

Limited Purpose Local Governments

A closer look at Utah's lesser-known local governments

May 2017



If you ask a property owner where their property taxes go, most people can name the three major players: the school district, the county, and the city/town. While those three entities consume the lion's share of property tax dollars, many people may not realize that Utah tax payers live within the boundaries of several additional taxing entities. According to the Utah Tax Commission, 15% of property tax revenue is generated from these other taxing entities.¹ In addition to paying property taxes, citizens who live within the boundaries of these other entities may also be paying fees for services.

In Utah, there are approximately 277 of these "other" entities that levy a property tax, and an additional 400 entities that use other public money to provide various services to citizens. These entities are called "limited purpose local governments" in state code, although nationally they go by many names, including special districts, public improvement districts, special purpose districts, or local improvement districts. Answers to questions regarding what they do, how they are governed, or who is holding them financially accountable are arguably unknown to most citizens. What follows is a brief explanation and history of limited purpose local governments (LPLGs) in Utah and a comparison of Utah's five types of LPLGs.

What does "limited purpose" mean?

Unlike a general purpose local government, such as a county or city, that provides a broad range of services to citizens, LPLGs are created to provide a single service or limited number of services. As political subdivisions, LPLGs are geographically bound and granted their authority from the state.

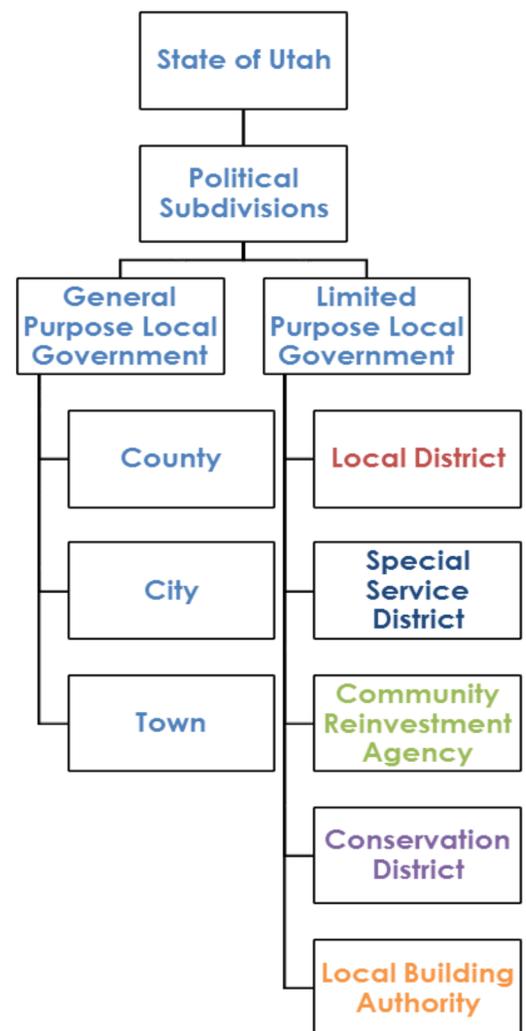
Legislative history

Utah's first LPLG was created before statehood, but LPLGs were not formally authorized in state statute until 1913. Over those initial decades, the state took an ad hoc approach to regulating LPLGs, causing statutory provisions to be scattered throughout the Utah Code. In the 1990s, the Legislature began a multi-year process of consolidating state law related to LPLGs, resulting in the statutory framework that is in place today:

- Title 17B: Local District
- Title 17C: Community Reinvestment Agency
- Title 17D, Chapter 1: Special Service District
- Title 17D, Chapter 2: Conservation District
- Title 17D, Chapter 3: Local Building Authority

LPLGs generally fall under the jurisdiction of the Legislature's Political Subdivisions Interim and Standing Committees, although many issues affecting LPLGs cross over into policy areas like taxation, economic development, and government operations.

Figure 1:



Limited purpose refers to entities "authorized by state law to provide only one or a limited number of designated functions, and with sufficient administrative and fiscal autonomy to qualify as separate governments."

- U.S. Census Bureau

Benefits and criticisms

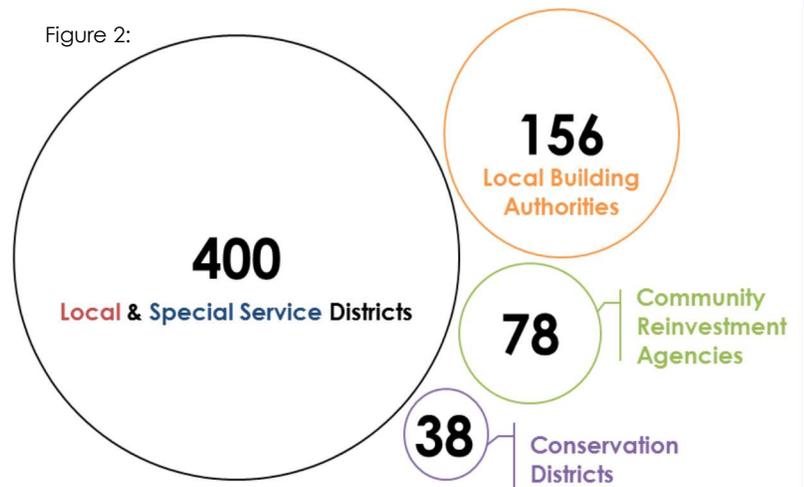
LPLGs are uniquely able to tailor services to meet citizen demand, and can span multiple general purpose local government jurisdictions. They provide vital services that a county or city can't or won't provide, such as mosquito abatement, police, emergency, water, sewer, or library services. Unlike a general purpose local government that levies a general tax, which pays for a broad range of services, LPLGs only collect revenue from their geographic service area that is tied directly to the specific service or services provided. The efficient provision of services and economies of scale have made LPLGs a popular mechanism to provide essential services throughout the state.

Despite such benefits, LPLGs have been criticized as a less representative form of government because there is a less direct link between officers who oversee the LPLG and the citizens served. Furthermore few citizens are aware of or understand how LPLGs operate. Due to the ability of LPLGs to tax, charge fees, or otherwise use taxpayer money to provide services, financial accountability and transparency are critical. State oversight of these entities varies across the nation; lack of oversight by some has caused waves of criticism and reforms over the past several decades to address such issues.

By the numbers

Utah has approximately 400 local and special service districts; about one-third are special service districts, and the remaining two-thirds are local districts.² Of those 400, 277 levy a property tax. Additionally, there are 156 local building authorities³, 78 community reinvestment agencies⁴, and 38 conservation districts⁵ (see Figure 2).

Figure 2:



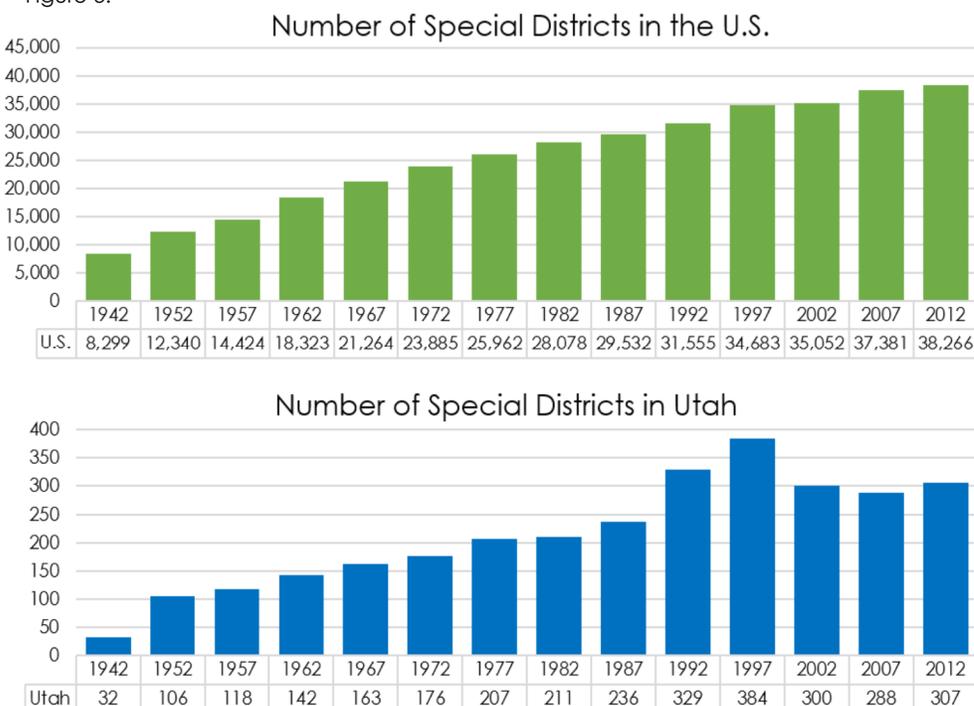
National trends

The U.S. Census Bureau has been tracking the number of "special districts" since 1942. Figure 3 includes two graphs that depict the number of special districts in Utah and then in the U.S. as a whole. It is important to note, however,

that the Census Bureau's numbers for Utah do not align exactly with the number of districts known to exist in the state, which may be due to differences in the definition and available data for these types of entities.

In the U.S., the number of special districts has been increasing steadily, from 8,299 in 1942 to 38,266 in 2012. While Utah's districts have also steadily increased over the decades, there was a sharper increase between 1987 and 1997, followed by a slight decrease and leveling off from 2002 to 2012. The takeaway here is that, historically, these types of entities have been and will continue to be a popular mechanism for providing services to citizens.

Figure 3:



Comparison of Utah's Limited Purpose Local Governments

The following graphics summarize and compare each type of LPLG based on several basic elements. See Appendix A for a table describing each entity in more detail.

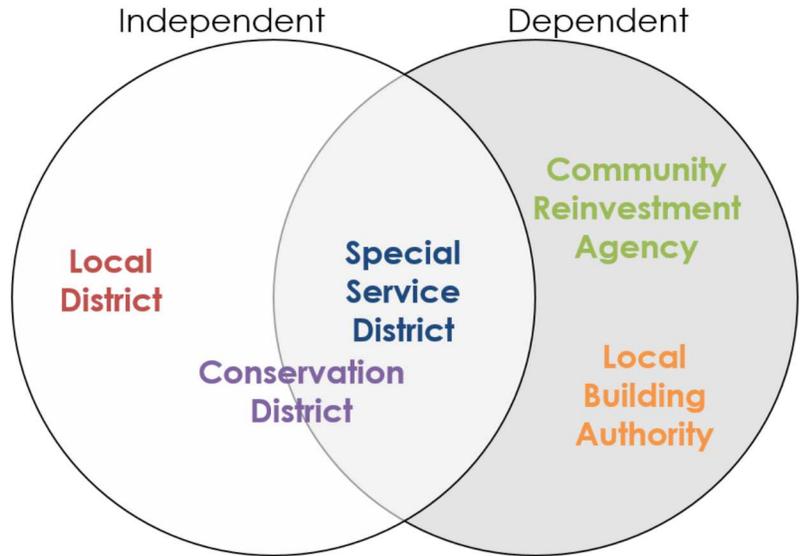
Purpose

Local District Provides up to 4 services	
Special Service District Provides services (no limit)	
Community Reinvestment Agency Undertakes community development and redevelopment	
Conservation District Protects soil, water, and other natural resources	
Local Building Authority Finances costs of building/acquiring public facilities/buildings	

Governance

Dependent entities' boards are composed of the legislative body of the general purpose government that created the entity. "Independent" refers to entities that have an elected or appointed board of trustees that acts autonomously.

Some LPLGs have elements of both. For example, a special service district is governed by the general purpose government(s) that created it, but may delegate certain duties to an administrative control board. Likewise, a conservation district has an elected board of supervisors but is supervised by the Utah Conservation Commission.



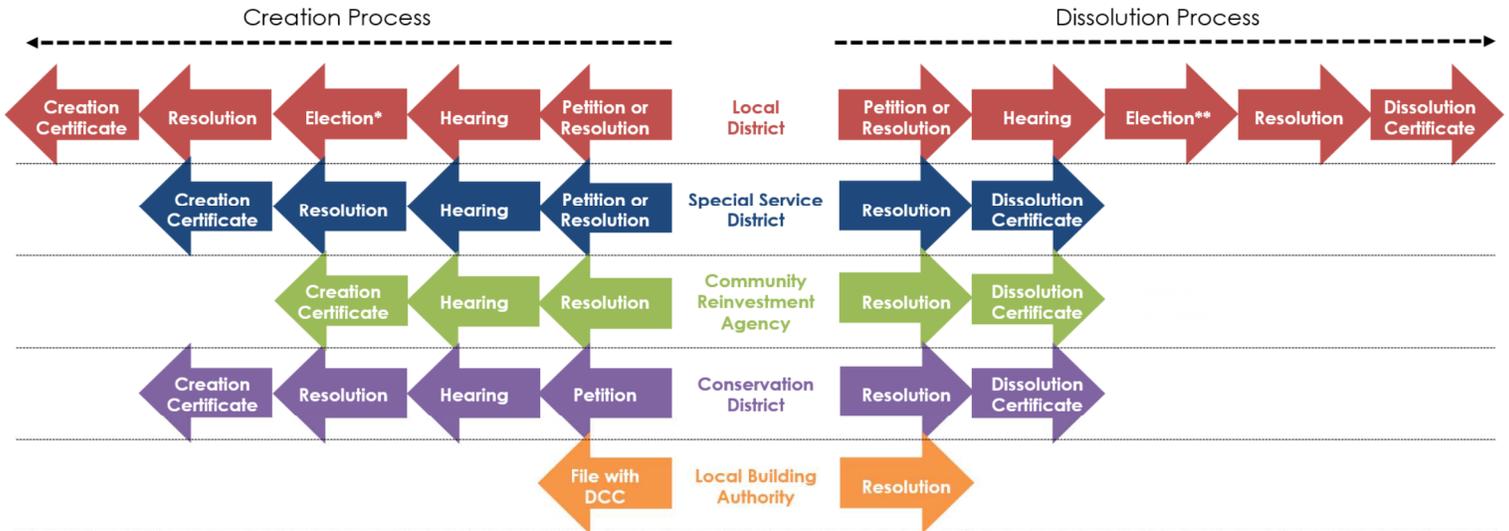
Fiscal Procedures and Oversight

All of the LPLGs have a board whose meetings are subject to the Open and Public Meetings Act. Financial documents are required to be submitted to the State Auditor, who is also responsible for conducting annual audits. Community reinvestment agencies are the only entities that are not required to submit quarterly or annual financial reports.

	Financial Documents			Oversight		
	Annual Budget	Quarterly Financial Report	Annual Financial Report	Board	State Auditor	Open & Public Meetings
Local District	✓	✓	✓	✓	✓	✓
Special Service District	✓	✓	✓	✓	✓	✓
Community Reinvestment Agency	✓	X	X	✓	✓	✓
Conservation District	✓	✓	✓	✓	✓	✓
Local Building Authority	✓	✓	✓	✓	✓	✓

Creation and Dissolution Process

Most of the LPLGs are created and dissolved with a public process, but the number of steps varies. Local and special service districts are unique in that they can be initiated by petition of property owners or voters or by resolution of a local government. A local district requires 33% of property owners or voters, whereas a special service district requires 10%. The Lt. Governor's Office is responsible for issuing certificates of creation or dissolution. Local building authorities are the exception because they are created when a local government files documents of incorporation with the Utah Division of Corporations and Code (DCC).



* Election is only required for creation of a local district under certain circumstances.⁹
 ** Election is only required for dissolution if it was required for creation.

Sources of Revenue

Sources of revenue vary considerably among the LPLGs. A local district is the only entity that has expressed authority to levy a property tax. A general purpose government that created a special service district may levy a property tax on behalf of the district. Community reinvestment agencies are unique in that their primary revenue source is property tax increment or sales and use tax revenue from a general purpose government. Conservation districts receive the majority of their funding from federal or state grants, including fees for the administration of those grants. Local building authorities repay revenue bonds with lease payments from the general purpose government that uses the building that was built/acquired with the bonds.

	Fees	Bond Proceeds	Property Taxes	Property Tax Increment	Sales and Use Taxes	Grants	Private Funding	Lease Payments
Local District								
Special Service District								
Community Reinvestment Agency								
Conservation District								
Local Building Authority								

Additional Resources

- [Utah Association of Special Districts](http://www.uasd.org/)

Website: <http://www.uasd.org/>

- [Utah Redevelopment Association](http://www.utahra.org/)

Website: <http://www.utahra.org/>

- [Utah Department of Agriculture and Food—Conservation Districts](http://ag.utah.gov/conservation-environmental/utah-conservation-districts.html)

Website: <http://ag.utah.gov/conservation-environmental/utah-conservation-districts.html>

- [Office of the State Auditor](https://auditor.utah.gov/)

Website: <https://auditor.utah.gov/>

Notes

- ¹ Utah State Tax Commission, *2015 Annual Report*, UTAH STATE TAX COMMISSION (May 23, 2017), <http://propertytax.utah.gov/library/pdf/statistics/yearendreports/2015annual.pdf>.
- ² UTAH ASSOCIATION OF SPECIAL DISTRICTS, [HTTP://WWW.UASD.ORG/](http://www.uasd.org/) (LAST VISITED MAY 23, 2017).
- ³ UTAH DIVISION OF CORPORATIONS AND COMMERCIAL CODE, [HTTP://CORPORATIONS.UTAH.GOV/](http://corporations.utah.gov/) (LAST VISITED MAY 23, 2017).
- ⁴ UTAH REDEVELOPMENT ASSOCIATION, [HTTP://WWW.UTAHRA.ORG/RESOURCES/](http://www.utahra.org/resources/) (LAST VISITED ON MAY 23, 2017).
- ⁵ UTAH CONSERVATION COMMISSION, [HTTP://AG.UTAH.GOV/CONSERVATION-ENVIRONMENTAL/UTAH-CONSERVATION-COMMISSION.HTML](http://ag.utah.gov/conservation-environmental/utah-conservation-commission.html) (LAST VISITED MAY 23, 2019).
- ⁶ Local district services include animal control, control/abatement of earth movement, fire protection, emergency, garbage collection/disposal, health care, park operations, recreational facilities, sewage system operations, transportation, water system operations, acquisition of groundwater right, airport operations, cemetery operations, law enforcement, library operations, mosquito abatement, and right-of-way construction.
- ⁸ Special service district services include animal control, control/abatement of earth movement, fire protection, emergency, garbage collection/disposal, health care, park operations, recreational facilities, sewage system operations, transportation, water system operations, street lighting, correctional facilities, consolidated 911/emergency dispatch, drainage/flood control, extended police protection (1st class county only), and receipt of federal mineral lease funds.
- ⁹ For example, an election is not required to create a local district if 67% of property owners that represent 50% of the property value in the district sign the petition to create it. The full list of election exemptions can be found in Utah Code § 17B-1-214.

Appendix A: Limited Purpose Local Government Comparison Table

	PURPOSE	CREATION PROCESS	GOVERNANCE	FISCAL PROCEDURES & OVERSIGHT	SOURCE OF REVENUE	BONDING	DISSOLUTION PROCESS
Local District Title 17B	Provide up to four services within the district's boundaries. ¹	<ol style="list-style-type: none"> Initiated by petition of 33% of property owners or voters <u>OR</u> a resolution adopted by a local government. Public hearing. Resolution indicating whether the local government will provide the service in the proposed local district. 60-day protest period. Election <u>OR</u>, if an election is not required, a local government resolution creating the local district. Certificate of incorporation issued by Lt. Governor. 	<p>Board of Trustees.</p> <ul style="list-style-type: none"> Minimum of three members, always an odd number. Four year term. Appointed by the local government that created the local district <u>OR</u> elected. 	<ul style="list-style-type: none"> Annual budget required.² District's clerk must prepare detailed quarterly financial reports. Annual financial report required to be filed with the state auditor. Annual audit required. 	<ul style="list-style-type: none"> Fees charged for a commodity, service, or facility provided by the district. <ul style="list-style-type: none"> A district may file a lien for past due fees. A lien has same priority as a property tax lien. The past due fee is included on a property tax notice. Property tax levy. <ul style="list-style-type: none"> Except under certain circumstances, levy may not exceed the certified tax rate. Levy is established by resolution of the board of trustees. 	<ul style="list-style-type: none"> Voters must approve a district's general obligation bond. Optional to obtain voter approval for a revenue bond. 	<ol style="list-style-type: none"> Initiation: <ol style="list-style-type: none"> For an inactive local district, initiated by petition <u>OR</u> resolution of the administrative body.³ For an active local district, by signed petition of 33% of district property owners or registered voters. Public hearing. Resolution adopted by administrative body approving the dissolution of the local district.⁴ Certificate of dissolution issued by Lt. Governor.
Special Service District 17D, Chapter 1	Provide any combination of services within the district's boundaries. ⁵	<ol style="list-style-type: none"> Initiated by resolution of a local government <u>OR</u> petition of 10% of property owners or voters. Public hearing. Resolution or ordinance adopted by the local government approving the creation of the special service district. Certificate of incorporation issued by Lt. Governor. 	<p>Legislative body of the county or municipality that created the special service district.</p> <ul style="list-style-type: none"> Certain powers and authority may be delegated to an administrative control board. The legislative body determines whether the administrative control board's members are elected, appointed, or a combination. 	<p>Subject to same provisions as a local district.</p>	<ul style="list-style-type: none"> Subject to same fee provisions as a local district. Legislative body that created the special service district may levy a property tax for a district's general obligation bond debt service. 	<ul style="list-style-type: none"> Voters must approve a district's general obligation bond. Optional to obtain voter approval for a revenue bond. Voters must approve the issuance of a guaranteed bond. 	<ol style="list-style-type: none"> The legislative body that created the special service district may approve the dissolution of the district by resolution.⁶ Certificate of dissolution issued by Lt. Governor.

¹ Services include: airport, cemetery, library, park or recreation facility, sewage system, water system, or animal control services; fire protection, paramedic, emergency services; garbage collection/disposal; health care; abatement/control or mosquitos/insets; construction and maintenance of a right-of-way; transportation; acquiring groundwater rights; law enforcement; underground installation of an electric utility line; control/abatement of earth movement/landslide; energy efficient or renewable energy system.

² Budget and audit provisions found in Title 17B, Chapter 1, Part 6, Fiscal Procedures for Local Districts and Title 17B, Chapter 1, Part 7, Local District Budgets and Audit Reports.

³ "Administrative body" means the board of trustees or, the legislative body of the municipality or county (17B-1-1301(2)).

⁴ May not dissolve unless outstanding debt is satisfied, the service is being satisfied by another entity, and outstanding contracts are resolved.

⁵ Services include: water; sewage; drainage; flood control; garbage collection/disposal; health care; transportation; recreation; fire protection; correctional/rehabilitative facilities; street lighting; consolidated 911 and emergency services; animal shelter/control; expending federal mineral lease funds to construct/maintain facilities and planning in order to mitigate impacts from extractive mineral industries; extended police services (counties of the first class only); control/abatement of earth movement/landslide; energy efficiency upgrade or renewable energy system; cemetery.

⁶ A special service district also has the option to withdraw a certain area of the district or reorganize as a local district. Both require an initial resolution by the legislative body of the entity that created the special service district. May not dissolve if there is an outstanding or unpaid bond/obligation or an existing contractual obligation to provide service.

Appendix A: Limited Purpose Local Government Comparison Table

	PURPOSE	CREATION PROCESS	GOVERNANCE	FISCAL PROCEDURES & OVERSIGHT	SOURCE OF REVENUE	BONDING	DISSOLUTION PROCESS
Community Reinvestment Agency Title 17C	Undertake community development and redevelopment within the boundaries of the county or municipality that created the agency.	<ol style="list-style-type: none"> Resolution adopted by county or municipality. Certificate of creation issued by Lt. Governor. 	Legislative body of the county/municipality that created the agency serves as the agency's board.	<ul style="list-style-type: none"> Annual budget required to be adopted by board. Annual report required to county auditor, Tax Commission, and each taxing entity. Annual audit report required.⁷ 	<ul style="list-style-type: none"> A negotiated portion of a taxing entity's property tax increment from property within the boundaries of an adopted project area. A negotiated portion of a taxing entity's sales and use tax revenue. 	<ul style="list-style-type: none"> Board must adopt a resolution authorizing a bond issuance. Payment of bonds from agency revenue (property tax increment, sales and use tax revenue, other revenue received by the agency). 	<ol style="list-style-type: none"> Resolution adopted by county or municipality approving the dissolution of the agency. Certificate of dissolution issued by Lt. Governor.
Conservation District Title 17D, Chapter 3	Survey, investigate, prevent, and research soil erosion, floodwater, nonpoint source water pollution, flood control, water pollution, sediment damage, and watershed development. ⁸	<ol style="list-style-type: none"> Initiated by a petition filed by 25 or more land occupiers residing within the proposed district. Commission⁹ holds a public hearing. Certificate of creation issued by Lt. Governor. 	Board of supervisors. <ul style="list-style-type: none"> Elected to four year term. Nominated by petition through a nominating committee. 	Subject to same provisions as a local district.	<ul style="list-style-type: none"> Subject to same fee provisions as a local district. Funding from federal, state, local, and private sources. 	No expressed bonding authority in statute.	District may be dissolved by the Commission.
Local Building Authority Title 17D, Chapter 2	Finance costs of constructing, acquiring, or improving projects on behalf of a local entity.	Governing body of a local entity creates the authority as a nonprofit corporation in accordance with Title 16, Chapter 6a, Utah Revised Nonprofit Corporation Act.	The governing body that created the authority serves as the board.	Subject to Title 17B, Chapter 1, Part 6, Fiscal Procedures for Local Districts.	No statutory authority to generate revenue from fees or property tax. The authority uses lease payments from the creating local entity to make payments on any bonds.	<ul style="list-style-type: none"> Authority may issue bonds if approved by the local entity's governing body. Authority must give public notice of intent to issue bonds and, if a petition is submitted by 20% of active voters, the bond question shall be put to the voters at an election. Bonds payable solely from payments received under a lease agreement with the creating local entity for the project that was financed by the bonds. 	The governing body that created the authority may dissolve the nonprofit corporation in accordance with Title 16, Chapter 6a, Utah Revised Nonprofit Corporation Act. ¹⁰

⁷ Agencies must comply with Title 51, Chapter 2a, Accounting Reports from Political Subdivisions, Interlocal Organizations, and Other Local Entities Act.

⁸ Other statutory purposes include: conserve, develop, utilize, or dispose of water on state or private land; construct, improve, operate, and maintain a structure for the conservation district to carry out its purposes; acquire property by purchase or otherwise, and maintain, improve, and administer that property consistent with purposes of the district, and; make recommendations regarding land use within the conservation district.

⁹ "Commission" means the Conservation District created by the Department of Agriculture and Food.

¹⁰ The authority may not be dissolved unless all outstanding debt is satisfied.