Testimony Opposing S.B. 1137
An Act Concerning Deposits in Lieu of Taxes

Testimony Opposing S.B. 1138
An Act Concerning Community Restoration Funds

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Finance Revenue and Bonding Committee
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Good afternoon Senator Fonfara, Representative Rojas, Senator Witkos, Representative Davis, and distinguished members of the Finance, Revenue and Bonding Committee. My name is Jay Williams, and I am the President of the Hartford Foundation for Public Giving. **Thank you for the opportunity to share our concerns about Senate Bill 1137, An Act Concerning Deposits in Lieu of Taxes, and Senate Bill 1138, An Act Concerning Community Restoration Funds.**

The Hartford Foundation for Public Giving is the community foundation for the 29-town Greater Hartford region. As a community foundation, we manage, grow, and distribute approximately $1 billion in assets to promote equitable opportunity for all residents in our region, particularly in the areas of education, community safety, and community and economic development. We work closely with nonprofits and leaders in our communities to address many of the social issues discussed in this bill, including early care and education, student achievement, and pathways to employment.

**Senate Bills 1137 and 1138 both charge fees upon nonprofits, municipalities, and the state and give the resulting money to nongovernmental entities in distressed municipalities.** Senate Bill 1137 gives the funds to local credit unions, while Senate Bill 1138 gives the funds to local community development corporations. These entities are then tasked with addressing a prescribed list of social issues in the community through grants, social impact bonds, and impact investing.
Senate Bill 1138 further funds this system with revenues from the sale of cannabis.

We commend the committee on its efforts to put forward solutions to ensure adequate funding to address critical community needs. As the President of the Hartford Foundation for Public Giving, I know that private dollars are not enough to meet the deep needs of residents in our communities and to support the nonprofits that serve our residents. However, we have several concerns about the potential impacts of this bill.

1. The bills take money from the very nonprofits who are addressing our communities’ needs and who have already experienced decreased federal and state revenues over the past several years.

At first glance, nonprofits with endowments, pension accounts, or significant savings accounts that own property in our communities may sound like a fair group to ask to give more to their communities. However, not all nonprofits targeted by this bill are large, well-endowed institutions like universities and colleges. These bills charge fees to nonprofits that have, through the generosity of donors and sound financial management, managed to accrue some assets through which to advance their social missions.

Owning property can help nonprofits control costs and serve their community for decades to come. Accumulating several months of financial reserves is best practice for nonprofits as it helps weather times of increased demand or decreased funding. Indeed, at the Hartford Foundation, we have encouraged and provided capacity-building to help our nonprofits to strategically plan and build endowments to sustain their work and ensure stable services and programs to their clients and communities. Some of the organizations that could be affected by this fee are day care centers, group homes, and summer camps in the towns that you represent.

2. The proposed bills would give the funds levied by taxing nonprofits to entities that may not possess all of the relationships, capacity, expertise, or legal authority to do all that this bill charges them to do.
There already exists an ecosystem of community investment entities that support neighborhood and economic development in disinvested communities with deep knowledge of the communities' small business, housing, and other stakeholders, but no entity does this work alone. Beginning in 2018 the Hartford Foundation launched HPFG Impact! Greater Hartford, our impact investing subsidiary which seeks to deploy catalytic capital towards many of the community objectives outlined in this bill. Through this work we have started to work more closely with community-focused financing institutions, developers and residents in Hartford to assess how the Foundation’s capital might help fill the gaps in the financing ecosystem.

In particular, the Hartford Foundation has benefited from the experience and expertise of community development finance institutions (CDFIs) like Local Initiatives Support Corporation (LISC) and the Hartford Community Loan Fund. CDFIs provide capital with more flexibility and risk-tolerance than traditional banks, and target capital investments to benefit low income residents and communities. CDFIs not only raise and invest capital, but they have developed relationships in the communities this bill proposes to serve and provide crucial technical assistance and ongoing support to community stakeholders including developers, small businesses, nonprofits and individuals. CDFIs that are structured as community loan funds may make investments in a wide array of areas including housing, small businesses and other critical community amenities, as opposed to credit unions which are largely structured to do personal banking and lending services.

Through our grantmaking, we also provide general operating support to nonprofit community development corporations (CDCs) discussed in Senate Bill 1138. CDCs are a key entity in neighborhood revitalization, supporting the construction or renovation of affordable housing, homeownership and other financial counseling, resident leadership development, and several other activities. CDCs work closely with individual neighborhoods to ensure that their projects support resident priorities.

Both CDFIs and CDCs do critical work in our community and, with more funding, could expand their impact. However, these proposed bills would require credit unions (which are just one category of CDFIs) or community development corporations to issue grants, social impact bonds, and impact investments to address a wide array of community needs, not all of which they are currently structured to do. Ultimately, no individual credit union or CDC in the state has the relationships, capacity, expertise, or legal authority necessary to do all of the work described in this bill.

1. **The proposed bills charge the CDCs or credit unions with addressing a prescribed list of issues in each community, but community needs vary widely.**
Senate Bills 1137 and 1138 list the issues that must be addressed using their funds, in order of priority:

- Providing early care and education;
- Providing supplemental per-student funding to school districts;
- Rebuilding local community assets;
- Increasing owner-occupancy of residential buildings;
- Supporting homeownership;
- Creating pipelines to employment;
- Expanding access to community centers or senior centers; and
- Providing low-cost transportation options.

The bills say, “If a community development credit union has insufficient funds to execute to a high level of quality all of the strategies set forth [above] ... the credit union shall pursue each strategy in the order listed in said subdivision, with an emphasis on achieving a high level of quality in the execution and implementation of such strategy before undertaking the next strategy listed.” In other words, an entity that may be most experienced in promoting owner-occupancy of residential buildings must succeed in providing early care and education, supplementing local school district funding, rebuilding local community assets before it can commence the work to which it is best suited.

The prescriptiveness of this bill also does not recognize that the path to revitalization will look different in each community, nor does it empower residents to engage with and control investment in their own communities. In assessing potential investments for HFPG Impact! Greater Hartford we’ve prioritized inclusive community development practices. To us, this means that existing residents will not only benefit from investments, but are actively involved in the creation of community development priorities.

2. **Accountability for this work is limited to reporting to a small legislative oversight council.**

These bills create a seven-member oversight council within the legislature which must designate CDCs, CDCUs, and community impact zones within each distressed municipality; approve programs and services; support and coordinate these programs within and across municipalities and with other relevant state agencies, entities and initiatives; advise CDCUs and CDCs about their work; review disbursement of funds and contracts; evaluate program impact and effectiveness; and develop investment procedures.
There is no structure within the bill requiring accountability to the communities themselves.

There is no doubt that the most challenged communities in our region and our State need greater investment. However, new funding taken from nonprofits and given to one or two entities alone within each distressed municipality is not the most efficient means of investment. Additional investment needs to be channeled through a cohesive, integrated system of institutions, each with its unique area of expertise. These institutions must be grounded in community, equipped with the knowledge to find and develop projects that will succeed, and accountable to local residents.

We would welcome the opportunity to share our emergent learning and partner with the state and other key stakeholders to ensure adequate, sustainable and coordinated funding for community and economic development in the 29 towns that we serve and statewide.

Thank you for the opportunity to provide testimony. If you have any questions, please feel free to contact our staff at policy@hfpg.org or 860-548-1888.