



DATE: February 13, 2019

TO: Finance, Revenue and Bonding Committee

FROM: Jeff Shaw, Senior Director of Public Policy & Advocacy, The Alliance

RE: H.B. No. 6274, AN ACT INCREASING THE NEIGHBORHOOD ASSISTANCE ACT ANNUAL TAX CREDIT CAP

Good afternoon Senator Fonfara, Representative Rojas, Senator Witkos, Representative Davis and members of the Finance, Revenue and Bonding Committee:

My name is Jeff Shaw, Senior Director of Public Policy & Advocacy, of the Connecticut Community Nonprofit Alliance (The Alliance). The Alliance is the statewide advocacy organization representing nonprofits, with a membership of more than 300 community organizations and associations. Nonprofits deliver essential services to more than half a million people each year and employ almost 14% of Connecticut's workforce.

The Alliance supports H.B. No. 6274, An Act Increasing the Neighborhood Assistance Act Annual Tax Credit Cap.

The Neighborhood Assistance Act (NAA) is designed to provide funding for municipal and tax-exempt nonprofit organizations by providing a tax credit for businesses that make cash contributions to these entities. Businesses can receive a 100% tax credit on their donation for certain qualified energy conservation projects and 60% tax credit on their donation for other community programs such as job training, community services, housing rehabilitation, education, among other programs.

Currently, the tax credit is capped at \$5 million dollars per year. However, the annual cap that was scheduled to increase to \$10 million beginning July 1, 2017 (PA 15-5, Section 446) was eliminated in the final budget passed in October (PA 17-2, Section 646). **The Alliance requests the restoration of the scheduled increase in the annual cap from \$5 million to \$10 million next fiscal year.**

The NAA program has been oversubscribed in total number of donations and amount pledged. Participation among both businesses and participating organizations has been consistent, the number of approved programs has been large, and the total amount of pledged donations exceeded the cap. The oversubscription of the program shows that expanding the annual cap would address unmet demand and encourage further growth of the program so more resources will be available to more community programs. Since 2011, \$16.9 million pledged by businesses exceeded the cap, and therefore, was not available to be used to support community projects and programs.

Recent History of Neighborhood Assistance Act Program – \$5 Million Annual Cap

Statistic Type/Year	2011	2012	2013	2014	2015	2016	2017	2018
Original amount pledge before proration	\$7 million	\$7.1 million	\$7.4 million	\$8.2 million	\$7.5 million	\$7.2 million	\$6.2 million	\$6.3 million
Total # of participating organizations receiving the donation	273	309	313	306	291	304	307	334
Total # of approved programs	351	406	420	395	372	387	383	415
<i>Funds left on the table due to exceeding the cap</i>	<i>\$2 million</i>	<i>\$2.1 million</i>	<i>\$2.4 million</i>	<i>\$3.2 million</i>	<i>\$2.5 million</i>	<i>\$2.2 million</i>	<i>\$1.2 million</i>	<i>\$1.3 million</i>

Just last year, the NAA tax credit program funded a variety of projects and programs including, hospice care, animal welfare, fire training and equipment, housing construction, community health services, family counseling, financial literacy and workforce development, among others. These programs and services are essential and may not be able to continue without this critical funding from local businesses that understand the needs of the community.

As community nonprofits continue to face fiscal pressures, encouraging businesses to support local organizations makes sense. The Neighborhood Assistance Act tax credit program is a great example of collaboration among business, government and nonprofits, striving to strengthen the very communities they serve.

While expanding the Neighborhood Assistance Act does not restore funds for recent state budget cuts experienced by many community nonprofits, it is an important revenue source in an era of scarce resources. We urge you to favorably report this bill.

Thank you for your consideration of this important matter.