



# House of Representatives

**File No. 640**

General Assembly

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*February Session, 2024*      **(Reprint of File No. 460)**

Substitute House Bill No. 5434  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
May 1, 2024

***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 Section 8-240k of the general statutes is repealed and the  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. Any such member may be reappointed as a member of the board  
53 of directors after September 30, 2024.

54 (2) (A) On and after October 1, 2024, the entity created pursuant to  
55 subsection (b) of section 8-240k, as amended by this act, shall be  
56 governed by a board of directors as follows: (i) One member jointly  
57 appointed by the majority leader of the House of Representatives and  
58 the majority leader of the Senate; (ii) one member jointly appointed by  
59 the minority leader of the House of Representatives and the minority  
60 leader of the Senate; (iii) the Banking Commissioner, or the  
61 commissioner's designee; (iv) the Secretary of the Office of Policy and  
62 Management, or the secretary's designee; (v) one member appointed by  
63 each investor who has committed an amount of money to the program  
64 established by subsection (a) of section 8-240k, as amended by this act;  
65 (vi) members who are low or moderate income individuals residing or  
66 operating a business in public investment communities, qualified  
67 census tracts or targeted investment communities, who shall each be  
68 appointed by unanimous consent of the other members of the board;  
69 and (vii) any additional members the board may appoint by unanimous  
70 consent of the other members of the board.

71 (B) The members described in subparagraphs (A)(i) to (A)(iv),  
72 inclusive, of this subdivision shall comprise not more than one-fifth of  
73 the total membership. The members described in subparagraph (A)(vi)  
74 of this subdivision shall comprise not less than one-third of the total  
75 membership.

76 (b) The entity may: (1) Employ a staff and fix their duties,  
77 qualifications and compensation; (2) solicit, receive and accept aid or  
78 contributions including money, property, labor and other things of  
79 value from any source; (3) establish uniform underwriting standards

80 and approval mechanisms for financing projects; (4) retain outside  
81 consultants and technical experts; and (5) do all acts and things  
82 necessary and convenient to carry out the purposes of sections 8-240k to  
83 8-240n, inclusive, as amended by this act.

84 (c) The purposes of the entity are to: (1) Coordinate, fund and  
85 implement investment and community development in targeted  
86 neighborhoods, including small for-profit enterprises, nonprofit  
87 organizations, and related residential properties; (2) provide funding to  
88 low and moderate income individuals to establish, maintain and expand  
89 businesses in the state; (3) provide access for borrowers to existing  
90 public and private lending and development programs and other  
91 funding sources, including, but not limited to, equity investment, loan  
92 guarantees and mortgage insurance; (4) provide technical assistance;  
93 and (5) preserve public dollars by leveraging private capital for  
94 community investment.

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

109 (e) The entity may establish one or more local or state-wide affiliates  
110 to participate in implementation of the program established under  
111 subsection (a) of section 8-240k, as amended by this act. Each affiliate  
112 shall be governed by a board of directors appointed by the entity. The

113 board of the affiliate shall reflect the categories of membership as the  
114 membership of the board of directors of the entity.

115 (f) Financial assistance shall be provided, in coordination with other  
116 sources of public or private funds, by the entity on a competitive basis,  
117 if feasible, to individuals, organizations, businesses, community  
118 development corporations, regional economic development  
119 corporations and any affiliate established under subsection [(c)] (e) of  
120 this section. Not less than seventy per cent of the financial assistance  
121 available under sections 8-240k to 8-240n, inclusive, as amended by this  
122 act, shall be used to assist low and moderate income individuals or for  
123 activities in public investment communities, qualified census tracts or  
124 targeted investment communities. The purposes for which such  
125 assistance may be used include, but are not limited to, direct small  
126 business and community revitalization loans, technical capacity  
127 training, loans to peer lending or borrowing groups, creation of business  
128 incubators, and development of commercial real estate for businesses  
129 owned or operated by or employing residents of public investment  
130 communities, qualified census tracts or targeted investment  
131 communities, or owned by low or moderate income individuals who are  
132 residents of the state. As used in this section, "financial assistance"  
133 means any and all forms of loans, extensions of credit, guarantees,  
134 equity investments or any other form of financing or refinancing to  
135 applicants for activities consistent with the purposes of sections 8-240k  
136 to 8-240n, inclusive, as amended by this act.

137 (g) The entity shall provide not less than one million dollars for  
138 technical assistance from the funds authorized for the program for the  
139 fiscal year ending June 30, 1994. The entity shall establish a system for  
140 assuring that funds are available for technical assistance on a permanent  
141 basis.

142 (h) On and after October 1, 2024, the entity may conduct business  
143 outside the state, provided the following conditions are satisfied: (1) The  
144 assets of the entity existing on October 1, 2024, shall be utilized only for  
145 the purpose of conducting business in the state; (2) any assets the entity

146 receives on or after October 1, 2024, for the purpose of conducting  
 147 business in the state shall be utilized only for such purpose; (3) not less  
 148 than seventy per cent of the total assets of the entity shall, at any time,  
 149 be used for conducting business in the state; and (4) the entity complies  
 150 with all laws of the states in which the fund conducts business. Any  
 151 assets the entity receives on or after October 1, 2024, for the purpose of  
 152 conducting business outside the state shall be utilized for purposes  
 153 outside the state.

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

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2024	8-240k

Sec. 2	<i>July 1, 2024</i>	8-240l
Sec. 3	<i>July 1, 2024</i>	8-240n

*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.*

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### **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.

House "A" modifies the membership of the board of directors of the CEDF which has no fiscal impact.

#### **The Out Years**

**State Impact:** None

**Municipal Impact:** None



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**OLR Bill Analysis****sHB 5434 (as amended by House "A")\*****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 expands the allowable uses to include assistance to low- and moderate-income individuals for activities in public investment communities and qualified census tracts. It also makes technical and conforming changes.

\*House Amendment “A” modifies the new CEDF board of directors’ membership, including (1) authorizing the board to include any

members it unanimously appoints, (2) allowing members of the current CEDF board to be reappointed to the new board, and (3) requiring that the board's legislative appointees and ex officio members comprise no more than one-fifth of the board.

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 Department of Banking commissioner, or his designee;
4. the Office of Policy and Management (OPM) secretary, or his designee;
5. one member appointed by each CEDF investor;
6. people with low or moderate income living or operating a business 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; and
7. any other members the board unanimously appoints.

Under the bill, the legislative appointments, banking commissioner,

and OPM secretary must collectively comprise no more than one-fifth 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. It specifies that members of the current board may be reappointed to the new board.

### **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 must comply 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)