

COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON FACILITIES AND PROCUREMENT
ROBERT C. WHITE, JR., CHAIR

The Non-Profit Reimbursement Fairness Act of 2019 was introduced on January 30, 2019 by Councilmember Nadeau, with Councilmembers Silverman, Todd, Gray, Cheh, Allen, Bonds, Grosso, and myself as co-introducers. The legislation was originally referred to the Committee of the Whole on February 5, 2019, however it was later re-referred to the Committee on Facilities and Procurement on October 22, 2019. The notice for this public hearing was published in the D.C. Register on December 20, 2019.

As it was introduced, this bill would require the District government to reimburse non-profit organizations for their indirect costs at the same rate those organizations receive from the Federal government. Where there is not a Federal rate, the bill would ensure that non-profits receive an indirect cost rate of at least 10% of their modified total direct costs. Finally, the bill as introduced would require District agencies to publish the direct and indirect costs for any grants or contracts with the contracting agency.

I recognize that it can be easy to get lost in discussions about “indirect costs” and “direct costs” and negotiated percentages for reimbursements. To put it more simply, this bill is about ensuring that we treat fairly the non-profit organizations we work with every day. It’s about paying them the full cost of the services we ask them to provide. These organizations are the backbone of our social safety net – they are on the front lines providing health services, human services, educational services, childcare, and so much more.

When we talk about the District government, we often talk about our agencies and the businesses that contract with them. Too often, we overlook the highly significant role that non-profit organizations play. Non-profits step into the gap in services between the public and private sectors and often produce greater results with passionate employees and a mission-driven organization.

Currently, non-profit organizations are paid for these critical services based on a calculation that does not fully consider their total costs, assuming that philanthropy or other sources will cover basic administrative needs. For example, the District may contract with an

organization to provide meals at one of our family shelters and reimburse the organization based on the number of meals provided. However, absent reimbursement for indirect costs, the organization cannot pay for all the overhead needed to run an organization that provides meals. These are expenses, like rent, electricity, and non-direct labor, that any organization, including private sectors businesses, would expect to be able to cover.

Members of the public may be wondering why nonprofits accept these contracts and grants to provide services if they are not reimbursed for all their costs. After all, no private sector business would do that. These organizations regularly accept contracts at a loss to try to drive forward a mission. If that mission is to provide health services, or meals, or shelter, they will provide those services to those who need them, even if doing so is unsustainable in the long run. As a result, many non-profits struggle and shutdown. The District government shouldn't force non-profits to choose between their mission and their survival.

I co-introduced this legislation last January because I recognize that the District relies on the non-profit sector and if we don't fix this

problem, our residents will ultimately pay the price in curtailed services and supports. I can't imagine the District of Columbia without organizations like Sasha Bruce Youthwork, Bread for the City, Mary's Center, the Latin American Youth Center, and So Others Might Eat taking care of our residents. We have an obligation to ensure they can continue to serve well into the future.

Before I conclude, I want to recognize that the Office of Contracting and Procurement and our non-profit leaders have been deeply engaged on this topic. I appreciate everyone's work in the lead-up to this hearing, evaluating various proposals and reviewing drafts of the bill. I look forward to hearing the recommendations that have come out of that work.

Of course, solving this issue will require more than just passing a bill. This will require investment and support that goes beyond this Committee and brings together the Mayor and the entire Council. I hope this hearing will help continue that broader conversation as well.