Testimony Presented to the Committee on Government Operations and Facilities

By Gretchen Van der Veer, Coalition for Nonprofit Equity

Good afternoon Chairman White and members of the Committee on Government Operations and Facilities. My name is Gretchen Vanderveer and I am the CEO of Fair Chance, a nonprofit organization whose business is to strengthen the nonprofit sector and I represent a network of roughly 130 small mostly black-led community-based organizations, many of whom receive small grants and contracts from the city. Because of that I have been an active member in the Coalition for Nonprofit Equity and I want to thank you for your role in ensuring the Nonprofit Fair Compensation Act was passed in 2020 and for your continued work with the Coalition to hold OCP accountable for its role in implementing the law.

Today I am here to talk about the budget needs associated with effective implementation of this law.

The Mayor is calling her proposed FY23 budget the **most equitable** in the District's history. Nonprofit organizations employ thousands of mostly Black and Brown residents and provide vital services on behalf of the District to mostly Black and Brown communities. And yet, as a group, nonprofits have been ignored by DC government. Our understanding is that no additional funds were added to the 2023 budget to allow contract and grant-making agencies to cover additional indirect costs that are now allowed as per the law. And, because no funds were added to the FY 22 budget, our research shows that when nonprofits tried to advocate for their true indirect costs, Contract and Grants Officers requested reduction of services – in a year following Covid when more services were likely needed.

Our reading of the fiscal impact statement for the Nonprofit Fair Compensation Act was that there would likely be no fiscal impact in FY 2021. However, the statement goes on to say that implications for future budgets cannot not be assessed without further study. The Fiscal year 2021 Budget Support Act of 2020 required the Office of Contracting and Procurement to issue a report by April 2021 analyzing indirect costs of nonprofits contracting with the District to assist the city government in effectively evaluating nonprofit costs and to budget accordingly. OCP received $200,000 in funding in the 2021 budget to (and I quote):

1. Review and analyze the funding of indirect costs in grants and contracts;
2. Provide a table listing federal funds associated with grant pass-throughs; and
3. Make recommendations to law, regulations, policy or training to ensure legal, fair, consistent funding of indirect costs to nonprofits by the District.

OCP did not do this analysis or provide this information as prescribed by law. As a result no funds were added to cover additional indirect costs for nonprofits who are doing business on the governments’ behalf and have been undercompensated for years.

**My request today is for this Committee to require OCP to complete the indirect cost rate analysis.** This study has to be done. Arriving at the real cost of doing business with the District relies on this information. We all need this data to ensure that nonprofit service vendors are paid fully to provide quality services.

Earlier this fiscal year, one of my staff members was negotiating a grant with a DC agency and presented our CPA certified indirect cost rate. She was told it was too high and that the indirect cost rate would be 10%. My staff member pushed back and informed agency personnel about the new law that allows Fair Chance to be compensated for our true indirect cost rate if we provide this evidence. The acting agency head said, “I have never heard of this law, please send it to me.” We sent a copy and the FAQs and when we checked on the status, were told their legal team is still reviewing. We were counting on that revenue and will now have to find other sources to fully cover the salaries of the staff we had freed up for that activity.

**Because Fair Chance’s experience is not unique, we are also asking that OCP be required to provide training to all Contract and Grants Officers in District Agencies and Executive Branch Offices that manage contracts and grants as well as 3rd party pass through agencies.** While OCP indicated during oversight hearings that they have trained contract management staff, this has not been the experience of our coalition nonprofit members. This training should include at a minimum a summary of the new law and its aims; the correct language to include in solicitations; the five ways in which a nonprofit can determine their indirect cost rate; how Federal indirect cost rates should be managed by pass-through entities; and how to fairly, clearly, and respectfully negotiate indirect cost rates with nonprofit partners. In addition, OCP needs additional staff to ensure training of agency and office staff actually happens and should be included in OCP’s FY 23 budget.

**Given the revised revenue forecasts with the influx of federal funding and the practical reality that DC has made constant investments in our rainy day funds, the District has the resources to add funds to cover the true costs of doing business with the government.** In these budget hearings we are also advocating for agencies to make annual adjustments to contracts and grants to account for inflation and COLA which is never done and contributes to the continued erosion of nonprofit effectiveness. Real data about what this will cost needs to be collected and analyzed for the future, if not for this year’s budget.

By fully funding the indirect cost rates and adjusting current grants and contracts for inflation, the DC government will enable nonprofit organizations to secure qualified staff, provide quality programs and services, and elevate service delivery. In doing so, the District Government can help shore up this incredibly important sector and ensure a lasting partnership between key government agencies and community stakeholders.