Nonprofits See Challenges Ahead After Federal, State Tax Changes

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With the nonprofit sector facing numerous challenges in Connecticut - as a result of state budget cuts and the new federal tax law - the Connecticut Council for Philanthropy and the CT Community Nonprofit Alliance surveyed their members in an effort to learn how nonprofits and funders were experiencing and responding to these challenges.

The Response to Financial Challenges: Funder - Nonprofit Survey report finds that:

- A majority of nonprofits (60%) reported that they have been impacted by the state fiscal crisis and over 40% reported that they have been or expect to
be impacted by the new federal tax law. In response, they are employing a variety of strategies to reduce costs and increase revenues.

- Most funders (72%) reported that they are hearing from their grantees that they are experiencing financial challenges, and many are responding with increased offers of financial or technical support, engaging in advocacy, supporting merger conversations, or hosting convenings. In addition, funders are staying informed and engaging in meetings, conversations, or public forums.

- There are significant financial challenges for the nonprofit sector in Connecticut, and clear opportunities for the philanthropic community and others to support it. Recommendations to support the nonprofit community include: engaging in advocacy, investing in communications, increasing financial support and opportunities, rethinking funding processes, supporting nonprofit fundraising, and continuing to monitor these important challenges.

The survey was circulated in January and February of this year – prior to the state legislature taking action on a number of changes to state taxes that are designed to raise more revenue from residents and businesses beginning with the start of the fiscal year in July.

"While not all nonprofits have experienced contract cuts," the report said, "some have not received cost of living increases for several years, and others have had funding delayed, requiring organizations to use emergency reserves if available."
The Council-Alliance survey brought responses from 39 foundations and 110 nonprofits. Respondents represented a variety of nonprofit and foundation types working in various parts of the state, officials said.

The report indicated that “there are significant financial challenges for the nonprofit sector in Connecticut, and clear opportunities for the philanthropic community and others to support it. Recommendations to support the nonprofit community include: engaging in advocacy, investing in communications, increasing financial support and opportunities,

rethinking funding processes, supporting nonprofit fundraising, and continuing to monitor these important challenges.”

Among the recommendations: “raise the visibility and value of nonprofits among state decision makers, donors, funders, and the general public.”