



House of Representatives

General Assembly

File No. 460

February Session, 2024

Substitute House Bill No. 5434

House of Representatives, April 11, 2024

The Committee on Commerce reported through REP. MESKERS of the 150th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE COMMUNITY ECONOMIC DEVELOPMENT FUND.

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

1 Section 1. Section 8-240k of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2024*):

3 (a) As used in this section and section 8-240l, as amended by this act,
4 "low and moderate income individuals" means individuals earning not
5 more than the state median income, as determined by the United States
6 Department of Housing and Urban Development, "public investment
7 communities" has the same meaning as provided in section 7-545,
8 "qualified census tract" has the same meaning as provided in section 4-
9 66c and "targeted investment community" has the same meaning as
10 provided in section 32-222. The state, acting by and through the
11 Secretary of the Office of Policy and Management, in conjunction with
12 other relevant state agencies and quasi-public agencies, as defined in
13 section 1-20, shall establish a community economic development
14 program in public investment communities, [as defined in section 7-545]
15 in qualified census tracts, in targeted investment communities [, as

16 defined in section 32-222,] and state-wide to assist low and moderate
17 income individuals in establishing, maintaining and expanding
18 businesses. The purpose of the program shall be to strengthen
19 neighborhoods by maintaining or creating employment for
20 neighborhood residents, generating tax revenues and stemming
21 physical deterioration and the social problems resulting from
22 deterioration by providing (1) access to credit, (2) facilitation of
23 financing for community development activities, and (3) technical
24 assistance.

25 (b) The secretary shall establish an entity to accomplish the program.
26 The entity may, without limitation, be owned and governed, in whole
27 or in part, by parties other than the state, any agency of the state or any
28 quasi-public agency.

29 Sec. 2. Section 8-240l of the general statutes is repealed and the
30 following is substituted in lieu thereof (*Effective July 1, 2024*):

31 (a) [The] (1) Prior to October 1, 2024, the entity created pursuant to
32 subsection (b) of section 8-240k, as amended by this act, shall be
33 governed by a state-wide board of directors appointed as follows: Five
34 members shall be representatives of relevant state agencies and quasi-
35 public agencies, appointed by the Governor; one member shall be
36 appointed by each investor who has committed an amount of money to
37 the program established by subsection (a) of section 8-240k, as amended
38 by this act; and six members shall be persons of low or moderate income
39 residing in public investment communities or targeted investment
40 communities or representatives of nonprofit organizations the primary
41 purpose of which is to serve low and moderate income, unemployed or
42 underemployed residents of targeted neighborhoods, except that such
43 members shall comprise not less than one third of the membership, one
44 appointed by the speaker of the House of Representatives, one by the
45 president pro tempore of the Senate, one by the majority leader of the
46 House of Representatives, one by the majority leader of the Senate, one
47 by the minority leader of the House of Representatives and one by the
48 minority leader of the Senate. The board shall appoint the additional

49 members. The members of the board of directors appointed pursuant to
50 this subdivision and serving as members of such board on July 1, 2024,
51 shall continue to serve as members of such board through September 30,
52 2024.

53 (2) On and after October 1, 2024, the entity created pursuant to
54 subsection (b) of section 8-240k, as amended by this act, shall be
55 governed by a board of directors as follows: (A) One member jointly
56 appointed by the majority leader of the House of Representatives and
57 the majority leader of the Senate; (B) one member jointly appointed by
58 the minority leader of the House of Representatives and the minority
59 leader of the Senate; (C) the Banking Commissioner, or the
60 commissioner's designee; (D) the Secretary of the Office of Policy and
61 Management, or the secretary's designee; (E) one member appointed by
62 each investor who has committed an amount of money to the program
63 established by subsection (a) of section 8-240k, as amended by this act;
64 and (F) members who are low or moderate income individuals residing
65 in public investment communities, qualified census tracts or targeted
66 investment communities, who shall each be appointed by unanimous
67 consent by the other members of the board in a manner that ensures that
68 the members appointed pursuant to this subparagraph shall comprise
69 not less than one-third of the total membership.

70 (b) The entity may: (1) Employ a staff and fix their duties,
71 qualifications and compensation; (2) solicit, receive and accept aid or
72 contributions including money, property, labor and other things of
73 value from any source; (3) establish uniform underwriting standards
74 and approval mechanisms for financing projects; (4) retain outside
75 consultants and technical experts; and (5) do all acts and things
76 necessary and convenient to carry out the purposes of sections 8-240k to
77 8-240n, inclusive, as amended by this act.

78 (c) The purposes of the entity are to: (1) Coordinate, fund and
79 implement investment and community development in targeted
80 neighborhoods, including small for-profit enterprises, nonprofit
81 organizations, and related residential properties; (2) provide funding to

82 low and moderate income individuals to establish, maintain and expand
83 businesses in the state; (3) provide access for borrowers to existing
84 public and private lending and development programs and other
85 funding sources, including, but not limited to, equity investment, loan
86 guarantees and mortgage insurance; (4) provide technical assistance;
87 and (5) preserve public dollars by leveraging private capital for
88 community investment.

89 (d) The goals of the entity shall be to promote the following in public
90 investment communities, in qualified census tracts, in targeted
91 investment communities [,] and state-wide in areas in which low and
92 moderate income individuals establish, maintain and expand
93 businesses: (1) Job creation and skill development for the unemployed
94 and underemployed and persons receiving public assistance; (2)
95 leveraging of private and community investment; (3) community
96 participation in decision-making; (4) the establishment of self-
97 sustaining enterprises; (5) improvement of the physical environment of
98 the community and the state; (6) promotion of affirmative action and
99 equal employment opportunities and minority-owned businesses; and
100 (7) coordination with the state plan of conservation and development
101 adopted under chapter 297 and local, regional and state strategic
102 economic development plans.

103 (e) The entity may establish one or more local or state-wide affiliates
104 to participate in implementation of the program established under
105 subsection (a) of section 8-240k, as amended by this act. Each affiliate
106 shall be governed by a board of directors appointed by the entity. The
107 board of the affiliate shall reflect the categories of membership as the
108 membership of the board of directors of the entity.

109 (f) Financial assistance shall be provided, in coordination with other
110 sources of public or private funds, by the entity on a competitive basis,
111 if feasible, to individuals, organizations, businesses, community
112 development corporations, regional economic development
113 corporations and any affiliate established under subsection [(c)] (e) of
114 this section. Not less than seventy per cent of the financial assistance

115 available under sections 8-240k to 8-240n, inclusive, as amended by this
116 act, shall be used to assist low and moderate income individuals or for
117 activities in public investment communities, qualified census tracts or
118 targeted investment communities. The purposes for which such
119 assistance may be used include, but are not limited to, direct small
120 business and community revitalization loans, technical capacity
121 training, loans to peer lending or borrowing groups, creation of business
122 incubators, and development of commercial real estate for businesses
123 owned or operated by or employing residents of public investment
124 communities, qualified census tracts or targeted investment
125 communities, or owned by low or moderate income individuals who are
126 residents of the state. As used in this section, "financial assistance"
127 means any and all forms of loans, extensions of credit, guarantees,
128 equity investments or any other form of financing or refinancing to
129 applicants for activities consistent with the purposes of sections 8-240k
130 to 8-240n, inclusive, as amended by this act.

131 (g) The entity shall provide not less than one million dollars for
132 technical assistance from the funds authorized for the program for the
133 fiscal year ending June 30, 1994. The entity shall establish a system for
134 assuring that funds are available for technical assistance on a permanent
135 basis.

136 (h) On and after October 1, 2024, the entity may conduct business
137 outside the state, provided the following conditions are satisfied: (1) The
138 assets of the entity existing on October 1, 2024, shall be utilized only for
139 the purpose of conducting business in the state; (2) any assets the entity
140 receives on or after October 1, 2024, for the purpose of conducting
141 business in the state shall be utilized only for such purpose; (3) not less
142 than seventy per cent of the total assets of the entity shall, at any time,
143 be used for conducting business in the state; and (4) the entity complies
144 with all laws of the states in which the fund conducts business. Any
145 assets the entity receives on or after October 1, 2024, for the purpose of
146 conducting business outside the state shall be utilized for purposes
147 outside the state.

148 Sec. 3. Section 8-240n of the general statutes is repealed and the
149 following is substituted in lieu thereof (*Effective July 1, 2024*):

150 On or before the second Wednesday after the convening of each
151 regular session of the General Assembly, beginning with the 1995
152 regular session, the entity created pursuant to subsection (b) of section
153 8-240k, as amended by this act, shall submit a report in an electronic
154 form to the joint standing committee of the General Assembly having
155 cognizance of matters relating to [local economic development]
156 commerce which sets forth for the year ending the preceding December
157 [thirtieth] thirty-first, (1) plans to address the goals of the entity
158 established in subsection (b) of section 8-240k, as amended by this act;
159 (2) activities in achieving the goals for the preceding year; [and] (3) data
160 regarding the ratio of business conducted in the state to business
161 conducted outside the state; and (4) a strategy for the upcoming year to
162 achieve the goals, including adoption of specific targets. Such report
163 shall include, but not be limited to, an annual financial statement, the
164 name and address of each recipient of financial assistance and
165 certification by the recipient that all applicable laws and labor
166 regulations and fair trade practices were complied with, and the number
167 of jobs and the types of employment provided to the unemployed,
168 underemployed and persons receiving public assistance.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2024</i>	8-240k
Sec. 2	<i>July 1, 2024</i>	8-240l
Sec. 3	<i>July 1, 2024</i>	8-240n

Statement of Legislative Commissioners:
In Section 1(a), "qualified census tracts" has" was changed to "qualified census tract" has" and "targeted investment communities" has" was changed to "targeted investment community" has" for accuracy.

CE *Joint Favorable Subst.*

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: None

Municipal Impact: None

Explanation

The bill makes various changes to the Community Economic Development Fund (CEDF). There is no fiscal impact to the state as the CEDF is state-chartered nonprofit entity.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5434****AN ACT CONCERNING THE COMMUNITY ECONOMIC DEVELOPMENT FUND.****SUMMARY**

This bill makes various changes to the Community Economic Development Fund (CEDF). Specifically, the bill:

1. adds “qualified census tracts” (i.e., any census tract federally certified as having at least 50% households with income below 60% of the area median gross income or a poverty rate of at least 25%) to the list of areas CEDF must assist;
2. creates a new board of directors to oversee CEDF, beginning October 1, 2024;
3. allows CEDF to conduct business outside Connecticut with funds received on or after October 1, 2024, if certain conditions are met; and
4. requires CEDF to report the ratio of business conducted in- to out-of-state in its annual report to the Commerce Committee.

Current law requires that at least 70% of the financial assistance CEDF provides be used for activities in targeted investment communities. The bill also expands the allowable uses to include assistance to low- and moderate-income individuals and for activities in public investment communities and qualified census tracts. It also makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2024

BOARD OF DIRECTORS

Under current law, CEDF is governed by a board of directors that includes (1) five representatives of state agencies or quasi-public agencies, appointed by the governor; (2) one member appointed by each CEDF investor; (3) six members from areas CEDF assists or representatives of nonprofits that assist them, appointed by legislative leaders; and (4) any additional members the board appoints.

This bill restructures the CEDF board of directors to include the following members:

1. one jointly appointed by the legislative majority leaders;
2. one jointly appointed by the legislative minority leaders;
3. the banking commissioner, or his designee;
4. the Office of Policy and Management secretary, or his designee;
5. one member appointed by each CEDF investor; and
6. people with low- or moderate-income living in public investment communities, qualified census tracts, or targeted investment communities who are unanimously appointed by other board members and comprise at least one-third of the board's membership.

The bill requires (1) members of the current board of directors to serve through September 30, 2024, and (2) the new board to begin governing CEDF on October 1, 2024.

OUT-OF-STATE BUSINESS

Current law allows CEDF to operate only within Connecticut but, under the bill, it may conduct out-of-state business on and after October 1, 2024, if the following conditions are met:

1. assets the board receives before October 1, 2024, must be used for in-state business;
2. assets received on and after October 1, 2024, for conducting

business in-state must be used only for that purpose;

- 3. at least 70% of the assets the board has at any time must be used for in-state business; and
- 4. the board complies with state laws where it conducts business.

Beginning October 1, 2024, the bill also requires any funds CEDF receives for conducting out-of-state business to be used outside the state.

BACKGROUND

Community Economic Development Fund

CEDF, a state-chartered nonprofit capitalized with state bonds and private funds, provides loans to Connecticut small business owners, particularly those located in low- to moderate-income communities who are not able to obtain traditional bank financing. CEDF also offers a loan guarantee program, in conjunction with DECD, which assists women- and minority-owned businesses obtain flexible financing. CEDF provides the loan, up to \$50,000, and DECD provides up to a 30% guarantee.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 24 Nay 0 (03/26/2024)