

## Subordinate Service Districts

Beginning in 1969, a few metropolitan area counties were authorized to establish “subordinate service districts” by special law. Since 1982, counties, other than the seven metropolitan counties and St. Louis County, have been able to establish subordinate service districts under general law ([Minn. Stat. ch. 375B](#)). Towns were authorized to establish subordinate service districts in 1989 ([Minn. Stat. ch. 365A](#)). Subordinate service districts are very similar to city special service districts.

### *What is a subordinate service district?*

A subordinate service district is a geographic area within a county or town, smaller than the entire county or town, in which the county or town provides services at a higher level than are provided generally throughout the jurisdiction or provides services that are not provided at all in the jurisdiction. A county subordinate service district (but not a town’s) must be a compact, contiguous area.

### *What services can be provided in a subordinate service district?*

Any service that the county or the town is otherwise authorized by law to provide may be provided in a district. Op. Atty Gen. 125a (March 26, 1984). County and town subordinate service districts cannot overlap to provide the same service. [Minn. Stat. § 365A.10](#). Anecdotally, the law has been used to pave a portion of town road, provide community sewage treatment systems in new developments and near lakes, and provide ambulance services. There is no comprehensive information on the number, location, purpose, or financing of subordinate service districts; counties and towns do not report on them to any state agency.

### *How are the services paid for?*

The services are paid for by revenues from within the district. For both counties and towns, a service may be paid for through a property tax or service charge, or a combination of the two, against the users of the service. Counties and towns may issue general obligation bonds without an election for capital projects in subordinate service districts, payable primarily from the taxes or charges from the district but also ultimately backed by the general taxing power of the county or town. The taxes or fees supporting the bonds must continue to be imposed until the bonds are repaid, even if the district is dissolved. [Minn. Stat. §§ 375B.09; 365A.08; 365A.095](#).

### *How is the way services are paid for different from other ways of paying for improvements or services?*

If the county or town used general property tax levy revenues, the entire jurisdiction would pay for the improvement or service. A subordinate service district requires those benefitting from or using the improvements or services to pay for them. Assuming the county or town had authority to use special assessments for the particular purpose, special assessments typically are not for ongoing costs, and the amount charged must be substantially equal to the property’s market value increase due to the improvement. In contrast, a subordinate service district can be used to pay for ongoing costs and does not require the charges to match the benefit.

***How is a subordinate service district formed?***

**By board resolution.** A county board may establish a district by resolution after a public hearing. The resolution must specify the service or services to be provided within the subordinate service district and the territorial boundaries of the district. [Minn. Stat. § 375B.04](#).

**By petition.** In a county and in a town, a subordinate service district may be established by petition. In a county, the petition submitted to the county board must be signed by at least 10 percent of *voters* within the area proposed for the subordinate service district. In a town, it must be signed by at least 50 percent of the *property owners* in the area to be served. In both cases, the petition must describe the proposed district boundaries and services. Within 30 days, the county or town board must hold a public hearing and then approve, approve with modifications, or disapprove the request.

Whether created by board resolution or petition, creation of a subordinate service district is subject to reverse referendum. If 5 percent of voters in the district (for counties) or 25 percent of property owners in the district (for towns) petition for a referendum, a special election must be held. When this occurs, the district is not established unless approved by a majority of those voting on the question. [Minn. Stat. §§ 365A.06; 375B.05](#).

***Can a district be enlarged?***

A county subordinate service district may be enlarged in the same manner for establishing a new district. [Minn. Stat. § 375B.08](#). The statute specifies who can vote.

***How is a district discontinued?***

Both county and town subordinate service districts may be discontinued if a petition requesting it is approved. For counties, the petition must be signed by at least 10 percent of the voters in the area. Counties are not required to hold public hearings. A county board also may initiate discontinuing a district by adopting a resolution after publishing notice for between three and six months before the resolution is adopted. In a county, whether initiated by petition or board resolution, the county must hold a special election within the boundaries of the district not less than 30 nor more than 90 days after the resolution or receipt of the petition. The district is discontinued if a majority of those voting on the question favor discontinuance. For towns, the petition must be signed by at least 75 percent of the property owners in the area. Town boards must hold a public hearing before deciding whether to discontinue a subordinate service district, but no election is held. [Minn. Stat. §§ 365A.095; 375B.10; 375B.11](#).

If revenues remain after a town subordinate service district is discontinued and all outstanding obligations have been paid, the town board may deposit the surplus revenues in the town general fund or refund them to the owners of property charged during the last year a tax or fee was imposed in the district. [Minn. Stat. § 365A.095](#). The county subordinate service district law does not address this situation.

**For more information:** Contact legislative analyst Christopher Kleman at [christopher.kleman@house.mn](mailto:christopher.kleman@house.mn) or Deborah Dyson at [deborah.dyson@house.mn](mailto:deborah.dyson@house.mn). Also see the House Research publication [City Special Service Districts](#).

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