**Testimony of Gretchen Vanderveer,**

**Chief Executive Officer, Fair Chance**

**To the**

**Committee on Government Operations and Facilities**

**Budget Oversight Hearing**

**Council of the District of Columbia**

**Tuesday, June 8, 2021**

Good morning Chairperson White and Councilmembers. My name is Gretchen Vanderveer and I am the Chief Executive Officer of Fair Chance. We are a DC-based social change organization with a vision for a city where every child succeeds and we are a very active member of the DC Coalition for Nonprofit Equity. We believe that community-based nonprofit service providers are critical players in combating the effects of poverty on children, youth, and families and are important partners to DC government in fulfilling your duty to your residents.

Annually, Fair Chance selects cohorts of nonprofits, predominantly led by people of color and serving in under-resourced neighborhoods, and provides them with a free capacity-building partnership program that strengthens their organizational infrastructure, sustainability, and results. The organizations we work with address a multitude of issues from out-of-school time, to workforce development, from transitional housing to healthcare, from arts education to social emotional learning. The thing they all have in common is budgets of less than $1.2 million with most far below that.

Our goal is to help ensure these organizations are strong, sustainable resources in their communities for years to come. Since 2002, we have worked with over 120 nonprofits across DC, mostly in Wards 7 and 8. Our data shows, nonprofits who go through our capacity building programs on average double their budgets and the number of children and youth served. Two thirds of the 120 nonprofits in our alumni network receive some type of DC government funding through grants or contracts and that is who I am here representing today.

I want to thank the Chairman and his staff for supporting the passage of the Nonprofit Fair Compensation Act of 2020 as well as Councilmember Nadeau for sponsoring the original bill and the other Councilmembers who signed onto it. This new law means so much to the small nonprofits working in the various Wards across the city. The implementation of this new law will mean they can hire staff at fair wages to deliver services. It means that they can pay their monthly bills including rent, equipment leases for copiers, etc., and invoices for their accountants, auditors, and IT support needed to ensure they function professionally. When government undercuts a contract or grant by slapping an arbitrary 10% indirect cost rate on the direct program costs, the grants or contract officers may think they are executing good government cost effectiveness, but what they are doing is actually undermining the nonprofit’s ability to deliver quality services that DC residents need. Most nonprofits cannot exist in a city as expensive as DC on 10% indirect costs. It means they have to raise additional support from foundations and individuals to subsidize the work of the government. Which isn’t fair. Chairperson White, you and your staff as well as other Councilmembers understood this and helped us pass the Nonprofit Fair Compensation Act.

Now that we have received the Mayor’s 2022 budget proposal, Coalition for Nonprofit Equity members are not convinced that government agencies or OCP have done the education necessary across the government to ensure this act can be implemented as prescribed in the law. In the next few months, contract and grants officers need to be prepared to engage selected nonprofits in determining the appropriate indirect cost rate for new contracts and grants under $1 million using one of the four prescribed methods articulated in the law. As a result, Coalition members have engaged in an education campaign of agency heads as well as nonprofit leaders. This spring we have held briefings involving hundreds of nonprofits. I can assure you nonprofit leaders will be ready to advocate for their legitimately determined indirect cost rate according to the law. Will contract and grants officers be ready for them? So here is what we are asking of the Committee:

**Please ensure implementation of Nonprofit Fair Compensation Act by:**

1. Making sure relevant staff have been trained across the government in the new requirements of the Nonprofit Fair Compensation Act, and
2. Making sure there is funding in agency budgets to implement the indirect cost requirements of the law *without* reducing services. For some reason, the initial fiscal impact study for the bill came back cost neutral. The only way that the implementation of this new law can be cost neutral is with reduction of services. Given what we have just been through as a city and a nation with the pandemic, the last thing DC needs is a reduction in services to our city’s most vulnerable residents. We ask Councilmembers, as you do your work reviewing these budgets, to ensure this Act is implemented according to the law.

Thank you for this opportunity to share and for your time. I am happy to answer any questions.