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Charitable givers expect uptick in nonprofit demands

BY JOHN STEARNS

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Some corporate foundations are fielding more calls for financial assistance as nonprofits struggle under real or threatened cuts from city and state governments choked by deficits — calls that may intensify.

It's not just uncertain local and state budgets that are clouding nonprofits' financial forecasts, said Karla Fortunato, president of the Connecticut Council for Philanthropy (CCP), which has about 120 members comprising corporations, their foundations and others.

Planning is also complicated by what's happening in Washington, D.C., where shorthanded agencies are affecting operations nationally, she said.

"Things that used to happen quite smoothly are not happening quite smoothly anymore," Fortunato said. "And a lot of the nonprofits in Connecticut do rely on a real mix of revenues from different kinds of local, state and federal players — so in Connecticut, I feel like our nonprofits are really facing kind of a triple whammy."

That's particularly true in Hartford, where the city faces the prospect of bankruptcy without more state assistance, but in other places, too, where, if they have relied on a mix of

Diane Cantello, The Hartford's VP of corporate sustainability, is preparing for 2018 nonprofit funding requests.

government funding, "things are really uncertain right now," Fortunato said.

information, network and strategize — hears foundations trying to figure out what they can do and Fortunato is trying to help philanthropy think about its role.

CCP — which doesn't give money but joins members around shared issue-focused and geographic interests to exchange

"What is our role in terms of the state facing a fiscal crisis?" she said. "It's not like we can fix it with some short-term dollars and next year everything's going to be OK."

She's hoping to help members find solutions, in part by studying how other regions, like Detroit, which filed for bankruptcy in 2013, and the state of Michigan, have addressed such challenges.

By the Numbers: Charitable Giving in Connecticut

\$4.51B

The total giving in Connecticut in 2014, down 3.2 percent from 2013 due primarily to a drop in bequests.

Government dollars, often large in size, are hard to replace for social-service organizations, she said. A foundation might provide some bridge funding, but an ongoing replacement of those dollars is unlikely "because philanthropy simply doesn't have those kinds of resources," she said.

Earlier this month, 26 nonprofits that receive funding from the state Department of Social Services were told to stop providing services so they can adjust to life without government aid.

\$3.4B

Total giving by individuals in 2014, up 2.8 percent from a year earlier.

John Horak, director of TANGO Nonprofit Education and Consulting, said he too isn't sure there's a lot more for nonprofits to get from private sources than they already have.

"If I were a nonprofit, I wouldn't be too sanguine that there's going to be all that much more to be found from private sources — I think they're tapped out," he said, noting the private funders are relatively constant and there's not a lot of new businesses and other corporate profits regionally to induce much more giving.

\$1.02B

Giving by all foundations in 2014, which was up 2.1 percent from 2013. Most grants went to education and health nonprofits.

Corporate givers that have been donating for years probably wonder if they're being asked to bail out the state from its obligations, Horak said.

"The state's got to get its act together in a big way and make the necessary adjustments so that the funding can be restored to a significant extent, but I don't think there's enough private money out there to turn the dial on this in any meaningful way," he said.

74%

The decline in bequests in 2014.

Horak called this year's budget problems — state lawmakers have failed to pass a mandatory two-year spending plan that must close a \$5.1 billion deficit — exponentially more significant and problematic than he's seen in the past because of what he called staggering numbers.

Source: Connecticut Council for
Philanthropy

"It's really sad and unfortunate, but it's a state-government problem more than anything else," he said. "These nonprofits have been good citizens, they provide really good services for good pricing ... and they've relied on the state to treat them fairly and properly, but that has stopped and I don't think private money's going to make up the difference, so you'll see a

downsizing of the sector I suppose."

That could range from layoffs to mergers or closures, Horak said.

Corporate perspective

At The Hartford, which gives about \$3 million annually to roughly 60 Hartford-area organizations, work on the 2018 funding cycle is just beginning, so it's too early to know issues at each of its partners, said Diane Cantello, vice president of corporate sustainability, which includes philanthropy.

The Hartford meets with each of its community partners annually to consider new factors they are encountering and reassess against The Hartford's objectives to ensure that, collectively, goals are being met and if adjustments need to occur, she said. The company partners with organizations that share its goals for safe, strong, successful communities where its employees live and work.

Meetings include current year progress and discussing priorities for the next budget cycle.

"We're just kicking that process off now, so I really anticipate in the coming weeks to hear directly from all our partners in terms of how they are responding to any changes or challenges they are experiencing," Cantello said.

Including communities in which it operates outside of Greater Hartford, the company gives about \$6 million annually. Additionally, employees contributed about \$2.3 million of their own money to causes last year and donated 128,000 hours of volunteer service valued at more than \$3 million, she said.

In addition, the company has teamed with Aetna and Travelers Cos. to give a combined \$10 million annually to the city of Hartford for five years in exchange for being part of a comprehensive and sustainable fiscal solution for Hartford, further demonstrating the insurer's support for the community, Cantello said.

Foundation perspective

The Hartford Foundation for Public Giving, while not experiencing a deluge of requests yet, is anticipating a significant uptick in calls for help from nonprofits once the state budget is finalized, said Jay Williams, its new president.

The Foundation distributed \$1.4 million in transitional operating support grants to 18 nonprofits last year to continue critical services in the wake of lower revenues and "we anticipate this year could be worse," he said.

The transitional operating support grants are given in special circumstances to help well-run nonprofits that have experienced unexpected income gaps to continue important programs or close down operations, according to the Foundation's website. Such funds are in addition to regular support the Foundation offers grantees who could be seeing their portion of government support slip even further.

Based on last year's requests for transitional operating support, the Foundation months ago began analyzing percentages of city and state funding for nonprofits the Foundation has previously supported to better prepare for the state's final budget, Williams said.

The Foundation hasn't waited for lawmakers to agree on a budget, though, he said, noting support offered recently to strained homeless and summer youth employment programs.

The Hartford's Cantello said it's hard to predict whether organizations it funds will ask for more help in the current budget environment.

"It's based not just on the environment today, but it's based on the programs that we are supporting and objectives that we have," she said. "It's to ensure that together we are having a measureable impact in the community and making a positive difference."