USE PER UNIT FINANCING METHODS SPECIFIED IN STATUTE

Though there are five district types that use a per unit financing method specified in statute, they vary in the unit on which the fee is assessed.

The two water-related district types levy a fee based on size of the land, but slightly differently: **irrigation districts** use irrigable acres, while **consolidated local government water supply districts** use land area.

Cattle protective and **livestock protective districts** both levy a \$1 fee on cattle 9 months or older.

While other fire districts impose mill levies, **fire service areas** assess fees on structures and undeveloped land for fire protection.

FEE FOR SERVICE FINANCING METHOD USED BY FIVE OTHER DISTRICT TYPES

All the districts that use a fee for service financing method are districts concerned with water or wastewater. They differ from districts that charge a fee per unit as the statutes provide less direction on the unit used for assessing the fee.

For example, **local water quality districts** may assess a fee using a classification system based on the volume of water withdrawn and the volume and type of waste produced. **Sanitary and storm sewer districts**, a type of rural improvement district, also consider aspects of the sewage or wastewater when setting a fee schedule.

LIMITS FOR TAXABLE VALUE DISTRICTS, MIXED FOR OTHERS

Limits on special district funding vary considerably by district type. Special districts for which levying mills on taxable value is the only financing option are generally subject to existing property tax limits. Among special districts with financing options and those that do not levy based on taxable value, limits are less common and take a different form where they do exist.

15-10-420 OFTEN APPLIES WHEN MILL LEVIES ARE ONLY FINANCING METHOD

Most special districts that may raise revenue only by imposing a levy on taxable value are subject to the revenue limit provided for in [15-10-420](#) that applies to cities and counties.¹ The exceptions are:

- **Conservancy districts**, which are subject to a mill limit (except for bond payments).
- Municipal levies for **airport authorities** are subject to 15-10-420 but also may not exceed the maximum levy in the resolution creating the authority.
- District levies for which a vote is required, including:
 - **railway authorities**;
 - **conservation district** special administrative assessments;
 - **fire department relief association** funding above the required minimum for sound funding; and
 - levies of **rural fire districts** or **fire service areas** for disability insurance or workers' compensation.

¹ [Senate Bill 117](#) revises the inflationary adjustment and the amount of newly taxable value excluded beginning in tax year 2026.

The opposite is true, however, for nearly all the 23 districts that may use taxable value as one of several options. Of these districts, only three are subject to 15-10-420:

- **Multijurisdictional service districts** are uniform districts, but a special financing section provides that a property tax levied by the district is subject to 15-10-420.²
- A special assessment for operation and maintenance may be levied for **water conservation and flood control projects**. The special assessment may be based on taxable value or area.
- **Drainage district** statutes are vague on financing options, referring only to “the total tax or assessment,” but do provide that the financing is subject to 15-10-420.

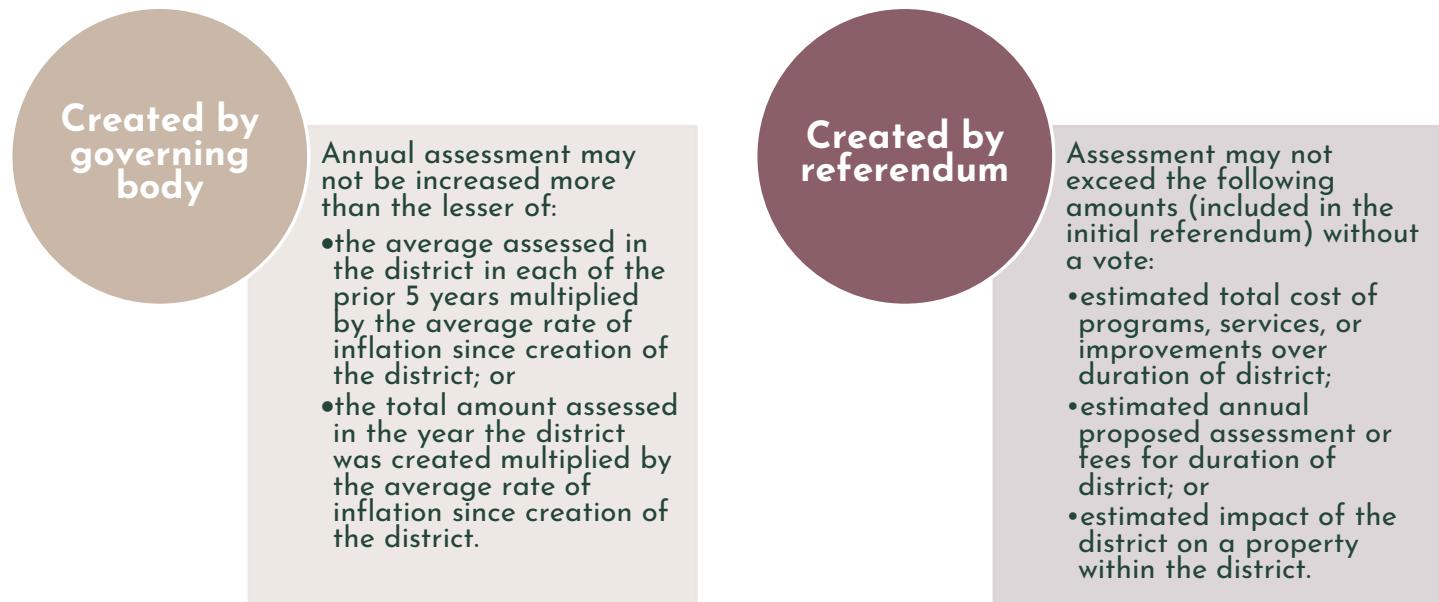
Additionally, a **consolidated local government water supply** levy for a reserve fund is subject to 15-10-420.

CERTAIN DISTRICTS SUBJECT TO LIMITS OTHER THAN 15-10-420

Though districts that use financing methods other than mills levied on taxable property are largely not subject to 15-10-420, some of these districts face other financing limits.

LIMITS FOR POST-2021 JURISDICTION-WIDE UNIFORM DISTRICTS

Senate Bill 385 enacted 7-11-1009 in 2021 to place limits on assessments for uniform districts created after July 1, 2021, that encompass the entire jurisdictional area of a local government.



² The reference in 7-11-1112 to 15-10-420 only applies to “property taxes,” and likely does not include other financing methods in 7-11-1024. The interaction of 7-11-1024 and 7-11-1112 is not completely clear. Because multijurisdictional service districts are included in the definition of “special district” in 7-11-1002, they likely can use any of the financing methods in 7-11-1024.

The legislation also requires jurisdiction-wide uniform districts created by resolution after July 1, 2009, to dissolve after the later of 13 years after the district is created or when bonded indebtedness is paid in full. However, the governing body may extend the district before dissolution using the same procedures that apply to district creation.

FEW NON-UNIFORM, NON-TAXABLE VALUE DISTRICTS HAVE LIMITS

Aside from the jurisdiction-wide uniform districts discussed above, most special districts that do not levy mills on taxable value are not subject to statutory funding limits. The following three district types are exceptions.

Local water quality

No rate increases of more than 10% per year without opportunity for protest

Regional water and wastewater

Rate increase of more than 5% per year requires mailed notice and public hearing

Fire service area

Fee for undeveloped land may not exceed 15¢ per acre and \$250 total for undeveloped land under one ownership