



**Testimony before the Appropriations Committee**

**Re: Proposed Deficit Mitigation Plan**

**Wednesday, December 9<sup>th</sup>, 2009**

Senator Harp, Representative Geragosian and members of the committee, thank you for the opportunity to testify before you today. My name is Ron Cretaro and I am the Executive Director of Connecticut Association of Nonprofits (CT Nonprofits). With over 500 members, CT Nonprofits is the largest membership organization in the state dedicated exclusively to nonprofits. The Governor's proposed Deficit Mitigation plan coupled with recent rescissions will have an immediate negative impact on individuals and communities across our state. There is an estimated \$123 million in reductions that will affect nonprofit organizations contracting with the state to provide health and human services on its behalf. These cuts are far-reaching, fall disproportionately on nonprofit contractors and will require layoffs.

Nonprofits remain part of the solution to Connecticut's budget troubles. Cutting the services and programs they provide to their local communities is not the solution. It has been through the largesse, creativity and resiliency of the nonprofit sector that the State of Connecticut has been able to meet its responsibilities to its citizens, whether through keeping people out of emergency rooms, prisons and other expensive institutions; helping our youth to read and succeed; keeping our elderly in their homes and persons with disabilities independent; finding jobs for the unemployed; feeding and housing the hungry and homeless; treating addiction, HIV/AIDS and other diseases; or providing affordable day care and early childhood education.

Nonprofit organizations are an indispensable part of our state's economy and the health of our sector is important to the health of the state's overall economy. Public charities are more than just recipients of donations for the poor and needy; they are important sources of jobs, investment, goods and services. According to the Connecticut Department of Labor, nonprofits in Connecticut employ nearly 11% of the state's workforce. We are also mainly small employers - roughly 80% of nonprofits employ fewer than 100 people, while more than half of those employ fewer than ten employees. If the state's goal is to create jobs and rebuild our economy, then cutting funding for nonprofits and forcing layoffs is not the way to go.

Nonprofits continue to do more with less and the Governor's manifest approach is to once again ask nonprofits to do even more with less and less. We caution that many of the proposed cuts to Medicaid services will not only create increased poverty in the state by reducing services and increasing cost-sharing among those who can least afford, but cuts will also result in reduced federal revenue and place our state budget even further in deficit. The proposed freeze on SAGA intakes will undermine the services of behavioral health providers, as over half of SAGA recipients access substance abuse and mental health services *in the community*. Cuts to SAGA medical will only result in people seeking services in more costly, inappropriate settings, such as emergency rooms. Reductions to arts and cultural organizations will erode the treasures that keep our towns and cities vital, enrich our citizens, and attract jobs due to Connecticut's singular quality of life. We submit that undermining the investments mentioned above and countless others offered by nonprofits is not the way to the economic recovery and sustainability that our state desperately needs.

We recognize the difficult decisions that must be made over the coming weeks and months. CT Nonprofits urges you to consider alternatives to cuts, including revenue enhancements and bonding. The state should consider rolling back the increased threshold on the estate tax, requiring mandatory combined reporting for multi-state agencies so that they cannot shift their profits to another state and avoid taxes here in Connecticut, and fixing costly tax loopholes (e.g.: yacht owners currently do not, but should pay sales tax on their yacht repairs). And while we realize that the state has had its bond rating lowered recently, borrowing is certainly a better option than obliterating basic health and human services for Connecticut residents.