



Nonprofit Human Services Cabinet

Testimony before the Finance, Revenue and Bonding Committee

In support of SB 842, AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES

March 4, 2013

Senator Fonfara, Representative Widlitz, and distinguished members of the Finance, Revenue, and Bonding Committee, my name is Jeff Shaw, Project Director of the Nonprofit Human Services Cabinet. The Cabinet is a coalition of twenty associations and individual organizations which has been in existence since the early 1980's. I would like to express the Cabinet's support for S.B. 842, AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES. Section 13 allows the proceeds of the sale of bonds to be used as new grants-in-aid specifically for nonprofit health and human service providers.

As you are all aware, many nonprofit organizations have faced, and continue to face, enormous fiscal challenges, having severely reduced programs and services in response to the previous rescissions (Nov. 2012) and recent budget modifications (Dec. 2012). These cuts forced some of these community providers to close their doors, and others are concerned they might follow suit. With the anticipated shortfall in the next biennium, federal sequestration, and another debt ceiling debate looming, nonprofits are looking for new revenue sources to not only maintain, but to expand quality services and programs. The proposed bond fund is a resource that will help nonprofits achieve this objective.

Secretary Barnes, before both the Appropriations Committee & Bonding Subcommittee of this Finance, Revenue and Bonding Committee, has suggested that in a perfect world, nonprofit contractors with the state for health and human services would receive inflationary increases in their contracts and rates. However, due to the state's difficult fiscal situation, there has been only a 1% increase in the past four years and the proposed biennial budget reflects no further proposed increase.

The proposed section (13) would allow nonprofit health and human service organizations (exempt under Section 501c3 of the Internal Revenue Code of 1986) to invest new funds in capital (infrastructure) projects that include but not limited to renovating existing facilities, upgrading information technology systems, enhancing ADA compliance, improving energy systems, purchasing vehicles, and other improvements. These capital projects will help lower administrative costs, increase efficiency and improve the delivery of services.



Nonprofit Human Services Cabinet

What distinguishes this new resource from previously authorized bond funds to individual state agencies is that these funds would be accessed in an expedited and streamlined fashion similar to how the state treats small towns through the Small Town Economic Assistance Program (STEAP) program. These funds will have the capability of addressing needs and emergencies quickly. Another important component to this capital improvement initiative, that is not reflected in the current language, is to include lien forgiveness and/or lien waivers that excuses nonprofits from responsibility for bonding project liens where the state agency no longer decides to fund or utilize the contracting facility or program, or where funding is withdrawn for reasons beyond the control of the contracting provider. This Cabinet has found that state agencies, due to policy or system changes, have chosen to no longer utilize programs for which they previously asked provider organizations to open and operate. The Cabinet feels that short of termination of contract for cause such as poor performance there ought to be consideration of some form of lien mitigation where a lien is required.

The proposed bond fund would authorize \$20 million in both FY14 and FY15, for a total of \$40 million over the biennium to the Office of Policy & Management (OPM). The potential funding would free up existing operating funds for direct services to clients, your constituents, and would help relieve a backlog of overdue facilities improvements. In the past, many nonprofits would have to seek commercial financing to undergo a large capital improvement, such as creating an electronic medical records system or undertake a (traditional) longer term capital fundraising campaign. Obtaining that commercial loan requires withdrawing a significant amount of money to pay off the debt at the expense of the services.

Simply put, the proposed bond fund will enhance the nonprofit sector's commitment to serving our communities and making them safer and healthier places to live for all of our citizens. It will also strengthen the state's partnership with its nonprofit community. I strongly urge this committee and the legislature as a whole to support this proposal. In doing so, you will enable our nonprofits to protect the safety net. Thank you for the opportunity to testify and I welcome any questions.

Thank you.