



DATE: Tuesday, February 7, 2017

TO: Human Services Committee

FROM: Brunilda Ferraj, Senior Public Policy Specialist

RE: HB 7007: AN ACT CONCERNING AN INNOVATION INCENTIVE PROGRAM FOR NONPROFIT PROVIDERS OF HUMAN SERVICES.

Good afternoon Senator Moore, Senator Markley, Representative Abercrombie, Representative Case and distinguished members of the Human Services Committee:

My name is Brunilda Ferraj, Senior Public Policy Specialist at the Alliance. The Alliance is Connecticut's statewide association of community nonprofits, which serve over 500,000 people each year and employ almost 14% of Connecticut's workforce.

I am here in support of HB 7007, which would encourage innovation and efficiency in the delivery of human services.

The State's current contracting policies mandate that savings realized by nonprofits at the end of a contract period must be returned to the State. Because this policy is counterproductive and discourages innovation and efficiency in service delivery, we support the creation of an Innovation Incentive Program to strengthen nonprofits that care for the State's most vulnerable citizens.

The Innovation Incentive Program aligns with recommendations by members of the Governor's Cabinet on Nonprofit Health and Human Services. Cabinet members have recommended that nonprofits that comply with contractual and other service delivery requirements be allowed to retain savings realized at the end of contract terms and apply the savings towards innovations for improving the health and human service delivery system and capitalization of the nonprofit sector.

***The Innovation Incentive Program would promote efficiency.*** The current State contracting process encourages "spending to the line," or spending all allocated funds, rather than encouraging efforts to realize efficiencies or economies of practice. An efficient or innovative agency that succeeds in meeting every contractual expectation experiences no net benefit, compared to a less efficient agency that spends all allocated funds. Nonprofits provide data to demonstrate the effectiveness of programs and report on our outcomes. Yet purchase of service contracts have built in disincentives for efficiency, as savings generated by a nonprofit must be returned to the State rather than reinvested in community programs and services.

***The Innovation Incentive Program would be a creative way to support nonprofits in light of the State's fiscal challenges.*** For years, nonprofits have struggled to maintain service levels amid budget cuts and rescissions. If nonprofits were able to retain savings while still meeting contractual obligations, they

could work towards being properly capitalized and more able to adjust to turbulence in the State budget. Nonprofits would be able to invest savings to recruit and retain qualified staff, invest in capital improvements and expand services and programs.

To strengthen the fiscal health and stability of nonprofits, I urge you to support SB 7007 to create an Innovation Incentive Program to allow nonprofits that are in compliance with state contractual provisions.

Thank you for your attention to this important issue.

Brunilda Ferraj, Senior Public Policy Specialist

[bferraj@ctnonprofitalliance.org](mailto:bferraj@ctnonprofitalliance.org)

860-575-5080 ext. 1025