
OLR Bill Analysis

sHB 5434 (as amended by House "A")*

AN ACT CONCERNING THE COMMUNITY ECONOMIC DEVELOPMENT FUND.

SUMMARY

This bill makes various changes to the Community Economic Development Fund (CEDF). Specifically, the bill:

1. adds “qualified census tracts” (i.e., any census tract federally certified as having at least 50% households with income below 60% of the area median gross income or a poverty rate of at least 25%) to the list of areas CEDF must assist;
2. creates a new board of directors to oversee CEDF, beginning October 1, 2024;
3. allows CEDF to conduct business outside Connecticut with funds received on or after October 1, 2024, if certain conditions are met; and
4. requires CEDF to report the ratio of business conducted in- to out-of-state in its annual report to the Commerce Committee.

Current law requires that at least 70% of the financial assistance CEDF provides be used for activities in targeted investment communities. The bill expands the allowable uses to include assistance to low- and moderate-income individuals for activities in public investment communities and qualified census tracts. It also makes technical and conforming changes.

*House Amendment “A” modifies the new CEDF board of directors’ membership, including (1) authorizing the board to include any members it unanimously appoints, (2) allowing members of the current CEDF board to be reappointed to the new board, and (3) requiring that

the board's legislative appointees and ex officio members comprise no more than one-fifth of the board.

EFFECTIVE DATE: July 1, 2024

BOARD OF DIRECTORS

Under current law, CEDF is governed by a board of directors that includes (1) five representatives of state agencies or quasi-public agencies, appointed by the governor; (2) one member appointed by each CEDF investor; (3) six members from areas CEDF assists or representatives of nonprofits that assist them, appointed by legislative leaders; and (4) any additional members the board appoints.

This bill restructures the CEDF board of directors to include the following members:

1. one jointly appointed by the legislative majority leaders;
2. one jointly appointed by the legislative minority leaders;
3. the Department of Banking commissioner, or his designee;
4. the Office of Policy and Management (OPM) secretary, or his designee;
5. one member appointed by each CEDF investor;
6. people with low or moderate income living or operating a business in public investment communities, qualified census tracts, or targeted investment communities who are unanimously appointed by other board members and comprise at least one-third of the board's membership; and
7. any other members the board unanimously appoints.

Under the bill, the legislative appointments, banking commissioner, and OPM secretary must collectively comprise no more than one-fifth of the board's membership.

The bill requires (1) members of the current board of directors to

serve through September 30, 2024, and (2) the new board to begin governing CEDF on October 1, 2024. It specifies that members of the current board may be reappointed to the new board.

OUT-OF-STATE BUSINESS

Current law allows CEDF to operate only within Connecticut but, under the bill, it may conduct out-of-state business on and after October 1, 2024, if the following conditions are met:

1. assets the board receives before October 1, 2024, must be used for in-state business;
2. assets received on and after October 1, 2024, for conducting business in-state must be used only for that purpose;
3. at least 70% of the assets the board has at any time must be used for in-state business; and
4. the board must comply with state laws where it conducts business.

Beginning October 1, 2024, the bill also requires any funds CEDF receives for conducting out-of-state business to be used outside the state.

BACKGROUND

Community Economic Development Fund

CEDF, a state-chartered nonprofit capitalized with state bonds and private funds, provides loans to Connecticut small business owners, particularly those located in low- to moderate-income communities who are not able to obtain traditional bank financing. CEDF also offers a loan guarantee program in conjunction with DECD, which assists women- and minority-owned businesses obtain flexible financing. CEDF provides the loan, up to \$50,000, and DECD provides up to a 30% guarantee.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 24 Nay 0 (03/26/2024)