CONNECTICUT ASSOCIATION of NONPROFITS

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

Testimony to Banks Committee

February 25, 2010

HB 5050 An Act Establishing A Revolving Loan Fund For Nonprofit Economic And Community Development Organizations and Certain Lenders

Senator Duff, Representative Barry and members of the Banks Committee, I am Ron Cretaro, Executive Director of the Connecticut Association of Nonprofits. CT Nonprofits is a statewide association of 500 member organizations, of which 300 contract with the state to provide health and human services on its behalf. We also represent several dozen Arts & Culture organizations which receive funding through the Commission on Culture & Tourism.

We support HB 5050. Ostensibly this legislation would permit nonprofit lending institutions to offer small businesses an opportunity to access loan assistance. It is our hope that eligibility criteria will include nonprofit organizations as well. Nonprofits employ 11% of Connecticut's workforce and are businesses that contribute to the economic vitality of our local communities.

Nonprofits have too few alternatives when it comes to accessing capital and credit. What is particularly missing is a vehicle to provide loan guarantees when the State of Connecticut fails to execute a contract or pay a provider on time. In 2009, a survey of our membership revealed that 42% of respondents had received late payments from the state, with some upwards of 60 days late. Late payments by the state create a cash flow problem for nonprofits that ultimately lead to one of two actions: use money from budget reserves and lose out on valuable interest that those funds would otherwise accrue in the bank, or access a credit line from a bank and pay interest on those funds. Both actions are a direct result of the state not paying a provider on time for contracted services.

I wish to be clear. There are opportunities available in some communities for nonprofits to access revolving loans for cash flow that are provided through nonprofit financial entities such as the Hartford Economic Development Corporation or the New Haven Community Loan Fund. However, this access does not exist evenly in all parts of the state, except through commercial entities. Unfortunately, banks have tightened their lines of credit and are less likely to provide a loan if they are unsure that the state will ultimately pay on the contract – as is the case both with late payments and the current threats of cuts and rescissions due to the budget deficit. That is why some form of loan guarantee would be of invaluable assistance to nonprofits. We are critical partners with the state in the delivery of health and human services and help the state accomplish its mission of serving the people of Connecticut. We hope that the state will support us in these efforts.

We would appreciate your assistance in addressing this issue.

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