

The Role of Economic Development in Communities: A Public Information Series on the Value of Economic Development

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Article 2: EDO Structures, Part 1 of 2

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If you read the first article, you learned that economic development is used to create sustainable communities. Economic development builds economies. In this article we are going to look at the two main structures of an economic development organization (EDO). Although there are variations on this, the two main types of EDOs are sales tax based and public private partnerships.

In the State of Texas, cities are allowed to collect a portion of sales tax to help fund economic development activities. For sales tax based EDOs, the process is administered by the State Comptroller's office. The amount of sales tax varies but a city will usually collect anywhere from a quarter cent to a half

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cent of the sales tax generated within their city. This is why retail is so important to local municipalities. A portion of that lunch you ate yesterday goes back to the city.

Sales tax based EDOs are referred to as either a 4A or 4B economic development corporation. The scope is slightly different between the two. They are required to have a board of directors, like any other corporation, and usually fall under the city administration to some extent. Like a governmental group, their meetings are open to the public.

The public-private version is a product of how a community chooses to practice economic development if they can't, or don't want to collect sales tax to fund an EDO. For example, this type of EDO is used in Ft. Bend, Brazoria, and Waller County.

They can take many forms, but most always have some type of corporate structure.

Here in Waller County, the WCEDP has a contractual relationship with the county. The WCEDP is a community-based organization that also has partner members to help finance operations. It is not a volunteer organization. With this structure, private funding helps to benefit the local community without using sales tax revenue.

Generally, a board of directors, and the contractual relationship with the local government, defines the scope of each public-private organization. Having a public-private EDO offers wider latitude for EDO activities. In the case of the WCEDP, it allows for a broad base of local involvement and representation.

Stay tuned for the next part in this series on economic development. If you have any questions or feedback, please feel free to email me at vyokom@wallercounty.org.

About the Waller County Economic Development Partnership (WCEDP): The WCEDP is a Texas non-profit corporation with an IRS 501 (C) 6 tax designation. We are non-political and have a 24-member board, which includes representation from every community in Waller County that has an economic development program. To learn more, visit www.wallercounty.org.

Mission: The WCEDP is organized to operate a charitable service center to foster increased, environmentally balanced business commerce, positive growth, and overall cooperation and coordination for all communities throughout Waller County, Texas.