The Alliance
Voice of Community Nonprofits

DATE: March 15, 2022
TO: Finance, Revenue, and Bonding Committee
FROM: Jeff Shaw, Senior Public Policy Advisor, The Alliance
RE: SB-382, An Act Concerning a Connecticut New Market Tax Credit Program

Good afternoon Senator Fonfara, Representative Scanlon, Senator Martin and Representative Cheeseman, and distinguished members of the Finance, Revenue and Bonding 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 **in support of Senate Bill 382, An Act Concerning a Connecticut New Market Tax Credit Program.** This bill would create an additional source of funding for essential programs and services through the Connecticut Health and Educational Facilities Authority (CHEFA).

Currently, CHEFA issues tax-exempt revenue bonds on behalf of Connecticut's nonprofit, 501(c)(3) organizations. These investments strengthen the State's health and human service delivery system that cares children, families, seniors and people with complex needs as well as improves the quality of life for communities across Connecticut.

In 2019, CHEFA formed CHEFA Community Development Corporation (CHEFA CDC), to expand economic development in Connecticut's low-income communities by providing affordable and flexible financing products to qualified nonprofits. Some nonprofits may not have the capacity for financing traditionally offered by CHEFA.

Even before the COVID-19 pandemic, there was an increasing need for essential services provided by nonprofits, such as health care, food, housing, behavioral health supports, job training, education, re-entry support, in Connecticut's low-income communities. After more than two years of the COVID-19 pandemic, needs have skyrocketed.

According to a survey The Alliance released in January, almost 70% of respondents said that demand for services has increased over the past two years. Of those respondents, 11% stated that services have increased by more than 50%, and 30% said that demand for services increase by 25-49%. Further, almost 60% of nonprofits currently have a waiting list for services. Addressing these services are necessary to support the State's pandemic recovery efforts as well as improving the well-being of communities across Connecticut.

Senate Bill 382 would provide the State with a mechanism to facilitate additional investments by establishing a Connecticut New Markets Tax Credit Program. The Connecticut New Markets Tax Credit program will incentivize private investment in nonprofits that are undertaking capital projects within these low-income communities. These projects will help to expand access to essential services for those in need.

Connecticut businesses will receive a state income tax credit in exchange for their investment in a nonprofit organization that serve a low-income community. Low-income communities are defined having as census tract with a poverty rate of at least 20% or with a median family income below 80% of the area median family income.

These investments will provide a 7-year forgivable loan to the underlying nonprofit organization. Nonprofits will use these investments as part of their funding streams to finance capital projects, programs that provide access to basic needs as well as create quality jobs that provide living wages and benefits. The program will limit investment per project to $2,000,000.

Senate Bill 382 grants CHEFA CDC the authority to issue $10,000,000 of tax credits in CY23 and CY24 under the program. The income tax credit will be claimed over 7 years with 10% being claimed in years 1 & 2, and 16% per year being claimed in years 3 – 7. The projected maximum amount of tax credits claimed per year is $3,200,000. During that 7-year period, the tax credits will be subject to recapture, if the financed project no longer serves the low-income community.

By investing in a Connecticut NMTC program, the State is creating an innovative approach to address racial and economic inequities in Connecticut's low-income communities whose struggle with high poverty and unemployment.

We urge the Committee to support Senate Bill 382.