



**CONNECTICUT  
ASSOCIATION  
of NONPROFITS**

*...to serve, strengthen  
and support Connecticut's  
nonprofit community.*

**Testimony before the  
Appropriations Committee**

**Wednesday, December 9<sup>th</sup>, 2009**

**Re: Proposed Deficit Mitigation Plan**

Senator Harp, Representative Geragosian and members of the committee, thank you for the opportunity to testify before you today. My name is Ron Cretaro and I am the Executive Director of Connecticut Association of Nonprofits (CT Nonprofits). With over 500 members, CT Nonprofits is the largest membership organization in the state dedicated exclusively to nonprofits. The Governor's proposed Deficit Mitigation plan coupled with recent rescissions will have an immediate negative impact on individuals and communities across our state. There is an estimated \$123 million in reductions that will affect nonprofit organizations contracting with the state to provide health and human services on its behalf. These cuts are far-reaching, fall disproportionately on nonprofit contractors and will require layoffs.

Nonprofits remain part of the solution to Connecticut's budget troubles. Cutting the services and programs they provide to their local communities is not the solution. It has been through the largesse, creativity and resiliency of the nonprofit sector that the State of Connecticut has been able to meet its responsibilities to its citizens, whether through keeping people out of emergency rooms, prisons and other expensive institutions; helping our youth to read and succeed; keeping our elderly in their homes and persons with disabilities independent; finding jobs for the unemployed; feeding and housing the hungry and homeless; treating addiction, HIV/AIDS and other diseases; or providing affordable housing, day care and early childhood education.

Nonprofit organizations are an indispensable part of our state's economy and the health of our sector is important to the health of the state's overall economy. Public charities are more than just recipients of donations for the poor and needy; they are important sources of jobs, investment, goods and services. According to the Connecticut Department of Labor, nonprofits in Connecticut employ nearly 11% of the state's workforce. We are also mainly small employers - roughly 80% of nonprofits employ fewer than 100 people, while more than half of those employ fewer than ten employees. If the state's goal is to create jobs and rebuild our economy, then cutting funding for nonprofits and forcing layoffs is not the way to go.

Nonprofits continue to do more with less and the Governor's manifest approach is to once again ask nonprofits to do even more with less and less. We caution that many of the proposed cuts to Medicaid services will not only create increased poverty in the state by reducing services and increasing cost-sharing among those who can least afford, but cuts will also result in reduced federal revenue and place our state budget even further in deficit. The proposed freeze on SAGA intakes will undermine the services of behavioral health providers, as over half of SAGA

recipients access substance abuse and mental health services *in the community*. Cuts to SAGA medical will only result in people seeking services in more costly, inappropriate settings, such as emergency rooms. Reductions to arts and cultural organizations will erode the treasures that keep our towns and cities vital, enrich our citizens, and attract jobs due to Connecticut's singular quality of life. We submit that undermining the investments mentioned above and countless others offered by nonprofits is not the way to the economic recovery and sustainability that our state desperately needs.

We recognize the difficult decisions that must be made over the coming weeks and months. CT Nonprofits urges you to consider alternatives to cuts, including revenue enhancements and bonding. The state should consider rolling back the increased threshold on the estate tax, requiring mandatory combined reporting for multi-state agencies so that they cannot shift their profits to another state and avoid taxes here in Connecticut, and fixing costly tax loopholes (e.g.: yacht owners currently do not, but should pay sales tax on their yacht repairs). And while we realize that the state has had its bond rating lowered recently, borrowing is certainly a better option than seriously damaging basic health and human services for Connecticut residents.

DECEMBER 7, 2009

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# Norwich Bulletin

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## **Our view: State has spending cuts reversed**

**Cutting cost efficient and effective programs to save money makes no sense**

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On Monday, many nonprofit agencies had to inform various state social service agencies how they would cut their budgets in order to reduce spending by 2 percent, as ordered by Gov. M. Jodi Rell as part of her effort to address the state's budget shortfall.

But it's not really a 2 percent cut. It's 2 percent of an annual budget with five months of spending already past — in other words, more like a 4 percent reduction of what's left of the annual state allotment.

We understand the state's fiscal problems, but this is not an answer. It not only fails to address the state's fiscal problem, it adds to it.

If programs and services offered to clients by nonprofit agencies are to be eliminated or curtailed because of these cuts, the problems they address don't disappear. It merely shifts to other nonprofits that also are struggling to do more with less, or back to the state at three times the cost, or to hospital emergency rooms that already are overcrowded — and thus continuing to add to rising health care costs for everyone else.

Nonprofits, who provide the bulk of services to the state's neediest citizens, are cost efficient and effective. It is precisely that reason why the state contracts these services to nonprofits in the first place — it costs less to do so. The state provides many of the same services utilizing state employees — at three times the cost to taxpayers.

### Target costly programs

Doesn't it make more sense to cut the more expensive state services, and contract those services to the nonprofits — with an appropriate increase in state funding? Even with an increase to the nonprofits, the state would surely realize a cost savings equal to what it is trying to bleed from the nonprofits today — and vital services would still be provided.

Nonprofits have demonstrated an amazing ability to continue providing services despite the failure of the state to recognize their valuable contributions — or appropriately fund them. When you compare that to what the state offers taxpayers, the choice of where spending cuts should be made seems pretty clear.



# Hartford Courant.

## NO TIME TO POKE HOLES IN THE LIFE RAFT

December 2, 2009

Recently, Gov. M. Jodi Rell's Council of Economic Advisors briefed Connecticut legislators on the economy, the job market and potential stumbling blocks for the state budget in the coming years. It was a sobering presentation in which Susan Coleman, professor of finance at the University Hartford, noted that due to the current economy, "businesses are doing more with less." That is nothing new for nonprofit providers; we have been doing more with less for years.

The Connecticut Nonprofit Human Services Cabinet represents more than 800 nonprofit providers across Connecticut that contract with the state to provide health and human services on its behalf. We are the critical safety net that anyone — you, a family member a neighbor — can urgently need when least expected.

Our state is coming off of an unprecedented and stormy budget session between the governor and the General Assembly. The coming year will not be any easier. The economic bubble has burst for our state.

Unfortunately, there was no bubble to burst for nonprofit providers; we've been "doing more with less" for so long that many of our organizations cannot remember what it is like to not struggle to balance a budget. The fiscal hardships that the state went through in 2009 are what nonprofit providers have been going through for years.

Those hardships have increased as state officials cut hundreds of millions of dollars from aid to nonprofit agencies in setting the budget. Now, officials are considering \$123 million in further cuts to nonprofits as revenue is falling short of estimates. These cuts will make it even harder for our agencies to do their work just as the demand for services swells dramatically.

With the nation's unemployment rate above 10 percent, more and more middle-class families find themselves seeking services from nonprofit providers. The very people who were donating to nonprofit providers as recently as 18 months ago are now applying for services.

The Connecticut Association for Community Action reports that 489 households in Bristol received heating assistance in 2007 from their local community action agency, compared with 1,555 in 2009 — that's a 218 percent increase. Meanwhile, End Hunger CT! reports that several households in traditionally affluent Connecticut towns have qualified for food stamps this year. It's no longer "those" people using these services.

There is still a difficult course to chart for our state in the coming year. Unemployment is expected to rise as we move into 2010, and therefore, more people will seek assistance for basic human needs. Revenues are expected to remain weak, which will likely cause the state to continue to grapple with difficult budget deficits. Rather than seeing nonprofit human service providers as an unnecessary cost, Connecticut must see our efficient, cost-effective services as part of the solution to the needs of our citizens.

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Nonprofit human service providers will continue to be asked to provide services that prevent more exorbitant costs to taxpayers in the form of uninsured visits to the emergency room, incarceration, abuse or illness. Consistent, adequate funding will be critical for our ability to meet our missions and to assist Connecticut residents on the state's behalf.

Everyone knows that when your ship is sinking, you never poke holes in the life raft. Now is not the time for the state to undercut nonprofit human service providers with inadequate funding. Now is the time for the state to bolster the organizations it relies on to meet the basic health and human needs of its residents.

**•Dan O'Connell is president and CEO of the Connecticut Council of Family Service Agencies. Pat Johnson is president of Oak Hill. They are co-chairmen of the Connecticut Nonprofit Human Services Cabinet.**