



# Nonprofit Human Services Alliance

Testimony before the Human Services Committee

In Support of HB 6947, An Act Concerning State Contracts for Human Services

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March 12, 2015

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Senator Moore, Representative Abercrombie, Senator Markley, Representative Wood and distinguished members of the Human Services Committee, my name is Jeff Shaw, Project Director, of the Connecticut Nonprofit Human Services Alliance (Nonprofit Alliance) and I would like to share my support for H.B. 6947, An Act Concerning State Contracts for Human Services, which would ensure all nonprofit-government contracts reflect the actual cost of providing contracted services. The Nonprofit Alliance consists of 19 nonprofit associations and organizations which collectively represent over 800 individual organizations in Connecticut, working to create structural changes in how the state does business with nonprofits for the benefit of all residents.

As you already know, the state's recent actions towards nonprofit providers reflect a trend of cuts, illustrated by four rounds of rescissions since November 2012, coupled with chronic underfunding over the last two decades. The rescissions alone in the Governor's proposed budget for the state agencies that contract with nonprofit providers add up to a \$51 million reduction in both fiscal years combined (\$25.7 million each fiscal year). Equally disturbing, the cumulative cuts to nonprofit providers' program and services in the Governor's proposed budget adds up to at least \$364 million in SFY 16; \$424 million in SFY17. To put that in perspective, nonprofit-government contracts total \$1.38 billion annually through 1,585 POS contracts or 7.3% of the state budget (2014 data), so the proposed cuts would represent an extraordinary reduction (about 30%) to current (contracted) programs and services.

These continued funding reductions and lack of adequate investments are forcing many nonprofits to close, compete against one another for scarce resources, layoff employees and reduce benefit packages; altogether creating a win or lose system that weakens the entire nonprofit sector and threatens its sustainability. This bill aims to reverse a troubling and unacceptable trend which will go a long way towards strengthening a severely weakened system.

Two weeks before the Governor proposed his budget, members of the CT Nonprofit Alliance released a report entitled, *"Why The State of Connecticut Must Adequately Fund Nonprofit Providers: A Blueprint for Increasing Quality of Life and Economic Growth,"* [[links to report and presentation](#)] which shows that investing in nonprofit providers, rather than cutting their budgets, is a much better policy decision and path toward prosperity. The recommended investment outlined in the report - **an 8.52% funding increase consistent with the average annual growth of the Consumer Price Index over the past five years** - is necessary because funding reductions have had, and are continuing to have, a devastating

impact on the clients, individuals and families who may travel farther, pay more, wait longer for programs, if not lose services altogether; and for nonprofits in your communities to close their doors.

This raised bill similarly asks the Governor and legislators to appropriately fund nonprofit providers by including an increase, commonly referred to as a cost of living adjustment, in all future state contracts for human services tied to the average annual growth of the Consumer Price Index or inflation. I would also encourage members to add substitute language in Section 2 to ensure that state contracts for human services in the Dept. of Aging, Dept. of Correction, Dept. of Economic and Community Development, Dept. of Education, Dept. of Housing, Dept. of Labor, Dept. of Rehabilitation Services, ~~Office of Early Childhood, Office of Policy and Management~~ are included to also receive adequate reimbursement rates that reflect the actual costs of providing contracted services.

Given the challenges with the current and projected biennial budgets, it is understandable that this funding increase will not happen all at once, so a phase-in approach is recommended. While an 8.52% increase across all applicable state agencies may seem impossible now, it very well could be possible in the “out-years” which is why my colleagues and I are asking for your commitment today to require that future nonprofit-government contracts are tied to the growth in CPI and/or inflation to ensure adequate funding of contracted services.

Simply put, this bill represents an opportunity to improve the quality of life and generate economic activity in our communities for our constituents. I urge you to vote in favor of this bill and respectfully remind you to review and share the report mentioned above that shows how investing in the nonprofit sector will improve service delivery, increase economic activity, and save taxpayer money; a “win-win” for policymakers working to strengthen the economy, the nonprofit workforce trying to make ends meet, and most importantly, the clients and their families who count-on efficient, cost-effective, and high-quality services.

Thank you again for your time and consideration. Please do not hesitate to contact me with any questions, or for additional information.