Date: March 2, 2021
To: Appropriations Committee
From: Gian-Carl Casa, President & CEO, The Alliance
Re: H.B. 6439 An Act Concerning the State Budget for the Biennium Ending June Thirtieth, 2023, and Making Appropriations Therefor - Health Subcommittee

Good morning, Senator Osten, Representative Walker, Senator Miner, Representative France and members of the Appropriations Committee:

My name is Gian-Carl Casa, President & CEO of the CT Community Nonprofit Alliance (The Alliance). The Alliance is the statewide advocacy organization representing the nonprofit sector. Community nonprofits provide essential services to over half a million individuals and families in Connecticut every year, and employ 14% of Connecticut's workforce, improving the quality of life in communities across the State.

Thank you for the opportunity to testify on H.B. 6439 An Act Concerning the State Budget for the Biennium Ending June Thirtieth, 2023, and Making Appropriations Therefor.

We respectfully request that the legislature increase funding by $461 million over five years for community nonprofits. Since 2007, community nonprofits have lost at least $461 million in state funding that has not kept pace with inflation or adequately covered increased costs and demand for services over the last thirteen years. Please:

- Commit to increasing funding by the full $461 million, or 28%, by Fiscal Year 2026;
- Appropriate $128 million (a state net of $67 million after federal reimbursement) in new funding for community nonprofits in Fiscal Year 2022, a 7% increase;
- Index increases to inflation, to ensure that state funding will keep pace with increased costs in the future.
- Hold nonprofits financially harmless from the impact of COVID-19.

We are grateful for the support that the legislature has provided for this request so far this year, particularly that of Sen. Osten and Rep. Walker**. They have said that it is time to start rebuilding the service network that has been allowed to fall behind for far too long.** Should we fail to do so, the victims will be recipients of services and the hard-working and underpaid nonprofit staff who provide them. Not addressing chronic underfunding won't make the problems go away. People still need critical services.

Why Now? Nonprofits need funding now more than ever.

Crucial services provided by nonprofits have been underfunded for decades. At the beginning of 2020, we estimated nonprofits were at least $461 million behind the increased costs of doing business since the last time the state raised their funding in 2007.

Then, COVID-19 hit.

The COVID-19 pandemic exacerbated the impact of inadequate funding for nonprofit services and brought unanticipated and unbudgeted costs and operational challenges for many community nonprofits, such as:

- Procuring expensive and hard to find Personal Protective Equipment (PPE) and cleaning supplies;
- Providing hazardous duty pay for essential workers on the front lines with a higher risk of exposure;
- Creating telehealth services seemingly overnight, and purchasing necessary computers, cybersecurity, online meeting platforms and training for both staff and people receiving services. One provider reported spending $130,000 on additional software and licenses per year, costs that were not reimbursed.

Recently, we asked community nonprofits about the impact of the COVID-19 pandemic intersecting with decades of underfunding. Below are some examples of COVID-related costs incurred that have not been reimbursed by the State or Federal governments:

- A behavioral health provider hired a staff person just to manage and distribute PPE, a **$55,000 annual expense** and hired additional IT staff to manage telehealth, **a $66,000 annual expense.**
- A provider of services to people with Intellectual/Developmental Disabilities (I/DD) had increased expenses to keep group homes fully staffed during daytime hours, because the in-person employment and day services were suspended due to COVID. **This provider incurred unreimbursed expenses of $260,000 by the end of December, 2020.**
- A different provider of services to people with I/DD who is self-insured has **paid $13,000 for COVID testing for staff.**

Many community nonprofits never closed their doors even as the pandemic worsened. These organizations provided food, emergency housing, behavioral health supports and other essential services. However, with many in-person services temporarily suspended and capacity for those that are open reduced by social distancing requirements, community nonprofits experienced a drop in revenue.

The Alliance conducted a survey of 258 nonprofit organizations in June/July 2020. Overall, while organizations have scrambled to identify financial and other resources to meet unprecedented needs, the pandemic threatens their long-term ability to remain in business without significant funding commitments from government.

In July, **one in five community nonprofits believed that they unlikely to be able to fully fund payroll for the next quarter**, **and more than one in four worried about being able to fully provide services.** It is reasonable to assume those concerns have only increased, as federal funding sources available in June and July have dried up.

And yet nonprofits have continued to provide services even as doing so damages their long-term financial health. They have done so for years. It is who they are.

Community nonprofits faced daunting fiscal challenges even before the pandemic. In 2019, The Alliance surveyed its members to determine how funding had changed over the last five years. The results showed funding for community nonprofits was already down in most areas, which reduced access to community services and the capacity of nonprofits. And 95% of organizations reported that demand for their services had increased in the last five years, with 40% saying demand was up by more than 15%.

Even before the pandemic, this left the state's most vulnerable children, families, seniors and people with disabilities without support while pushing the State's health and human services delivery system closer

towards destabilization. When the safety net fails, people may wind up in more expensive care, such as emergency rooms, nursing homes, or even the prison system.

Connecticut has the money.

While the pandemic has certainly affected the state's economy, high income producing sectors have largely been spared. That means revenue projections continue to improve. As Governor Lamont has said, Connecticut is facing a "unique paradigm" in how the pandemic is impacting the state's economy and state budget revenue.

The Office of Fiscal Analysis' (OFA) February Budget Letter[i] estimates the current year operating surplus to be $187 million, along with a transfer to the Budget Reserve Fund of **$543 million, which represents the true surplus.** OFA is also projecting a projected lapse over what was originally appropriated of $631 million. The largest portion of the lapse, $425 million, is from Medicaid services like those provided by many community nonprofits.

A strong "rainy day fund" and paying down long-term pension liabilities are important public policy goals for the legislature to pursue — **but we don't have to choose between responsible budgeting and restoring what's been lost over the last decade**. With an unprecedented amount of savings in the state's coffers and Connecticut's economy expected to recover, it is difficult to justify policy choices that would leave thousands of people across the state without services.

We have the money. If not now, when?

Our Proposal: Increase funding for community nonprofits by $461 million.

The legislature should restore $461 million to nonprofit services in Connecticut. This represents the erosion of funding that has occurred since the Great Recession. Of the $461 million in funding, it is estimated that $217 million will come from the federal government through Medicaid reimbursement and $243 million will come from state resources (based on the current ratio of federal to state funds in Medicaid, 59% comes from the federal resources and 41% comes from state resources).

We estimate the total funding that goes to nonprofit services in the state budget, including through Medicaid in the current year, totals $1.8 billion. And we calculated that between 2007 and 2019, the costs of providing services have grown by 28%. Our proposal applies percentage increases over the next five years in portions that are achievable under the constraints of the state budget.

In the first year of the program (FY22) would be a 7% increase, and we estimate the net state cost would be $67 million ($128.2 million gross). The proposal also calls for a 5% increase for FY23, 5% for FY24, and 3% for FY25 and FY26.

I am attaching our White Paper, "Increase Funding by $461 Million for Community Nonprofits," which goes into more detail about the proposal to the end of this testimony.

It is important to note that **funding increases included in this budget must encompass both state grant funds and Medicaid rates.** As is evident by the percentage of total funding reimbursable by the federal government,

Medicaid is a major payer for community nonprofits, both through waiver services and through fee-for-service billing.

State grants pay for services delivered by community providers for which Medicaid does not reimburse, and for services for people who are uninsured or under-insured. Grants have been the target of repeated budget cuts, holdbacks and rescissions since 2007. For example, **all Department of Mental Health and Addiction Services' contracts were cut 5% in Fiscal Year 2017 and those funds have never been restored**. Meanwhile, since FY13, Connecticut's drug overdose deaths have increased 253%[ii], and have skyrocketed even higher during the pandemic[iii].

Medicaid pays for services for over 20% of Connecticut residents – more than 800,000 people. And **Medicaid rates do not cover the cost of care.** According to a study published in 2015, the annual loss for the top ten behavioral health procedures by volume was more than $27 million for approximately 250,000 service hours.[iv] Meanwhile, the services provided by DDS-contracted providers to people with Intellectual/Developmental Disabilities are provided through a Medicaid waiver. Reimbursement under this waiver only allows providers to pay a minimum wage of $14.75, barely staying ahead of Connecticut's minimum wage. In 2007, Connecticut's minimum wage was $7.65[v] and providers were reimbursed at virtually the same rate. If the legislature raises the funding level only for grant funds and excludes Medicaid rates, it will only be a half-measure and will fall short of solving problems for Connecticut's nonprofits.

Health Subcommittee Budget

In addition to The Alliance's overall funding request, we appreciate the opportunity to comment on several items presented in the Governor's budget that the Health Subcommittee will be considering.

Department of Developmental Services

Please reinvest proposed savings in the Governor's budget to serve more people with I/DD, rather than using it to balance the budget. Please reinvest the proposed savings of:

- $4.1 million from transitioning approximately 300 people to Individual Supported Employment Services from group-supported employment or day services;
- $2.3 million from funding reductions in the Behavioral Services Program; and
- $1 million from closing one public Community Living Arrangement.

Department of Mental Health and Addiction Services

The need for mental health and substance abuse treatment services is expected to grow significantly as we emerge from the pandemic. Now is the time to invest in substantial improvements and enhancements to the behavioral health system, not time to flat-fund the DMHAS budget.

Please support the $6.3 million increase in Discharge & Diversion Services. Community nonprofits can help people avoid most costly care (Emergency Departments, jails, or shelters) and get them on a path toward recovery.

Department of Public Health

Please oppose the funding reduction to LGBTQ Health and Human Services Network. The State needs to continue to provide safe environments for people recovering from mental health and substance use.

Now is the time to act.

Budgets reflect the beliefs and the priorities of the State. In my nearly 40 years of working in the State Capitol, **I have never seen an opportunity like the one presented to the legislature today.** What would it say if Connecticut chose not to fund community nonprofits in this time of great need?

If proper funding for the state's safety net is not a priority now, in the midst of a pandemic, when would it be?

We urge you to work together for a multi-year plan to restore lost funding to nonprofits and preserve the safety net that provides services for the state's neediest residents.

Thank you for your consideration and your continued support.

Gian-Carl Casa
President & CEO

Appendix: White Paper: Increase Funding by $461 Million for Community Nonprofits

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[i] https://www.cga.ct.gov/ofa/Documents/year/PROJ/2021PROJ-20210225z_February%2025,%202021%20FY%2021%20Budget%20Projections.pdf

[ii] http://data.ctdata.org/visualization/drug-induced-deaths

[iii] https://ctmirror.org/2020/02/17/connecticut-drug-overdose-deaths-up-with-fentanyl-leading-fatalities/

[iv] http://www.governor.ct.gov/malloy/lib/malloy/shac_doc_final_report_-_final-ccpa-report-february-2015.pdf

[v] https://www.ctdol.state.ct.us/wgwkstnd/wage-hour/history.htm

JANUARY 2021

INCREASE FUNDING BY $461 MILLION FOR COMMUNITY NONPROFITS

NONPROFITS SUPPORT COMMUNITIES HIT HARD BY COVID-19

The Alliance
Voice of Community Nonprofits

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ABOUT THE ALLIANCE

The CT Community Nonprofit Alliance (The Alliance) is the statewide association of community nonprofits in Connecticut. Our mission is to advance excellence in community-based nonprofits through advocacy and capacity building. We share the passion and purpose behind each and every nonprofit's mission and channel that purpose into a powerful, collective voice. We advance strategies and public policies that make it possible for nonprofits to thrive as they continue to fulfill their missions.

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EXECUTIVE SUMMARY

Community nonprofits are on the front lines of the Coronavirus pandemic. They provide essential services in every city and town in Connecticut, serving people in need. They are a vital part of Connecticut's economy, providing services that make our state safe, healthy and vibrant. Community nonprofits serve more than 500,000 people every year. They:

- Employ 117,000 people, 12% of Connecticut's workforce;
- Treat people with addiction and those suffering from the opioid crisis
- Help people return to their communities from prison;
- Support people with developmental disabilities;
- Shelter and feed families in need;
- Enrich communities with cultural and artistic programs; and more.

Since 2007, community nonprofits have lost at least $461 million in state funding that has not kept pace with inflation, and then they were hit with COVID-19 and its costs and revenue losses. At the same time, demand for community services continues to increase. For example:

- The opioid crisis has increased the need for substance abuse treatment, yet grant funding has decreased;
- More than 2,000 people with Intellectual/Developmental Disabilities languish on a waiting list for services.

The legislature should increase funds to nonprofit services by $461 million, to keep pace with increased costs and demand over the last thirteen years. The legislature should:

- Commit to increasing funding by the full $461 million, or 28%, by Fiscal Year 2026;
- Appropriate $128 million (a state net of $67 million after federal reimbursement) in new funding for community nonprofits in Fiscal Year 2022, a 7% increase;
- Index increases to inflation, to ensure that state funding will keep pace with increased costs in the future.

SECTION I: NEED FOR FUNDING

The Proposal

The legislature should restore $461 million to nonprofit services in Connecticut. This represents the erosion of funding that has occurred since the Great Recession. Of the $461 million in funding, it is estimated that $217 million will come from the federal government through Medicaid reimbursement and $243 million will come from state resources (based on the current ratio of federal to state funds in Medicaid, 59% comes from the federal resources and 41% comes from state resources).

In the first year of the program (FY22) the net state cost would be $67 million ($128.2 million gross). The proposal calls for a 7% rate increase for FY22, 5% for FY23 and FY24 and 3% for FY25 and FY26.

Price Increases: 2007 - 2019

Community-based programs have not seen a substantial funding increase since 2007, except for $50 million added in 2018, primarily for wages in one sector.

To determine the erosion of funding that the nonprofit community has faced, we calculated the difference in costs between 2007 and 2019. Using the Bureau of Economic Analysis's (BEA) gross domestic product implicit price deflator index for state and local government services and businesses, we calculated the change for this period.

The index grew from 88.1 to 112.7, a 28 percent increase over the 13-year period. This factor was applied to the accounts that fund community providers (and the $50 million was deducted). This shows an erosion of $461 million over the period.

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Private Provider Funding Add for the Next Five Years						
FY21	FY22	FY23	FY24	FY25	FY26	Cumulative
$1,831,326,911	$1,959,519,795	$2,057,495,785	$2,160,370,574	$2,225,181,692	$2,291,937,142	
Funds Added:	$128,192,884	$97,975,990	$102,874,789	$64,811,117	$66,755,451	$460,610,231
Percentage Increase	7.0%	5.0%	5.0%	3.0%	3.0%	
Federal Funds	$60,412,432	$46,172,359	$48,480,977	$30,543,015	$31,459,306	$217,068,089
State Funds	$67,780,452	$51,803,631	$54,393,812	$34,268,102	$35,296,145	$243,542,141

Private Provider Funding Adjusted for GDP Price Deflator Since 2007			
Funding Agency	**FY20**	**GDP Price Inflator Adjustment - 2007**	**Difference**
DOH	$13,723,476	$17,566,049	$3,842,573
DPH	$9,831,138	$12,583,857	$2,752,719
DMHAS	$190,088,565	$243,313,363	$53,224,798
DSS	$697,686,114	$893,038,226	$195,352,112
DADS	$10,058,691	$12,875,124	$2,816,433
OEC	$33,033,767	$42,283,222	$9,249,455
DOC	$22,247,270	$28,476,506	$6,229,236
DCF	$152,823,302	$195,613,827	$42,790,525
JUD	$76,656,273	$98,120,029	$21,463,756
DDS	$317,793,889	$406,776,178	$88,982,289
Tourism	$13,144,988	$16,825,585	$3,680,597
Subtotal	***$1,537,087,473***	***$1,967,471,965***	**$430,384,492**
Medicaid			
Medicaid Behavioral Health	$251,219,376	$321,560,802	$70,341,425
DDS Medicaid Only	$43,020,062	$55,065,679	$12,045,617
Medicaid Subtotal	***$294,239,438***	***$376,626,481***	***$82,387,043***
Total Private Provider Funding	**$1,831,326,911**	**$2,344,098,447**	**$512,771,535**
FY19 Rate Add			$50,000,000
Net Loss Since 2007 Using GDP Price Deflator			**$462,771,535**
GDP Price Inflator for Services =	***1.28***		

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Defining the "gross domestic product price index"

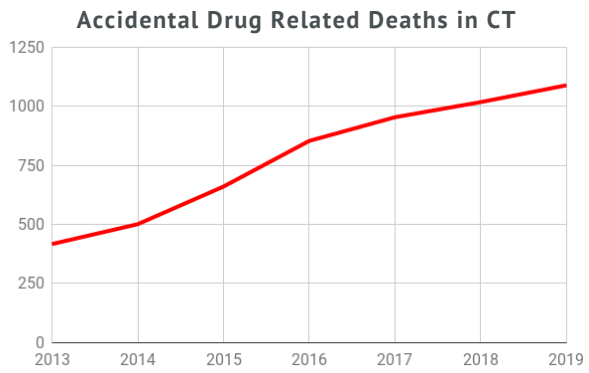
The gross domestic product price index measures changes in prices paid for goods and services produced in the United States, including those exported to other countries. The gross domestic purchases price index is BEA's featured measure of inflation for the U.S. economy overall. It measures changes in prices paid by consumers, businesses, and governments in the US, including the prices of the imports they buy.

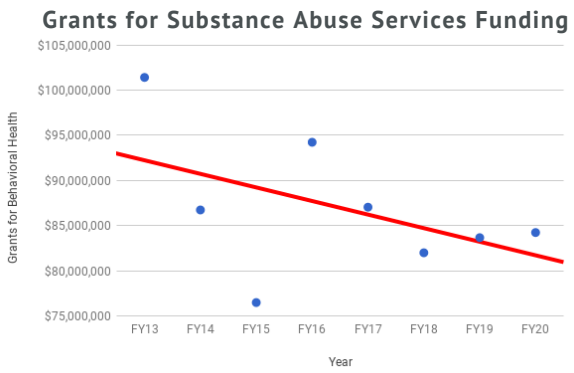
Community provider accounts

Community providers are funded by many line items found in the state budget and the Medicaid account. The accounts used were those most recently funded by the Office of Policy and Management when a 1% cost of living adjustment was appropriated in 2018. Medicaid was also used by allocating portions that relate to the DDS clients and behavioral health clients. On the behavioral health side of Medicaid, 28% of the subcategory related to clinic services was attributed to behavioral health, based upon DSS's 2018 Medicaid Expenditure Report.

State grant funding

State grants pay for services delivered by community providers for which Medicaid does not reimburse, and for services for people who are uninsured or under-insured. Grant funding is part of dozens of line items across multiple state agencies and funds community nonprofit providers through the state's Purchase of Services (POS) system.





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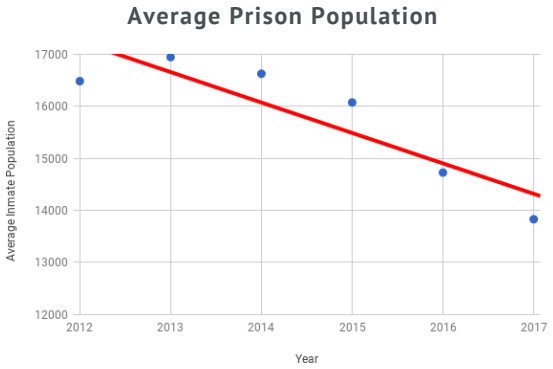

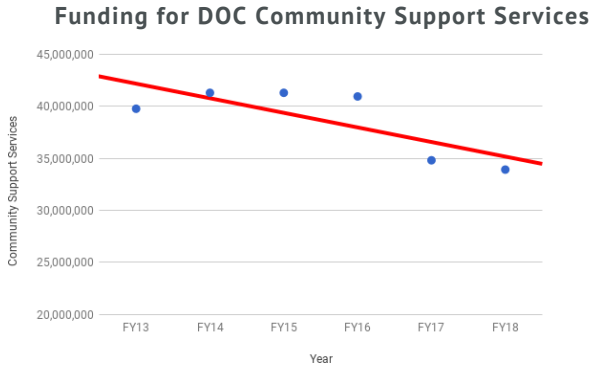

Grants have been the target of repeated budget cuts, holdbacks and rescissions. For example, in the adult behavioral health system, all Department of Mental Health and Addiction Services' contracts were cut 5% in Fiscal Year 2017. Grant funding has been cut by more than 17% since Fiscal Year 2013; substance abuse funding has been cut by almost 30%. This period of grant funding cuts is important to put into context: During the same time period, Connecticut has been ravaged by an opioid crisis.

Since Fiscal Year 2013, Connecticut's drug overdose deaths have increased 253%. Community providers are on the front lines of this crisis, providing lifesaving addiction treatment. They have faced a significant increase in demand all while grant funding for those programs has been cut.

Another example is services community nonprofits provide to people who are re-entering society after serving time in prison. Community providers are serving approximately 4,000 people in community supervision programs – a greater than 30% increase from 2014. Thousands more receive services through providers that contract with the Judicial Branch. Over the past five years, while the prison population has fallen dramatically, demand for community services for people involved in the justice system has increased, but funding has been cut by nearly 15%, or $5.8 million.

Because of the lack of funding, every day there are hundreds of people sitting in Connecticut's prisons who could be transferred to a residential setting that works to reintegrate them in society, but who cannot be moved due to lack of space in halfway houses.

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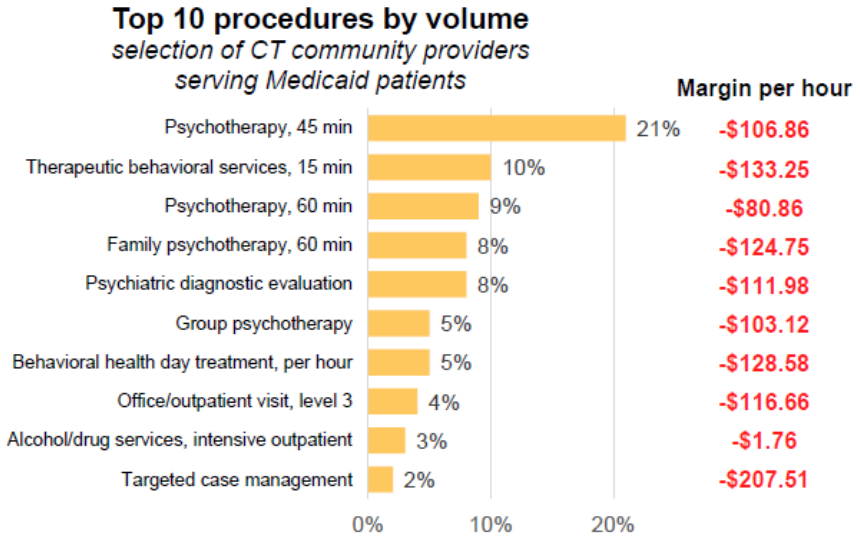
Medicaid rates do not cover the cost of care

Medicaid pays for services for more than 700,000 Connecticut residents. But community nonprofits operate at a loss for almost every Medicaid service. According to a study published in 2015, the annual loss for the top ten behavioral health procedures by volume was more than $27 million for approximately 250,000 service hours. With inadequate reimbursement rates, the State not only fails to maximize its federal matching funds, it risks the provision of some of the most highly utilized, critical behavioral health services.

Medicaid reimbursement rates for behavioral health services by community providers are low

CONNECTICUT 2014



The 10 most utilized behavioral health services account for 75% of total service hours by community providers.

*The service delivery cost for these procedures is higher than the revenue under Medicaid rates, resulting in **negative margins** and providers operating at a loss.*

*The **annual loss** for these procedures is more than $27 million for approximately 250,000 service hours.*

Source: Prioritizing Community Based Services in CT, CT Community Providers Association, February 2015

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SECTION II: WHY NOW?

The COVID-19 pandemic exacerbated the impact of inadequate funding for nonprofit services and brought unanticipated and unbudgeted costs and operational challenges for many community nonprofits, such as:

- Providing hazard pay for essential workers on the front lines with a higher risk of exposure;
- Procuring expensive and hard to find Personal Protective Equipment (PPE) and cleaning supplies;
- Creating telehealth services seemingly overnight, and purchasing necessary computers, cybersecurity, online meeting platforms and training for both staff and people receiving services. In most cases, the State did not provide funding for this capital investments.

Many community nonprofits never closed their doors even as the pandemic worsened. These organizations provided food, emergency housing, behavioral health supports and other essential services. However, with many in-person services temporarily suspended and capacity for those that are open reduced by social distancing requirements, community nonprofits experienced a drop in revenue.

The Alliance, in partnership with Fio Partners, the New Canaan Community Foundation, and the Community Foundation for Greater New Haven conducted a survey of 258 nonprofit organizations in June/July 2020 to measure the state of nonprofits in Connecticut as they face COVID-19 operational and financial challenges.

A wide range of organizations representing a variety of services, geographic location and service area and size provided valuable insights into common COVID-19 challenges and highlighted the pandemic's impact on the nonprofit community. Overall, while organizations have scrambled to identify financial and other resources to meet unprecedented needs, the pandemic threatens their long-term ability to remain in business, without significant funding commitments from the state and federal government.

As nonprofits work to meet demand for these essential services, they are facing unprecedented organizational challenges during this extraordinary time, and 64% said their biggest challenge is financial.

In July, one in five nonprofits (21%) believed that they were somewhat or very unlikely to be able to fully fund payroll for the next quarter, and more than one in four (28%) worried about being able to fully provide services.

Findings highlight the need for adequate funding for nonprofits facing unexpected and unbudgeted costs of doing business during a global pandemic. Financial challenges included diminished revenue generation, cancelled fundraisers, and holdbacks from the State.

Demand continues to increase as funding is cut

Nonprofits faced daunting fiscal challenges even before the pandemic. In 2019, The Alliance surveyed its members to determine how funding had changed over the last five years and its effect on communities, families and organizations. The results showed funding for nonprofits was already down in most areas, which reduced access to community services and the capacity of community nonprofits.

This left some of the state's most vulnerable children, families, seniors and people with disabilities without support while pushing the State's health and human services delivery system closer towards destabilization. When the safety net fails, people may wind up in more expensive care, such as emergency rooms, nursing homes, or even the prison system.

Over 95% of respondents reported that demand for services has increased over the last five years, with 40% of nonprofits stating that demand has increased by more than 15%. The trend of increasing demand for services runs opposite to the funding of community nonprofits by the State.

> *"We cannot hire enough staff to meet the demand for outpatient services and medication assisted treatment."*

One community provider noted how, "Parents call our agency and weep about the desperation they feel at not knowing how their child will fare after they die."

Speaking about staff, another stated, "It's more difficult to recruit and retain good employees due to stagnant wages and benefits and low unemployment. This leads to less engaged employees, less continuity of care and fewer opportunities for quality of life activities and choices due to chronic staffing shortages and over worked staff."

"Parents call our agency and weep about the desperation they feel at not knowing how their child will fare after they die."

Connecticut has the money: Revenue estimates continue to show improvement

While the pandemic has certainly affected the state's economy, high-income producing sectors have largely been spared. That means revenue projections continue to improve. Estimates at the beginning of the pandemic were based on the Great Recession, which had a significant negative impact on state revenue. But as Governor Lamont has said, Connecticut is facing a "unique paradigm" in how the pandemic is impacting the state's economy and state budget revenue.

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OFA's January Budget Letter indicates a $179 million surplus for FY21, the current year and a revenue transfer of $355 million into the Budget Reserve Fund, which now has a record balance of $3.5 billion. **The total actual estimated surplus for FY21 is $534 million.**

Current FY21 Forecast: OFA's January Budget Letter indicates a $179.3 million surplus for FY21 and a revenue transfer of $355.1 million into the Budget Reserve Fund. The total actual estimated surplus for FY21 is **$534.4 million**. OFA is also projecting a lapse over what was originally appropriated of $631 million. The largest portion of the lapse, **$425 million is from Medicaid services**.

General Fund	Budget*	January Estimate	Difference from Budget
Revenues	20,252.5	19,761.7	(490.8)
Expenditures	20,086.3	19,582.4	(503.9)
Surplus/(Deficit)	**166.2**	**179.3**	**13.1**
Budget Reserve Fund			
Budget Reserve Deposit	467.7	534.4	66.7
Budget Reserve Balance	**3,480.7**	**3,547.4**	**66.7**

The Budget Reserve Fund stands at a record $3.5 billion.

OFA is also projecting a projected lapse over what was originally appropriated of $631 million. The largest portion of the lapse, $425 million, is from Medicaid services like those provided by many community nonprofits.

For more than a decade, since the recession of 2008, state funding for community nonprofits has been cut or not kept up with increasing demand for services. Programs for some of the state's neediest have been cut back or eliminated, leaving people without services they need.

With an unprecedented amount of savings in the state's coffers and Connecticut's economy expected to recover, it is difficult to justify policy choices that would leave thousands of people across the state without services.

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A strong “rainy day fund” is important —but we don’t have to choose between responsible budgeting and restoring what’s been lost over the last decade.

In the hospital agreement passed by the legislature in 2019, the State acknowledged the need for state payments to keep up with the cost of providing services and the need for funding commitments to meet needs over time. Investing in our future and growth should mean investing in all programs and services for every resident of Connecticut, including the ones served by community nonprofits.

We have the money. It’s time.

"**It is now time to restore funding and invest in the people** served by community nonprofits – adults struggling with addiction, people with disabilities languishing on waiting lists for services, children and families in need of mental health services.

"The need is acute – and state revenue is healthy. **Community nonprofits and the people they serve ask 'if not now, when?'**"

Gian-Carl Casa
President & CEO of The Alliance

SECTION III: IMPROVING QUALITY OF LIFE

If the legislature commits to increasing investment in community nonprofits, it will have a direct and sustained positive impact on Connecticut. Nonprofits are major employers in the state, with 117,000 employees. That's about 12% of Connecticut's workforce. With the first significant investment in decades, Connecticut's nonprofits could:

- Innovate and expand, serving more people in new and better ways;
- Increase salaries and benefits for hardworking staff, after a decade of budget cuts requiring salary freezes and benefit cuts;
- Better meet the needs of Connecticut's residents, improving the quality of life and making it more competitive with other states.

On the other hand, failure to act would have dire consequences for Connecticut's most vulnerable people. There is a myth that nonprofits will continue to deliver services in the face of budget cuts. The truth is budget cuts and flat funding have resulted in harm to people who depend on nonprofit services, and without significant investment now, these cuts will continue.

The Alliance asked members to list examples of the impact of state budget cuts had on their organizations, their employees, and the people they serve. Community nonprofits report inadequate funding hurts services for people in need. They have already:

- Closed intensive residential program due to cuts from the Department of Mental Health and Addiction Services (DMHAS);
- Cut a program that housed women and children who were either formerly incarcerated or homeless;
- Eliminated employment services for 70 people living with severe and persistent mental illness;

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- Stopped serving 10 people with I/DD in wheelchairs because of a lack of space. Planning infrastructure needs is impossible without being able to retain unspent funds;
- Stopped accepting new clients with intense service needs;
- Closed classrooms and laid-off staff of day programs.

They also report the negative impact that cuts to staff have on the delivery of services. Community nonprofits told us:

- Staff salaries are not adequate to fill all funded positions, which results in fewer services being delivered;
- They've reduced safety; eliminated overnight staff at a residential facility;
- They eliminated or reduce 1:1 staffing ratios in favor of large groups, leaving a much needier population with fewer resources and provider choices;
- Passed on significant increases in benefits costs to all employees, including health insurance;
- Eliminated staff positions: compliance manager, job developer, compliance specialist, team leaders.

"Our case management programs for adults were decimated, three jobs were lost in direct service, two support positions are gone. These folks would have served a few hundred clients. But we simply don't have the capacity any longer."

RECOMMENDATION

RESTORE $461 MILLION TO PEOPLE SERVED BY COMMUNITY NONPROFITS

To begin to address the challenges raised in this white paper, the legislature should commit to increasing funds to nonprofit services by $461 million over five years, to keep pace with increased costs and demand over the last thirteen years. They should:

- Commit to increasing funding by the full $461 million, or 28%, by Fiscal Year 2026;
- Appropriate a state net of $67 million in new funding for community nonprofits in Fiscal Year 2022, a 7% increase;
- Index future increases to an inflationary index, to ensure that state funding will keep pace with increased costs in the future.
- Hold nonprofits financially harmless from the impact of COVID-19.

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