Public Infrastructure Districts (PIDs) in Utah

Structure, Visibility, and Market Friction

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PIDs Serve as a Financing Tool for Economic Development

PID Financing Overview

Public Infrastructure Districts (PIDs) have become a prominent financing tool utilized by cities, counties, and Independent State Entities.

These entities leverage PIDs to fund major infrastructure and economic development projects.

MIDA

Military Installation Development Authority

UIPA

Utah Inland Port Authority

POMSLA

Point of the Mountain State Land Authority

UFAIR

Utah Fairpark Area Investment and Restoration Agency

GASB Rules Require the "Nesting Doll" Reporting Approach

Accountability & Nesting Criteria

Government financial statements must include legally separate organizations if elected officials are financially accountable.

Consequently, PIDs ultimately appear within the State's Annual Comprehensive Financial Report (ACFR), even though each PID remains a legally separate entity.

State of Utah ACFR (Ultimate Reporting)

MIDA & UIPA (Accountable for PIDs)

Public Infrastructure Districts (PIDs)

State is accountable for MIDA & UIPA, which are accountable for the PIDs they create.

Exclusion Criteria

PIDs are only excluded from reporting if they meet ALL of the following:

01 Self-Perpetuating Boards
The district governing boards must be self-perpetuating rather than appointed.

02 Lack Fiscal Dependence
The entity must operate independently without relying on parent governments for budget approvals.

03 No Financial Benefit/Burden
There must be no ongoing relationship creating a financial benefit or burden to the primary government.

ACFR Inclusion Provides Transparency, Not Legal Liability

Non-Recourse Limits

Strict Debt & Liability Insulation:

- **Debt Limit Exemption:** PID debt is strictly non-recourse and does not count against the State's constitutional debt limit under Utah Const. Art. XIV and Utah Code § 17D-4-301.
- **Credit Rating Shield:** PID debt does not directly downgrade the State's General Obligation credit rating.
- **No Legal Recourse:** If a PID fails, bondholders have no legal recourse and cannot sue the State.

Economic Transparency

ACFR Reporting Purpose & Impact:

- **Economic Risk Visibility:** Inclusion in the State's financial reports is designed solely to provide comprehensive transparency of broader economic risks.
- **No Liability Transfer:** Disclosing these figures serves reporting transparency rather than transferring legal liability or financial obligations to statewide taxpayers.
- **Information Disclosure:** Ensures statutory transparency without modifying the legally secure, non-recourse boundaries of local district debt.

Component Units Must Use Discrete or Blended Reporting

Under GASB requirements, PIDs must be reported in one of two ways:

Discrete Presentation (The Standard)

The Standard Method
Discrete Presentation is the standard reporting method under GASB requirements.

Visual Separation
Financial information is reported in a separate, far-right column.

Walled-Off Finances
Visually walls off PID finances from general state funds.

Blended Presentation (The Exception)

The Exception
Blended Presentation is the exception, occurring when a component unit is structurally intertwined.

Mixed Finances
Finances are mixed directly into the primary government's funds.

Trigger Conditions
This happens if the PID exclusively serves the primary government or relies on its resources for debt payment.

The Economics & Transparency Friction

Structural Cost Shift

Historically, infrastructure was primarily funded by a developer's private commercial loan. PIDs shift the upfront cost of infrastructure to a tax exempt municipal bond, paid off over 30 years by the future homebuyer via an additional property tax (mill levy).

Truth in Taxation Bypass

Normal tax increases face voter pushback. In a PID, the land owner or their agent are appointed to the initial board which sets the max tax rate (up to 15 mills) before any residents live there. There is limited political pressure to minimize the debt.

The Transparency Gap

Homebuyers are often unaware of the PID mill levy until their first tax bill arrives. While recent legislation attempts to mandate disclosure before closing, critics argue this is too late in the home-buying process.