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and support Connecticut's
nonprofit community.*

Testimony before the Finance, Revenue and Bonding Committee

In Support of:

S.B. No. 947, An Act Authorizing And Adjusting Bonds Of The State For Capital Improvements, Transportation And Other Purposes.

S.B. No. 1076, An Act Increasing The Annual Cap On The Neighborhood Assistance Act Tax Credit Program.

Patrick Johnson, Jr., Interim Executive Director, Connecticut Association of Nonprofits

Monday, April 6, 2015

Senator Fonfara, Representative Berger and distinguished members of the Finance, Revenue, and Bonding Committee, my name is Patrick Johnson, Jr., Interim Executive Director for the Connecticut Association of Nonprofits (CT Nonprofits). With over 500 member organizations, CT Nonprofits is the largest membership organization in the state dedicated exclusively to nonprofits. Our network is more than 500 nonprofit organizations strong with 51,000 employees representing more than \$2.5 billion in annual revenue.

SB-947, An Act Authorizing And Adjusting Bonds Of The State For Capital Improvements, Transportation And Other Purposes, would provide an additional \$20 million in grants-in-aid (over two years) for nonprofit health and human service providers through the Nonprofit Grant Program. As background, the Nonprofit Grant Program was created in 2013 with \$20 million of grants-in-aid through bond proceeds for both SFY14 and SFY15. Identical to the original legislation, 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 and 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.

The 'first round' of applications resulted in OPM receiving 553 project applications from 285 nonprofit providers, totaling \$101 million in requests; but only 146 projects from 81 nonprofit providers received grants. During the 2014 legislative session – and in response to an overwhelming number of applications – funding was expanded by \$30 million (for SFY15) bringing the total over two years to \$70 million.

The 'second round' of awards for the second \$20 million (for SFY 15) were announced on March 18 and a new formal Request for Applications (RFA) issued by OPM is expected this month for the 'third round' of the remaining \$30 million already appropriated (for SFY 15) by the Bond Commission in January, 2015. However, it is expected the remaining resources will fall short of interest and demand. The proposed \$20 million expansion (combined total for both SFY16 and SFY17) is badly needed as many

'shovel-ready' capital and infrastructure projects have been put on hold due to uncertainty of state funding.

As you have heard countless times this session, chronic underfunding and additional reductions in funding (as recent as last week's rescissions) for essential human services is making it almost impossible to do business, let alone engage in expansion or modernization projects. While the proposed \$20 million for replenishing the Nonprofit Grant Program (for SFY 16 and 17) does not solve the systemic funding crisis, it is a small but essential resource for nonprofit providers in an era of diminishing resources.

Simply put, the proposed expansion of the Nonprofit Grant Program will allow nonprofit organizations to make much needed capital and infrastructure improvements, an investment by the state that will make our communities safer and healthier places to live for all of our citizens. I strongly urge this committee and the legislature as a whole to support this proposal.

I would also like to share my support for **SB-1076, An Act Increasing The Annual Cap On The Neighborhood Assistance Act Tax Credit Program**, which will raise the annual cap from five million dollars to ten million dollars. The program is designed to provide funding for municipal and tax exempt nonprofit organizations by providing a tax credit for businesses that make cash contributions to these entities. Over the last four years, the program has been oversubscribed in a number of categories including total number of donations, amount pledged, and original amount of credit before proration, which is reflected in the table below.

Last Four Years of Neighborhood Assistance Act Program

Statistic Type/Year	2011	2012	2013	2014	Increase/Decrease
Original amount pledge before proration	\$7 million	\$7.1 million	\$7.4 million	\$8.2 million	+ 10.8% ('13-'14) + 4.2% ('12-'13) + 1.4% ('11-'12)
Original amount of credit before proration	\$5.6 million	\$5.8 million	\$6.3 million	7.0 million	+ 11.1% ('13-'14) + 8.6% ('12-'13) + 3.6% ('11-'12)
Total # of donations to approved programs**	\$6.2 million	\$6.1 million	\$5.83 million	\$5.85 million	+ \$850,000** ('14) + \$830,000** ('13) + \$1.1 million** ('12) + \$1.2 million** ('11)
Total # of participating organizations receiving the donation	273	309	313	306	- 2.0% ('13-'14) + 1.3% ('12-'13) + 13.1% ('11-'12)
Total # of approved programs	351	406	420	395	- 5.0% ('13-'14) + 3.4% ('12-'13) + 15.6% ('11-12)

**** Amount over the cap**

These statistics, along with the increased number of business applications (7% increase) and participating businesses (8.2% increase) from last year, suggest that expanding the annual cap would address demand and encourage further growth of this program. An expansion will encourage even more businesses to invest in their local communities and show the state's commitment to supporting innovative solutions that address community needs.

According to the Connecticut Council for Philanthropy, Connecticut was ranked 2nd in average household income at \$91,371; yet 24th in the amount contributed to charity as a percent of Adjusted Gross Income (AGI) [2012 data]. Expanding the annual cap on this program will encourage more individuals, and thus more businesses, to provide additional financial support to nonprofit organizations in more communities throughout the state.

I would also encourage members to add substitute language that extends participant eligibility to limited liability companies (LLCs) and privately held corporations (“S” Corporations). Under current law, up to \$5 million in credits are available only to “C” corporation businesses in support of local nonprofit organizations. This bill should enable “S” corporations, limited liability companies and limited liability partnerships to contribute to community nonprofit programs and facilities in the way now limited to C corporations.

The Neighborhood Assistance Tax Credit program will allow nonprofit organizations to partner with the business community to continue serving our communities and making them safer and healthier places to live for all of our citizens. I strongly urge this committee and the legislature as a whole to support this proposal.

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

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