



General Assembly

February Session, 2022

Raised Bill No. 481

LCO No. 4002



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT INVESTING STATE FUNDS IN UNDERSERVED AND LOW-INCOME COMMUNITIES.

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

1 Section 1. Section 3-24j of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2022*):

3 As used in this section and sections 3-24k, as amended by this act,
4 and 3-24l:

5 (1) "Community bank" means a bank that is domiciled in this state
6 and has assets of not more than [one] five billion dollars;

7 (2) "Community credit union" means a federal credit union, as
8 defined in section 36a-2, the membership of which is limited to persons
9 or organizations within a well-defined local community, neighborhood
10 or rural district as provided in the Federal Credit Union Act, 12 USC
11 Section 1759(b)(3), as from time to time amended, that has assets of not
12 more than [one] five billion dollars or a state credit union that has assets
13 of not more than [one] five billion dollars; [and]

14 (3) "Community development financial institution" means a
15 community bank or community credit union that partners with a
16 minority business development entity to provide credit and financial
17 services to residents and businesses located in public investment
18 communities;

19 (4) "Minority" means (A) Black Americans, including all persons
20 having origins in any of the Black African racial groups not of Hispanic
21 origin, (B) Hispanic Americans, including all persons of Mexican, Puerto
22 Rican, Cuban, Central or South American, or other Spanish culture or
23 origin, regardless of race, (C) all persons having origins in the Iberian
24 Peninsula, including Portugal, regardless of race, (D) women, (E) Asian
25 Pacific Americans and Pacific islanders, or (F) American Indians and
26 persons having origins in any of the original peoples of North America
27 and maintaining identifiable tribal affiliations through membership and
28 participation or community identification;

29 (5) "Minority business development entity" means a nonprofit
30 organization (A) having a lending portfolio on or before June 9, 2016,
31 from which at least seventy-five per cent of lending is provided to
32 minority-owned businesses state-wide, and (B) that provided technical
33 assistance on or before June 9, 2016, provided at least seventy-five per
34 cent of such assistance was provided to minority-owned businesses
35 state-wide;

36 (6) "Public investment community" means a municipality designated
37 as a public investment community pursuant to section 7-545 and with a
38 public investment community index of three hundred fifty or more
39 points for the fiscal year ending June 30, 2021; and

40 [(3)] (7) "State credit union" means a cooperative, nonprofit financial
41 institution that (A) is organized under chapter 667 and the membership
42 of which is limited to persons within a well-defined community,
43 neighborhood or rural district as provided in section 36a-438a, (B)
44 operates for the benefit and general welfare of its members with the
45 earnings, benefits or services offered being distributed to or retained for

46 its members, and (C) is governed by a volunteer board of directors
47 elected by and from its membership.

48 Sec. 2. Section 3-24k of the general statutes is repealed and the
49 following is substituted in lieu thereof (*Effective July 1, 2022*):

50 (a) (1) The State Treasurer [may] shall establish a program under
51 which the State Treasurer [may, based on cash availability,] shall make
52 available a pool of funds not exceeding one hundred million dollars for
53 investment with community banks, [and] community credit unions and
54 community development financial institutions, for the purpose of
55 growing the individual and collective financial, educational,
56 occupational and social wealth in public investment communities. Such
57 funds shall be obtained from the state's operating cash managed by the
58 State Treasurer.

59 (2) In selecting the investments to be made, the State Treasurer shall
60 (A) give preference to community development financial institutions
61 proposing to issue loans or otherwise invest in traditionally
62 underserved communities within public investment communities, (B)
63 incentivize investments in place, including, but not limited to,
64 investments in residents of or assets or organizations located in public
65 investment communities, and (C) consider the community lending
66 efforts of community banks, community credit unions and community
67 development financial institutions, which may include, but is not
68 limited to, the percentage of lending awarded to small businesses and
69 minority-owned businesses, incentives or loans offered for first-time
70 homeowners in public investment communities, the percentage of loans
71 awarded in public investment communities and the number of loans to
72 residents of and businesses located in public investment communities
73 for the purposes of promoting community or economic development,
74 job creation, neighborhood revitalization and individual and
75 community wealth-building within such public investment
76 communities.

77 (b) The State Treasurer shall: [establish]

78 (1) Establish a schedule for making such investments with such
79 banks, [and] credit unions and community development financial
80 institutions; [.]

81 (2) Establish procedures by which community banks and community
82 credit unions may partner with minority business development entities
83 to implement and advance the purpose set forth in subsection (a) of this
84 section, and facilitate such partnerships; and

85 (3) Make a good faith effort to increase participation by community
86 banks and community credit unions in such program by promoting and
87 publicizing the program and the partnerships under this section and
88 educating such banks, credit unions and the public about such program
89 and partnerships.

90 [(c) The State Treasurer shall establish a competitive bidding
91 procedure under which such banks and credit unions may compete for
92 investment-related services under said program.]

93 [(d)] (c) The State Treasurer may establish capital standards for such
94 banks and credit unions wishing to participate in [said] such program.

95 (d) On or before July 1, 2023, and annually thereafter, the State
96 Treasurer shall report to the joint standing committee of the General
97 Assembly having cognizance of matters related to finance, revenue and
98 bonding the number and amount of deposits under the program and
99 efforts taken to promote and publicize the program in accordance with
100 this section.

101 Sec. 3. (NEW) (*Effective July 1, 2022*) (a) As used in this section, (1)
102 "financial institution" means any of the following that operates in the
103 state: A bank, a savings and loan association, a savings bank or a
104 Connecticut credit union, as those terms are defined in section 36a-1 of
105 the general statutes, a minority depository institution as designated by
106 the Federal Deposit Insurance Corporation or a community
107 development corporation certified by the United States Treasury
108 Community Development Financial Institutions Fund, and (2) "loan

109 guarantee account" means an account at a financial institution for which
110 the Treasurer is the custodian with the purpose of guaranteeing loans
111 made by a financial institution in accordance with the provisions of this
112 section.

113 (b) (1) To increase investment in and better serve low-income and
114 underserved communities, the Treasurer may establish a program to
115 guarantee small business loans and consumer loans made by eligible
116 financial institutions to borrowers who would not otherwise qualify for
117 such loans. Under such program, the Treasurer may establish a loan
118 guarantee account at an eligible financial institution, which shall be
119 used to cover losses on guaranteed loans made by such financial
120 institution. The Treasurer shall serve as the custodian of such account.

121 (2) Notwithstanding the provisions of the general statutes, the
122 Treasurer may use up to ten million dollars of investment earnings each
123 fiscal year for the program, provided not more than fifty thousand
124 dollars may be used for guaranteeing loans under the program at any
125 given time. The Treasurer may set a cap on the total funds held in a loan
126 guarantee account and may withdraw funds in excess of the cap from
127 any such account.

128 (c) The Treasurer shall establish the criteria for determining the
129 eligibility of financial institutions to participate in the program. The
130 Treasurer shall consider, in addition to any applicable state or federal
131 law or program, the financial institution's commitment to low-income
132 communities, as defined in 26 USC 45D, as amended from time to time,
133 and the financial institution's commitment to communities that are
134 located within a distressed municipality, as defined in section 32-9p of
135 the general statutes, or within an enterprise zone designated pursuant
136 to section 32-70 of the general statutes.

137 (d) Funds in a loan guarantee account may be used by the eligible
138 financial institution to cover losses on guaranteed loans up to the full
139 amount in such account or the amount of loss, whichever is less. The
140 state and the Treasurer shall not be liable for any losses in excess of the

141 full amount in a loan guarantee account at an eligible financial
142 institution.

143 (e) The Treasurer may adopt regulations, in accordance with the
144 provisions of chapter 54 of the general statutes, to implement the
145 provisions of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2022</i>	3-24j
Sec. 2	<i>July 1, 2022</i>	3-24k
Sec. 3	<i>July 1, 2022</i>	New section

Statement of Purpose:

To (1) require the investment of state funds in community banks, community credit unions and community development financial institutions to promote community or economic development in certain underserved communities, and (2) authorize the establishment of a program to guarantee loans made to certain borrowers who would not otherwise qualify for such loan.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]