



**PA 24-36**—sHB 5434

*Commerce Committee*

**AN ACT CONCERNING THE COMMUNITY ECONOMIC DEVELOPMENT FUND**

**SUMMARY:** This act makes various changes to the Community Economic Development Fund (CEDF; see BACKGROUND). Specifically, the act:

1. broadly adds “qualified census tracts” (i.e., federally designated census tracts (a) in which at least 50% of households have an income below 60% of the area median gross income or (b) with a poverty rate of at least 25%) to the list of areas CEDF must assist;
2. restructures the board of directors overseeing 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.

Prior law required that at least 70% of the financial assistance CEDF provided be used for activities in targeted investment communities. The act expands this portion’s allowable uses to also include assistance to low- and moderate-income individuals and 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 prior law, CEDF was governed by a board of directors that included (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.

The act 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. low- or moderate-income people 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 make up at least one-third of the board’s membership; and

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7. any other members the board unanimously appoints.

Under the act, the legislative appointments, banking commissioner, and OPM secretary must collectively make up no more than one-fifth of the board's membership.

The act requires (1) members of the existing board of directors to serve through September 30, 2024, and (2) the new board to begin governing CEDF on October 1, 2024. It allows members of the current board to be reappointed to the new board.

### OUT-OF-STATE BUSINESS

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

1. assets CEDF 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 CEDF has at any time must be used for in-state business; and
4. CEDF must comply with state laws where it conducts business.

Beginning October 1, 2024, the act 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 the Department of Economic and Community Development, which assists women- and minority-owned businesses in obtaining flexible financing.