

Discretionary Funding Policies and Procedures

New York City Council

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City Council Discretionary Funding

POLICIES AND PROCEDURES

Preface

Each year, Members of the Council allocate discretionary funds to not-for-profit organizations in order to meet local needs and fill gaps in City agency services. Thus, discretionary spending is a critical tool in meeting needs in our communities.

As with all taxpayer funds, the public deserves to know that discretionary funds are going to organizations with the capacity and integrity to provide quality services. The City Council has instituted a comprehensive set of measures to improve transparency and accountability in the use of discretionary funding including:

- publishing a complete list of organizations receiving discretionary funds, including the amount, the sponsoring Member or Members, and a brief description of how the funds are to be used;
- working in conjunction with the Mayor's Office of Contract Services (MOCS) and City agencies, a thorough vetting process is in place to review each organization allocated discretionary funds to assess integrity, compliance, and a track record in providing the services for which they have been selected to provide; and
- ensuring that recipient organizations and Members comply with the specific set of rules and guidelines that govern discretionary funds which the City's Conflicts of Interest Board (COIB) clarified at the Council's request. All organizations receiving funds are subject to these rules, and Council Members provide signed conflicts of interest disclosure forms with each vote approving funding.

This guide outlines the discretionary funding policies and procedures of the New York City Council. It is for use by not-for-profit organizations seeking Council discretionary funds, Member offices, and the public.

We tremendously value community partners and the important work accomplished in the constituencies. Thank you for working with us and our partners in government to implement measures critical to ensuring the future of the services you provide.

Speaker

Adrienne Adams

1. What is Discretionary Funding?

Discretionary funding is a duly appropriated sum of money in the City's expense budget allocated to an eligible not-for-profit organization by the Council or a Member of the Council under section 1-02(e) of the rules of the Procurement Policy Board (PPB).

PPB Rule 1-02(e) allows certain elected officials including Council Members and Borough Presidents (but not the Mayor or City agencies) to designate specific not-for-profit organizations to receive funding as an alternative to funding programs through the competitive procurement process.

Unlike competitively awarded agency contracts, discretionary funding contracts are awarded for a single fiscal year.

Types of Discretionary Funding

There are several categories of discretionary funding used by the City Council, each serving different purposes. The following categories have developed through Council practice over the years, and are subject to change in the future.

Member Local Initiatives: Each Member of the Council receives an annual amount to meet local needs in the Member's district, known as "*local initiatives*." Borough Delegations also allocate funding. Various factors including local needs, the Member's request, and other considerations determine the amount. Uses of local initiative funding are not limited to any particular purpose or agency, except as otherwise restricted by Council policy, PPB rules, and applicable law.

City Council Local Initiatives: Organizations may apply for funding directly to the Speaker, or Members may request that the Speaker fund an organization whose scope of services exceeds their individual ability to fund or which serves a larger geographical area. This is often referred to as the "Speaker's list."

Member Aging Discretionary Funds: Each Member receives an annual amount to fund senior services in his or her district through the Department for the Aging.

Member Youth Discretionary Funds: Each Member receives an annual amount for the provision of services for youth or community development through the Department of Youth and Community Development.¹

Anti-Poverty Initiative:

Council Members receive additional discretionary funding based on the number of people in their districts below the Federal Poverty Line; compiled by the American Community Survey (ACS). ACS is a continuous survey that individuals respond to throughout the year. Poverty

¹ For youth programs, services may only be provided outside of school hours. In-school programming must be funded through the Department of Education, with the agreement and consent of the principal(s) of the school(s) where services will be provided.

statistics presented in ACS reports and tables adhere to the standards specified by the Office of Management and Budget (OMB). Based on these figures, Council Members will receive additional funds ranging from \$25,000 (Lowest Poverty Figures) to \$100,000 (Highest Poverty Figures) in \$25,000 increments.

Member Community Safety & Victim Services Initiative: Council Members receive an annual amount to provide programming and services that promote community/public safety and awareness, along with community fellowship, civic engagement and improved relations between law enforcement and the neighborhood.

Citywide Initiatives: To extend the reach of agency programs to underserved communities or populations, the Council may also initiate programs for addressing community needs that it feels are lacking in existing agency programming. In most cases, the Council will provide funding to specific not-for-profit providers. While these initiatives are usually citywide in scope, they may focus on high-need communities or populations. The method of allocating funding varies by initiative and is at the discretion of the Council.

Council Reporting on Discretionary Funds

Allocations of Council discretionary funding are disclosed at budget adoption. Periodic updates occur to reflect any changes to the adopted budget.

Schedule C

At budget adoption for the upcoming fiscal year, the City Council Finance Division prepares a supporting schedule (Schedule C); detailing the changes made to the Mayor's Executive Budget by the Council's allocation of discretionary funds.² Schedule C lists all the discretionary funding designations made at the time of adoption, including, a short description of initiative programmatic goals.

Transparency Resolutions

Some initiatives are funded in the Adopted Budget, but specific designations of not-for-profit providers are made later in the year. New designations, alterations and/or corrections occur via Transparency Resolutions. The Finance Committee approves Transparency Resolutions, on which the entire Council votes. All new designations and changes to previous designations including changes to the purpose or amount of funding must be approved in a Transparency Resolution before such change can take effect.

² The document is referred to as "Schedule C" because the Mayor's Office of Management and Budget prints two supporting schedules (A and B) that respectively detail the changes to the budget between the Executive Budget and the Adopted Budget by agency and unit of appropriation. These schedules reflect the changes set forth in Schedule C, as well as negotiated adjustments to the budget and other technical adjustments made by the Administration.

Expense Budget Modifications

The New York City Charter (the Charter) requires an Expense Budget Modification in order to make certain mid-year changes to the Adopted Budget midyear. Pursuant to section 107(b) of the Charter, an Expense Budget Modification is required when funding is: 1) transferred between agencies; or 2) when funding within a unit of appropriation is increased or decreased by more than five percent or fifty thousand dollars, whichever is greater. These modifications are submitted by the Mayor to the Council, after which the Council has thirty days from receipt of the modification to disapprove it. When the Council makes or changes designations in a Transparency Resolution that requires shifting/moving funding, described in one of the above-listed categories, such funding shift cannot take effect until Council approval via an Expense Budget Modification.

On-line Database

A database on the Council's website makes it convenient to search for information on discretionary funding allocations. Periodic updates of information in the online database will reflect any changes and/or additions made by approved Transparency Resolutions (note that the database may not be updated immediately). The Council database is available at <http://council.nyc.gov/html/budget/database.shtml>.

Council clearances **do not** reflect clearances made by MOCS.

What Types of Organizations May Receive Discretionary Funds?

Discretionary funding is allocated only to not-for-profit, community-based social service providers. Eligibility criteria include an organization being incorporated as a not-for-profit, having a current registration with the New York State Attorney General's Charities Bureau (unless exempt), and having a valid Federal Employer Identification Number (EIN).

There are numerous types and categories of not-for-profits as defined by the IRS. The most common recipients of discretionary funding are 501(c)(3) organizations; however War Veterans' Organizations for example are a 501(c)(19), Civic Leagues and Social Welfare Organizations are 501(c)(4), and Horticulture Associations are 501(c)(5).

Subcontractors and Consultants

An organization receiving discretionary funding must itself deliver the funded services. Subcontractors or consultants may not be the primary service providers for programs funded by discretionary awards. In limited circumstances, the Council may permit an organization to utilize the services of subcontractors or consultants as an ancillary/supplemental part of the delivery of services. In those instances, subcontractors and consultants must be approved by the contracting agency prior to any work commencing. Payments made to subcontractors and consultants prior to receiving the contracting agency's approval may be deemed impermissible by the agency and in that case shall not be reimbursed. Subcontractors and consultants are not required to submit an application for Council discretionary funds; however, they are subject to conflict of interest disclosure requirements (see section 4, Conflicts of Interest).

What Types of Organizations May Not Receive Discretionary Funds?

For-profit entities may not receive discretionary funds, except when the primary not-for-profit contractor subcontracts or consults with a for-profit entity as part of the delivery of services. Such subcontracts and consultants must be only an ancillary part of the funded program funded and not the primary basis for the discretionary award.

2. Applying for Discretionary Funding

This section provides an overview of the steps involved in applying for discretionary funds. Since Fiscal Year 2013 (calendar year 2012), all applications must be submitted online via the Council's website. The application process opens annually in early January and closes in late February. (Fiscal years begin on July 1 and end on June 30).

Who Must Apply?

All organizations wishing to receive any one of the seven types of discretionary funding, described above in Section 1, must submit a Council Discretionary Funding Application, including supporting documentation. The application solicits information about an organization's experience, qualifications, and integrity, and the project or service for which the organization is requesting support. The Council's website will provide information on the schedule for submitting applications.

Application for Pre-Qualification

PASSPort System – (Procurement And Sourcing Solutions Portal)

In Fiscal Year 2021, MOCS released the City's new digital Procurement and Sourcing Solutions Portal. **ALL** organizations receiving City Council funding must create and register an account at the link below. Under this new system, the Council's awards are combined accordingly and put into contracts. The contracts will then be managed electronically by both the agency and the organization through an online dashboard.

For more details please visit:

<https://www1.nyc.gov/site/mocs/systems/about-go-to-passport.page>

New York City Council Vetting

All organizations must demonstrate eligibility and integrity in order to receive discretionary funding. The Council has an extensive vetting process that includes, but is not limited, to the following:

- Not-For-Profit Business Records Searches; and
 - News article searches; and
 - Potential conflicts of interest; and
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- Tax Warrant database searches; and
- Status as a not-for-profit entity; and
- Compliance with State Charity registration requirements or certification that the organization is exempt from the registration requirements; and
- Active Federal Employer Identification Number (EIN) from the IRS; and
- Current IRS tax exempt status; and
- Past evaluations of contract performance by funders; and
- Review of Use of Funds and Public Purpose.

Department of Cultural Affairs Funding

Not-for-Profit cultural organizations that wish to receive funding/be contracted through DCLA must also submit an application to DCLA's Cultural Development Fund (CDF) (see www.nyc.gov/dcla for details, application period, and the application form). Organizations that DCLA finds eligible for a CDF award may receive discretionary funding/contract through DCLA. (Note that an organization does not actually receive an award via CDF. The CDF only confirms that the entity meets eligibility requirements.) Cultural organizations that do not submit a CDF application may receive funding/contract through another agency using the process described in this guide.

3. Restrictions on the Use of Discretionary Funds

The Council has imposed certain restrictions on the awarding and use of discretionary funds, described below.

Public Purpose

All public funds, however awarded, must have a public purpose. In general, a public purpose is defined as an activity or service that is open to all members of the public, regardless of race, creed, gender, sexual orientation, religious affiliation, etc., without restriction, and that does not promote a particular religion. Allocated funds are only for a public purpose and may not support political activities (including but not limited to lobbying, campaigns or endorsements) and/or private interests. The New York City Council's Office of Compliance reviews all applications to ensure funded organizations meet public purpose and other criteria.

Programs and services provided by religious or religiously affiliated organizations (such as a parochial school) must be able to demonstrate that the program is open to non-members, is not a religious program, and does not promote the religion.

Closed membership groups those to which membership is restricted or subject to eligibility based upon prohibited factors may generally not receive funding. Groups that serve a particular

population for example, youth aged 12 to 16 in a particular community are not considered closed membership groups, as long as the program is open and accessible to all youth within that age bracket in the community. Similarly, tenant organizations in public housing may also receive funding, as long as they provide equal access to all residents of the public housing units they serve.

Fees:

All programs and services should be free and open to the public. An organization that is allocated discretionary funds may not charge fees or payments as a condition of program participation. Should an organization deem it necessary to charge a fee for its program or service, that fee cannot be at a rate that would impede or discourage participation by members of the community. Organizations may also need to seek and obtain a waiver from the contracting agency.

Newly Created Organizations

Certain restrictions apply to organizations that are newly formed or incorporated within the last two years. Organizations whose legal existence began within the last two fiscal years may not receive funding in excess of \$20,000 total (and no more than \$10,000 from a single member/source). This restriction may be waived under certain circumstances, such as an organization that has been in existence as a subsidiary to another organization and has become an independent entity. All exceptions will be considered on a case-by-case basis.

All newly created organizations must submit a Council Supplementary Application form and a Federal Employer Identification Number issuance letter from the IRS.

***New to New York City Council Organizations
(Organizations That Have Not Previously or Recently Received Council Discretionary Funding)***

Organizations that have not received discretionary funding from the Council within the last three fiscal years may not receive funding in excess of \$50,000 total (and no more than \$25,000 from a single member/source). This restriction may be waived in exceptional circumstances. All exceptions will be determined on a case-by-case basis.

4. Conflicts of Interest

To prevent abuse or misuse of the Council's discretionary funding authority, strict rules govern conflicts of interest between Members, their staffs, families, and associates, and organizations receiving discretionary funds.

The specific rules governing conflicts of interest are in Conflicts of Interest Board (COIB) Opinion no. 2009-2, available at:

http://archive.citylaw.org/coib/AO/arch%202009/AO2009_2_Council_discretionary_funding.pdf.

The following are general guidelines. Please direct questions regarding the application of conflicts rules to specific cases to the Council's Office of the General Counsel or to COIB.

- Council Members are prohibited from sponsoring discretionary funding for an organization at which the Member serves as an employee, officer, or board member (except *ex officio*).
- Council Members may sponsor funding for an organization where an “associated” person (a family member or other person with whom the Member has a financial or business relationship) is an officer or employee so long as the associated person will not benefit, or appear to benefit, from the funding.
- At the time of voting, Members are required to disclose on the record any potential conflicts of interest with organizations funded by other members.
- Organizations are required to disclose any potential conflicts of interest on their annual discretionary funding application.

Every organization receiving discretionary funding is required to file a disclosure form identifying any relationships between its board or employees and elected officials. All organizations must submit a conflict of interest disclosure form annually, regardless of their pre-qualification status. Applications are not approved without a completed conflict of interest form.

Any conflicts must be reported immediately to the Council’s Office of the General Counsel.

Subcontractors

Subcontractors and consultants (including independent contractors) of funded organizations are also subject to conflicts of interest rules. During the contracting process, organizations will be asked to provide a list of subcontractors and consultants to the contracting agency, accompanied by conflicts of interest disclosure forms completed by the subcontractors and consultants. Subcontractors and consultants are subject to the same restrictions as primary contractors.

5. Contracting

No organization may receive discretionary funding from the Council, and the relevant agency will not begin the contracting process, until the organization has been designated funds in Schedule C or in a Transparency Resolution approved by the whole Council. Such designation must include the organization’s legal name, EIN, sponsoring member (if applicable), amount, purpose, and contracting agency.

In addition, before agencies are authorized to process a discretionary funds contract with an

organization, it must appear on the list of cleared organizations maintained and distributed to agencies by MOCS.³ MOCS periodically updates the “cleared list” of organizations that have met the requirements of: (i) prequalification in PASSport; (ii) submission of a Doing Business Data Form; (iii) a valid Capacity Building Training Certificate (if applicable); and (iv) confirmation of City Council vetting. Funded organizations may track the clearance status of their award on the MOCS website at:

<https://www1.nyc.gov/site/mocs/partners/discretionary-award-tracker.page>

All discretionary awards are contracted through City agencies, and are subject to the same procedures and must adhere to the requirements of a standard agency contract. Agency procedures may differ in specifics, but in general, all organizations receiving discretionary awards will be required to submit a detailed scope of services, a budget, and other required documentation to the Agency before contract finalization.

Please note community based organizations must carry the appropriate type(s) and level of insurance required by all applicable federal, state and local laws, rules, or regulations for the entity and its program and/or service. Insurance obligations cannot be waived and are part of the contracting agency’s qualification procedure.

All requirements must be met to the agency’s satisfaction, and no Council Member, officer or official of the Council may waive any requirement set by the Agency that is a normal and standard part of the Agency’s contracting process. In almost all instances, no contract funds are released until services have been; or have begun to be delivered. Agencies typically require verifiable documentation of expenses before payment.

In sum, recipient organizations need to complete the following steps before disbursement of funds the Council awarded:

- 1) City Council designation;
- 2) City Council vetting and clearance;
- 3) PASSport registration and/or DCLA approval;
- 4) MOCS clearance;
- 5) Executed contract with a City agency or grant with DCLA, and
- 6) Registration by the Comptroller.

Upon discretionary award approval, as part of the budget process, posting in Schedule C or a subsequent transparency resolution, Council Members are prohibited from controlling the expenditure of discretionary funds allocated to organizations. Council Members and their staff

³ The Council’s Finance Division provides MOCS with a list of approved organizations, which is then incorporated into the list MOCS provides to contracting agencies, which includes both the organizations pre-qualified by MOCS and those cleared by the Council. No approvals made by the Council are communicated directly to Agencies.

may not be involved in planning the details of how an organization will implement services or in procuring or paying the organization's vendors. Organizations should contact Francesca DellaVecchia, Director of Compliance Investigations at fdellavecchia@council.nyc.gov or Pearl Moore, Chief Ethics and Compliance Counsel at PMoore@council.nyc.gov if a Council Member or his/her staff instructs or makes recommendations on how or where to use discretionary funds.

Please note that the Council reserves the right to increase, decrease or rescind funding at any time before an organization enters into a valid contract with the City.

Changes to Contracts

Any change in the purpose or scope of services from that described in the organization's application for funding and reported in Schedule C or a prior Transparency Resolution must be made in a later Transparency Resolution. Agencies will not process contracts where the scope of services or purpose of funds submitted by the funded organization appears to differ from the published and approved purpose.

6. Training

Certain organizations receiving discretionary funding are subject to a training requirement. The training covers topics relevant to not-for-profits receiving City funds, including legal compliance, board development, internal controls and contract management. Trainings are conducted in person three times a year and are available online daily.

MOCS will notify any funded organization that is subject to the training requirement. Generally, organizations subject to the training requirement are those that receive more than \$10,000 in discretionary funds, but have entered into contracts with City agencies with a total value of less than \$1 million.

The training must be completed by an officer or executive or Board Member of the funded organization. More than one employee of the organization may take the training, subject to space availability.

Upon completion of the training, a certificate is issued to each participant. This certificate is good for three fiscal years, following the year in which the training is completed. The certification is conferred on the person completing the training, not the organization. Thus, if an organization has only one certified employee and that person leaves the organization's employ, the organization must send a new employee to be trained in order to receive designated funds for that fiscal year. (Similarly, if the departing certified employee joins a new organization that is subject to the training requirement, the certification accompanies that person and the organization is deemed to have fulfilled the training requirement for the duration of the certification, as long as the certified employee remains at the organization.)

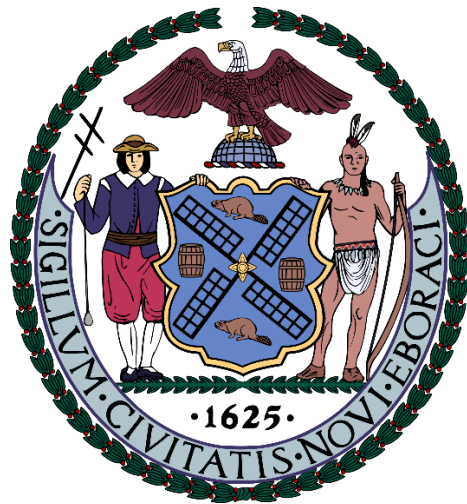
Upon the expiration of the certification, re-certification will be possible in person or online. Organizations should maintain active certification to avoid delays in registration. MOCS will contact organizations whose certification is due to expire to conduct re-certification training.

Under certain limited circumstances, an organization may request a waiver from the training requirement. Each such request will be reviewed on a case-by-case basis. Generally, an organization with more than \$10 million in annual revenues that provides regular training to its senior staff and board in the areas of legal compliance, board development and internal controls may apply for an exemption from the training requirement.

7. Prohibitions

As indicated in the preceding sections all types of community based organizations are encouraged to apply for discretionary funding. However it must be noted that there are areas of non-profit contracting and funding requests that are prohibited. For example any organization that requires the use of a fiscal conduit or fiscal sponsorship may NOT receive discretionary funds. The City Council does NOT allow the use of fiscal conduits or sponsorships.

Each organization must have the capacity and ability to administer its own contract and scope of services; including maintaining its own FEIN, providing the service itself, and having the technical ability to handle the administrative aspects of the contract.



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