



Brianne K. Nadeau

Councilmember, Ward 1

Statement of Introduction
Nonprofit Services Preservation Amendment Act of 2025
May 17, 2025

Today along with Councilmembers Frumin and Lewis George, I am introducing the “Nonprofit Services Preservation Amendment Act of 2025”. This bill clarifies and updates the “Nonprofit Fair Compensation Act of 2020” to ensure that nonprofit organizations partnering with the District government are fairly and consistently reimbursed for the full cost of delivering vital services in our communities.

Nonprofits are indispensable partners in carrying out the District’s mission—from providing housing and food access to youth programming and healthcare. Nonprofits deserve to be paid fairly for both their direct services and the behind-the-scenes support that makes those services possible—that is, their indirect costs. These are very real costs for a nonprofit, including salary, rent, and technology, without which they would not be able to provide the District-funded services in the first place.

While a 2020 law was meant to address the lack of payment for those indirect costs, it has not been fully implemented, and as a result, nonprofits have had to make tough choices between providing their staff with adequate benefits and wages and maximizing the services they provide directly to the community. Without payment for true costs, nonprofits face a loss every time they accept a D.C. contract or grant. This chronic underfunding can force nonprofits to cut staff or even close altogether.

This bill clarifies that funding for indirect costs supplements, rather than supplants, direct funding for services, as was intended in the original law; it increases the minimum indirect cost rate for nonprofits from 10 percent to 15 percent, matching the federal rate that went into effect in October 2024; and includes provisions to improve transparency and implementation, such as requiring clearer, standardized contract language, regulations and guidance for agencies and grantees, and staff training on compliance. Finally, this legislation establishes a non-profit relief grant program to help eligible nonprofits cover funding gaps and indirect costs.

By treating indirect costs as essential, not optional, this bill supports the long-term health of our nonprofit sector and ensures they can continue providing life-changing services without being financially penalized for doing so.



Councilmember Matthew Frumin



Councilmember Brianne K. Nadeau



Councilmember Robert C. White, Jr.



Councilmember Janeese Lewis George

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

1 To amend the Nonprofit Fair Compensation Act of 2020 to require that grants and contracts
2 between the District and nonprofit organizations compensate for indirect costs in addition
3 to direct service costs, to establish a de minimis indirect cost rate of 15% of direct costs,
4 to require the inclusion of a plain language indirect cost compensation clause in all
5 nonprofit contract and grant solicitations and awards, to require the Mayor and the Office
6 of Contracting and Procurement to issue guidance on the calculation, negotiation, award,
7 and payment process of indirect cost rates, to require annual trainings for agency staff, to
8 establish timelines for applicability based on grant and contract amounts, and to establish
9 a relief grant program for nonprofit organizations.

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12 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
13 act may be cited as the “Nonprofit Services Preservation Amendment Act of 2025”.

14 Sec. 2. The Nonprofit Fair Compensation Act of 2020, effective March 16, 2021 (D.C.
15 Law 23-185, D.C. Official Code § 2-222.01, *et seq.*) is amended as follows:

16 (a) Section 2 (D.C. Official Code § 2–222.01) is amended as follows:

17 (1) Paragraph (2) is amended to read as follows:

18 “(2) “Indirect cost” means:

“(A) A cost incurred by a nonprofit District grantee or contractor that cannot be readily attributed to a specific program, grant award, or contract; or

“(B) Expenses considered an indirect cost as defined in 2 C.F.R. § 200.56.”.

(2) A new paragraph (1a) is added to read as follows:

“(1a) "Consumer Price Index" means the average of the Consumer Price Index for All Urban Consumers for the Washington-Arlington-Alexandria, DC-MD-VA-WV Metropolitan Statistical Area (or such successor metropolitan statistical area that includes the District), or any successor index, as of the close of the 12-month period ending on July 31 of such calendar year.”.

(b) Section 3 (D.C. Official Code § 2–222.02) is amended as follows:

(1) Subsection (a) is amended as follows:

(A) The lead in language of subsection (a) is amended by striking the phrase “indirect costs incurred in provision of goods or performance of services” and inserting the phrase “indirect costs, in addition to and on top of direct service costs, and without supplanting any portion of a grant or contract awarded for the provision of goods or performance of services,” in its place.

(B) Paragraph (1) is amended by striking the term “10%” and inserting “15%, adjusted annually to reflect adjustments to the Consumer Price Index, provided that an annual CPI adjustment shall not be in excess of 3% more than the de minimis rate of the previous year,” in its place.

(C) Paragraph (3) is amended by striking the phrase “2 years; however nonprofit organizations may request to renegotiate indirect cost rates pursuant to subsection (c)

42 [(b)] of this section;” and inserting the phrase “3 years; however nonprofit organizations may
43 request to renegotiate indirect cost rates with the District pursuant to paragraphs (1), (2), or (4) of
44 this subsection or subsection (b) of this section;” in its place.

45 (D) Paragraph (4) is amended to read as follows:

46 “(4) As calculated with a percentage rate and base amount as determined by:

47 “(A) A certified public accountant using the nonprofit organization's most
48 recently completed audited financial statements for a fiscal year that concluded not more than
49 three years prior, pursuant to the OMB Uniform Guidance, and certified in writing by the
50 certified public accountant; or

51 “(B) If a nonprofit organization’s annual revenue totals less than \$250,000
52 and certified public accountant conducted audit documents are not available, an independent
53 bookkeeping or financial services firm using the nonprofit organization’s end-of-year income or
54 activities statements from the immediately preceding fiscal year.”.

55 (2) A new subsection (a-1) is added to read as follows:

56 “(a-1)(1)(A) A nonprofit organization’s request for payment based on an unexpired
57 NICRA or District-negotiated indirect cost rate, as determined pursuant to subsection (a)(2)(3) or
58 (4) of this section, shall not be used as the sole or determinative factor in a decision to deny,
59 reduce, or terminate a grant or contract.

60 “(B) When making a grant or contract award decision, the District shall
61 only use a nonprofit organization’s requested or negotiated indirect cost rate as a screening
62 criteria after assessing that the organization can meet the desired quality standards.

“⁽²⁾ The Mayor may require a nonprofit organization to provide reasonable financial documentation when negotiating with a District agency pursuant to subsection (a)(2)(3) or (4) of this section, such as:

“(A) Financial audit statements from the immediately preceding fiscal year;

“(B) End-of-fiscal-year income or activities statements, dating back not more than three years, showing a nonprofit organization’s total revenue and expenditures; or

“(C) Expense sheets detailing operating costs and salaries that meet the definition of indirect costs.”.

(3) Subsection (c) is amended to read as follows:

“(c)(1) Each District contract and grant solicitation and award for services to be performed by a nonprofit organization shall include an indirect cost compensation clause, in plain language, that:

“(A) Obligates the District to compensate for indirect costs in addition to direct service costs if the applicant discloses their requested rate amount calculated pursuant to subsection (a) of this section in their application;

“(B) Fulfills the requirement of subsection (a-1);

“(C) Provides an awarding agency point of contact, email, and phone number for a grantee or contractor to communicate with regarding indirect cost rates, negotiations, or appeals processes if an organization believes the District is in violation of this Act; and

84 “(D) Obligates the grantee or contractor to pay an indirect cost rate to any
85 nonprofit organization subcontractor or subgrantee at the same rate the nonprofit organization
86 would receive as a direct contractor or grantee with the District.”.

87 (4) Subsection (e) is repealed.

88 (c) A new section 3a is added to read as follows:

89 “Sec. 3a. Implementation.

90 “(a)(1) No later than 120 business days after the effective date of this subsection, the
91 Mayor, pursuant to § 2-501 et seq., shall promulgate rules for District agencies to fairly and
92 uniformly calculate, negotiate, award, and pay indirect cost rates for nonprofit organizations
93 receiving District grants.

94 “(2) The Mayor shall make available online a plain language explanation of the
95 regulations. The Mayor shall consult non-profit stakeholders when drafting the explanation to
96 ensure clarity and readability.

97 “(b)(1) No later than 120 business days after the effective date of this subsection, the
98 Office of Contracting and Procurement ("Office") shall promulgate rules for District agencies to
99 fairly and uniformly calculate, negotiate, award, and pay indirect cost rates to nonprofit
100 organizations receiving District contracts.

101 “(2) The Office shall post a plain language explanation of the regulations on the
102 OCP website. The Office shall consult non-profit stakeholders when drafting the explanation to
103 ensure clarity and readability."

104 “(c)(1) Beginning not later than 120 business days after the effective date of this
105 subsection, the Mayor shall conduct annual training sessions for all District agencies on the
106 calculation, negotiation, award, and payment of grant and contract indirect cost rates for

nonprofit organizations. Completion of such training on an annual basis shall be mandatory for all agency employees directly involved in the solicitation or management of District grants or contracts with nonprofit organizations.

“(2) The Mayor shall develop training sessions for subordinate agencies regarding agency compliance with the requirements of this Act, which shall include:

“(A) Explanation of costs eligible to be classified as an indirect cost;

“(B) Guidance on District procedures regarding fairly calculating or negotiating indirect cost rates;

“(C) Explanation of the District’s appeals process related to negotiating or awarding an indirect cost rate; and

“(D) Other topics deemed appropriate to ensure accurate implementation and compliance with this Act.

“(d) No later than 120 business days after the effective date of this subsection, District agencies shall include plain language clauses in all grant and contract solicitations and awards to nonprofit organizations explaining their right to payment for indirect cost rates pursuant to section 3 of this Act.”.

(e) A new section 3b is added to read as follows:

“Sec. 3b. Non-profit relief grantmaking.

“(a)(1) The Mayor shall have the authority to issue general operating relief grants to nonprofit organizations involved in the delivery of human services and other community-based activities in the District.

“(2) For the purposes of this section, the term “relief grants” shall mean a grant issued by the Mayor for the purpose of strengthening nonprofit organizations’ financial viability,

enabling nonprofit organizations’ to meet indirect costs when providing services to District residents, and encouraging private partnership in support of meeting nonprofit general operating expenses.

“(3) Applications for such grants may be open on a rolling basis.

“(4) Applications shall require:

“(A) A list of any contracts or grant agreements that the applicant is seeking or holds with the District government;

“(B) Expense sheets detailing operating costs and salaries that meet the definition of indirect costs;

“(C) Explanation of organizational general operating hardship and intended uses of relief grant; and

“(D) Financial audit statements from the immediately preceding fiscal year; or

“(E) End-of-fiscal-year income or activities statements, dating back not more than three years, showing a nonprofit organization’s total revenue and expenditures.

“(b) Grants issued pursuant to this section may be in the form of matching funds for organizations that receive funds from nongovernmental sources to cover indirect costs and other nonprogrammatic organizational expenses.”.

(f) A new section 3c is added to read as follows:

“Sec. 3c. Rules.

“The Mayor, pursuant to Title I of the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1204; D.C. Official Code § 2-501 et seq.), may issue rules to implement the provisions of this act.”.

(g) Section 4 is amended to read as follows:

“Sec. 4. Applicability.

“(a) Section 3(a), (a-1), and (c) of this Act shall apply:

“(1) For grants and contracts valued at or below \$500,000 beginning in Fiscal Year 2027.

“(2) For grants and contracts valued at or below \$1 million, but greater than \$500,000, beginning on the first day of the new fiscal year following the applicability of paragraph (1) of this subsection.

“(3) For grants and contracts valued at or below \$2 million, but greater than \$1 million, beginning on the first day of the new fiscal year following the applicability of paragraph (2) of this subsection.

“(4) For grants and contracts valued at or below \$5 million, but greater than \$2 million beginning on the first day of the new fiscal year following the applicability of paragraph (3) of this subsection.

“(5) For grants and contracts valued at or below \$10 million, but greater than \$5 million beginning on the first day of the new fiscal year following the applicability of paragraph (4) of this subsection.

“(6) For grants and contracts valued above \$10 million beginning on the first day of the new fiscal year following the applicability of paragraph (5) of this subsection.

“(b) Sections 3(b), 3a, 3b, and 3c of this Act shall apply upon the date of inclusion of its fiscal effect in an approved budget and financial plan.

174 “(c) The Chief Financial Officer shall certify the date of the inclusion of the fiscal effect
175 in an approved budget and financial plan, and provide notice to the Budget Director of the
176 Council of the certification.

177 “(d)(1) The Budget Director shall cause the notice of the certification to be published in
178 the District of Columbia Register.

179 “(2) The date of publication of the notice of the certification shall not affect the
180 applicability of this act.”.

181 Sec. 3. Fiscal impact statement.

182 The Council adopts the fiscal impact statement in the committee report as the fiscal
183 impact statement required by section 4a of the General Legislative Procedures Act of 1975,
184 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

185 Sec. 4. Effective date.

186 This act shall take effect following approval by the Mayor (or in the event of veto by the
187 Mayor, action by the Council to override the veto) and a 30-day period of congressional review
188 as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
189 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
190 Columbia Register.