

CONNECTICUT'S NONPROFIT CRISIS



WHY CT MUST RETHINK THE FISCAL GUARDRAILS TO
PROTECT ESSENTIAL SERVICES AND SUPPORT ITS MOST
VULNERABLE RESIDENTS

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Executive Summary

Connecticut's nonprofits are in crisis due to decades of underfunding, leaving them struggling to meet growing community needs. Nonprofits provide essential services such as mental health care, housing support, services for people with disabilities, and food assistance. Yet nonprofits now operate with 30% less buying power than in 2007, making it difficult to retain staff, sustain programs, and address rising costs.

CONNECTICUT CAN AFFORD TO FUND NONPROFITS

Despite a projected budget surplus of over \$1.7 billion for FY25, CT's fiscal guardrails limit the state's ability to fund essential services. These policies, designed for long-term stability, now prevent necessary investment in nonprofits. Connecticut has the financial resources to maintain fiscal discipline while supporting critical community programs.

PUBLIC SUPPORT FOR NONPROFITS

A July 2024 poll found that two-thirds of likely voters favor a budget that balances saving with funding nonprofit services. Only 8% support using the surplus solely for pension debt, and just 14% believe the current fiscal guardrails are effective. Voters want the state to invest in essential services while maintaining financial responsibility.

STAFFING SHORTAGES & SERVICE REDUCTIONS

Nonprofits struggle to compete with private-sector wages, leading to high turnover and staffing shortages. Rising costs for food, housing, and insurance further strain budgets. Many nonprofits have cut services, implemented waitlists, or closed programs. Some organizations report waitlists of 4-6 months, delaying critical care for those in need.

FUNDING PROPOSAL

To stabilize nonprofits, The Alliance proposes a \$264 million increase for FY26, including:

- 6% Cost of Living Adjustment (COLA) on nonprofit contracts – \$157 million;
- Annualizing \$50 million in ARPA funds from FY25;
- Increasing Medicaid behavioral health and autism rates – \$57 million.

For FY27, an 8% COLA increase is proposed, totaling \$237 million.

Without immediate funding increases, nonprofits will be unable to sustain services, impacting Connecticut's most vulnerable residents. The state must act now to ensure these essential organizations can continue serving their communities.

State of the CT Nonprofit Sector: Survey Results at a Glance

Connecticut's nonprofit sector is at a breaking point. For decades, nonprofits have provided essential services, yet chronic underfunding has left them struggling to meet increasing community demands. Today, nonprofits operate with 30% less buying power than in 2007, making it increasingly difficult to recruit staff, sustain programs, and address rising costs.

A recent survey conducted by The Alliance of 121 nonprofit organizations across Connecticut reveals the depth of this crisis. The findings paint a stark picture of a system under immense strain.

This White Paper explores the growing challenges facing Connecticut's nonprofits, the devastating impact on vulnerable populations, and includes a funding proposal designed to stabilize the sector. The state does not have to choose between fiscal responsibility and ensuring critical services remain available—both are achievable with a more balanced approach.

Now is the time to act.

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Nearly two-thirds of nonprofits report having waitlists for services, with delays stretching from weeks to months.

80%

More than 80% of nonprofits struggle to recruit and retain staff due to uncompetitive wages.

70%

Over 70% of nonprofits have seen an increase in demand for services.

54%

54% of nonprofits report an increase in violent or dangerous incidents.

60%

More than 60% of nonprofits report operating at a deficit or with dangerously thin margins.

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Two-thirds of CT voters support a budget that balances savings with increased funding for nonprofits.

STAFFING SHORTAGES ARE CRIPPLING SERVICE DELIVERY

Nearly two-thirds of nonprofits report having waitlists for essential services, with delays stretching from weeks to months. Some behavioral health providers report wait times of up to six months for mental health services, leaving individuals without critical support. Housing service providers report turning away clients due to a lack of available placements, exacerbating homelessness across the state.

SEVERE WORKFORCE CHALLENGES

More than 80% of nonprofits struggle to recruit and retain staff due to uncompetitive wages. Many nonprofit workers earn significantly less than their counterparts in state or private sector jobs, leading to high turnover rates. One nonprofit reported losing staff to entry-level retail jobs that offer the same or better pay without the stress and responsibility of human services work.

INCREASED SERVICE DEMAND, FEWER RESOURCES

Over 70% of nonprofits have seen an increase in demand for services, yet nearly half have been forced to cut programs, reduce capacity, or turn away clients due to financial constraints.

One food pantry reported that the number of families seeking assistance had quadrupled in just two years, yet funding to support these growing needs has remained stagnant.

**TODAY, NONPROFITS
OPERATE WITH 30%
LESS BUYING POWER
THAN IN 2007**

SAFETY CONCERNS AND CRITICAL INCIDENTS

54% of nonprofits report an increase in violent or dangerous incidents involving clients, a direct result of understaffing and lack of resources. Reports include staff assaults, self-harm incidents, and severe behavioral crises that organizations struggle to manage with limited personnel. One behavioral health provider noted that waitlists for psychiatric care are leading to worsening mental health conditions and more emergency room visits.

FINANCIAL INSTABILITY THREATENS NONPROFIT SURVIVAL

More than 60% of nonprofits report operating at a deficit or with dangerously thin margins. Many organizations rely on short-term grants or one-time federal relief funds that are expiring, leaving them unable to sustain critical services in the long term. Without increased state investment, some organizations will be forced to close programs or shut down entirely.



CT Can Do Both: Save and Fund Community Services

Connecticut's economy is performing well, with strong revenue growth and a budget surplus that gives the state the financial flexibility to both protect its long-term fiscal health and fund essential community nonprofit services. In each of the last eight years, tax collections have exceeded expectations, fueled by gains in income and corporate taxes. The state's economic recovery is outpacing national averages. Connecticut is benefiting from a larger-than-expected surplus, projected to be over \$1.7 billion for FY25.

The state's budget constraints, sometimes called the "fiscal guardrails," while designed to ensure fiscal discipline, don't account for the state's current financial position. These controls are too rigid in their approach, preventing the state from investing in the services that support its most vulnerable residents. By making reasonable adjustments to the constraints, Connecticut can maintain fiscal discipline and still provide adequate funding for vital nonprofit services like housing, mental health care, and food security.

The state doesn't have to choose between fiscal responsibility and meeting the immediate needs of its residents — both are achievable with a more flexible, forward-thinking budgeting approach. Connecticut must balance saving for the future with ensuring essential community nonprofit services receive adequate funding.

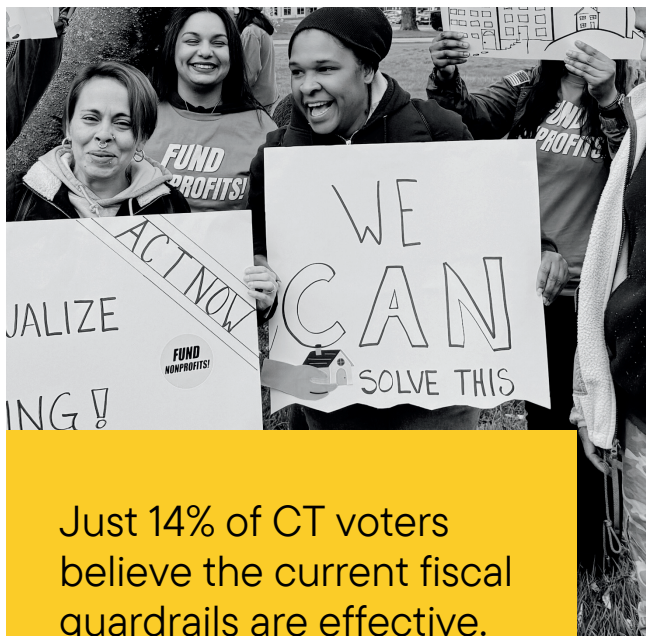
The Governor and General Assembly have multiple legal options to adjust fiscal constraints while preserving the integrity of responsible budgeting policies.

Leading policy think tanks have proposed solutions, and The Alliance supports any viable approach that emerges from the legislative process in 2025. But change is necessary. Without it, the essential services that Connecticut's community nonprofits provide to the state's most vulnerable residents could collapse.

The state doesn't have to choose between fiscal responsibility and meeting the immediate needs of its residents — both are achievable.

Voters Agree

A recent poll shows that two-thirds of likely voters in Connecticut believe the state should adopt a budget that strikes a balance between paying off debt, saving money, and supporting crucial programs like nonprofit health and human services.¹ This finding highlights widespread support for a more balanced approach to budgeting, where the state ensures financial responsibility while addressing the needs of its residents.



Just 14% of CT voters believe the current fiscal guardrails are effective.

The poll also reveals that only 8% of voters support the idea of using large budget surpluses solely to pay down pension debt for state employees. Just 14% believe the current fiscal guardrails are effective. These results suggest that many voters feel the state's financial priorities are not aligned with the needs of its communities, particularly when it comes to funding essential nonprofit services. Voters recognize the need for increased community nonprofit funding and the potential to update the guardrails to achieve that. Voters understand that it's not an either-or choice. They want the state to balance its spending to both reduce debt and invest in the people who depend on critical services.

Funding Proposal

The next biennial budget should increase funding for vital nonprofit programs by \$264 million in FY26. This includes:

- 6% Cost of Living Adjustment (COLA) on nonprofit contracts, a cost of \$157 million;
- Annualizing the \$50 million in ARPA funds provided in the FY25 Spending Plan;
- Immediately increasing Medicaid behavioral health and autism rates by the full amount recommended by the Medicaid Rate Study, a cost of \$57 million.

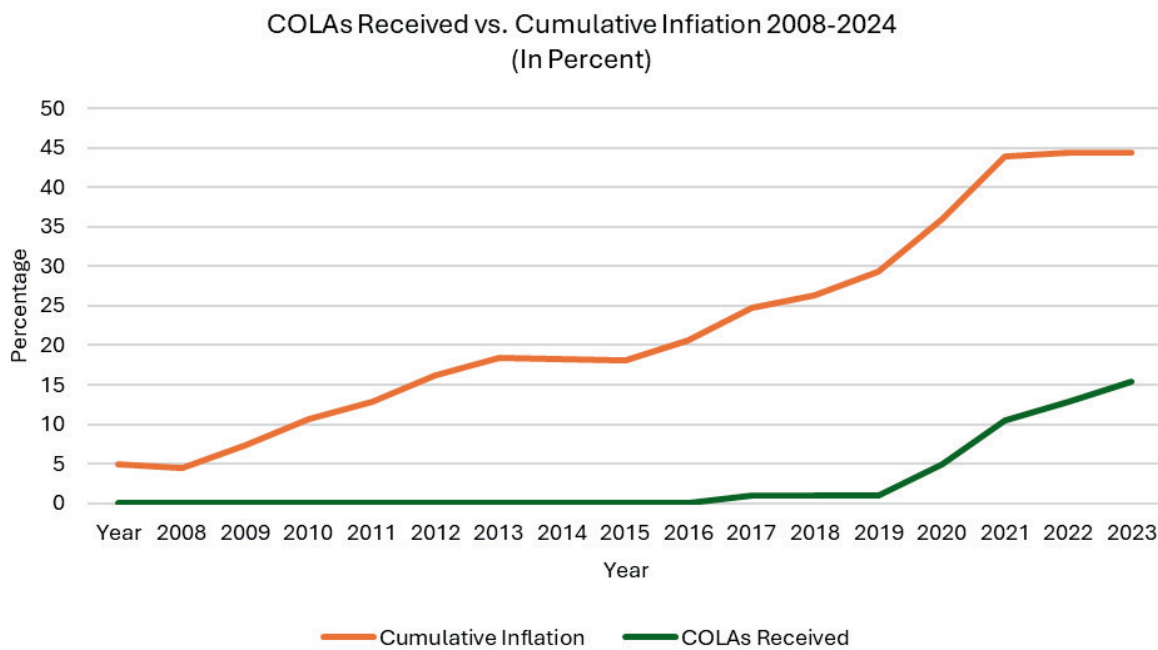
In FY27, the budget should include an 8% COLA for nonprofit services, a cost of \$237 million.

Despite the gains made in the last several years, nonprofits are still 30% behind the buying power they had in 2007. To determine the erosion of funding that the nonprofit community has

¹ Conducted by Change Research for the CT Community Nonprofit Alliance between July 15-19, 2024.

faced, The Alliance calculated the difference in costs between 2007 and 2024 using the Bureau of Economic Analysis’s (BEA) Gross Domestic Product Implicit Price Deflator Index for State and Local Government Services and Business. While there are many inflationary measurements, this indicator most closely matches the budgets of community nonprofits because it factors in the prices of services more heavily than goods or commodities.

Between 2007 and 2023, the index grew 45%. After deducting the modest increases in funding that community nonprofits received through Cost of Living Adjustments in 2018, 2021, 2022, 2023 and 2024, community nonprofits remain 30% behind their ability to fund the true cost of service delivery since 2007.



MEDICAID RATE INCREASES

Many community nonprofits provide outpatient behavioral health services to people and families throughout the state.

According to the Medicaid Rate Study released by the Department of Social Services in 2024 and 2025, clinic-based behavioral health services, including mental health and substance use disorder services, have the most significant need for increases in their reimbursement across the entire Medicaid program, funded at 117% below the five comparable states (MA, NY, ME, NJ, & OR) the study evaluated.

Despite the recent nature of the rate study, nonprofit behavioral health providers have been noting the extreme low rates for years. In 2015, according to a study published then, the annual loss for the top ten behavioral health procedures by volume was more than \$27 million for approximately 250,000 service hours.² Since then, rates have only increased once – in 2021 by 4% – while demand for behavioral health services and the number of Medicaid recipients has

² Prioritizing Community Based Services in CT (Ferraj, MSW, Rock-Burns, MPA, & Cain, MPP, 2015)

grown. The funding increases the legislature provided to other health and human services have not extended to Medicaid rates, except in 2021.

The rising demand and changes to the healthcare workforce since COVID has led to significant increases in the cost to attract and retain Masters-and Doctorate-prepared clinical staff in these programs. Coupled with nearly flat rates, the losses highlighted in the 2015 study have grown significantly, and outpatient clinics have begun to close.

The cost to bring Connecticut to parity with the five-state comparison is only \$40 million, but that increase is desperately needed to continue to provide adequate access to services for Connecticut's Medicaid population.

WHY ARE NONPROFITS IN CRISIS?

The Crushing Impact of Inflation

Rising costs due to inflation have placed immense strain on nonprofits, negatively impacting their ability to serve clients, maintain staff, and operate effectively. Across the board, nonprofits are facing skyrocketing expenses, including higher costs for food, transportation, utilities, insurance, and medical supplies. As one organization noted, "Everything is more expensive, especially health insurance; energy; staffing; food for our residential programs. These increased expenses, coupled with dramatic underfunding of our state contracts, have caused us to be unable to sustain and recruit staff."

The rising cost of doing business has forced many nonprofits to make difficult decisions, such as cutting services or delaying essential maintenance. One group emphasized this reality, stating, "We have frozen DCF per diem rates that don't cover the cost-of-living increases for our staff."

The impact on staff is equally severe, as many employees are struggling to make ends meet themselves. As one organization pointed out, "Inflation has impacted our existing employees; many are not able to pay bills, repair a vehicle. It prevents us from attracting or retaining good employees due to the wages we offer versus the cost of living." Others shared similar concerns, with one stating that staff are becoming increasingly vocal about their financial struggles, noting a "willingness to go where the hours are" to find higher-paying work. The current trajectory is unsustainable, and without increased investment and support, nonprofits will continue to face dire challenges in meeting the growing needs of Connecticut's residents.

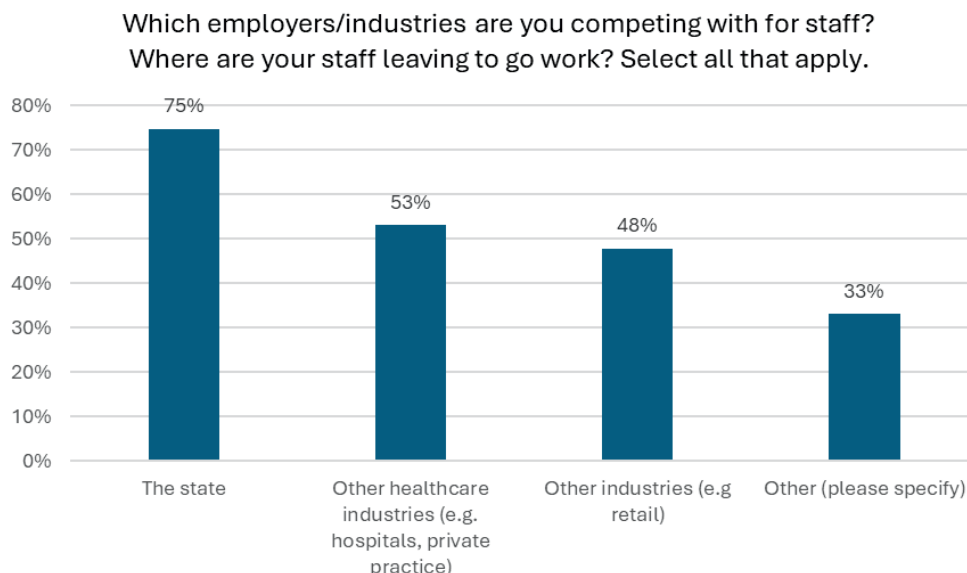
Staffing Challenges and Turnover

Nonprofits are facing increasing challenges in both recruiting and retaining staff, primarily due to their inability to offer competitive wages and benefits compared to the state, corporate employers, or other private sector opportunities. Many nonprofits are at a disadvantage as their funding is typically limited to state funding sources that don't keep pace with inflation or market rates for skilled labor.

NONPROFITS CAN'T COMPETE WITH HIGHER-PAYING SECTORS

Until nonprofits can offer more competitive compensation and benefits, the recruitment and retention issues will likely continue to limit their capacity to meet community needs. One nonprofit explained, "Lack of funding makes it very difficult to offer competitive salaries, especially for behavioral health clinicians. "We are competing against private practice and hospital systems, along with the state, which provide much higher salaries." As a result, nonprofits face a shrinking pool of applicants, making it difficult to fill critical roles like clinicians, direct care staff, and social workers.

In some areas, industries like manufacturing, retail, or local government offer comparable wages without the stress and responsibility that comes with working in human services. One provider shared, "You can work at McDonalds or Walmart and make about the same money without the stress and risk and responsibility working direct care entails." This drives potential candidates away from nonprofit positions, leaving organizations scrambling for qualified staff—and sometimes filling roles with less experienced or trained individuals. Another nonprofit reported, "We are in Southeastern Connecticut. Electric Boat is simply a giant taking most of our employee applicants."



RETENTION STRUGGLES: LOW WAGES AND HIGH JOB DEMANDS

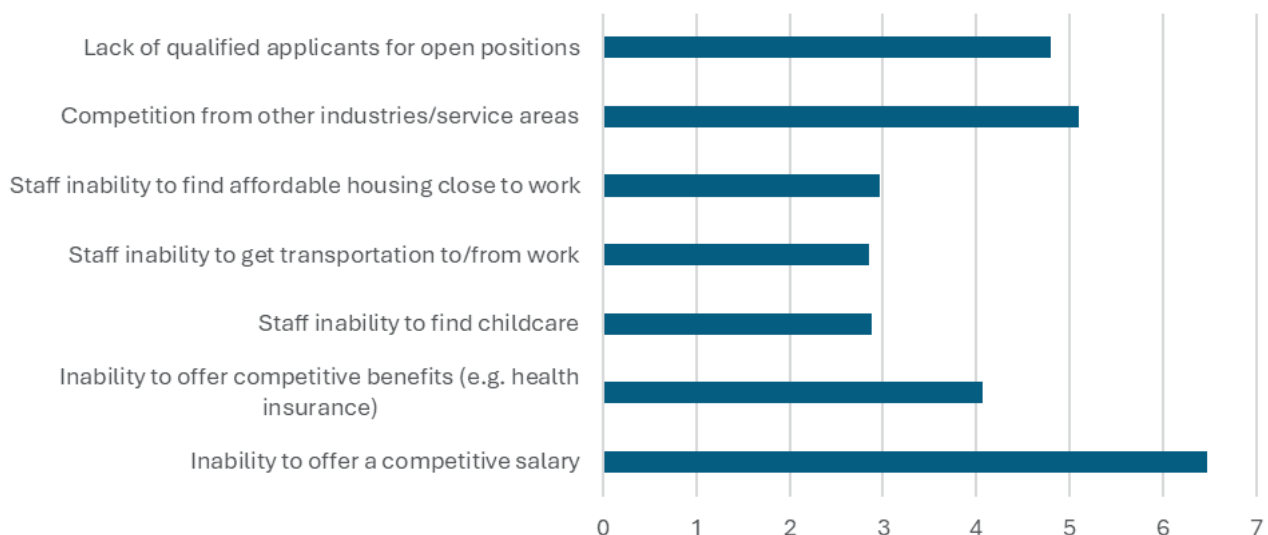
Even when nonprofits manage to recruit staff, the low wages and high job demands often lead to burnout and high turnover. The emotional and mental toll of working in high-stress environments, such as direct care for individuals with disabilities, mental health conditions, or behavioral issues, exacerbates retention struggles. Many workers report feeling undervalued for the intensity and emotional labor required in their jobs, which only adds to burnout. As one provider noted, "Taking care of individuals with behaviors & intellectual disabilities is not easy. Keeping employees engaged at low pay and a very intensive training period is very difficult." The pressure of high client needs, combined with limited resources, often leaves staff feeling overworked and unsupported, driving them to seek higher-paying, less demanding roles.

LIMITED PROFESSIONAL DEVELOPMENT AND CAREER ADVANCEMENT

Nonprofits also struggle to provide professional development opportunities or career advancement due to limited funding. Without the ability to offer promotions or salary increases, many employees see little long-term benefit in staying with an organization that can't provide the financial rewards or career growth they seek. This lack of opportunity leads many experienced staff to leave for better-paying roles in other sectors. As one respondent said, "Staff wages have not been sufficient to attract and retain qualified staff. We have staff who stay long enough to get some experience and then leave to go to state or for-profit jobs that pay significantly more."

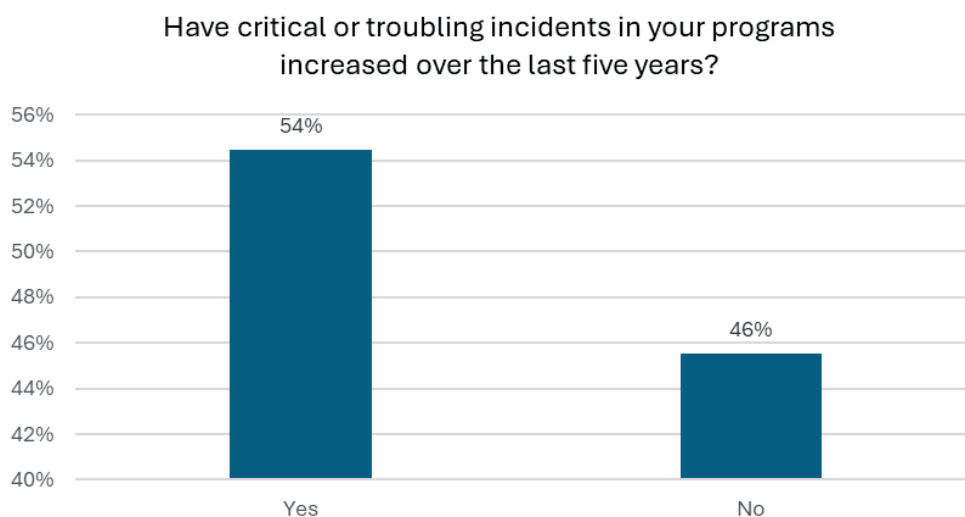
Ultimately, the combination of insufficient funding, low wages, high job demands, and limited career advancement opportunities creates a perfect storm for nonprofits struggling to retain their workforce. The result is a constant cycle of turnover that hinders nonprofits' ability to provide stable, long-term services to the communities and individuals who rely on them.

Rank the major barriers to recruiting new staff:



Impact on Service Delivery & Safety Concerns

Underfunding also impacts access to and the quality of community services provided. Disruptions in continuity of care are a direct result of high turnover. One respondent noted, "When too many staff call out on a given day in DDS services, our agency must cancel services for individuals in order to maintain safe staffing ratios." For some nonprofits, when staffing levels are low, remaining staff are forced to pick up additional shifts or responsibilities, resulting in stress and fatigue that further increases turnover. One respondent explained, "Increased stress levels due to difficulty covering shifts resulting in Supervisors, Managers, and Directors providing direct care coverage," highlighting the unsustainable workload on existing staff.



Fifty-four percent of nonprofits report that critical incidents have increased over the past five years as a direct result of their ongoing financial challenges and ability to recruit and retain staff. These incidents often involve violent or dangerous behaviors from clients, as well as an inability to provide adequate care for individuals with complex needs. A significant number of organizations are dealing with an increase in violent incidents involving clients. Examples include:

- Physical assaults by clients towards staff and other residents, sometimes resulting in serious injuries.
- Clients attempting to harm themselves or others, such as attempting to light a bedroom on fire or engaging in physical altercations.
- Increased aggression from clients due to mental health breakdowns, substance use, or complex behavioral challenges, leading to injuries to staff and other residents.

In some cases, nonprofits are struggling to keep high-risk individuals safe in appropriate settings due to lack of available resources and programming options for those with severe psychotic behaviors. There has been a notable rise in incidents involving overdoses, including fatal overdoses, on program properties. This is compounded by increasing suicidal behaviors among clients, with some experiencing attempted suicides or completed suicides. These incidents highlight the urgent need for appropriate support and staff to manage individuals in crisis, which is becoming increasingly difficult due to staff shortages.

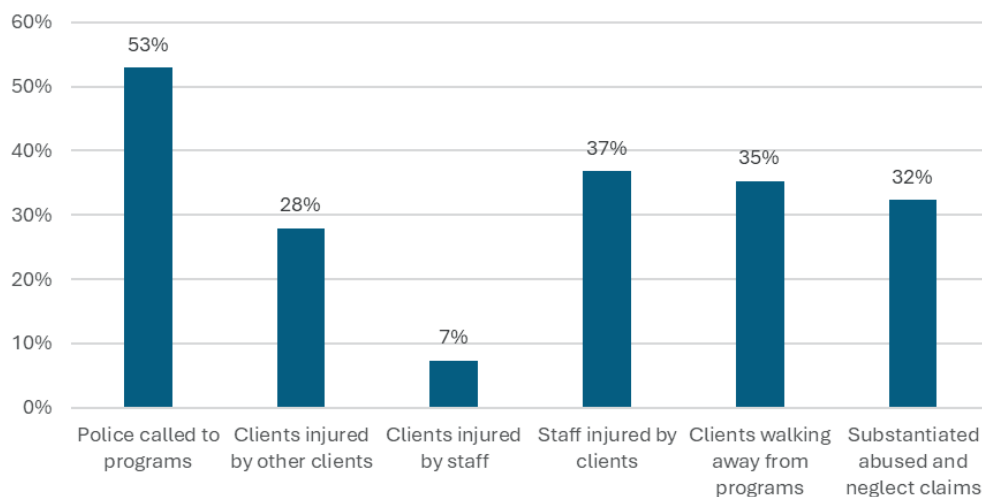
Many nonprofits are receiving clients with significantly more acute needs than in previous years. As a result:

- Increased patient-to-patient violence and threats between clients are more common.
- Staff are being asked to manage high-acuity clients in outpatient or residential settings without sufficient psychiatric support, exacerbating the risk of violence and accidents.
- Lack of available hospital beds and acute psychiatric care means nonprofits are left to manage crisis situations without appropriate resources, which further strains both staff and client safety.

Understaffing and staff burnout are contributing to fatigue, which can lead to errors or poor decision-making. For example, neglect cases have been substantiated due to staff being unable to provide proper supervision, leading to poor judgment and failure to follow guidelines. In one case, staff used improper techniques during behavior management, which resulted in neglect allegations and substantiated claims.

These critical incidents reflect the broader crisis facing nonprofits, where the inability to recruit and retain staff is leading to severe consequences for both clients and staff. The combination of high-acuity client needs, staff fatigue, and insufficient resources is creating an unsustainable environment, further straining organizations and the people they serve. These problems are not a reflection on the quality of services nonprofits are able to and want to provide. Rather, they are a direct result of insufficient funding by the state.

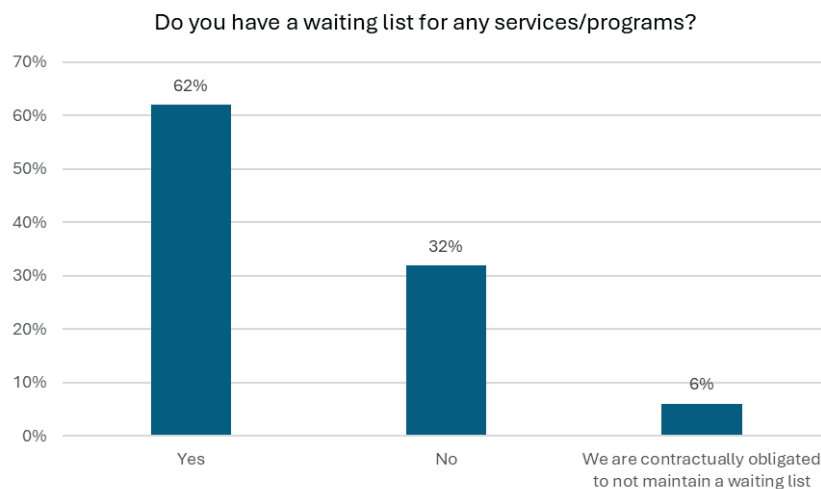
If critical incidents have increased, please choose some examples of how:



A Lack of Funding Means A Lack of Access to Services

Staffing shortages, high turnover, and the inability to offer competitive wages have forced nearly two-thirds of nonprofits to implement waiting lists for essential services. The delay in accessing support has significant consequences for clients, staff, and the quality of services provided.

People in need can wait weeks, months and in some cases even years for critical services like housing, mental health support, and medical care. One organization notes, “Our early intervention services have a waitlist. It has been difficult to specifically recruit for roles in that service line,” highlighting the challenge of staff shortages and the long delays that result.



Clinical waitlists have grown, and nonprofits are increasingly forced to prioritize essential services while cutting back on enrichment activities, outreach programs, and community engagement. One nonprofit shared, “Waitlists have increased for most of our clinical services, and families/individuals have not always received the services that they need in a timely manner. We know that this results in worsened outcomes, although we are unable to quantify that.” Another noted, “We have reduced staffing levels, in some cases to less than ideal level. We closed an 8-bed group home and are considering closing another site.” With budgets stretched thin, many organizations are cutting back on critical services like community outreach and mental health support, leading to reduced accessibility for the families and individuals who rely on them.

“Our inpatient programs all have waitlists, and for our substance use disorder program, it may be two weeks, which is dangerous,” one nonprofit warned, illustrating the urgent need for timely care, especially for high-risk clients.

Some agencies, like those providing housing or employment services, mentioned, “We do not have waiting lists, but we do decline referrals regularly due to lack of staffing.” This inability to accept referrals leads to gaps in service provision, further exacerbating community needs.

Housing price inflation and the rising cost of living have significantly increased the number of people at risk of homelessness and a sharp rise in unsheltered homelessness. One nonprofit shared, “Rental price inflation and overall inflation has put many more households at risk of homelessness. We have also seen increases in unsheltered homelessness and overall homelessness.” As housing costs increase, the demand for homelessness prevention services has surged just as federal pandemic-related funding has ended.

Organizations are grappling with the inability to find affordable housing for clients, with some reporting difficulty securing housing for individuals with vouchers, as noted in one response: “It has been challenging to find affordable housing for clients with vouchers. Some of them have lost their voucher because we were not able to find units for rent.”

The demand for food pantries and basic needs services has also increased, with some organizations seeing a sharp uptick in the number of families seeking assistance. One food pantry saw the number of families served increase from around 600 in 2022 to nearly 2,700 by 2024.

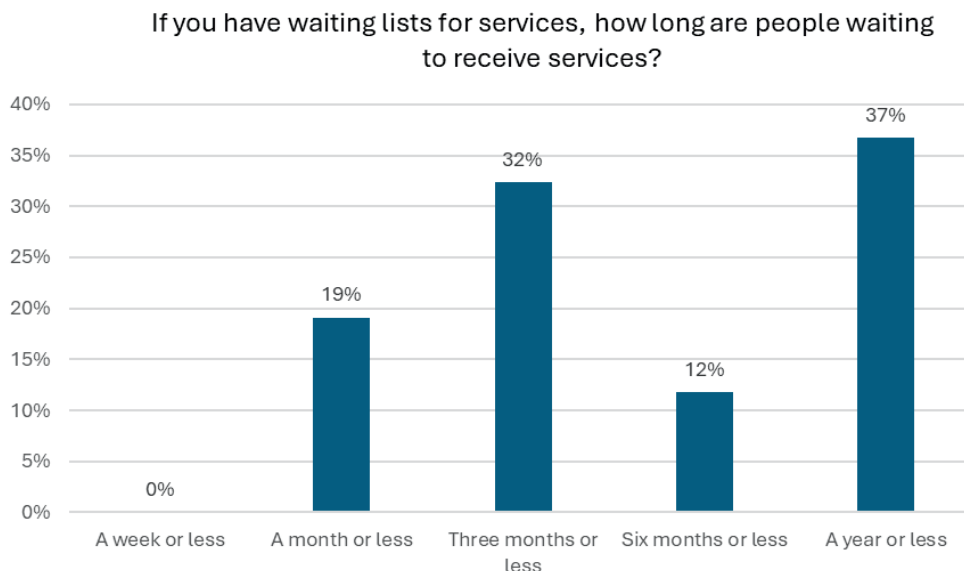
WAITING LISTS WORSEN OUTCOMES

The longer individuals must wait for essential services, the worse their situations can become. A nonprofit highlights, “Families are growing frustrated by the wait. Escalation of symptoms and increased acuity,” indicating that delays in service access often led to more severe outcomes. In mental health and addiction programs, “Clients need immediate access to services, but the waitlist can be 2-6 weeks for intensive care,” which increases the likelihood of exacerbating conditions, hospitalizations, or other crises.

Waiting lists often result in individuals becoming homeless or experiencing more social isolation.



“Waiting lists often result in individuals becoming homeless or experiencing more social isolation as they wait for services,” an organization shared, underscoring the ripple effect of delayed care. Many clients end up in emergency situations while awaiting services.



LIMITED PROGRAM EXPANSION

With resources stretched thin, many nonprofits are unable to increase capacity to meet rising demand. “Residential and day services are always in high demand. We could address these needs with more qualified employees, but we just don't have the funds,” one organization stated, reflecting the constant struggle to provide services with limited resources.

For other services, such as outpatient care and residential placements, delays are equally alarming: “Acute clients needing services imminently but our waitlist in certain programs is between 4-6 months and we don't have the staff to expand.” The backlog results in vulnerable populations being left without immediate care.

IMPACT ON COMMUNITY HEALTH

The consequences of waiting lists extend beyond individual organizations and affect the broader community. As one organization pointed out, “There is a shortage of affordable housing and subsidized housing, and the working poor are becoming homeless.” This lack of housing directly impacts public health, as individuals left without homes face increased risks of exposure and violence.

Similarly, the mental health crisis worsens: “School-based mental health services all have significant waitlists. Families who seek school-based care often get sicker as they wait.” The backlog in mental health services and addiction recovery leads to hospitalizations and family disruptions, amplifying the strain on public systems.

Overall, the lack of funding and the resulting waiting lists are creating a vicious cycle that harms both people and nonprofits. Clients face prolonged suffering, families are burdened, and nonprofits are stretched thin, struggling to deliver the timely and effective support that individuals and families urgently need. As one nonprofit put it: “The demand for services is overwhelming, but we simply don’t have the resources to meet it.”

To break this cycle, nonprofits need sufficient funding to expand their services, recruit and retain staff, and provide the essential care that communities depend on.

The Impact of Increased Funding: Doing More with More

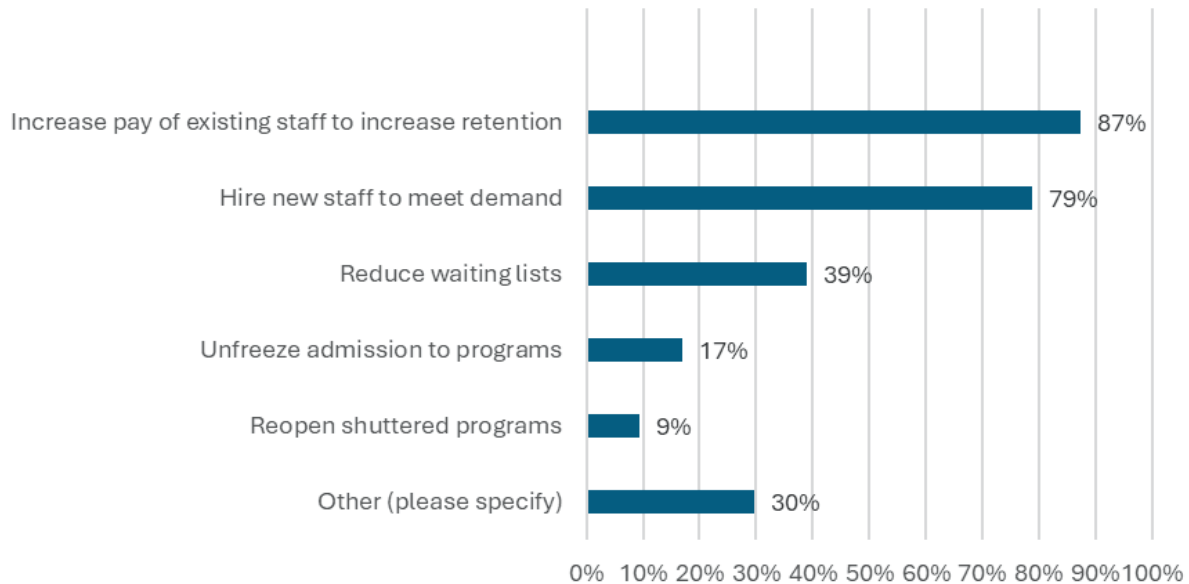
While some nonprofits noted that modest increases in funding wouldn't fully address their needs, many emphasized that increased funding would be directed toward improving workforce conditions, expanding services, and enhancing facilities, all of which would enable organizations to better meet the growing needs of the communities they serve.

IMPROVE STAFF RETENTION AND RECRUITMENT

Many organizations emphasized that higher funding would enable them to offer competitive wages, which would improve staff retention, reduce turnover, and attract higher-quality employees. For instance, organizations noted they could “raise wages to retain staff,” “offer living wages to attract quality staff,” and “improve staff morale” by paying a wage that reflects the cost of living. These changes would not only help fill vacancies but also stabilize programs and ensure more consistent, quality care for those served.



What would your organization be able to do if state funding increased by 6% in FY26 and 8% in FY27? Select all that apply.



EXPAND SERVICES AND ACCESS

Increased funding would allow many nonprofits to expand their programs, reducing waitlists, and increasing their capacity to meet the growing demand. Some organizations indicated they could “expand their list of services,” “serve more clients,” and “reopen programs” that have been closed due to financial constraints. For example, organizations working with people experiencing homelessness, behavioral health issues, or developmental disabilities mentioned the opportunity to “open new programs” to help fill gaps in services and “provide better quality care.”

Increased funding could allow some organizations to expand their reach geographically or to more diverse populations. For example, organizations working with refugees and immigrants highlighted that additional funds would allow them to “provide greater legal services” and “offer workforce training” to more individuals. Similarly, those in behavioral health could “expand their service hours” or “offer more accessible transportation” to make services more reachable.

IMPROVING TRAINING AND WORKFORCE DEVELOPMENT

Increased funding would also support greater investment in training and professional development. Many organizations noted that they could “offer more training opportunities” and “invest in career path programs” for staff, which would improve service delivery and outcomes. This would be particularly important in fields like behavioral health and special education, where specialized skills are needed.

ADDRESSING COMMUNITY NEEDS

Many responses focused on how funding could help nonprofits respond more effectively to community challenges. For instance, it could support efforts to reduce homelessness, provide food for those facing food insecurity, or improve mental health services. As one organization noted, increased funding could allow for “more outreach efforts and low-barrier care” and could “help people reduce their energy burden” to free up resources for other needs.

Many organizations emphasized that increased funding would allow them to provide more immediate, accessible, and quality services to their communities, which could lead to long-term improvements. For instance, one organization noted that funding increases would allow them to offer “immediate access to mental health services” which would improve community health, safety, and well-being.



Increased funding would allow nonprofits to provide more immediate, accessible, and quality services to their communities

STABILIZE OPERATIONS

For some organizations, funding would help stabilize operations by covering rising costs, particularly for inflation and maintenance. It would also reduce reliance on grants and private donations, allowing for a more sustainable financial model. One organization mentioned that increased funding would help them “balance their budget” and “reduce the burden on staff” by allowing them to pay fair wages and reduce overtime reliance.

STRENGTHENING FACILITIES AND INFRASTRUCTURE

A number of organizations cited that funding could help with infrastructure improvements, such as upgrading facilities, addressing maintenance needs, and expanding physical space for services. This would enhance the service environment and enable nonprofits to increase their program capacity.

Call to Action for Policymakers

Nonprofits across Connecticut are in crisis. Despite their critical role in delivering essential services—including behavioral health, housing, and community justice—these organizations face severe funding shortages, staffing challenges, and rising operational costs. Without immediate action to increase state funding, nonprofits will be unable to sustain services, leading to dire consequences for vulnerable populations.

Legislators should pass a biennial budget that increases funding for vital nonprofit programs by \$264 million in FY26. This includes:

- 6% Cost of Living Adjustment (COLA) on nonprofit contracts, a cost of \$157 million;
- Annualizing the \$50 million in ARPA funds provided in the FY25 Spending Plan;
- Immediately increasing Medicaid behavioral health and autism rates by the full amount recommended by the Medicaid Rate Study, a cost of \$57 million.

In FY27, the budget should include an 8% COLA for nonprofit services, a cost of \$237 million.



Appendix: 2025 Nonprofit Survey Findings

OVERVIEW

A 2025 survey conducted by The Alliance gathered responses from 126 Connecticut nonprofit organizations, revealing a sector in crisis. The findings illustrate the severe financial and operational challenges nonprofits face, including rising costs, workforce shortages, and service disruptions. Without urgent state investment, essential programs—such as mental health care, housing assistance, and disability services—will continue to erode, leaving vulnerable populations without critical support.

FINDINGS

1. Financial and Inflationary Pressures

- Nonprofits operate with 30% less buying power than in 2007 due to stagnant state funding and soaring costs.
- Higher expenses for food, transportation, utilities, and insurance have forced many organizations to cut services or freeze hiring.
- More than 60% of nonprofits report operating at a deficit, relying on unstable short-term grants to survive.

“Everything is more expensive, especially health insurance, energy, and food for our residential programs. We’re struggling to sustain staff and keep services running.”

“DCF per diem rates are frozen, and they don’t cover the rising cost of living. This makes it impossible to offer competitive wages.”

2. Workforce Shortages and Retention Issues

- 80% of nonprofits struggle to recruit and retain staff, citing uncompetitive wages as the primary barrier.
- Many direct care workers leave for higher-paying jobs in retail and state employment, leading to high turnover.
- Staff burnout is a major issue, with employees working overtime to cover shortages.
- Limited career advancement and professional development opportunities make retention even more challenging.

“Our trained behavioral health clinicians leave for private practice or hospital systems that pay significantly more. We can’t compete.”

“It’s heartbreaking. Employees want to stay because they believe in the mission, but they can’t afford to.”

“You can work at McDonald’s or Walmart for about the same money, without the stress of direct care work.”

3. Service Delivery Challenges

- Two-thirds of nonprofits report long waitlists for essential services, with delays stretching from weeks to over six months.
- Some organizations have had to turn away new clients due to lack of capacity.
- 54% of nonprofits report an increase in critical incidents, including self-harm, violence, and psychiatric crises, due to understaffing.
- Nonprofits serving the homeless report an increase in unsheltered individuals as housing costs rise and federal pandemic relief funds dry up.

“Our early intervention services have a waitlist. We simply don’t have the staff to fill the roles needed.”

“We’ve had to reduce staffing levels to the bare minimum. We even closed an 8-bed group home and may have to close another.”

“We decline referrals regularly because we don’t have enough staff. That means more people in crisis with nowhere to turn.”

4. Impact on Community Health and Safety

- Escalating mental health crises due to long wait times for services.
- Increased violence and behavioral incidents in nonprofit-supported housing and treatment programs.
- More than half of nonprofits report that inadequate staffing levels have led to safety concerns for both staff and clients.
- Limited psychiatric beds and acute care options force nonprofits to handle crisis situations without adequate resources.

“We’ve seen an increase in aggression from clients due to untreated mental health conditions. Some of our staff have been injured.”

“Clients are waiting weeks—sometimes months—for psychiatric care. In the meantime, they end up in emergency rooms or worse.”

“We had a client attempt to light their bedroom on fire due to a mental health breakdown. We just don’t have the resources to support the growing need.”



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