

## Distressed Municipality Designation

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### Issue

Describe the state programs and benefits that base eligibility or other requirements, at least in part, on a municipality's designation as a distressed municipality.

### Summary

[Distressed municipalities](#) are those that the Department of Economic and Community Development (DECD) determines have the highest levels of fiscal and economic distress. They are annually designated using statistical indicators that measure municipal fiscal capacity (e.g., tax base, residents' personal income, and, indirectly, the residents' need for public services) ([CGS § 32-9p](#)). As shown in Table 1, the designations are used to direct assistance to these municipalities and businesses and individuals located in them, as eligibility criteria for additional designations, and for other purposes.

A companion report ([2023-R-0020](#)) describes the state programs and benefits that base eligibility or other requirements, at least in part, on a municipality's designation as a [Public Investment Community](#), under [CGS § 7-545](#).

## Distressed Municipalities

### *Designation*

"Distressed municipalities" are the 25 municipalities that receive the highest scores under a DECD-established rubric. The rubric ranks each of Connecticut's towns from 1 to 169, with the lowest-

ranking towns receiving the most points, based on the following statistical indicators: (1) poverty rate, (2) unemployment rate, (3) change in population, (4) change in employment rate, (5) per capita income, (6) change in per capita income, (7) percentage of housing stock built before 1939, (8) percentage of residents with at least a high school diploma, and (9) per capita adjusted equalized net grand list. (According to DECD's *Distressed Municipalities Criterion*, which is available on its [website](#), all metrics are given the same weight except the unemployment rate, which is given more weight, and the pre-1939 housing stock, which is given less weight.)

By law, portions of municipalities that are eligible for an enterprise zone designation based on being [contiguous to an enterprise zone](#) and meeting certain criteria are also distressed municipalities (under [CGS § 32-70\(a\)&\(b\)](#)). Additionally, for certain programs, municipalities adversely impacted by a major plant closing, relocation, or layoffs are considered distressed municipalities for the two years following the closure, relocation, or layoff ([CGS § 32-9p\(b\)](#) and [Conn. Agencies Reg. § 32-9p-4\(a\)](#)).

While DECD publishes the distressed municipality list annually, a municipality removed from the list in a given year does not immediately lose its designation. Rather, the law deems it a distressed municipality for an additional five years. However, the municipality may reject this extension by a vote of its legislative body and following certain timing and notification requirements.

### ***Programs and Benefits***

Table 1 below lists and briefly describes the programs and benefits that reference the distressed municipality designation. It organizes the programs and benefits as follows: (1) financial assistance to municipalities, (2) benefits to businesses and individuals, (3) additional zone designations, and (4) other laws that specifically impact distressed municipalities. Although each is authorized by law, not all of the programs are necessarily funded or active.

The table excludes programs that are listed in statute and reference distressed municipalities but appear to have expired or no longer depend on the distressed municipality designation. For example, [CGS § 12-81 \(59\) and \(60\)](#) require that municipalities provide property tax exemptions for certain manufacturing property located in a distressed municipality if DECD issues an eligibility certificate, but generally DECD may only issue a certificate if the distressed municipality is also a targeted investment community (and targeted investment communities may qualify in their own right, regardless of whether they are distressed municipalities) ([CGS § 32-9r](#)). Additionally, [CGS § 8-208c](#) required DECD to establish a pilot program in at least one distressed municipality to facilitate the acquisition and renovation of one- to four-family homes, but the program expired and is no longer funded.

**Table 1: Programs and Benefits With Criteria Incorporating the Distressed Municipality Designation**

Citation (CGS §)	Program or Benefit	Type	Brief Description
<b>Financial Assistance to Municipalities</b>			
<a href="#">3-55m</a>	<a href="#">Mashantucket Pequot and Mohegan Fund Grant</a>	Grant (additional amount)	Distressed municipalities that are members of the Northeastern Connecticut Council of Governments or Windham Area Council of Governments receive part of a \$1.6M grant from the Mashantucket Pequot and Mohegan Fund, in addition to other grants from the fund to which they are entitled.
<a href="#">4-66c</a> , as amended by <a href="#">PA 21-111</a> , § 51, and <a href="#">22-118</a> , § 330	<a href="#">Urban Action Grant</a>	Grant (eligibility)	These bond-funded grants are open to (1) distressed municipalities, (2) public investment communities (PICs), and (3) urban centers under the state's Plan of Conservation and Development; other towns may still receive Urban Act funds (1) if the State Bond Commission determines that the project in question will help meet specified urban revitalization goals or (2) for transit-oriented development projects. Urban Act funds may be used to finance a wide range of projects including economic and community development, transportation, and housing projects.
<a href="#">4-66g</a> , as amended by <a href="#">PA 21-111</a> , § 52	<a href="#">Small Town Economic Assistance Program (STEAP)</a>	Grant (eligibility)	STEAP grants are awarded to municipalities to fund certain types of capital projects related to economic development, community conservation, and quality of life; municipalities that are eligible for Urban Action grants are generally ineligible to apply for a STEAP grant, but distressed municipalities may follow a procedure to " <a href="#">opt-in</a> " and become eligible for this grant instead (except those that contain a state Plan of Conservation and Development-designated urban center may not opt-in).
<a href="#">7-131d et seq.</a>	<a href="#">Open Space and Watershed Land Acquisition Program (OSWA)</a>	Grant (use)	This grant awards funds to municipalities, nonprofit land conservation organizations, and water companies to help them acquire land or permanent interests in land for open space, watershed protection, or water supply land, as applicable; a subcategory (i.e., the <a href="#">urban green and community gardens grant program</a> ) is available to a distressed municipality or targeted investment community to restore or protect natural features or habitats on open space already owned by the municipality or to replace vegetation, but the total amount of grants for these purposes is capped.
<a href="#">7-277c</a> , as amended by <a href="#">PA 22-118</a> , § 332	<a href="#">Public safety recording devices</a>	Grant (additional amount)	Through FY 23, this grant partially reimburses municipalities for costs (up to 50% for distressed municipalities and 30% for all others) associated with purchasing eligible police body cameras, digital data storage devices or services, and certain dashboard cameras.

Table 1 (continued)

Citation (CGS §)	Program or Benefit	Type	Brief Description
<b>Financial Assistance to Municipalities (continued)</b>			
<a href="#">PA 21-2, June Special Session (JSS)</a> , § 9 (codified as <a href="#">CGS § 7-313m</a> )	<b>Volunteer firefighter training</b>	Grant (eligibility)	The state fire administrator must annually provide distressed municipalities that have volunteer fire departments with a grant, based on a statutory formula, for the costs of providing Firefighter I certification and recruit training at regional fire schools; fire department chiefs must comply with annual reporting requirements related to the grant.
<a href="#">8-190, -193, and -195</a>	<b>Municipal development project grants</b>	Grant (additional amount) and power to issue loans	The DECD commissioner may make planning grants to municipalities for certain development projects, generally covering up to 50% of the estimated planning costs, but they may cover up to 100% of those costs for projects in distressed municipalities. The commissioner may also make development grants to municipalities for development projects, generally covering up to 50% of the net cost, but they may cover up to 65% of the cost for those in distressed municipalities.  The law expressly allows a distressed municipality's share of the project cost to be paid entirely or partially with funding received through any federal capital grant program and authorizes them to use development agencies to lend funds to businesses and industries in a manner the DECD commissioner approves.
<a href="#">10-283c</a>	<b>School construction</b>	Grant (application and eligibility)	Distressed municipalities with a population of at least 90,000 may submit a "bundled" school construction grant application that includes multiple projects and receive a single grant; additionally, if the Office of Policy and Management (OPM) determines that such a municipality cannot reasonably issue debt to cover its share of the project costs, the law allows discretionary federal block grant funds to be considered the local share, despite restrictions limiting use of those funds to specific schools.
<a href="#">PA 21-159</a> (codified as CGS § 16-330a et seq.)	<b>Broadband Internet Access Service Grant Program</b>	Grant (eligibility)	The Department of Energy and Environmental Protection (DEEP) must establish eligibility criteria for the grant program that, among other things, considers whether a proposal addresses unserved areas in distressed municipalities.

Table 1 (continued)

Citation (CGS §)	Program or Benefit	Type	Brief Description
<b>Financial Assistance to Municipalities (continued)</b>			
<a href="#">16a-35c et seq.</a>	<b>Growth-related projects</b>	Agency funding (eligibility)	Generally, by law, state agencies may not fund “growth-related projects” (e.g., acquisition or improvement of certain properties costing more than \$200,000) unless they are in designated priority funding areas (which the law outlines). Agencies may, however, fund these projects outside of designated priority funding areas if the OPM secretary approves the funding and the project is in a distressed municipality, among other exceptions.
<a href="#">22a-478</a>	<b>Eligible water quality and drinking water projects</b>	Grant and loan program	Also known as the Clean Water Fund, this program provides financial assistance to municipalities for projects addressing wastewater and drinking water needs; distressed municipalities may receive specific percentage amounts for certain water quality projects related to the clean-up of Long Island Sound.
<a href="#">32-9s</a>	<a href="#">State Aid to Distressed Municipalities</a>	Grant (eligibility)	This grant reimburses distressed municipalities for 50% of their revenue loss attributed to certain mandatory manufacturing-related property tax exemptions they must provide (e.g., for certain machinery and equipment acquired as part of a technological upgrade, under <a href="#">CGS § 12-81(70)</a> ).
<b>Benefits for Individuals and Businesses</b>			
<a href="#">PA 22-118</a> , § 420 (codified as CGS § 32-7t)	<a href="#">JobsCT Tax Rebate Program</a>	Tax rebate (additional amount)	This program allows companies in specified industries to earn rebates against the insurance premiums, corporation business, and pass-through entity taxes for reaching certain job creation targets; generally the rebate equals 25% of the state income tax paid by the new full-time equivalent employees (FTEs), but it is 50% for FTEs in an opportunity zone or distressed municipality.

Table 1 (continued)

Citation (CGS §)	Program or Benefit	Type	Brief Description
<b>Benefits for Individuals and Businesses (continued)</b>			
<a href="#">8-37vv</a>	<b>Rental Housing Revolving Loan Fund</b>	Loan program	This loan program was never established, according to the Department of Housing (DOH), but would provide building owners with low-interest loans to renovate and repair apartment buildings in distressed municipalities to (1) comply with the State Building Code or other state or municipal health codes or (2) otherwise make buildings suitable for tenants. To be eligible, a building must have no more than 20 residential units and may include an owner-occupied unit.
<a href="#">12-81aa</a>	<b>Urban and industrial reinvestment sites</b>	Property tax exemption (municipal option)	This program authorizes up to a 50%, five-year local option abatement on the increased value of eligible urban and industrial site reinvestment projects (see § 32-9t below) that qualify for state tax credits, but do not qualify for any other property tax abatements or exemptions.
<a href="#">32-9t</a>	<a href="#">Urban and Industrial Sites Reinvestment (URA)</a>	Business tax credit	This incentive program authorizes state business tax credits for businesses investing in projects developing or redeveloping urban and industrial property based on site and economic criteria. Businesses, except those proposing to develop a site in a distressed municipality (or enterprise zone or a town with more than 100,000 people) qualify for credits regardless of the site's condition. With one exception, businesses proposing to develop sites outside of these designated towns qualify only if the land is contaminated and the business will clean it up before it builds the facility.
<a href="#">32-9q</a>	<b>Employment Incentive Revolving Fund</b>	Working capital loans	DECD may make working capital loans, through the Employment Incentive Revolving Fund, to any industrial business that is located in a distressed municipality and has, or is reasonably expected to, create new jobs there. By law, municipalities adversely impacted by a major plant closing, relocation, or layoffs are also considered distressed municipalities for the two years following the closure, relocation, or layoffs ( <a href="#">CGS § 32-9p(b)</a> and <a href="#">Conn. Agencies Reg. § 32-9p-4(a)</a> ).

Table 1 (continued)

Citation (CGS §)	Program or Benefit	Type	Brief Description
<b>Benefits for Individuals and Businesses (continued)</b>			
<a href="#">32-23p</a>	<a href="#">Connecticut Innovations, Inc (CI)</a>	Loans (eligibility)	Allows CI to make bond-financed loans for economic development projects located in areas of high unemployment, which includes distressed municipalities ( <a href="#">CGS § 32-9p(a)</a> ).
<a href="#">32-23jj</a>	<b>Connecticut Works Fund</b>	Loans and Loan Guarantees	When reviewing applications for assistance under the Connecticut Works Fund and Connecticut Works Guarantee Fund, CI must consider a number of factors, including whether the project is located in a distressed municipality. The funds provide direct loans for eligible projects and includes a loan guarantee program to encourage participating lenders to provide additional credit on more favorable terms.
<a href="#">32-7o</a>	<a href="#">Connecticut Manufacturing Innovation Fund (MIF)</a>	Grants, loans, and other support	MIF provides various forms of assistance to support the growth, innovation, and progress of the state's advanced manufacturing sector. By law, the fund administrator and Manufacturing Innovation Advisory Board must prioritize proposals from companies located in, or planning to relocate to, a distressed municipality, targeted investment community, PIC, enterprise zone, or manufacturing innovation district.
<a href="#">PA 21-77</a> , (codified as CGS § 32-7r)	<b>Regional Economic Development Matching Grant Pilot Program</b>	Grant	A 2021 law requires DECD to establish, within available resources and statutory requirements, a pilot program to provide matching grants to regional economic development corporations implementing economic development programs in at least four municipalities (unless the commissioner grants an exception), one of which must be a distressed municipality.  DECD may accept pilot program applications until June 30, 2026.
<b>Additional Zone Designations</b>			
<a href="#">8-376 et seq.</a>	<b>Housing development zones</b>	Zone designation	By law, municipalities included on the distressed municipality list as of October 1, 1987, can apply to the DOH commissioner to designate an area of the municipality meeting certain requirements as a housing development zone. The commissioner is allowed to approve up to three such zones in the state. Housing development zones receive priority for certain state housing assistance and municipalities within these zones must fix assessments (i.e., defer a percentage of assessment increases) on certain commercial and residential property in the zones, based on a statutorily set 11-year schedule.

Table 1 (continued)

Citation (CGS §)	Program or Benefit	Type	Brief Description
<b>Additional Zone Designations (continued)</b>			
<a href="#">32-70</a> , as amended by <a href="#">PA 22-118</a> , § 465	<a href="#">Enterprise Zone (also known as Targeted Investment Community)</a>	Zone designation	Any municipality that was a distressed municipality on February 1, 1986, may, with the approval of the DECD commissioner, designate certain areas of the municipality as an enterprise zone if the area meets at least one of several specified economic criteria. The enterprise zone program offers various tax incentives and other benefits to businesses that start up in or improve real property in areas designated as enterprise zones.  Municipalities with an enterprise zone designation may also apply for additional designations (e.g., as an <a href="#">entertainment district or railroad depot zone</a> ), which may make them eligible for additional benefits.
<a href="#">32-70g</a>	<b>Knowledge Center Enterprise Zones</b>	Zone designation	The law authorizes the DECD commissioner to establish up to 10 knowledge center enterprise zones surrounding institutions of higher learning; the commissioner may do so if, among other things, an institution submits a proposal recommending one and the zone is located in a distressed municipality. Under the law, businesses located in knowledge center enterprise zones receive the same benefits, subject to the same conditions, as those located in general enterprise zones.
<a href="#">32-80</a>	<a href="#">Enterprise Corridor Zone</a>	Zone designation	Two or more contiguous municipalities meeting certain requirements, including being both a PIC and distressed municipality, may request an enterprise corridor zone designation from DECD. Eligible businesses located in an enterprise corridor zone are entitled to the same benefits as those located in general enterprise zones (see above).
<b>Other</b>			
<a href="#">8-218</a>	<b>Community housing development corporations and revolving loan funds</b>	Income limits for state-funded housing	The law imposes different requirements and restrictions on housing developed by community housing development corporations (CHDCs) in distressed municipalities (e.g., allows CHDCs to set the tenant income eligibility limit at up to 250% of the area median income (AMI), rather than 80% of the AMI, which is the threshold for most other state-funded housing projects).



Table 1 (continued)

Citation (CGS §)	Program or Benefit	Type	Brief Description
<b>Other (continued)</b>			
<a href="#">16-245ff</a>	<a href="#">Residential Solar Investment Program (RSIP)</a>	Financial incentive	The Connecticut Green Bank's RSIP provides financial incentives for residential homeowners to install solar photovoltaic systems on their property. By law, the Public Utilities Regulatory Authority (PURA) must provide an additional incentive for using major system components manufactured or assembled in a distressed municipality.
<a href="#">16-256c</a>	<b>Extended local calling services</b>	Procedural requirement	PURA must consider a petition for extended local calling when, among other factors, the petition is sponsored by the chief administrative officer of a distressed municipality, located within the petitioning exchange.
<a href="#">17b-239a</a>	<b>Short-term hospital funding</b>	Discretionary Medicaid payment	The Department of Social Services (DSS) may, within available funds, make "disproportionate share" (DSH) Medicaid payments to short-term hospitals located in (1) distressed municipalities with more than 70,000 people and (2) targeted investment communities with enterprise zones and more than 100,000 people. (DSS makes DSH payments to hospitals with high volumes of indigent and uninsured patients since they generally lose money due to low Medicaid reimbursement rates and their inability to collect from these patients.)
<a href="#">22a-20a</a>	<b>Environmental justice facility siting procedure</b>	Eligibility criteria	Applicants seeking permits for certain facilities (e.g., certain medical waste incinerators, landfills, polluting electric generating facilities) that are or are proposing to be located in an environmental justice community, which includes all distressed municipalities, must follow a specific notice requirement (e.g., meaningful public participation plan and consultation with municipal officials concerning the need for a community environmental benefit agreement).
<a href="#">22a-133m</a>	<b>Urban site remediation program</b>	Eligibility criteria	This program helps identify, evaluate, plan for, and undertake the remediation of polluted real property in distressed municipalities (or targeted investment communities or at certain specific sites proposed for acquisition).
<a href="#">22a-499a &amp; -499b</a>	<b>Water Pollution Control Authority</b>	Authority to levy fee	By law, certain distressed municipalities (those with a population of at least 140,000 and an ordinance establishing a water pollution control authority) are authorized to recommend a levy on taxable real property for stormwater control systems; the law additionally sets delinquent payment penalties.

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