

**COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE
COMMITTEE REPORT**

1350 Pennsylvania Avenue, NW, Washington, DC 20004

DRAFT

TO: All Councilmembers

FROM: Chairman Phil Mendelson
Committee of the Whole

DATE: November 21, 2017

SUBJECT: Report on Bill 22-127, “City Innovation Fund Re-Establishment Amendment Act of 2017”

The Committee of the Whole, to which Bill 22-127, the “City Innovation Fund Re-Establishment Amendment Act of 2017” was referred, reports favorably thereon, with amendments, and recommends approval by the Council.

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I. BACKGROUND AND NEED

On February 21, 2017, Bill 22-127, the “City Innovation Fund Re-Establishment Amendment Act of 2017” was introduced by Councilmember Gray and Chairman Mendelson. The purpose of Bill 22-127 is To amend the Fiscal Year 2014 Budget Support Act of 2013 rename the Innovation Fund the City Innovation fund, specify the grant-managing entity for the fund, raise the maximum grant authority, specify the agency to oversee the fund, authorize funding subject to the appropriations process, and make other technical changes.

The Innovation Fund was established as part of the Fiscal Year 2014 Budget Support Act of 2013 (D.C. Law 20-61). The Innovation Fund was created to provide competitive grant funds to District nonprofit organizations in education, job training, health, senior services, arts, public safety, and the environment for the purpose of growing and diversifying our economy, educating and preparing our residents for the emerging new economy, improving the quality of life for all residents, and increasing sustainability.

The fund is administered by the Community Foundation for the National Capital Region – now known as the Greater Washington Community Foundation (“Foundation”). The Foundation does not provide direct services, instead it sub-grants funds and provides technical assistance to nonprofit organizations that provide direct services to District residents and families. By housing the Innovation Fund outside the government with strict rules that insulate it from politics, grant decisions can be kept at arm’s length from the District government and made entirely on the merits of various organizations’ proposals. The Innovation Fund provides two types of grants – capacity building, which allows organizations to invest internally to increase capacity, and program, which allows organizations to provide direct services. To date, five rounds of grants have been awarded for both capacity building and programmatic purposes. A request for grant proposals to award the final \$1.5 million in grant funds appropriated to the fund in Fiscal Year 2014 was issued on November 6, 2017.¹

The Fiscal Year 2014 budget included \$15 million in one-time funding for the Innovation Fund which has been the ongoing source of funds for all six funds. An additional \$15 million was proposed but later rescinded as part of the Fiscal Year 2015 Committee budget recommendation.² However, after hearing positive feedback on the opportunities afforded by the program over the last four years, the Committee is satisfied that the fund provides an important source of funding for non-profits, especially with regard to capacity building grants that are not common in the non-profit community. Adoption of Bill 22-127 will allow for this successful program to continue into the future. Indeed, as then-Mayor Gray’s City Administrator, Allen Lew, testified before the Committee in recommending creation of the original fund:

The Fund “is Mayor Gray’s answer to the problem’s plaguing nonprofit organizations across the city. While the District’s economy is making a dramatic turnaround, the last five years have created pressures, many nonprofit organizations have struggled, and are still struggling to withstand. Between the lagging national and local economies, reduced government funding, a substantial decrease in private donations, and increased demand, a substantial number of nonprofits are in a very precarious situation.”³

Indeed, according to the testimony at the hearing on Bill 22-127, the Innovation Fund has served as a lifeline for many local nonprofit organizations and allowed them to expand their mission and become more self-sustaining. Despite the concerns of the current Executive, the Committee hopes that the continuation of the Innovation Fund, now proposed to be the City Innovation Fund upon adoption of Bill 22-127, will serve as a continued resource for additional bolstering of the District’s local nonprofit institutions.

The Committee Print for Bill 22-127 largely reflects the bill as introduced. The Committee Print makes technical drafting changes including simplification of the references to

¹ *Hearing on Bill 22-127 before the Council of the District of Columbia Committee of the Whole* (Nov. 1, 2017) (written testimony of Manon Matchett, Greater Washington Community Foundation, at 4).

² REPORT AND RECOMMENDATIONS OF THE COMMITTEE OF THE WHOLE ON THE FISCAL YEAR 2015 BUDGET AND CORRESPONDING BUDGET SUPPORT ACT, at 30 (May 15, 2014).

³ *Hearing on the One City Fund proposed budget for Fiscal Year 2014 before the Council of the District of Columbia Committee of the Whole* (Apr. 18, 2013) (written testimony of Allen Lew, City Administrator, at 2).

the Greater Washington Community Foundation and clarification that the authorization for the grant-managing entity is open ended, subject to appropriation during the budget process. The Committee Print retains the increase in the ceiling for subgrant awards to \$200,000. According to testimony from the Greater Washington Community Foundation, the grant awards from the Innovation Fund were substantive and averaged from \$50,000 to \$100,000, while most other available grants average only \$25,000 to \$50,000. Raising the ceiling will give the Foundation additional flexibility in grant awards. Another change to the Committee Print is changing a reference to the now defunct Children and Youth Investment Trust Corporation to the successor Office of Out of School Time Grants and Youth Outcomes. That provision was meant to avoid duplication with another large scale grant making entity in the District government.

The Committee notes that several witnesses testified that the capacity building grants issued from the fund allowed organizations to leverage the grants to increase internal efficiency, including information technology, and to increase fundraising opportunities. Those organizations testified that capacity building grants are rare in the non-profit sector and that the Innovation Fund was one of the few places to apply for such grants. Bill 22-127 offers an opportunity for the District to continue this successful grant program with additional flexibility in the amount of grants.

The Committee therefore recommends approval of Bill 22-127 as reflected in the Committee Print.

II. LEGISLATIVE CHRONOLOGY

- | | |
|-------------------|--|
| February 21, 2017 | Bill 22-127, “City Innovation Fund Re-Establishment Amendment Act of 2017” is introduced by Councilmember Gray and referred to the Committee of the Whole. |
| February 24, 2017 | Notice of Intent to Act on Bill 22-127 is published in the <i>District of Columbia Register</i> . |
| October 13, 2017 | Notice of a Public Hearing on Bill 22-127 is published in the <i>District of Columbia Register</i> . |
| November 1, 2017 | The Committee of the Whole holds a public hearing on Bill 22-127. |
| November 21, 2017 | The Committee of the Whole marks-up Bill 22-127. |

III. POSITION OF THE EXECUTIVE

Jay Melder, Chief of Staff, Office of the Deputy Mayor for Health and Human Services, testified on behalf of the Executive on Bill 22-127. According to his testimony, the Executive supports the intent of the fund, but believes there are more effective, coordinate, and responsive ways to invest in non-profit programming and build vital non-profit provider capacity in the District. He pointed to a number of other grant opportunities available through District agencies.

IV. COMMENTS OF ADVISORY NEIGHBORHOOD COMMISSIONS

The Committee received no comments from Advisory Neighborhood Commissions.

V. SUMMARY OF TESTIMONY

The Committee of the Whole held a public hearing on Bill 22-127 on Thursday, June 30, 2016. The testimony summarized below is from that hearing.

William Michael Cunningham, Public Witness, testified to the disparity between black and white communities and government programming.

Susan Messina, Director of Development and Communications, Iona Senior Services, testified to the utility of previous grant funding to expand communications and fundraising in the organization to build capacity.

Arleen Ramirez Borysiewicz, Director, Program Initiatives, Ayuda, testified that the previous unrestricted grant of \$99,400 allowed Ayuda to expand fundraising and programming.

Daniel Meloy, Development Director, Thrive DC, testified that a previous grant allowed Thrive DC to hire and retain fundraising talent to support its mission.

Manon Matchett, Community Investment Officer, Greater Washington Community Foundation, testified to the Greater Washington Community Foundation's management of previous fund disbursements and the value of the grant funds to local non-profits. She also discussed the internal deliberative processes involved in the grant making.

Tonia Wellons, Vice President, Greater Washington Community Foundation, testified that the existing fund represents good practice in Grantmaking and that the fund is responsive and apolitical.

Jackie Love-Baker, Director of Development, DC Volunteer Lawyers Project, testified that her organization utilized a capacity building grant from the Innovation Fund to modernize its donor database to leverage \$400,000 in annual donations and to upgrade the client and case management system.

Jay Melder, Chief of Staff, Office of the Deputy Mayor for Health and Human Services, testified on behalf of the executive. His testimony is summarized above.

The Committee received no other testimony or comments on Bill 22-127.

VI. IMPACT ON EXISTING LAW

Bill 22-127 amends the Fiscal Year 2014 Budget Support Act of 2013 (D.C. Law 20-61; D.C. Official Code § 1-325.221 *et seq.*), to redesignate the Innovation Fund as the City Innovation Fund, update the name of the Greater Washington Community Foundation, increase the maximum grant amount allowed to \$200,000, specify that the Deputy Mayor for Health and Human Services shall oversee the fund, authorize the budget of the Fund to be \$15 million annually subject to appropriations, remove references to previous fiscal years in the Fund's

authorization, and change a reference to the DC Children and Youth Investment Trust Corporation to the Office of Out of School Time Grants and Youth Outcomes.

VII. FISCAL IMPACT

The attached November 20, 2017 fiscal impact statement from the District's Chief Financial Officer (CFO) states that funds are sufficient in the FY 2018 through FY 2021 budget and financial plan to implement Bill 22-127. This bill has no cost to the District government.

VIII. SECTION-BY-SECTION ANALYSIS

<u>Section 1</u>	States the short title of Bill 22-127
<u>Section 2</u>	Amends several provisions of the Innovation Fund establishing act.
<u>Section 3</u>	Adopts the Fiscal Impact Statement
<u>Section 4</u>	Establishes the effective date by stating the standard 30-day Congressional review language

IX. COMMITTEE ACTION

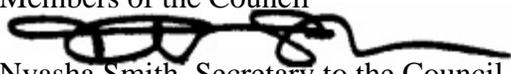
X. ATTACHMENTS

1. Bill 22-127 as introduced.
2. Written Testimony.
3. Fiscal Impact Statement for Bill 22-127.
4. Legal Sufficiency Determination for Bill 22-127.
5. Comparative Print for Bill 22-127.
6. Committee Print for Bill 22-127.

COUNCIL OF THE DISTRICT OF COLUMBIA
1350 Pennsylvania Avenue, N.W.
Washington D.C. 20004

Memorandum

To : Members of the Council

From : 
Nyasha Smith, Secretary to the Council

Date : February 21, 2017

Subject : Referral of Proposed Legislation

Notice is given that the attached proposed legislation was introduced in the Committee of the Whole on Tuesday, February 21, 2017. Copies are available in Room 10, the Legislative Services Division.

TITLE: "City Innovation Fund Re-Establishment Amendment Act of 2017", B22-0127

INTRODUCED BY: Councilmember Gray and Chairman Mendelson

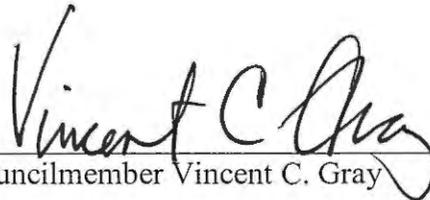
CO-SPONSORED BY: Councilmember Bonds

The Chairman is referring this legislation to the Committee of the Whole.

Attachment

cc: General Counsel
Budget Director
Legislative Services

1 
2 Chairman Phil Mendelson


Councilmember Vincent C. Gray

3
4
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6
7
8 A BILL
9

10 _____
11
12
13 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA
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15 _____
16

17
18 To amend the Fiscal Year 2014 Budget Support Act of 2013 to re-establish the City
19 Innovation Fund in Fiscal Year 2018.
20

21 BE IT ENACTED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
22 act may be cited as the “City Innovation Fund Re-Establishment Amendment Act of 2017”.

23 Sec. 2 Section 1013 of the Fiscal Year 2014 Budget Support Act of 2013, effective
24 December 24, 2013 (D.C. Law 20-61; D.C. Official Code § 1-325.222), is amended as follows:

25 (a) Subsection (a) is amended by striking the phrase “an Innovation” and inserting the
26 phrase “a City Innovation” in its place.

27 (b) Subsection (b) is amended by striking the phrase “a single grant-managing entity” and
28 inserting the phrase “the Community Foundation for the National Capital Region” in its place.

29 (c) Subsection (c) is amended by striking the phrase “a grant-managing entity” and
30 inserting the phrase “the Community Foundation for the National Capital Region” in its place.

31 (d) Paragraph (d)(2) is amended by striking the number “\$100,000” and inserting the
32 number “\$200,000” in its place.

33 (e) A new subsection (f) is added to read as follows:

1 “(f) The City Innovation Fund shall be overseen by the Deputy Mayor for Health and
2 Human Services, but shall be a separate paper agency.”.

3 (f) A new subsection (g) is added to read as follows:

4 “(g) The budget of the City Innovation Fund shall be \$15 million annually, subject to
5 annual appropriations through the budget process.”.

6 Sec. 3. Applicability.

7 (a) This act shall apply upon the date of inclusion of its fiscal effect in an approved
8 budget and financial plan.

9 (b) The Chief Financial Officer shall certify the date of the inclusion of the fiscal effect in
10 an approved budget and financial plan, and provide notice to the Budget Director of the Council
11 of the certification.

12 (c)(1) The Budget Director shall cause the notice of the certification to be published in
13 the District of Columbia Register.

14 (2) The date of publication of the notice of the certification shall not affect the
15 applicability of this act.

16 Sec. 4. Fiscal impact statement

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

20 Sec. 5. Effective date.

21 The act shall take effect following approval by the Mayor (or in the event of veto by the
22 Mayor, action by the Council to override the veto), a 30-day period of congressional review as
23 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December

- 1 24, 1973, (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
- 2 Columbia Register.

Testimony to the Council of the District of Columbia
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
Tuesday, November 1, 2017
Committee of the Whole

Re: B22-127, the "City Innovation Fund Re-Establishment Amendment Act of 2017."

According to the hearing notice "The stated purpose of Bill 22-395 is to amend the Fiscal Year 2014 Budget Support Act of 2013 to re-establish the City Innovation Fund in Fiscal Year 2018. The Innovation Fund was established in Fiscal Year 2014 to provide subgrants to nonprofit organizations in education, job training, health, services for seniors, arts, public safety, and the environment in an amount up to \$100,000 for each subgrant. The fund was managed by the Community Foundation for the National Capital Region. The program was authorized through fiscal year 2016. As introduced, Bill 22-127 would raise the subgrant cap to \$200,000, put the fund under the oversight of the Deputy Mayor for Health and Human Services, and authorize up to \$15 million per year for the fund, subject to annual appropriations through the budget process."

This testimony concerns the legislation and resolution cited above.

While we support the intent of the legislation, our specific experience with the 2014 Innovation Fund and with the Government of the District leads us to question the implementation of the proposed facility.

As I discussed in testimony to the Council on March 12, 2015, September 16, 2015, January 7, 2016, May 8, 2017, and July 17, 2017, DC has one of the highest rate of HIV infection, one of the highest Black/White income disparity and the most rapid gentrification in the United States. We further note the lack of grocery and health care options in majority African American Wards 7 and 8 of the District.

I note that this behavior is consistent with practices of the DC Government to refuse all assistance from actual Black DC community residents unaffiliated with the white real estate development community, as shown by the following examples:

- On June 7, 2007 (based on work started in 2002) I proposed the creation of the Microcredit Stock Exchange to the Government of the District of Columbia. The proposal was presented to William Liggins (Director, DC Revenue Bond & Enterprise Zone Program in the Office of the Deputy Mayor for Planning and Economic Development) and Robin Jasper (aide to then City Council Chairman Vincent Gray). The Exchange was one of the earliest versions of equity crowdfunding.

This solution was created in direct response to the decline in business ethics that limited capital access in low income, minority and women business communities. The Microcredit Stock Exchange and, by extension, crowdfunding, was designed to counter capital misallocation by helping insure that more capital goes, at the margin, to deserving small companies.¹

The City declined to pursue the proposal, but recognized its value enough to pass it onto a white real estate developer, most likely for undetermined compensation or campaign contribution.

- On August 1 2014, I announced that I would partner with the District of Columbia government to help District-based small businesses use crowdfunding, under a contract with the District's Great Streets Initiative. (See: <http://nationalcrowdfunding.blogspot.com/2014/07/ncs-selected-as-crowdfunding-advisor-to.htm>) Also see: Four DC businesses use crowdfunding in support of innovative projects! <http://www.slideshare.net/wmcunningham/nov-18-dc-crowdfunding-challenge-press-41867326> Video on the DC Crowdfunding Challenge: <http://youtu.be/r3Z5KPDvKIU>

The District still owes \$12,500, having reneged on the contract, damaging my firm. I am still waiting for payment.

¹ . As described in the proposal,

“Equity capital, or shares in micro businesses would be traded on a Micro Business Stock Exchange created and managed by a third party entity. The Exchange would provide the framework for the provision of small amounts of equity capital (\$1,000 to \$250,000) to micro businesses in Washington. To make things easier and to enhance the probability of success, we suggest the initiative focus specifically on disadvantaged businesses operating in (low income areas of the City): far Northeast and in Southeast.”

- On January 19, 2015, Martin Luther King Jr.'s Birthday, I convened several DC-based Black Tech firms, analysts and others to discuss the role that technology might play in addressing Black Male safety and security issues. My meeting included a conversation about developing an app or apps that might have as their long term impact a reduction in Black Male homicides.

In so doing, I sought to honor Dr. Martin Luther King. I also sought to honor Marion Barry by holding the meeting around the corner from the famous Howard Theater, in Shaw, DC. To quote Marion Barry, "This is not a sham. This is not a game. This is the real stuff."

The District Government actively opposed our efforts, fearful that we might develop a following.

- In an email (below) dated March 3, 2016 to the DC City Council, I cite our work in developing impact investing vehicles to address homelessness and HIV in DC. I have yet to have a conversation with anyone in the DC Government concerning these tools. There is no better explanation for the increased Black-White income gap than this lack of curiosity.

The Council believes that community economic development equals real estate development. This leads the Council to use of real estate development as the main community economic development tool, despite clear evidence that this focus does little to actually improve the lives and serve the needs of long term, African American residents of Wards 7 and 8, two of the most underserved communities in the District.

The lives of black citizens have, for some 400 years, been considered of lesser importance than those of white citizens. This is confirmed by the historical record. The claim is not that black lives are more valuable than white lives. The claim is simply that the lives of black citizens have, with the support of the state, including this City Council, been undervalued. This runs counter to the principles of every major faith, of free market economics, and of democratic governance.

We also refer the Council to the following:

We designed and developed an innovative “green bond” product some time ago (2006) and sought to create Energy Efficient Securities for the DC Government. These efforts specifically involve using labor from underserved communities in DC.²

While the DC Government did not respond to that offer, it is unclear if the facility proposed under this legislation would have been useful.

As with B22-127, we question the cost of this legislation to long term city residents and we ask who benefits.

We remind the Council that the City is reported to have spent \$90 million dollars on a WalMart development and granted WalMart access at three other locations in the District. WalMart, according to news reports, faces no sanctions or liabilities for reneging on promises to proceed with this development in one of the poorest parts of the City. (Imagine an immediate \$90 million dollar investment in DC General, or in providing employment for black male residents of Wards 7 and 8.)

On Friday, May 5, 2017, I requested an estimate of the tax revenue lost due to this legislation from Andrew Trueblood, Chief of Staff for the Office of the Deputy Mayor for Planning and Economic Development. He was unable or unwilling to give me an answer.

Clearly, the City Council has never met a white developer it was not willing to bend over backwards for, even though experience shows this means damaging the economic prospects of black residents.

These are the same “trickle-down” economic policies used to drive Black DC residents and natives from 14th Street and from U Street, two gentrified areas now decidedly non-Black. Further, with Black Male unemployment at elevated rates in Wards 7 & 8, the

² See email dated Wed, Jan 8, 2014 at 1:02 PM
Subject: Re: Testimony on B20-573
To: abenjamin@dccouncil.us

promise of real estate economic development as a jobs creation program for these Black male populations has been proven false.

(See: DC Mayor Muriel Bowser's "Insane" Economic Development Plan
<https://www.linkedin.com/pulse/dc-mayor-muriel-bowsers-insane-economic-development-william-michael>)

This also comes after the City has leased valuable property at the St. Elizabeth campus and in the Congress Heights area to developers for \$1 a year.

These facts establish the true economic development plan for the City, at least where its Black citizens are concerned.

----- Forwarded message -----

From: **William Michael Cunningham**

Date: Thu, Mar 3, 2016 at 4:03 PM

Subject: Fwd: Social investment vehicles to address homelessness and HIV in DC

To: bnadeau@dccouncil.us, jevans@dccouncil.us, jackevans@dccouncil.us, mcheh@dccouncil.us, btodd@dccouncil.us, kmcduffie@dccouncil.us, callen@dccouncil.us, yalexander@dccouncil.us, lmay@dccouncil.us, vorange@dccouncil.us, abonds@dccouncil.us, dgrosso@dccouncil.us, esilverman@dccouncil.us, pmendelson@dccouncil.us, zcsubmissions@dc.gov, karl.racine@dc.gov, sgrant@dccouncil.us, rwerner@dccouncil.us, jwillingham@dccouncil.us, snewman@dccouncil.us, jmobley@dccouncil.us, rgulstone@dccouncil.us, lmarks@dccouncil.us, "Lowery, Terese (Council)" <tlowery@dccouncil.us>, adavis@dccouncil.us, jbrown@dccouncil.us, dmeadows@dccouncil.us, "Kang, Irene (Council)" <ikang@dccouncil.us>, dcalhoun@dccouncil.us, srosenamy@dccouncil.us, bmoore@dccouncil.us, "LeFevre, Cynthia (Council)" <clefevre@dccouncil.us>, sara.bardin@dc.gov, sharon.schellin@dc.gov, alan.bergstein@dc.gov, bennett.rushkoff@dc.gov, james.pittman@dc.gov

Follow up to my testimony. Please let me know if you have any questions or comments.

As I noted to Mr. Kenner in an email dated Fri, May 29, 2015 at 5:56 PM, we have developed two unusually efficient and impactful social investment vehicles to address homelessness and HIV in DC.

I requested an opportunity to detail these, as we have with several other innovative initiatives (see the attachments) with Mr. Kenner directly. Having received no reply, I must assume he is uninterested, therefore, I am renewing my inquiry with you.

Please also note that I await the follow up items Mr. Kenner's assistant promised:

1. Recap of all City/Developer Partnerships:

- a. Number of DC residents hired, per community employment agreements with developers and nonprofits from 2000 to 2014 by:
 - i. Race.
 - ii. Income
 - iii. Ward

2. Recap of City/Developer development agreements:

- a. By race of main developer.

As a citizen and DC native, I await your reply.

William Michael Cunningham

Economist and Author

Thank you in advance.

William Michael Cunningham

Speaking: <http://www.williammichaelcunningham.com>

Crowdfunding: <http://www.Nationalcrowdfundingservices.com>

Twitter: @CreativeInv

My book: The JOBS Act: Crowdfunding for Small Businesses and Startups

<http://www.amazon.com/JOBS-Act-Crowdfunding-Businesses-Startups/dp/143024755X/>

202-455-0430

"Evil is not driven out, but crowded out...through the expulsive power of something good." MLK

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APPENDIX

Background

William Michael Cunningham is a DC Native. He holds a Master's in Economics and an MBA in Finance, both from the University of Chicago, and is a graduate of Howard University.

Mr. Cunningham manages an investment advisory and research firm, Creative Investment Research, Inc. The firm researches and creates socially responsible investments and provides socially responsible investment advisory services. He is also Managing Partner at National Crowdfunding Services, LLC.

Creative Investment Research, Incorporated is an independent investment research and management firm, founded in 1989. For clients, our services save millions, if not billions: on December 22, 2003, December 22, 2005, and February 6, 2006, we warned the S.E.C. and other regulators that statistical models using our proprietary Fully Adjusted Return® Methodology signaled the probability of system-wide economic and market failure (see below). Clients who heeded our warning adjusted their investment portfolios in a manner that allowed them to escape much of the damage caused by the crisis. The firm was formerly in the pool of Corporate Governance Advisors and Diversity Investing Advisors to CalPERS.

Mr. Cunningham is a Global Member of ISOC, the Internet Society (ISOC), a Public Member of W3C, the World Wide Web Consortium, and an Invited Expert Member in the eGovernment Group of the W3C. On November 16, 1995, he launched one of the first investment advisor websites at www.ari.net/cirm (now www.creativeinvest.com).

Track Record

On July 3, 1993, Mr. Cunningham wrote to US Securities and Exchange Commissioner (SEC) Mary Schapiro to notify the Commission about a specific investing scam, the "Nigerian letter scam." A timely warning was not issued to the investing public, members of the public were damaged, and the SEC launched retaliatory regulatory actions against Mr. Cunningham.

He designed the first mortgage security backed by home mortgage loans to low and moderate income persons and originated by minority-owned institutions. (See: *Security Backed Exclusively by Minority Loans*, The American Banker Newspaper. Friday, December 2, 1994.)

William Michael Cunningham

Economist and Author

Mr. Cunningham opposed the application, approved by the Federal Reserve Board on September 23, 1998, by Travelers Group Inc., New York, New York, to become a bank holding company. In October 1998, in a petition to the United States Court of Appeals (Case Number 98-1459) concerning the Travelers Group Inc./Citicorp merger, Mr. Cunningham cited evidence that growing financial market malfeasance greatly exacerbated risks in financial markets, reducing the safety and soundness of large financial institutions.

From October 1999 to March 2002, Mr. Cunningham was responsible for proxy voting activity for the Board of Pensions of the Evangelical Lutheran Church in America. In 2001, he voted on 1395 issues impacting 401 companies. In 2000, he voted on 1903 issues impacting 422 companies. We managed fund efforts and corporate governance matters related to Talisman Energy and its' operations in the Sudan. We researched the issue, contacting various groups involved in the process. For the fund, our efforts also included researching fund policies and procedures. Our collaborative, risk controlled strategy helped lead the firm out of the Sudan. On February 1, 2000, Mr. Cunningham wrote to the office of U.S. Senator Samuel Brownback (R-KS) urging him to encourage pension funds to divest from the Sudan.

On June 15, 2000, Mr. Cunningham testified before the Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises (GSE's) of the U.S. House of Representatives and suggested that GSEs Fannie Mae and Freddie Mac be subject to a Social Audit. A social audit is an examination of the performance of an enterprise relative to certain social return objectives. It includes a review of ethical practices. Had the GSE's been subject to this audit, certain flaws in their operation, including ethical shortcomings, would have been revealed earlier, in a better market in which to make corrections.

In 2001, Mr. Cunningham participated in the first wide scale home mortgage loan modification project. The Minneapolis-based effort helped 50 families victimized by predatory lending practices. See: Property Flipping Remediation Yields Investment-grade Security.

On December 22, 2003, he warned US regulators that statistical models he created using the proprietary Fully Adjusted Return® Methodology signaled the probability of system-wide economic and market failure. See Page 6.

In 2005, Mr. Cunningham served as an expert witness in a case that sought to hold Credit Suisse First Boston, Fairbanks/SPS, Moody's and Standard and Poor's, US National Bank Association, and other parties legally responsible for supporting and facilitating fraudulent subprime lending market activities. Had this single case been successful, we believe the credit crisis would have been less severe.

On December 22, 2005, he issued a strongly worded warning that system-wide economic and market failure was a growing possibility in a meeting at the SEC with Ms. Elaine M. Hartmann of the Division of Market Regulation.

On February 6, 2006, he again warned regulators that statistical models created using the proprietary Fully Adjusted Return® Methodology confirmed that system-wide economic and market failure was a growing possibility. He stated that: Without meaningful reform there is a small, but significant and

growing, risk that our (market) system will simply cease functioning. This is, of course, exactly what happened. See pages 2 and 8.

On December 9, 2013, Mr. Cunningham filed a "Friend of the Court" brief in the United States District Court, Central District of California in a case concerning an action that the U.S. Department of Justice, acting on behalf of the United States of America (Plaintiff), brought against McGraw-Hill Companies, Inc., and Standard & Poor's Financial Services LLC, et. al., (Defendants) under 12 U.S.C. § 1833a; 18 U.S.C. §§ 1341, 1343 & 1344. My comments led to a significant change in enforcement strategy, including the first ever, albeit temporary, rating firm suspension.

On February 3, 2015, I commented on an effort by Apple Computer to utilize women and minority-owned brokerage firms: <http://www.usatoday.com/story/tech/2015/02/03/apple-debt-offering-minority-firms-jesse-jackson-diversity-silicon-valley/22805673/>

Mr. Cunningham has published commentary on small business topics for the Washington Post. For more background information, please see:

Global Market Turmoil Graphic and Financial Crisis Calendar Graphic, Creative Investment Research, Inc., December, 2008 and November, 2009.

Equity Crowdfunding: <https://www.youtube.com/watch?v=HfZuroZG51Y> and <http://youtu.be/1802x3V-EhA>

**Testimony on
Bill 22-127, City Innovation Fund Re Establishment Amendment Act of 2017
November 1, 2017
Susan Messina, Director of Development and Communications, Iona Senior Services**

Thank you for this opportunity to testify. My name is Susan Messina. I am a District resident of almost 25 years and have worked at Iona Senior Services for the last 4 years. I am the Director of Development and Communications. Iona's mission is to support people as they experience the challenges and opportunities of aging. We have been a lead agency with the D.C. Office on Aging since 1980.

When Iona applied for our two-year City Fund capacity-building grant in 2013, Iona had no full-time communications staff. My title, in fact, was just "Director of Development." As a result, we were *extremely* limited in our public relations, marketing, outreach, and social media work. Despite the word "communications" not being in my title, I was still responsible for all communications work in addition to fundraising. As a result, I lacked the time necessary to pursue all possible fundraising options. Major donor work, in particular, lagged. I simply did not have the time.

I want you to know that the City Fund grant had a truly dramatic impact on Iona. The City Fund grant allowed us to rebuild an infrastructure and then add capacity in an area that had languished since the Great Recession of 2008-2009, when Iona had had to eliminate the position of Director of Communications.

The grant allowed us to hire a full-time Communications Assistant in October 2014. Ms. Rosie Aquila has proven to be a tremendous asset to the entire Iona team and has subsequently been promoted twice: first to Communications Coordinator in September, 2015 and then to Communications Manager in September, 2016. She has become an integral member of the Development/Communications team and transformed much of communications work that we do.

When the City Fund grant ended, there was never any question but that Iona would fold Ms. Aquila's salary and benefits into our general operating budget; this position has become essential. Without the seed money from the City Fund, we would not have been able to make this transformative hire and so we are tremendously grateful.

Ms. Aquila is still on staff and continues to implement best practices in all our communications and marketing work.

As we had predicted in our City Fund application, with the day-to-day work of communications out of my portfolio, I was able to provide leadership to our major donor work. Specifically, Iona implemented the Benevon® Model of Sustainable Fundraising. This is model of successful major donor engagement has been adopted by thousands of nonprofits all across the country, including many in DC. By implementing the model carefully, Iona has reaped great rewards. At our fundraising luncheon in the spring of 2016, we raised a total of \$138,500 from **day-of**

donations. This is a *122%* increase over the \$62,318 raised at the 2015 event.

Our successful fundraising has continued and it would not have been possible without the City Fund capacity-building grant.

The City Fund is an enormously powerful program and Iona Senior services encourages the City Council to support Bill 22-127.

Written Testimony in Support of Draft Bill B22-0127 –
City Innovation Fund Re-Establishment Amendment Act of 2018

By
Arleen Ramirez Borysiewicz
Director of Development, Ayuda

D.C. City Council
Wednesday, November 1, 2017, 9:30 AM

My name is Arleen Ramirez Borysiewicz. I am the director of development at Ayuda.

Ayuda is a D.C. based legal, social, and language access provider that helps low-income immigrants in the DMV region. Since 1973, we have been helping immigrants access justice, stop abuses, heal from trauma, reunite with their family, and thrive in the community.

I ask you to support the draft bill B22-0127 – City Innovation Fund Re-Establishment Amendment Act of 2018.

Ayuda's last strategic plan sought to create a balance between government and private sector support. We wanted to secure more donations, diversify our sources of revenue, and obtain unrestricted support. When I joined Ayuda, it was stunning to find how little we had in terms of tools and materials with which to build a strategic fundraising operation.

The City Fund RFP in 2014 was heaven-sent. We secured a 99-thousand-800-dollar grant to strengthen our development operations. We produced fundraising materials, created a story-telling library, revamped our website, updated our donor database, and hired a consultant to help us with our direct mail campaign. We couldn't do any of these, all at once, without the City Fund.

The results have been positive. Our year-end fundraising revenue increased from \$46,000 in 2014 to \$83,000 in 2016. Our goal this year is \$100,000. Sponsorships for our annual event increased from \$48,000 in 2014 to \$190,000 this past May. In other words, the City Fund investment to build our fundraising operation is working. We are securing more unrestricted gifts to support Ayuda's operations and unfunded needs.

Small nonprofits like Ayuda rely heavily on program funding from government agencies, foundations, and corporations. They rarely fund general operations or allow the organization to invest in itself. In my little world of fundraising, I refer to it as "*money in, money out.*" Instead, the City Fund allowed us to invest in our fundraising operation that was so vital to achieving financial sustainability.

I ask you to pass the draft bill B22-0127. What you are doing is creating opportunities for small nonprofits like Ayuda to strengthen the core of our organizational operations.

Not too many nonprofits can say they are celebrating their 45th anniversary. But Ayuda is, next year.

Capacity building funds, such as the City Fund, have allowed Ayuda to innovate, think outside the box, develop expertise, and create tools to become resilient and self-reliant.

We look forward to the passage of this Bill. When it does, count on Ayuda to be among the first to submit a capacity building proposal that can propel us to our 50th year – a mere five years away – with a mission that will remain relevant for many D.C. immigrant residents.

Thank you.

Thrive DC Public Testimony
Bill 22-127, City Innovation Fund Re-Establishment Amendment Act of 2017
Submitted on November 1, 2017

My name is Daniel Meloy, and I am the Development Director at Thrive DC. Thrive DC has been serving our city's low income and homeless community for the past 38 years, providing wraparound services to people who are homeless and those on the edge of homelessness.

We provide over 137,000 meals a year, help more than 250 people a day, and are just one of six places where our clients outside of a shelter can get both free showers and free laundry.

We have case management, job assistance and training, re-entry services, substance abuse counseling, and therapeutic enrichment programs all designed to stabilize the lives of our city's most vulnerable citizens.

In fiscal year 2015, Thrive DC received an Innovation Fund subgrant to support a multi-year organizational development project to expand our administrative and fundraising capacity.

Thrive DC spends 86 cents of every dollar on direct services for our clients, leaving very little for administrative and fundraising costs. The Innovation Fund subgrant was crucial in strengthening our ability to effectively run the organization and increase our capacity to raise the funds needed to serve our growing client base.

The subgrant from the Innovation Fund helped us develop a strategic plan, ensuring the long-term vision and stability of Thrive DC. This funding helped us streamline administrative and financial procedures so that in the future we can devote even more resources to those in the District of Columbia who need us most. It helped us hire and retain fundraising talent so that we can engage more people in our community in the fight against homelessness.

At this time, when we and organizations like ours face cuts from other funding sources, support like this becomes vital to our survival and our ability to serve those in need.

Every day we make a promise to the District of Columbia's most vulnerable citizens – a promise that we will be here, without fail, to help them in their time of greatest need. We ask the Council to approve the City Innovation Fund Re-Establishment Amendment Act of 2017 so that we and many organizations like us can continue to fulfill that promise.

Thank you.

Daniel Meloy, Development Director
Thrive DC
1525 Newton Street, NW
Washington, DC 20010

**TESTIMONY OF
MANON P. MATCHETT
GREATER WASHINGTON COMMUNITY FOUNDATION**

Good morning Chairman Mendelson and Members of the Committee of the Whole.

My name is Manon Matchett. I am a 21-year resident of the Ward 8, Hillside Community. In addition, I am a Community Investment Officer at the Greater Washington Community Foundation (formerly The Community Foundation for the National Capital Region). I am here today to testify on why I believe the City Innovation Fund warrants merit for additional funding consideration.

For the last three years, 11 months and 28 days I have supported the work of the City Innovation Fund better known as the City Fund.

In this capacity, I have managed and oversaw the grantmaking of this fund via:

- Five grantmaking rounds,
- Issuing 215 grants to 144 organizations serving District residents in a variety of capacities,
- Reviewed approximately 300 interim and final reports, and
- Authorized disbursement of \$12.5 million (or 83%) of the funds \$15 million.

Since its inception, the City Fund's oversight has been expertly managed by the Department of Health and Human Services under three different Deputy Mayors and six staff changes. Each transition was seamless and did not

impede the work of the City Fund. The Foundation has received the necessary counsel and guidance regarding the District's priorities for grantmaking as outlined in the Grant Agreement and subsequent modifications.

In addition, I have worked closely with the following District Agencies:

- Department of Consumer and Regulatory Affairs
 - Small Business Resource Center
 - Corporations Division and
 - Business Licensing
- DC Trust
- District of Columbia Public Schools, Out of School Time Division
- Office of the Chief Financial Officer
- Office of Partnerships and Grant Services

These Agencies have been supportive in ensuring that prospective grantees are compliant with all District of Columbia business and tax requirements. The staff of these respective agencies represent the essence of public service at its finest. All requests have been handled with expediency and consummate professionalism. More importantly, each entity has identified ways to streamline processes without compromising the integrity of necessary information. The human capital of the District Government has successfully demonstrated its commitment and passion to work for and on behalf of District citizens.

As required by the Grant Agreement, The Community Foundation assembles an independent review committee for each grantmaking round. To date, 75 plus individuals have served on the City Fund Review Committee. These individuals represent donors of The Community Foundation, issue area content experts, capacity building experts, philanthropic and foundation professionals and laypeople. I am proud that the Review Committee is diverse and comprised of individuals who voluntarily serve on behalf of the District of Columbia and her residents. These individuals collectively bring a wealth of expertise to this process and understand the nuances that make the District of Columbia a first-class city. All reviewers are oriented on the process and must review and sign a Conflict of Interests and Confidentiality Agreement in addition to disclosing any affiliations as a board member, consultant, advisor, etc. with any of the applicants. We are fortunate that one-fourth of the individuals on the Review Committee have served for all five grantmaking rounds.

Overall, the Review Committee has reviewed:

- 750 applications,
- Generated over 1,900 reviews,
- Considered over \$65 million in funding requests, and
- Collectively deliberated for approximately 100 hours, equivalent to two full work weeks.

At this time, I am unable to give you an unbiased, third party evaluation on the success or merits of the City Fund. That work will formally launch after the last grant making round is underway. The last Request for Proposals is

scheduled for release this Monday, November 6th. The amount available for funding is \$1.5 million.

I can unequivocally affirm that:

- The public dollars of the City Fund have been spent on meeting the needs of District residents – violence prevention and public safety measures, healthcare, education, workforce development.
- The District of Columbia has a robust and dynamic nonprofit sector.
- The District’s nonprofits are committed and passionate about eradicating societal ills, empowering the least, the last and the lost and speaking on behalf of those without a voice.
- The City Fund has helped shift the mindset about competitive grant making.

I also draw these conclusions:

- We do need nimble grantmaking that allows us to respond to immediate and evolving needs related to life and human condition.
- We must continue to be transparent and accountable in our grantmaking practices and protocols.
 - What is the purpose of the funding opportunity?
 - Are there specific issues, populations and communities to be served?
 - What are the expected outcomes?
 - Are the performance metrics fair and equitable?

- Acknowledge that what we can scale is still a work in progress.
- More unrestricted and capacity building support is needed. City Fund grantees have well-defined programmatic activities that are meeting unique needs of the population and community/neighborhood served.
- We have to meet nonprofits where they are. Our nonprofits need some breathing room; an opportunity to reassess the landscape; recalibrate and retool their functionalities.
- There is room for improvement.
 - We can be more thoughtful in our grant making practices.
 - We do need to support smaller nonprofits and their respective leadership.
 - We need more targeted funding streams for specific populations: kids with special needs, the LBGTQ community, returning citizens, veterans and individuals with disabilities.
- We do need to listen more and talk less.

Thank you so much for the opportunity to speak on what is one of the most important experiences of my life.

Good morning Members of Council -

My name is Tonia Wellons and I am Vice President of Community Investment at the Greater Washington Community Foundation. The Community Foundation has administered The City Fund since inception. As we speak, we are preparing to release the RFP for the 6th and final round of this iteration of the City Fund and we will soon after move into the assessment and review phase of this Fund.

Our expectation over the next several months is to glean important lessons learned so that we can apply them to the re-authorized Fund and more generally to our grantmaking throughout the region.

My colleague, Manon Matchett, will share the details of how this fund was disbursed into the community. My reflections are brief and specific to the effective practices the City Fund offers:

1. The City Fund represents good practice in government-initiated grantmaking because It recognized the on-going need of the non-profit sector for general operating, capacity-building, and programmatic funding in order to support the broad range of needs and opportunities in communities; along with the needs of non-profits.
2. The fund was designed to be responsive, a-political, and substantive which is what the sector needs to function effectively. This is evidenced by the fact that City Fund was flexible enough to respond to city priorities across administrations. Grantmaking decisions involved a cross-representation of community leaders, academia, and professionals in philanthropy which exposed a good number of local residents to the grant-making process; and to the organizations who applied and were being reviewed. And finally, the grants were substantive – averaging from \$50k to \$100k, while most grants hover at the \$25k - \$50k range.
3. Good practice in grantmaking calls for larger multi-year grants so that non-profits can spend less time applying for funds and more time doing good work. The City Fund capacity-building grants have allowed for just that; and

increasing the annual allocation and the cap as proposed in the draft re-authorization can expand exponentially our ability to apply this approach.

4. The City Fund is a fantastic example of the City's leadership in the region. Since its launch nearly four years ago, neighboring municipalities have followed suit in creating government initiated funds, administered externally; and designed to be responsive to community need.
5. Just last year, Montgomery County recently launched the Children's Opportunity Fund for strategic grant-making focused on closing the achievement gap in public education. They are applying a similar review process; and built in flexibility to respond to urgent needs both programmatically and operationally.
6. A few years ago Prince George's County launched the Transforming Neighborhood Initiative Fund, which focused on building the capacity of smaller non-profits embedded in targeted communities.

While neither are exact replicas of The City Fund, both were designed based on our experiences with managing The City Fund; and likewise we're able to even further adapt City Fund practices to those we're gleaning from similar experiences.

I will close my remarks by noting that the Community Foundation ultimately seeks to build a more equitable region. We achieve this by galvanizing philanthropic resources and making them available to the community, especially where the need is the greatest. Supporting and strengthening the non-profit sector is central to achieving equity. This is an ambition that we share with the District and this partnership takes us closer to achieving this end.



DC VOLUNTEER
LAWYERS PROJECT



City Innovation Fund Re-Establishment Amendment Act of 2017 Hearing

November 1, 2017

Testimony of Jackie Love-Baker
Director of Development, DC Volunteer Lawyers Project

5335 Wisconsin Avenue, NW, Suite 440
Washington, DC 20015
Tel. (202) 885-5542
www.dcvlp.org

Good morning. My name is Jackie Love-Baker, and I am the Director of Development of the DC Volunteer Lawyers Project. Our mission is to recruit, train and support a network of volunteer lawyers to provide high-quality, *pro bono* legal services to low-income domestic violence victims and at-risk children in Washington, DC. We use an innovative and cost-effective volunteer lawyer model, which allows us to leverage a large network of hundreds of volunteer lawyers with a small number of experienced supervising attorneys. We provide our volunteer attorneys with everything they need to represent victims and children, including online and live specialized training, mentoring and in-court supervision by an experienced Supervising Attorney, an online pleadings library, professional liability insurance, and reimbursement for litigation costs. Using this model, DCVLP attorneys are able provide legal services to **hundreds of victims and children** each year from all wards of the city on a relatively modest budget while ensuring high-quality representation. In 2016, **225** volunteer lawyers provided over **15,000** hours of free legal help to our clients.

DCVLP received a **City Fund Capacity Building** grant in the fall of 2014 to implement a new case management system for our growing caseload of victims and at-risk children. Before 2014, we were using a cumbersome database that made it difficult and time-consuming to store client information, track cases and generate grant reports. With **City Fund's support**, we were able to transition our client and case information to Legal Server, which is a database specifically designed for legal service organizations. Switching to Legal Server has greatly improved the efficiency of our organization. We can now easily perform conflicts checks, track client and case data, and use the system to confidentially share important information about our clients, calendar court dates and store case files.

We also received support from the **City Fund Capacity Building Grant Program** to move our donor database from an excel spreadsheet to E-Tapestry, a donor database management system that provides comprehensive, up-to-date reporting, seamless website integration, analytics, heightened security and built-in payment processing. This cloud-based system provides staff with the ability to quickly, efficiently and securely access information at any time.

The **City Fund Capacity Building Grant Program** was very important to our organization, because while many foundations will fund our programs, few are willing to invest in critical infrastructure improvements. The investment from the **City Fund Capacity Building Grant**, greatly improved both the efficiency and sustainability of our organization. Since receiving the grant our revenue has increased from **\$1.1 million** in 2014 to **\$1.5 million** in 2017. We have also significantly increased the number of domestic violence victims and at-risk children we serve. In 2013, the year before we received the grant, we provided legal services to almost **400** low-income DC residents, and this year, we have provided services to almost **1,000**. Another aspect of the City Fund grant program that we greatly appreciated that was that the grant was spread over three years, which allowed us time to implement our new systems, adjust them as necessary, and train our staff on the new systems.

I thank the Committee for the opportunity to testify today and I hope that Council will continue to invest in capacity building for non-profits that are working diligently to improve the lives of low-income members of our community. I am available any time to answer any questions that this committee might have. Thank you.

Government of the District of Columbia
Office of the Deputy Mayor for Health and Human Services



Testimony of
Jay Melder
Chief of Staff

Public Hearing On

B22-0127, the *“City Innovation Fund Re-Establishment Amendment Act of 2017”*

Before the
Committee of the Whole
Council of the District of Columbia
The Honorable Phil Mendelson, Chairperson

John A. Wilson Building, Room 412
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Wednesday, November 1, 2017
9:30 A.M.

Good morning, Chairman Mendelson, councilmembers, Council staff, and members of the community. My name is Jay Melder, and I am the Chief of Staff of the Office of the Deputy Mayor for Health and Human Services (DMHHS). On behalf of Mayor Bowser and Deputy Mayor Chung, I am pleased to give testimony on Bill 22-0127, the “City Innovation Fund Re-Establishment Amendment Act of 2017.” I would first like to thank our partners, the Community Foundation for the National Capital Region, for their stewardship of the current fund, and express our gratitude to all of the organizations who have applied for grant support over the last three years.

DMHHS supports the intent of the fund—which is to provide support to nonprofit organizations in education, job training, health, services for seniors, arts, public safety, and the environment. However, we believe there are more effective, coordinated, and responsive ways to invest in non-profit programming and build vital non-profit provider capacity in the District.

Over the last several years, we have worked with our grant making partners to support innovation and capacity-building through this fund, which to date has awarded 215 grants totaling over \$12.5 million to 144 organizations, through five (5) grant rounds. And while we are proud of the work being done as a result of these grants, we have found that this fund—in its creation—lacks the flexibility to respond swiftly to emergent needs and target opportunities to sectors of the non-profit community who need these resources the most.

A barrier we have encountered time and again with the current fund is that, too often, the network of organizations who are most in need of capacity-building support are not able to access the fund dollars, because their organizational and financial narratives simply don't compete with those of established non-profits who are fluent in grant writing and the grant making process and who are resourced to compete. While this may seem like a reasonable

threshold to some, and the basic tenet of a competitive-based process, the truth is there are barriers inherent in the current and proposed fund that close the door on opportunities for many small, innovative, local non-profits—often operating in the most underserved areas of the District.

We see this issue most acutely in our work to build capacity among organizations doing violence interruption and violence disruption work in targeted Police Service Areas (PSAs). The ability to go into communities and start dialogue with people at immediate risk of being the victim or instigator of violence, and mediate, engage, and direct them toward truces, services, and resources that will lessen criminogenic activity is key to the success of empowering people at risk of violence, saving lives, and reducing violent crime.

The organizations doing this work are too few, and their ability to respond successfully to traditional grant-making processes is limited. We see this as an area where government funded endeavors should work to level the playing field. Which is why, over the last several rounds of grant-making, we have worked diligently with our terrific partners at the Community Foundation to refine the approach and process to make grants more accessible for these types of organizations. We have also provided technical assistance in the form of grant writing seminars and organizational capacity building to help organizations develop more competitive proposals. Still, while there have been some successes, we continue to see certain types of organizations fall below the funding line.

What concerns us, is the pattern of failure that this current fund—as established—creates for organizations who may have less sophisticated business development resources and, as a result of under investment in the field, stymies growth within non-profit sectors that need it the most.

This is not to say that the organizations that are predictably more successful in securing philanthropic and grant funding should not have an opportunity to compete for government resources. Of course not. The organizations and projects funded to date are, on-whole, worthy of support, have contributed positively to our community, and we are proud of and thankful for the work they do. We are also very fortunate to have so many established non-profits who are able to secure grant funding from all number of funding sources. As a government, we should support these long-standing organizations to continue to evolve their education, health and human services programming to align with evidence-based and promising practices, and better compete for direct agency funding.

To us, fostering capacity and growth in non-profit sectors where capacity and growth are the hardest to achieve, or that provide essential non-profit services that are coordinated, should be the purpose—and utility—of any set aside of government funds aimed at supporting non-profit programming and capacity-building. Maintaining a reliable revenue opportunity for grant makers and established non-profits—like what the City Innovation Fund proposes—is a fine endeavor, if that is the goal of Council. However, we think there are more effective and meaningful ways to invest in our non-profit partners and achieve greater results. In lieu of reauthorizing the City Innovation Fund, we suggest Council support activities that invest in the growth and innovation of the non-profit sector, provide critical resources and services to residents, and better target public resources to emergent or entrenched issues and underserved areas. Here a just a few existing opportunities for continued non-profit sector support that align with the goals of the City Innovation Fund:

- **The Office of Neighborhood Safety and Engagement.** This office was launched last week by Mayor Bowser, along with councilmembers McDuffie and Allen, with the mission to foster a community-oriented model to violence prevention and public safety.

Our violence prevention strategy is rooted in a public health approach, recognizing that reducing crime is not accomplished solely through law enforcement. Continued investments in Safer Stronger DC strategies, performed by local non-profit organizations, like violence interruption and credible messengering is key to the success of this work.

- **The Out of School Time Program:** Recently, the Deputy Mayor for Education, Jennie Niles launched the Office of Out of School Time Grants and Youth Outcomes. This is an example of a process where the District joins a grant making partner to provide critical and coordinated services, in this case ensuring more than 33,400 young people who attend subsidized out-of-school time programs across the District of Columbia have access to high-quality learning opportunities outside of the normal school day.
- **DOES Innovation Grants:** The Department of Employment Services (DOES) Innovation Grants help In-School Youth ages 14-24 to acquire training in high-demand fields that will lead to business creation, postsecondary education, and employment. Innovation grantees train WIOA eligible youth, who can either earn a job credential, business license, or meaningful employment.
- **Commission on Arts and Humanities (CAH) Capacity-Building and Program Development Grants:** CAH currently offers annual grant programs aimed at capacity-building and program development, ranging from grants that provide organizations with intensive technical assistance through consulting and funding for core administrative systems, leadership development, and operating reserves, to grants that help improve physical spaces and support specific art programming.
- **The Department of Energy and the Environment** support a myriad of environmental grant opportunities from stormwater management efforts, like providing startup funding for community-oriented projects; to environmental education programming; to green infrastructure training, wildlife rehabilitation, and clean energy.
- **Direct Agency Funding Opportunities:** Finally, I want to recognize that much of the work that we do as a government is performed by non-profit partners. From youth homelessness services, to mental and behavioral health care, workforce development, to

services to seniors—we rely on the effectiveness, expertise, and innovation of non-profit partners. It's when we are able to direct resources in coordinated strategic ways, that we can make progress faster and more efficiently.

Thank you Chairman Mendelson for the opportunity to testify today, and am happy to answer any questions the committee may have.

Part W. Innovation Fund.

§ 1-325.221. Definitions.

§ 1-325.222. Innovation Fund.

§ 1-325.223. Required information before approval.

§ 1-325.224. Reporting requirements.

§ 1-325.225. Authorization for grant-managing entity.

§ 1-325.226. Limitation on duplicative projects.

§ 1-325.221. Definitions.

For the purposes of this part, the term:

(1) “Fund” means the Innovation Fund established in § 1-325.222.

(2) “Grant-managing entity” means the Greater Washington Community Foundation ~~for the National Capital Region pursuant to § 1-325.225.~~

§ 1-325.222. Innovation Fund.

(a) There is established an City Innovation Fund (“Fund”) to provide subgrants to nonprofit organizations in education, job training, health, services for seniors, arts, public safety, and the environment.

(b) The Mayor shall make a grant to a single grant-managing entity of which at least 94% shall be used to make subgrants for the purpose of promoting a growing economy, educational improvement, increasing sustainability, and improving the quality of life for all residents. The remaining 6% shall be utilized for administrative expenses and evaluation of the Fund.

(c) The Fund is designed to provide subgrants to nonprofits in education, job training, health, services for seniors, arts, public safety, and the environment. The funds shall be available for conveyance to a single grant-managing entity for the purposes identified in subsection (b) of this section.

(d) Subgrants shall be awarded, subject to the availability of funding, as follows:

(1) All subgrants shall be awarded on a competitive basis;

(2) The subgrants shall not exceed ~~\$100,000~~ \$200,000 per year;

(3) Capacity-building subgrants are one-time and can be carried over for a maximum of 3 years;

(4) Program-development subgrants are limited to a maximum of 3 years and contingent on first-year grant outcomes;

(5) The subgrant funds shall be used exclusively to serve District of Columbia residents;

(6) Independent review panels shall be used as part of the subgrant selection process; and

(7) All subgrants shall be subject to District transparency requirements, such as Freedom of Information Act requests.

(e) The Fund shall be administered pursuant to the requirements set forth in part B of subchapter XII-A of this chapter [§ 1-328.11 et seq.].

(f) The City Innovation Fund shall be overseen by the Deputy Mayor for Health and Human Services, provided that the Chief Financial Officer shall assign an individual agency-level code for the City Innovation Fund in the District's financial system.

(g) The budget of the City Innovation Fund shall be \$15 million annually, subject to annual appropriations through the budget process.

§ 1-325.223. Required information before approval.

(a) To be eligible to receive a subgrant from the grant-managing entity pursuant to § 1-325.222, a subgrantee shall submit the following required documentation to the grant-managing entity as well as any additional information required by the grant-managing entity:

(1) Internal Revenue Service certification that the organization is tax-exempt under section 501(c)(3) of the Internal Revenue Code of 1986, approved August 16, 1954 (68A Stat. 163; 26 U.S.C. § 501(c)(3));

(2)(A) The organization's most recent financial audit, not more than 2 years old;
or

(B) A recent financial statement, not more than one year old, prepared by a certified accountant that shows that the organization is in good financial standing and which delineates its:

(i) Existing assets and liabilities;

(ii) Pending lawsuits, if any; and

(iii) Pending and final judgments, if any;

(3) Internal Revenue Service Form 990 covering the organization's most recently completed fiscal year;

(4) A notarized statement from the subgrantee certifying that:

(A) The organization is current on District and federal taxes;

(B) The grant-managing entity is authorized to verify the organization's tax status with the Office of Tax and Revenue and the Office of Tax and Revenue is authorized to release this information to the grant-managing entity;

(C) The grant-managing entity shall have access to the financial, administrative, and operational records, including specific consent for the grant-managing entity to access its books, accounts, records, findings, and documents related to the subgrant; and

(D) The subgrantee is registered with the Department of Consumer and Regulatory Affairs; and

(5) A comprehensive program statement that includes a detailed:

(A) Scope of work; and

(B) Budget that describes how the subgrant funds shall be spent.

§ 1-325.224. Reporting requirements.

Beginning January 2, 2015, the grant-managing entity shall submit an annual report to the Mayor and the Council of all District funds allocated, which includes:

(1) Detailed subgrantee data;

(2) Performance measures and performance outcomes under each subgrant;

(3) The specific services provided under each subgrant;

(4) The entity providing the services, if one other than the subgrantee;

(5) The time period of delivery of the services;

(6) The type of service provided;

(7) The actual amount paid for the services; and

(8) The amount of other expenditures under the subgrant, if any.

§ 1-325.225. Authorization for grant-managing entity.

~~For fiscal years 2014, 2015, and 2016, the Community Foundation for the National Capital Region ("Community Foundation") is designated as the grant-managing entity.~~

The ~~Community Foundation~~ grant-managing entity shall be required to enter into a Memorandum of Understanding (“MOU”) with the District of Columbia government. The MOU shall set forth certain administrative requirements for the ~~Community Foundation~~ grant-managing entity to abide by when it obtains District funds and awards subgrants involving District funds, and will clarify and reaffirm the ~~Community Foundation~~ grant-managing entity’s responsibility and obligation with respect to District funds, including the monitoring of the use of District funds.

§ 1-325.226. Limitation on duplicative projects.

(a) The grant-managing entity shall take steps to avoid awarding subgrants to a nonprofit that has been awarded or is being awarded funds from the ~~DC Children and Youth Investment Trust Corporation (“Trust”)~~ Office of Out of School Time Grants and Youth Outcomes (“Office”) for the same or similar program purposes for which it is applying for funding from the Fund.

(b) Within 30 days after the effective date of the MOU, the grant-managing entity shall provide to the Mayor, or his or her designee, and the Council, a plan that sets forth procedures for avoiding the award of duplicative funds from the ~~Trust~~ Office and the Fund.

1 **DRAFT COMMITTEE PRINT**
2 **Committee of the Whole**
3 **November 21, 2017**

4
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6 A BILL

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9 Bill 22-127

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12 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA
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14 _____
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16
17 To amend the Innovation Fund Establishment Act of 2013 to rename the Innovation Fund the
18 City Innovation Fund, to specify the grant-managing entity for the Fund, to raise the
19 maximum subgrant amount, to specify the agency to oversee the Fund, and to specify
20 funding subject to the appropriations process.
21

22 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
23 act may be cited as the “City Innovation Fund Re-Establishment Amendment Act of 2017”.

24 Sec. 2. The Innovation Fund Establishment, effective December 24, 2013 (D.C. Law 20-
25 61; D.C. Official Code § 1-325.221 *et seq.*), is amended as follows:

26 (a) Section 1012 (D.C. Official Code § 1-325.221) is amended as follows:

27 (1) Paragraph (1) is amended by striking the phrase “Innovation Fund” and
28 inserting the phrase “City Innovation Fund” in its place.

29 (2) Paragraph (2) is amended by striking the phrase “Community Foundation for
30 the National Capital Region pursuant to section 1016” and inserting the phrase “Greater
31 Washington Community Foundation” in its place.

32 (b) Section 1013 (D.C. Official Code § 1-325.222) is amended as follows:

33 (1) Subsection (a) is amended by striking the phrase “an Innovation” and inserting
34 the phrase “a City Innovation” in its place.

35 (2) Subsection (d)(2) is amended by striking the phrase “\$100,000” and inserting
36 the phrase “\$200,000” in its place.

37 (3) New subsections (f) and (g) are added to read as follows:

38 “(f) The City Innovation Fund shall be overseen by the Deputy Mayor for Health and
39 Human Services, provided that the Chief Financial Officer shall assign an individual agency-
40 level code for the City Innovation Fund in the District’s financial system.

41 “(g) The budget of the City Innovation Fund shall be \$15 million annually, subject to
42 annual appropriations through the budget process.”

43 (c) Section 1016 (D.C. Official Code § 1-325.225) is amended to read as follows:

44 “The grant-managing entity shall be required to enter into a Memorandum of
45 Understanding (“MOU”) with the District of Columbia government. The MOU shall set forth
46 certain administrative requirements for the grant-managing entity to abide by when it obtains
47 District funds and awards subgrants involving District funds, and will clarify and reaffirm the
48 grant-managing entity’s responsibility and obligation with respect to District funds, including the
49 monitoring of the use of District funds.”

50 (d) Section 1017 (D.C. Official Code § 1-325.226) is amended as follows:

51 (1) Subsection (a) is amended by striking the phrase “DC Children and Youth
52 Investment Trust Corporation (“Trust”)” and inserting the phrase “Office of Out of School Time
53 Grants and Youth Outcomes (“Office”)” in its place.

54 (2) Subsection (b) is amended by striking the word “Trust” and inserting the word
55 “Office” in its place.

56 Sec. 3. Fiscal impact statement.

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

60 Sec. 4. Effective date.

61 This act shall take effect following approval by the Mayor (or in the event of veto by the
62 mayor, action by the Council to override the veto), a 30-day period of Congressional review as
63 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
64 24, 1973, (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
65 Columbia Register.