



DATE: Friday, March 9, 2018  
TO: Judiciary Committee  
FROM: Jeff Shaw, Director of Public Policy & Advocacy, The Alliance  
RE: H.B. 5251, AN ACT ESTABLISHING BENEFIT LIMITED LIABILITY COMPANIES.

Good afternoon Senator Doyle, Senator Kissel, Representative Tong, Representative Rebimbas and distinguished members of the Judiciary Committee:

My name is Jeff Shaw, Director of Public Policy and Advocacy, of the Connecticut Community Nonprofit Alliance (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 offer testimony on H.B. 5251, AN ACT ESTABLISHING BENEFIT LIMITED LIABILITY COMPANIES, which includes technical changes to identify and encourage businesses to register as benefit corporations.

Community nonprofits continue to face enormous fiscal challenges, having been forced in many cases to reduce programs and lay-off staff in response to year after year of state budget cuts while the demand for services is increasing. With the constraints on the state budget and uncertainty with federal funding, the nonprofit community is seeking, and supportive of, new revenue sources as well as partnerships with the communities we serve to maintain the highest quality services for children, families, seniors and people with complex needs. Benefit corporations represent a business model that can help the nonprofit community achieve both objectives.

Benefit corporations are a new type of for-profit business entity (authorized in Connecticut on October 1, 2014) 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, and are protected against a claim of breach of fiduciary duty because it is not (solely) maximizing its value for its members. To date, there are almost 130 benefit corporations in Connecticut.

This bill would create a "Benefit LLC" entity designation similar to existing "LLCs." This clear designation may encourage more businesses to consider forming a Benefit LLC rather than a LLC or corporation, which offers greater financial, management and tax flexibility while supporting a social mission that will complement the work of community nonprofits throughout Connecticut.

The Alliance supports 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. Benefit corporations provide new opportunities to address community 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.

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