OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY

PA 26-122—sSB 307
Commerce Committee

AN ACT CONCERNING THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT'S RECOMMENDATIONS FOR REVISIONS TO THE COMMERCE STATUTES AND PROHIBITING SCHOLARSHIP DISPLACEMENT FOR CERTAIN STUDENTS AT PUBLIC INSTITUTIONS OF HIGHER EDUCATION

SUMMARY: This act makes several changes to Department of Community and Economic Development (DECD) statutes and business-related laws. Principally, the act:

1. renames DECD’s Small Business Express Program (EXP) as the Small Business Boost Program;
2. replaces the minority business revolving loan fund (MBRLF) program with the Connecticut Opportunity Fund program and correspondingly changes the eligibility criteria for the program’s administering entities and loan recipients;
3. renames the Minority Business Initiative Advisory Board as the “First Generation and Emerging Business Initiative Advisory Board,” changes the board’s purpose to promoting equitable growth and generational wealth, and adds two members to the board;
4. increases, from $10 million to $25 million, the cap on financial assistance that DECD or Connecticut Innovations (CI) can award for a business project over a two-year period without legislative approval and eliminates the separate $20 million cap for financial assistance to biotechnology business projects (§ 4);
5. allows employment promissory notes between an employer and employee for the repayment of H-1B visa fees the employer paid on the employee’s behalf;
6. eliminates several DECD offices and generally shifts their responsibilities to the DECD commissioner or the department;
7. delays or eliminates reporting requirements for certain DECD or CI programs;
8. expands the eligibility criteria for Manufacturing Innovation Advisory Board members and adds an attendance requirement; and
9. adds an attendance requirement for Connecticut Tourism Council members.

The act also generally prohibits public higher education institutions from reducing a student’s financial aid because he or she receives a private scholarship, with certain exceptions. It requires the institutions to apply private scholarships first to offset unmet need, and then to reduce student loans, when a student’s cost of attendance exceeds his or her financial aid.

EFFECTIVE DATE: Upon passage, except that the (1) Connecticut Opportunity

Fund and financial aid reduction provisions are effective July 1, 2026, and (2) financial assistance cap provision is effective July 1, 2026, and applicable to income and tax years beginning on and after January 1, 2026.

§§ 1, 2, 9, 25 & 26 — SMALL BUSINESS EXPRESS PROGRAM AND MINORITY BUSINESS REVOLVING LOAN FUND

The act renames DECD's Small Business Express Program as the "Small Business Boost Program." (The renamed program generally serves the same purpose as under prior law: providing the capital needed to fuel small business growth through the program's components.) The act correspondingly replaces references to EXP in related statutes, including renaming the program's dedicated account as the "Connecticut small business boost account."

The act also delays, from July 1, 2026, to July 1, 2028, the date by which DECD must aim to have the program be self-funded with a maximum default rate of 20% for small businesses receiving assistance.

Connecticut Opportunity Fund

The act replaces the MBRLF, an EXP component that issued loans to minority-owned small businesses, with at least one Connecticut opportunity fund as a Boost component to issue loans to small businesses in historically underserved communities with owners who meet certain qualification criteria.

The act removes the requirement that a business be minority-owned to qualify for the renamed funds. Instead, a small business qualifies for an opportunity fund loan if its owner meets at least one of the following criteria:

1. operates or lives in a concentrated poverty census tract (census tracts in which at least 30% of the households have incomes below the federal poverty level);
2. has an adjusted gross income that is not more than the federal Department of Housing and Urban Development's annual area median household income (presumably, for the federally-designated metro area in which the business owner operates or lives);
3. is a first-time business owner or enterprise lacking access to traditional commercial lending; or
4. meets the income eligibility criterion described above and operates or lives in a municipality that has a (a) population of at least 60,000 and (b) concentrated poverty census tract (this includes Bridgeport, Hartford, Meriden, New Britain, New Haven, Stamford, and Waterbury).

Additionally, in determining an applicant's eligibility, the act requires DECD to prioritize qualified applicants in the order the qualification criteria are listed above.

The act also expands the types of business development entities that DECD must partner with to administer the funds. Prior law required DECD to allocate, from available funding, grants for up to two nonprofit organizations (that provided at least 75% of their lending and technical assistance to minority-owned businesses) to establish and administer MBRLFs. The act instead requires DECD to partner with up to two nonprofit community development financial institutions (CDFIs) with Connecticut operations to establish and administer Connecticut opportunity funds.

CDFI Requirements

The act subjects CDFIs to prior law's limitations for nonprofit organizations administering the funding. These include (1) that not more than 10% of the funding a CDFI receives from DECD may be used to fund CDFI administrative costs and (2) restrictions on the businesses' use of loans made by CDFIs. Specifically, under the act and prior law, small businesses may use loans to purchase or acquire machinery and equipment, make construction improvements, pay for relocation expenses, or as working capital. Working capital may be used to pay rent or for other business expenses as authorized by the CDFI.

Under the act, the opportunity funds are also subject to other statutory requirements previously applicable to MBRLFs. These include (1) issuing loans that range from $10,000 to $500,000 with a 4% maximum repayment rate and up to 10-year term; (2) requiring the CDFI to review and approve loan terms, conditions, and collateral requirements in a way that prioritizes job growth and retention; and (3) specifically requiring the CDFI administering a fund to prioritize applicants that will create new jobs to be retained for at least 12 consecutive months as part of the applicant's business plan. In addition, the act requires CDFIs to prioritize applicants with business plans that contribute to closing gaps in access to capital for underserved communities and individuals.

The act also subjects CDFIs administering an opportunity fund to prior law's requirement that, not later than 5 years after the fund is established, the investment income, loan repayments, or other revenue sources received by the CDFI in connection with the fund cover the CDFI's administrative expenses for the fund. As under prior law, the act also requires CDFIs to submit annual audits of grant spending, as prepared by an independent auditor, to the DECD commissioner until all grant funds are spent. If the commissioner finds any improper spending, he may require grant repayment.

Reporting and Data Collection

The act requires the DECD commissioner to collect data on loan recipients, including their geographic distribution, income levels, and other indicators of access to capital. Beginning February 1, 2027, the commissioner must annually report this data and an analysis of it to the governor; Auditors of Public Accounts; and Appropriations, Commerce, and Finance, Revenue, and Bonding committees.

§ 3 — MINORITY BUSINESS INITIATIVE ADVISORY BOARD

The act renames the Minority Business Initiative Advisory Board as the "First Generation and Emerging Business Initiative Advisory Board" with the purpose of promoting equitable growth and generational wealth. It defines an "emerging business" as any business that has been registered and has maintained its status with the secretary of the state's office for no more than five consecutive years.

Under the act, the First Generation and Emerging Business Initiative Advisory Board must advise the DECD commissioner on increasing technical assistance and access to capital and state contracts for first generation and emerging businesses, rather than for minority-owned businesses as the Minority Business Initiative Advisory Board did under prior law. Additionally, the new board must develop and administer programs to foster financial literacy and generational wealth, rather than to foster minority employment and entrepreneurship.

The act also (1) expands the board's membership to include two members appointed by the chair of the legislature's Black and Puerto Rican Caucus, (2) allows the board to establish bylaws governing its procedures, and (3) makes technical and minor changes.

§ 5 — EXCEPTION TO PROMISSORY NOTE BAN

The act creates an exception to Connecticut's employment promissory note ban to allow employers (currently, those with more than 25 employees) to require, as a condition of employment, an employee to sign a promissory note to fully or partially repay any fee related to the federal H-1B visa the employer paid on the employee's behalf. Under existing law, an employment promissory note is an agreement where an employee must pay his or her employer a sum of money if the employee leaves before a set amount of time. (PA 26-12, § 4, expands the employment promissory note ban to cover all employers, not just those with more than 25 employees, starting October 1, 2026.)

The H-1B visa allows U.S. employers to temporarily hire foreign workers for positions requiring specialized knowledge and at least a bachelor's degree. The worker's initial stay is up to three years or, for certain Department of Defense employees, five years. Visas may be extended in some circumstances, and visa holders may eventually become citizens through the green card process.

§§ 6-8 & 10-12 — OFFICE DESIGNATIONS REMOVED

The act removes references to specific offices within DECD and generally shifts their responsibilities to the department or commissioner. Specifically, it removes references to the offices of Film, Television and Digital Media; Data Infrastructure Administration and Security; Permit Ombudsman; and Brownfield Remediation and Development. The act requires the DECD commissioner to designate a permit ombudsman within DECD.

The act also removes a requirement that the Department of Energy and Environmental Protection, CI, Office of Policy and Management (OPM), and Department of Public Health each designate a staff member as their liaison to work with the Office of Brownfield Remediation and Development. By law and under the act, these entities must enter a memorandum of understanding about their respective brownfield and remediation activities.

§§ 13-16, 20-24 & 28 — REPORTING REQUIREMENTS ELIMINATED OR MODIFIED

The act eliminates DECD's annual legislative reporting requirements for the following:

1. the Youth Service Corps grant program, which gives certain municipalities grants to establish local youth service programs that have paid, community-based service learning and academic and workforce development programs for eligible Connecticut youth and young adults;
2. CI's plan to increase funding to state businesses under the Small Business Innovation Research and Small Business Technology Transfer programs (federal grant programs rewarding small business innovation); and
3. the innovation place program, which awards grants of up to $50,000 to startups in certain municipalities with entrepreneurial and innovation potential and gives them access to support services, such as mentoring and coworking space.

The act also eliminates the requirement that (1) CI report annually to DECD on bond funds spent on each of the state's economic clusters and (2) DECD include in its annual report certain information on the Connecticut Aerospace Reinvestment Act**.**

Additionally, the act delays, from January 1 to February 1, the due date for the DECD commissioner's annual legislative reports on the:

1. makerspace program (a pilot program to give financial assistance to entities establishing or expanding makerspaces that could be models for self-sustaining makerspaces, which are generally community spaces for entrepreneurs);
2. Invest CT Fund program (through which participants qualify for tax credits against their insurance premiums and surplus lines broker taxes by investing in eligible businesses through state-certified Invest CT funds); and
3. Good to Great program (a program to give grants to nonprofit organizations that own or operate cultural and historic sites in the state for capital improvements).

The act changes the reporting requirement for the Connecticut Clean Economy Council from twice per year to every two years. It also delays, from July 1, 2026, to October 1, 2026, the deadline for the council to submit a plan to transition workers from fossil-fuel-based employment to clean energy jobs.

The council, established in 2025, advises on strategies and policies that strengthen the state's climate mitigation, clean energy, resilience, and sustainability programs, particularly for vulnerable communities. By law, it must report on its work, and any findings and recommendations, to the governor; OPM; and the Commerce, Energy and Technology, Environment, and Higher Education and Employment Advancement committees.

§§ 17 & 18 — MANUFACTURING INNOVATION ADVISORY BOARD

The act makes several changes to the Manufacturing Innovation Advisory

Board, which is responsible for the strategic direction of the Manufacturing Innovation Fund (MIF) and the financial assistance application process for eligible recipients. The act allows the board to consult any individual or entity to accomplish its purposes. It also expands the eligibility criteria for appointed members. Specifically, the act allows for board members who:

1. have skill, knowledge, and experience in industries and science related to biotechnology, semiconductors, or clean energy production (in addition to aerospace, medical devices, digital manufacturing or communication, or advanced manufacturing, as under prior law) or
2. are community college faculty or technical high school teachers in a related discipline (in addition to university faculty or graduate degree holders, as under prior law).

Attendance Requirement

Under the act, any appointed board member who fails to attend three consecutive meetings or half of all meetings held in a calendar year is deemed to have resigned. The appointing authority must fill any resulting vacancy in the same way as the original appointment and for the replaced member's unexpired term. If the vacancy is not filled within 60 days, the board's chairperson must temporarily fill the vacancy until the appointing authority makes an appointment.

Reporting

The act delays the due date, from January 1 to February 1, for DECD's annual report on the MIF to the advisory board. The act also requires DECD (MIF's administrator), rather than the advisory board, to submit the report, with the advisory board's approval, to the Commerce Committee.

§ 19 — CONNECTICUT TOURISM COUNCIL

Attendance Requirement

Under the act, any appointed member of the Connecticut Tourism Council who fails to attend three consecutive meetings or half of all meetings held in a calendar year is deemed to have resigned. The appointing authority must fill any resulting vacancy in the same way as the original appointment and for the replaced member's unexpired term. If the vacancy is not filled within 60 days, the council chairperson must temporarily fill the vacancy until the appointing authority makes an appointment.

By law, the Connecticut Tourism Council consults with DECD on the state's tourism promotion efforts, including the strategic marketing plan.

Reporting

The act requires the DECD commissioner, rather than the council as under prior law, to annually report to the Commerce Committee describing tourism promotion efforts in the state and evaluating the department's strategic marketing plan. It also delays the report's due date, from January 1 to February 1.

§ 27 — PRIVATE SCHOLARSHIP FINANCIAL AID REDUCTION

The act generally prohibits public higher education institutions participating in the Roberta B. Willis Scholarship program from reducing the amount of financial aid awarded to a student who receives a Willis scholarship or federal Pell grant because the student receives a private scholarship. Under the act, financial aid is the sum of the student's scholarships, grants, and federal, state, and institutional aid, but does not include student loans.

The act permits these higher education institutions to reduce a student's financial aid upon receipt of a private scholarship when:

1. a student's total financial aid meets or exceeds the student's cost of attendance (which includes direct costs, such as tuition, fees, and room and board, and indirect costs, such as books and transportation) or
2. a student athlete requires a reduction to meet individual or team financial aid restrictions imposed by an athletic association or conference.

When a student's cost of attendance exceeds his or her financial aid, the act requires higher education institutions to apply the amount of any private scholarships (1) first to offset the student's unmet need (the amount remaining after subtracting the financial aid and loans the student received from the cost of attendance) and (2) then to reduce the amount of student loans included in the student's financial aid package.