



DATE: March 11, 2020

TO: Finance, Revenue and Bonding Committee

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

RE: S.B. 432, An Act Concerning the Neighborhood Assistance Act

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 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 on SB 432, An Act Concerning the Neighborhood Assistance Act (NAA). This proposal seeks to expand eligibility to "S" Corporations to participate in the program. Under current law, up to \$5 million in tax credits are only available to "C" corporations. While The Alliance does not object to allowing addition businesses to become eligible for the program, such **expansion should also include the restoration of the scheduled increase in the annual cap from \$5 million to \$10 million.**

As background, the annual cap that was scheduled to increase to \$10 million beginning July 1, 2017 (PA 15-5, Section 446), but was eliminated in the final budget passed in October (PA 17-2, Section 646).

The Alliance continues to advocate for restoration because 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 expanding eligible businesses ("S" corporations) would 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 the community.

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

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.

While expanding the Neighborhood Assistance Act does not make up ground lost from 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 amend this bill by increasing the annual cap from \$5 million to \$10 million.**

Thank you for your consideration of this important matter.