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## **OLR Bill Analysis**

### **sSB 514**

#### ***AN ACT CONCERNING COMMUNITY PARTNERSHIP OPPORTUNITY AGREEMENTS.***

#### **SUMMARY**

This bill creates a program within the Department of Economic and Community Development (DECD) designed to increase educational achievement and workforce skills in communities experiencing persistent economic disadvantages through partnerships between DECD and specified stakeholders (participating investors, certified community development corporations (CDCs, see BACKGROUND), service providers, and independent evaluators). These partnerships are commonly referred to as social impact bonds.

Under the bill, DECD and these stakeholders must enter into “community partnership opportunity agreements” under which participating investors commit capital to fund specified education and workforce development programs offered by eligible service providers. The programs are tied to specific performance outcomes over a five-year period and their progress must be measured by an independent evaluator. If the programs achieve the performance metrics outlined in the agreement, investors are repaid their investment plus a performance-based premium, in the form of a “success payment” from DECD.

Under the bill, a community partnership opportunity agreement must first be proposed by a certified CDC and then approved by DECD if it meets the bill’s criteria. The bill sets specific requirements for these agreements, including that they have (1) a five-year performance period; (2) performance metrics, progress milestones, and evaluation methodologies; and (3) a success payment contract.

The bill also establishes the community partnership opportunity

account as a separate, nonlapsing account to hold any moneys the law requires to be deposited in it. Under the bill, any funds participating investors provide must be deposited in the account. DECD must use the account to fund the program and specifically to pay for (1) implementing the specified initiatives, (2) evaluating their performance, and (3) making the success payments. The state treasurer must invest the moneys in the account subject to use for the program's purposes.

Lastly, the DECD commissioner must annually report to the Finance, Revenue and Bonding Committee on each of these agreements, for each year of the agreement's five-year period. For each year, the reports must describe the results of any performance metrics or progress evaluations done and summarize the certified CDC's initiatives.

EFFECTIVE DATE: Upon passage

## **COMMUNITY PARTNERSHIP OPPORTUNITY AGREEMENTS**

### ***Required Components for All Agreements***

Under the bill, the community partnership opportunity agreements must at least include the following:

1. a five-year performance period that begins when the agreement is executed and includes (a) specified periods for delivering services and measuring outcomes and (b) when baseline performance and progress is measured;
2. performance metrics and progress milestones, including how and when they are evaluated;
3. participating investors, which can include private, philanthropic, or mission-driven investors, and their capital commitment;
4. the certified CDC that will coordinate the agreement's initiatives to achieve its specified performance metrics and progress milestones, and the fee for these services;
5. the implementing organization, as described below, and the fee for its services;

6. the independent evaluator, which will evaluate the performance metrics and progress milestones and verify that they have been met, and the fee for its services; and
7. a success payment contract, as described below.

Any amendments to these agreements must be agreed to, in writing, by all the parties.

### ***Requirements for Education Outcome Agreements***

These agreements must focus on achieving measurable improvements in kindergarten-readiness and grade-three reading proficiency for children living in the community the certified CDC serves. They must include performance metrics for:

1. kindergarten-readiness that are based on increasing the percentage of these children who meet the state's standard for kindergarten-readiness at enrollment and
2. grade three literacy proficiency that are based on increasing the percentage of these children achieving grade-level reading proficiency by grade three, regardless of which school they attend.

### ***Requirements for Workforce Outcome Agreements***

These agreements must focus on increasing workforce skills attainment and career-linked employment for working-age people living in the community the certified CDC serves. They must include performance metrics like industry-recognized credential attainment and placement in career-path jobs with specific wage and retention milestones.

### ***Implementing Organizations***

Under the bill, implementing organizations are responsible for delivering the services or interventions to achieve the community partnership agreement's performance metrics. They can be one of three types:

1. an “early childhood implementing organization,” which is any school or for-profit or nonprofit organization with the professional capacity to provide preschool or early childhood instruction designed to increase kindergarten-readiness;
2. a “literacy implementing organization,” which is any school, for-profit, or nonprofit organization with the professional capacity to provide intensive tutoring or reading interventions for ensuring grade-level reading proficiency by grade three; or
3. a “workforce implementing organization,” which is a higher education institution or for-profit or nonprofit organization capable of providing training in specialized skills, such as health care, manufacturing, or other high-demand fields.

***Independent Evaluator***

An “independent evaluator” is the person or entity responsible for measuring performance metrics and progress milestones using the methods laid out in the agreement and verifying that they have been met. It may be an academic institution, professional consultant, or organization with a documented history of verifying performance-based program outcomes. It must have expertise in the agreement’s specific subject matter and may not have a financial interest in the agreement’s outcome, other than the fee for its evaluation services.

***Success Payment Contract***

The agreement’s success payment contract must establish a schedule of success payments to participating investors that are contingent on the agreement achieving its performance metrics. The schedule must include the repayment of the investors’ capital, a performance-based premium on that amount, and the maximum success payment obligation. The bill specifies that these payments are to recognize the (1) acquisition of a high-yield economic asset once the performance metrics are achieved and (2) projected lifetime value of these achievements to the state.

Under the bill, the DECD commissioner must make these payments

as authorized capital expenditures. The legal effect of this provision is unclear.

## **PROPOSALS**

The bill requires each certified CDC to submit a proposal to the DECD commissioner to enter into a community partnership opportunity agreement that includes the names and contact information of the agreement's other required stakeholders. The commissioner must help the CDC prepare the proposal.

The proposal must include enough information to demonstrate, to the commissioner's satisfaction, that:

1. the implementing organizations have the necessary experience in delivering the applicable evidence-based interventions in distressed municipalities (see BACKGROUND);
2. the proposed intervention model is designed to reach at least 20% of the people living in the community the certified CDC serves that are (a) children grade three or younger or (b) working-age residents;
3. the proposed intervention model demonstrates a reasonable probability of achieving the applicable performance metrics;
4. participating investors have made verified commitments of enough capital to fund the full five-years of the agreement's performance period without relying on state appropriations; and
5. the proposed outcomes are clearly linked to the longitudinal success of the people living in the community.

The commissioner must execute the agreement within 90 days after receiving the proposal if he finds that it meets the bill's criteria. If he determines that it does not meet these criteria, he must notify the person who submitted the proposal in writing and identify the unmet requirements.

Once an agreement is executed, the certified CDC may do anything

necessary to meet its performance metrics and progress milestones. This may include (1) collaborating with the implementing organization, independent evaluator, and state agencies to measure these metrics and milestones; (2) collaborating with other entities (such as early childhood education providers, schools, employers, and workforce development organizations) needed to help achieve the metrics and milestones; and (3) engaging with participating investors.

## **BACKGROUND**

### ***CDC Certification Process and Grant Eligibility***

Existing law allows nonprofits that meet certain eligibility requirements to become certified CDCs by applying to DECD's Office of Community Economic Development Assistance (OCEDA). To date, DECD has certified one CDC under this program, the Clay Arsenal CDC.

To be a certified CDC, the nonprofit must:

1. focus a substantial majority of its efforts on serving one or more target areas, as described below,
2. have the purpose of engaging and working with local residents and businesses on community development efforts to sustainably develop and improve urban communities in a way that creates and expands economic opportunities for low- and moderate-income people, and
3. show OCEDA that its constituency is meaningfully represented on its board in specified ways.

A "target area" is a contiguous geographic area in which the (1) current unemployment rate exceeds the state's by at least 25% or (2) mean household income is 80% or less of the state's in the most recent decennial census. OCEDA must identify the eligible target areas and post them on DECD's website.

### ***Distressed Municipalities***

DECD annually ranks municipalities based on their relative

economic and fiscal distress and designates the top 25 as “distressed municipalities.” Most recently, in 2025, DECD designated the following municipalities as distressed: Bridgeport, Derby, East Hartford, East Haven, Hartford, Killingly, Lisbon, Mansfield, Meriden, New Britain, New London, North Canaan, Norwich, Plainfield, Plymouth, Putnam, Sprague, Stafford, Sterling, Torrington, Waterbury, West Haven, Willington, Winchester, and Windham.

***Related Bill***

sSB 84, § 33, favorably reported by the Finance, Revenue and Bonding Committee, contains identical provisions.

sSB 307 (File 561), favorably reported by the Commerce Committee, eliminates OCEDA and transfers its responsibilities to DECD.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 52    Nay 2    (03/30/2026)