

COMPANY DISTRICTS

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ABSTRACT

Special districts that are owned or controlled by private entities and act almost uniformly like a company town can be dubbed a “company district.” These special districts, similar to historical company towns, have autonomy over the districts, control the local government, and only have to answer to the state government. Historical company towns like Pullman, Illinois and Hershey, Pennsylvania had almost canonical command over the land within their boundaries. Company districts operate their business similar to a company town—in a city that the private entity controls, but do not have employees living on-site. Company districts benefit by being immune to city or county regulations.

Similar to historic company towns in their heyday such as Pullman, Illinois, company districts are now at risk of adverse state legislation, regulation, or judicial action. This risk is exemplified by the Walt Disney Company, which until 2023, controlled the Reedy Creek Improvement District in central Florida, a prototypical company district that allowed them to self-govern at the town and county level. This example of a company district is significant, as the Florida state government took adverse action against Reedy Creek as a response to corporate political meddling. While Florida’s legal action is likely a political reaction, this story raises important questions about the dark side of company districts. Critics have issued warnings that company districts like Reedy Creek lack transparency, are undemocratic, and wield a vast level of unchecked powers.

Given recent state attempts to exert control over their operations, company districts should consider themselves on notice and at risk of adverse state legislation, regulation, or judicial action. This Note, in comparing company districts to the fate of company towns

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historically, concludes that state governments concerned about these special districts should take a bespoke approach to legislate against them. Historic company towns faced various adverse actions depending on the circumstances of their demise. Likewise, modern company districts are unique and should be addressed individually, rather than by sweeping legislative action as suggested by some recent commentators. Furthermore, federal courts have and can restrict the rights of private property owners, including the private entities that control company towns and company districts, to maintain protections for citizens as a whole.

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INTRODUCTION

Almost a decade ago, the Wall Street Journal used the phrase “CEO activism” to describe the advent of corporate executives who provided opinions on hot button issues in politics.¹ In 2022, the CEO of the Walt Disney Company forayed into CEO activism by speaking out against a Florida bill concerning sexual orientation and gender identity education in kindergarten through third grade.²

1. See Ronnie Chatterji & Andrew Ward, *Should CEOs Comment on Politically Contentious Topics?*, WALL ST. J., (Sept. 30, 2023, 9:00 AM), <https://www.wsj.com/business/c-suite/ceo-company-politics-public-comments-beb94d8> (describing “the landscape for CEO activists” from 2015 through 2023).

2. See Skyler Swisher & Steven Lemongello, *Chapek Says Disney Opposes “Don’t Say Gay” Law, Will Meet With DeSantis*, ORLANDO SENTINEL, (Mar. 9, 2022, 11:35 PM), <https://www.orlandosentinel.com/2022/03/09/chapek-says-disney-opposes-dont-say-gay-law-will-meet-with-desantis/>.

Disney, however, is different from most of its corporate peers; it benefits from a special district in Florida where it can govern its theme parks, hotels, and restaurants without having to deal with regulatory red tape from city or county government.³ What legislatures give may also be taken away, and thus, the Florida government sought to meet the CEO activism by advocating to strip Disney of its special district.⁴

What is striking is the similarity between company towns and special districts like the one Disney controlled.⁵ Even more intriguing is the similarity between a state taking adverse action against a private entity who controls a special district and the historical actions taken against company towns. Part II of this Note will examine those similarities, and Part III will explain how this subset of special districts could be legislated or regulated against now that they are receiving outsized attention.⁶

I. COMPANY DISTRICTS' TAKEOVER OF LOCAL GOVERNANCE

Not all local government is created equal. Although a typical municipality (e.g., town, city, village) is answerable to the county government, there are certain districts that fall outside of this norm.⁷ The local governments addressed in this Note, in the context of company districts, strategically leveraged their positions as private entities to escape the typical structure of municipal government oversight. Corporate owners were incentivized to maximize their control and influence over the land on which they operated their private entities.

3. See Act effective May 12, 1967, ch. 67-764, 1967 Fla. Laws 294 [hereinafter "Reedy Creek Improvement Act"] (repealed 2022) (granting the Walt Disney Company broad powers to govern its special district).

4. See Skyler Swisher & Steven Lemongello, *State Will Likely Take Over Disney World's Reedy Creek*, *DeSantis Says*, ORLANDO SENTINEL, (May 16, 2022, 8:25 PM), <https://www.orlandosentinel.com/2022/05/16/state-will-likely-take-over-disney-worlds-reedy-creek-desantis-says/> ("DeSantis said he is working on a proposal [to curtail Disney's control of its special district] that likely will be considered by the Legislature after the November elections.").

5. See *infra* Part II.

6. See *infra* Part III.

7. See Elisabeth M. Currie et al., *Exploring the Growth of Special District Governments: Results of a Minnesota Survey*, 21 HAMLINE J. PUB. L. & POL'Y 67, 82 (1999) ("Data indicate that if special districts did not exist, the most likely unit of government to provide the services is the county . . .").

A. TYPES OF SPECIAL DISTRICTS

Special districts are, “board-run, special purpose local government units that are administratively and fiscally independent from general purpose local governments.”⁸ Critiquing special district governments is not novel.⁹ Despite some concerns, these types of local governments have only swelled and have not, until more recently, received more vocal criticism.¹⁰ The most common reason to establish a special district is to oversee county utilities and to ease local regulatory burdens.¹¹ The level of control these districts wield varies, but, in some cases, are beyond that of local government.¹²

Special districts whose primary purpose is to regulate utility usage or similar are also typically an extension of the local governments that created them.¹³ Still, however, special districts can operate independent of a local government.¹⁴ Although less common, special districts may be established by a state government and said districts can, in turn, be fully controlled by a private entity without city or county oversight.¹⁵

Like municipalities, special districts typically have taxing powers, and some can even zone the land within their domain.¹⁶ A special

8. See Sara C. Galvan, *Wrestling with MUDs to Pin Down the Truth About Special Districts*, 75 FORDHAM L. REV. 3041, 3042 (2007).

9. See Currie et al., *supra* note 7, at 67.

10. See *id.* (“[F]rom 1922 to 1992, the number of special district governments increased by 156 percent, while the number of municipalities nationwide grew by only 5 percent.”)

11. See, e.g., Judge Glock, *Special Districts Are Kingdoms of Unaccountable Power*, WALL ST. J. (Apr. 25, 2022, 1:02 PM), <https://www.wsj.com/articles/special-districts-unaccountable-power-come-true-disney-reedy-creek-new-deal-dont-say-gay-debt-spending-nassau-property-tax-11650897481>.

12. See *id.*

13. See Currie et al., *supra* note 7, at 81 (describing how 86 percent of special districts studied were run by appointed chief administrators with limited autonomy).

14. See *id.* (“In terms of accountability, almost half of the special districts did not need approval from any other unit of government for capital projects (47 percent statewide).”).

15. See Melissa J. Braybrooks et al., *Accounting for Special District Governments in the U.S. National Accounts 2*, (Bureau of Econ. Analysis, Working Paper No. 2018-14, 2018), <https://www.bea.gov/system/files/papers/WP2018-14.pdf>.

16. See MICHELLE SURKA & RACHEL CROSS, U.S. PIRG EDUC. FUND, *Governing in the Shadows: Rating Online Financial Transparency of Special District Governments* 6 (2017), <https://publicinterestnetwork.org/wp-content/uploads/2017/04/USP-Follow-Money17-Report-Apr17-1.2.pdf>.

district has significant control over its own infrastructure, with some even possessing the authority to build nuclear power plants.¹⁷ Put simply, not all special districts are created equal. With over 38,000 of them throughout the United States (more than twice the number of cities), they are vast and varied.¹⁸

B. HISTORICAL COMPANY TOWNS

A company town is “a community that is dependent on one firm for all or most of the necessary services or functions of town life (such as employment, housing, and stores).”¹⁹ Historically, many company towns have faced backlash and negative treatment from state governments; this primarily was a response to corporations who treated their employees poorly in an era before rigorous labor laws.²⁰

Some writings on this topic, including M. Todd Henderson’s *The Nanny Corporation*, describe how the paternalistic tendencies of company towns have historically landed certain company towns in hot water.²¹ Private entities that controlled company towns “provided everything for employees . . . — homes, stores, parks, roads, entertainment, medical clinics, and on and on all of which were owned by the business enterprise, often a single entrepreneur, like George Pullman or Frank Gilchrist.”²² Crucially, Henderson elaborated that “[s]elf-interest (not benevolence or busybodiness) also explained the link between firm ownership of the town and firm intervention in the seemingly private lives of employees.”²³

This Note clarifies and expands upon Henderson’s position; it draws upon the “paternalistic” nature of company towns and modern

17. See, e.g., Reedy Creek Improvement Act, ch. 67-764, 1967 Fla. Laws 295 (repealed 2022).

18. 2017 Census of Governments – Organization, U.S. CENSUS BUREAU, tbl. 8, <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>.

19. *Company Town*, MERRIAM-WEBSTER.COM, <https://www.merriam-webster.com/dictionary/company%20town> (last visited Feb. 6, 2025).

20. See M. Todd Henderson, *The Nanny Corporation*, 76 U. CHI. L. REV. 1517, 1537-38 (2009) (describing how private entities who own company towns caught the attention of state governments for “playing God”).

21. See *id.* at 1537-39.

22. See *id.* at 1535.

23. See *id.* at 1536; see also JAMES B. ALLEN, *THE COMPANY TOWN IN THE AMERICAN WEST* 123 (1966) (explaining the economic rationale for the company town).

corporations like Disney while comparing them with historic company towns. It is important, however, to highlight certain company towns who were historically treated adversely by state action.

One example is Pullman, Illinois, a town created in the vision of the president of Pullman's Palace Car Company, George M. Pullman.²⁴ The company town was described as a "total environment" and "superior to [towns] available in the working class elsewhere," containing amenities like luxury rail cars and health services.²⁵ Company towns had a strategic advantage to maintain happy employees, as they provided more services than public towns in the United States; at the time, home ownership and a social safety net simply did not exist.²⁶

Pullman was not immune to the economic depression that hit the United States in 1893.²⁷ As employees living in the company town started to feel the squeeze, their grievances regarding lowering wages and stubborn rent prices were left unaddressed; they decided to walk off the job on May 11, 1894.²⁸ The strike turned violent, leading to President Grover Cleveland sending Federal troops to quell the situation.²⁹ Following the strike, the state of Illinois (through the Illinois Supreme Court), "ordered the Pullman company to sell all non-industrial land holdings in the town"³⁰

By 1907, the Pullman company no longer had control, ending the company town.³¹ Pullman continued manufacturing cars without the control of a company town, even finding success during the 1920s; but the Pullman company naturally declined and shut its doors in 1981.³² This was one example of a company town being subjected to adverse

24. See *THE HISTORY OF PULLMAN*, THE HISTORIC PULLMAN FOUND., <https://www.pullmanil.org/the-history-of-pullman/> (describing George Pullman's idea to create a model industrial town, realized on May 26, 1880)(last visited Feb. 6, 2025).

25. See *id.*

26. See generally Aayush Singh, *The Rise and Fall of Company Towns*, FED. RSRV. BANK OF RICHMOND, ECON. FOCUS, Q3 2023, https://www.richmondfed.org/publications/research/econ_focus/2023/q3_economic_history.

27. See *THE HISTORY OF PULLMAN*, *supra* note 24.

28. See *id.*

29. See *id.*

30. See *id.*

31. See *id.*

32. See *The Pullman Company*, *Pullman Hist.* (Apr. 2020), <https://www.pullman-museum.org/theCompany> (last visited Feb. 6, 2025).

state action. Pullman is emblematic of historic company towns that were controlled by a private firm, faced internal strife (stemming from workers' rights and economic struggles), caught the attention of their state government, and were subsequently punished.³³

C. DECLINE IN RELEVANCE OF COMPANY TOWNS

One aspect of historical company towns is that they provided services that attracted the employees who lived in said town.³⁴ After World War I, however, the U.S. economy boomed, providing prosperity that took away many economic advantages company towns had.³⁵ With increased infrastructure, workers were not tied to their companies' land based on the benefits offered to them.³⁶ The rise of automobile ownership and the creation of the interstate highway system exacerbated this issue for the private entities that controlled the historic company towns.³⁷ Historic company towns previously had the advantage of providing a close-knit community and could capitalize on that by controlling wages and charging rent to their own employees; but greater infrastructure improved the free market conditions for said employees, giving them more agency.³⁸

The prominence of company towns continued to decline after the New Deal. Stronger labor practices and unionization efforts led to the establishment of a substantial livable wage and lower-interest (and lower-deposit) homeownership which, in turn, contributed to this regression.³⁹

33. See Henderson *supra* note 20 at 1537 (private entities' complete control over their employees "led historians of company towns to characterize some entrepreneurs as 'playing God' with their workers.").

34. See generally *THE HISTORY OF PULLMAN*, *supra* note 24.

35. See, e.g., Singh, *supra* note 26, at 13 ("By significantly empowering workers, the New Deal rewrote the contract between capital and labor and made the existing business model of the company town untenable.").

36. See *id.*

37. See *id.* at 12 ("[A]vailable transportation means that workers can take their labor to another employer.").

38. See *id.*

39. See *id.* at 12.

D. HISTORY OF THE WALT DISNEY COMPANY'S SPECIAL DISTRICT

A special district that has received outsized notoriety in the past few years was effectively controlled by The Walt Disney Company ("Disney").⁴⁰ Disney's special district became a political controversy after the Florida Governor and the company's former CEO publicly debated the merits of a highly contested piece of state legislation.⁴¹ This now defunct special district was called the Reedy Creek Improvement District ("Reedy Creek").⁴² Subpart IB details Reedy Creek's inception, how it ultimately governed the land Disney owns in central Florida, and its sudden demise in 2023.

1. *One Man's Dream*

Before any dreams of expanding to Florida (or any other state), Walt Disney's company forayed into the theme park industry in southern California. The endeavor was an unmitigated success.⁴³ Based on their prior accomplishments building the first ever modern theme park in Anaheim, Walt and his brother, Roy Disney, envisioned expansion.⁴⁴

Although there was a debate as to where the proposed second park should go, the company ultimately chose central Florida.⁴⁵ Reports exist that corporate agents of the company were able to work in secret to purchase approximately 40 square miles of land in Central Florida.⁴⁶ Before they could purchase all the land, however, the Orlando Sentinel

40. See, e.g., Swisher & Lemongello, *supra* note 4.

41. See discussion *infra* Part I.D(iii).

42. See The Reedy Creek Improvement Act, ch. 67-764, 1967 Fla. Laws 262 (repealed 2022).

43. See generally RICHARD E. FOGLESON, MARRIED TO THE MOUSE 1-6 (2003) (describing the popularity of the novel Disneyland theme park in Anaheim, California).

44. See *id.*

45. See STEVE MANNHEIM, WALT DISNEY AND THE QUEST FOR COMMUNITY 66-71 (2002).

46. See, e.g., Midway to Main Street, *The Reedy Creek Improvement District: Disney's Government*, YOUTUBE (Oct. 18, 2017), https://www.youtube.com/watch?v=6Wo_cPBitK8 (providing educational overview of Reedy Creek Improvement District and Disney governance of the special district with initial reporting by Emily Bavar).

revealed that the “mystery buyer” of land was believed to be Disney.⁴⁷ The newspaper speculated that the area could become a hub for “millions of tourists” if Disney was actually building a second Magic Kingdom.⁴⁸

But Walt had bigger plans for his Florida Project. Beyond just a Magic Kingdom, he envisioned a novel city of the future that he blueprinted and planned. This became known as the Experimental Prototype Community of Tomorrow (“EPCOT”).⁴⁹ Although EPCOT is now known as the second of four theme parks within the Walt Disney World Resort, the founder foresaw a futuristic city where employees would live and work in.⁵⁰ This community would “combine company town, visitor attraction, and experimental laboratory. . .” aspects.⁵¹

In order to run a new community that would be fundamentally radical in comparison to other large American cities of the 1960s, Walt needed control. He thus lobbied Florida Governor Claude Kirk Jr. to receive the autonomy needed to self-govern.⁵² “Walt [Disney] liked that the project was a private-sector undertaking, planned by private businesspeople rather than government bureaucrats, and he wanted it to succeed as a showcase for free enterprise.”⁵³

The law that ultimately came from the lobbying effort established Reedy Creek.⁵⁴ The Reedy Creek Improvement Act passed in 1967 unanimously without any debate in the Florida Senate and passed the House with only one “no” vote.⁵⁵

At that time, the Florida legislature and governor were willing to approve this legislation and cede local powers to a private entity for a few reasons. First, central Florida did not have the economic prowess it does today, and it saw how much Anaheim benefited from Disneyland.⁵⁶

47. See generally Luther Voltz, *We Say: “Mystery” Industry Is Disney*, ORLANDO SENTINEL, Oct. 24, 1965, at 1.

48. *Id.*

49. See MANNHEIM, *supra* note 45, at 66-71.

50. See *id.*

51. See *id.* at xiii.

52. See, e.g., *The Reedy Creek Improvement District: Disney’s Government*, *supra* note 46.

53. See FOGLESON, *supra* note 43, at 2.

54. See generally Reedy Creek Improvement Act, ch. 67-764, 1967 Fla. Laws 256-358 (repealed 2022).

55. See *The Reedy Creek Improvement District: Disney’s Government*, *supra* note 46.

56. See FOGLESON, *supra* note 43, at 2.

Second, the Florida government expected future business and tourism revenue as a direct result of Disney's presence in the area.⁵⁷ Third, the government wanted to be at the forefront of city planning by helping clear red tape to enable Walt's vision of EPCOT.⁵⁸

Unfortunately, Walt's vision for EPCOT was put on hold. On December 15, 1966, the company's founder and President passed away.⁵⁹ This did not, however, halt Disney's plans to pursue their second gate in Florida.⁶⁰

2. *The Roy Disney Era, et seq.*

After his death, Walt's brother, Roy Disney, became the company's President and Chairman.⁶¹ Although he continued on with the Florida Project, he did not share his brother's perspective that overseeing a futuristic city would be a realistic or profitable venture for the company.⁶² Instead, he worked diligently to open the second Magic Kingdom and two hotels in Florida, while putting aside plenty of land for future projects.⁶³ Eventually, EPCOT would open its gates in 1982—though as a theme park, rather than a city.⁶⁴

Even though the EPCOT that Walt envisioned never came to be, Disney still had vast control of Reedy Creek and the two cities the special district oversaw.⁶⁵ Their control over the district came from the Reedy Creek Improvement Act, which allowed Disney to appoint its own board members by assigning plots within its land.⁶⁶ The Florida

57. *See id.*

58. *See The Reedy Creek Improvement District: Disney's Government*, *supra* note 46.

59. *See, e.g.*, Don Rider, *Disney Project To Go Forward*, ORLANDO SENTINEL, Dec. 16, 1966, Vol. 82 No. 217, at 1.

60. *See id.*

61. *See id.*

62. *See* BOB THOMAS, WALT DISNEY: AN AMERICAN ORIGINAL 333 (Disney Editions, 1994).

63. *See id.*

64. *See, e.g.*, Lynn Phillips, *EPCOT Opening Day Has Arrived*, ORLANDO SENTINEL, Oct. 1, 1982, at 1.

65. *See* Reedy Creek Improvement Act, ch. 67-764, 1967 Fla. Laws 284-86 (repealed 2022).

66. *See* Jason Garcia, *Disney's Reedy Creek Government Has Rare Board Vacancy, But Don't Bother Running*, ORLANDO SENTINEL, May 9, 2011, <https://www.orlandosentinel.com/2011/05/09/disneys-reedy-creek-government-has->

government relinquished any say as to who would gain membership to the board and thus govern the cities encompassed by the district, Reedy Creek.⁶⁷

In some ways, Disney's special district resembled a historic company town, which can be defined as "a community that is dependent on one firm for all or most of the necessary services or functions of town life (such as employment, housing, and stores)."⁶⁸ Elements of a company town, as they have historically been analyzed, include uniform architecture, central or focal points, and a land area controlled by a private entity. Reedy Creek has many of these features. Each of its parks has a central "icon" to attract the attention of visitors (Cinderella's Castle in Magic Kingdom, for example).⁶⁹ As mentioned throughout this Note, Disney effectively had full control of Reedy Creek during its existence.⁷⁰

Disney's district did not, however, share one key characteristic that is necessary to be categorized as a company town: Disney did not zone plots of land to sell residential homes and its employees did not live within the special district.⁷¹ If Walt's dream materialized as he foresaw it, Reedy Creek would oversee EPCOT and its employee residents, making it a true company town.⁷² Because this did not occur, though, it is illogical to lump in Reedy Creek with historical company towns like Pullman, Illinois and Hershey, Pennsylvania.

For decades, the Reedy Creek Improvement Act remained in effect, allowing Disney to dictate its own zoning, construction, and ordinances.⁷³ With the benefits of autonomous government came the

rare-board-vacancy-but-dont-bother-running/ (describing how vacancies are filled for the Reedy Creek board).

67. *See id.*

68. *Company Town*, MERRIAM-WEBSTER.COM, <https://www.merriam-webster.com/dictionary/company%20town> (last visited Feb. 6, 2025).

69. *See, e.g.,* Catherine Besand, *Disney Castles, Icons Inspire Stunning 2024 Collections*, DISNEY PARKS BLOG (Dec. 31, 2023), <https://disneyparksblog.com/products/disney-castles-icons-inspire-stunning-new-2024-collections/>.

70. *See* Reedy Creek Improvement Act, ch. 67-764, 1967 Fla. Laws 284-86 (repealed 2022).

71. *See* Garcia, *supra* note 66 (noting Disney's grant of uninhabitable land to their board members to allow them to occupy seats).

72. *See* FOGLESON, *supra* note 43, at 66-68 (describing Walt Disney's vision of EPCOT and premise of housing Disney employees operating the Florida Magic Kingdom).

73. *See The Reedy Creek Improvement District: Disney's Government*, *supra* note 46.

burdens of running cities: establishing a fire department, policing, giving first aid, and providing its own utilities.⁷⁴ From 1967 through 2021, the media did not pay attention to Reedy Creek besides the occasional innocuous article providing information on how it was governed.⁷⁵ Said articles were written to readers who, in all likelihood, had little reason to care.⁷⁶

3. *The Fall of Reedy Creek*

Beginning in 2022, Disney decided that some of the attractions in their Florida theme parks (and beyond) were culturally insensitive and should be changed in an effort to foster inclusivity; the company thus announced that it would be changing certain attractions to promote diversity and inclusion.⁷⁷ Disney also looked at revising its own company policies to determine how to promote inclusion. The company's values for employees were previously encompassed by their "Four Keys" of: safety, courtesy, show,⁷⁸ and efficiency.⁷⁹ In 2023, Disney created a fifth key, called the inclusion key.⁸⁰

74. *See id.*

75. *See id.*; *see also* Garcia, *supra* note 66.

76. *See The Reedy Creek Improvement District: Disney's Government*, *supra* note 46.

77. *See* Shannen Ace, *BREAKING: Splash Mountain Closing Forever on January 23 at Walt Disney World*, WDWNT (Dec. 2, 2022), <https://wdwnt.com/2022/12/breaking-splash-mountain-closing-date-announced-for-walt-disney-world/> (describing the closure of famed ride Splash Mountain to be rebuilt and themed to a movie featuring the first ever black Disney princess); *see also* Brit Tuttle, *The Complete History of Pirates of the Caribbean at Disney Parks: From Redhead to Reed to Peg(-Leg Pete)*, WDWNT (Dec. 20, 2023), <https://wdwnt.com/2023/12/history-pirates-of-the-caribbean-disney-parks/> (In the late 2010s, Disney decided it was finally time to change the auction scene, which Walt himself had been trepidatious about all those years ago.).

78. *See* J. Jeff Kober, *Show: A Disney Key to Excellence – Disney at Work*, DISNEY INSIGHTS, <https://disneyinsights.com/disney-at-work/everythingspeaks/show-a-disney-key-to-excellence/>, (last visited Feb. 6, 2025), (describing "show," or the visual appearance of the Cast Member employees at a Disney park, as "a classic look that is clean, natural, polished and professional, and avoids 'cutting edge' trends or extreme styles.").

79. *See* The Disney Institute Team, *Disney Customer Service 101: Why Courtesy Is Not Always Our First Priority*, DISNEY INST. BLOG (Feb. 19, 2019), <https://www.disneyinstitute.com/blog/disney-customer-service-101-why-courtesy-is->

Meanwhile, the Florida state government—including both state elected officials and the federal Congressional delegation—had become more conservative in the years following the 2016 election cycle.⁸¹ In the space of two years, elected members of the Republican party tended to (and still do) oppose the promotion of corporate diversity, equity and inclusion (“DEI”) and environmental, social and governance (“ESG”) initiatives.⁸²

Despite their apparent differences in perspective, the Florida government and Disney did not come into direct conflict until the former introduced proposed legislation called the Parental Rights in Education bill.⁸³ The legislation “reinforces a parent’s fundamental right to make decisions regarding the care and upbringing of his or her child in the public school setting” by “requir[ing] each district school board to adopt procedures for notifying a student’s parent if there is a change in services or monitoring related to the student’s mental, emotional, or physical health or well-being.”⁸⁴ The legislation, signed into law on March 28, 2022, accomplished this end by, “prohibit[ing] classroom instruction on sexual orientation or gender identity in kindergarten

not-always-our-first-priority/ (“Disney’s Four Keys Basics, in priority order [are]: Safety, Courtesy, Show and Efficiency.”).

80. See Josh D’Amaro, *A Place Where Everyone is Welcome*, DISNEY PARKS BLOG (Apr. 13, 2023), <https://disneyparks.disney.go.com/blog/2021/04/a-place-where-everyone-is-welcome/> (explaining the addition of the fifth key of inclusion).

81. See VOX, *How Republicans Conquered Florida*, YOUTUBE (Sept. 18, 2023), <https://www.youtube.com/watch?v=UpmwhkNg5Dw> (explaining how the Florida Republican party has, as of 2023, cemented its political control of state and federal elections within the state).

82. See, e.g., Richard Vanderford, *Corporate America Tweaks Diversity Initiatives Amid Pushback*, WALL ST. J. (Feb. 5, 2024), <https://www.wsj.com/articles/corporate-america-tweaks-diversity-initiatives-amid-pushback-062cfe89> (describing how, “a group of Republican attorneys general last year warned businesses against the use of racial quotas and preferences.”); see also, Amrith Ramkumar, *Some GOP States Push Back Against ESG Investing Trend*, WALL ST. J. (Aug. 30, 2022), (“Republicans are stepping up their efforts to prevent investors from considering environmental and other factors in their decisions.”).

83. See Parental Rights in Education Law, ch. 2022-1, 2022 Fla. Laws 1 (codified as amended at FLA. STAT. §1 (2022)).

84. See Education Committee, CS/CS/HB 1557b – Parental Rights in Education, FLORIDA SENATE, <https://www.flsenate.gov/Committees/billsummaries/2022/html/2825> (last visited Feb. 6, 2025).

through grade 3 or in a manner that is not age-appropriate or developmentally appropriate for students.”⁸⁵

While the bill was being drafted and debated by the Florida government, some employees at Disney urged Robert “Bob” Chapek, the company’s CEO at the time, to vocally oppose it.⁸⁶ Mr. Chapek did, ultimately, decide to speak out against the legislation after previously suggesting he would not.⁸⁷

Florida Governor Ronald “Ron” Desantis was, at the time, the de facto leader of the Florida Republican party and controlled the executive and legislative branches of government. After Mr. Chapek sent a letter denouncing the Parental Rights in Education Act, Governor DeSantis responded openly by denouncing corporate involvement in a political matter and warning Disney’s CEO to curb its criticisms.⁸⁸ Because Chapek continued to vocally oppose the bill, DeSantis openly contemplated revoking Disney’s self-governance power that had been delegated under the Reedy Creek Improvement Act.⁸⁹

In this metaphorical game of chicken, neither side blinked. The Florida government, thus, followed through with Gov. DeSantis’s plan to novate the Reedy Creek Improvement District in a manner that would strip Disney of its self-governing powers.⁹⁰ The new legislation created the Central Florida Tourism Oversight District, with a board whose members would be appointed by the Florida government.⁹¹

Although the new entity was still a special district regulating the cities of Reedy Creek and Bay Lake, Disney’s inability to control the district’s board membership effectively stripped the company of control

85. *See id.*

86. *See Swisher & Lemongello, supra* note 2 (emphasizing that the CEO did not previously speak out against the legislation, leading to employee pressures to do so).

87. *See id.* (noting that Chapek previously “[c]laimed corporate statements had no effect . . . “ but vocally opposed the then bill).

88. *See* Skyler Swisher, DeSantis Slams “Woke” Disney on Fox News After CEO Speaks Against “Don’t Say Gay” Bill, ORLANDO SENTINEL (Mar. 10, 2022), <https://www.orlandosentinel.com/2022/03/10/desantis-slams-woke-disney-on-fox-news-after-ceo-speaks-against-dont-say-gay-bill/> (describing the Fl. Gov. going on cable news only one day after Disney’s criticism, calling the company “woke”).

89. *See* Swisher & Lemongello, *supra* note 4 (“DeSantis said he is working on a proposal [to curtail Disney’s control of its special district] that likely will be considered by the Legislature after the November elections.”).

90. *See generally* Fla. H.B. 9-B, 2023 Fla. Laws 67-764 (2023).

91. *See id.*

of governance power. Florida's adverse action against Disney resembles state action historically taken against company towns.⁹²

E. COMPANY DISTRICTS

Special districts, such as Disney's former district in Reedy Creek, can be dubbed "company districts."⁹³ Company districts strongly resemble company towns.⁹⁴

Company districts are similar to company towns in many ways. These similarities make comparing these two types of local governments an ideal case study. They both consist of parcels of land purchased and/or controlled by a private entity, are effectively run by a private entity (or its agents), offer facilities like restaurants or hotels, have control of private persons on their land and handle municipal services like plumbing, electricity, and fire services.⁹⁵

The primary difference between these two privately run local governments, however, is that company towns house employees while company districts do not have employees living within their boundaries; in a company district, an employee's conduct while working is policed by the private entity, though their conduct is not policed while they are "off the clock."⁹⁶

92. See, e.g., Leo E. Strine, Jr., *A Job Is Not A Hobby: The Judicial Revival of Corporate Paternalism and Its Problematic Implications*, 41 IOWA J. CORP. L. 71, 80 (2015) ("[Strife in the company town owned by Pullman] led Illinois' attorney general to sue the Pullman Company for operating a town in violation of its corporate charter. The Illinois Supreme Court agreed in 1898.").

93. This Note refers to these special districts as "company districts" in an effort to denote them as substantially similar to company towns, while differentiating them from how typical special districts are more commonly limited to municipal boards controlling local utilities.

94. See *supra* Part I.A.

95. See, e.g., About, CENT. FLA. TOURISM OVERSIGHT DIST., <https://www.oversightdistrict.org/about/> (last visited Feb. 6, 2025) ("The new legislation said that landowners within the Reedy Creek Improvement District, primarily Walt Disney World, would be solely responsible for paying the cost of providing typical municipal services like power, water, roads, fire protection etc.").

96. See generally Singh, *supra* note 26.

II. THE FUTURE FOR COMPANY DISTRICTS

Historical company towns faced adverse state action in the form of court cases, legislation, and regulation.⁹⁷ When Gov. DeSantis and the Florida legislature passed legislation against Disney's Reedy Creek, it directly mirrored state action against historic company towns.⁹⁸ Put simply, Reedy Creek is an example of a company district that faced heavy criticism from its state government, comparable to historic company towns.⁹⁹

Part I suggests two hypotheses as to why company districts pose a lingering problem and should be addressed. First, they parallel historical company towns by privatizing public functions to an extreme, a fixture that was corrected throughout the 20th century.¹⁰⁰ Second, company districts have been politicized because of the Reedy Creek and Florida debacle.¹⁰¹ Both of these issues require an analysis of how states will go about regulating company districts.

Reedy Creek was originally created as a mutually beneficial arrangement between Disney and the Florida government.¹⁰² Disney was able to operate its Walt Disney World Resort by governing Reedy Creek for decades in a manner that was, until 2022, inconspicuous.¹⁰³ Prior to Disney coming to central Florida, the Orlando area was sparsely populated and underdeveloped.¹⁰⁴ Since Walt Disney World's opening in 1961, the company has directly made Orlando a top tourism destination within the United States.¹⁰⁵

97. See *supra* Part I.B.

98. See generally Skyler Swisher, *DeSantis Signs Law Stripping Disney World of Reedy Creek Control*, ORLANDO SENTINEL (Feb. 27, 2023), <https://www.orlando-sentinel.com/2023/02/27/desantis-signs-law-stripping-disney-world-of-reedy-creek-control/> (noting that Reedy Creek's novated special district would be effectively controlled by board members appointed by the Florida government, rather than Disney).

99. See *id.*

100. See *supra* Part I.B.

101. See *supra* Part I.D(iii).

102. See FOGLESON, *supra* note 43, at 2-6.

103. See, e.g., *The Reedy Creek Improvement District: Disney's Government*, *supra* note 46.

104. See *50 Years Ago, Walt Disney Saw Orlando as Perfect Site for New Kingdom*, ORLANDO SENTINEL (Nov. 21, 2013) ("50 years ago, [in Orlando], you would see practically nothing except . . . well, practically nothing.").

105. See *Orlando Crowned Largest Travel & Tourism City Destination in America for 2022*, WORLD TRAVEL & TOURISM COUNCIL (Jan. 2, 2023), <https://wttc.org/news->

After 50 years of relatively covert self-governance, an event triggered the state's intervention.¹⁰⁶ The main deviation between Reedy Creek and historic company towns is that the company district was scrutinized for political reasons,¹⁰⁷ whereas company towns faced criticism largely out of concerns for the rights of employees and state citizens, as a whole.¹⁰⁸ Notably, though, Gov. DeSantis put forward alternative explanations besides politics for novating Reedy Creek; one example was his concern about Disney abusing its expansive powers (e.g. ability to build prisons and nuclear facilities).¹⁰⁹

Company districts as a whole can now reasonably expect the possibility of adverse state legislation or other action.¹¹⁰ States are beginning to criticize special districts for their ability to levy taxes and are concerned with their lack of visibility and transparency.¹¹¹ There is

article/orlando-crowned-largest-travel-and-tourism-city-destination-in-america-for-2022 ("Orlando is predicted to be the largest U.S. Travel and Tourism city destination in 2022 with an economic contribution of over \$31 billion, representing 20% of the city's total GDP and recovering above 2019 levels by \$2.7 billion."); *see also* Kathleen Wong, *Theme Park Capital: This City is the Largest US Travel and Tourism Destination*, USA TODAY, (Feb. 14, 2023), <https://www.usatoday.com/story/travel/news/2023/02/14/orlando-us-tourism-destination/11258004002/> ("As of November 2022, Florida . . . welcome[ed] 104.5 million travelers . . .").

106. *See supra* Part I.D(iii).

107. *See* Jeffrey Schweers, *Legislature Turns Reedy Creek Reins Over to DeSantis*, ORLANDO SENTINEL (Feb. 10, 2023), <https://www.orlandosentinel.com/2023/02/10/legislature-turns-reedy-creek-reins-over-to-desantis/> ("It was Disney's decision to go from an apolitical, safe, 25,000 acres and get involved in political life."); *but see* Jeffrey Schweers, *Florida House OKs State Takeover of Disney's Reedy Creek*, ORLANDO SENTINEL (Feb. 10, 2023), <https://www.orlandosentinel.com/2023/02/10/florida-house-oks-state-takeover-of-disneys-reedy-creek/> (showing an example of a Florida state Congressman arguing that, rather than stripping Disney's powers for political motivations, taking this action "treats everybody the same" so that "no company [has] an unfair advantage over their competitors.").

108. *See* Strine, *supra* note 92, at 80.

109. *See, e.g.*, Steven Lemongello, *DeSantis Says He's "Receptive" To Legislature Changing Disney's Reedy Creek District*, ORLANDO SENTINEL (Apr. 1, 2022), <https://www.orlandosentinel.com/2022/04/01/desantis-says-hes-receptive-to-legislature-changing-disneys-reedy-creek-district/> ("DeSantis said[,] 'I was shocked to see some of the stuff that's in there. They could do their own nuclear power plant.'").

110. *See supra* Part I.A; *see also* Henderson, *supra* note 20 at 1537 ("There were many reasons for playing God, many of which were directed at the firm's bottom line.").

111. *See* MICHELLE SURKA & RACHEL CROSS, *supra* note 16 (noting the lack of special district financial reporting available and that "[s]pecial districts are not held to the same transparency and accountability standards as other types of government.").

even speculation following the Reedy Creek debacle regarding how special districts may go against the best interests of citizens in surrounding areas within the same state.¹¹²

Because Disney's company district brought new and negative attention to the issue of private entity townships,¹¹³ other company districts have now been put on notice. The potential adverse action against what I define as "company districts" directly mirrors states' historic treatment towards company towns.¹¹⁴ The question becomes how state and federal governments ought to address these issues going forward.

Now that the special treatment that company districts once received¹¹⁵ is waning, some jurisdictions may reach the conclusion that they are getting a bit long in the tooth.¹¹⁶ As previously discussed, legislation has been effective in stopping a company district.¹¹⁷ Other states have proposed legislation curtailing special districts within their jurisdiction.¹¹⁸

The crackdown on company districts, however, is relatively novel compared to the expansion of special districts recently. It is thus helpful to look back to the older cousin of company districts, company towns, to determine what types of state action proved effective.

This Note previously recounted a brief history of Pullman, which required federal intervention and action taken by the highest court in Illinois.¹¹⁹ There are also company towns like Coulee Dam, Washington

112. See Glock, *supra* note 11.

113. See *id.*

114. See, e.g., Strine, *supra* note 92, at 80.

115. See generally Galvan, *supra* note 8.

116. See, e.g., The Seattle Times Editorial Board, *Legislature Should Choose Wisely to Fix Special Districts*, THE SEATTLE TIMES, Feb. 5, 2020, <https://www.seattletimes.com/opinion/editorials/legislature-should-choose-wisely-to-fix-special-districts/> ("The Legislature should act promptly, but carefully, to stem the chance of wrongdoing flourishing in the obscurity of special taxing districts."); see also H.B. 2588, 66th Leg., Reg. Sess. (Wash. 2020); CSD Team, *Embezzlement Costs Special Districts Millions*, RISK MGMT. REV., (Jul. 15, 2015), <https://news.csdpool.org/2015/07/13/embezzlement-costs-special-districts-millions/> ("For a special district, the damage [from embezzlement] is two-fold; first, the cost of the loss, and second, the loss of public trust.").

117. See *supra* Part I.D(iii).

118. See H.B. 2588.

119. See *supra* Part I.D; Part I.B.

that, under the right circumstances, willingly transfer control of their city to the government.¹²⁰

But the issues that plagued historic company towns were distinct from perceived concerns regarding company districts today: “[i]t is a tale of abundance and abandonment, boom and bust, plenty and poverty.”¹²¹ Disney’s Reedy Creek faced adverse state legislation, but not out of concern for the company’s financial well-being or the rights of its workers.¹²² Rather, the concern with company districts appears to be based on issues of corporate power and the rights of private citizens within the state,¹²³ except when driven by overt political motivated¹²⁴

III. THE SIMPLE SOLUTION TO COMPANY DISTRICTS

A bespoke approach is appropriate for states to address perceived issues with company districts, wholesale. A state-by-state solution is the most logical method of controlling company districts and matches the “Whack-A-Mole” approach to crack down on historic company towns. As seen by Florida’s Reedy Creek, a state’s legislature can sometimes un-ring a bell. Despite pending litigation in the Reedy Creek matter,¹²⁵ legislation was an effective way for Florida to achieve its goal of undercutting Disney and taking away its powers over the special district.¹²⁶ Given the Florida legislature established Reedy Creek, they were able to novate it, as well.¹²⁷

Reedy Creek was a warning for company districts, putting them on notice that they may be subject to similar fate.¹²⁸ This is a far cry from how special districts used to be treated whereby, “[f]ederal, state, and

120. See *History*, THE TOWN OF COULEE DAM, <https://townofcouleedam.org/history> (last visited Feb. 6, 2025) (“In 1942 with the end of the contract in sight, [the entity who owned the city] transferred control of Mason City to the Municipal Division of the Columbia Basin Project. . . . Government began the process of selling the town to the public in 1957, finishing in 1959.”).

121. See generally Singh, *supra* note 26.

122. See *supra* Part I.D(iii).

123. See generally Glock, *supra* note 11.

124. See *supra* Part I.D(iii).

125. See, e.g., Tuttle, *supra* note 77 (“Disney issued a statement saying that the fight ‘will not end here’ and that they intend to appeal the decision to the 11th Circuit Court of Appeals.”).

126. See Reedy Creek Improvement Act, ch. 67-764, 1967 Fla. Laws 262-63 (repealed 2022).

127. See *id.*

128. See Glock, *supra* note 11.

local governments encourage[d] and empower[ed] special districts . . .
.”¹²⁹

By allowing states to take their own approach to regulating or legislating against company districts, this directly mirrors the historical action against company districts.¹³⁰ This allows jurisdictions to make their own judgements about company districts within their boundaries.

With the overt politicization of company districts seen in the Reedy Creek example, some states may be incentivized to act on that basis. Significantly, states politically opposed to Florida have not taken the mantle of supporting company districts.¹³¹ Incentives may dictate states to, instead, act purely based on concerns about the overt privatization of public functions. Reedy Creek’s fight against Florida had a political catalyst, but its resolution came from negotiations to balance the efficiency of a private entity versus ensuring typical public functions could not be abused by Disney.¹³² It is more likely, thus, that the politicization issue is specific to Disney’s Reedy Creek. More likely, state legislation against company districts will come from the desire to curtail the over privatization of public functions.

Because special districts are often created by statute,¹³³ removing the powers of private entities through legislation is the most logical strategy. Given each state has individual control to act against company districts within its jurisdiction, said districts should expect a response commensurate with the desires of state actors. This individualized method of legislating against company districts will allow states to determine the appropriate response based on the situation at hand.

Private entities controlling company districts should consider themselves on notice for adverse state legislation going forward. The bespoke approach to legislating against company districts is the most effective mechanism that states should employ as special districts are enacted by legislation. Determining when to take action should be an individualized approach, determined based on a state’s level of concern about the extent of privatization in a company district’s public functions.

129. See generally Galvan, *supra* note 8.

130. See *supra* Part I.B.

131. See, e.g., H.B. 2588, 66th Leg., Reg. Sess. (Wash. 2020)

132. See *supra* Part I.D(iii).

133. See, e.g., Reedy Creek Improvement Act, ch. 67-764, 1967 Fla. Laws 262 (repealed 2022).

CONCLUSION

“[T]he wheel that does the squeaking / Is the one that gets the grease.”¹³⁴ Historically, company towns faced adverse state action when problems arose.¹³⁵ There are certain special districts that are effectively controlled by private entities and operate substantially similar to company towns (except that they do not house employees)—they can be called “company districts.”¹³⁶

The Reedy Creek debacle was a catalyst for widespread negative attention from the public, media, and governments.¹³⁷ While company towns went away because they became less practical for employees,¹³⁸ company districts do not house employees.¹³⁹ But for the Parental Rights in Education Act, it is questionable whether Disney’s district—and special districts, more broadly—would have been placed under the microscope.

Federal legislation and regulation are impracticable to deal with private entities who control special districts.¹⁴⁰ Rather, states should legislate against company districts individually, when necessary.¹⁴¹ In addition, federal courts can build on existing caselaw concerning property owned and controlled by private entities that would restrict the ways company districts can control their land.¹⁴² But with the business advantages that come with controlling a special district, do not expect private entities who control company districts to go gently into that good night.¹⁴³

134. See Josh Billings, *The Complete Works of Josh Billings*, 311 (Shrine of Knowledge, 1st ed. 2020).

135. See *supra* Part I.B.

136. See *supra* Part I.E.

137. See, e.g., Glock, *supra* note 11; see also Galvan, *supra* note 8.

138. See *supra* Part I.B.

139. See *supra* Part I.E.

140. See *supra* Part III.

141. See *id.*

142. See *id.*

143. See, e.g., Tuttle, *supra* note 77 (“Disney issued a statement saying that the fight ‘will not end here’ and that they intend to appeal the decision to the 11th Circuit Court of Appeals.”).