



DATE: March 2, 2020
TO: Planning and Development Committee
FROM: Jeff Shaw, Senior Director of Public Policy & Advocacy, The Alliance
RE: S.B. 257, An Act Concerning Community Investment Boards And Neighborhood Assistance.

Good afternoon Senator Cassano, Representative McCarthy Vahey, Senator Champagne, Representative Zawistowski and members of the Planning and Development Committee:

My name is Jeff Shaw, Senior Director of Public Policy and Advocacy at the Connecticut Community Nonprofit Alliance (The Alliance). The Alliance is the statewide association of community nonprofits. Community nonprofits deliver essential services to more than half a million people each year and employ almost 12% of Connecticut's workforce.

Community nonprofits provide essential services in every city and town in Connecticut. They support people in need, enrich our quality of life, and employ tens of thousands. They are what make Connecticut a great place to live and work.

Thank you for the opportunity to provide testimony with regard to **S.B. 257, An Act Concerning Community Investment Boards And Neighborhood Assistance.**

S.B. 257 proposes to establish community investment boards in urban neighborhoods and authorizes them to spend a portion of certain state grants on priority issues they identify. Community organizations would submit proposals to provide services to the identified priority issues and OPM would maintain a database of those applications and grantees. Additionally, the bill would create a task force to study how state funding is used by nonprofit providers and review the requirements imposed on nonprofit providers by state agencies and compliance with those state agencies by nonprofit providers.

While we appreciate the intent of giving local boards authority to weigh-in on how state funding is spent in their community, it is unclear which state grants would be used for this purpose. We are concerned that state grants already supporting other essential programs in other communities would be diverted away from people already receiving services. It is also unclear how the priority issues would be identified, and solicitation and selection of applications would be managed.

Recent task forces and cabinets have studied how nonprofit providers are funded, reviewed contracting and grants requirements, as well as improved how licensure and certification requirements are imposed. Should another task force form, the group should study the State's human service delivery system with the goal of making it more efficient using nonprofit providers.

The legislation seeks to provide more resources and local input in addressing neighborhood and community needs. A similar program, the Neighborhood Assistance Act (tax credit), is a model program to do just that. As background, 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). Restoring the schedule increase in the annual cap from \$5 million to \$10 million would provide more resources by local businesses (often community leaders) to address neighborhood and community needs.

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

Table 1: Data for 2019 was requested from DRS, but not received by the time this testimony needed to be submitted.

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
Funds left on the table due to exceeding the cap	\$2 million	\$2.1 million	\$2.4 million	\$3.2 million	\$2.5 million	\$2.2 million	\$1.2 million	\$1.3 million

In 2018, 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 neighborhoods and the local community.

As the above table illustrates, the program is well documented by the Department of Revenue Services (DRS) due to the oversubscription of the program, approval of project applications, qualification of business participation and limits on contributions. DRS already maintains a database of businesses and nonprofits and municipalities that have applied for or received donations through the NAA program.

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 neighborhoods and communities they serve.

Thank you for your consideration of this important matter.