



Senate

General Assembly

File No. 191

February Session, 2006

Substitute Senate Bill No. 267

Senate, March 29, 2006

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

AN ACT CONCERNING REGIONAL ECONOMIC DEVELOPMENT.

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

1 Section 1. (NEW) (*Effective July 1, 2006*) (a) Any of the following
2 entities may, either individually or in conjunction with one or more
3 other such entities, establish a regional economic development district
4 for the purposes of sections 1 to 5, inclusive, and 7 and 8 of this act and
5 section 16a-27 of the 2006 supplement to the general statutes, as
6 amended by this act: (1) A regional economic development
7 commission formed under section 7-137 of the general statutes, (2) any
8 organization that has a plan that meets the requirements of section 2 of
9 this act that has been approved by the Assistant Secretary of Economic
10 Development of the United States Department of Commerce, (3) a
11 corporation exempt from federal income tax under Section 501(a) of
12 the Internal Revenue Code, (4) another regional economic
13 development commission or corporation formed under any other
14 provision of the general statutes or any special act, (5) a regional
15 planning agency organized under the provisions of chapter 127 of the

16 general statutes, (6) a regional council of governments organized
17 under sections 4-124i to 4-124p, inclusive, of the general statutes, or (7)
18 a regional council of elected officials organized under the provisions of
19 chapter 50 of the general statutes for planning and implementation of
20 regional economic development. The entity or entities establishing a
21 regional economic development district shall provide for a board of
22 directors of the district.

23 (b) The boundaries of such districts shall, to the extent practicable,
24 be contiguous with boundaries of labor market areas, as determined by
25 the Labor Commissioner, or encompass a region that has developed a
26 plan that meets the requirements of section 2 of this act and has been
27 approved by the Assistant Secretary of Commerce for Economic
28 Development.

29 Sec. 2. (NEW) (*Effective July 1, 2006*) (a) The board of directors of a
30 regional economic development district shall prepare and approve a
31 comprehensive economic development strategy for the district to
32 address identified economic development problems in a manner that
33 promotes economic development and opportunity, fosters effective
34 transportation access, improves workforce development, enhances and
35 protects the environment and balances resources through sound
36 management of development. A comprehensive economic
37 development strategy shall contain:

38 (1) An analysis of economic and community development problems
39 and opportunities, including incorporation of any relevant material or
40 suggestions from other government-sponsored or supported plans;

41 (2) Background and history of the economic development situation
42 in the district, with a discussion of the economy, geography,
43 population, labor force, resources and the environment;

44 (3) A discussion of community participation in the planning efforts
45 for the strategy;

46 (4) The goals and objectives for (A) taking advantage of the

47 opportunities in the district, and (B) solving the economic
48 development problems of the district;

49 (5) A plan of action, including suggested projects to implement the
50 goals and objectives set forth in subdivision (4) of this subsection; and

51 (6) Performance measures that will be used to evaluate whether and
52 to what extent such goals and objectives have been met.

53 (b) Upon approving the comprehensive economic development
54 strategy for a district, the board of directors of the district shall submit
55 the strategy to the regional council of governments, regional councils
56 of elected officials and regional planning agencies serving any portion
57 of the geographical area of such district, provided such regional
58 council of elected officials or regional planning agencies are not part of
59 the regional economic development district pursuant to section 1 of
60 this act. The regional council of governments, regional council of
61 elected officials and regional planning agencies shall study such
62 proposal and shall report their findings and recommendations thereon
63 to the district not later than ninety days after the receipt of the strategy.

64 (c) After review and comment on the comprehensive economic
65 development strategy under subsection (b) of this section, the board of
66 directors of the district shall submit the strategy to the Commissioner
67 of Economic and Community Development and the Secretary of the
68 Office of Policy and Management. The secretary and the commissioner
69 shall review the strategy and, not later than forty-five days after
70 receiving the strategy, shall notify said board of directors of either the
71 approval of the strategy or recommendations for modifying the
72 strategy for consistency with the state plan of conservation and
73 development adopted pursuant to chapter 297 of the general statutes
74 and the state-wide comprehensive economic development strategy
75 required under section 4 of this act. If neither the commissioner nor the
76 secretary notifies the board within said forty-five days, the strategy
77 shall be deemed to have been approved. If said commissioner or
78 secretary recommends modifications, the board shall modify the
79 strategy in accordance with such recommendations and resubmit the

80 strategy for review in the same manner as for the original submission
81 of the strategy.

82 (d) The board of directors of a regional economic development
83 district shall, annually, report to the commissioner and the secretary on
84 progress made in implementing the comprehensive economic
85 development strategy. A new or revised strategy shall be developed at
86 least once every five years. The board shall submit each new or revised
87 strategy for review and approval in accordance with the same
88 procedure as for a new strategy under subsections (b) and (c) of this
89 section.

90 Sec. 3. (NEW) (*Effective July 1, 2006*) (a) Upon approval by the
91 Commissioner of Economic and Community Development and the
92 Secretary of the Office of Policy and Management of a comprehensive
93 economic development strategy for a regional economic development
94 district, the board of directors of said district may submit the strategy
95 to the Assistant Secretary of the United States Department of
96 Commerce for approval pursuant to Chapter 38 of Title 42 of the
97 United States Code and regulations adopted pursuant to said Chapter
98 38, unless such comprehensive economic development strategy was
99 submitted to and approved by said assistant secretary before the
100 effective date of this section.

101 (b) The board of directors of a regional economic development
102 district that submits a comprehensive economic development strategy
103 to the Assistant Secretary of the United States Department of
104 Commerce or has previously submitted and received the approval of
105 said secretary of such a strategy may apply to said secretary for federal
106 designation of the economic development district pursuant to Chapter
107 38 of Title 42 of the United States Code and regulations adopted
108 pursuant to said Chapter 38. Approval by the Commissioner of
109 Economic and Community Development of the comprehensive
110 economic development strategy under section 2 of this act shall be
111 deemed to meet the requirements of said Chapter 38 and regulations
112 with regard to gubernatorial approval of the economic development

113 district application.

114 Sec. 4. (NEW) (*Effective July 1, 2006*) Not later than March 1, 2007, the
115 Commissioner of Economic and Community Development shall
116 prepare a state-wide comprehensive economic development strategy.
117 In the development of the state strategy, the commissioner shall (1)
118 consider local and economic development district plans and ensure, to
119 the extent practicable, that the state plan is consistent with the local
120 and economic development district plan, and (2) identify any
121 inconsistencies between the state strategy and the local and economic
122 development district plans and provide justification for each
123 inconsistency. Such state strategy shall, on a state-wide basis, address
124 the issues and include the content required for a regional
125 comprehensive economic development strategy required under
126 subsection (a) of section 2 of this act.

127 Sec. 5. Section 16a-27 of the 2006 supplement to the general statutes
128 is repealed and the following is substituted in lieu thereof (*Effective July*
129 *1, 2006*):

130 (a) The secretary, after consultation with all appropriate state,
131 regional and local agencies and other appropriate persons, shall prior
132 to March 1, 2009, complete a revision of the existing plan and enlarge it
133 to include, but not be limited to, policies relating to transportation,
134 energy and air. Any revision made after May 15, 1991, shall identify
135 the major transportation proposals, including proposals for mass
136 transit, contained in the master transportation plan prepared pursuant
137 to section 13b-15. Any revision made after July 1, 1995, shall take into
138 consideration the conservation and development of greenways that
139 have been designated by municipalities and shall recommend that
140 state agencies coordinate their efforts to support the development of a
141 state-wide greenways system. The Commissioner of Environmental
142 Protection shall identify state-owned land for inclusion in the plan as
143 potential components of a state greenways system.

144 (b) Any revision made after August 20, 2003, shall take into account
145 (1) economic and community development needs and patterns of

146 commerce, and (2) linkages of affordable housing objectives and land
147 use objectives with transportation systems.

148 (c) Any revision made after March 1, 2006, shall (1) take into
149 consideration risks associated with natural hazards, including, but not
150 limited to, flooding, high winds and wildfires; (2) identify the potential
151 impacts of natural hazards on infrastructure and property; [and] (3)
152 make recommendations for the siting of future infrastructure and
153 property development to minimize the use of areas prone to natural
154 hazards, including, but not limited to, flooding, high winds and
155 wildfires; and (4) consider the state-wide comprehensive economic
156 development strategy prepared by the Commissioner of Economic and
157 Community Development under section 4 of this act.

158 (d) Any revision after July 1, 2005, shall describe the progress
159 towards achievement of the goals and objectives established in the
160 previously adopted state plan of conservation and development and
161 shall identify (1) areas where it is prudent and feasible (A) to have
162 compact, transit accessible, pedestrian-oriented mixed-use
163 development patterns and land reuse, and (B) to promote such
164 development patterns and land reuse, (2) priority funding areas
165 designated under section 16a-35c, and (3) corridor management areas
166 on either side of a limited access highway or a rail line. In designating
167 corridor management areas, the secretary shall make
168 recommendations that (A) promote land use and transportation
169 options to reduce the growth of traffic congestion; (B) connect
170 infrastructure and other development decisions; (C) promote
171 development that minimizes the cost of new infrastructure facilities
172 and maximizes the use of existing infrastructure facilities; and (D)
173 increase intermunicipal and regional cooperation.

174 (e) Thereafter on or before March first in each revision year the
175 secretary shall complete a revision of the plan of conservation and
176 development.

177 Sec. 6. (NEW) (*Effective July 1, 2006*) Regional planning agencies
178 shall consider the comprehensive economic development strategies

179 prepared under section 2 of this act in regional plans of development
 180 required under section 8-35a of the 2006 supplement to the general
 181 statutes.

182 Sec. 7. (NEW) (*Effective July 1, 2006*) The Commissioner of Economic
 183 and Community Development may, within available appropriations,
 184 make grants to regional economic development districts to develop,
 185 amend and implement comprehensive economic development
 186 strategies under section 2 of this act.

187 Sec. 8. (NEW) (*Effective July 1, 2006*) Projects identified in
 188 comprehensive economic development strategies approved by the
 189 Commissioner of Economic and Community Development, the
 190 Secretary of the Office of Policy and Management and the Assistant
 191 Secretary of the United States Department of Commerce under section
 192 3 of this act shall be eligible projects for funding with bond funds
 193 available to the Commissioner of Economic and Community
 194 Development.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2006</i>	New section
Sec. 2	<i>July 1, 2006</i>	New section
Sec. 3	<i>July 1, 2006</i>	New section
Sec. 4	<i>July 1, 2006</i>	New section
Sec. 5	<i>July 1, 2006</i>	16a-27
Sec. 6	<i>July 1, 2006</i>	New section
Sec. 7	<i>July 1, 2006</i>	New section
Sec. 8	<i>July 1, 2006</i>	New section

CE *Joint Favorable Subst.*

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:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
Department of Economic & Community Development	GF - Cost	145,000	150,000
Policy & Mgmt., Off.	GF - Cost	66,964	68,972
Comptroller Misc. Accounts (Fringe Benefits)	GF - Cost	46,483	118,274
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 07 \$	FY 08 \$
Various Municipalities	Revenue Impact	See Below	See Below

Explanation

Requiring the Department of Economic and Community Development (DECD) to prepare a statewide comprehensive economic development strategy and review the submittal of comprehensive economic development strategy plans (CEDs), provide overview and review updates, will increase costs to the DECD. It is estimated that the Department would require 2 Economic Development Specialists with a FY 07 total starting salary of \$130,000¹ and associated other expense costs in FY 07 of approximately \$15,000. The bill allows the DECD to make grants to these districts within available

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

appropriations. Since this is permissive and there are no available funds, no General Fund grants are anticipated at this time. The bill also qualifies the districts for grants under DECD General Obligation (GO) bond funded programs. To the degree this increases the use of these funds; and there is a need for additional authorized bond funds, there would be an increase in debt service costs in future years.

The bill requires the Office of Policy and Management (OPM) to review and approve CEDS, or recommend changes to make it consistent with the plan of conservation and development. Additionally OPM must consider the statewide CEDS for each five year revision to the state plan of conservation and development. OPM will need a Lead Planning Analyst to perform these duties with an FY 07 starting salary of \$66,964.²

To the extent that the legislation would qualify additional municipalities through the districts for federal economic development funds that the state would not have been eligible for, the bill would result in a federal revenue gain for districts.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

² The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

**OLR Bill Analysis
sSB 267*****AN ACT CONCERNING REGIONAL ECONOMIC DEVELOPMENT.*****SUMMARY:**

This bill allows regional planning and economic development organizations to propose regional economic development districts (REDDs), prepare strategies to develop them, and apply for state and federal economic development funds. Proposed districts and strategies must be approved by the Department of Economic and Community Development (DECD) and the Office of Policy and Management (OPM) secretary. The bill specifies criteria for drawing district boundaries and procedures for preparing, reviewing, and approving strategies.

An organization may submit a state-approved district to the U.S. Department of Commerce (DOC) for approval. Federal approval allows projects in noneconomically distressed areas to qualify for federal economic development funds. It also qualifies REDDs for additional federal dollars if they complete a federally funded project and the project achieves its goals.

Regional and state plans must consider the districts' strategies. The economic and community development commissioner must prepare a statewide strategy that is consistent, to the extent practicable, with local and REDD strategies. The OPM secretary must consider the statewide strategy the next time he revises the five-year State Plan of Conservation and Development (Plan of C&D). Regional planning agencies must consider the district strategies in their regional plans of development.

EFFECTIVE DATE: July 1, 2006

REDDs

Formation

The bill allows several types of organization, by themselves or together with similar organizations, to designate REDDs and establish boards to govern them. The organizations that can establish REDDs are regional economic development commissions and corporations, nonprofit corporations, regional planning agencies, regional councils of elected officials, regional councils of government, and any other organization with a federally approved comprehensive economic development strategy (CEDS).

(The bill provides no criteria for organizing a district and establishing its board, but a district and its board must meet federal criteria before the DOC can approve its CEDS (see BACKGROUND).)

A proposed district's boundaries must, to the extent practicable, be contiguous with the boundaries of the 10 state-designated labor market areas. (The proposed district must also meet federal designation criteria before DOC can approve its CEDS.)

The district board may submit the proposed district to DOC for approval after DOC approves its proposed CEDS. Under the bill, the commissioner's approval satisfies the federal requirement that the governor approve the proposed district. (Federal law requires the states to approve proposed districts but does not specify how (42 USC § 3171.))

CEDS

A district's board must prepare and approve a CEDS that addresses the region's economic development problems. The strategy must do this in a manner that:

1. promotes economic development and opportunities,
2. fosters effective transportation access,
3. improves workforce development,
4. enhances and protects the environment, and

5. balances resources by soundly managing development.

(Federal law also requires a CEDS to address promoting the use of technology in economic development (42 USC § 3162 (a) (3) (A)).

The strategy must:

1. analyze the district's economic and community development problems and opportunities and incorporate information or suggestions from other publicly sponsored or supported plans;
2. provide historical and current information about the district's economic development situation, including its economy, geography, population, labor force, resources, and environment;
3. describe how the community participated in developing the strategy;
4. set goals and objectives for taking advantage of the district's opportunities and solving its economic development problems;
5. provide an action plan to achieve these goals and objectives; and
6. specify the performance measures the board will use to determine if the goals are being met.

Review and Approval Process

The board must formally approve the CEDS and then submit it to regional, state, and federal agencies for review or approval.

It must first submit the CEDS to the regional planning organizations that do not belong to the district but serve a part of it. These organizations have up to 90 days to study the strategy and report their findings and recommendations to the board.

The board must then submit the CEDS to the economic and community development commissioner and the OPM secretary, who have up to 45 days after receiving it to approve it or recommend changes to make it consistent with the Plan of C&D and the statewide

CEDS (see below). The board must bring the strategy in line with their recommendations and resubmit it to them for review. The commissioner and secretary have up to 45 days to act on the initial or subsequent CEDS submission or it is tacitly approved.

After the commissioner and secretary approve the strategy, the board may submit it to DOC for review and approval under federal law. But the board does not have to take this step if DOC already approved the strategy.

The board must submit annual reports to the commissioner and the secretary on the plan's implementation. It must revise the strategy every five years and submit it to the state officials for review and approval under the same procedures they used to review and approve the initial strategy.

STATE PLANS

Statewide CEDS

The DECD commissioner must prepare a statewide CEDS that addresses the same issues and provides the same type of information and analyses as a district's strategy. In doing so, he must consider local and district plans and insure, to the extent practicable, that the statewide strategy is consistent with these plans. He must also identify and justify any inconsistencies between the two sets of plans. He must prepare the statewide strategy by March 1, 2007.

State Plan of C&D

The bill requires the OPM secretary to consider the statewide CEDS each time he revises the five-year Plan of C&D. (The next revision is scheduled for 2010.)

FUNDING REDDS

The bill allows the DECD commissioner, within available appropriations, to make grants to REDDs for developing, amending, and implementing CEDSs. It also qualifies any REDD-sponsored project for state funding under the Manufacturing Assistance Act, the

Urban Act, and any other bond-funded program the DECD operates.

BACKGROUND

Designating Districts under Federal Law

Federal law allows entities to designate districts, establish organizations to plan and implement strategies to develop them, and qualify for economic development dollars. It specifies the criteria DOC must use to approve a proposed district. DOC may approve a district if it:

1. contains at least one economically distressed area,
2. encompasses a sufficiently large area and have enough people and resources to foster economic development of more than one economically distressed area, and
3. has a DOC-approved CEDS that was approved by majority of the counties in the proposed district and the state or states within which the district is located.

An area is economically distressed if:

1. its per capita income is 80% or less of the national average,
2. its unemployment rate for the most recent 24-month period exceeded the nation's by at least 1 %, or
3. the DOC secretary finds that it faces or will face special needs arising from severe unemployment or short- or long-term economic changes (13 CFR 302.1).

District Governance

The organization responsible for managing the district must also meet federal criteria. The organization can be a:

1. public organization exercising local government powers under an interlocal agreement;

2. public, multi-jurisdictional planning organization established under state law; or
3. nonprofit organization.

The district’s governing body must broadly represent the region’s economic interests. It must include at least one person representing the private sector and one or more people representing executive directors of chambers of commerce, colleges and universities, and workforce development and labor groups. These members must comprise at least 35% of the board. At majority or more of the members must be elected officials or government employees (13 CFR 304.2).

Organizations sponsoring projects in federally approved REDDs qualify for additional planning and development funds. An organization qualifies for a planning performance grant if it participated in the district’s activities and the project complemented the district’s CEDS. The performance grant may be for up to 5% of the initial project grant (42 USC 3154b).

Projects that do not otherwise qualify for federal grants do if they are located in a REDD. As a rule, a project qualifies for the grants if it is located in an economically distressed area with a CEDS. Projects in nondistressed areas qualify only if the area is part of a REDD (13 CFR §301.2).

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 29 Nay 0 (03/14/2006)