



House of Representatives

File No. 664

General Assembly

February Session, 2022

(Reprint of File No. 287)

House Bill No. 5124
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
April 27, 2022

**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8 repealed and the following is substituted in lieu thereof (*Effective from*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;

64 Sec. 5. (*Effective from passage*) The Commissioner of Economic and
65 Community Development shall, in consultation with the Commissioner
66 of Revenue Services, conduct a study regarding whether to extend
67 research and development tax credits to pass-through entities. Not later
68 than January 1, 2023, the commissioner shall report, in accordance with
69 the provisions of section 11-4a of the general statutes, regarding such
70 study to the joint standing committee of the General Assembly having
71 cognizance of matters relating to commerce.

72 Sec. 6. Subsection (b) of section 22a-134tt of the general statutes is
73 repealed and the following is substituted in lieu thereof (*Effective from*
74 *passage*):

75 (b) The commissioner, or his or her designee, shall co-chair and
76 convene, in conjunction with the Commissioner of Economic and

77 Community Development, or his or her designee, a working group in
78 the department for the purpose of providing advice and feedback for
79 regulations to be adopted by the commissioner in accordance with the
80 provisions of this section. The Commissioner of Economic and
81 Community Development, or his or her designee, shall serve as co-chair
82 of such working group. The membership of the working group shall
83 include: (1) The chairpersons and ranking members of the joint standing
84 committees of the General Assembly having cognizance of matters
85 relating to the environment and commerce; (2) environmental
86 transaction attorneys; (3) commercial real estate brokers; (4) licensed
87 environmental professionals; (5) representatives from the Connecticut
88 Manufacturers' Collaborative; (6) representatives of environmental
89 advocacy groups; (7) representatives of the Environmental
90 Professionals Organization of Connecticut; (8) municipal
91 representatives; (9) representatives from the brownfields working
92 group established pursuant to section 32-770; (10) representatives of the
93 Connecticut Conference of Municipalities and the Connecticut Council
94 of Small Towns; (11) representatives of the Council on Environmental
95 Quality; and (12) any other interested members of the public designated
96 by the commissioner. The commissioner shall convene monthly
97 meetings of such working group until such time as regulations are
98 adopted pursuant to this section. Not less than sixty days before posting
99 notice on the eRegulations System pursuant to section 4-168, the
100 commissioner shall provide a draft of such regulations to the members
101 of the working group and allow members of the working group to
102 provide advice and feedback on such draft. The members of the working
103 group shall provide such advice and feedback not later than thirty days
104 after the date on which such members receive such draft. Not less than
105 fifteen days before posting such notice on the eRegulations System
106 pursuant to section 4-168, the commissioner shall convene at least one
107 monthly meeting of the working group after providing a draft of such
108 regulations. The commissioner shall provide a revised draft for review
109 by such members prior to posting notice on the eRegulations System
110 pursuant to section 4-168.

111 Sec. 7. (NEW) (*Effective from passage*) (a) On or before July 1, 2023, the
 112 Chief Workforce Officer, in consultation with the Commissioner of
 113 Education, the executive director of the Technical Education and Career
 114 System and the Labor Commissioner, shall develop a model student
 115 work release policy. Not later than July 1, 2023, the Chief Workforce
 116 Officer shall report, in accordance with the provisions of section 11-4a
 117 of the general statutes, regarding such model student work release
 118 policy to the joint standing committees of the General Assembly having
 119 cognizance of matters relating to education, commerce and labor.

120 (b) The Chief Workforce Officer may update the model student work
 121 release policy developed pursuant to subsection (a) of this section as
 122 needed. The Chief Workforce Officer shall notify each local and regional
 123 board of education of such updated model student work release policy.

124 (c) For the school year commencing July 1, 2024, and each school year
 125 thereafter, each local and regional board of education shall adopt the
 126 model student work release policy developed pursuant to subsection (a)
 127 of this section or the most recent updated model student work release
 128 policy developed pursuant to subsection (b) of this section.

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)
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	22a-134tt(b)
Sec. 7	<i>from passage</i>	New section

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
Department of Economic & Community Development	GF - Potential Cost	Minimal	None
Governor's Off. (Office of Workforce Strategy)	GF - Cost	90,000	None

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.

Section 5 results in a potential minimal cost in FY 23 only by

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.

requiring DECD in consultation with the Department of Revenue Services to conduct a study regarding the extension of research and development tax credits to pass-through entities. There would be a cost only to the extent that the agencies would require third party consultation to assist in research for the study.

Section 6 has no fiscal impact by requiring the Department of Energy and Environmental Protection (DEEP), before posting a notice of intent to adopt certain regulations to (1) provide a draft of the proposed regulations to the working group; and (2) allow the members to provide advice and feedback on the draft. This has no fiscal impact as DEEP currently has staff for this purpose.

Section 7 which requires the Chief Workforce Officer to develop a model student work release policy, results in a cost of up to \$90,000 in FY 23 for a durational Educational Consultant. The Office of Workforce Strategy currently does not have the staff available to complete the tasks contained within this bill. The cost is one-time in nature.

House "A" strikes the underlying bill and its associated fiscal impact resulting in the impact described above.

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

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)