



Date: March 9, 2021
To: Appropriations Committee
From: Jeff Shaw, Senior Director of Public Policy & Advocacy, The Alliance
Re: [H.B. 6439](#) An Act Concerning the State Budget for the Biennium Ending June Thirtieth, 2023, and Making Appropriations Therefor – Elementary and Secondary Education Subcommittee

Good evening, Senator Osten, Representative Walker, Senator Miner, Representative France and distinguished members of the Appropriations Committee:

My name is Jeff Shaw, Senior Director of Public Policy & Advocacy, of the CT Community Nonprofit Alliance (The Alliance). The Alliance is the statewide association representing the nonprofit sector. Community nonprofits provide essential services to over half a million individuals and families in Connecticut every year, and employ 14% of Connecticut's workforce, improving the quality of life in communities across the State.

Thank you for the opportunity to testify on H.B. 6439 An Act Concerning the State Budget for the Biennium Ending June Thirtieth, 2023, and Making Appropriations Therefor.

We respectfully request that the legislature increase funding by \$461 million over five years for community nonprofits. Since 2007, community nonprofits have lost at least \$461 million in state funding that has not kept pace with inflation or adequately covered increased costs and demand for services over the last thirteen years. Please:

- Commit to increasing funding by the full \$461 million, or 28%, by Fiscal Year 2026;
- Appropriate \$128 million (a state net of \$67 million after federal reimbursement) in new funding for community nonprofits in Fiscal Year 2022, a 7% increase;
- Index increases to inflation, to ensure that state funding will keep pace with increased costs in the future.
- Hold nonprofits financially harmless from the impact of COVID-19.

We are grateful for the support that the legislature has provided for this request so far this year, particularly that of Sen. Osten and Rep. Walker. **They have said that it is time to start rebuilding the service network that has been allowed to fall behind for far too long.** Should we fail to do so, the victims will be recipients of services and the hard-working and underpaid nonprofit staff who provide them. Not addressing chronic underfunding won't make the problems go away. People still need critical services.

Why Now? Nonprofits need funding now more than ever.

Crucial services provided by nonprofits have been underfunded for decades. At the beginning of 2020, we estimated nonprofits were at least \$461 million behind the increased costs of doing business since the last time the state raised their funding in 2007.

Then, COVID-19 hit.

The COVID-19 pandemic exacerbated the impact of inadequate funding for nonprofit services and brought unanticipated and unbudgeted costs and operational challenges for many community nonprofits, such as:

- Procuring expensive and hard to find Personal Protective Equipment (PPE) and cleaning supplies;
- Providing hazardous duty pay for essential workers on the front lines with a higher risk of exposure;
- Creating telehealth services seemingly overnight, and purchasing necessary computers, cybersecurity, online meeting platforms and training for both staff and people receiving services. One provider reported spending \$130,000 on additional software and licenses per year, costs that were not reimbursed.

Many community nonprofits never closed their doors even as the pandemic worsened. These organizations provided food, emergency housing, behavioral health supports and other essential services. However, with many in-person services temporarily suspended and capacity for those that are open reduced by social distancing requirements, community nonprofits experienced a drop in revenue.

The Alliance conducted a survey of 258 nonprofit organizations in June/July 2020. Overall, while organizations have scrambled to identify financial and other resources to meet unprecedented needs, the pandemic threatens their long-term ability to remain in business without significant funding commitments from government.

In July, **one in five community nonprofits believed that they unlikely to be able to fully fund payroll for the next quarter, and more than one in four worried about being able to fully provide services.** It is reasonable to assume those concerns have only increased, as federal funding sources available in June and July have dried up.

And yet nonprofits have continued to provide services even as doing so damages their long-term financial health. They have done so for years. It is who they are.

Community nonprofits faced daunting fiscal challenges even before the pandemic. In 2019, The Alliance surveyed its members to determine how funding had changed over the last five years. The results showed funding for community nonprofits was already down in most areas, which reduced access to community services and the capacity of nonprofits. And 95% of organizations reported that demand for their services had increased in the last five years, with 40% saying demand was up by more than 15%.

Even before the pandemic, this left the state's most vulnerable children, families, seniors and people with disabilities without support while pushing the State's health and human services delivery system closer towards destabilization. When the safety net fails, people may wind up in more expensive care, such as emergency rooms, nursing homes, or even the prison system.

Connecticut has the money.

While the pandemic has certainly affected the state's economy, high income producing sectors have largely been spared. That means revenue projections continue to improve. As Governor Lamont has said, Connecticut is facing a "unique paradigm" in how the pandemic is impacting the state's economy and state budget revenue.

The Office of Fiscal Analysis' (OFA) February Budget Letter¹ estimates the current year operating surplus to be \$187 million, along with a transfer to the Budget Reserve Fund of **\$543 million, which represents the true**

surplus. OFA is also projecting a projected lapse over what was originally appropriated of \$631 million. The largest portion of the lapse, \$425 million, is from Medicaid services like those provided by many community nonprofits.

A strong “rainy day fund” and paying down long-term pension liabilities are important public policy goals for the legislature to pursue — **but we don’t have to choose between responsible budgeting and restoring what’s been lost over the last decade.** With an unprecedented amount of savings in the state’s coffers and Connecticut’s economy expected to recover, it is difficult to justify policy choices that would leave thousands of people across the state without services.

We have the money. If not now, when?

Our Proposal: Increase funding for community nonprofits by \$461 million.

The legislature should restore \$461 million to nonprofit services in Connecticut. This represents the erosion of funding that has occurred since the Great Recession. Of the \$461 million in funding, it is estimated that \$217 million will come from the federal government through Medicaid reimbursement and \$243 million will come from state resources (based on the current ratio of federal to state funds in Medicaid, 59% comes from the federal resources and 41% comes from state resources).

We estimate the total funding that goes to nonprofit services in the state budget, including through Medicaid in the current year, totals \$1.8 billion. And we calculated that between 2007 and 2019, the costs of providing services have grown by 28%. Our proposal applies percentage increases over the next five years in portions that are achievable under the constraints of the state budget.

In the first year of the program (FY22) would be a 7% increase, and we estimate the net state cost would be \$67 million (\$128.2 million gross). The proposal also calls for a 5% increase for FY23, 5% for FY24, and 3% for FY25 and FY26.

I am attaching our White Paper, “Increase Funding by \$461 Million for Community Nonprofits,” which goes into more detail about the proposal to the end of this testimony.

Elementary and Secondary Education Subcommittee Budget

In addition to The Alliance’s overall funding request, we appreciate the opportunity to comment on several items presented in the Governor’s budget that the Health Subcommittee will be considering.

Office of Early Childhood

- Please support the proposed \$1 million increase in Birth to Three in FY23. The funding amount reflects historical levels of case load growth. These services meet the developmental and health-related needs of infants and toddlers who have delays or disabilities and their families. Increasing caseload growth will allow more children in need to receive these essential services. Every dollar invested in Birth to Three programs saves the State \$12 per year in terms of special education service needs in the future.
- Please support the \$1.4 million increase in FY22 and FY23 for the restoration of Early Head Start-Child Care Partnership funding, which reflects continued federal funding. The Early Head Start-Child Care Partnership (EHS-CCP) initiative brings together the best of Early Head Start and child care through layering of funding to provide comprehensive services to low-income infants, toddlers, and their families. EHS-CCP enhances

developmental services and supports for low-income infants and toddlers, and their families, by providing strong relationship-based experiences and preparing them for the transition into Head Start and preschool.

Now is the time to act.

If proper funding for the state's safety net is not a priority now, in the midst of a pandemic, when would it be?

We urge you to work together for a multi-year plan to restore lost funding to nonprofits and preserve the safety net that provides services for the state's neediest residents.

Thank you for your consideration and your continued support.

Appendix: White Paper: Increase Funding by \$461 Million for Community Nonprofits

ⁱ https://www.cga.ct.gov/ofa/Documents/year/PROJ/2021PROJ-20210225z_February%2025,%202021%20FY%2021%20Budget%20Projections.pdf