



August 10, 2020

Bill de Blasio
Mayor
City of New York
City Hall
New York, NY 10007

Re: Indirect Cost Rate Funding for FY 2020 and FY 2021

Dear Mayor de Blasio:

I write today out of deep concern about the stability of the nonprofit sector and its ability to meet the ongoing needs of New Yorkers amidst the COVID-19 pandemic and beyond. Nonprofit organizations are anchors of our neighborhoods and have been a lifeline these past few months, providing emergency food to the hungry, shelter to the homeless, and wellness calls for seniors. This summer, with extremely limited notice, nonprofits leapt into action and implemented a modified version of SYEP to provide our City's young people with meaningful summer employment. These types of critical programs and services are at risk if nonprofits are shortchanged on funding for their indirect costs – funding that was established at agreed upon rates in the Fiscal Year 2020 and 2021 budgets, but that has now been slashed by \$20 million per year.

As you are well aware, human service programs do not operate in a vacuum. Every program and service a nonprofit organization provides is supported by human resources, facilities, and finance staff, requires that the organization's rent and utilities be paid, and can require a range of other expenditures that are not directly covered by City contracts. For years, nonprofits were woefully underfunded for these expenses in City contracts. The FY 2020 budget agreement that established the indirect cost rate (ICR) funding initiative was a light at the end of the tunnel.

The ICR initiative was designed to fund nonprofit organizations' indirect costs based on an organization's federally-approved rate or a CPA-certified rate. Fifty-four million dollars in annual funding for the ICR was included in the November 2019 financial plan to fund the initiative. Nonprofits submitting claims by June 30, 2020 were to receive funding retroactive to the beginning of Fiscal Year 2020.

However, in the April Executive Plan, funding for FY 2020 was reduced from \$54 million to \$34 million, which was characterized at the time as a "right-sizing" of the funding needed to fulfill FY 2020 contract submissions. In the Adopted Budget, funding for FY 2021 and the outyears was also

reduced to \$34 million. My office is currently hearing that nonprofits are awaiting guidance from the City on the FY 2020 rates that will be paid out and are unable to close their books for the year as a result.

If the funding available cannot cover the organizations' federally approved or CPA-certified indirect rates, than it is not a right-sizing, but rather another attempt to close the budget gap on the backs of the providers who are serving our most vulnerable residents at one of the toughest times in our City's recent memory. This is unacceptable, and I have no doubt that if it is not corrected, we will undermine the ability of our nonprofits to serve communities most in need.

Investing in the human sector is more critical than ever as our residents weather the storm created by COVID-19. I urge you to ensure that the terms of the City's indirect cost rate initiative are honored and fully funded.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott M. Stringer". The signature is fluid and cursive, with the first name "Scott" being more prominent.

Scott M. Stringer
New York City Comptroller

C: Melanie Hartzog, Director, Mayor's Office of Management and Budget
 Daniel Symon, Chief Procurement Officer & Director, Mayor's Office of Contract Services