

**Testimony on the  
Department of Behavioral Health FY22&23 Performance Oversight  
Before the Committee on Health  
February 1, 2023**

Good afternoon, Chairperson Henderson and members and staff of the Committee on Health. I am Melissa Millar, consultant to the Coalition for Nonprofit Equity, a coalition of approximately 1,000 DC nonprofits advocating for full funding and implementation of the Nonprofit Fair Compensation Act of 2020.

**Contract Adjustments for Nonprofits**

The law, effective since March 2021, seeks to ensure consistent application of overhead or indirect cost rates across all grants and contracts made by DC government agencies to nonprofits. This fiscal year is the second of five years of a phased-in implementation period for the law, and attaches to all nonprofits' grants and contracts valued at up to \$5 million each (with the exception of hospitals, universities, and foundations). This law, allowing five ways to calculate and use an indirect cost rate in negotiations with the District government, is an important step in right-sizing and adequately compensating nonprofit partners for their "actual costs" of doing business in and with DC, and elevating nonprofits' financial well-being.

The passage and implementation of this law is an equity issue. Nonprofits diligently serve District residents, often literally at their own expense. At just one of the 1,000 nonprofits advocating with the Coalition for Nonprofit Equity, the gap in indirect costs on District grants and contracts was over \$400,000. This gap in government funding must be raised from other sources just to continue providing the government's services and programs.

While the implementation of this legislation remains problematic across DC's contract and grant-making agencies, we want to give kudos to DBH. We are spot-checking FY23 solicitations for inclusion of reference to the law and for standard language about calculating their indirect cost rate and negotiating or renegotiating payments with the District. We have found two FY23 solicitations, one a grant for recovery residences<sup>1</sup> and one a contract for temporary nursing staffing<sup>2</sup>, both of which correctly included all the ways a nonprofit could effectuate a rate pursuant to the Act and named the Act.

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<sup>1</sup> [RFA DCRR082622 Recovery Residences.pdf](#)

<sup>2</sup> <https://contracts.ocp.dc.gov/solicitations/details?id=Doc638527&hash=371qsabht72xg68n>

We will caution, though, that budgeting for indirect costs may not yet be sufficient, as we have heard from nonprofit partners that contract and grant administrators have informed them that their organizations may take their rate, but *at the expense* of providing more services and/or programmatic offerings. The law is meant to provide funding for the grant or contract's activities, *as well as* the indirect costs for the nonprofit provider. It should not be either/or.

As the government continues to fully implement the Nonprofit Fair Compensation Act of 2020, the Coalition looks forward to grant and contract personnel training across all agencies and offices, standardized language for all solicitations similar to what DBH is using in their solicitations, and a detailed cost analysis of the extent to which indirect costs have been retained from nonprofits on local and federal grants and contracts assisting the government in its FY24 budgeting process.

Overall, we all pleased to see DBH naming the Act and its processes in its solicitations, and look forward to working with the agency and the Committee on ensuring proper budgeting for nonprofit grants and contracts in FY24 and beyond.

Thanks for the opportunity to testify and I am happy to answer any questions.