



Date: March 21, 2022
To: Finance, Revenue and Bonding Committee
From: Gian-Carl Casa, President & CEO
Re: **H.B. 5476, "An Act Concerning the Provision of Partial Fee Reductions by Municipal Stormwater Authorities and The Inclusion of Heating, Ventilating and Air Conditioning Systems in School Building Project Grant Payments."**

Good afternoon, Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman and members of the Finance, Revenue and Bonding Committee:

My name is Gian-Carl Casa, President & CEO, of the CT Community Nonprofit Alliance (The Alliance). The Alliance is the statewide 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.

I am here to ask that you amend H.B. 5476 "An Act Concerning the Provision of Partial Fee Reductions by Municipal Stormwater Authorities and The Inclusion of Heating, Ventilating and Air Conditioning Systems in School Building Project Grant Payments." **We urge the Committee add language to section 1 to exempt nonprofits from these new municipal taxes.** Levying the stormwater fee on nonprofit property would divert money away from programs that help people in need.

Already underfunded for over a decade, the COVID-19 pandemic exacerbated the financial and operational challenges for community nonprofits. To continue serving people with developmental disabilities, the homeless, people struggling with substance abuse, victims of domestic violence, struggling arts and cultural programs, and other essential services that address community needs, nonprofits incurred unexpected and unbudgeted costs to protect the people they serve and their workforce while the growth of inflation (6%) surpassed the modest cost-of-living adjustment (4%) in last year's state budget. And now, in the midst of a workforce crisis, nonprofits need every dollar to retain and recruit staff to maintain service delivery, let alone address the increased demand for services.

While the proposed credit against fees paid is better than the original legislation (PA 21-115), it still could represent a significant new cost to community nonprofits. We also appreciate this bill changes the calculation upon which municipalities may levy fees and removes the grand list valuation from consideration. However, since the passage of the original bill, inflation has spiked and the need to pay any new taxes on property is unfathomable to many tax-exempt nonprofit organizations.

And let's be clear, although called a fee, it is a tax on otherwise tax-exempt organizations.

Levying a fee or tax on otherwise tax-exempt property would erode the social compact between community nonprofits and government. Nonprofits have long been exempted from state, federal and local taxes and service fees 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.

It is also important to note many community nonprofits have contracts with the State to provide essential services on behalf of the State. Requiring those entities to pay taxes to municipalities means a portion of the money appropriated by the State would be paid back to another level of government. The money the legislature struggles to appropriate every year would be taken away in this proposal to pay fees to the municipal authority. Additionally, State contracts do not automatically adjust to increasing in costs, such as new taxes and fees. Further, nonprofits cannot raise taxes or increase prices in the face of increased costs, meaning they are forced to cut services, lay-off employees or close programs to manage increased costs without increased funding.

That is not a sky-is-falling worry, it is real life and it's already happening due to the confluence of inflation, covid and a workforce crisis on financially strapped organizations.

The proposal could also have a significant impact on organizations that own and operate programs in multiple towns. Multiple fees from multiple towns billed to one organization would add up quickly and could require serious program cuts just to pay the fees. Each municipality has been empowered to develop its own unique stormwater management program, which could result in different fee structures in each town.

Finally, the proposal may undermine nonprofits' relationship with individual, corporate and philanthropic donors who want their donations to help people, not be redirected to pay local government entities. Finding and retaining new donors is an ongoing challenge, which was exacerbated by the COVID-19 pandemic, and having to raise new dollars to pay taxes only make those requests more difficult.

Simply put, community nonprofits cannot afford to make payments to local governments. Please protect nonprofit services by amending the proposal to exempt property owned by nonprofits from the fee or tax.

Thank you for your consideration.