



## WYOMING LEGISLATIVE SERVICE OFFICE

# Research Memo

04 RM 034

**Date:** October 5, 2004

**Author:** LSO Research Staff

**Re:** Funding for community economic development organizations

### PURPOSE

Describe ways in which community economic development organizations acquire and distribute funding.

### RESULTS IN BRIEF

The LSO research staff contacted the Wyoming Economic Development Association, five local economic development organizations, and the Wyoming Business Council. Based on these contacts, it is evident that the public funding streams to such economic development organizations in Wyoming include: the dues paid by political subdivisions; revenues generated from local sales taxes; and federal and state grants.

### THE WYOMING ECONOMIC DEVELOPMENT ASSOCIATION (WEDA)

The organizations contacted for the purpose of this memo are all affiliated with the Wyoming Economic Development Association. This private-nonprofit organization is funded by membership dues and provides advocacy for its members as they seek training, lobbying, educational, and contractual opportunities. WEDA does not oversee the professional or financial structures of the organizations it represents, rather, it focuses on maintaining unity among its members to facilitate communication and assist newly established or struggling economic development organizations in the state of Wyoming.

### LOCAL ORGANIZATIONS: SPECIFIC EXAMPLES

**Goshen County Economic Development Corporation (GCEDC)** -- GCEDC relies heavily upon federal and state grants to meet the developmental needs of the county. According to a representative of the organization, the operating budget of the GCEDC (approx. \$85,000) is funded by membership dues paid to the organization (approx. \$40,000), funds from Goshen County (approx. \$18,000), and funds from the City of Torrington (approx. \$26,000). This operating budget covers expenses for GCEDC salaries, taxes, benefits, and office supplies. Additional money needed for special projects is usually acquired through state and federal economic development grants. Since the funds for economic development projects are grant specific, they vary each year and are overseen by the entities providing grant monies.

**Sweetwater Economic Development Association (SWEDA)** – SWEDA's economic development projects are "overseen" by the organization and are funded through community development block grants. According to a spokesperson for SWEDA, the organization's operating and advertising budget costs roughly \$128,000 per year. Membership dues, contributions from the city of Rock Springs, and contributions from the city of Green River, provide funding for yearly operational needs. Most recently, SWEDA has undertaken several projects to enhance infrastructure development and improve city and county water systems. All of these municipal projects have been funded through community block grants and the

organization's spokesperson emphasized SWEDA's diligence in keeping a strict division between money collected for operations and money contributed for development projects.

**Casper Area Economic Development Alliance (CAEDA)** – The CAEDA organization is funded primarily by a portion of revenues collected from the Natrona County fifth cent sales tax and private donations. CAEDA does not charge a membership fee to participate in the organization, rather, members are encouraged to pledge donations over a four-year time span so that the organization can effectively plan and implement long term developmental projects. Though the funds received by CAEDA from the county sales tax goes primarily toward operating costs, a representative of the organization explained that the excess dollars left over from this allocation are invested in interest earning accounts.

A Joint Powers Board made up of county, city, and at-large representatives appropriates the funds to CAEDA. CAEDA receives \$2 million over four years, and any funds in excess of the operational costs each year but less than \$500,000 will go into an interest bearing account. Historically this has amounted to roughly \$100,000 to \$150,000, annually.

These investment dollars are set-aside in the event that the organization must access money for a particular project. For example, these "excess" public funds have been used to provide incentive loans such as participatory loans for equipment and machinery. CAEDA then deposits the loan payments back into the interest bearing account for use in future projects.

**Campbell County Economic Development Corporation (CCEDC)** – Similar to Casper, the CCEDC relies on revenues from a one-percent county sales tax, private donations, and funds allocated by the city of Gillette and the town of Wright. Members of the CCEDC do not pay dues, but instead, pledge donations over a certain number of years. A representative of the CCEDC mentioned that the organization has been utilizing public funds from sales tax revenues in this manner for quite some time. With its funds, the organization not only sponsors economic development projects, it also supports a revolving

loan fund for small businesses and serves as the hub of the Northeastern Wyoming Economic Development Corporation, which assists the communities of Upton and Newcastle.

**Converse Area New Development Organization (CANDO)** – The CANDO organization appears to take a slightly different approach to acquiring funds to support economic development. Besides soliciting corporate sponsorship, collecting membership dues, being allocated funds from Converse County and the City of Douglas, CANDO tries to increase its monetary power by investing dollars into fund-matching grants on the state and federal level. Since CANDO has focused on very specific areas of economic development like the renewable resources industry and workforce training programs, funding opportunities contributing to CANDO's \$800,000 (approx.) annual budget are diverse and widespread.

#### **THE WYOMING BUSINESS COUNCIL**

In considering the funding mechanisms utilized by community development organizations, it is important to consider the purpose and role of the Wyoming Business Council. The Council oversees the Business Ready Community Grant and Loan Program that distributes funds to cities, towns, or counties by application or with community development organizations, by contract, for specific infrastructure related projects relating to business commitment, community readiness, and community enhancement. The Wyoming Business Council is given authority to oversee this program according to W.S. 9-12-104(a)(iv) and W.S. 9-12-601. By law, the Wyoming Business Council may use the special revenue fund which supports the Business Ready Community Program such that:

"Any city, town or county may submit an application to the council for a grant under the program on forms prescribed by and subject to the rules promulgated by the council...Grants may be made by the council for economic development infrastructure projects, including the purchase of land, telecommunications infrastructure, rights of way, airports, sewer and water projects, roads, or other infrastructure determined by the council to be consistent with the purposes of this section. In

adopting rules and making grants under this section the council shall require all projects to be related to economic development infrastructure, which shall not include rehabilitation or expansion of existing infrastructure unless the applicant demonstrates the rehabilitation or expansion is necessary to retain an existing business or to facilitate the relocation of a business to the locality of the applicant." (03 Laws, Ch. 131)

### **CONSTITUTIONALITY ISSUE**

Issues concerning the "proper" use of publicly acquired funds for community development has been questioned. According to the Wyoming Constitution, **Article 16, Section 6:**

"Neither the state nor any county, city, township, town, school district, or any other political subdivision, shall loan or give its credit or make donations to or in aid of any individual, association or corporation, except for necessary support of the poor, nor subscribe to or become the owner of the capital stock of any association or corporation, except that funds of public employee retirement systems and the permanent funds of the state of Wyoming may be invested in such stock under conditions the legislature prescribes. The state shall not engage in any work of internal improvement unless authorized by a two-thirds (2/3) vote of the people."

In discussing the constitutional provision set forth in Article 16, Section 6 with representatives of the aforementioned economic development organizations, it appears that **some economic development organizations and the municipalities/counties in which they exist have different interpretations regarding this constitutional requirement.** Depending upon the opinion of a county attorney, some organizations prefer to only use funds received from municipalities and political subdivisions for operational and advertising costs. Other organizations take a different approach to the provision and utilize public funds for economic development investment, incentives, and revolving loan funds.

The current proposed amendment to the Wyoming Constitution, "Amendment B" would, if passed, clarify the appropriate use of public funds by granting local municipalities the power to raise funds for economic development projects as the community sees fit.

In September of 2003, the Chief Operating Officer of the Wyoming Business Council solicited an Attorney General's Opinion regarding Article 16, Section 6 (See Attachment A.) The Officer inquired:

1. If state money could be spent on the retention or expansion of infrastructure relating to an existing or recruited company?
2. If the funding of infrastructure for the development of a business or industrial park for a private real estate developer is in violation of the Constitution?

In sum, the Attorney General concluded that the Wyoming Business Council would not be in violation of the Constitution so long as the projects relating to the above circumstances demonstrated a legitimate public purpose, provided a substantial public benefit, and had statutory authority. However, the Attorney General also made mention of the fact that **the Wyoming Supreme Court "has not recognized economic development as a legitimate public purpose."** Though existing case law (primarily from other states) is used to support the Attorney General's opinion, the opinion adds that **varying circumstances involving private businesses, industries, and the like could constitute a violation.** Each situation should be viewed on a case-by-case basis.

### **CONCLUSION**

The means by which local economic development groups are funded varies substantially. It is apparent that the organizations contacted have gone to great lengths to assess the needs of their respective communities and effectively acquire funds with which to meet these needs. The outcome of proposed "Amendment B" may have a significant impact upon certain economic development organization by expanding funding options, others will likely proceed as they have in the past.