



DATE: February 25, 2022
TO: Planning and Development Committee
FROM: Jeff Shaw, Senior Public Policy Advisor, The Alliance
RE: S.B. 127, An Act Concerning Community Investment Boards And Neighborhood Assistance.

Good afternoon Senator Cassano, Representative McCarthy Vahey, Senator Hwang, Representative Zullo and distinguished members of the Planning and Development Committee:

My name is Jeff Shaw, Senior Public Policy Advisor at the Connecticut 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 115,000 Connecticut workers, improving the quality of life in communities across the State.

Thank you for the opportunity to provide testimony on **S.B. 127, An Act Concerning Community Investment Boards And Neighborhood Assistance**. S.B. 127 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 understand and 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 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.

Executive and Legislative branch task forces, commissions and cabinets have thoroughly studied how nonprofit providers are funded and reviewed contracting, licensure and grant requirements. 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, especially considering the thousands of State employees expected to retire by July 1, 2022. Connecticut's nonprofits are already in the midst of a workforce crisis after two years of the COVID-19 pandemic, so any task force should address strategies to attract and retain these essential nonprofit employees.

We appreciate that the proposal 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, all critical to the State's recovery from the COVID-19 pandemic.

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 2017 (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 regularly 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, at least \$16.9 million pledged by businesses exceeded the cap, and therefore, was not available to be used to support community projects and programs.

In terms of projects, the NAA tax credit program funded a variety of programs including, housing construction, workforce development, community health services, family counseling, hospice care, animal welfare, fire training and equipment, and financial literacy, 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 community nonprofits continue to face financial and operational pressures amid workforce shortages and an increased demand for services as part of the COVID-19 pandemic recovery, 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.