



CONNECTICUT  
ASSOCIATION  
of **NONPROFITS**

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

Testimony before the Commerce Committee

**In support of S.B. 23, An Act Concerning Benefit Corporations and Encouraging Social Enterprises.**

Jeff Shaw, Director of Public Policy, Connecticut Association of Nonprofits

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Senator LeBeau, Representative Perone, and distinguished members of the Commerce Committee, my name is Jeff Shaw, Director of Public Policy, for the Connecticut Association of Nonprofits (CT Nonprofits), and I would like to share my support for S.B. 23, An Act Concerning Benefit Corporations and Encouraging Social Enterprises. Social enterprise, and benefit corporations, defines any organization or business that is structured (using the sale of products and services) to solve community problems such as reducing homelessness, expanding health care access, providing workforce development training, among many others.

As you are all aware, many nonprofit providers continue to face enormous fiscal challenges, having been forced in many cases to reduce programs, services and staff in response to underfunding. With the constraints on the state budget and uncertainty with federal funding, the nonprofit community is looking for, and supportive of, new revenue sources as well as new partnerships with the communities we serve to maintain the highest quality services and programs. Social enterprise, particularly benefit corporations, is a tool that can help nonprofits achieve these objectives.

Benefit corporations are a new type of for-profit business entity that uses business activity to help solve community problems, without having to jump through legal hurdles and incur significant financial costs of setting up a separate community-minded business venture (i.e., foundation) or seek separate philanthropic or public funds. Unlike typical for-profit organizations, benefit corporations operate with a double bottom-line, balancing their profit motives with a social mission. On average, 32% of these types of organizations donate greater than 10% of their profits to charitable causes. This bill provides social entrepreneurs with a simple, standardized way to formalize their commitment to creating public good as well as provides the general public with a clear mechanism for identifying and verifying a company's commitment to its stated social mission, and the true impact of those efforts.

The existence of benefit corporations in Connecticut would present a valuable opportunity for nonprofit organizations to create financial partnerships that could provide them with new, sustainable sources of operating revenue. The legislation's legacy preservation provision allows a company to protect its commitment to the community regardless of acquisition, sale, or other changes in leadership. It is designed to protect a company's assets and its mission, and ensure that it will continue to create a social impact. Similar legislation has passed in 19 other states as well as the District of Columbia.

Once the benefit corporations are established, our association will educate stakeholders on how these hybrid corporate entities will be able to form new and exciting partnerships with providers toward having a lasting impact in our communities. In addition, I want to commend reSET, the Social Enterprise

Trust for their leadership on this issue as well as acknowledge their efforts in speaking to CT Nonprofits' leadership as well as hosting #WalktheWalk2014, to kick-off their campaign for Benefit Corporation legislation in January, 2014. This type of outreach activity helps providers, government officials, and stakeholders understand exactly how social enterprise, and benefit corporations, fits into the larger role of addressing service needs in our communities.

I support this legislation because it will not only help individual social entrepreneurs, but it will also help spark a new wave of innovation within our state's economy. This proposal will provide new opportunities to address service needs and drive economic growth by bringing new jobs to Connecticut and making our state an attractive home for forward-thinking individuals, policymakers, and companies.

Thank you for your time and consideration.