



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 Ron Cretaro, Executive Director of the Connecticut Association of Nonprofits. The Association represents more than 500 nonprofit organizations statewide of which 275 are contractors providing health and human services with various state agencies.. I would like to express CT Nonprofits' 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.

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 increases.

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.

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). These funds will have the capability of addressing needs and emergencies quickly. It is our desire that these funds may also be available absent current lien requirements of traditional nonprofit bond programs and/or have some consideration of lien forgiveness or reduction when a program or facility is forced to close due to withdraw of federal or state funds outside the control of the individual provider organization. We are finding state agencies, due to policy or system changes, choosing to no longer utilize programs for which they previously asked provider organizations to open and operate. We feel 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. 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 a commercial loan requires withdrawing a significant amount of money to pay off the debt at the expense of the services. The proposed bond fund would help nonprofits

This proposed unique and unprecedented nonprofit bond fund pool will enhance the nonprofit sector's commitment to serving our communities, 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 would ask this committee and the legislature as a whole to support this innovative proposal.