Competitive Enterprise Institute

Issue Analysis

Florida's Reedy Creek Improvement District

Could private government help fix Florida's property insurance system?

By Arin Greenwood

July 2010

Florida's Reedy Creek Improvement District

Could private government help fix Florida's property insurance system?

By Arin Greenwood

Executive Summary

Walt Disney World sits on of 25,000 acres in Central Florida governed and managed by an essentially "private" government—the Reedy Creek Improvement District (RCID). RCID levies taxes on its residents, devises and enforces building codes, handles waste management and fire protection, issues bonds to finance infrastructure projects, and performs many other functions ordinarily performed by local governments.

RCID and Disney have been remarkably successful at avoiding insured losses. Even during the state's notorious and financially ruinous 2004 hurricane season, Disney suffered only $50,000 worth of damage. RCID's administrator and others chalk at least part of this resilience to RCID being Disney's private government.

Florida's property insurance problems are many, deep, and well documented. Its market is filled mostly by small insurers based in the state, the majority of which have lost money in recent years after considerable storm payouts. Rates are kept artificially low, which has driven large insurers out of state. Another important factor that has driven many large insurers out of the market is the presence of Citizens Property Insurance Corporation—known as Citizens—a government agency that competes directly with private insurers for many policies. It has sold more than 1 million policies, is the state's largest insurer overall, its rates are kept artificially low, and any Florida resident who receives a rate quote 15 percent higher than the Citizens rate is eligible to purchase a Citizens policy.

In addition to undercutting private sector competitors by offering below-market rates, this state insurer is an outright liability for the state's resiliency against the major tropical storms to which it is exposed. It effectively subsidizes development in fragile wetlands and other natural storm buffers. In the event of a major storm—a possibility that is always imminent—Citizens could end up owing as much as $21 billion in claims, of which it will likely have less than $13 billion to pay. Florida's Hurricane Catastrophe Fund, which is also state-run, is the largest reinsurer in Florida. A recent conservative estimate places its shortfall at just over $7 billion, though most would put the shortfall closer to $20 billion.

A major storm could throw Florida into a state of financial crisis. And proposals to correct this crisis are yet unavailing. While small in scale in relation to the state's insurance and storm mitigation needs, could Disney's model of private government provide some ideas on at least one way of reducing Florida's massive insurance exposure by creating hardier properties?

As Florida's legislators look for politically feasible ways to save wetlands, save money, and keep Florida's Citizens Property Insurance Corporation and Catastrophe Fund solvent, Disney's Reedy Creek Improvement District offers a compelling—though not uncontroversial—example of how private government

can help reduce taxpayers' burden in paying for storm mitigation, while giving flexibility and control to private landowners.

In trying to find a mix of politically feasible solutions to Citizens' excessive liability and lack of competition in Florida's property insurance market, the legislature should consider the case of RCID—specifically whether encouraging the creation of other private government bodies in Florida might have similar success in building resistance to storms. Such increased resilience would lessen Floridians' exposure to the physical damage and financial losses that storms cause.

Introduction

Walt Disney World sits on of 25,000 acres in Central Florida governed and managed by an essentially "private" government—the Reedy Creek Improvement District (RCID). RCID levies taxes on its residents, devises and enforces building codes, handles waste management and fire protection, issues bonds to finance infrastructure projects, and performs many other functions ordinarily performed by local governments.[1]

RCID and Disney have been remarkably successful at avoiding insured losses. Even during the state's notorious and financially ruinous 2004 hurricane season, Disney suffered only $50,000 worth of damage. RCID's administrator and others chalk at least part of this resilience to RCID being Disney's private government.

Florida's property insurance problems are many, deep, and well documented.

Florida's property insurance problems are many, deep, and well documented. Its market is filled mostly by small insurers based in the state, the majority of which have lost money in recent years after considerable storm payouts.[2] Rates are kept artificially low (subject to approval by the insurance commissioner), which has driven large insurers out of state. Another important factor that has driven many large insurers out of the market is the presence of Citizens Property Insurance Corporation known as Citizens—a government agency that competes directly with private insurers for many policies. It has sold more than 1 million policies, is the state's largest insurer overall, its rates are kept artificially low, and any Florida resident who receives a rate quote 15 percent higher than the Citizens rate is eligible to purchase a Citizens policy.[3]

The Florida legislature has tried to shrink Citizens, for good reason. In addition to undercutting private sector competitors by offering below-market rates, this state insurer is an outright liability for the state's resiliency against the major tropical storms to which it is exposed. It effectively subsidizes development in fragile wetlands and other natural storm buffers.[4] In the event of a major storm—a possibility that is always imminent[5]—Citizens could end up owing as much as $21 billion in claims, of which it will likely have less than $13 billion to pay.[6] (And a large portion of that would come from the Hurricane Catastrophe fund which, itself faces problems.) Florida's Hurricane Catastrophe Fund—known as the Cat Fund—is also state-run, and is the largest reinsurer in Florida. Estimates vary as to how much the Cat Fund would have to pay out in the event of a large storm, but a recent conservative estimate places the Cat Fund's shortfall at just over $7 billion, though most would put the shortfall closer to $20 billion.[7]

What people usually do not think of when they think of Disney World is what makes those other, public parts possible and comprises the largest part of Disney's 25,000 acres.

A major storm could throw Florida into a state of financial crisis.[8] And proposals to correct this crisis are yet unavailing. While small in scale in relation to the state's insurance and storm mitigation needs, could Disney's model of private government provide some ideas on at least one way of reducing Florida's massive insurance exposure by creating hardier properties?

Private Government as Government

Walt Disney World sits on a 25,000-acre swath of land. This massive area of land, which was once swamp and cow pasture, is now home to four theme parks—the Magic Kingdom, EPCOT Center, MGM Studios, and Animal Kingdom—two water parks, 22 resorts, five golf courses, hundreds of restaurants, live theaters—Cirque de Soleil and House of Blues—a 24-screen movie theater, gaming arcades, a pony farm, dozens of shops, and many other businesses that people associate with Walt Disney World.

What people usually do not think of when they think of Disney World is what makes those other, public parts possible and comprises the largest part of Disney's 25,000 acres. This is, after all, one of the country's largest single-site employers, with 60,000-odd employees[9] (known as "cast members")—there are some 200,000-300,000 people within Disney World's boundaries at any given time[10,11]—and it takes a lot of behind-the-scenes work to keep that going. It also takes a fire department, utilities, engineering services, building code enforcement personnel, ground workers, and many other services that any other small city would require, and then some.

For example, Disney grows its own bananas for the Animal Kingdom's gorillas to ensure that they do not eat fruit grown with pesticides. The banana grove is next door to a nursery where potted plants are grown and complex plant sculptures—trees in the shapes of animals and Disney characters—are created. Then there are solid waste treatment and power generation facilities. There are also the natural elements of the property, which most visitors never see, such as the enormous and untouched Bay Lake in the northern part of the property, expansive wetlands, and 58 miles of canals that keep water from turning the property back into the swamp it was 40 years ago.[12]

When Walt Disney decided to build Disney World in Florida, he wanted to avoid certain problems he had experienced with Disneyland in California.[13] Disney felt that California's Disneyland was insufficiently autonomous in ways that hindered its expansion and growth. He believed that his California property was not big enough, and that had allowed what he considered undesirable businesses—low-rent types and competitors—to move in on the outskirts of Disneyland.[14]

In Florida, Disney bought up 25,000 acres of central Florida swampland and cow pasture, carved out from two adjoining districts, Orange and Osceola counties. This swathe would be enough not only for the parks and other attractions Disney already had in mind, but also for future expansion and to create a physical buffer from the outside world.

Disney also wanted administrative buffers from the outside world. To build the Magic Kingdom, he knew he would need reliable power and other services, as well as certain freedoms that other developers did not have—such as freedom from ordinary building and zoning codes both to ensure that he could build the unusual sorts of structures he wanted to build without running afoul of state and municipal codes, and to ensure that services would be provided in the manner he believed suitable for his expansive vision for Walt Disney World.

Florida already allowed for the creation of special districts—an arrangement that allows private parties to create units of local government to take on limited powers or to perform services that are normally held or performed by municipal and county governments.

Florida already allowed for the creation of special districts—an arrangement that allows private parties to create units of local government to take on limited powers or to perform services that are normally held or performed by municipal and county governments.[15] These forms of government have existed in Florida for almost 200 years—they were used to finance and create roadways, and as Florida needed more development, more and more special districts were created.[16,17] Most special districts are specialized. They take on specific functions like mosquito control or road building, while leaving to general local and state governments all other governmental duties and powers.

"When Disney came, the Orange County government was not ready to deal with Disney as an entity," says RCID District Administrator Ray Maxwell. "Twenty-five thousand acres, and located way out here, and there wasn't a house anywhere on it—it was wetlands, it was lakes, it was old citrus lands. And Disney bought it up at $250 an acre under assumed names. So basically Disney said, 'Hey, we've got to have some governmental help in doing some things, and there's nobody sophisticated to know what kind of buildings we're going to build and all that sort of thing.'"

Disney's 25,000 acres were originally deemed a special drainage district in May 1966.[18] It was called the Reedy Creek Drainage District, and its purpose was to drain and reclaim the swampy, wet acres and create a drainage infrastructure that would allow for building and development on those lands. The district was authorized to issue tax-exempt bonds to finance these projects. In 1967, the Florida legislature expanded Reedy Creek's powers, and the Reedy Creek Drainage District became the Reedy Creek Improvement District. The Florida Supreme Court ratified the creation of RCID in 1968.[19]

Central Florida, where Walt Disney World in Orlando is located, is not the most hurricane-prone part of Florida, but it is far from immune from hurricanes.

The State of Florida granted to RCID powers that look more like those exercised by a general government, including the powers to control mosquitoes, provide for the reclamation, drainage, and irrigation of land, and to establish flood, water, and erosion control. RCID was also authorized to create and enforce building and safety codes, to own, operate, and maintain power plants, and to own, operate, and maintain waste collection and disposal systems, just for a start.[20] It was also given the power to generate nuclear energy (but has not used this power)[21] and was granted the power of eminent domain, which it has used sparingly.[22]

To perform these traditionally governmental duties, RCID has a panoply of government offices and operations.[23] It has divisions dedicated to finance, emergency services, environmental services, building and safety, information technology, and planning and engineering. RCID has a zoning board that meets occasionally, on an "as needed" basis.[24]

RCID is also bound by Florida's "Government in the Sunshine" rules, which ensure public access to government records, documents, and meetings.[25]

Ray Maxwell says that in being the Disney property's private government, RCID has developed a close relationship with the Disney Company. He says that this close relationship allows RCID and Disney to work together smoothly with knowledge of each others' processes and priorities—and thereby ensures that there are not other constituents making demands on RCID's resources. It also allows RCID to ensure that the theme parks are safe—including safe from hurricanes.

How Private Government Helps Keep Disney World Safe from Hurricanes

Central Florida, where Walt Disney World in Orlando is located, is not the most hurricane-prone part of Florida, but it is far from immune from hurricanes. Disney World, which opened in 1970, was built to withstand winds in excess of 100 miles per hour. It went more than 30 years without being put to the test. Then came the summer of 2004, when, in the span of a little over a month, central Florida was hit by three major hurricanes:

Charley, a Category 4, hit Florida on August 13; Francis a Category 2, on September 5; and Ivan, a Category 3, on September 15.

Ray Maxwell says that he remembers being in the sunny Bahamas watching TV news coverage of Hurricane Charley.[26] He wondered what he would come home to at his own central Florida house, and at Walt Disney World, where he would be largely responsible for figuring out how to repair any hurricane damage. Maxwell could have come home to a disaster.

Walt Disney World—an enormous property—suffered only $50,000 worth of damage from the first hurricane and not much more from the following two.

There are a handful of major ways in which property is harmed during and after hurricanes—surge, water, wind, and disruption of utility systems are the main ones—and central Florida suffered from all of them in 2004.[27] Flooding was rampant, roofs were ripped off of homes, and power lines went down. Hurricane Charley caused one and a half million residents to lose power[28]—many for more than a week.[29] Area schools and shops closed, farms lost crops and animals, tourists and conventioneers cancelled bookings, and flooding reached record levels, which led to record insurance claims. Insurers were so besieged with hurricane-related claims that at least one insurance company—American Superior Insurance Company—went into receivership.[30] For central Florida—and throughout the state—these hurricanes were, quite literally, a series of unmitigated disasters.

Maxwell's own lakeside house—close to but not in RCID—suffered $78,000 worth of damage from Charley, the first hurricane, including damage to the roof and a decimated boat house. However, Walt Disney World—an enormous property—suffered only $50,000 worth of damage from the first hurricane—some downed foliage, and some shingles ripped off a couple of buildings which had been scheduled for renovation, anyway— and not much more from the following two. Disney's power never went out. The streets were opened within a few hours after the rains stopped. Most of Disney's parks reopened within a day.[31]

How did Disney escape the 2004 hurricanes so lightly? Ray Maxwell says that a number of factors contributed to Disney's low hurricane damage—all structures are built to code, for example, and anything that could fly in the wind is tied down before the winds pick up. Well-planned on-site wetlands protection (which helps to absorb flood waters) and advanced drainage systems also contribute to this successful damage mitigation.[32]

Maxwell also attributes some of Disney's lack of damage to the fact that Disney resides within its largely "private" government—a government that was created to perform a great but not unlimited number of governmental functions for one large taxpayer with a long-term interest in a large parcel of land. This private government helps Disney fare well against hurricanes in a number of ways.

When Disney wants to build a new attraction or a new structure, RCID's manager of building safety and inspectors participate in the process from the start.

One way is by developing codes and code inspection systems that allow Disney to build superior structures. When Disney wants to build a new attraction or a new structure, says Jerry Wooldridge, RCID's manager of building safety and inspectors participate in the process from the start. They sit in on initial planning meetings so that they can alert Disney to any potential code and safety problems and work with Disney to overcome those problems.

This unity of action, says Wooldridge, helps account for better structures that can withstand storms. "Most jurisdictions don't see a plan until it comes in for permitting," he says. "For us, we have the ability for having worked on it for three years before it comes in for permitting, so we know what the issues are. We can turn things around quicker. And we've ferreted out problems and catastrophes long before they come in for permitting."

Another way is by working with Disney—and with other government agencies—to plan Disney's development of a large, wetlands-rich piece of land in a holistic way that minimizes flooding.

For instance, in the early 1990s, RCID helped Disney negotiate three long-term permits with the Florida Department of Environmental Regulation, the Army Corps of Engineers, and the South Florida Water Management District—three agencies that regulate aspects of RCID. RCID Manager of Planning and Engineering Kate Kolbo says that in the past, these agencies had changed their regulations as Disney's development plans were in process. "They would start out planning with a piece of land they thought they would be able to develop and by the time they got to the time when they were ready to apply for permits to develop it the rules were all different from when they had started planning," she says. "And it was like, wait, we've wasted all this time. And this was not working for us."

The result—two years and $1 million endowed towards wetlands mitigation later—was three separate permits that allowed RCID to identify what would be developed in the future, what wetlands RCID and Disney would be able to impact, what wetlands would be set aside as conservation, and what would be set aside as mitigation for wetlands that RCID and Disney would be able to impact. "Developments are always better and come up with the least amount of impact if you can come up with a long range plan for how you're going to do it," says Kolbo. "Working on conservation and development together allows for the meeting of development needs—keeping developments dry—and also the conservation needs. Drainage, water conservation, keeping developments from flooding, and keeping wetlands healthy—it's always been puzzling to me why people think they should be so opposite of one another. You want to build a hotel and you don't want your parking lot flooded."

Finally—and perhaps most critically—RCID, as Disney's private government, is able to protect Disney from hurricanes by taxing it at levels that allow it to devote resources to hurricane protection, and by not having to answer to other taxpayers—not like general governments. Maxwell says that RCID has it "easier because of one land owner, one governmental entity. More than one landowner would be hard. It would be difficult for Orange County to do what we do. We're closer, we understand."

While this close relationship is also the source of criticism,[33] those who work for RCID insist that RCID is still, importantly, a government, not a branch of Disney. RCID Fire Chief Ray Colburn—who has been with RCID for 30 years—says the separateness is real and essential if he is going to make sure that Disney is compliant with the fire code. "I feel separate [from Disney] and I make sure I continue to feel this way," he says. "Every once in a while I will admit that someone from Walt Disney World thinks I work for them. [But] I can't do the things I need to do as fire official and feel like I work for the Walt Disney World. It would compromise my ethics. I have two books on my desk—the *Bible* and *Government in the Sunshine*."[34]

Could This Work Somewhere With Permanent Residents—and Should It?

If RCID is to provide a model by which Florida's public insurance liability could be lowered, then the model would have to be expanded to include permanent residents, since the Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund —and the proposed national catastrophe reinsurance fund—do not insure commercial properties.

RCID for its part does not have permanent residents. The 40-some residents of RCID's two "cities" are all renters, who live in trailers; RCID de-annexed Celebration—its "New Urbanist" residential/commercial development—in the early 1990s.[35] Disney never intended to be in the residential market for the long-term, says Maxwell; Disney does theme parks, not schools and hospitals. Moreover, under the applicable laws, residents of Celebration would eventually have had voting rights, and could have elected members of the Board of Supervisors.

A tremendous amount of RCID's and Disney's mitigation success is due to the unity of interests between these two entities and the lack of competing interests vying for resources and for policy changes.

A tremendous amount of RCID's and Disney's mitigation success is due to the unity of interests between these two entities and the lack of competing interests vying for resources and for policy changes. With permanent residents would come the splintering of interests—permanent residents want different things: one an exemption from land use regulations which preserve the property's wetlands, another for potholes on her street to be repaired; another toward after-school programs; and so on This splintering could partly be controlled in two ways. First, by limiting the number of powers the private government takes on, since permanent residents can only demand from their governments things those governments are able to provide. Second, through contractual limitations on residents' rights, such as age limitations and property usage limitations enacted and enforced by private some homeowners' associations —along with a lot of resolve.[36]

Would anyone want to live in a place with these many restrictions? Perhaps so, says Rollins College urban politics professor Richard Foglesong, author of *Married to the Mouse*, a book that takes a critical look at Disney's relationship with the State of Florida. Foglesong notes that—for better or worse—big, planned developments are on the rise. Traditional cities—with their fragmentation and competing interests and lack of centralized planning—are messy and chaotic. More and more, people who want to avoid mess and chaos are choosing to live in centrally planned developments, says Foglesong—an observation borne out by the explosive growth of homeowners associations in the last fifty-odd years. "The Disney model works better," says Foglesong. "Increasingly, the places where people meet and interact are places like Disney World. But it's not the American way."[37]

But even if the numbers are still fuzzy on how many people want to live and interact in places like Disney World, special districts—private governments—have become an American way of governing as their use has expanded. And while there are those who believe that special districts—and RCID in particular—may represent a legal but unseemly power grab by a large corporation,[38] there are checks on these private governments. These checks were explored by the Florida legislature in December 2004, in response to Comcast's attempt to buy Disney, including the property in Florida. The Florida legislature assigned its

Office of Program Policy Analysis & Government Accountability (OPPAGA) to look into what would happen if someone new were to buy Disney. OPPAGA found that there were enough constraints on any owner of Disney that it would more or less have to continue to act well. As detailed in the report:

> Specifically, the Legislature was concerned that while key stakeholders report that the Walt Disney World Co. has been a good corporate citizen, a new owner may not take adequate steps to ensure that the district continues to meet its public purpose of promoting recreation-oriented projects, economic development, and tourism within district boundaries.[39]

OPPAGA determined that RCID is subject to many federal and state regulations that would help ensure that it continues to meet its public purpose, regardless of primary landownership. This oversight, in addition to agreements between RCID and local governments that have land within its jurisdiction, should discourage any departure from purposes for which Disney and the state established the district.

Special districts—private governments—have become an American way of governing as their use has expanded.

It is, of course, an open question if any other developers would want the powers that RCID has—they would need sufficient incentives to take on these responsibilities. For Disney, the incentives were clear. As noted earlier, Walt Disney believed that he could not create his Florida project without these controls. Others may need different incentives to take on the powers and responsibilities of a body like RCID.

It is also an open question if an RCID-like private government could govern and mitigate as successfully with private residents. And concerns that exist about RCID as it is—about longevity, about transparency, about the ability of the developer to continue funding the district, and about the district's ability to provide services to the taxpayers—are perhaps even more acute when talking about newer developments in Florida, or about developments that are not governed by experienced administrators, managers, or engineers.

As Florida's legislators look for politically feasible ways to save wetlands, save Citizens, and save money, Disney's Reedy Creek Improvement District offers a compelling—though not uncontroversial—model worth trying elsewhere. If the experiment does not work, the private government can always be dissolved. Maxwell says that Disney has an important check on it in the knowledge that RCID exists at the pleasure of the legislature. "The legislature giveth, the legislature can taketh away," he says. "If they do anything wrong, the legislature could change the charter. Disney recognizes how valuable this entity is to them. I mean, to have, if you will, their own government for all practical purposes. But they also recognize that if they abuse it, they lose it."

Disney's Reedy Creek Improvement District offers a compelling—though not uncontroversial—example of how private government can help reduce taxpayers' burden in paying for storm mitigation, while giving flexibility and control to private landowners.

Conclusion

As Florida's legislators look for politically feasible ways to save wetlands, save money, and keep Florida's Citizens Property Insurance Corporation and Catastrophe Fund solvent, Disney's Reedy Creek Improvement District offers a compelling—though not uncontroversial—example of how private government can help reduce taxpayers' burden in paying for storm mitigation, while giving flexibility and control to private landowners. If the experiment does not work, the private government can always be dissolved.

As Faulkner University law professor Chad D. Emerson writes, "The Florida Legislature's decision to create the District demonstrated a willingness to engage in novel regulatory strategies in order to secure the Disney project." RCID was created to provide Walt Disney World the maximum flexibility and autonomy in creating its theme parks and developments. In order to preserve this autonomy, RCID has no permanent residents. For this and other reasons RCID has been controversial.[40]

But, as Emerson notes, RCID and Disney have brought Florida considerable benefits, including increased wages and tourism revenue and lower taxes.[41] There is evidence, too, that RCID and Disney's environmental practices—innovative and largely possible because of the governmental powers granted to RCID—have been successful.[42]

The Reedy Creek model could provide another benefit in the area of insurance. Last year, Florida Governor Charlie Crist vetoed a bill (HB 1171) that would have allowed a handful of large private property insurers to set deregulated rates. The proposal, known as the "State Farm bill," was designed to encourage large, financially solvent insurers to come and stay in Florida. The bill's supporters believed it to be an important step toward reducing reliance on Citizens and making Florida's property insurance market more competitive. In the spring of 2010, Florida legislators declared a similar bill dead after Crist, running for Senate, again made his intention to veto it clear.

In trying to find a mix of politically feasible solutions to Citizens' excessive liability and lack of competition in Florida's property insurance market, the legislature should consider the case of Reedy Creek—specifically whether encouraging the creation of other private government bodies in Florida might have similar success in building resistance to storms. Such increased resilience would lessen Floridians' exposure to the physical damage and financial losses that storms cause.

Notes

1 The Florida legislature's Office of Program Policy Analysis & Government Accountability issued a report in December, 2004—"Central Florida's Reedy Creek District Has Wide-Ranging Authority"—that describes RCID's history and functions.
2 Beatrice E. Garcia, "Insurers losing money despite lack of storms", *Bradenton Herald*, March 21, 2010. http://www.bradenton.com/2010/03/21/2145952/insurers-losing-money-despite.html.
3 Catarina Saraiva, "Florida Hurricane Insurer Offers $2 Billion of Tax-Exempt Bonds," *Bloomberg.com*, March 15, 2010 http://www.bloomberg.com/apps/news?pid=munievents&sid=aRLwrnI6Ntks.
4 Eli Lehrer, "Property Insurance Solutions to Protect Homeowners, Taxpayers, and Florida Government from Financial Devastation," The James Madison Institute, March 2010.
5 Saraiva.
6 Bill Proctor, "Hurricanes threaten economic recovery," South Florida *Sun-Sentinel*, February 6, 2010 http://www.sun-sentinel.com/business/local/fl-forum-proctor-ecomomic-recovery-20100205,0,44889.story
7 "Florida's Financial Exposure of Its 'Self-Insurance' Programs: The Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund," Florida TaxWatch Special Report, April 2010, http://www.floridataxwatch.org/resources/pdf/04022010FloridasFinancialExposureSelfInsurancePrograms.pdf.
8 Ibid.
9 Barbara Liston, "Disney to build medical clinic for Florida workers," Reuters, December 12, 2007, http://www.reuters.com/article/bondsNews/idUSNCC63853020071212.
10 Interview with Jerry Wooldridge, RCID's Manager of Building and Safety, at his RCID office on 12/1/2008.
11 Interview with RCID Fire Chief Ray Colburn at his RCID office on December 2, 2008.
12 Reedy Creek Improvement District Comprehensive Plan, http://www.rcid.org/uploads/rcid-comp-plan_infra1.pdf.
13 Richard E. Foglesong, *Married to the Mouse: Walt Disney World and Orlando*, New Haven, Conn.: Yale University Press, 2001.
14 Ibid.
15 Details of special districts in Florida can be found in the Florida Special District Handbook, http://www.floridaspecialdistricts.org.
16 In 1989, to regularize the creation, administration, and reporting requirements of this increasingly popular entity, the Florida legislature passed the Uniform Special District Accountability Act of 1989.
17 Florida's Department of Community Affairs has on its website a list of all Florida special districts, along with the functions of each, http://www.floridaspecialdistricts.org.
18 The Florida legislature's Office of Program Policy Analysis & Government Accountability issued a report in December, 2004— "Central Florida's Reedy Creek District Has Wide-Ranging Authority" —that describes RCID's history and functions.
19 *State v. Reedy Creek Improvement Dist*., 216 So. 2d 202 (Fla. 1968).
20 Chapter 298 Florida Statutes.
21 "Central Florida's Reedy Creek District Has Wide-Ranging Authority," http://www.oppaga.state.fl.us/reports/pdf/0481rpt.pdf.
22 Ibid.
23 The Florida legislature's Office of Program Policy Analysis & Government Accountability December 2004 report "Central Florida's Reedy Creek District Has Wide-Ranging Authority" describes the governance of RCID by its five-member board of supervisors, elected by its landowners, http://www.oppaga.state.fl.us/reports/pdf/0481rpt.pdf. RCID's agencies are described on RCID's own website, www.rcid.org.
24 RCID does not perform every government function. For example, it does not have its own law enforcement—police are brought in on contract from Orange and Osceola Counties.
25 See "Florida Special District Handbook Online," http://www.floridaspecialdistricts.org/Handbook/3-2Sunshine.cfm.
26 This and other facts and quotes come from an interview with Ray Maxwell at his office in RCID on 12/4/2008.
27 The three hurricanes caused astonishing damage across the country. Charley, the first of the three to hit central Florida, caused around $14 billion in damage in the United States. Johnson, David L. and Weyman, Jim; Department of Commerce. National Oceanic and Atmospheric Administration. National Weather Service. According to the National Hurricane Center, Frances, the second, is said to have caused almost $8.9 billion in damage, of which Florida bore more than 90 percent, http://www.nhc.noaa.gov/HAW2/english/history.shtml#frances. The third hurricane to hit central Florida was Ivan, which the National Hurricane Center says caused upwards of $14.2 billion, http://www.nhc.noaa.gov/HAW2/english/history.shtml#ivan.
28 Dan Tracy and Debbie Salamone, "Few lights, but many questions," *Orlando Sentinel*, August 17, 2004, http://www.orlandosentinel.com/news/weather/orl-asechpowermain17081704aug17,0,6697462.story.
29 "Have we forgotten lessons of 2004 hurricanes?" *Orlando Sentinel*, August 9, 2009, http://www.orlandosentinel.com/news/local/orl-charley-storms-5-year-anniv-080909,0,2515820.story.
30 "Hurricane-Related Claims Force American Superior Into Receivership," *Insurance Journal*, October 1, 2004, http://www.insurancejournal.com/news/southeast/2004/10/01/46432.htm.
31 Interview with Ray Maxwell at his office in RCID on 12/4/2008.

32 A five-part PowerPoint presentation about how RCID and Disney operated during the 2004 hurricanes—including details about RCID's hurricane plan—is available on the 2008 Out of the Storm conference website: http://outofthestorm08.com/current._-.-_.-._.documents/please._-.-_.-._.view/id._-.-_.-._.9/1009/Disney_Reedy_Creek_Improvement_District_Hurricane_Preparedness_Plan_.

33 The literature criticizing this relationship is extensive. See, for example, Janet Wasko, "Understanding Disney: The Manufacture of Fantasy," *Polity*, 2001; *see also* Richard E. Foglesong, *Married to the Mouse*, Yale University Press, 2001, a book which criticizes the process by which RCID was created, arguing that the Florida legislature was tricked into giving Disney its expansive private government based on false promises about the benefits that Disney's development would have on the state as a whole.

34 This and other information and quotes from Ray Colburn come from an interview with Ray Colburn at his RCID office on December 2, 2008.

35 "Reedy Creek Improvement District Comprehensive Plan," http://www.rcid.org/uploads/rcid-comp-plan_flu.pdf.

36 Brian Jason Fleming's law review article, "Regulation of Political Signs in Private Homeowner Associations: A New approach" (*Vanderbilt Law Review* 59 571, 2006), discusses some aspects of the extent to which homeowners associations may limit residents' in the exercise of their constitutional and other rights.

37 According to the Community Associations Institute, in 1970 there were 10,000 association-governed communities in the United States, with 701,000 housing units and 2.1 million residents. In 2009 there were 305,400 association-governed communities in the United States, with 24.4 million residents and 60.1 million residents. The ACI website provides that "Association-governed communities include homeowners associations, condominiums, cooperatives and other planned communities. Homeowners associations and other planned communities account for 52-55 percent of the totals above, condominiums for 38-42 percent and cooperatives for 5-7 percent." http://www.caionline.org/info/research/Pages/default.aspx.

38 William W. Buzbee, "Corporate Law: Accountability Conceptions and Federalism Tales: Disney's Wonderful World? Married to the Mouse: Walt Disney World and Orlando. By Richard E. Foglesong," 100 Mich. L. Rev. 1290 (2002).

39 "Central Florida's Reedy Creek Improvement District Has a Wide-Ranging Authority," Office of Program Policy Analysis & Government Accountability, an office of the Florida Legislature, Report No. 04-81, December 2004, http://www.oppaga.state.fl.us/reports/pdf/0481rpt.pdf.

40 Chad D. Emerson, "Merging Public and Private Governance – How Disney's Reedy Creek Improvement District 'Re-Imagined' the Traditional Division of Local Regulatory Powers," 36 Fla. St. U.L. Rev. 177 (2009).

41 Ibid.

42 Ibid.

About the Author

Arin Greenwood is a writer and lawyer living in Alexandria, Virginia. She writes about insurance and other topics for the Heartland Institute's Center on Finance, Insurance, and Real Estate. Her stories have also appeared in Slate, the *Washington City Paper*, *American Bar Association Journal*, *Providence Phoenix*, and many other publications.

$8.00

The Competitive Enterprise Institute is a non-profit public policy organization dedicated to the principles of free enterprise and limited government. We believe that consumers are best helped not by government regulation but by being allowed to make their own choices in a free marketplace. Since its founding in 1984, CEI has grown into an influential Washington institution.

We are nationally recognized as a leading voice on a broad range of regulatory issues ranging from environmental laws to antitrust policy to regulatory risk. CEI is not a traditional "think tank." We frequently produce groundbreaking research on regulatory issues, but our work does not stop there. It is not enough to simply identify and articulate solutions to public policy problems; it is also necessary to defend and promote those solutions. For that reason, we are actively engaged in many phases of the public policy debate.

We reach out to the public and the media to ensure that our ideas are heard, work with policymakers to ensure that they are implemented and, when necessary, take our arguments to court to ensure the law is upheld. This "full service approach" to public policy makes us an effective and powerful force for economic freedom.

Competitive
Enterprise
Institute

1899 L Street, NW
12th Floor
Washington, DC 20036
202-331-1010
Fax 202-331-0640
www.cei.org