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Non-profit agencies feeling the pain as Rell administration imposes spending cuts

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When they adopted a budget in September, state legislators and Gov. M. Jodi Rell balanced the books—at least on paper—by assuming an unprecedented level of savings to be achieved later.

For Connecticut's nonprofit social services industry and the clients they serve, later has arrived.

These providers are accusing Rell's administration of testing the spirit -- if not the letter -- of the law as the governor slashes spending to hit a nearly \$500 million savings target and close a \$515 million projected deficit at the same time.

The changes range from a last-minute funding cut for work and social programs for the mentally retarded to half-year delays in program start-ups to projects that are sent to bid and then scrapped without notice.

Nonprofits that run day programs for the developmentally disabled were stunned to learn in mid-December that the administration would begin reducing payments when clients miss more than 10 percent of program service days starting Feb. 1. That switch also shocked some legislators, especially since Rell signed legislation last fall allowing for a one-year study of program rates - a study many thought would forestall any change in payments.

"It's like a stealth approach to recovering dollars for the state," Patrick J. Johnson Jr., president of Oak Hill of Hartford, said Monday. Johnson, whose agency serves mentally retarded clients in 59 communities, said he received a contract amendment on Jan. 27 ordering the rate change--with instructions to sign and return it on Jan. 28. It was particularly surprising, he added, given that his contract with the Department of Developmental Services allows 30 days to review amended language.

"I've been doing this for over 30 years as an administrator of nonprofit agencies and I've never received anything like that," he added.

"The context for all of these administrative savings is the extreme budget crisis that the state finds itself in," Jeffrey Beckham, spokesman for the state Office of Policy and Management, Rell's budget agency, said this week.

"The legislature passed a budget with aggressive administrative savings. We have a significant deficit and we are trying to deal with that and still preserve the vital programs."

The two-year budget approved by the legislature and allowed to become law by Rell last September sets General Fund savings targets of \$473.3 million for this fiscal year, and \$530.4 million in the preliminary plan for 2010-11. By comparison, General Fund savings targets for 2009 and 2008 totaled \$128.5 million and \$127.5 million, respectively.

Because of a concession agreement with most unionized state employees, the necessary savings can't be achieved through layoffs. Other obligations, such as Medicaid and payment on debt, can't be cut much either. That leaves services provided under contract by nonprofit agencies as a big target.

Regardless of the present fiscal challenges, Johnson and others in the nonprofit community said it's hard to reconcile the Rell administration's decision to cut rates when it give clear indications for much of 2009 that this would not happen. If the law wasn't broken, Johnson added, it certainly was bent.

Alyssa Goduti, public policy director for the Rocky Hill-based Connecticut Community Providers Association, said she worked with legislators and administration officials for months on compromise legislation intended to prevent any rate change before 2011. "We completely understood that everyone was going to respect the work of the study committee and all of the stakeholders and that they were going to hold the system harmless," said Goduti, whose association represents 115 nonprofits that contract with the state. "Obviously things changed."

Things changed on Nov. 24 when the Rell administration ordered \$3.7 million in cuts to the work and social programs. Shortly thereafter, DDS Commissioner Peter O'Meara announced to legislators and nonprofits that his agency would be reducing payments based on attendance, even though the new study committee wouldn't hold its first meeting until Feb. 1.

The department defended the action in a statement issued Monday, writing that cuts were ordered and had to be implemented. The statement adds that "attendance-based reimbursement" would reduce costs without reducing services, and would avoid an across-the-board cut by focusing reductions on those programs with the lowest attendance rates.

But providers have to staff and operate their facilities based on the number of clients enrolled, not on the number who show up on any given day, said Johnson, so reducing funding inevitably reduces the services they can provide.

The department also wrote that contract amendments were sent out by Jan. 20 and contained provisions previously discussed with nonprofits, but conceded it had asked for 'a quick turnaround.'

The problem with the attendance rate controversy, according to Sen. Jonathan Harris, D-West Hartford, is that it fundamentally turns government policy on its head. Rather than studying an issue, determining what works best, and implementing it, the administration is arbitrarily assigning budget cuts to meet a big target, and then accepting

by default whatever policy facilitates those cuts, said Harris, who is co-chairman of the Public Health Committee.

"If cuts are going to close down programs, shouldn't we decide that before we order them?" said Harris, who also charged the administration with violating the spirit of the rate study law. "Doesn't that make more sense? When you nickel-and-dime these agencies, it's dangerous. You get unintended consequences."

One of those consequences might be that mentally retarded individuals with severe physical ailments find it harder to join work and social programs, Johnson said, adding he fears some providers could reject those clients most likely to post weak attendance rates. Connecticut nonprofits serving the mentally retarded already average an 83 percent attendance rate, he said.

Nonprofits also might be tempted to over-enroll programs, Johnson added, safeguarding against attendance-based cuts while reducing the attention given to individual clients.

Not all state cutbacks have resulted in the same degree of disruption, but Ronald Cretaro, executive director of the Hartford-based Connecticut Association of Nonprofits, said his member groups have had to eliminate staff, or absorb financial losses as they prepared for contract awards that fell into fiscal limbo.

An afterschool program budgeted at \$4.8 million per year and slated to begin July 1 fell into a six-month holding pattern, first due to the absence of a state budget until two months into the fiscal year, and then due to the threat of mid-year cuts. Rell recommended suspending the program in a November deficit-mitigation plan, but because the Department of Education awards grants jointly to towns and nonprofits to run the afterschool services, the cut couldn't be implemented without legislative approval.

Lawmakers balked and department spokesman Thomas Murphy said grants are being issued effective March 1, though funding will be reduced to reflect the six-month delay.

Plans to expand a teen pregnancy prevention program into Bridgeport, East Hartford, Torrington, West Haven and four eastern Connecticut communities starting in July also have bogged down. Cretaro said about 10 of his member groups bid on contracts and made began planning to implement programs, but have received no word since.

"The proposals receive in response to the latest request for proposals have been reviewed, however the successful bidders have not been finalized or funded as the state remains in budget crisis," Department of Social Services spokesman David Dearborn said.

"Nonprofits front their own money to start a program and then the contract never comes," said Cretaro, whose association organization about 300 nonprofit contractors. "I tell everyone to be careful these days."

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