



# Senate

General Assembly

**File No. 663**

January Session, 2021

Substitute Senate Bill No. 1104

*Senate, May 10, 2021*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## ***AN ACT CONCERNING COMMUNITY RESTORATION FUNDS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) There are established  
2 community development corporations, which shall use the revenue  
3 from the tax imposed under subparagraph (J) of subdivision (1) of  
4 section 12-408 of the general statutes, as amended by this act, and the  
5 moneys transferred to the Community Development Corporation Trust  
6 Fund pursuant to subdivision (2) of subsection (e) of section 6 of this act,  
7 for the community restoration and revitalization purposes set forth in  
8 this section and section 2 of this act. Such moneys shall be disbursed by  
9 and used in coordination with the community development corporation  
10 oversight council established under section 3 of this act.

11 (b) (1) Any entity that is (A) exempt from tax pursuant to Section  
12 501(c) of the Internal Revenue Code of 1986, or any subsequent  
13 corresponding internal revenue code of the United States, as amended  
14 from time to time, and (B) located, at the time such entity submits an

15 application for designation, in a distressed municipality, as defined in  
16 section 32-9p of the general statutes, may apply to the council to be  
17 designated as a community development corporation.

18 (2) To be eligible to be designated as a community development  
19 corporation, such entity shall:

20 (A) (i) Have demonstrated effectiveness in, or have been formed for  
21 the purpose of, building, attracting and retaining neighborhood wealth,  
22 and (ii) provide financial, educational or related services to support  
23 initiatives that concentrate investments in human capital and  
24 infrastructure in a specific neighborhood or neighborhoods, with  
25 measurable community revitalization achievements;

26 (B) Agree to focus all its efforts in the distressed municipality in  
27 which it is located;

28 (C) Agree to establish its primary office in, or relocate its primary  
29 office to, a community impact zone within the municipality after such  
30 zones are designated pursuant to section 3 of this act; and

31 (D) Agree to establish or relocate any auxiliary locations to within the  
32 boundaries of the municipality in which the corporation is located.

33 (c) (1) Each community development corporation shall provide  
34 programs, services and assistance or issue grants to support community  
35 reinvestment strategies in the community impact zone in which such  
36 corporation is located, including, but not limited to, the following, in  
37 order of priority:

38 (A) Encouraging early childhood initiatives through the provision,  
39 directly or in collaboration with other entities, of free or low-cost early  
40 childhood education services to families that reside within the  
41 community impact zone, without regard to family income level. Such  
42 services shall include kindergarten preparedness and kindergarten  
43 readiness assessments. The corporation may expand such services  
44 beyond the community impact zone but within the municipality to areas  
45 with poverty levels above the municipal average;

46 (B) Increasing achievement at public elementary and middle schools  
47 located in the community impact zone. The corporation shall coordinate  
48 with officials of such schools to submit grant applications to the  
49 community development corporation oversight council to supplement  
50 per-student funding for such schools to match or approach the highest  
51 levels of per-student funding at any elementary or middle school in the  
52 state. Schools that receive such grants shall (i) set goals to achieve scores  
53 in the top percentiles on the state-wide mastery examination under  
54 section 10-14n of the general statutes. The council shall set specific target  
55 goals for each school that receives a grant pursuant to this  
56 subparagraph, and (ii) guarantee that a student residing in the  
57 community impact zone will be able to attend that specific school;

58 (C) Rebuilding community assets through:

59 (i) The construction, renovation or repair of neighborhood structures  
60 or assets of economic or other community significance, including, but  
61 not limited to, playgrounds, sidewalks, parks, community centers,  
62 senior centers, public libraries, urban gardens and green spaces. Only  
63 projects for structures or assets that are owned by the federal, state or  
64 municipal government, the community development corporation  
65 located in the community impact zone where such structure or asset is  
66 located, the partnered community development credit union, as  
67 described in section 2 of this act, or a resident of the municipality in  
68 which such structure or asset is located shall be eligible to receive  
69 funding under this subparagraph. The corporation shall seek to train  
70 residents of the community impact zone to perform some of the work  
71 such projects require, directly or indirectly through partnerships with  
72 existing technical education and apprenticeship programs and with  
73 other entities; and

74 (ii) The retention, sale or rental of such structures or assets after  
75 completion, provided any sale shall be to a resident of the community  
76 impact zone only. The partnered community development credit union  
77 may develop a cooperative model for owning and renting such  
78 structures or assets;

79 (D) Increasing owner-occupancy of residential buildings through:

80 (i) Tracking and undertaking efforts to increase the percentage of  
81 owner-occupied residential buildings in the community impact zone.  
82 The corporation shall set five-year target percentages and shall  
83 periodically evaluate and revise such target amounts;

84 (ii) The restoration and repair of multifamily rental buildings located  
85 in the community impact zone to convert such buildings into owner-  
86 occupied residential buildings or multifamily cooperative buildings  
87 with at least one unit to be a rental unit. Only projects for multifamily  
88 rental buildings owned by the community development corporation  
89 located in the community impact zone, the partnered community  
90 development credit union or a resident of the municipality in which  
91 such building is located shall be eligible to receive funding under this  
92 subparagraph. A multifamily rental building that is not owned by such  
93 corporation, credit union or resident may be considered for funding  
94 under this subparagraph, provided the owner of such building agrees,  
95 in writing, to terms set forth by the corporation that further the purposes  
96 of this section. The corporation may promote participation in existing  
97 state and housing programs to encourage owner occupancy; and

98 (iii) The retention, sale or rental of such buildings after completion,  
99 provided any sale shall be to a resident of the community impact zone  
100 only. The corporation or the partnered community development credit  
101 union may develop a cooperative model for owning and renting such  
102 buildings;

103 (E) Supporting pathways to home ownership through the offering of  
104 home buyer education and financial literacy programs in partnership  
105 with existing programs. All such partnerships shall be joint efforts  
106 between the community development corporation and its partnered  
107 community development credit union and each such credit union may  
108 develop and offer subsidized or incentivized financial products for  
109 individuals who participate in such programs;

110 (F) Creating pipelines to employment for residents of a community

111 impact zone through:

112 (i) The implementation of or participation in community work-based  
113 training programs, in consultation or coordination with other  
114 organizations, including, but not limited to, the Workforce Investment  
115 Boards. Such programs shall provide preapprenticeship or  
116 apprenticeship opportunities by providing instruction or training to  
117 increase literacy, mathematics and other technical, prevocational or  
118 vocational skills and connecting workforce, economic development and  
119 education systems with businesses and other stakeholders in the  
120 community impact zone. All such efforts undertaken by a community  
121 development corporation shall focus on the residents of the community  
122 impact zone in which such corporation is located and on businesses  
123 offering or carrying out training programs, in order of priority, (I)  
124 within the community impact zone, (II) within the municipality in  
125 which the community impact zone is located, or (III) without the  
126 municipality; and

127 (ii) The placement of residents of the community impact zone with  
128 businesses offering employment or on-the-job training that are, in order  
129 of priority, (I) within the community impact zone, (II) within the  
130 municipality in which the community impact zone is located, or (III)  
131 without the municipality only after the opportunities under subclauses  
132 (I) and (II) of this clause have been exhausted;

133 (G) Expanding access to programs at existing community centers or  
134 senior centers that serve all residents of the community impact zone,  
135 regardless of age, or converting such existing centers to centers that  
136 serve all residents of the community impact zone, regardless of age; and

137 (H) Providing municipal residents with low-cost transportation  
138 options by developing or supporting transportation alternatives within  
139 and between municipalities for travel to and from employment, home,  
140 school, retail stores and entertainment venues.

141 (2) If the corporation has insufficient funds to execute to a high level  
142 of quality all of the strategies set forth in subdivision (1) of this

143 subsection, the corporation shall pursue each strategy in the order of  
144 priority listed in said subdivision, with an emphasis on achieving a high  
145 level of quality in the execution and implementation of such strategy  
146 before undertaking the next strategy listed.

147 (d) A community development corporation may:

148 (1) Acquire real property described in subsection (c) of this section in  
149 partnership with or in coordination with its partnered community  
150 development credit union;

151 (2) Operate as or establish a subsidiary that operates as a contractor  
152 or subcontractor, provided such corporation or subsidiary complies  
153 with all applicable licensing and registration requirements under the  
154 general statutes; and

155 (3) Partner or contract with contractors or subcontractors to carry out  
156 projects and related work for the purposes set forth in subsection (c) of  
157 this section, provided the corporation shall give primary priority to a  
158 contractor or subcontractor located in the community impact zone in  
159 which the corporation is located and secondary priority to a contractor  
160 or subcontractor located in the municipality in which the corporation is  
161 located.

162 (e) Not later than six months after being designated as a community  
163 development corporation, such corporation shall (1) identify a  
164 Connecticut credit union located within the municipality in which such  
165 corporation is located that will apply to the community development  
166 corporation oversight council for designation as a community  
167 development credit union pursuant to section 2 of this act, or (2) issue a  
168 request for proposal for the organization of a new Connecticut credit  
169 union to partner with, or for an existing Connecticut credit union to  
170 partner with, such corporation.

171 (f) Notwithstanding the provisions of chapter 846 of the general  
172 statutes or section 12-157 of the general statutes, a community  
173 development corporation shall be offered the right of first refusal in the

174 sale of any real property that has been foreclosed or is being sold at  
175 public auction and is located in the community impact zone in which  
176 such corporation is located, provided such corporation has timely  
177 notified the mortgagee or the town tax collector, as applicable, of such  
178 corporation's interest in acquiring such property.

179 (g) Each community development corporation shall submit a  
180 financial report to the community development corporation oversight  
181 council, on such frequency as the council shall require but at least  
182 annually, and include such information as the council requires.

183 (h) (1) A community development corporation may request that its  
184 designation be removed. The community development corporation  
185 oversight council may grant such request, provided the council  
186 designates, from prior submitted applications or through a new request  
187 for application submissions, another entity to replace such corporation.

188 (2) The council may remove the designation of any community  
189 development corporation that the council determines is unable to or is  
190 deficient in carrying out the purposes of this section, provided the  
191 corporation has been afforded an opportunity to address and improve  
192 any deficiencies noted by the council.

193 Sec. 2. (NEW) (*Effective from passage*) (a) There are established  
194 community development credit unions, which shall partner with  
195 community development corporations, established under section 1 of  
196 this act, to further the community restoration and revitalization  
197 purposes set forth in this section and section 1 of this act.

198 (b) (1) Any Connecticut credit union organized under chapter 667 of  
199 the general statutes and in compliance with the provisions of said  
200 chapter or any Connecticut credit union service organization, as defined  
201 in section 36a-2 of the general statutes, may apply to the community  
202 development corporation oversight council established under section 3  
203 of this act to be designated as a community development credit union.

204 (2) To be designated as a community development credit union, a

205 Connecticut credit union or Connecticut credit union service  
206 organization shall:

207 (A) Serve low-income and moderate-income individuals and  
208 communities that have limited access to affordable financial services  
209 and products, with priority given to credit unions that specialize in (i)  
210 providing home mortgages or small business loans to members with  
211 imperfect, limited or no credit history, (ii) providing financial education  
212 and counseling to its members, and (iii) offering products, services and  
213 support at a low or reasonable cost to its members; and

214 (B) Agree to partner with or be partnered with at least one  
215 community development corporation and focus its activities and efforts  
216 to support such corporation's purposes set forth in section 1 of this act.

217 (c) Each community development credit union shall:

218 (1) Submit its governance structure to the community development  
219 corporation oversight council for review and approve the addition of  
220 representatives of its partnered community development corporation to  
221 its governing board, executive committee or supervisory committee or  
222 similar board or committee, in such numbers and as agreed to by such  
223 credit union and corporation;

224 (2) If applicable and necessary, expand its field of membership in  
225 accordance with section 36a-438a of the general statutes, to allow all  
226 residents of all community impact zones within the municipality in  
227 which its partnered community development corporation is located, to  
228 be members of such credit union;

229 (3) Offer or agree to offer free or low-cost basic checking and savings  
230 account services to all residents of the community impact zone in which  
231 its partnered community development corporation is located;

232 (4) Agree to establish, or relocate to, a location in the community  
233 impact zone in which its partnered community development  
234 corporation is located after such zones are designated pursuant to  
235 section 3 of this act. Such credit union shall not be precluded from



236 establishing or having locations elsewhere in the state or establishing or  
237 having multiple locations within the municipality in which the  
238 community impact zone is located; and

239 (5) Develop and issue, in consultation with its partnered community  
240 development corporation, social impact bonds to support or  
241 supplement the efforts of such corporation. Such bonds shall be  
242 designed to maximize tax benefits to investors, where the community  
243 impact zone in which such corporation is located aligns with federally  
244 designated opportunity zones.

245 (d) A community development credit union may:

246 (1) Develop low-cost or subsidized financial products and services to  
247 support the community development goals of its partnered community  
248 development corporation and apply to the community development  
249 corporation oversight council for funding for such purpose; and

250 (2) Collaborate with its partnered community development  
251 corporation to help finance or facilitate investments in real property or  
252 community structures and assets pursuant to section 1 of this act.

253 (e) Each community development credit union shall submit a  
254 financial report to the community development corporation oversight  
255 council, on such frequency as the council shall require but at least  
256 annually, and include such information as the council requires.

257 (f) (1) A community development credit union may request that its  
258 designation be removed and that it no longer be partnered with its  
259 community development corporation. The community development  
260 corporation oversight council may grant such request, provided such  
261 corporation identifies another Connecticut credit union or Connecticut  
262 credit union service organization to replace such credit union or issues  
263 a request for proposal for the organization of a new Connecticut credit  
264 union or Connecticut credit union service organization with which to  
265 partner.

266 (2) The council may remove the designation of any community

267 development credit union that the council determines is unable to or is  
268 deficient in carrying out the purposes of this section, provided the credit  
269 union has been afforded an opportunity to address and improve any  
270 deficiencies noted by the council.

271 Sec. 3. (NEW) (*Effective from passage*) (a) As used in this section,  
272 "municipality" means any town, city or borough, consolidated town and  
273 city or consolidated town and borough and "distressed municipality"  
274 has the same meaning as provided in section 32-9p of the general  
275 statutes.

276 (b) (1) There is established a community development corporation  
277 oversight council, which shall be part of the Legislative Department.  
278 The council shall consist of the following members: (A) The Treasurer;  
279 (B) the Commissioner of Economic and Community Development; (C)  
280 the executive director of the Commission on Women, Children, Seniors,  
281 Equity and Opportunity, established pursuant to section 2-127 of the  
282 general statutes; and (D) four members appointed by the Governor. In  
283 making the appointments under subparagraph (D) of this subdivision,  
284 the Governor shall seek to appoint individuals who have broad  
285 community knowledge and experience with communities within the  
286 eligible census tracts selected by the Secretary of the Office of Policy and  
287 Management pursuant to subsection (f) of this section and are reflective  
288 of the ethnic, gender and economic diversity of such communities. All  
289 appointments to the council shall be made on or after August 1, 2021,  
290 but not later than August 31, 2021.

291 (2) The Treasurer and the Commissioner of Economic and  
292 Community Development shall serve as cochairpersons of the council  
293 and shall jointly schedule the first meeting of the council, which shall be  
294 held not later than September 1, 2021. On and after January 1, 2022, the  
295 council shall meet not fewer than six times each year. A majority of the  
296 council shall constitute a quorum for the transaction of any business.

297 (3) Any vacancy shall be filled by the appointing authority. Any  
298 vacancy occurring other than by expiration of term shall be filled for the  
299 balance of the unexpired term.

300 (4) The members of the council shall serve without compensation, but  
301 shall, within the limits of available funds, be reimbursed for expenses  
302 necessarily incurred in the performance of their duties.

303 (5) The administrative staff of the joint standing committee of the  
304 General Assembly having cognizance of matters relating to economic  
305 development shall serve as administrative staff of the council.

306 (c) The council shall:

307 (1) Establish criteria for designation as a community development  
308 corporation, community development credit union and community  
309 impact zone and designate such corporations, credit unions and zones  
310 in accordance with the provisions of this section and sections 1 and 2 of  
311 this act;

312 (2) Establish an annual budget in accordance with the provisions of  
313 this section;

314 (3) Oversee the investments of, deposits in and disbursements from  
315 the Community Development Corporation Trust Fund established  
316 under section 4 of this act;

317 (4) Approve the programs, services and activities of and efforts  
318 undertaken by community development corporations and community  
319 development credit unions to further the purposes of this section and  
320 sections 1 and 2 of this act;

321 (5) Oversee, support and coordinate the programs, services and  
322 activities of and efforts undertaken by community development  
323 corporations and community development credit unions under sections  
324 1 and 2 of this act, within and across municipalities and with other  
325 relevant state agencies, entities and initiatives;

326 (6) Advise community development corporations, community  
327 development credit unions, state agencies and other entities with  
328 respect to the core purposes of community development corporations  
329 and community development credit unions;

330 (7) Review the disbursement of funds to, and contracts entered into  
331 by, community development corporations and community  
332 development credit unions, to evaluate the impact and effectiveness of  
333 such disbursements and ensure that decisions made by such  
334 corporations and credit unions regarding services or grants provided or  
335 other financial instruments issued are based solely on the purposes set  
336 forth in sections 1 and 2 of this act;

337 (8) Review the reports submitted to the council by community  
338 development corporations and community development credit unions;  
339 and

340 (9) Do all things necessary to carry out its duties and responsibilities  
341 under sections 1 to 4, inclusive, of this act.

342 (d) The council shall designate community development credit  
343 unions from among applicants that fulfill the requirements set forth in  
344 subsection (b) of section 2 of this act. The council may designate only  
345 one community development credit union for each municipality.

346 (e) The council shall designate community development corporations  
347 in accordance with the provisions of this subsection.

348 (1) Not later than October 1, 2021, the council shall release its criteria  
349 for prospective applicants seeking designation as a community  
350 development corporation. In addition to the requirements set forth in  
351 section 1 of this act, such criteria shall take into consideration the goals,  
352 purposes and requirements set forth in said section and shall include,  
353 but not be limited to, (A) whether the applicant has broad community  
354 representation in its leadership and governance, with an emphasis on  
355 ethnic and economic diversity reflective of the municipality in which the  
356 applicant is located, and (B) the professional competence and relevant  
357 experience of the applicant's management and staff. Each applicant shall  
358 include (i) a letter of support from the chief elected official of the  
359 municipality in which the applicant is located, and (ii) a statement that  
360 the applicant agrees to locate its office in a community impact zone once  
361 such zones are designated. The council shall accept applications on or

362 after October 1, 2021, until and including January 31, 2022.

363 (2) Not later than March 1, 2022, the council shall announce its  
364 selections for designated community development corporations. The  
365 council may designate only one community development corporation  
366 for each municipality.

367 (f) The Secretary of the Office of Policy and Management shall select  
368 eligible census tracts and the council shall designate community impact  
369 zones, in accordance with the provisions of this subsection.

370 (1) The secretary shall select census tracts within distressed  
371 municipalities that will be eligible to have a community impact zone or  
372 zones designated within such tract. The secretary shall consider, but  
373 need not be limited to, the following metrics for each census tract: (A)  
374 The educational level attained by the population, specifically the  
375 percentage of the population attaining an associate degree or a  
376 bachelor's degree; (B) the most recent third grade scores on the state-  
377 wide mastery examination under section 10-14n of the general statutes  
378 for reading; (C) the most recent third grade scores on the state-wide  
379 mastery examination under section 10-14n of the general statutes for  
380 mathematics; (D) the unemployment rate; (E) the state of the local  
381 economy, employment availability and access and diversity of jobs; (F)  
382 the percentage of the population receiving public assistance; (G) the  
383 percentage of the population below the federal poverty level; (H) the  
384 rate of home ownership; (I) the percentage of vacant housing; and (J)  
385 crime rates.

386 (2) Not later than August 1, 2021, the secretary shall release the census  
387 tracts that are eligible for consideration, based on a demonstration of the  
388 greatest socio-economic need as indicated by subparagraphs (A) to (J),  
389 inclusive, of subdivision (1) of this subsection. The secretary shall also  
390 release the criteria for determining an area within any such tract to be  
391 designated as a community impact zone. Such criteria shall take into  
392 consideration the goals, purposes and requirements set forth in section  
393 1 of this act and may give weight to one or more of the following: (A)  
394 The existence of a public elementary school within the area; (B) the

395 existence of an early childhood center within the area; (C) the existence  
396 of a community center serving children or seniors, or both, within the  
397 area; (D) the existence of a local community organization comprised of  
398 residents and leaders within the area, which organization's role is  
399 complementary to the goals, purposes and requirements set forth in  
400 section 1 of this act; (E) the proximity of the area to existing or planned  
401 public transportation; and (F) existing access to an asset-based housing  
402 organization that focuses on home ownership and financial literacy.

403 (3) Not later than June 1, 2022, each community development  
404 corporation shall submit a proposal to the council for not more than two  
405 geographically distinct areas within an eligible census tract in which the  
406 corporation is located to be designated as a community impact zone.

407 (4) Not later than August 1, 2022, the council shall announce its  
408 selections for designated community impact zones. The council may  
409 designate one community impact zone for a municipality with a  
410 population of one hundred thousand or less and two community impact  
411 zones for a municipality with a population of greater than one hundred  
412 thousand. If the council rejects a proposal or does not designate an area  
413 that a community development corporation proposed, the council may  
414 allow such corporation to resubmit a proposal if a community impact  
415 zone has not been otherwise designated.

416 (5) Not later than February 1, 2023, or as soon as practicable following  
417 the designations of community impact zones, each community  
418 development corporation shall establish an office or relocate its office  
419 within such zone.

420 (g) The council shall establish an annual budget that sets forth the  
421 amounts in the Community Development Corporation Trust Fund to be  
422 invested, the amounts in the fund to be disbursed for programs,  
423 services, activities and expenses for the purposes of sections 1 and 2 of  
424 this act and the amount to be set aside for the purposes of subsections  
425 (h) and (i) of this section. The council, in consultation with the Treasurer  
426 and the chief executive officer of the Connecticut Green Bank  
427 established under section 16-245n of the general statutes, shall adopt an

428 investment plan with the goals of yielding investment returns over the  
429 long-term to support the programs, services, activities and efforts for the  
430 purposes of sections 1 and 2 of this act and supporting a substantial  
431 portion of the fund's annual expenditures from the investment returns.  
432 The initial investment plan shall set forth an investment strategy for not  
433 less than twenty years and the council may revise such plan from time  
434 to time by affirmative vote. The council shall annually review such plan  
435 and the investment returns generated and shall adjust the amount of  
436 moneys to be invested and disbursed each year accordingly.

437 (h) (1) The council shall set aside an amount in its annual budget  
438 equal to the amount appropriated in the state budget act for the  
439 intensive reading instruction program established under section 10-14u  
440 of the general statutes, provided such amount set aside shall not exceed  
441 three million dollars each year. The amount to be set aside under this  
442 subsection may be reduced if there are insufficient moneys in the fund  
443 to provide for the purposes set forth in sections 1 and 2 of this act and  
444 for the entire amount of the set-aside specified under this subdivision.

445 (2) The council shall make such moneys available for the  
446 implementation or support of said reading instruction program or any  
447 state-wide early literacy initiative developed and implemented by the  
448 Department of Education, regardless of whether such program or  
449 initiative is related to a community impact zone or is eligible for other  
450 community development corporation or community development  
451 credit union programs or other grants or funding. The moneys made  
452 available pursuant to this subdivision shall supplement existing or other  
453 available grants or funding. The council shall establish forms and  
454 criteria to apply for such moneys and shall give primary priority to  
455 applications from schools located in a community impact zone,  
456 provided all such schools submit an application. Any moneys awarded  
457 to such schools shall be distributed on a zone-wide basis to be used  
458 solely for the purpose of making said reading instruction program  
459 available to all students reading below proficiency level who reside or  
460 attend school within the community impact zone. The council shall give  
461 secondary priority to applications from schools located in a distressed

462 municipality on the basis of the level of student reading achievement, as  
463 determined by the Commissioner of Education.

464 (i) The council shall set aside an amount in its annual budget, to be  
465 determined by the council, to provide financial assistance to health care  
466 providers and facilities that provide mental health or substance use  
467 disorder treatment services in any municipality. The council shall  
468 establish eligibility requirements for such financial assistance and  
469 publicize the availability of such financial assistance to the relevant  
470 community.

471 (j) The council shall develop a proposal to allow social impact bonds  
472 to be issued by the state to support public schools located in community  
473 impact zones. Not later than February 1, 2022, the Secretary of the Office  
474 of Policy and Management shall submit a report, in accordance with the  
475 provisions of section 11-4a of the general statutes, to the General  
476 Assembly, setting forth the proposal and including recommendations  
477 on ways to leverage the federal opportunity zones program to support  
478 such public schools.

479 (k) (1) The council may cause to have conducted an external,  
480 independent audit of any community development corporation or  
481 community development credit union.

482 (2) The council may request the Auditors of Public Accounts to  
483 perform, and said auditors shall perform, audits and other related  
484 evaluations to facilitate the council's responsibilities established under  
485 sections 1 to 4, inclusive, of this act.

486 (l) Not later than February 1, 2024, and annually thereafter, the  
487 council shall submit a report to the Governor and to the General  
488 Assembly, in accordance with the provisions of section 11-4a of the  
489 general statutes. Such report shall include, but not be limited to, a list of  
490 the community development corporations, community development  
491 credit unions and community impact zones designated to date, a  
492 summary of the programs, services, activities and efforts undertaken by  
493 such corporations and credit unions pursuant to sections 1 and 2 of this



494 act and the disbursements made from the Community Development  
495 Corporation Trust Fund to support such programs, services, activities  
496 and efforts.

497       Sec. 4. (NEW) (*Effective from passage*) (a) There is established a fund to  
498 be known as the "Community Development Corporation Trust Fund".  
499 The fund shall contain any moneys required by law to be deposited in  
500 the fund and shall be held in trust separate and apart from all other  
501 moneys, funds and accounts. Investment earnings credited to the assets  
502 of the fund shall become part of the assets of said fund. Any balance  
503 remaining in the fund at the end of any fiscal year shall be carried  
504 forward in the fund for the fiscal year next succeeding. Moneys in the  
505 fund shall be expended by the community development corporation  
506 oversight council established pursuant to section 3 of this act to be used  
507 for the purposes set forth in sections 1 and 2 of this act.

508       (b) The Treasurer shall invest the amounts on deposit in the fund in  
509 a manner reasonable and appropriate to achieve the objectives of the  
510 fund, exercising the discretion and care of a prudent person in similar  
511 circumstances with similar objectives. The Treasurer shall give due  
512 consideration to rate of return, risk, term or maturity, diversification of  
513 the total portfolio within the fund, liquidity, the projected  
514 disbursements and expenditures, and the expected payments, deposits,  
515 contributions and gifts to be received. The Treasurer shall not require  
516 the fund to invest directly in obligations of the state or any political  
517 subdivision of the state or in any investment or other fund administered  
518 by the Treasurer. The assets of the fund shall be continuously invested  
519 and reinvested in a manner consistent with the objectives of the fund  
520 until disbursed for the purposes set forth in sections 1 and 2 of this act.

521       (c) On or before December thirty-first, annually, the Treasurer shall  
522 submit a financial report, in accordance with the provisions of section  
523 11-4a of the general statutes, to the community development  
524 corporation oversight council and the joint standing committee of the  
525 General Assembly having cognizance of matters relating to finance,  
526 revenue and bonding, setting forth the receipts, disbursements, assets,

527 investments, liabilities and administrative costs of the fund for the prior  
528 fiscal year.

529       Sec. 5. (NEW) (*Effective from passage*) Any entity that is exempt from  
530 tax pursuant to Section 501(c) of the Internal Revenue Code of 1986, or  
531 any subsequent corresponding internal revenue code of the United  
532 States, as amended from time to time, and exempt from paying property  
533 tax and any municipality and the state may make a deposit with a  
534 community development credit union, to be invested by such credit  
535 union to further the community restoration and revitalization purposes  
536 set forth in sections 1 to 4, inclusive, of this act. Each community  
537 development credit union that receives a deposit pursuant to this  
538 section shall provide a rate of return on such deposit that is, at a  
539 minimum, not less than the London Interbank Offered Rate.

540       Sec. 6. (NEW) (*Effective from passage*) (a) As used in this section:

541       (1) "Cannabis" means "marijuana", as defined in section 21a-240 of the  
542 general statutes. "Cannabis" does not include marijuana cultivated or  
543 sold for palliative use pursuant to chapter 420f of the general statutes;

544       (2) "Cannabis concentrate" means any form of concentration,  
545 including, but not limited to, extracts, oils, tinctures, shatter and waxes,  
546 that is extracted from cannabis or a cannabis product;

547       (3) "Cannabis product" means a cannabis concentrate or a product  
548 that contains cannabis, which may be combined with other ingredients,  
549 and is intended for use or consumption. "Cannabis product" does not  
550 include the raw cannabis plant;

551       (4) "Cannabis retailer" means a person licensed by the Department of  
552 Consumer Protection to sell cannabis and cannabis products to  
553 consumers;

554       (5) "Consumer" means an individual who is twenty-one years of age  
555 or older; and

556       (6) "Municipality" means any town, city or borough, consolidated

557 town and city or consolidated town and borough.

558 (b) (1) On and after the date the Department of Consumer Protection  
559 first issues a license to a cannabis retailer, there is imposed a local sales  
560 tax at the rate of three per cent on the sale of all cannabis and cannabis  
561 products. Such tax shall be in addition to the tax applicable to such sales  
562 under section 12-408 of the general statutes, as amended by this act, and  
563 shall be administered in the same manner as the tax under said section.

564 (2) Each cannabis retailer making such sales shall file with the  
565 Commissioner of Revenue Services, on or before the last day of each  
566 calendar quarter, a return for the calendar quarter immediately  
567 preceding. Such returns shall be in such form and contain such  
568 information as the commissioner prescribes and shall indicate the  
569 municipality in which such sales occurred, and shall be accompanied by  
570 a payment of the total amount of tax shown to be due thereon.

571 (c) The commissioner shall deposit any local sales tax collected  
572 pursuant to subsection (b) of this section into the municipal cannabis  
573 revenue account established under subsection (d) of this section.

574 (d) There is established an account to be known as the "municipal  
575 cannabis revenue account" which shall be a separate account within the  
576 General Fund. The account shall contain any moneys required by law to  
577 be deposited in the account. Moneys in the account shall be expended  
578 by the Commissioner of Revenue Services for the purpose of providing  
579 moneys in accordance with this section to municipalities in which  
580 cannabis retailers are selling cannabis and cannabis products to  
581 consumers.

582 (e) (1) The commissioner shall maintain (A) an accounting of all sums  
583 deposited in the account, aggregated by municipality, (B) a listing of  
584 sums remitted by each cannabis retailer, and (C) such other information  
585 as the commissioner deems necessary for the purposes of this section.

586 (2) Commencing in the second calendar quarter following the initial  
587 deposit into the account, the commissioner shall distribute on a

588 quarterly basis a sum, calculated on a point-of-sale basis, to each  
589 municipality in which a cannabis retailer is located and for which a  
590 point-of-sale can be determined. Any moneys remaining in the account  
591 at the close of the fiscal year for which no point-of-sale can be  
592 determined shall be transferred to the Community Development  
593 Corporation Trust Fund established under section 4 of this act.

594 (3) The commissioner shall make available to each municipality in  
595 which a cannabis retailer is located any information concerning such  
596 municipality that is maintained under subdivision (1) of this subsection.

597 (f) If any person fails to pay the amount of tax reported due on its  
598 report within the time specified under this section, there shall be  
599 imposed a penalty equal to ten per cent of such amount due and unpaid,  
600 or fifty dollars, whichever is greater. Such amount shall bear interest at  
601 the rate of one per cent per month or fraction thereof, from the due date  
602 of such tax until the date of payment. Subject to the provisions of section  
603 12-3a of the general statutes, the commissioner may waive all or part of  
604 the penalties provided under this section when it is proven to the  
605 commissioner's satisfaction that the failure to pay any tax was due to  
606 reasonable cause and was not intentional or due to neglect.

607 (g) Each person, other than a cannabis retailer, who is required, on  
608 behalf of such retailer, to collect, truthfully account for and pay over a  
609 tax imposed on such retailer under this section and who wilfully fails to  
610 collect, truthfully account for and pay over such tax or who wilfully  
611 attempts in any manner to evade or defeat the tax or the payment  
612 thereof, shall, in addition to other penalties provided by law, be liable  
613 for a penalty equal to the total amount of the tax evaded, or not  
614 collected, or not accounted for and paid over, including any penalty or  
615 interest attributable to such wilful failure to collect or truthfully account  
616 for and pay over such tax or such wilful attempt to evade or defeat such  
617 tax, provided such penalty shall only be imposed against such person in  
618 the event that such tax, penalty or interest cannot otherwise be collected  
619 from such retailer. The amount of such penalty with respect to which a  
620 person may be personally liable under this section shall be collected in

621 accordance with the provisions of section 12-555a of the general statutes  
622 and any amount so collected shall be allowed as a credit against the  
623 amount of such tax, penalty or interest due and owing from the retailer.  
624 The dissolution of the retailer shall not discharge any person in relation  
625 to any personal liability under this section for wilful failure to collect or  
626 truthfully account for and pay over such tax or for a wilful attempt to  
627 evade or defeat such tax prior to dissolution, except as otherwise  
628 provided in this section. For purposes of this section, "person" includes  
629 any individual, corporation, limited liability company or partnership  
630 and any officer or employee of any corporation, including a dissolved  
631 corporation, and a member or employee of any partnership or limited  
632 liability company who, as such officer, employee or member, is under a  
633 duty to file a tax return under this section on behalf of a cannabis retailer  
634 or to collect or truthfully account for and pay over a tax imposed under  
635 this section on behalf of such retailer.

636 (h) No tax credit or credits shall be allowable against the tax imposed  
637 under this section.

638 (i) The provisions of sections 12-551 to 12-554, inclusive, and section  
639 12-555a of the general statutes shall apply to the provisions of this  
640 section in the same manner and with the same force and effect as if the  
641 language of said sections had been incorporated in full into this section  
642 and had expressly referred to the tax under this section, except to the  
643 extent that any provision is inconsistent with a provision in this section.

644 (j) The commissioner may adopt regulations, in accordance with the  
645 provisions of chapter 54 of the general statutes, to implement the  
646 provisions of this section.

647 (k) At the close of each fiscal year in which the tax imposed under the  
648 provisions of this section are received by the commissioner, the  
649 Comptroller is authorized to record as revenue for such fiscal year the  
650 amounts of such tax that are received by the commissioner not later than  
651 five business days from the last day of July immediately following the  
652 end of such fiscal year.

653 Sec. 7. Subdivision (1) of section 12-408 of the general statutes is  
654 repealed and the following is substituted in lieu thereof (*Effective from*  
655 *passage*):

656 (1) (A) For the privilege of making any sales, as defined in  
657 subdivision (2) of subsection (a) of section 12-407, at retail, in this state  
658 for a consideration, a tax is hereby imposed on all retailers at the rate of  
659 six and thirty-five-hundredths per cent of the gross receipts of any  
660 retailer from the sale of all tangible personal property sold at retail or  
661 from the rendering of any services constituting a sale in accordance with  
662 subdivision (2) of subsection (a) of section 12-407, except, in lieu of said  
663 rate, the rates provided in subparagraphs (B) to [(I)] (J), inclusive, of this  
664 subdivision;

665 (B) (i) At a rate of fifteen per cent with respect to each transfer of  
666 occupancy, from the total amount of rent received by a hotel or lodging  
667 house for the first period not exceeding thirty consecutive calendar  
668 days;

669 (ii) At a rate of eleven per cent with respect to each transfer of  
670 occupancy, from the total amount of rent received by a bed and  
671 breakfast establishment for the first period not exceeding thirty  
672 consecutive calendar days;

673 (C) With respect to the sale of a motor vehicle to any individual who  
674 is a member of the armed forces of the United States and is on full-time  
675 active duty in Connecticut and who is considered, under 50 App USC  
676 574, a resident of another state, or to any such individual and the spouse  
677 thereof, at a rate of four and one-half per cent of the gross receipts of any  
678 retailer from such sales, provided such retailer requires and maintains a  
679 declaration by such individual, prescribed as to form by the  
680 commissioner and bearing notice to the effect that false statements made  
681 in such declaration are punishable, or other evidence, satisfactory to the  
682 commissioner, concerning the purchaser's state of residence under 50  
683 App USC 574;

684 (D) (i) With respect to the sales of computer and data processing

685 services occurring on or after July 1, 2001, at the rate of one per cent, and  
686 (ii) with respect to sales of Internet access services, on and after July 1,  
687 2001, such services shall be exempt from such tax;

688 (E) (i) With respect to the sales of labor that is otherwise taxable under  
689 subparagraph (C) or (G) of subdivision (2) of subsection (a) of section  
690 12-407 on existing vessels and repair or maintenance services on vessels  
691 occurring on and after July 1, 1999, such services shall be exempt from  
692 such tax;

693 (ii) With respect to the sale of a vessel, a motor for a vessel or a trailer  
694 used for transporting a vessel, at the rate of two and ninety-nine-  
695 hundredths per cent, except that the sale of a vessel shall be exempt from  
696 such tax if such vessel is docked in this state for sixty or fewer days in a  
697 calendar year;

698 (iii) With respect to the sale of dyed diesel fuel, as defined in  
699 subsection (d) of section 12-487, sold by a marine fuel dock exclusively  
700 for marine purposes, at the rate of two and ninety-nine-hundredths per  
701 cent;

702 (F) With respect to patient care services for which payment is  
703 received by the hospital on or after July 1, 1999, and prior to July 1, 2001,  
704 at the rate of five and three-fourths per cent and on and after July 1, 2001,  
705 such services shall be exempt from such tax;

706 (G) With respect to the rental or leasing of a passenger motor vehicle  
707 for a period of thirty consecutive calendar days or less, at a rate of nine  
708 and thirty-five-hundredths per cent;

709 (H) With respect to the sale of (i) a motor vehicle for a sales price  
710 exceeding fifty thousand dollars, at a rate of seven and three-fourths per  
711 cent on the entire sales price, (ii) jewelry, whether real or imitation, for  
712 a sales price exceeding five thousand dollars, at a rate of seven and  
713 three-fourths per cent on the entire sales price, and (iii) an article of  
714 clothing or footwear intended to be worn on or about the human body,  
715 a handbag, luggage, umbrella, wallet or watch for a sales price

716 exceeding one thousand dollars, at a rate of seven and three-fourths per  
717 cent on the entire sales price. For purposes of this subparagraph, "motor  
718 vehicle" has the meaning provided in section 14-1, but does not include  
719 a motor vehicle subject to the provisions of subparagraph (C) of this  
720 subdivision, a motor vehicle having a gross vehicle weight rating over  
721 twelve thousand five hundred pounds, or a motor vehicle having a  
722 gross vehicle weight rating of twelve thousand five hundred pounds or  
723 less that is not used for private passenger purposes, but is designed or  
724 used to transport merchandise, freight or persons in connection with  
725 any business enterprise and issued a commercial registration or more  
726 specific type of registration by the Department of Motor Vehicles;

727 (I) With respect to the sale of meals, as defined in subdivision (13) of  
728 section 12-412, sold by an eating establishment, caterer or grocery store;  
729 and spirituous, malt or vinous liquors, soft drinks, sodas or beverages  
730 such as are ordinarily dispensed at bars and soda fountains, or in  
731 connection therewith; in addition to the tax imposed under  
732 subparagraph (A) of this subdivision, at the rate of one per cent;

733 (J) On and after the date the Department of Consumer Protection first  
734 issues a license to a cannabis retailer, with respect to the sale of cannabis  
735 and cannabis products, at a rate of twenty per cent. As used in this  
736 subparagraph, "cannabis", "cannabis product" and "cannabis retailer"  
737 have the same meanings as provided in section 6 of this act;

738 ~~[(J)]~~ (K) The rate of tax imposed by this chapter shall be applicable to  
739 all retail sales upon the effective date of such rate, except that a new rate  
740 that represents an increase in the rate applicable to the sale shall not  
741 apply to any sales transaction wherein a binding sales contract without  
742 an escalator clause has been entered into prior to the effective date of the  
743 new rate and delivery is made within ninety days after the effective date  
744 of the new rate. For the purposes of payment of the tax imposed under  
745 this section, any retailer of services taxable under subdivision (37) of  
746 subsection (a) of section 12-407, who computes taxable income, for  
747 purposes of taxation under the Internal Revenue Code of 1986, or any  
748 subsequent corresponding internal revenue code of the United States,



749 as amended from time to time, on an accounting basis that recognizes  
750 only cash or other valuable consideration actually received as income  
751 and who is liable for such tax only due to the rendering of such services  
752 may make payments related to such tax for the period during which  
753 such income is received, without penalty or interest, without regard to  
754 when such service is rendered;

755 ~~[(K)]~~ (L) (i) For calendar quarters ending on or after September 30,  
756 2019, the commissioner shall deposit into the regional planning  
757 incentive account, established pursuant to section 4-66k, six and seven-  
758 tenths per cent of the amounts received by the state from the tax  
759 imposed under subparagraph (B) of this subdivision and ten and seven-  
760 tenths per cent of the amounts received by the state from the tax  
761 imposed under subparagraph (G) of this subdivision;

762 (ii) For calendar quarters ending on or after September 30, 2018, the  
763 commissioner shall deposit into the Tourism Fund established under  
764 section 10-395b ten per cent of the amounts received by the state from  
765 the tax imposed under subparagraph (B) of this subdivision;

766 ~~[(L)]~~ (M) For calendar months commencing on or after July 1, 2021,  
767 the commissioner shall deposit into the municipal revenue sharing  
768 account established pursuant to section 4-66l seven and nine-tenths per  
769 cent of the amounts received by the state from the tax imposed under  
770 subparagraph (A) of this subdivision; and

771 ~~[(M)]~~ (N) (i) For calendar months commencing on or after July 1, 2017,  
772 the commissioner shall deposit into the Special Transportation Fund  
773 established under section 13b-68 seven and nine-tenths per cent of the  
774 amounts received by the state from the tax imposed under  
775 subparagraph (A) of this subdivision;

776 (ii) For calendar months commencing on or after July 1, 2018, but  
777 prior to July 1, 2019, the commissioner shall deposit into the Special  
778 Transportation Fund established under section 13b-68 eight per cent of  
779 the amounts received by the state from the tax imposed under  
780 subparagraphs (A) and (H) of this subdivision on the sale of a motor

781 vehicle;

782 (iii) For calendar months commencing on or after July 1, 2019, but  
783 prior to July 1, 2020, the commissioner shall deposit into the Special  
784 Transportation Fund established under section 13b-68 seventeen per  
785 cent of the amounts received by the state from the tax imposed under  
786 subparagraphs (A) and (H) of this subdivision on the sale of a motor  
787 vehicle;

788 (iv) For calendar months commencing on or after July 1, 2020, but  
789 prior to July 1, 2021, the commissioner shall deposit into the Special  
790 Transportation Fund established under section 13b-68 twenty-five per  
791 cent of the amounts received by the state from the tax imposed under  
792 subparagraphs (A) and (H) of this subdivision on the sale of a motor  
793 vehicle;

794 (v) For calendar months commencing on or after July 1, 2021, but  
795 prior to July 1, 2022, the commissioner shall deposit into the Special  
796 Transportation Fund established under section 13b-68 seventy-five per  
797 cent of the amounts received by the state from the tax imposed under  
798 subparagraphs (A) and (H) of this subdivision on the sale of a motor  
799 vehicle; and

800 (vi) For calendar months commencing on or after July 1, 2022, the  
801 commissioner shall deposit into the Special Transportation Fund  
802 established under section 13b-68 one hundred per cent of the amounts  
803 received by the state from the tax imposed under subparagraphs (A)  
804 and (H) of this subdivision on the sale of a motor vehicle; [.] and

805 (O) For calendar quarters ending on or after the initial remittance of  
806 the tax on the sale of cannabis and cannabis products, each as defined  
807 in section 6 of this act, the commissioner shall deposit into the  
808 Community Development Corporation Trust Fund established under  
809 section 4 of this act one hundred per cent of the amounts received and  
810 retained by the state from the tax imposed under subparagraph (J) of  
811 this subdivision.

812 Sec. 8. Section 12-408 of the general statutes is amended by adding  
813 subdivision (8) as follows (*Effective from passage*):

814 (NEW) (8) No tax credit or credits shall be allowable against the tax  
815 imposed under subparagraph (J) of subdivision (1) of this section.

816 Sec. 9. Section 36a-455a of the general statutes is repealed and the  
817 following is substituted in lieu thereof (*Effective from passage*):

818 A Connecticut credit union may:

819 (1) Transact a general credit union business and exercise by its  
820 governing board or duly authorized members of senior management,  
821 subject to applicable law, all such incidental powers as are consistent  
822 with its purposes. The express powers authorized for a Connecticut  
823 credit union under this section do not preclude the existence of  
824 additional powers deemed to be incidental to the transaction of a  
825 general credit union business pursuant to this subdivision;

826 (2) (A) Issue shares to its members and receive payments on shares  
827 from its members and from those nonmembers specified in subsection  
828 (e) of section 36a-456a, subject to the provisions of sections 36a-290 to  
829 36a-297, inclusive, 36a-330 to 36a-338, inclusive, and 36a-456a, (B)  
830 receive deposits of members and nonmembers subject to provisions of  
831 sections 36a-456a and 36a-456b, (C) reduce the amount of its member  
832 and nonmember shares and deposits, (D) expel members and cancel  
833 shares in accordance with section 36a-439a, and (E) provide check  
834 cashing and wire and electronic transfer services to nonmembers who  
835 are within such credit union's field of membership;

836 (3) Make and use its best efforts to make secured and unsecured loans  
837 and other extensions of credit to its members in accordance with section  
838 36a-265 and sections 36a-457a, 36a-457b and 36a-458a;

839 (4) Invest its funds in accordance with section 36a-459a;

840 (5) Declare and pay dividends in accordance with sections 36a-441a  
841 and 36a-456c, and pay interest refunds to borrowers;

842 (6) Act as a finder or agent for the sale of insurance and fixed and  
843 variable rate annuities directly, sell insurance and such annuities  
844 indirectly through a Connecticut credit union service organization, or  
845 enter into arrangements with third-party marketing organizations for  
846 the sale by such third-party marketing organizations of insurance or  
847 such annuities on the premises of the Connecticut credit union or to  
848 members of the Connecticut credit union, provided: (A) Such insurance  
849 and annuities are issued or purchased by or from an insurance company  
850 licensed in accordance with section 38a-41; and (B) the Connecticut  
851 credit union, Connecticut credit union service organization or third-  
852 party marketing organization, and any officer and employee thereof,  
853 shall be licensed as required by section 38a-769 before engaging in any  
854 of the activities authorized by this subdivision. As used in this  
855 subdivision, "annuities" and "insurance" have the same meanings as set  
856 forth in section 38a-41, except that "insurance" does not include title  
857 insurance. The provisions of this subdivision do not authorize a  
858 Connecticut credit union or Connecticut credit union service  
859 organization to underwrite insurance or annuities;

860 (7) Borrow money to an amount not exceeding fifty per cent of the  
861 total assets of the Connecticut credit union provided the credit union  
862 shall give prior notice to the commissioner in writing of its intention to  
863 borrow amounts in excess of thirty-five per cent of its total assets;

864 (8) Act as fiscal agent for the federal government, this state or any  
865 agency or political subdivision thereof;

866 (9) Provide loan processing, loan servicing, member check and  
867 money order cashing services, disbursement of share withdrawals and  
868 loan proceeds, money orders, internal audits, automated teller machine  
869 services, ACH and wire transfer services, prepaid debit cards, payroll  
870 cards, digital wallet services, coin and currency services, remote deposit  
871 capture services, electronic banking and other similar services to other  
872 Connecticut credit unions, federal credit unions, federally insured  
873 financial institutions and out-of-state credit unions;

874 (10) Provide finder services to its members, including the offering of

875 third party products and services through the sale of advertising space  
876 on its web site, account statements and receipts, and the sale of statistical  
877 or consumer financial information to outside vendors in accordance  
878 with sections 36a-40 to 36a-45, inclusive, in order to facilitate the sale of  
879 such products to the members of such Connecticut credit union;

880 (11) With the prior approval of the commissioner, exercise fiduciary  
881 powers;

882 (12) Maintain and rent safe deposit boxes within suitably constructed  
883 vaults, provided the Connecticut credit union has adequate insurance  
884 coverage for losses related to such rental;

885 (13) Provide certification services, including notary services,  
886 signature guaranties, certification of electronic signatures and share  
887 draft certifications;

888 (14) Act as agent (A) in the collection of taxes for any qualified  
889 treasurer of any taxing district or qualified collector of taxes, or (B) for  
890 any electric distribution, gas, water or telephone company operating  
891 within this state in receiving moneys due such company for utility  
892 services furnished by it;

893 (15) Issue and sell securities which (A) are guaranteed by the Federal  
894 National Mortgage Association or any other agency or instrumentality  
895 authorized by state or federal law to create a secondary market with  
896 respect to extensions of credit of the type originated by the Connecticut  
897 credit union, or (B) subject to the approval of the commissioner, relate  
898 to extensions of credit originated by the Connecticut credit union and  
899 are guaranteed or insured by a financial guaranty insurance company  
900 or comparable private entity;

901 (16) Establish a charitable fund, either in the form of a charitable trust  
902 or a nonprofit corporation to assist in making charitable contributions,  
903 provided (A) the trust or nonprofit corporation is exempt from federal  
904 income taxation and may accept charitable contributions under Section  
905 501 of the Internal Revenue Code of 1986, or any subsequent

906 corresponding internal revenue code of the United States, as from time  
907 to time amended, (B) the trust or nonprofit corporation's operations are  
908 disclosed fully to the commissioner upon request, and (C) the trust  
909 department of the credit union or one or more directors or members of  
910 senior management of the credit union act as trustees or directors of the  
911 fund;

912 (17) In the discretion of a majority of its governing board, make  
913 contributions or gifts to or for the use of any corporation, trust or  
914 community chest, fund or foundation created or organized under the  
915 laws of the United States or of this state and organized and operated  
916 exclusively for charitable, educational or public welfare purposes, or of  
917 any hospital which is located in this state and which is exempt from  
918 federal income taxes and to which contributions are deductible under  
919 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent  
920 corresponding internal revenue code of the United States, as from time  
921 to time amended;

922 (18) Subject to the provisions of section 36a-455b, sell, pledge or  
923 assign any or all of its outstanding extensions of credit to any other  
924 lending institution, credit union service organization or quasi-  
925 governmental entity and any government-sponsored enterprise, and act  
926 as collecting, remitting and servicing agent in connection with any such  
927 extension of credit and charge for its acts as agent. Any such credit union  
928 may purchase the minimum amount of capital stock of such entity or  
929 enterprise if required by that entity or enterprise to be purchased in  
930 connection with the sale, pledge or assignment of extensions of credit to  
931 that entity or enterprise and may hold and dispose of such stock,  
932 provided that with respect to purchases of stock of a credit union service  
933 organization, the Connecticut credit union shall not exceed the  
934 limitations of section 36a-459a. A Connecticut credit union may  
935 purchase one or more outstanding extensions of credit from any other  
936 lending institution and any federally-recognized Native American tribe,  
937 provided there exists a formal written agreement with tribal  
938 government to permit the credit union to service and collect on such  
939 extensions of credit;

940 (19) Subject to the provisions of section 36a-455b, sell a participating  
941 interest in any or all of its outstanding extensions of credit to and  
942 purchase a participating interest in any or all of the outstanding  
943 extensions of credit of any financial institution or credit union service  
944 organization pursuant to an appropriate written participation and  
945 servicing agreement to be signed by all parties involved in such  
946 transaction;

947 (20) With the approval of the commissioner, join the Federal Home  
948 Loan Bank System and borrow funds as provided under federal law;

949 (21) Subject to the provisions of section 36a-455b, sell all or part of its  
950 assets, other than extensions of credit, to other lending institutions,  
951 purchase all or part of the assets, other than extensions of credit, of other  
952 lending institutions, and assume all or part of the shares and the  
953 liabilities of any other credit union or out-of-state credit union;

954 (22) With the prior written approval of the commissioner, engage in  
955 closely related activities, unless the commissioner determines that any  
956 such activity shall be conducted by a credit union service organization  
957 of the Connecticut credit union, utilizing such organizational, structural  
958 or other safeguards as the commissioner may require, in order to protect  
959 the Connecticut credit union from exposure to loss. As used in this  
960 subdivision, "closely related activities" means those activities that are  
961 closely related, convenient and necessary to the business of a  
962 Connecticut credit union, are reasonably related to the operation of a  
963 Connecticut credit union or are financial in nature including, but not  
964 limited to, business and professional services, data processing, courier  
965 and messenger services, credit-related activities, consumer services,  
966 services related to real estate, financial consulting, tax planning and  
967 preparation, community development activities, or any activities  
968 reasonably related to such activities;

969 (23) Engage in any activity that a federal credit union or out-of-state  
970 credit union may be authorized to engage in under state or federal law,  
971 provided the Connecticut credit union file with the commissioner prior  
972 written notice of its intention to engage in such activity. Such notice shall

973 include a description of the activity, a description of the financial impact  
 974 of the activity on the Connecticut credit union, citation of the legal  
 975 authority to engage in the activity under state or federal law, a  
 976 description of any limitations or restrictions imposed on such activity  
 977 under state or federal law, and any other information that the  
 978 commissioner may require. The Connecticut credit union may engage  
 979 in any such activity unless the commissioner disapproves such activity  
 980 not later than thirty days after the notice is filed. The commissioner may  
 981 adopt regulations in accordance with chapter 54 to ensure that any such  
 982 activity is conducted in a safe and sound manner with adequate  
 983 consumer protections. The provisions of this subdivision do not  
 984 authorize a Connecticut credit union or a Connecticut credit union  
 985 service organization to sell title insurance; [.]

986 (24) (A) Partner with a community development corporation, as  
 987 described in section 1 of this act, and be designated as a community  
 988 development credit union in accordance with the provisions of section  
 989 2 of this act, (B) if so designated, engage in any activity authorized for a  
 990 community development credit union under sections 1 and 2 of this act,  
 991 and (C) issue social impact bonds in accordance with subdivision (5) of  
 992 subsection (c) of section 2 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	12-408(1)
Sec. 8	<i>from passage</i>	12-408
Sec. 9	<i>from passage</i>	36a-455a

**Statement of Legislative Commissioners:**

In Section 1(a), the first sentence was rewritten for accuracy; Section 1(b)(1) was rewritten for clarity; in Sections 2(c)(5) and 3(j), references to



"federal qualified opportunity zones" were changed to "federally designated opportunity zones" and "federal opportunity zones", respectively, for statutory consistency; in Section 5, the first sentence was rewritten for accuracy; in Sections 6 and 7, references to "Cannabis Control Commission" were changed to "Department of Consumer Protection" for accuracy; and in Section 7, "initial deposit" was changed to "initial remittance" for accuracy.

**FIN**      *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Department of Revenue Services	GF - Potential Cost	286,189	490,547
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Potential Cost	97,546	202,596
Treasurer	GF - Potential Cost	75,000	None
Treasurer	Community Development Trust Fund - Potential Revenue / Potential Cost	See Below	See Below

Note: GF=General Fund

**Municipal Impact:**

Municipalities	Effect	FY 22 \$	FY 23 \$
Various Municipalities	Potential Revenue Gain	See Below	See Below

**Explanation**

Conditional upon enactment of legalized recreational cannabis, the bill imposes a 20% state sales tax and 3% local sales tax on cannabis and cannabis products. Projected annual revenues are anticipated to be \$116 million (state) and \$18 million (municipal) by FY 25. There would be

<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.3% of payroll in FY 22 and FY 23.

corresponding costs to administer the programs under the bill.

The bill results in a one-time cost to the Treasurer to establish the Community Development Corporation Trust Fund. To the extent that revenues are available to support the various programs established by the bill, there is an annual cost to the Treasurer to hire staff to administer such programs.

Potential administrative costs to the Department of Revenue Services are estimated at \$383,735 in the first fiscal year following legalization and \$693,143 in the subsequent fiscal year. This includes salary and fringe benefit costs for two Revenue Agents and five Revenue Examiners, as well as a one-time set-up and information technology programming cost estimated at \$50,000 in the first year only.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR Bill Analysis****sSB 1104*****AN ACT CONCERNING COMMUNITY RESTORATION FUNDS.*****SUMMARY**

This bill imposes a 20% state sales tax and a 3% local sales tax on cannabis and cannabis products (excluding cannabis for palliative use), beginning on and after the date the Department of Consumer Protection (DCP) first issues a license to a cannabis retailer.

The bill directs the (1) state sales tax revenue from cannabis sales to a new Community Development Corporation (CDC) Trust Fund and (2) local sales tax revenue to a new municipal cannabis revenue account. It requires the Department of Revenue Services (DRS) commissioner to distribute the funds in the municipal cannabis revenue account each quarter to municipalities on a point-of-sale basis. Any funds for which the commissioner cannot determine the point of sale must be transferred to the CDC Trust Fund.

The bill also creates a framework for establishing nonprofit CDCs to partner with qualifying community development credit unions (CDCUs) in undertaking specified community restoration and revitalization programs and activities. It establishes a seven-member legislative council (the CDC oversight council) to designate the CDCs and CDCUs and oversee the distribution of cannabis tax revenue in the CDC Trust Fund for the programs and activities. It also establishes a process by which the Office of Policy and Management (OPM) secretary and CDC oversight council identify and designate community impact zones in which CDCs and CDCUs focus their programs and activities.

Lastly, the bill authorizes the state, municipalities, and nonprofit organizations that are exempt from property tax to make deposits with CDCUs that must in turn be invested by the CDCU to further the bill's

community restoration and revitalization purposes.

EFFECTIVE DATE: Upon passage

## **§ 1 — COMMUNITY DEVELOPMENT CORPORATIONS**

### ***Eligible Entities***

The bill establishes the criteria organizations must meet in order to be designated as a CDC.

Under the bill, an entity may apply to the council to be designated as a CDC if it (1) is exempt from federal tax under section 501(c) of the federal tax code, (2) is located in a distressed municipality (see BACKGROUND) at the time of its application, and (3) meets the following requirements:

1. has demonstrated effectiveness in, or has been formed for the purposes of, building, attracting, and retaining neighborhood wealth;
2. provides financial, educational, or related services to support initiatives that concentrate investments in human capital and infrastructure in a specific neighborhood or neighborhoods, with measurable community revitalization achievements;
3. agrees to focus all of its efforts in the distressed municipality in which it is located;
4. agrees to establish or relocate its primary office in a community impact zone (described below) within the municipality after the zones are designated; and
5. agrees to establish or relocate any auxiliary locations to the municipality in which it is located.

### ***Programs, Services, and Assistance***

The bill requires each CDC to provide specific programs, services, and assistance or grants to support community reinvestment strategies in the community impact zone in which it is located. Its initiatives must

include the programs and services described below, in the order of priority listed. If the CDC has insufficient funds to execute these strategies to a high level of quality, it must pursue each strategy in the order listed, with an emphasis on achieving high quality before undertaking the next strategy.

**Early Childhood.** The CDC must encourage early childhood initiatives by providing, directly or in collaboration with other entities, free or low-cost early childhood education services to families living within the community impact zone, regardless of their income. The services must include kindergarten preparedness and readiness assessments. The CDC may expand its services to areas within the municipality that are outside the community impact zone that have poverty levels exceeding the municipal average.

**Educational Achievement.** The CDC must increase achievement at public elementary and middle schools in the zone. It must coordinate with officials at these schools to submit grant applications to the CDC oversight council to supplement per-student funding so that it matches or approaches the highest levels of per-student funding at any elementary or middle school in the state. Schools receiving grants must (1) set goals to achieve statewide mastery test scores in the top percentiles, based on specific target goals set for each school by the council, and (2) guarantee that a student residing in the zone will be able to attend that specific school.

**Community Assets.** The CDC must rebuild community assets by constructing, renovating, or repairing neighborhood structures or assets that are significant to the economy or community. These include playgrounds, sidewalks, parks, community centers, senior centers, public libraries, urban gardens, and green spaces. (Presumably, a CDC would undertake these efforts in conjunction with the municipality or property owner that owns or controls the asset or structure.) To be eligible for funding, the structures or assets must be owned by (1) the federal government, state, or municipality; (2) the CDC; (3) the partnered CDCU; or (4) a resident of the municipality in which it is

located. The CDC must seek to train zone residents to do some of the work the projects require, either directly or indirectly with other entities or through partnerships with existing technical education and apprenticeship programs.

The CDC must also retain, sell, or rent these structures or assets after their completion, but it may sell them only to zone residents. The partnered CDCU may develop a cooperative model for owning and renting the structures and assets.

**Homeownership.** The CDC must increase homeownership rates by doing the following:

1. It must track and make efforts to increase the percentage of owner-occupied residential buildings in the zone. It must set five-year target percentages and periodically evaluate and revise its target amounts.
2. It must restore and repair multifamily rental buildings located in the zone to convert them into owner-occupied residential buildings or multifamily cooperative buildings with at least one rental unit. To be eligible for funding, the property must generally be owned by the CDC, the partnered CDCU, or a resident of the municipality. However, properties that are not owned by such entities or individuals may still be considered for funding if the building's owner agrees, in writing, to the corporation's terms furthering the bill's homeownership purposes. The CDC may also promote participation in existing state and housing programs to encourage owner occupancy.
3. As with the community structures and assets described above, the CDC must retain, sell, or rent the buildings after their completion, but it may sell them only to zone residents. The CDC or partnered CDCU may develop a cooperative ownership or rental model for the buildings.

**Homebuyer Education and Financial Literacy.** The CDC must

support pathways to homeownership by partnering with existing programs to offer education and financial literacy programs. The partnerships must be joint efforts between the CDC and its partnered CDCU and each CDCU may develop and offer subsidized or incentivized financial products for individuals who participate in the programs.

**Job Pipelines for Zone Residents.** The CDC must consult or coordinate with other organizations, including the Workforce Investment Boards, to implement or participate in community work-based training programs. The programs must provide pre-apprenticeship or apprenticeship opportunities through instruction or training to (1) increase literacy, math, and other technical, prevocational, or vocational skills and (2) connect workforce, economic development, and education systems with businesses and other zone stakeholders. The CDC's efforts must focus on (1) zone residents and (2) businesses offering or carrying out training programs in the following order of priority: in the zone, in the municipality, and outside the municipality.

The CDC must also place zone residents with businesses that offer employment or on-the-job training. It must select businesses in the following order of priority: within the zone, within the municipality, and outside the municipality if the opportunities in the zone and municipality have been exhausted.

**Community and Senior Centers.** The CDC must (1) expand access to programs at existing community or senior centers that serve zone residents, regardless of age, or (2) convert the centers to ones to serve all zone residents, regardless of age. (Presumably, a CDC would undertake these efforts in conjunction with the municipality or organization that runs the existing community or senior center.)

**Transportation.** The CDC must provide municipal residents with low-cost transportation options by developing or supporting transportation alternatives within and between municipalities for travel to and from work, home, school, retail stores, and entertainment venues.



**Powers**

Under the bill, a CDC may:

1. acquire the real property described above (e.g., community assets and structures and multifamily residential buildings) in coordination with its partnered CDCU;
2. operate as a contractor or subcontractor, or establish a subsidiary to do so, as long as the CDC or subsidiary complies with all applicable state licensing and registration requirements; and
3. partner or contract with contractors or subcontractors to carry out projects and related work for the purposes described above, provided the CDC gives first priority to a contractor or subcontractor located in the zone and second priority to one located in the municipality.

**Partnerships with CDCUs**

No later than six months after being designated a CDC, the corporation must (1) identify a Connecticut credit union located within the municipality in which the CDC is located that will apply to the CDC oversight council to be designated as a CDCU or (2) issue a request for proposal for the organization of a new Connecticut credit union, or an existing Connecticut credit union, to partner with the CDC.

**Foreclosed or Auctioned Property**

A CDC must be offered the right of first refusal in the sale of any real property in the zone that has been foreclosed or is being sold at public auction, provided it has notified the mortgagee or municipal tax collector, as applicable, of its interest in acquiring the property. Under the bill, this provision applies regardless of the state laws on mortgage foreclosures and tax sales.

**Financial Report**

The bill requires each CDC to submit a financial report to the CDC oversight council, including any information the council requires. It must submit the report as often as the council requires, but at least

annually.

### ***Removing a CDC Designation***

The bill allows a CDC to request that its designation be removed. The CDC oversight council may grant the request as long as it designates another entity to replace the CDC, based on prior applications or through a new request for applications.

The bill also authorizes the council to remove a CDC's designation if (1) it determines that the CDC is unable to carry out or deficient in carrying out the purposes described above and (2) the corporation was given the opportunity to address and improve the deficiencies noted by the council.

## **§§ 2 & 9 — COMMUNITY DEVELOPMENT CREDIT UNIONS**

### ***Authorization***

The bill authorizes Connecticut credit unions to (1) partner with CDCs; (2) be designated as CDCUs, and if designated, engage in the activities authorized under the bill; and (3) issue social impact bonds, as described below.

Under the bill, Connecticut credit union service organizations may also be designated as CDCUs. By law, a Connecticut credit union service organization is an organization that is incorporated under the state's laws and established by at least one Connecticut credit union or wholly owned by a federal or out-of-state credit union that converted to a Connecticut credit union.

### ***Eligible Credit Unions***

The bill authorizes Connecticut credit unions and credit union service organizations to apply to the CDC oversight council to be designated as a CDCU. To be designated, the credit union or credit union service organization must:

1. serve low- and moderate-income people and communities with limited access to affordable financial services and products, with priority, and

2. agree to partner with at least one CDC and focus its activities and efforts to support the corporation's purposes.

The CDC oversight council must give priority to credit unions and credit union service organizations that specialize in:

1. providing home mortgages or small business loans to members with imperfect, limited, or no credit history;
2. providing financial education and counseling to members; and
3. offering products, services, and support at a low or reasonable cost to members.

### ***Duties and Powers***

Under the bill, each CDCU must do the following:

1. submit its governance structure to the CDC oversight council for review;
2. approve the addition of the CDC's representatives to its governing board, executive committee, supervisory committee, or similar entity, in such numbers and as the credit union and CDC agree;
3. if applicable and necessary, expand its field of membership to allow residents of all community impact zones within the municipality in which its partnered CDC is located to be members of the credit union;
4. offer or agree to offer free or low-cost basic checking and savings account services to all residents of the zone in which its partnered CDC is located;
5. agree to establish in or move a location to the zone after it is designated (as described below) (but the bill specifies that the credit union is not precluded from establishing or having locations elsewhere in the state or municipality in which the zone

is located); and

6. develop and issue social impact bonds, in consultation with its partnered CDC, to support or supplement the CDC's efforts.

The bill specifies that the social impact bonds must be designed to maximize tax benefits to investors in cases where the community impact zone aligns with federally designated opportunity zones.

### ***Financing CDC Activities***

The bill authorizes each CDCU to develop low-cost or subsidized financial products and services to support its CDC's goals and apply to the CDC oversight council for funding to do so. It also authorizes each CDCU to collaborate with its CDC to help finance or facilitate investments in real property or community structures and assets, as described above.

### ***Financial Report***

Each CDCU must submit a financial report to the CDC oversight council, including any information the council requires. It must submit the report as often as the council requires, but at least annually.

### ***Removing a CDCU Designation***

The bill allows a CDCU to request that its designation be removed and to cease its partnership with the CDC. The CDC oversight council may grant the request as long as the CDC identifies another credit union or credit union service organization to replace it or issues a request for proposal for one.

The bill also authorizes the council to remove a CDCU's designation if (1) it determines that the CDCU is unable to carry out or is deficient in carrying out the purposes described above and (2) the CDCU was given the opportunity to address and improve the deficiencies noted by the council.

## **§ 3 — CDC OVERSIGHT COUNCIL**

### ***Membership and Governance***

The bill establishes a seven-member legislative council comprised of the treasurer, Department of Economic and Community Development (DECD) commissioner, Commission on Women, Children, Seniors, Equity and Opportunity executive director, and four members appointed by the governor. The governor must seek to appoint individuals (1) with broad community knowledge and experience with communities within the eligible census tracts described below and (2) who reflect the ethnic, gender, and economic diversity of these communities. He must make his appointments between August 1, 2021 and August 31, 2021.

The treasurer and DECD commissioner must co-chair the council and jointly schedule and hold its first meeting by September 1, 2021. Beginning on and after January 1, 2022, the council must meet at least six times each year. A majority of the council constitutes a quorum for transacting business.

Vacancies must be filled for the unexpired term by the appointing authority (i.e., governor). (However, the bill does not specify the term length for appointees.) Council members are not paid, but must be reimbursed for expenses within available funds. The Commerce Committee's administrative staff serve as the council's staff.

### **Duties**

The bill requires the council to perform the following duties:

1. establish eligibility criteria for designating CDCs, CDCUs, and community impact zones and designate them in accordance with the bill;
2. establish an annual budget as described below;
3. oversee the investments, deposits, and disbursements for the Community Development Corporation Trust Fund;
4. approve CDC and CDCU programs, services, and activities to further their purposes;

5. oversee, support, and coordinate these programs, services, and activities within and across municipalities and with other relevant state agencies, entities, and initiatives;
6. advise CDCs, CDCUs, state agencies, and other entities on the core purposes of CDCs and CDCUs;
7. review the disbursement of funds to CDCs and CDCUs, and contracts entered into by these entities, to evaluate their impact and effectiveness and ensure that decisions they make regarding services, grants, or financial instruments are based solely on the purposes described under the bill;
8. review the reports CDCs and CDCUs submit to it; and
9. do all things necessary to carry out its duties and responsibilities under the bill.

### ***Designating CDCUs***

The bill requires the council to designate CDCUs from among applicants that fulfill the bill's requirements. It may designate only one CDCU for each municipality (i.e., town, city, borough, consolidated town and city, or consolidated town and borough).

### ***Designating CDCs***

**Criteria.** By October 1, 2021, the council must release its criteria for prospective applicants seeking to be designated as a CDC. In addition to the eligibility requirements for CDCs described above, the council's criteria must consider (1) whether the applicant's leadership and governance has broad community representation, with an emphasis on ethnic and economic diversity reflective of the municipality in which it is located, and (2) the professional competence and relevant experience of its management and staff.

**Required Submissions.** Each applicant must include a letter of support from the municipality's chief elected official and a statement that the applicant agrees to locate its office in a community impact zone

once these zones are designated.

**Deadlines.** The council must accept applications from October 1, 2021 through January 31, 2022, and announce its selections by March 1, 2022. The council may designate only one CDC for each municipality.

### **Annual Budget**

The council must establish an annual budget that sets forth the amount in the CDC Trust Fund to be (1) invested; (2) disbursed for CDC and CDCU programs, services, activities, and expenses; and (3) set aside for the intensive reading instruction program and mental health or substance abuse disorder treatment services described below.

**Intensive Reading Instruction Program.** The council's budget must set aside an amount equal to the amount appropriated in the state budget act, up to \$3 million, for the State Department of Education's (SDE) intensive reading program for grades kindergarten through three and select low-achieving elementary schools. The council may reduce the amount set aside for the program if there are insufficient funds in the CDC Trust Fund to provide for the CDC and CDCU purposes established under the bill.

The council must make the set-aside funds available to implement or support the intensive reading instruction program or any statewide early literacy initiative SDE develops and implements, regardless of whether the program relates to a community impact zone or qualifies for other CDC or CDCU programs or funding. The set-aside funds must supplement any existing or available funding.

The council must (1) establish application forms and criteria for the funds and (2) give first priority to applications from schools located in a community impact zone, as long as all such schools apply. Any funds awarded to these schools must be distributed on a zone-wide basis and be used solely to make the program available to all students reading below proficiency level who live, or attend a school, in the zone.

The council must give second priority to applications from schools

located in a distressed municipality on the basis of their student reading achievement level, as determined by the SDE commissioner.

***Mental Health and Substance Abuse Disorder Treatment Services.*** The council must set aside an amount in its annual budget to provide financial assistance to health care providers and facilities providing mental health or substance abuse disorder treatment services in any municipality. The council must (1) determine the amount to be set aside, (2) establish eligibility requirements for the assistance, and (3) publicize its availability to the relevant community.

### ***Investment Plan***

The council must, in consultation with the treasurer and Connecticut Green Bank's chief executive officer, adopt an investment plan with the goals of (1) yielding long-term investment returns to support CDC and CDCU programs, services, and activities and (2) supporting a substantial portion of the fund's annual expenditures from the investment returns. The initial investment plan must establish an investment strategy for at least 20 years; the council may periodically revise the plan by affirmative vote.

The council must annually review the plan and investment returns generated and adjust the amounts invested and disbursed each year accordingly.

### ***Social Impact Bonds***

The council must develop a proposal to allow social impact bonds to be issued by the state to support public schools located in community impact zones. By February 1, 2022, the OPM secretary must report to the General Assembly on the proposal, including recommendations on ways to leverage the opportunity zone program to support these schools.

### ***Audits***

The council may require an external, independent audit of any CDC or CDCU. It may also request the Auditors of Public Accounts to perform audits and other related evaluations to facilitate the council's



responsibilities under the bill. The auditors must perform any requested audits and evaluations.

### ***Legislative Report***

Annually, beginning by February 1, 2024, the council must report to the governor and General Assembly and provide:

1. a list of CDCs, CDCUs, and community impact zones designated to date and
2. a summary of CDC and CDCU programs, services, activities, and efforts and the CDC Trust Fund disbursements to support them.

### **§ 3 — COMMUNITY IMPACT ZONES**

The bill establishes a process by which the OPM secretary and CDC oversight council identify and designate community impact zones (i.e., the targeted areas in which CDCs and CDCUs focus their activities).

#### ***Metrics for Selecting Census Tracts***

The process begins with the OPM secretary selecting eligible census tracts within distressed municipalities that will be eligible to have a designated community impact zone. In selecting the tracts, the secretary must consider the:

1. educational level attained by the tract's population, specifically the percentage that has attained an associate or bachelor's degree;
2. most recent third grade reading and math scores on the statewide mastery test;
3. unemployment rate;
4. state of the local economy, employment availability, and job access and diversity;
5. percentage of the population receiving public assistance;
6. percentage of the population below the federal poverty level;

7. homeownership rate;
8. percentage of vacant housing; and
9. crime rates.

By August 1, 2021, the OPM secretary must release a list of census tracts eligible for consideration, based on a demonstration of the greatest socioeconomic need using the metrics listed above.

### **Zone Criteria**

In addition to releasing a list of eligible census tracts, the secretary must also, by August 1, 2021, release the criteria for determining areas within the tracts to be designated as community impact zones.

The criteria must take into consideration the goals, purposes, and requirements the bill establishes for CDCs and may give weight to one or more of the following:

1. the existence of a public elementary school; early childhood center; or community center serving children, seniors, or both in the area;
2. the existence of a local community organization comprised of residents and leaders in the area whose role complements the goals, purposes, and requirements for CDCs;
3. the area's proximity to existing or planned public transportation; and
4. existing access to an asset-based housing organization focusing on homeownership and financial literacy.

### **Designated Zones**

By June 1, 2022, each CDC must submit a proposal to the council for up to two geographically distinct areas within an eligible census tract in which it is located to be designated as a community impact zone. The council must, by August 1, 2022, announce its selections. It must

designate one zone for a municipality with a population of 100,000 or fewer and two zones for a municipality with a population greater than 100,000.

If the council rejects a proposal or does not designate an area that a CDC proposed, it may allow the CDC to resubmit a proposal if a zone has not otherwise been designated.

### ***CDC Offices***

By February 1, 2023, or as soon as practicable following the zone designations, each CDC must establish an office or relocate its office in the zone.

## **§ 4 — CDC TRUST FUND**

### ***Establishment***

The bill establishes the CDC Trust Fund as a separate, nonlapsing fund and requires it to contain any money the law requires. The fund's investment earnings must be credited to its assets. The CDC oversight council must use the fund for the CDC and CDCU purposes established under the bill. (The bill does not appear to authorize the fund to be used for the reading instruction and mental health and substance abuse treatment programs described above.)

### ***Investments***

The treasurer must (1) invest the fund's deposits in a reasonable and appropriate way to achieve the fund's objectives; (2) exercise a prudent person's discretion and care; and (3) consider such things as rate of return, risk, term or maturity, portfolio diversification, liquidity, projected disbursements and expenditures, and expected gifts. The bill prohibits the treasurer from requiring the trust to invest directly in (1) obligations of the state or any of its political subdivisions or (2) investments or other funds he administers.

The treasurer must continuously invest and reinvest the fund's assets, consistent with the fund's objectives, until they are disbursed.

### ***Report***

The treasurer must report, annually by December 31, to the CDC oversight council and Finance, Revenue and Bonding Committee on the fund's receipts, disbursements, assets, investments, liabilities, and administrative costs for the prior fiscal year.

#### **§ 5 — STATE, MUNICIPAL, AND NONPROFIT ORGANIZATION DEPOSITS IN A CDCU**

The bill authorizes the state, municipalities, and federally tax-exempt 501(c) organizations that are exempt from property tax to make deposits with a CDCU to be invested by the CDCU to further the bill's community restoration and revitalization purposes. Each CDCU receiving such a deposit must provide a rate of return that is at least the London Interbank Offered Rate (LIBOR).

#### **§ 6 — LOCAL SALES TAX ON CANNABIS AND CANNABIS PRODUCTS**

##### ***Rate and Base***

The bill imposes a 3% local sales tax on the sale of all cannabis and cannabis products, beginning on and after the date DCP first issues a cannabis retailer license. The local tax applies in addition to the 6.35% state sales tax on these products and must be administered in the same manner as the state tax (state sales tax on these products goes to the CDC Trust Fund (§ 7)).

Under the bill, "cannabis" is any part of a plant or species of the genus cannabis, whether or not it is growing, including its seeds and resin; its compounds, manufactures, salts, derivatives, mixtures, and preparations; and cannabimon, cannabimol, and cannabidiol. It excludes a plant's mature stalks; fiber made from the stalks; a compound, manufacture, salt, derivative, mixture, or preparation made from the stalks; fiber, oil, or cake; sterilized seeds; industrial hemp; and marijuana authorized to be cultivated or sold for palliative use.

A "cannabis product" is a cannabis concentrate (e.g., oils and tinctures) or product containing cannabis, which may be combined with other ingredients, that is intended for use or consumption. It excludes raw cannabis plants.

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**Tax Remittance**

Each licensed cannabis retailer making such sales to consumers (i.e., individuals age 21 or older) must (1) file a tax return with the DRS commissioner, on or before the last day of each calendar quarter, for the immediately preceding quarter and (2) remit the tax due with the return. The returns must (1) be in the form and contain the information the commissioner prescribes and (2) indicate the municipality (i.e., town, city, borough, consolidated town and city, or consolidated town and borough) in which the sale occurred.

The bill prohibits any tax credits from being applied against the tax.

**Municipal Cannabis Revenue Account**

The DRS commissioner must deposit any local sales tax collected into a new municipal cannabis revenue account. The bill establishes the account as a separate General Fund account and requires it to contain any money the law requires. The DRS commissioner must use the account's funds to provide the disbursements described below to each municipality in which cannabis retailers are selling cannabis and cannabis products to consumers.

**Accounting.** The commissioner must maintain (1) an accounting of all deposits into the account, aggregated by municipality; (2) a list of amounts remitted by each cannabis retailer; and (3) any other information he deems necessary. He must make the respective information available to each municipality in which a cannabis retailer is located.

**Distributions.** Beginning in the second calendar quarter after the initial deposit into the account, the commissioner must distribute to each municipality in which a cannabis retailer is located, and for which a point-of-sale can be determined, an amount calculated on a point-of-sale basis. Any funds remaining at the close of the fiscal year for which the point-of-sale cannot be determined must be transferred to the CDC Trust Fund.

**Delinquent Taxes**

Under the bill, delinquent taxes are subject to a penalty of 10% of the tax due and unpaid or \$50, whichever is greater, plus interest at 1% of the unpaid principal for each month or fraction of a month from the due date to the payment.

Subject to the Penalty Review Committee provisions, the commissioner may waive all or part of these penalties when it is proven to the commissioner's satisfaction that failing to pay the tax within the timeframe was due to reasonable cause and was not intentional or due to neglect.

### ***Liability for Willful Nonpayment of Taxes Collected***

The bill makes those who are responsible for collecting and paying the tax on behalf of a cannabis cultivation facility or cannabis retailer, respectively, personally liable if they willfully fail to collect, truthfully account for, or pay the tax and it cannot be collected from the business.

Under the bill, an individual or officer, partner, or employee of a business who is responsible for paying the tax on the facility's or retailer's behalf is personally liable for the full unpaid tax, plus interest and penalties, if (1) he or she willfully fails to collect, truthfully account for, and pay it, or willfully attempts to evade or defeat the tax and (2) the tax cannot otherwise be collected from the facility or retailer. The dissolution of the business does not free the person from liability. DRS must credit any amount collected from such a person against the taxes owed by the facility or retailer.

### ***Tax Enforcement***

The bill applies the same collection, enforcement, and appeal process requirements established in statute for the admissions and dues taxes to the cannabis excise tax and local sales tax, unless the provision is inconsistent with the bill. Under these provisions, the DRS commissioner can (1) require the facilities and retailers to keep certain records and examine all of their records and (2) administer oaths, subpoena witnesses, and receive testimony. The facilities and retailers can request a hearing on the amount of taxes they are required to pay,

and appeal the hearing decision if aggrieved. Lastly, an additional penalty may be imposed on facilities and retailers for willful violations or filing fraudulent returns.

### ***Regulations***

The bill authorizes the DRS commissioner to adopt implementing regulations for the tax.

### ***Recording Revenue***

The bill authorizes the comptroller to record the revenue the taxes generate each fiscal year no later than five business days after the end of July following the end of the fiscal year.

## **§§ 7 & 8 — STATE SALES TAX ON CANNABIS AND CANNABIS PRODUCTS**

The bill imposes a 20% state tax on sales of cannabis and cannabis products (as described above) and requires the DRS commissioner to deposit the revenue into the CDC Trust Fund for each calendar quarter ending on or after the date of the initial remittance of the tax. It prohibits any tax credits from being allowed against the tax.

## **BACKGROUND**

### ***Related Bills***

sSB 888 (File 569), favorably reported by the Judiciary Committee, establishes a state excise tax on cannabis and directs the revenue to the General Fund and two new accounts for specified purposes. It also imposes a 3% municipal sales tax on cannabis and cannabis products that applies in addition to the state's 6.35% sales tax and requires municipalities to use the revenue for specified purposes.

sHB 6443, favorably reported by the Finance, Revenue and Bonding Committee, directs any taxes collected and retained by the state on or after July 1, 2021 on recreational cannabis and cannabis products to a new Connecticut Equitable Investment Fund.

### ***Distressed Municipalities***

By law, the DECD commissioner must annually designate distressed

municipalities based on a combination of economic, education, demographic, and housing criteria. In 2020, he designated the following 25 municipalities as distressed:

- |            |            |               |
|------------|------------|---------------|
| Ansonia    | Bridgeport | Bristol       |
| Chaplin    | Derby      | East Hartford |
| East Haven | Griswold   | Hartford      |
| Meriden    | Montville  | New Britain   |
| New Haven  | New London | Norwich       |
| Preston    | Putnam     | Sprague       |
| Stratford  | Torrington | Voluntown     |
| Waterbury  | West Haven | Winchester    |
| Windham    |            |               |

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 30 Nay 18 (04/22/2021)