**Testimony Presented to the**

**Committee of the Whole**

**Phil Mendelson, Chair**

**by**

**Lori Kaplan, Member**

**Coalition for Nonprofit Equity**

**4/08/2022**

**Dear Chairman Mendelson and Members of the Committee of the Whole,**

**My name is Lori Kaplan and I am a member of the Coalition for Nonprofit Equity. Thank you for this opportunity to testify today.**

**I am here today to request your budget support to make sure that the “Nonprofit Fair Compensation Act” which was unanimously passed by the District of Columbia Council in 2020, moves to full implementation.**

**Specifically, our coalition is requesting that you include funds for government agencies, like DHS, OSSE, DHCD and DOES to make sure that all indirect costs, as required by District of Columbia law, are integrated into every contract and grant that DC government agency awards a nonprofit organization.**

**Currently, Councilmember Robert White and the Committee on Government Operations and Facilities are working with OCP to address some of the law’s implementation challenges. OCP is working on creating standard language for RFP inclusion, training for contract managers and public meetings to introduce stakeholders to the specifics of the law. OCP and DC’s Chief Equity Officer are also working with the City Administrator’s Office to address implementation challenges. While these positive steps go a long way they do not address the financial challenges required to cover full indirect costs for those nonprofit agencies providing services and supports to our city’s residents. Most importantly the Mayor’s budget does not address the financial needs nor do the agencies budgets reflect necessary funds to fully cover the nonprofit indirect costs.**

**It is difficult to know what the true costs are. In FY2021 funds were awarded to OCP to conduct a study regarding the fiscal impact of full implementation. This study was not completed. The study was designed to provide critical financial information. Among other things, the study was to produce a review and analysis of funding of indirect costs in grants and contracts and a table listing of federal funds associated with grant pass-through support. Federal law requires that the city pass through to the nonprofit their indirect costs on any funds that are distributed directly from the federal government. This is currently not being done. The OCP study would have provided information to further understand this issue.**

**Without this financial data it is difficult to get the total picture of what the real costs of doing business for the nonprofit sector in the District of Columbia when indirect costs rates are included. The FIS released in 2021 clearly outlines what information the city needs, where it can be found and the gaps in data needed to complete a full understanding of this issue. Had the report been done you would have the information you need on where agency funding will need to be adjusted to fulfill the intentions of the legislation. It was noted in the FIS if data contained in the report warranted, re-estimates of the costs of the bill would be made.**

**The Mayor’s budget does not seem to provide additional resources to address the cost of doing business by the nonprofit sector. As a result agencies rarely adjust grant amounts to reflect inflation, salary adjustments, rising costs of benefits, etc. Nor do they cover the full indirect costs and in some cases provide no indirect costs. This would all be corrected if the law was implemented as intended.**

**Currently implementation of the law is scattershot. Few RFP’s reference the law at the point of solicitation and while some contract managers know about the law many others do not. In some cases where a contract manager is willing to consider the indirect rate, it most often results in a reduction of service delivery cuts in the contract.**

**Had the study been done we would know what dollar amount is needed to implement the law. But since it was not done, we ask you to consider an increase of 5-10% those agency budgets based on their contracted amounts to the nonprofit sector. That would provide additional funds to cover the true indirect costs and comply with the legislation**

**While this testimony has addressed the financial needs of the nonprofit sector, honestly there is a need for a bigger discussion. At a time when the city is promoting equity in many sectors, adding funds to help childcare workers, small businesses and helping others to address their challenges, the relationship with the nonprofit sector remains neglected. Nonprofits support the needs of thousands African American and Latino city residents, and employ thousands of African American and Latinos. They led through COVID, many never closing their doors. Their staff deserve equitable wages, access to up to date technology and improved benefits. Once this law is implemented there will be real movement towards valuing the work of the nonprofit sector in the District of Columbia, a city striving for equity in their budget and policies.**

**Thank you for his opportunity and I am happy to answer any questions you may have.**