
Subordinate service districts provide a method for a town or county to pay for providing unique or increased services to an area in its jurisdiction by charging property owners in that area.

When did the legislature authorize counties and towns to use subordinate service districts?

Beginning in 1969, special law allowed a few metropolitan area counties to establish “subordinate service areas.” Beginning in 1982, general law has allowed counties, other than the seven metropolitan counties and St. Louis County, to establish subordinate service districts. [Minn. Stat. ch. 375B](#). Towns were authorized to establish subordinate service districts in 1989. [Minn. Stat. ch. 365A](#). These laws provide similar authority to towns and counties, with some differences discussed below.

What services can a town or county provide in a subordinate service district?

A county or town may provide any service in a subordinate service district that the county or town is otherwise authorized by law to provide. 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, services have included paving portions of town roads, providing community sewage treatment systems in new developments and near lakes, and providing ambulance services. There is no comprehensive information on the number, location, purpose, or financing of subordinate service districts because counties and towns do not report on them to any state agency.

How are the services paid for?

Services in a subordinate service district are paid for by property owners in the district who use the services, either through a property tax, a service charge, or a combination of the two. For capital projects in subordinate service districts, counties and towns may issue general obligation bonds, payable primarily from the taxes or charges from the district. Although these bonds are payable by users of the service, these bonds are ultimately backed by the general taxing power of the county or town. Taxes or fees in the area of the subordinate service district must be imposed until the bonds are repaid, even if the district is dissolved. [Minn. Stat. §§ 375B.09; 365A.08; 365A.095](#).

How does a local government’s use of a subordinate service district differ from use of property taxation or special assessments?

If the county or town used general property tax revenues instead of subordinate service district revenues, the entire jurisdiction would pay for any improvement or service. In contrast, a subordinate service district requires payment only from those benefitting from or using the improvements or services. Assuming the county or town could legally use special assessments to pay for the improvements or services of a subordinate service district, special assessments cannot generally pay ongoing costs, and the amount assessed against a property is limited to the amount the improvement increases its market value. 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?

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.

In contrast to town boards, a county board may also establish a district by resolution even in the absence of a petition. The resolution must be adopted only after a public hearing and 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](#).

However the district is created, establishment of a subordinate service district is subject to reverse referendum. If 5 percent of voters in a county district or 25 percent of property owners in a town district petition for a referendum, a special election must be held, and the district would not be established unless approved by a majority of those voting on the question. [Minn. Stat. §§ 365A.06; 375B.05](#).

Can a district be enlarged?

A subordinate service district may be enlarged in the same manner for establishing a new district. [Minn. Stat. §§ 365A.07; 375B.08](#). Only voters (for counties) or property owners (for towns) within the proposed expansion can vote on the proposal to expand the district, unless a petition is filed to expand the vote to others within the existing district.

How is a district discontinued?

Both county and town subordinate service districts may be discontinued if a petition requesting discontinuance 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 discontinuance of a district by adopting a resolution three to six months after publishing notice. In a county, whether initiated by petition or board resolution, the county must hold a special election within the boundaries of the district between 30 and 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 property owners charged during the last year a tax or fee was imposed. [Minn. Stat. § 365A.095](#). The county subordinate service district law does not address this situation.



Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.