



DATE: February 25, 2022
TO: Appropriations Committee
FROM: Gian-Carl Casa, President and CEO
RE: S.B. 406 An Act Concerning Rate Increases for Community Service Providers

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

I am Gian-Carl Casa, President and 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 more than half a million people 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 testify in support of S.B. 406 An Act Concerning Rate Increases for Community Service Providers and with one important modification request:

The bill as drafted establishes a task force to study community provider rates. While we appreciate the need to make informed decisions, we already know that rates the state pays for nonprofit services are inadequate and do not cover the cost of care. And we do not have the luxury of time. We respectfully request the Committee instead mandate rate increases to fulfill the legislature's long-term plan to increase funding for community nonprofits, and have submitted proposed substitute language below.

First, I want to **thank you** for the 4% Cost of Living Adjustment for community nonprofits that you fought to include in last year's budget. It is greatly appreciated; we know it didn't come easily. What we are saying today doesn't diminish our gratitude, but nonprofits today are in crisis, and we must discuss with you what nonprofits need to continue providing community-based services for the fiscal year starting July 1 and years thereafter.

We are asking that you:

- (1) honor the long-term plan to restore at least \$461 million** in buying power lost to inflation for community nonprofits, an **8% increase in funding for FY23 in the budget**; and
- (2) In S.B. 406, increase funding by statutory requirements for the full \$461 million, or 28%, by FY2026**, indexed for inflation after that.

COMMUNITY NONPROFITS ARE IN CRISIS

Connecticut's community nonprofits find themselves at a confluence of problems that taken together equal a nonprofit sector in crisis. Let's review them:

- Nonprofits were, at the beginning of last year, **\$461 million – 28% – behind inflation** since 2007;
- **Two years of covid exacerbated the impact of inadequate funding** and brought unanticipated, unbudgeted costs and operational challenges for most community nonprofits;
- The 4% increase in the current year was quickly absorbed by rising costs. Over the last year, **inflation rose by almost 6%**, surpassing the COLA that is in the current year’s budget;
- Adding to this **is a workforce crisis** the likes of which our members have never seen. A recent survey we did found that, of the 70 nonprofit respondents:
 - 91% said it has been difficult or extremely difficult to recruit employees this past year;
 - The average vacancy rate is 18%;
 - 68% report increased demand, meaning
 - 59% have waiting lists for things like opioid treatment, shelter, respite care and help for people returning to their communities after incarceration.

STATE REVENUE IS STRONG ENOUGH TO SUPPORT INCREASES

It is time to increase funding for nonprofits next year and into the future. The state has the revenue.

- For FY 2022 OPM’s February estimates project **a total state budget surplus of \$2.4 billion.**
 - Regular budget revenue, operating surplus of \$1.5 billion, plus
 - Volatility cap surplus of \$969 million.
- The Budget Reserve Fund (“Rainy Day Fund”) is full with \$3.1 billion in it.
- **For FY 2023**, the consensus revenue projections by OFA and OPM estimate a **surplus of \$1.9 billion.**

NONPROFITS PROTECT CONNECTICUT’S FUTURE

Some people have expressed concerns about whether the state will have enough revenue in the future to support nonprofit programs, but **the crisis faced by nonprofits is happening now** and those paying the price are people who depend on them for services. Those women, men, children and families should have the same priority as other budget and tax expenditures to which the state already commits over a long-term.

We know investments in nonprofits today will help Connecticut thrive down the road. Community nonprofits are Connecticut’s safety net, and they support residents at every point in their lifespan. They keep our neighborhoods safe from crime, support people in crisis, and deliver services efficiently to ultimately save taxpayers money.

Turning our backs on them today would mean more problems for our state in the future.

Nonprofits need your help. Nonprofits took the hits year-after-year with repeated budget cuts when economic times were tough. Years of underfunding, covid, inflation and a workforce crisis are crushing them. Today the state budget is stronger than it's ever been, and nonprofits need your support now to continue to keep our communities safe.

Please stand with nonprofits to support **restoring at least \$461 million** in buying power lost to inflation for community nonprofits, an **8% increase in funding for FY23**.

Please amend S.B. 406 to provide statutory rate increases to fulfill the legislature's long-term plan into the future.

Thank you for your consideration of these important issues and for your ongoing support.