OLR Bill Analysis
sSB 3

**AN ACT CONCERNING DIVERSE ECONOMIC OPPORTUNITY, WORKER PROTECTIONS AND SMALL BUSINESS REVITALIZATION.**

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EFFECTIVE DATE: Upon passage, unless otherwise noted.

§ 1 — STRANDED TAX CREDIT PROGRAM EXPANSION

Expands the state’s stranded tax credit program by allowing businesses to exchange stranded R&D tax credits for human capital investments

By law, businesses can exchange accumulated (i.e., stranded) research and development (R&D) tax credits for undertaking certain in-state capital projects. The bill (1) allows businesses to do the same for making human capital investments and (2) makes various conforming changes to the stranded tax credit program.

As under the state’s human capital investment tax credit program (CGS § 12-217x(a)), the bill defines “human capital investment” as:

1. in-state job training for in-state workers;

2. in-state work education programs (e.g., public high school programs and work education-diversified occupations programs);

3. worker training and education for in-state workers that in-state higher education institutions provide;
4. donations or capital contributions to in-state higher education institutions for improvements or technology advancements;

5. planning, site preparation, construction, renovation, or acquisition for the purpose of establishing an in-state child care center that will be primarily used by the children of in-state workers;

6. subsidies to in-state workers for in-state child care; and

7. contributions to the Individual Development Account Reserve Fund.

Existing law provides a 5% corporation tax credit for these human capital investments (CGS § 12-217x).

EFFECTIVE DATE: July 1, 2021, and applicable to income years beginning January 1, 2021.

§ 2 — PRIORITY APPLICANTS FOR ECONOMIC DEVELOPMENT FINANCIAL ASSISTANCE

Requires the DECD commissioner to prioritize applicants for economic development assistance that demonstrate a willingness to make jobs available to individuals meeting certain criteria

The bill requires the Department of Economic and Community Development (DECD) commissioner to prioritize applicants for economic development financial assistance (i.e., DECD-approved grants, loans, loan guarantees, or combination, and tax credits for economic development) that demonstrate a willingness to make jobs available to certain individuals. These individuals include individuals with disabilities or who are:

1. unemployed;

2. low-income (i.e., whose family income is less than 300% of the federal poverty level for the previous calendar year);

3. dislocated workers (see below);

4. training for nontraditional employment (i.e., occupations or
fields in which employees from one gender comprise less than 25% of total employees);

5. veterans (i.e., members of the armed services or those discharged or released under honorable conditions from the U.S. Army, Navy, Marine Corps, Coast Guard, and Air Force and any reserve component of these branches, including the Connecticut National Guard performing duty under Title 32 of the U.S. Code (e.g., certain Homeland Security missions));

6. minorities (i.e., whose race is non-white or ethnicity is Hispanic or Latino, as defined by the federal Office of Management and Budget for use by the U.S. Census Bureau); or

7. women.

The bill gives the DECD commissioner discretion to determine whether applicants have demonstrated a willingness to make jobs available to the individuals described above. It also requires that any assistance provided be consistent with state or regional economic development strategies.

Under the bill, a “dislocated worker” means an individual who:

1. (a) has been terminated, laid off, or received notice of such; (b) is eligible for, or has exhausted entitlement to, unemployment compensation; (c) has been sufficiently employed to demonstrate attachment to the workforce to a one-stop center but is not eligible for unemployment compensation due to insufficient earnings or having performed services for an employer that were not eligible for state unemployment compensation; or (d) is unlikely to return to a previous industry or occupation;

2. (a) has been terminated, laid off, or received notice of this due to a permanent closure of, or substantial layoff at, a plant, facility, or enterprise; (b) is employed at a facility where the employer has announced the facility will close within 180 days; or (c) for
purposes of eligibility to receive certain one-stop workforce development services (excluding certain training, intensive, and supportive services) is employed at a facility where the employer has announced the facility will close;

3. was self-employed (including as a farmer, rancher, or fisherman) but is unemployed due to (a) the economic conditions of the community where he or she resides or (b) natural disasters;

4. is a displaced homemaker (i.e., has been providing unpaid services to family members in the home and (a) was dependent on another family member’s income that is no longer supporting him or her and (b) is unemployed or underemployed and having difficulty obtaining or upgrading employment); or

5. is the spouse of an active duty U.S. armed forces member (a) who is unemployed or underemployed and having difficulty obtaining or upgrading employment or (b) has experienced a loss of employment due to relocation accommodating his or her spouse’s permanent change in duty station.

EFFECTIVE DATE: October 1, 2021

§ 3 — TOURISM, LODGING, AND RESTAURANT INDUSTRY COVID-19 TASK FORCE

Establishes a task force to study the impact of the COVID-19 pandemic on the recruitment and retention of tourism, lodging, and restaurant industry employees

Task Force Duties

The bill establishes a task force to study the impact of the COVID-19 pandemic on the recruitment and retention of tourism, lodging, and restaurant industry employees, including (1) federal and state economic programs that businesses in these industries used during the pandemic; (2) the effectiveness of these programs on helping employee retainment; and (3) obstacles faced by these industries in attaining pre-COVID-19 employment levels. “COVID-19” means the respiratory disease designated by the World Health Organization (WHO) on
February 11, 2020, as coronavirus 2019, and any related WHO-recognized mutation as a communicable respiratory disease.

**Task Force Membership**

Under the bill, the 12-member task force must include the DECD and Department of Labor (DOL) commissioners, or their designees, and the following appointments: governor (two), house speaker (two), senate president pro tempore (two), house majority leader (one), senate majority leader (one), house minority leader (one), and senate minority leader (one). Appointed members may be legislators.

The bill requires appointing authorities to make their appointments within 30 days of its passage and fill any vacancies.

**Task Force Meetings and Procedures**

The bill requires the House speaker and Senate president pro tempore to select the chairpersons from among the task force’s members. The chairpersons must schedule and hold the task force’s first meeting within 60 days after the bill’s passage. The Commerce Committee’s administrative staff must serve as the task force’s administrative staff.

**Task Force Report and Termination**

The bill requires the task force to submit a report with its findings and recommendations to the Commerce Committee by January 1, 2022; the task force terminates on this date or when it submits the report, whichever is later.

**Background**

**Related Bills.** sHB 6603 (File 212), favorably reported by the Commerce Committee, establishes an 11-member task force to study the shortage of employees in various tourism-related businesses in the state.

**§ 4 — DECD ADVERTISING PLAN FOR CERTAIN PROGRAMS AND JOB OPPORTUNITIES**
Requires DECD, in consultation with specified entities, to develop and implement a plan to advertise certification programs, job training programs, and entry-level manufacturing jobs.

The bill requires DECD, in consultation with the governor’s chief manufacturing officer, the State Board of Education, and the Office of Higher Education, to develop and implement a plan to advertise certain programs and job opportunities to state high school and adult education program graduates who do not join the armed forces or enroll in higher education institutions. These programs and job opportunities are certification programs, job training programs, and entry-level manufacturing jobs.

By January 1, 2022, and annually thereafter, the DECD commissioner must report to the Commerce and Education committees on the plan and its implementation.

§ 5 — DECD STUDY OF PROVISIONAL PARDONS AND CERTIFICATES OF REHABILITATION

Requires DECD, in consultation with the Connecticut Sentencing Commission, to evaluate the effectiveness of provisional pardons and certificates of rehabilitation in promoting the reintegration of ex-offenders into the state’s workforce.

The bill requires DECD, in consultation with the Connecticut Sentencing Commission, to evaluate the effectiveness of provisional pardons and certificates of rehabilitation in promoting the reintegration of ex-offenders into the state’s workforce.

The bill requires the DECD commissioner to submit a report with findings and legislative recommendations to the Commerce and Judiciary committees by January 1, 2022.

§ 6 — DECD PLAN FOR CONNECTING VETERANS TO EMPLOYMENT OPPORTUNITIES

Requires DECD, in consultation with specified entities, to develop and implement a plan to connect veterans to employment opportunities.

The bill requires DECD, in consultation with the Department of Veterans Affairs, DOL, and the governor’s chief manufacturing officer, to develop and implement a plan to identify, communicate with, and connect veterans to in-state employment opportunities.
By January 1, 2022, and annually thereafter, the DECD commissioner must report to the Commerce and Veterans’ Affairs committees on the plan and its implementation.

§ 7 — CI PLAN FOR INCREASING FUNDING THROUGH CERTAIN FEDERAL SMALL BUSINESS RESEARCH PROGRAMS

Requires CI, in consultation with specified entities, to develop and implement a plan to increase the total funding provided to Connecticut businesses through the small business innovation research program and small business technology transfer program.

The bill requires Connecticut Innovations (CI), in consultation with DECD, CTNext, and the Connecticut Center for Advanced Technology, to develop and implement a plan to increase the total funding provided to Connecticut businesses through the federal (1) small business innovation research program and (2) small business technology transfer program.

By January 1, 2022, and annually thereafter, the DECD commissioner must report to the Commerce and Veterans’ Affairs committees on the plan and its implementation.

§ 8 — DECD STUDY OF FEDERAL PRISON INDUSTRY ENHANCEMENT CERTIFICATE PROGRAM

Requires DECD, in consultation with DOC, to study the federal prison industry enhancement certification program.

The bill requires DECD, in consultation with the Department of Correction (DOC), to study the federal prison industry enhancement certification program, including an analysis of Connecticut’s and other states’ participation in this program.

The bill requires the DECD commissioner to submit a report to the Commerce and Judiciary committees by January 1, 2022, with the results of the study and recommendations for the state’s future participation in the program.

§ 9 — DECD STUDY OF OPPORTUNITY ZONE FINANCIAL INCENTIVES

Requires the DECD commissioner to study the state’s opportunity zone financial incentives.

The bill requires the DECD commissioner to study the state’s
opportunity zone financial incentives. In conducting the study, DECD must compile a list of economically distressed opportunity zones in the state with the highest unemployment and poverty rates and the lowest median household income. The department must also analyze:

1. the financial incentives the state uses to support opportunity zone investments;
2. the specific economic development projects that these incentives have supported and an accounting of financial incentives the state has paid to date; and
3. the types of businesses that have used these incentives.

The bill requires the DECD commissioner to submit a report on the results of the study to the Commerce Committee by January 1, 2022. The study must include (1) a plan to incentivize investment in the identified economically distressed opportunity zones and (2) legislative proposals to implement this plan.

§ 10 — DECD SMALL BUSINESS MICRO-LOAN ASSISTANCE PROGRAM

Requires DECD to establish, by January 1, 2022, a program to assist small businesses in securing micro-loans from lending institutions

The bill requires DECD to establish, by January 1, 2022, a program to assist small businesses in securing micro-loans from lending institutions. As part of the program, DECD must:

1. establish a registry of in-state lenders that provide micro-loans to small businesses and solicit lenders for inclusion in the registry;
2. advertise the program on its website;
3. establish a method for small businesses seeking a micro-loan to contact DECD for assistance; and
4. assist these businesses, including by identifying potential lenders and helping to complete loan applications.
Under the bill, “small business” means an in-state corporation, limited liability company, partnership, sole proprietorship, or individual operating a for-profit business with 20 or fewer full-time employees, including employees of a subsidiary or affiliated corporation.

By January 1, 2022, and annually thereafter, the DECD commissioner must report to the Commerce Committee on the program, including the number of (1) lenders in the registry, (2) unique assistance requests DECD received from small businesses seeking a micro-loan, and (3) small businesses that have received a micro-loan from a lender after receiving DECD assistance.

EFFECTIVE DATE: October 1, 2021

§ 11 — COMMUNITY REINVESTMENT ACT PERFORMANCE CONSIDERATIONS

Requires the DOB commissioner, when assessing a bank under the state's CRA, to consider the bank's record of participation in the small business micro-loan assistance program the bill establishes

The bill requires the Department of Banking (DOB) commissioner, when assessing a bank’s performance record under the state’s Community Reinvestment Act (CRA, see BACKGROUND), to also consider the bank’s record of participation in the small business micro-loan assistance program the bill establishes (see above).

EFFECTIVE DATE: October 1, 2021

Background

CRA. The Connecticut CRA, among other things, requires the DOB commissioner to assess each bank’s record of meeting its local communities’ credit needs. The banking department gives each bank a score reflecting its community lending efforts. Banks receiving lower assessment scores may be prohibited from certain activities (e.g., opening new branches or merging with other banks). In practice, the law applies to all state-chartered banks, as well as out-of-state banks with a Connecticut branch (CGS § 36a-30).

Related Bills. sHB 6453 (File 227), favorably reported by the
Banking Committee, requires the DOB commissioner, when deciding whether to approve a new loan production office for a Connecticut bank or an out-of-state bank, to consider both the bank’s record of compliance with the federal CRA and overall CRA rating.

§ 12 — DECD STUDY OF FEDERAL BONDING PROGRAM

Requires the DECD commissioner, in consultation with DOL, to conduct a study analyzing the effectiveness of the U.S. DOL’s federal bonding program.

The bill requires the DECD commissioner, in consultation with DOL, to conduct a study analyzing the effectiveness of the U.S. DOL’s federal bonding program.

The bill requires the DECD commissioner to submit a report to the Commerce Committee by January 1, 2022, including the results of the study and any recommendations for establishing complementary state incentives to supplement the program.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute
Yea 17   Nay 6   (03/22/2021)