

# The Economic Health & Impact of Nonprofits in Connecticut

*How a strong partnership between nonprofits and the state creates a better Connecticut.*

The national recession felt over the last two years certainly did not spare Connecticut. In fiscal year 2009, the state struggled with the first of many state budget deficits that resulted in gubernatorial rescissions and cuts approved by the Legislature. Looking ahead, Connecticut is facing budget deficits of close to \$4 billion in each of fiscal years 2012 and 2013 – that could potentially be over a 20% deficit in our state's \$18 billion annual budget.

As the state continues to grapple with billion dollar deficits, there must be long-term thinking to ensure that draconian cuts are not made to simply achieve short-term savings. Maintaining a vision of what we want our state to look like after our economic recovery is key to Connecticut making the right choices during this difficult time.

Nonprofits should and will have a significant role in Connecticut's economic recovery. We are employers, both small and large, employing 11% of the state's workforce. We also play a vital role in ensuring the safety and well-being of Connecticut's communities. We provide care for the elderly and people with disabilities, allowing their family and caregivers to remain at work. Nonprofits help ensure that children have a healthy environment in which to live, learn and thrive. We provide recovery and support services for persons struggling with addiction and mental illness. Nonprofits protect the environment, provide job training, and put food on the table. They are our libraries, schools, theaters and recreation organizations.

There is no doubt that everyone is touched by a nonprofit at some point in their life, whether or not that thought ever crosses a person's mind. And that is why everyone must be invested in the success of the nonprofit community.

The recession has impacted both for-profit and nonprofit businesses. Federal, state and local governments have been faced with enormous budget deficits and countless difficult decisions. Connecticut

Association of Nonprofits (CT Nonprofits) understands the depth and complexity of the decisions at hand, but fears that some choices are being made that will have serious consequences on the social safety net provided by nonprofits.

Our report – *The Economic Health & Impact of Nonprofits in Connecticut: How a strong partnership between nonprofits and the state creates a better Connecticut* – examines the impact of the current economy on nonprofits in Connecticut, including data from a January 2010 survey of CT Nonprofits' membership. We also look at the role of nonprofits in the state's economic recovery efforts, as well as the partnership between nonprofits and state government, specifically in three main areas: (1) contracting, (2) accountability/reporting, and (3) funding.

Below are some highlights from the report, which you can download for free at [www.ctnonprofits.org/resources/publications#EconReport](http://www.ctnonprofits.org/resources/publications#EconReport)

- 55% of respondents reduced their staff to cope with decreased funding and increased costs.

## **Nonprofits – Vital to Connecticut's economic recovery**

- Nonprofits employ 11% of Connecticut's workforce and generated over \$8.7 billion in wages in 2008.
- Nonprofits are critical partners with the state in the provision of health and human services, holding over 2,000 Purchase of Service contracts worth approximately \$1.4 billion annually.
- Nonprofits play a fundamental role creating taxpaying individuals and assisting Connecticut's neediest residents in achieving self-sufficiency.

## **Contracting – Ensuring an Equitable and Transparent Process**

- OPM has produced important guidelines for contracting and more oversight is needed to ensure adherence by all

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## **HIGHLIGHTS OF THE REPORT INCLUDE:**

### **Impact of the Current Economy on Nonprofits in Connecticut**

- Over 30% of survey respondents indicate a decrease of 10% or more in each of the following funding sources: government grants/contracts, investment income and corporate donations.
- 82% of respondents experienced an increased demand for service.
- 54% of respondents reported seeing consumers who indicated that they had never previously requested services.
- 89% of respondents saw an increase in their health insurance premiums.

state agencies.

- Current contracting processes require providers to submit repetitive documents containing standard information for all RFPs and contracts – the state should consider creating online systems to streamline the process.
- Late contract payments from the state continue to negatively impact nonprofits that provide health and human services on the state's behalf.

### **Accountability/Reporting – Making Sure Each Dollar is Spent Wisely**

- Nonprofits, like state government, must uphold the public trust and be held accountable to the taxpayers who

support publicly-funded programs.

- Performance measures for nonprofit services are encouraged to ensure that each dollar spent is making a difference in our communities.
- Reporting processes can be streamlined to ensure relevant data collection while reducing administrative burdens for both nonprofits and the state.
- The state can leverage its buying power to purchase data collection systems that will ensure both smooth communication between the systems used by the state and nonprofit contractors, as well as make the systems more affordable for nonprofit providers.

#### Funding – Proper Funding for Proven Results

- The average cost-of-living adjustment for nonprofit services stands at 1% over the past twenty years.
- Nonprofits welcome accountability for the services we provide, but in return we demand adequate and appropriate funding to support quality, proven programs.
- The ability of nonprofits to meet the needs of Connecticut residents and retain qualified staff is in jeopardy due to underfunding. ■

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