



DATE: April 10, 2019
TO: Finance, Revenue and Bonding Committee
FROM: Gian-Carl Casa, President & CEO, The Alliance
RE: H.B. 7408 AN ACT CONCERNING MUNICIPAL REVENUE AND STORMWATER AUTHORITY, STUDIES OF THE PILOT GRANTS PROGRAM AND A PROPERTY TAX EXEMPTION FOR MACHINERY AND EQUIPMENT, AND ENTERPRISE ZONES.

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

My name is Gian-Carl Casa, President & CEO, 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 **opposes Section 6 of H.B. 7408, which would require community nonprofits to pay a municipal service fee annually. This is a tax by another name.**

This proposal would take funds from services for people with developmental disabilities and homeless shelters, from people struggling with substance abuse, victims of domestic violence, arts and cultural programs, and other essential services that address community needs. Make no mistake, this proposal would be a cataclysmic change. It would cause nonprofits to shut their doors, leaving the people they serve with nowhere to turn.

At a time when nonprofits are experiencing a decade of state budget cuts and increasing demand for services, this proposal would damage the quality-of-life in our communities.

Requiring community nonprofits to pay government because of their tax-exempt status erodes the social compact between community nonprofits and government. Nonprofits have long been exempted from state, federal and local taxes for good reason: they provide services in their communities so that government does not have to. If nonprofits are not there to address community needs that responsibility would fall to government, at a substantially higher cost.

Many community nonprofits have contracts with state government to provide those services. Requiring those entities to pay a municipal service fee means a portion of the money appropriated by the State would be paid back to another level of government. The money you struggle to appropriate every year would be taken away in this proposal to pay fees to municipalities.

This proposal could have huge economic consequences on nonprofit organizations that own and operate multiple properties in multiple towns. While it is impossible to calculate the costs given the lack of specifics, tax bills from multiple towns to the same nonprofit would add up quickly and could require

the nonprofit to make significant cuts just to pay the tax. As an example, some direct care service workers that care for people with disabilities make \$14.75 per hour. Based on a 40-hour work week, their salary is around \$30,000. It's not a stretch to see a scenario where a nonprofit that operates and owns multiple group homes in multiple communities paying close to that amount – or even more – which means people may lose their jobs and service continuity will suffer - just to pay a tax.

Further, the proposal would sabotage nonprofits' relationship with individual, corporate and philanthropic donors who want their donations to help people, not redirected to pay fees and taxes. Nonprofits are already struggling to find and retain new donors, and the proposal will only make those asks more difficult.

After a decade of budget cuts -- and with more cuts possible if the Committee does not support enough revenue and savings in the budget it adopts -- nonprofits are barely surviving as it is and their ability to help people – your constituents – is at risk.

The mission of all nonprofits is to improve the health and well-being of our local communities, enhance the quality of life and serve the public good. This proposal would divert critical resources away from the people we serve. The way to address inadequate local revenue is to reform the property tax system, not take services away from Connecticut's most vulnerable citizens.

I urge you to take no action on this bill unless Section 6 is removed.