



House of Representatives

General Assembly

File No. 287

February Session, 2022

House Bill No. 5124

House of Representatives, April 5, 2022

The Committee on Commerce reported through REP. CURREY of the 11th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

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

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

1 Section 1. Section 32-7g of the 2022 supplement to the general statutes
2 is amended by adding subsection (h) as follows (*Effective from passage*):

3 (NEW) (h) The commissioner may contract with nongovernmental
4 entities, including, but not limited to, nonprofit organizations, economic
5 and community development organizations, lending institutions, and
6 technical assistance providers to carry out the provisions of this section.

7 Sec. 2. Section 32-4p of the 2022 supplement to the general statutes is
8 repealed and the following is substituted in lieu thereof (*Effective from*
9 *passage*):

10 (a) [For the fiscal years ending June 30, 2022, to] On and after July 1,
11 2021, and until June 30, 2024, [inclusive,] the Commissioner of Economic
12 and Community Development, in coordination with the Secretary of the

13 Office of Policy and Management, may, for the purposes of
14 implementing the state's Economic Action Plan, use bond funds,
15 funding received as a result of the American Rescue Plan Act of 2021,
16 P.L. 117-2, as amended from time to time, and available resources, to
17 provide (1) not more than one hundred million dollars in the aggregate
18 for grants in support of major projects selected pursuant to subsection
19 (b) of this section, and (2) [matching grants] not more than one hundred
20 million dollars in the aggregate for community development grants
21 awarded pursuant to subsection (c) of this section. Total funding for
22 grants provided pursuant to subsections (b) and (c) of this section shall
23 not exceed two hundred million dollars in the aggregate.

24 (b) On and after July 1, 2021, and until [July 1] June 30, 2024, the
25 Department of Economic and Community Development may [develop
26 and issue requests for proposals] establish an Innovation Corridor
27 program, which shall provide grants for major projects in the state. The
28 department shall develop a competitive application process and criteria
29 consistent with the purposes of the state's Economic Action Plan to (1)
30 evaluate [proposals] applications submitted pursuant to this subsection,
31 and (2) select [proposals] projects for funding pursuant to subdivision
32 (1) of subsection (a) of this section.

33 (c) On and after July 1, 2021, and until [July 1] June 30, 2024, the
34 [Commissioner] Department of Economic and Community
35 Development may establish a [competitive grant program to provide
36 matching grants of not more than ten million dollars for major projects
37 selected pursuant to subsection (b) of this section. Each major project
38 selected pursuant to subsection (b) of this section shall be eligible for a
39 matching grant under this subsection not more than two times a year.
40 The commissioner shall establish eligibility criteria, an application
41 process, evaluation criteria and reporting requirements for the
42 competitive grant program] Connecticut Communities Challenge
43 program, which shall provide community development grants. The
44 department shall develop a competitive application process and criteria
45 consistent with the purposes of the state's Economic Action Plan to (1)
46 evaluate applications submitted pursuant to this subsection, and (2)

47 select community development projects for funding pursuant to
48 subdivision (2) of subsection (a) of this section.

49 Sec. 3. Subsection (h) of section 10-416c of the general statutes is
50 repealed and the following is substituted in lieu thereof (*Effective from*
51 *passage*):

52 (h) The Department of Economic and Community Development may
53 charge any owner seeking a tax credit pursuant to subsection (b) of this
54 section an application fee in an amount not to exceed ten thousand
55 dollars to (1) cover the cost of administering the program established
56 pursuant to this section, and (2) fund programs that advance historic
57 preservation in the state.

58 Sec. 4. Subparagraph (C) of subdivision (2) of subsection (a) of section
59 32-1m of the 2022 supplement to the general statutes is repealed and the
60 following is substituted in lieu thereof (*Effective October 1, 2022*):

61 (C) An investment analysis, including (i) total portfolio value, (ii)
62 total investment by industry, (iii) portfolio dollar per job average, and
63 (iv) portfolio leverage ratio;

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	32-7g
Sec. 2	<i>from passage</i>	32-4p
Sec. 3	<i>from passage</i>	10-416c(h)
Sec. 4	<i>October 1, 2022</i>	32-1m(a)(2)(C)

CE *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Treasurer, Debt Serv.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in the following fiscal impacts below.

Section 1 permits the Department of Economic and Community Development (DECD) to contract with nongovernmental entities for the purpose of administrating the Small Business Express program.

The program is funded through a combination of General Obligation (GO) bond funds and revenues from repayment of loans previously issued under the program. Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended or to be expended more rapidly than they otherwise would have been.

As of April 1st, the unallocated balance for Small Business Express is \$9 million. Additionally, \$25 million will become effective under current law to start FY 23.

The bill does not change GO bond authorizations relevant to the program.

Section 2 specifies that funding designated to the state's Economic Action Plan may not exceed \$200 million and codifies the Innovation

Corridor and the Connecticut Communities Challenge programs as part of the state's Economic Action Plan.¹

The bill does not change any GO bond authorizations to support the Economic Action Plan. However, \$25 million of previously authorized Urban Act funds were allocated for the purposes of the Connecticut Communities Challenge Grant Program at the March 31, 2022 meeting of the State Bond Commission. Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended more rapidly than they otherwise would have been.

The bill has no fiscal impact by codifying the Innovation Corridor program and Connecticut Communities Challenges program to be in accordance with the Economic Action Plan. Both programs were established by DECD in fall 2021.

Section 3 allows the application fee received under the tax credit for rehabilitation of certified historic structures program to be used to fund programs that advance historic preservation in the state. There is no fiscal impact as the bill does not change the rate of the fee.

Under current law, the fee, which may be up to \$10,000 per application, may only be used for the administrative related expenditures. As of June 30, 2021, there is a balance of approximately \$200,000 in available revenue from the fees collected over time.

Section 4 makes a technical change that has no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the terms of any bonds issued.

Sources: Office of State Comptroller, FY 21 Annual Report

¹ Current law allows the use of bond funds, federal funds under the American Rescue Plan Act, and other available sources to support the Economic Action Plan.

OLR Bill Analysis**HB 5124*****AN ACT CONCERNING REVISIONS TO CERTAIN ECONOMIC AND COMMUNITY DEVELOPMENT-RELATED STATUTES.*****SUMMARY**

This bill makes several unrelated changes in economic development-related statutes. The bill expressly allows the Department of Economic and Community Development (DECD) commissioner to contract with nongovernmental entities in carrying out the Small Business Express (EXP) program (see BACKGROUND). These entities may include nonprofits, economic and community development organizations, lending institutions, and technical assistance providers.

The bill also makes changes to provisions enacted by PA 21-2, June Special Session, that allow the DECD commissioner, in implementing the state's Economic Action Plan (EAP; see BACKGROUND), to provide funding for certain projects consistent with the plan's purposes. Specifically, the bill establishes two new programs to distribute this funding and specifies the funding amounts applicable to each.

Additionally, the bill 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.

Finally, the bill makes technical and conforming changes.

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

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 (OPM) secretary, to use bond funds, American Rescue Plan Act of 2021 (ARPA) funding, and other available resources to provide:

1. up to \$100 million in grants for "major projects" consistent with the state's EAP, 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 (it does not specify 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:

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.

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.

Small Business Express (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.

COMMITTEE ACTION

Commerce Committee

Joint Favorable
Yea 23 Nay 0 (03/17/2022)