



Senate

General Assembly

File No. 55

January Session, 2003

Senate Bill No. 452

Senate, March 25, 2003

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING FUNDING AND TECHNICAL ASSISTANCE TO LOW AND MODERATE INCOME INDIVIDUALS TO ESTABLISH BUSINESSES IN THE STATE.

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

1 Section 1. Subsection (a) of section 8-240k of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2003*):

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

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

22 Sec. 2. Section 8-240l of the general statutes is repealed and the
23 following is substituted in lieu thereof (*Effective October 1, 2003*):

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

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

46 and approval mechanisms for financing projects; (4) retain outside
47 consultants and technical experts; and (5) do all acts and things
48 necessary and convenient to carry out the purposes of sections 8-240k
49 to 8-240n, inclusive.

50 (c) The purposes of the entity are to: (1) Coordinate, fund and
51 implement investment and community development in targeted
52 neighborhoods, including small for-profit enterprises, nonprofit
53 organizations, and related residential properties; (2) provide funding
54 to low and moderate income individuals to establish, maintain and
55 expand businesses in the state; (3) provide access for borrowers to
56 existing public and private lending and development programs and
57 other funding sources, including, but not limited to, equity investment,
58 loan guarantees and mortgage insurance; [(3)] (4) provide technical
59 assistance; and [(4)] (5) preserve public dollars by leveraging private
60 capital for community investment.

61 (d) The goals of the entity shall be to promote the following in
62 public investment communities, [or] in targeted investment
63 communities, and state-wide in areas in which low and moderate
64 income individuals establish, maintain and expand businesses: (1) Job
65 creation and skill development for the unemployed and
66 underemployed and persons receiving public assistance; (2) leveraging
67 of private and community investment; (3) community participation in
68 decision-making; (4) the establishment of self-sustaining enterprises;
69 (5) improvement of the physical environment of the community and
70 the state; (6) promotion of affirmative action and equal employment
71 opportunities and minority-owned businesses; and (7) coordination
72 with the state plan of conservation and development adopted under
73 chapter 297 and local, regional and state strategic economic
74 development plans.

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

79 board of the affiliate shall reflect the categories of membership as the
 80 membership of the board of directors of the entity.

81 (f) Financial assistance shall be provided, in coordination with other
 82 sources of public or private funds, by the entity on a competitive basis,
 83 if feasible, to individuals, organizations, businesses, community
 84 development corporations, regional economic development
 85 corporations and any affiliate established under subsection (c) of this
 86 section. Not less than seventy per cent of the financial assistance
 87 available under sections 8-240k to 8-240n, inclusive, shall be used for
 88 activities in targeted investment communities. The purposes for which
 89 such assistance may be used include, but are not limited to, direct
 90 small business and community revitalization loans, technical capacity
 91 training, loans to peer lending or borrowing groups, creation of
 92 business incubators, and development of commercial real estate for
 93 businesses owned [, operated] or operated by or employing residents
 94 of public investment communities or targeted investment
 95 communities, or owned by low or moderate income individuals who
 96 are residents of the state. As used in this section, "financial assistance"
 97 means any and all forms of loans, extensions of credit, guarantees,
 98 equity investments or any other form of financing or refinancing to
 99 applicants for activities consistent with the purposes of sections 8-240k
 100 to 8-240n, inclusive.

101 (g) The entity shall provide not less than one million dollars for
 102 technical assistance from the funds authorized for the program for the
 103 fiscal year ending June 30, 1994. The entity shall establish a system for
 104 assuring that funds are available for technical assistance on a
 105 permanent basis.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>

CE *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

Allowing the Community Economic Development Fund (CEDF) to provide financing to low and moderate income individuals statewide for establishing, maintaining and expanding businesses has no direct fiscal impact on the state or municipalities.

CEDF is a nonprofit organization.

OLR Bill Analysis

SB 452

AN ACT CONCERNING FUNDING AND TECHNICAL ASSISTANCE TO LOW AND MODERATE INCOME INDIVIDUALS TO ESTABLISH BUSINESSES IN THE STATE**SUMMARY:**

This bill allows the Community Economic Development Fund (CEDF) to provide financing to low- and moderate-income people statewide for establishing, maintaining, and expanding businesses. CEDF is a nonprofit organization created under the statutes to help economically distressed neighborhoods develop businesses and create jobs. Under the bill, people qualify for financial assistance if they earn no more than the median income for the state (currently \$75,400), as determined by the U.S. Department of Housing and Urban Development.

Current law allows CEDF to provide this and other types of financing to anyone regardless of income, but only in the state's it designated targeted investment communities (TICs) and its 42 public investment communities (PICs). These designations serve to target state development dollars at economically distressed areas. While the bill allows CEDF to extend financial assistance to low- and moderate-income people statewide, 70% of the total must still go to projects in TICs.

EFFECTIVE DATE: October 1, 2003

CEDF FINANCIAL ASSISTANCE

The bill allows CEDF to provide business financing to low- and moderate-income people throughout the state. The law currently limits CEDF assistance to TICs and PICs. CEDF can provide technical capacity training and create incubators where new, start-up businesses share a facility and administrative costs while receiving business and technical assistance. CEDF can also make small business and community revitalization loans and lend money to small groups of people who re-lend it among their members for business projects.

BACKGROUND

CEDF

The Office of Policy and Management (OPM) created CEDF under PA 93-404 to run a program through which the state's housing and economic development agencies could finance community development projects in economically distressed communities. CEDF consists of three organizations:

1. CEDF Foundation, Inc. is a nonstock, nonprofit, charitable organization established to help communities implement economic development strategies, provide technical assistance to entrepreneurs and small businesses, and provide financing to small businesses.
2. CEDF Corporation is the foundation's for-profit, wholly owned subsidiary that invests the foundation's funds and runs its lending programs.
3. CEDF I, LLC is a partnership between the CEDF Corporation and several banks that oversees a \$10.2 million loan pool the corporation manages under an agreement with the LLC.

TICs and PICs

The TIC and PIC designations serve to target economic development dollars at economically distressed areas, which Table 1 identifies. TICs, by law, are the 17 towns with enterprise zones. Projects located in these towns qualify for up to 90% Manufacturing Assistance Act funding while those in other towns qualify for up to 50% funding. The statutes fix the number of locally proposed enterprise zones the economic and community development commissioner can approve.

The legislature initially authorized OPM to designate PICs as a way to target economic development grants at fiscally distressed towns. Even though the legislature stopped funding the grants after 1993, the law requires OPM to designate PICs by July 15 annually, and the legislature has adopted the designation as an eligibility criterion for CEDF, Urban Action Bonds, home mortgage guarantees, malpractice insurance, and enterprise corridor zone designation.

Table 1: 2003 TICs and PICs

Town	TIC	PIC
Ansonia		X
Ashford		X
Bloomfield		X
Bridgeport	X	X
Bristol	X	X
Canterbury		X
Colchester		X
Derby		X
East Hartford	X	X
East Haven		X
East Windsor		X
Enfield		X
Griswold		X
Groton	X	
Hamden	X	X
Hampton		X
Hartford	X	X
Killingly		X
Manchester		X
Meriden	X	X
Middletown	X	X
Naugatuck		X
New Britain	X	X
New Haven	X	X
New London	X	X
Norwalk	X	
Norwich	X	X
Plainfield		X
Plainville		X
Plymouth		X
Putnam		X
Seymour		X
Southington	X	
Sprague		X
Stafford		X
Stamford	X	
Sterling		X
Stratford		X
Thomaston		X
Torrington		X
Vernon		X
Voluntown		X

Waterbury	X	X
West Haven		X
Winchester		X
Windham	X	X

Related Bill

HB 5285, which the Commerce Committee reported favorably on March 13, establishes a loan program for microenterprises and authorizes CEDF to administer it.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Report

Yea 21 Nay 0