**Testimony of Gretchen Van der Veer,**

**CEO/Executive Director of Fair Chance**

**To the DC Council Committee on Facilities and Procurement**

**January 28, 2020**

Good morning. My name is Gretchen Van der Veer and I am the CEO/Executive Director of Fair Chance. Fair Chance’s mission is to strengthen the sustainability and performance of community-based nonprofits to achieve life-changing results for children and youth experiencing poverty. Since our founding in 2002, we have worked with over 120 DC nonprofits serving a combined 120,000 children. We provide our partnership programs, ranging from six months to two years, at no cost because the nonprofits we select cannot afford to pay for these kinds of services. We know how vital community-based nonprofits are to the neighborhoods they serve and our nonprofit partners achieve amazing results. Data shows that after just a few years, the nonprofits we work with go on to double their budgets and double the number of children, youth, and families enrolled in their programs: meaning greater organizational stability and better outcomes for youth. We like to say “once a Fair Chance partner, always a partner,” because after our nonprofits graduate, they become alumni and have access to additional services.  There are over 80 enrollees in our online learning community and the site sees daily traffic.

As a result, we asked our nonprofit alumni, some of DC’s best-known nonprofits, to share their experiences as contractors to DC government agencies. My testimony will focus on what we learned from the responses to our survey.

We collected the data via Survey Monkey and received 36 replies. Of these, most have calculated and can justify the percentage of their budget attributable to indirect costs. The indirect cost percentages for these organizations varied widely from 6% to 40%, with an average of 21.7% and a median of 23%. Of these responses, 66% had obtained official federally negotiated rates.

The next question asked was “Do you have or have you had in the past any DC government contracts?” Again, almost all replied yes and when asked to provide examples of negotiated indirect cost rates along with the contracting agency, responses varied widely. Here is a partial listing:

* Office of the State Superintendent – 0%, 8%, 10% and 12% from four different respondents.
* Office of Victim Services and Justice Grants – 0% from one respondent and a 10% de minimus rate from two respondents.
* The Community Partnership for the Prevention of Homelessness – two respondents said 10% and one respondent said “For HUD grants (e.g. Rapid Rehousing, Supportive Housing Program) administered through TCP we are typically assigned approximately 4% in indirect costs.”
* Department of Human Services - one respondent said 6% and two said 10%.
* Department of Health – three respondents said 10% and one respondent said that they were allowed the use of their Federal indirect rate which we can assume is larger than 10%.
* Department of Behavioral Health – two respondents said 10% and one claimed that they were allowed to use their federal rate.
* HIV/AIDS, Hepatitis, STD and TB Administration – one responded said 10%.
* DC Health Benefit Exchange Authority – two respondents said 20%
* Then we had a respondent that shared 8% without mentioning the agency and another that shared 6% with no agency mentioned.

As you can see, it appears DC agencies are not consistent in allowing for indirect cost rates. One respondent replied, “Our contract covers only direct costs due to how we were asked to build our budget. However, if we asked for an indirect rate, we would have used 10% due to history with other DC funders. This is terribly low as our real indirect costs are 20%, but other funders have pushed back on that figure.”

We then asked the question, “If there is a gap between the percentage of your budget made up of indirect costs and the percentage paid by DC agencies, how do you and your board go about closing the gap?” We provided three options and asked them to check all that applied. 87% of respondents checked “raise more from foundations and individuals,” 43% said “cut our budget in other areas,” and 35% said, “We suffered a deficit as a result.” When asked to share additional comments, one respondent said, “It’s very difficult to raise funds to cover this shortage and often results in not being able to hire the staffing needed to support the programs of the organization.” Another shared, “We cut administrative services, which affects staff satisfaction and increases staff turnover.” And a response I personally hear often from the nonprofits we work with, “We just continue to provide services with increasingly burned out staff.”

In summary, to Councilmembers and DC government officials concerned that passing this bill will raise the cost of providing government services – **I strongly argue the opposite.** The reality is that if government maintains status quo and continues to starve nonprofits asking for services to be delivered for less than true costs -- the government will ultimately find poorer services delivered and limited impact. If the government decides (as they should) that the right thing to do is to pay the true cost of providing services, nonprofits will be able to hire the right people and build the organizational infrastructure to support the work with technology, training, accounting, and all the other things that it takes to provide quality services and build sustainable organizations. And, ultimately, services will be more efficient and the government will actually receive more output, impact, and better quality for the money.

As the leader of an organization that provides capacity building and technical assistance for DC nonprofits, we regularly work with organizations struggling with the unfunded burden of government contracts. Fair Chance works hard to raise the funds from private sources to pay for our services to help address DC governments’ mistakes. It is time DC government pay for what it really costs to provide services to our most vulnerable residents. They deserve it and so do the nonprofits that work so hard to serve them. Please vote to pass the Nonprofit Reimbursement Fairness Act of 2019. Thank you for your time and for this opportunity to share my testimony.

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