



Schulenburg
Economic Development Corporation
HALFWAY TO EVERYWHERE

Understanding Type B Economic Development Corporation

Type B Corporations

The Texas Legislature adopted the Development Corporation Act to give cities the ability to raise funds and finance economic and community development efforts through the creation of economic development corporations.

Corporations are either identified as “Type A” or “Type B” organizations depending on the authority approved by the voters as included in the election ballot language and by the type of sales tax revenue uses approved by the voters.

The voters of the City of Schulenburg approved the formation of the Schulenburg Economic Development Corporation (Schulenburg EDC), a Type B Corporation in 1977, which is funded by a one-half cent sales tax collection. The source of the sales tax collected varies. The tax can be on items sold at a gas station, a sweater from the local dress shop, or camping gear from the local hardware store. These sales tax proceeds are then used to fund new and expanded projects.

Publishing

A Type B EDC must publish in a local publication each project it plans to undertake before EDC Funds are expended on the project. This must be published at least 60 days before the funds are expended. The reason is to provide the citizens 60 days to circulate any objections to the project with a petition of at least ten (10%) of the registered voters. Should a petition be presented during this time frame, then a special election is required for the project to move forward.

Performance Agreements

EDCs cannot simply give sales tax proceeds to businesses. An EDC enters into a written performance agreement with any business it funds directly or that makes expenditures benefitting an eligible project. At a minimum, the performance agreement must contain:

- A schedule of additional payroll or jobs to be created or retained.
- The capital investment to be made by the business enterprise.
- The terms for repayment of the EDC's investment if the business fails to meet the performance requirements specified in the agreement.

Primary Jobs Requirement

The main requirement is that the businesses bring new money into the community. Certain projects are required to create or retain primary jobs. A primary job is one at a company that exports a majority of its products or services to markets outside the local region, infusing new dollars into the local economy. Primary jobs are further limited to specific industry sectors such as agriculture, mining, manufacturing and scientific research and development.

Allowable Costs

There are limitations on how sales tax revenues are used. Eligible expenditures include:

- Acquisition of land.
- Machinery and equipment.
- Construction costs.
- Planning and professional services related to the project.
- Financial transactions and reserve funds.
- Administrative and other necessary expenditures.

Type B Projects

The Type B sales tax may be used for projects eligible under Type A, plus quality of life improvement projects. Type B corporations may pay for land, buildings, equipment, facilities, targeted infrastructure and improvements for:

- sports and athletic facilities, tourism and entertainment facilities, convention facilities and public parks;
- related store, restaurant, concession, parking and transportation facilities;
- related street, water and sewer facilities; and
- affordable housing.

A Type B EDC may also fund:

- public safety facilities;
- recycling facilities;
- streets, roads, drainage and related improvements;
- demolition of existing structures;
- general municipally owned improvements; and
- maintenance and operating costs associated with projects.

Type B EDCs also may seek voter approval for a water supply or water conservation programs or cleanup of contaminated property.

Information taken from the Texas Comptroller website at www.comptroller.texas.gov.