

Subject City of Scandia; subordinate service district for broadband service

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Overview

This bill allows the city of Scandia to use the subordinate service district authority of towns to create a subordinate service district for broadband service if 25 percent of the property owners petition for the district to be established. (Under the general town subordinate service district law, the petition requires 50 percent.) The district may encompass the entire city. Effective after the city files its approval with the secretary of state.

For background on subordinate service districts, see the December 2016 House Research publication <https://www.house.leg.state.mn.us/hrd/pubs/ss/sssusbser.pdf>.

Subordinate service districts are very similar to city special service districts. A subordinate service district is a geographic area within a town in which the 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. However, in a city special service district, only business properties pay for the services in the city special service district. Under the town subordinate service district statute, all properties pay.

The services are paid for by revenues from within the district. 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. 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 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. §§ 365A.08; 365A.095.

Creation of a subordinate service district is subject to reverse referendum. If 25 percent of property owners in the district 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.