
OLR Bill Analysis

HB 5124 (as amended by House "A")*

AN ACT CONCERNING REVISIONS TO CERTAIN ECONOMIC AND COMMUNITY DEVELOPMENT-RELATED STATUTES.

SUMMARY

This bill makes several unrelated changes in economic development-related statutes, including the following:

1. allowing the Department of Economic and Community Development (DECD) commissioner to contract with nongovernmental entities in carrying out the Small Business Express (EXP) program;
2. allowing DECD to establish two new programs through which the department may distribute certain funding for projects consistent with the purposes of the state's Economic Action Plan (EAP);
3. requiring the Department of Energy and Environmental Protection (DEEP) commissioner to provide members of an advisory working group specified draft regulations for a release-based remediation program before they are adopted, amended, or repealed; and
4. requiring (a) the Office of Workforce Strategy's chief workforce officer to develop a model student work release policy by July 1, 2023, and (b) all boards of education to adopt it.

The bill also expands the allowable uses of application fees DECD receives through the Historic Rehabilitation Tax Credit program to include funding programs that advance historic preservation in the state. Current law limits the use of these fees solely to program administration costs (§ 3).

The bill additionally requires the DECD commissioner to (1) study, in consultation with the revenue services commissioner, extending the research and development tax credit to pass-through entities and (2) report on the study to the Commerce Committee by January 1, 2023 (§ 5).

Finally, the bill makes technical and conforming changes, including a technical change to a DECD reporting requirement (§ 4).

*House Amendment “A” adds the provisions requiring (1) a study on extending the research and development tax credit, (2) the DEEP commissioner to provide certain draft regulations, and (3) the chief workforce officer to develop a model student work release policy.

EFFECTIVE DATE: Upon passage, except a technical change to a DECD reporting requirement takes effect on October 1, 2022.

§ 1 — EXP PROGRAM

The bill expressly allows the DECD commissioner to contract with nongovernmental entities in carrying out the EXP program (see BACKGROUND). These entities may include nonprofits, economic and community development organizations, lending institutions, and technical assistance providers.

§ 2 — EAP IMPLEMENTATION AND FUNDING

Current law allows the DECD commissioner, for FYs 22 to 24 and in coordination with the Office of Policy and Management secretary, to use bond funds, American Rescue Plan Act of 2021 (ARPA) funding, and other available resources to provide the following:

1. up to \$100 million in grants for “major projects” consistent with the state’s EAP (see BACKGROUND), which the department may distribute by developing and issuing requests for proposals (RFPs); and
2. matching grants of up to \$10 million each for these selected major projects, which the department may distribute through a competitive matching grant program (without specifying

whether these grants count towards the \$100 million cap).

New Programs

The bill makes changes to the mechanisms described above by which DECD may allocate funding for major projects. (These changes generally conform to the department's current practices.)

Specifically, the bill allows the department to establish the following:

1. an Innovation Corridor program to provide grants for major projects, which replaces the existing RFP process, and
2. the Connecticut Communities Challenge program to provide community development grants, which replaces the existing matching grant program for selected projects.

The bill requires the department, under both programs, to develop a competitive application process and criteria consistent with the EAP's purposes to evaluate applications and select projects for funding.

Funding Amounts

The bill caps the new programs' combined funding at \$200 million, including (1) up to \$100 million for grants under the Innovation Corridor program and (2) up to \$100 million for grants under the Connecticut Communities Challenge program. As under current law, these grants may be funded through bonds, ARPA funds, and any other available resources.

§ 6 — RELEASE-BASED REMEDIATION ADVISORY GROUP

The bill requires the DEEP commissioner, at least 60 days before she posts a notice of intent on the eRegulations System to adopt, amend, or repeal regulations to carry out a release-based remediation program, to provide a draft of the regulations to members of an existing advisory working group and allow the group to provide advice and feedback (see BACKGROUND). The group must do so within 30 days after receiving the draft.

The bill also requires the DEEP commissioner to convene at least one

monthly meeting of the group at least 15 days before she posts the eRegulations notice and after she provides the draft regulations. Additionally, she must provide a revised draft for the members' review before posting the notice.

§ 7 — MODEL STUDENT WORK RELEASE POLICY

The bill requires the Office of Workforce Strategy's chief workforce officer, in consultation with the education commissioner, the Technical Education and Career System's executive director, and the Department of Labor commissioner, to develop a model student work release policy by July 1, 2023. She must report on the policy by this date to the Commerce, Education, and Labor and Public Employees committees.

The bill allows the chief workforce officer to update the policy as needed and requires her to notify each local and regional board of education about an update. The bill requires boards of education, for the 2024-25 school year and all following school years, to adopt the model student work release policy or the most recently updated version of it.

BACKGROUND

Economic Action Plan (EAP)

The state's "Economic Action Plan," also referred to as the "Economic Development Action Plan," is Governor Lamont's proposal to use a combination of state bonds, tax credits, private and municipal matching funds, and other funding streams to support specified economic development programs.

EXP Program

DECD's EXP program provides financial assistance to qualifying small businesses. PA 21-2, June Special Session, made various changes to DECD's EXP program, generally increasing flexibility in the department's administration of the program and allowing for increased participation by private lenders.

Release-Based Remediation Advisory Group

Existing law transitions the state from its transfer-based approach to property remediation (i.e., the "Transfer Act") to a release-based

approach (CGS § 22a-134pp et seq.). The release-based approach becomes effective when the DEEP commissioner adopts regulations for the program (e.g., establishing release reporting requirements and remediation standards).

By law, a working group within DEEP must provide advice and feedback on the regulations to be adopted. It is co-chaired by the DEEP and economic and community development commissioners, or their designees, and includes (1) the chairpersons and ranking members of the Environment and Commerce committees, (2) representatives of specified professions and groups (e.g., environmental transaction attorneys), and (3) any other members of the public the DEEP commissioner designates.

Related Bills

SB 102 (File 239), which the Senate passed, contains a similar provision requiring the DEEP commissioner to provide members of an advisory working group specified draft regulations for a release-based remediation program before they are adopted, amended, or repealed.

SB 351 (File 314), which the Senate passed, contains a similar provision requiring the DECD commissioner to study extending the research and development tax credit to pass-through entities.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 23 Nay 0 (03/17/2022)